

Asda Income Tracker

Report: June 2020

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Making Business Sense

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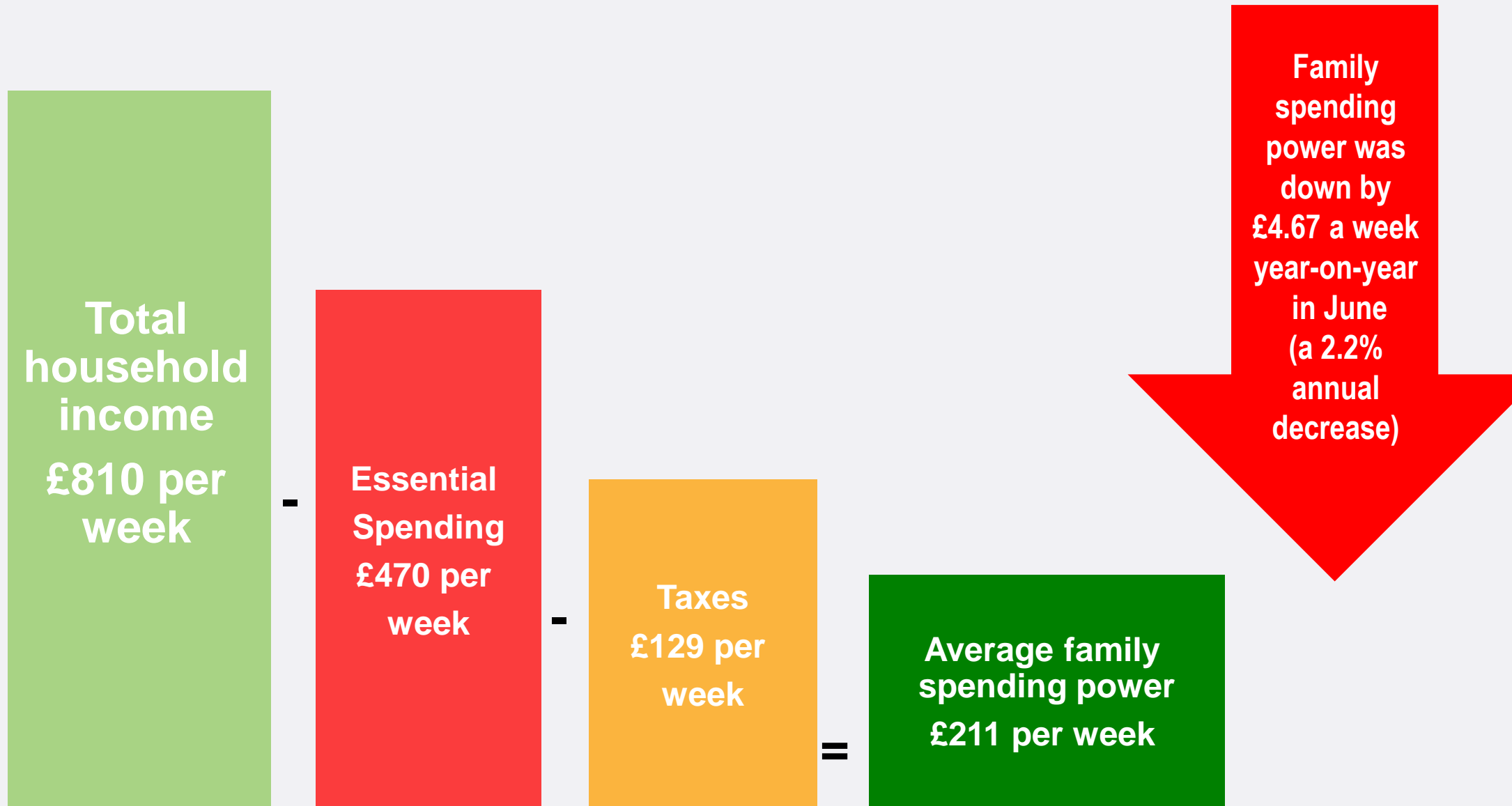
Unit 1, 4 Bath Street, London
EC1V 9DX

t 020 7324 2850

w www.cebr.com



Asda Income Tracker – Key Figures



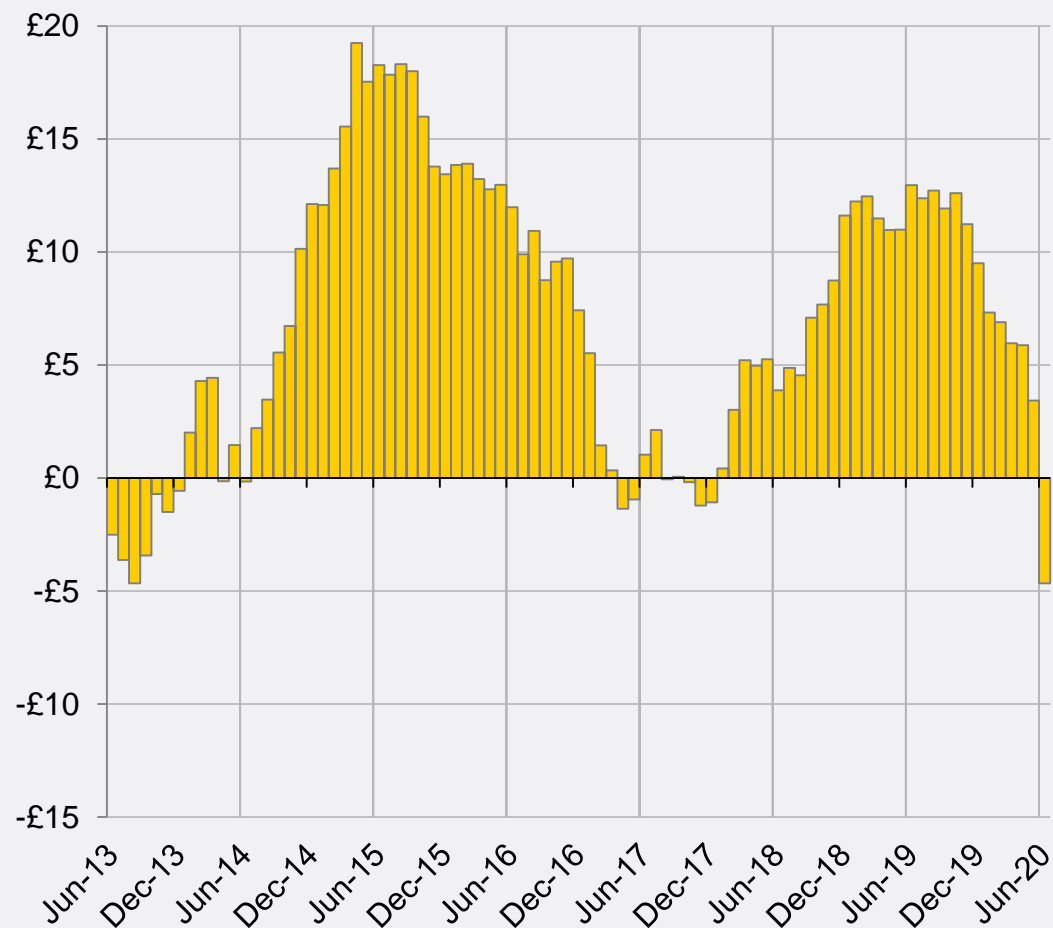
NB: Due to the unprecedented effects of the coronavirus crisis on the UK economy, this month's Income Tracker figures are subject to a greater degree of uncertainty than usual. While we have used the latest data available to estimate the impacts of the crisis on incomes and expenditures in the reporting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

Spending power falls back as labour market starts to weaken

The Asda Income Tracker was £4.67 a week lower in June 2020 than a year before

- Family spending power fell by 2.2% in the year to June, the steepest contraction since August 2013, as the effects of the coronavirus pandemic on households' incomes have started to become clearer.
- The latest figures from HMRC show that the number of people on furlough crossed the 9 million mark in June. Meanwhile, the labour market data show that the number of employees in June 2020 was 649,000 lower than in March as firms had to lay off staff and froze hiring.
- For the three months to May 2020, wages including bonuses fell by 0.3% while pay growth excluding bonuses was marginally positive at 0.7%.
- The cost of essentials rose by less than the headline rate of inflation in June, as households continued to benefit from falling prices for energy and fuels.

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



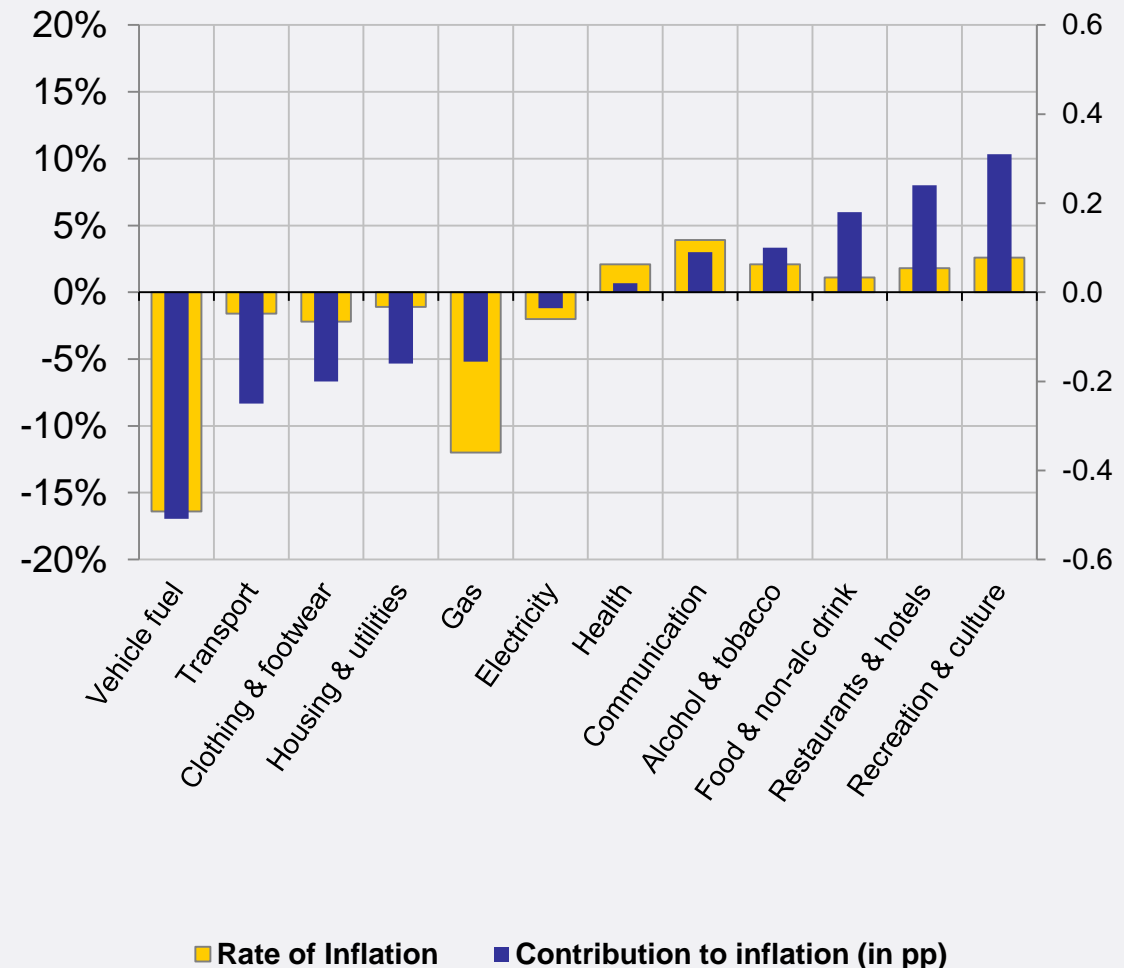
Low energy prices keep living cost increases in check

Cost of living

The main factors affecting family costs in June were:

- Inflation, as measured by the Consumer Price Index (CPI), edged up by 0.1 percentage point in June to stand at 0.6%.
- As in the previous month, deflationary pressures came from the clothing & footwear, housing & utilities, furniture & household equipment and the transport categories
- Inflation increased in the recreation & culture category. Stricter hygiene regulation and pressures to recover some of the revenue lost during the lockdown months are two possible explanations for this increase.
- Meanwhile, deflationary pressures in the clothing & footwear category eased somewhat with inflation rising from -3.1% in May to -2.2% in June.
- Low energy prices continue to support household incomes. Vehicle fuel inflation stood at -16.4% in June, the third consecutive month of double-digit deflation.

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



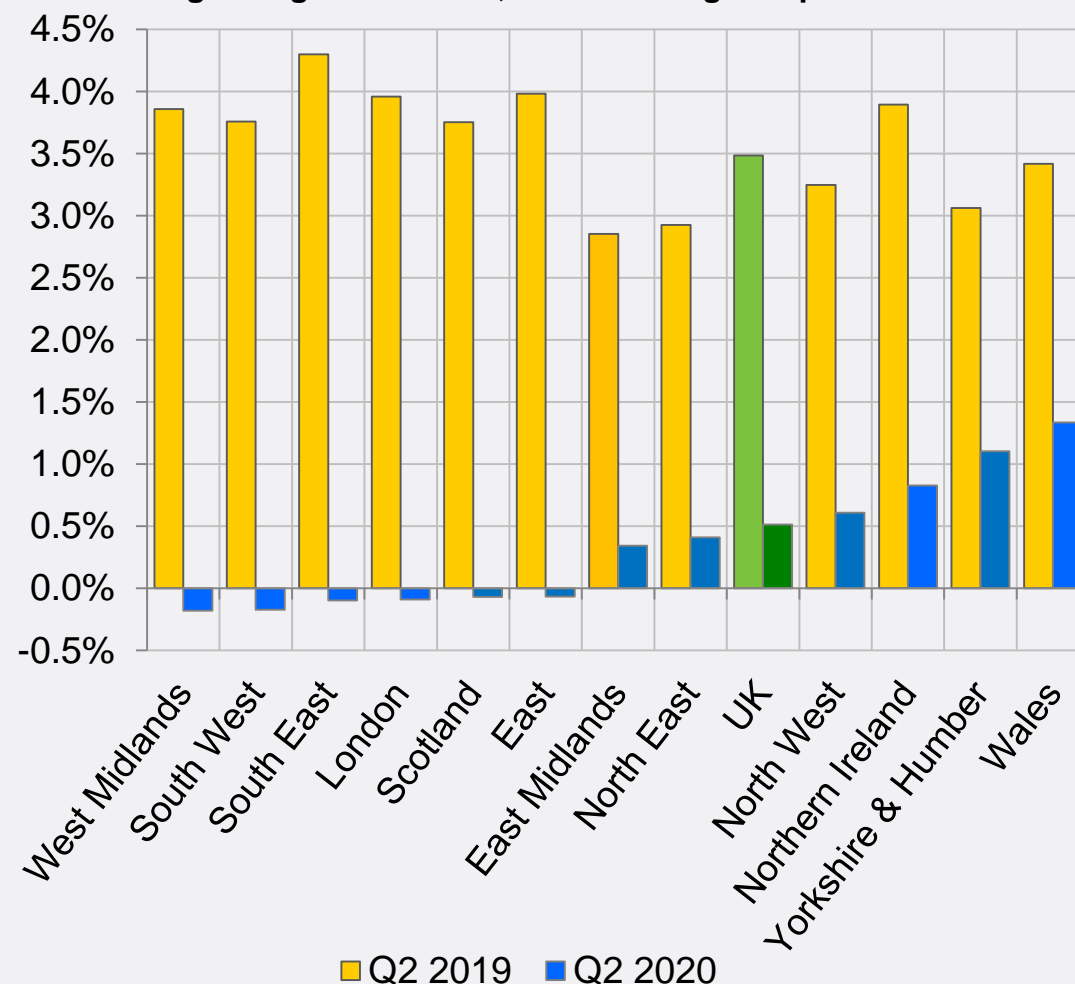
Vehicle fuel is a sub-category of Transport;
Gas and electricity are sub-categories of Housing & utilities

Half of UK regions and nations report falling gross incomes in Q2

UK-wide annual gross income growth slowed from 3.5% in Q2 2019 to 0.5% in Q2 2020

- Gross income growth, which had already taken a hit in the first quarter of the year, slowed dramatically in Q2.
- The slowdown becomes especially clear, when comparing it to the same quarter last year, when income growth reached a multi-year high for the majority of regions.
- Many households have seen their incomes reduced, especially those on flexible contracts and those working in sectors most affected by the current crisis, such as accommodation and food services or tourism.
- The West Midlands, the South West and the South East fell to the bottom of the gross income growth table in Q2. The share of workers in the accommodation and food services sector is above the national average in the South. All three regions at the bottom of the ranking were also relatively more exposed to the temporary stop in construction activity during lockdown.

Regional gross income, annual change to quarter indicated

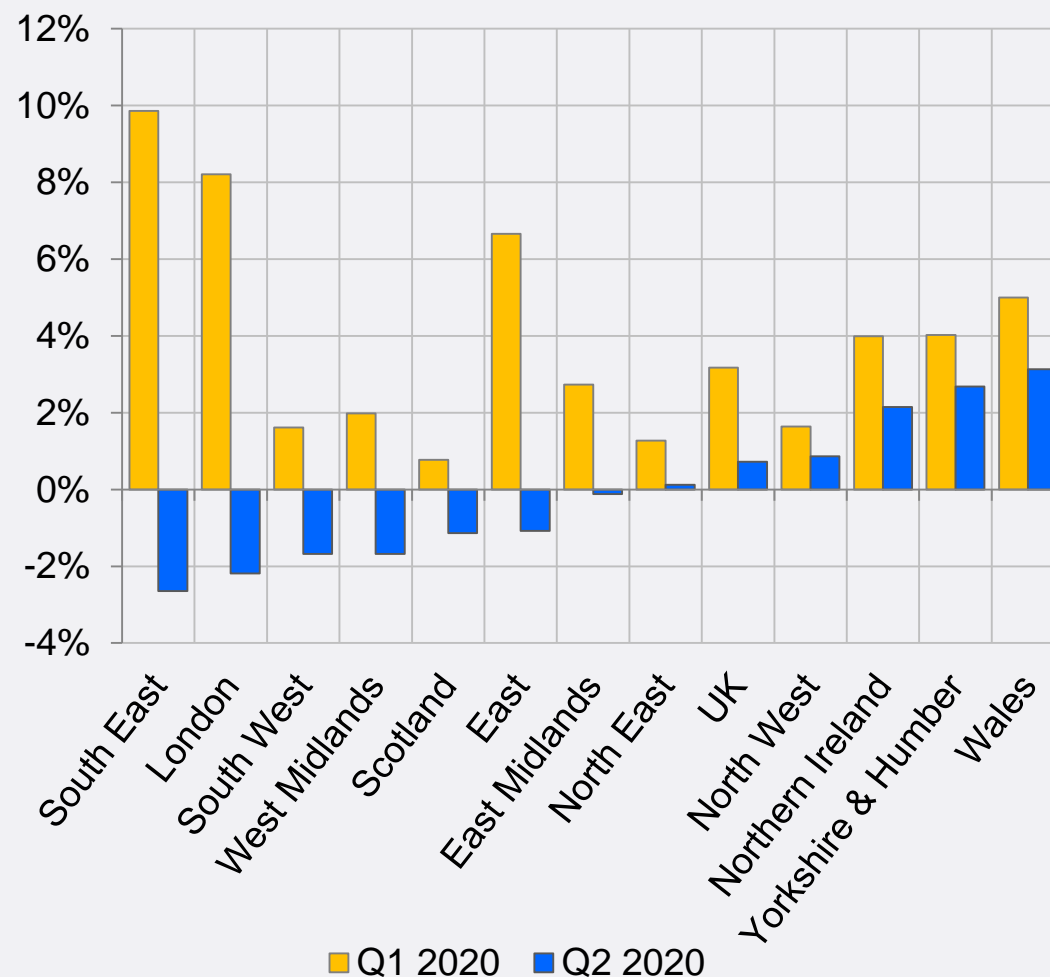


Income Tracker falls back in London and the South

Income Tracker growth slows as labour market weakens

- Growth in the Income Tracker has slowed across all regions and nations of the UK, though the scale of the falls varies substantially.
- The fall has been most drastic in regions that performed particularly well in previous quarters, such as the South East, London and the East of England.
- Other regions, such as Wales, Yorkshire and the Humber and Northern Ireland have seen smaller falls in income tracker growth rates.
- Regions with a larger share of public sector employment have been slightly more shielded from the falls in income seen in the private sector.
- Looking ahead, we expect the Income Tracker to fall back further. In August, the furlough scheme becomes less generous before being phased out entirely in October. This is likely to lead to a spike in unemployment and further income falls.

Asda Income Trackers by region, annual % change to quarter indicated

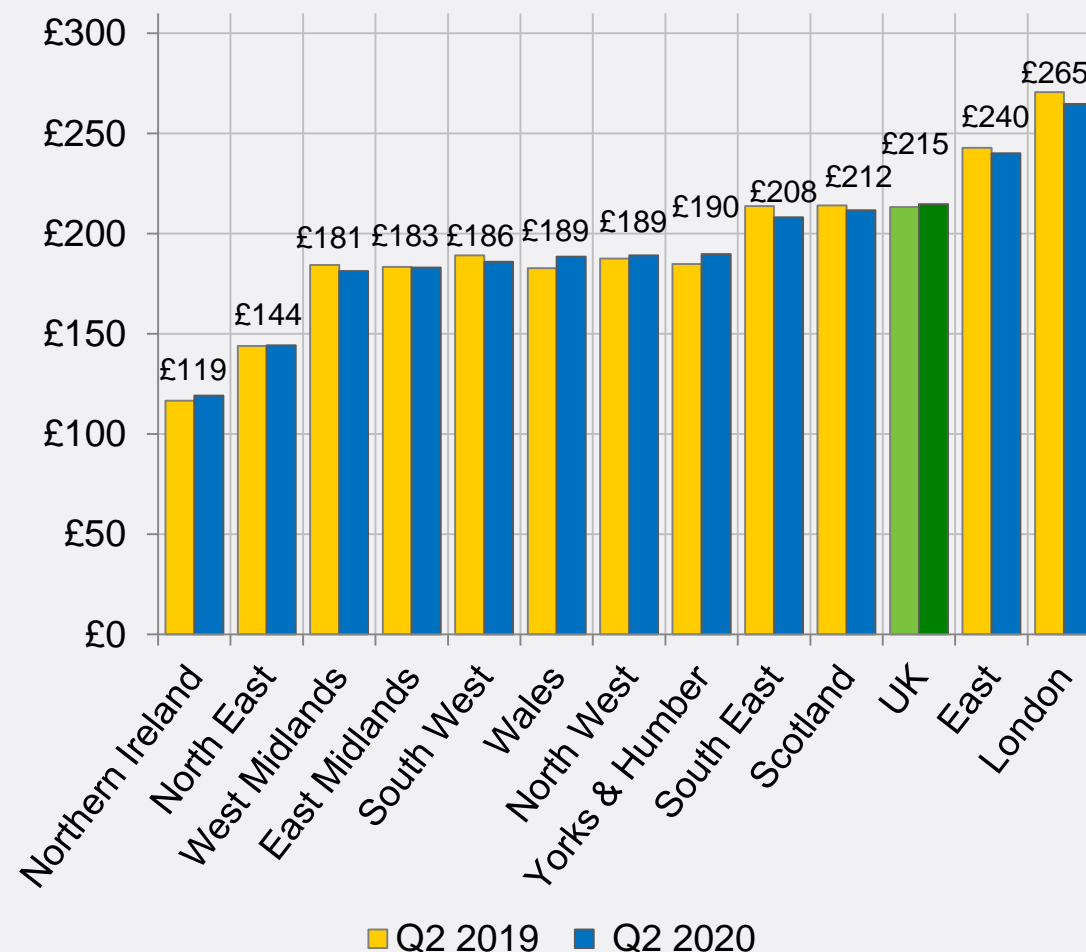


Coronavirus crisis has largely wiped out Income Tracker gains made over the last year

UK-wide family spending power averages £215 in the second quarter of 2020

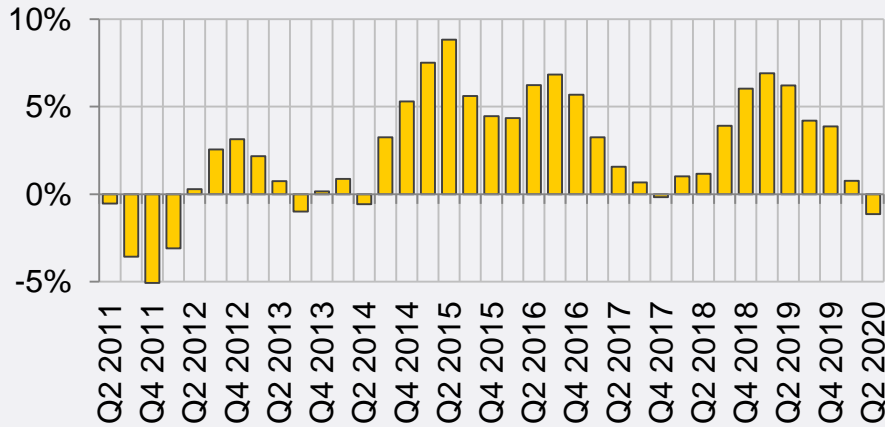
- Compared to Q2 2019, London sees the largest decrease in the Income Tracker in absolute terms with a fall of £5.92.
- Nevertheless, the capital remains comfortably at the top of the Income Tracker table with a weekly household spending power of £265, followed by the East of England with £240 and Scotland with £212.
- At the bottom of the table, we see that Northern Ireland saw annual growth with a discretionary weekly income of £119 in Q2 2020. This is equivalent to a £2.51 increase on the year.
- The biggest gain in pound-terms was recorded by Wales with a £5.73 increase, followed by Yorkshire and the Humber with £4.95.
- The lack of demand in the economy is expected to keep increases in the cost of essentials low for the near future, though incomes are increasingly at risk from rising unemployment.

Average household discretionary income by region, £ per week in quarter indicated



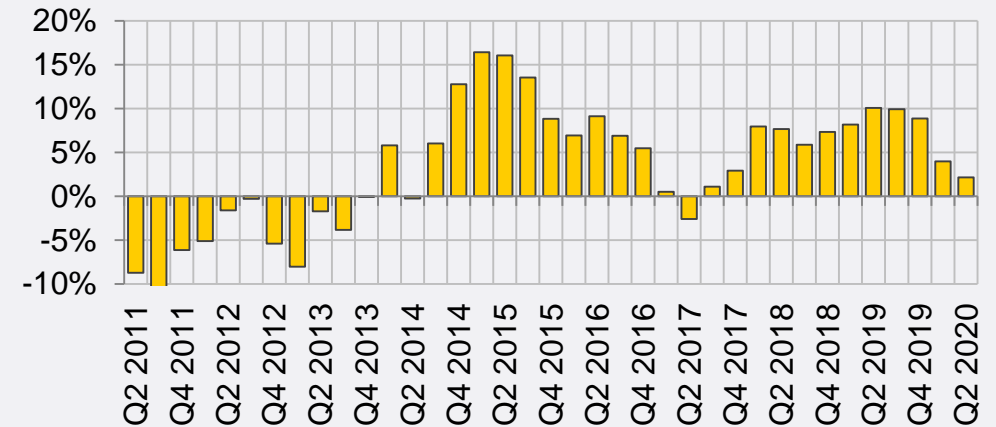
Focus on Scotland and Northern Ireland

Annual % change in discretionary incomes, Scotland



- The Income Tracker for Scotland witnessed a fall of 1.1% year-on-year in Q2 2020, down from growth of 0.8% in the previous quarter.
- This represents the steepest decline since Q1 2012.
- Scottish unemployment is expected to have risen from a low of 3.5% at the end of last year to 5.0% in June 2020.
- The lack of international tourism will hit the Scottish economy this year, though businesses in the sector will hope to offset some of the losses through a higher number of domestic tourists.

Annual % change in discretionary incomes, Northern Ireland



- Northern Ireland recorded Income Tracker growth of 2.1% in the second quarter of the year, down from 4.0% in Q1.
- The fall in the growth rate was smaller than the average decrease across the UK, as the high share of public sector workers in Northern Ireland meant incomes took a smaller hit.
- The unemployment rate has increased roughly in line with the UK average, though at 3.0% it is still one of the lowest of all regions and nations. However, the economic inactivity rate, i.e. those not looking for work or otherwise not available for the labour market, increased by 1.0 percentage points to 26.6% in the three months to May.

Contact

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

For press enquiries please contact:

Jessica Finlay, Senior Press Officer, Corporate Media Relations

Jessica.Finlay@Asda.co.uk ; 0113 82 63369

For data enquiries please contact:

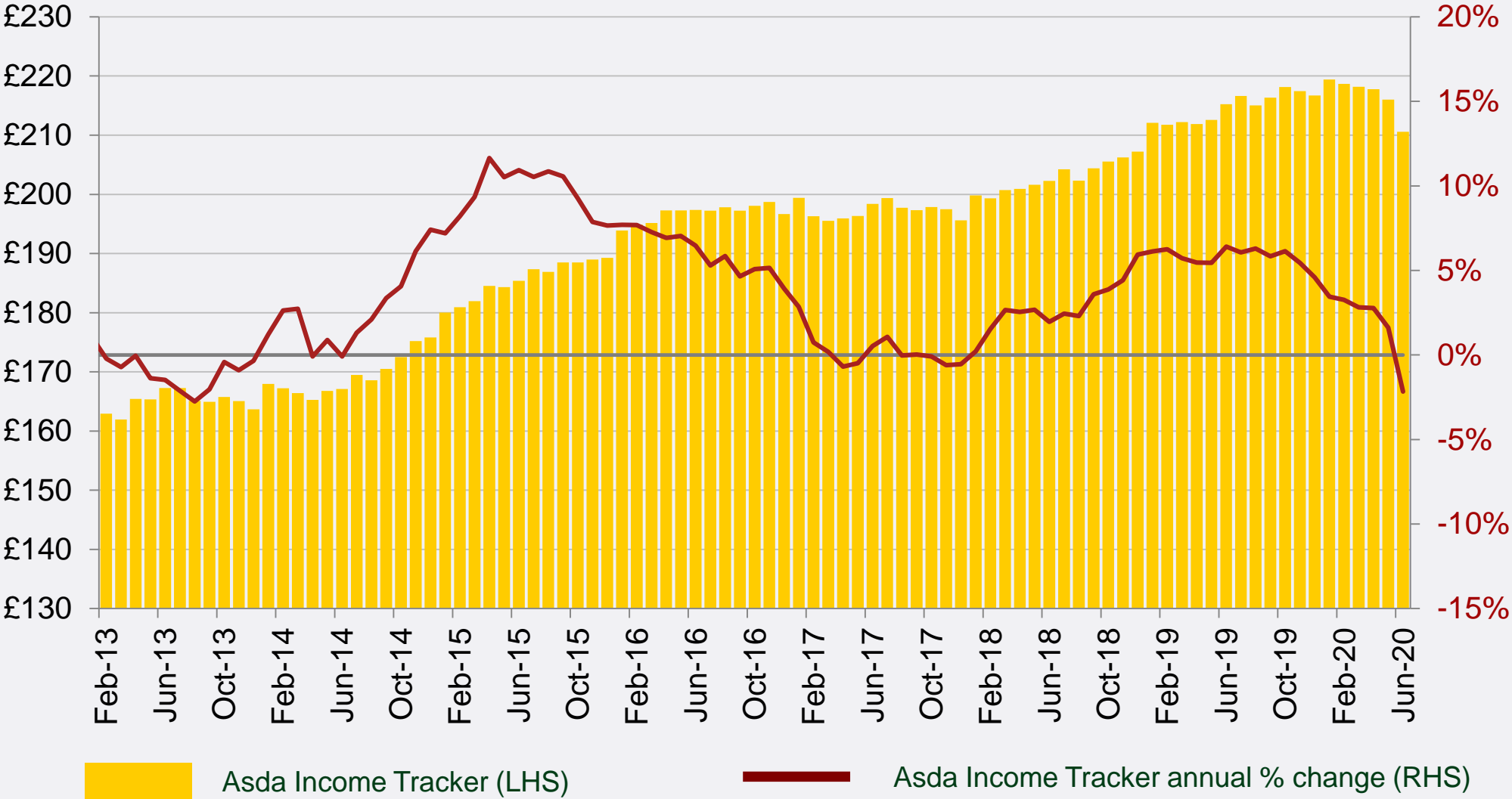
Kay Daniel Neufeld, Cebr Head of Macroeconomics

KNeufeld@Cebr.com ; 020 7324 2841

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	£218
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	£216
June 2016	£197	June 2017	£198	June 2018	£202	June 2019	£215	June 2020	£211
July 2016	£197	July 2017	£200	July 2018	£204	July 2019	£217		
August 2016	£198	August 2017	£198	August 2018	£202	August 2019	£215		
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, July 2020