

Asda Income Tracker

Report: August 2020

Released: September 2020



Making Business Sense

Centre for Economics and
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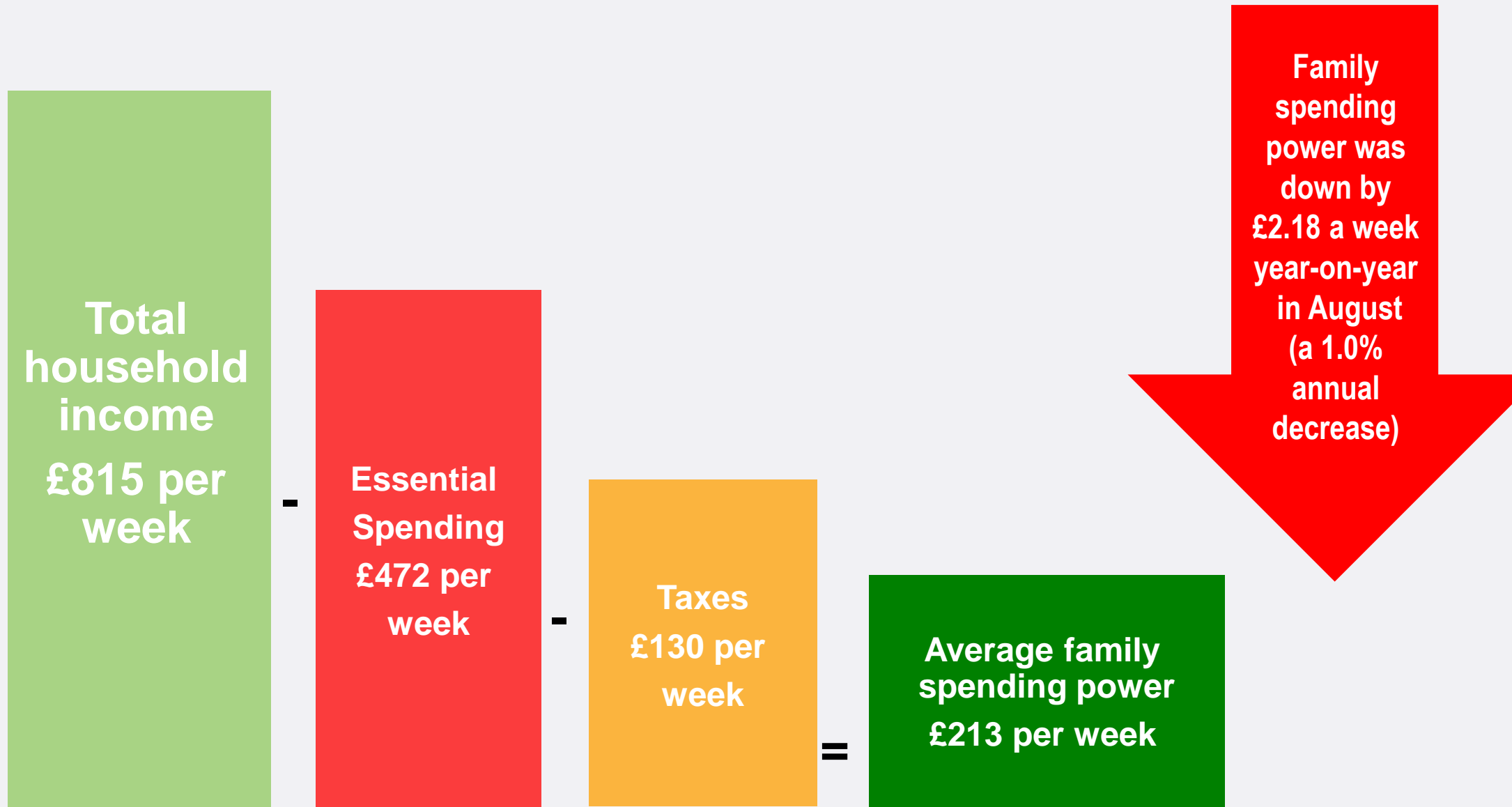
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Asda Income Tracker – Key Figures



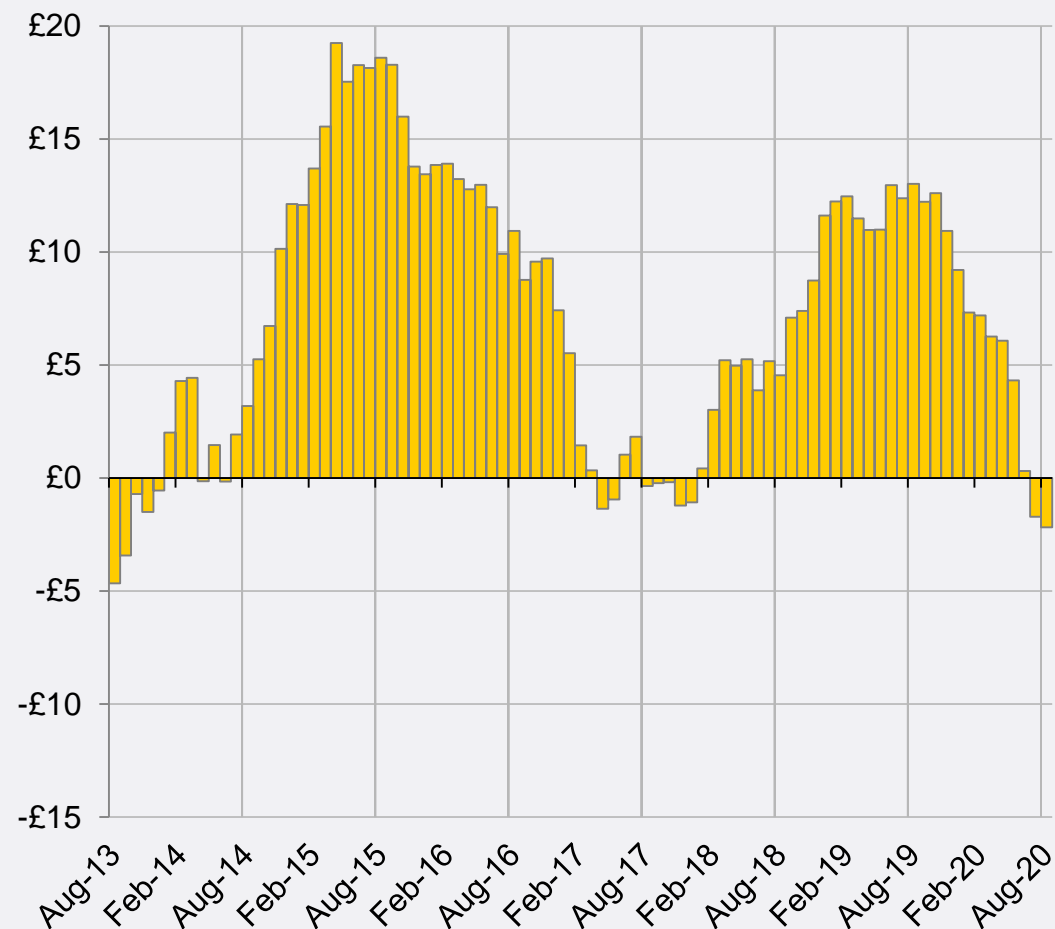
NB: Due to the unprecedented effects of the coronavirus crisis on the UK economy, this month's Income Tracker figures are subject to a greater degree of uncertainty than usual. While we have used the latest data available to estimate the impacts of the crisis on incomes and expenditures in the reporting month, the Income Tracker figures will be subject to revisions as further official data are released over the coming weeks.

Households felt the pinch with falling spending power in August

The Asda Income Tracker was £2.18 a week lower in August 2020 than a year before

- Family spending power suffered a year-on-year fall of 1.0% in August.
- Households are by no means isolated from the economic downturn. Incomes have been subject to fragility in recent months. Indeed, wages have now fallen every month since March in terms of real total pay.
- Considerable labour market weakness is now manifesting in official data releases. Estimates for the number of individuals on PAYE payrolls point to a fall of 695,000 between March and August. With the furlough scheme set to end within the next six weeks, further losses are anticipated.
- The end of the scheme need not only be a concern for those still on furlough. The spike in job losses is set to bring about a macroeconomic environment more typical of a recession, including weakened spending and consumer confidence levels. Insofar as this stifles the economic recovery, this could well feed back into further weakness in household discretionary income, even for those remaining in employment.

Year-on-year change in Asda Income Tracker, £



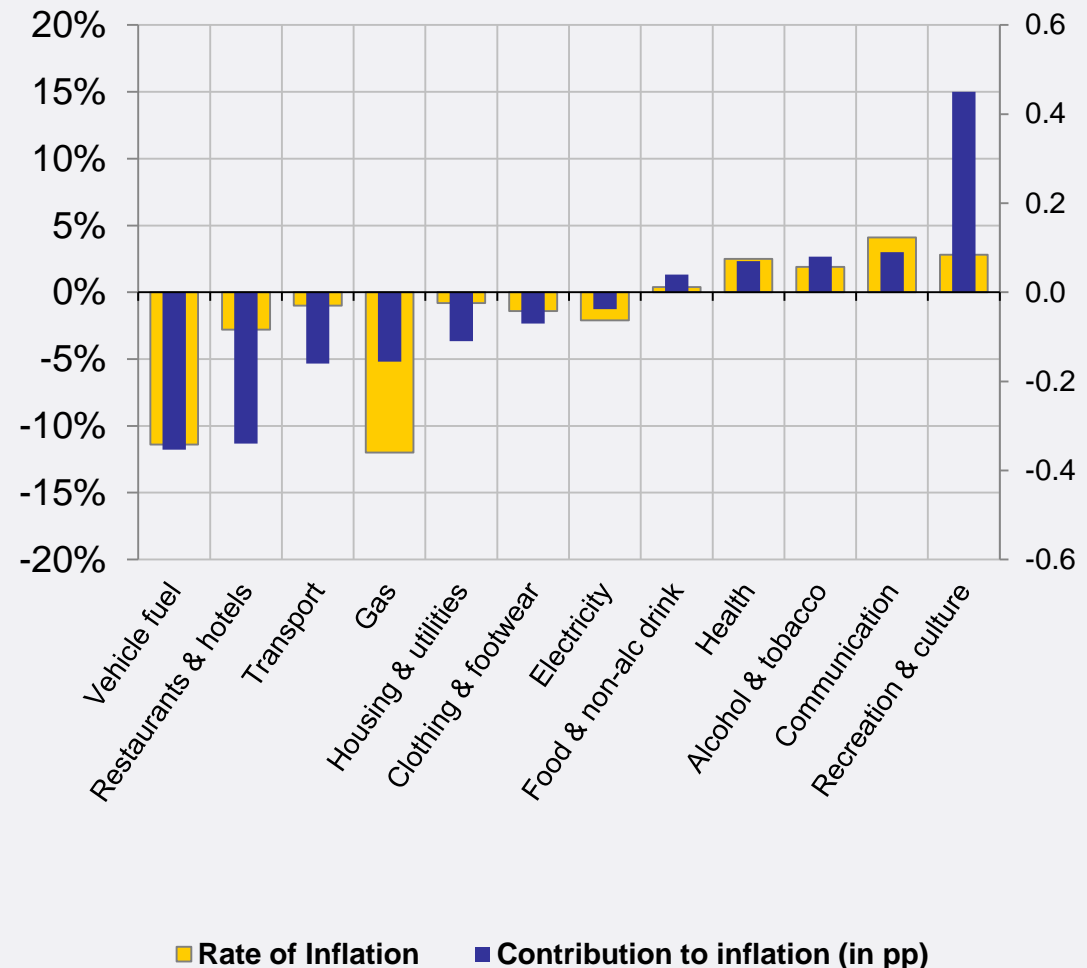
Eat Out To Help Out scheme contributes to near five-year low in inflation

Cost of living

The main factors affecting family costs in August were:

- Annual inflation, as measured by the Consumer Price Index (CPI), slowed considerably between July and August, falling by 0.8 percentage points to reach 0.2%. CPI inflation was last lower in November 2015.
- Key to this fall were the various sector-specific support schemes offered to the hospitality industry during August. The Eat Out To Help Out scheme, for instance, saw many restaurants bills slashed in half via a government subsidy, up to a value of £10 per head. Meanwhile a VAT cut from 20% to 5% will have also fed through to consumer prices to some degree. The result was significant downward pressure on inflation from the restaurant & hotels category, amounting to -0.34 percentage points.
- As has been the case for much of 2020, there remains considerable downward pressure on inflation from subdued prices in global oil markets. Prices of vehicle fuels and gas remain overwhelmingly down on their equivalent prices this time last year, witnessing annual inflation rates of -11.4% and -12.0%, respectively.
- The recreation & culture category made the largest positive contribution to the inflation rate for the fifth consecutive month.

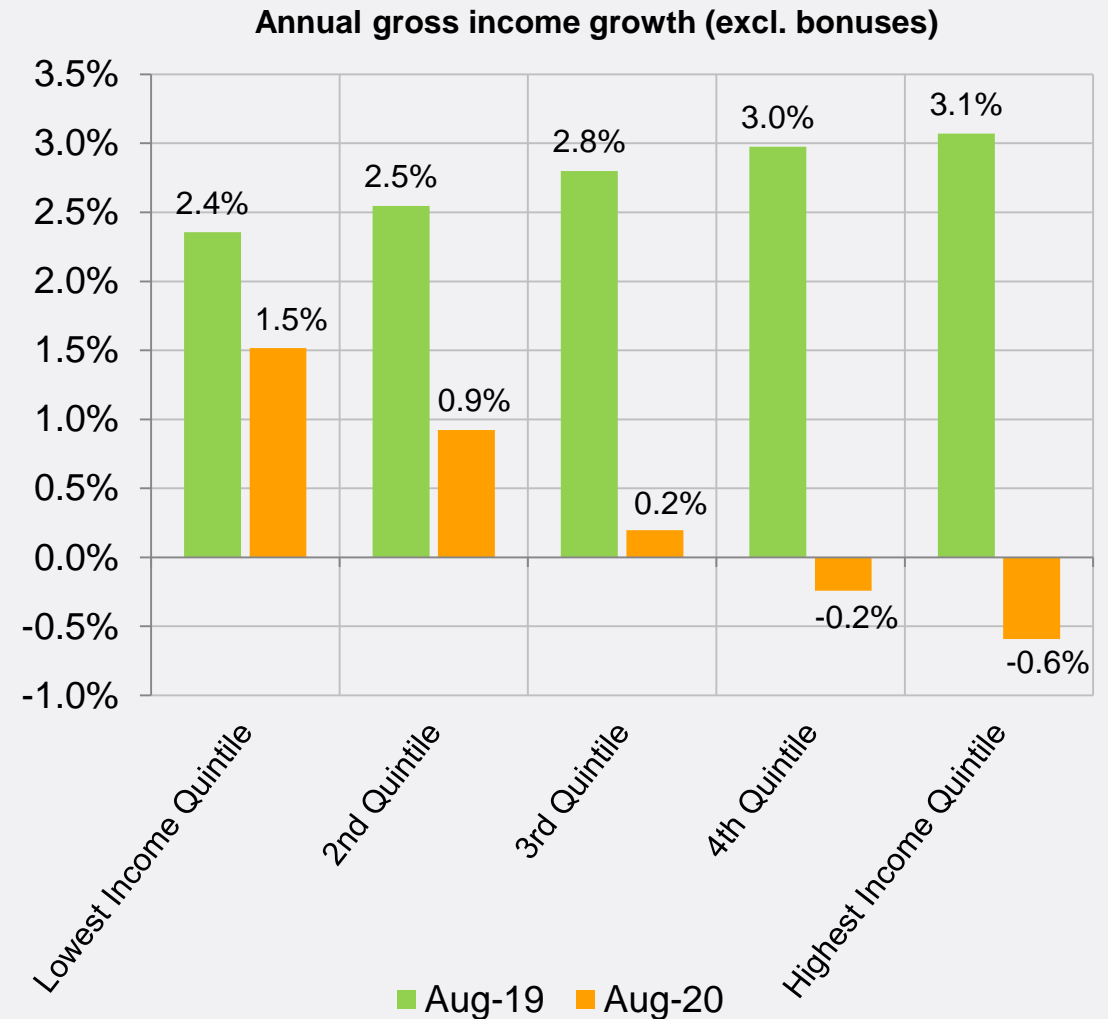
Inflation of selected goods, annual rate (LHS) and contribution to headline inflation (RHS)



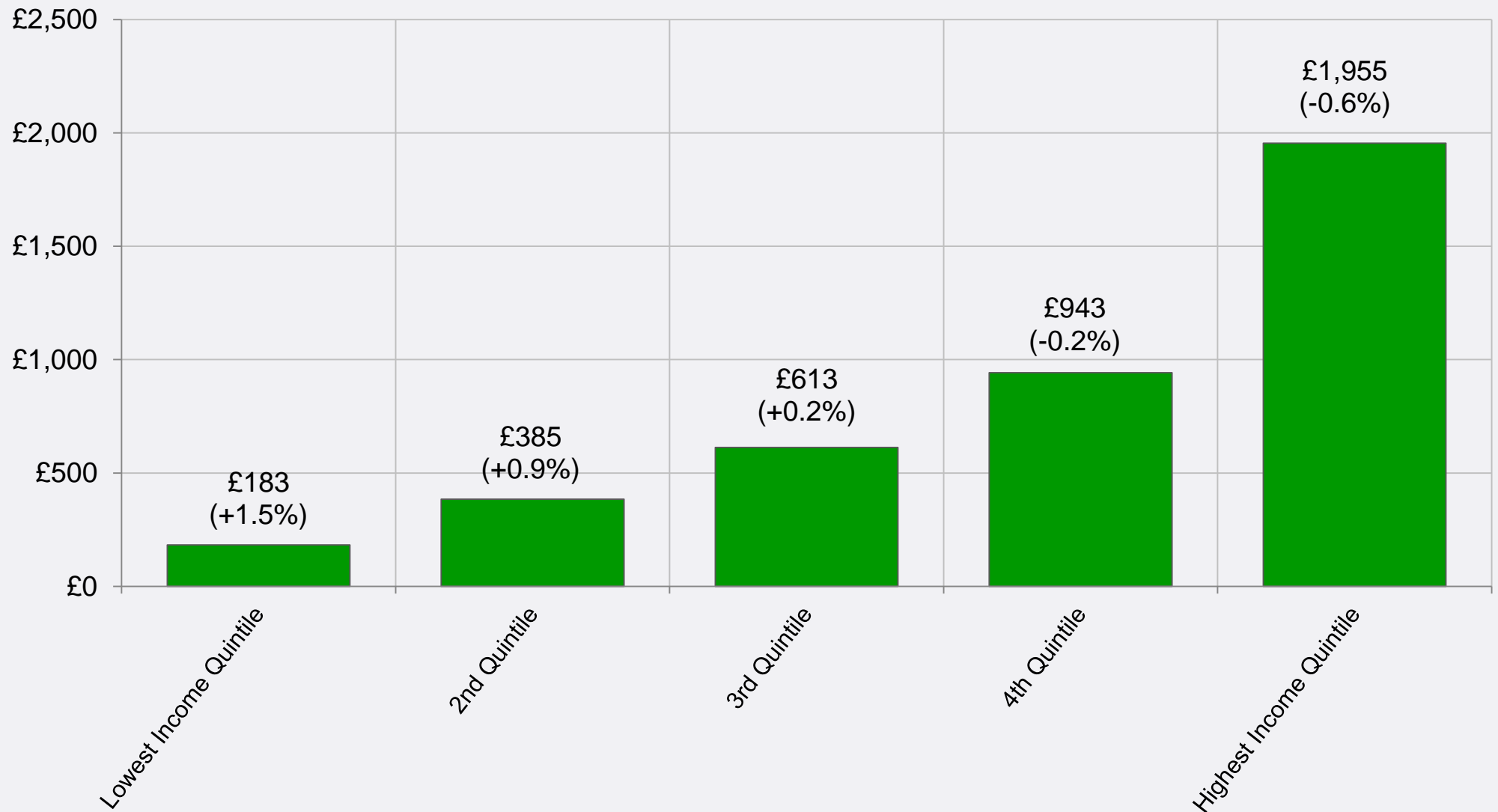
Vehicle fuel is a sub-category of Transport;
Gas and electricity are sub-categories of Housing & utilities

Gross income fell or saw slowing growth across all quintiles in August

- The graph to the right compares the annual gross income growth rates for different household income groups for August 2020 and August 2019. Gross income includes all income from various sources, including wages, self-employment, investment, pensions and social security.
- Over the past 12 months, gross income fell or saw slowing growth for all income groups, in a clear illustration of the labour market fragility caused by the lockdown-induced recession. Income falls were sharpest amongst the highest earners, with the top income quintile seeing gross income fall by 0.6% year-on-year. On the other hand, those in the bottom 60% of the distribution have continued to see year-on-year growth in their incomes.
- Incomes amongst the lowest earners continue to be supported by temporary changes to the welfare system, such as an increase in the standard allowance for Universal Credit. At an aggregate level, the value of net social benefits payable witnessed a 10.9% year-on-year increase in July.



Gross weekly income excluding bonuses by income quintile, August 2020, annual growth rates in brackets

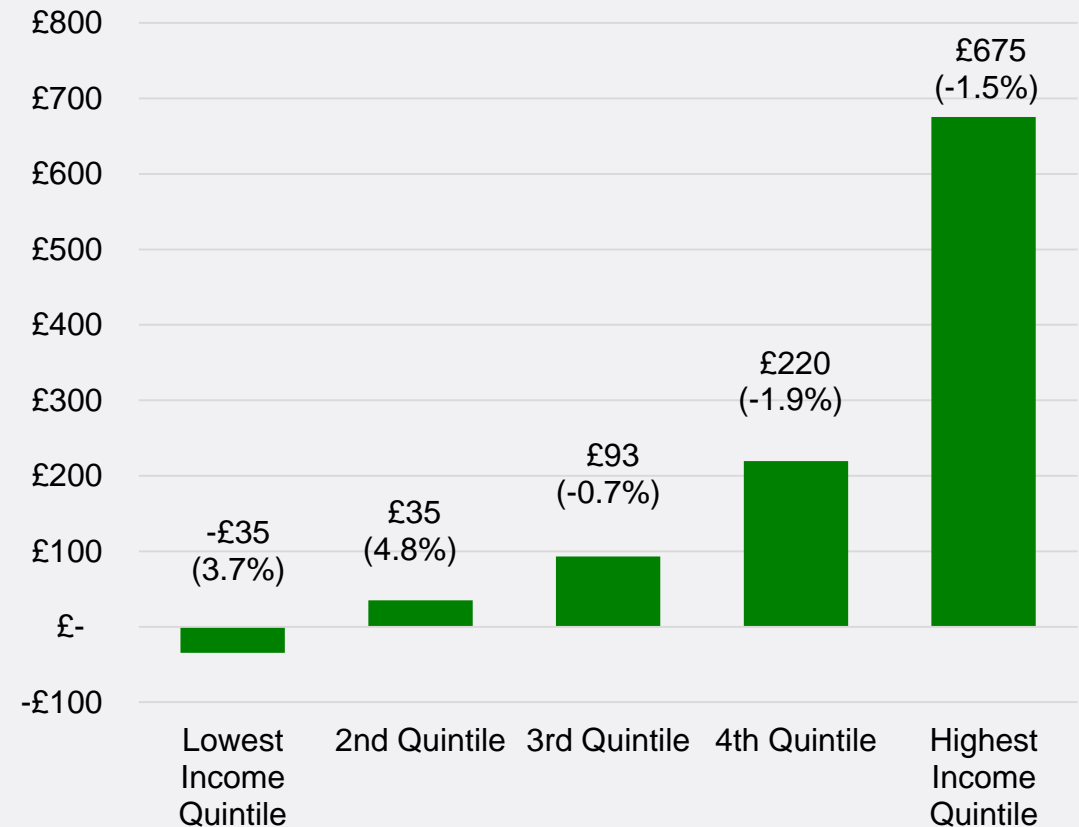


Falling discretionary spending power witnessed amongst top 60% of earners

ASDA Income Tracker falls for the top 60% of earners, while those in the bottom 40% witness slight increases in spending power

- As was the case with gross incomes, discretionary income has risen year-on-year for those in the bottom two quintiles. The third income quintile saw discretionary spending power fall despite rising gross incomes, in a reflection of a slightly higher tax burden compared to August 2019.
- Those in the top 60% of earners saw subdued discretionary spending power compared to August 2019. Those in the fourth income quintile were the worst hit in proportional terms, seeing their spending power fall by 1.9% year-on-year.
- The cost of essential spending fell for all income quintiles between March and April, before picking up once more. This possibly reflects the changes to shopping patterns induced by the initial closure of non-essential stores and their subsequent reopening.

Average weekly discretionary income by household income group, August 2020, YoY growth in brackets



Contact

Please find attached method notes and the tabulated data. Asda produces a monthly Income Tracker report with a more comprehensive report every quarter.

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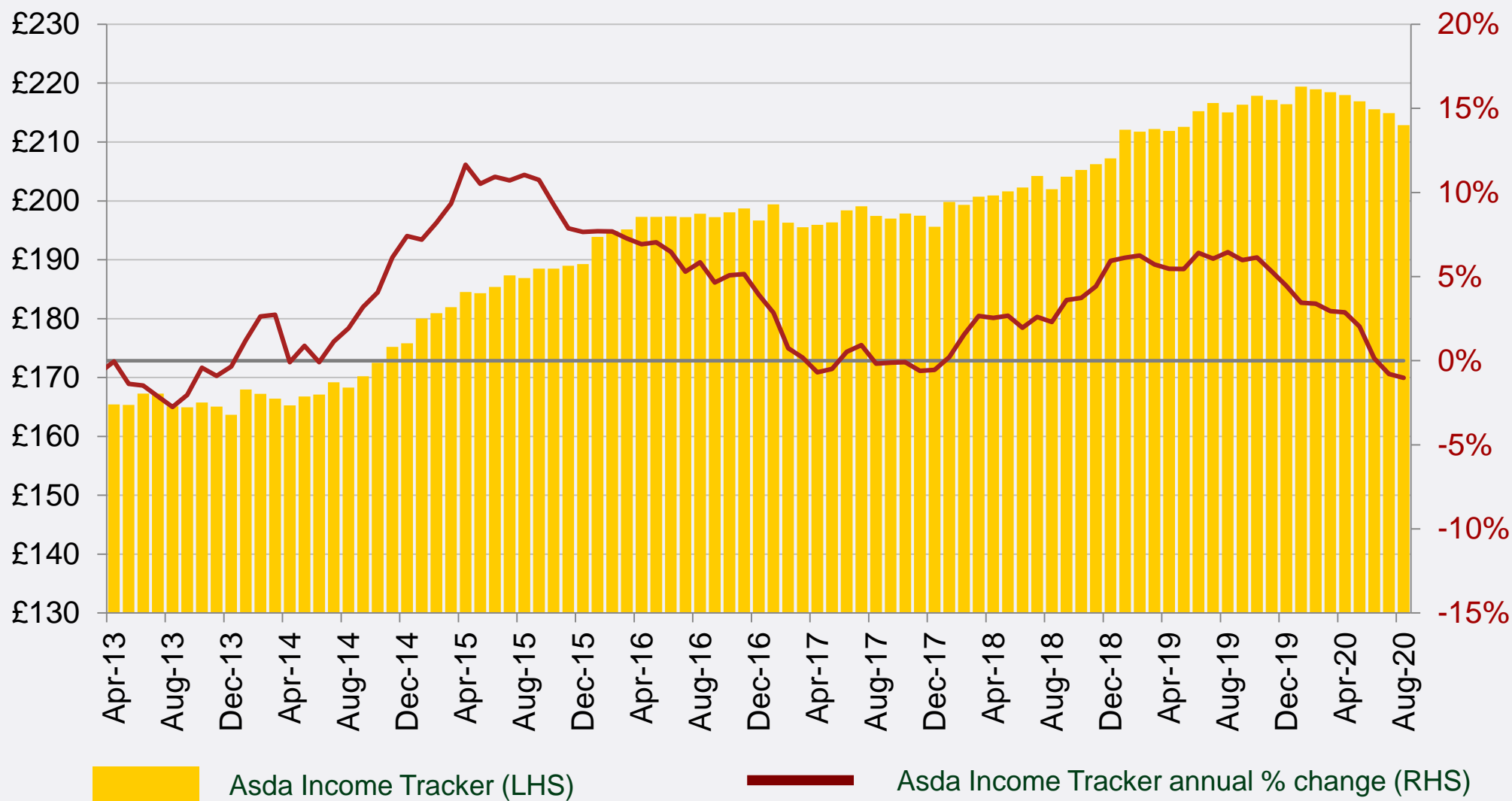
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Appendix

Monthly Asda Income Tracker

Figure 1: Asda Income Tracker and year-on-year change (excluding bonuses)



Monthly Asda Income Tracker

Table 1: Average UK household Income Tracker, £ per week, current prices, excluding bonuses

Month	Income tracker	Month	Income tracker	Month	Income tracker	Month	Income tracker	Month	Income tracker
January 2016	£194	January 2017	£199	January 2018	£200	January 2019	£212	January 2020	£219
February 2016	£195	February 2017	£196	February 2018	£200	February 2019	£212	February 2020	£219
March 2016	£195	March 2017	£196	March 2018	£201	March 2019	£212	March 2020	£219
April 2016	£197	April 2017	£196	April 2018	£201	April 2019	£212	April 2020	£218
May 2016	£197	May 2017	£196	May 2018	£201	May 2019	£213	May 2020	£217
June 2016	£197	June 2017	£198	June 2018	£202	June 2019	£215	June 2020	£216
July 2016	£197	July 2017	£200	July 2018	£204	July 2019	£217	July 2020	£215
August 2016	£198	August 2017	£198	August 2018	£202	August 2019	£215	August 2020	£213
September 2016	£198	September 2017	£197	September 2018	£204	September 2018	£216		
October 2016	£198	October 2017	£198	October 2018	£205	October 2019	£218		
November 2016	£199	November 2017	£198	November 2018	£206	November 2019	£218		
December 2016	£198	December 2017	£196	December 2018	£207	December 2018	£217		
2016 Average	£197	2017 Average	£197	2018 Average	£203	2019 Average	£215		

NB: In June 2017, the ONS published revisions to the time series of its average weekly earnings data, one of the inputs of the ASDA Income Tracker. The values for the Income Tracker have been adjusted accordingly.

Method notes

The Asda Income Tracker is calculated from the following equations:

- **Total household income minus taxes equals net income**
- **Net income minus basic spend equals Asda Income Tracker**

Total household income for the United Kingdom is derived from the Living Costs and Food Survey 2012 (released December 2013). This is updated on a monthly basis using official statistics on average earnings, unemployment, social security payments, interest rates and pension income. Earnings data from the Office for National Statistics that is released in the month of the report refers to the previous month. We forecast earnings data for the month of the report.

Taxes are subtracted from total household income to estimate the actual amount that can be spent on goods and services, i.e. net income or disposable income. The average amount of tax paid is calculated using the latest version of the Living Costs and Food Survey. This is updated on a monthly basis using Office for National Statistics data and Cebr modelling.

Method notes

These components are based on official statistics and Cebr calculations.

Net income is calculated by deducting our tax estimate from our total household income estimate.

Basic spend (cost of living) figures are updated using monthly consumer price data and the trend growth rate in the volume of essential goods and services purchased over the most recent ten year period. A full list of items constituting basic (or ‘essential’) spending was created in collaboration between Asda and Cebr when the Income Tracker concept was originally formed in 2008. This list is available on request.

The ***Asda Income Tracker*** is a measure of ‘discretionary income’, reflecting the amount remaining after the average UK household has had taxes subtracted from their income and bought essential items such as: groceries, electricity, gas, transport costs and mortgage interest payments or rent. The Income Tracker measures the amount left over to spend on discretionary purchases such as leisure and recreation goods and services.

Disclaimer

This report was produced by the Centre for Economics and Business Research (Cebr), an independent economics and business research consultancy established in 1993 providing forecasts and advice to City institutions, government departments, local authorities and numerous blue-chip companies throughout Europe. The main contributors to this report are Cebr economists Kay Neufeld and Sam Miley.

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London, September 2020