

Asda Income Tracker

Report: May 2021

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Making Business Sense

Centre for Economics and
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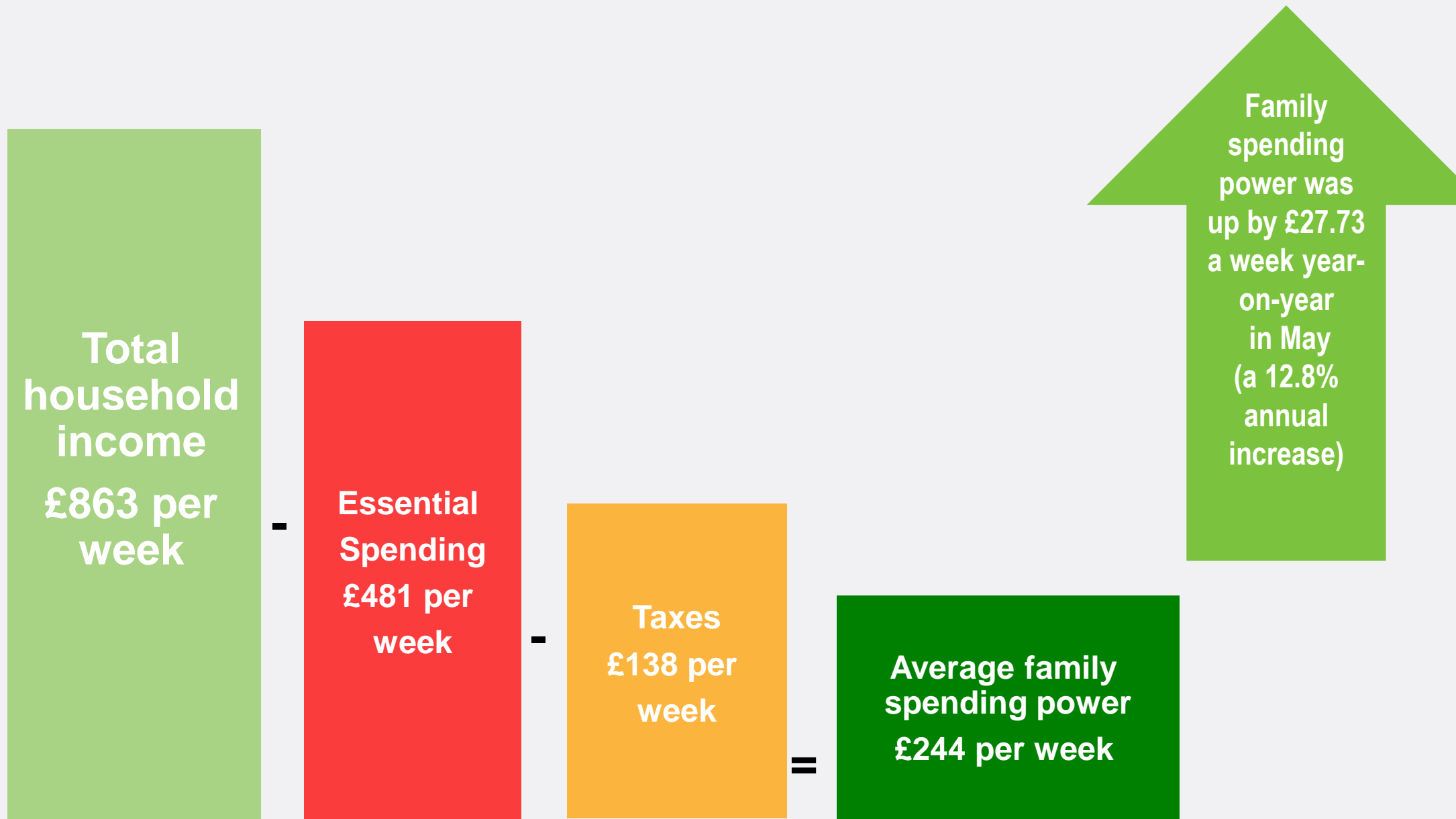
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Asda Income Tracker – Key Figures



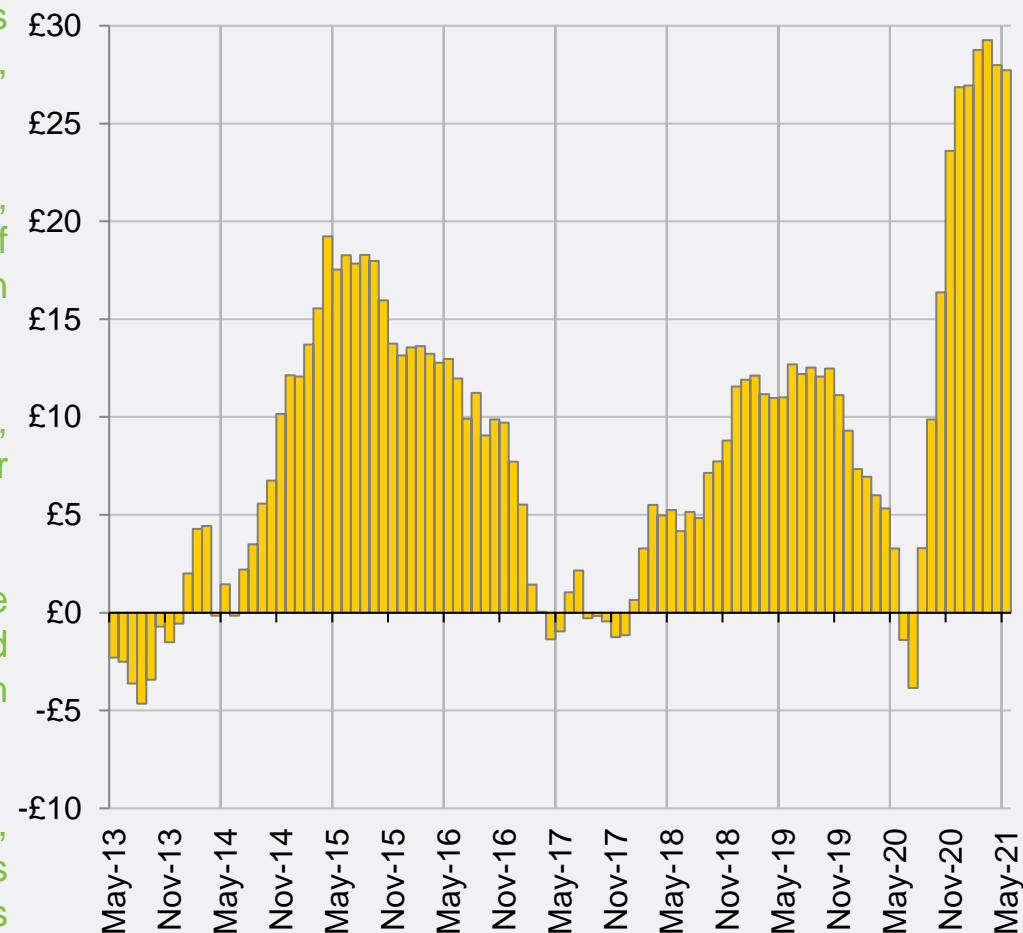
NB: Due to the unprecedented effects of the coronavirus crisis on the UK economy, this month's Income Tracker figures are subject to a greater degree of uncertainty than usual. While we have used the latest data available to estimate the impacts of the crisis on incomes and expenditures in the reporting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

Income Tracker remains strong despite mounting inflationary pressure

The Asda Income Tracker was £27.73 a week higher in May 2021 than a year before.

- Household spending power grew by 12.9% year-on-year in May. Though this remains elevated compared to historic trends, this marks the second consecutive month in which the annual rate has fallen, having stood at a near-term peak of 13.4% in March.
- The cost of essential spending has increased in recent months, fuelled by a rising inflation rate. This has seen households' basket of essential spending rise by approximately £11.99 in value between May 2020 and May 2021.
- Recent labour market data have pointed to considerable resilience, with the unemployment rate now having fallen on the last four readings, reaching 4.7% in the three months to April.
- Earnings data also continue to exude strength, further supporting the Income Tracker, with the annual rate of growth in total pay reached 8.4% in April 2021. This marks the joint highest rate of pay growth since records began in 2000.
- Nevertheless, much of this pay growth reflects composition effects, whereby a fall in the number and proportion of lower paid jobs is putting upward pressure on average earnings. Moreover, base effects are also to be considered, with April's strong rate of annual growth reflecting the initial fall in pay levels at the height of the first nationwide lockdown in April 2020.

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

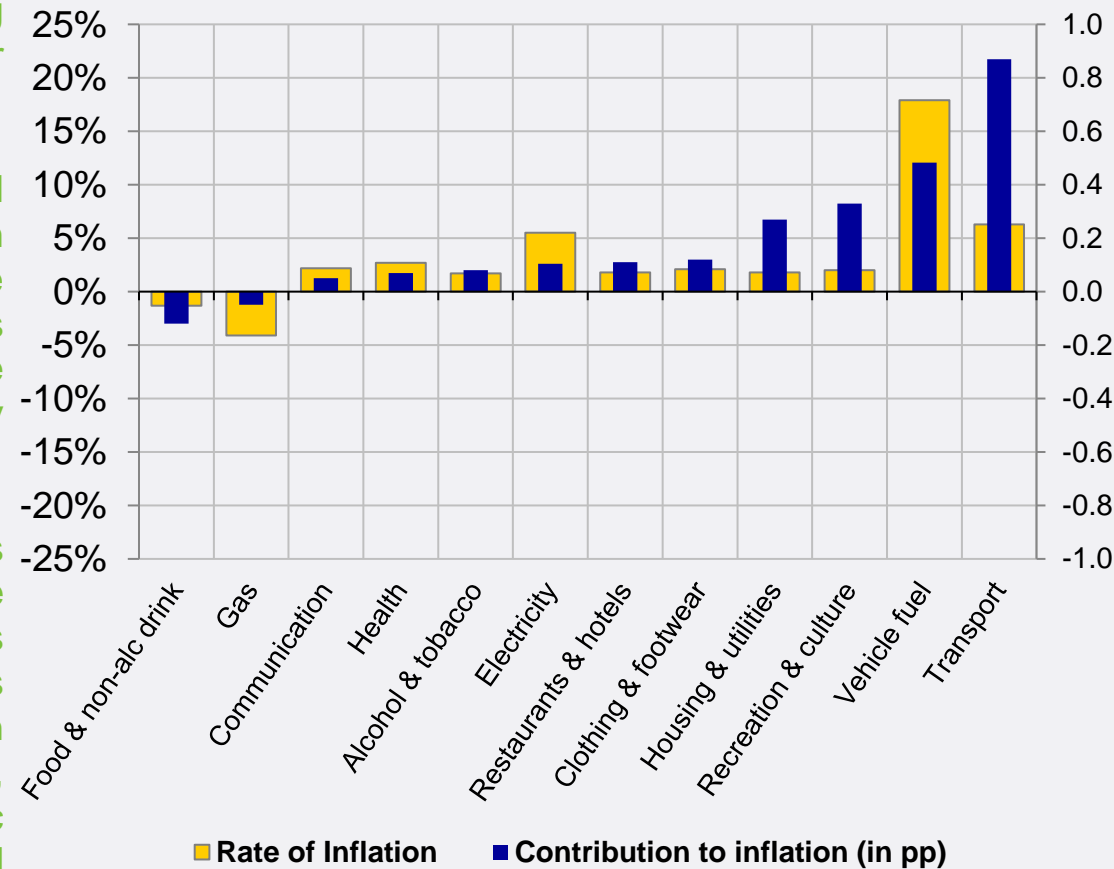


CPI inflation at joint-highest level since November 2018

The main factors affecting family costs in May were:

- Annual inflation, as measured by the Consumer Price Index (CPI), increased by 0.6 percentage points in May, reaching 2.1%. The rate of CPI inflation was last higher in November 2018.
- The transport category was the major source of upward pressure on the inflation rate in May, as was also the case in April. High inflation rates in this category continue to reflect the base effect stemming from the slump in global oil prices this time a year ago. This has particularly affected the inflation rate in the vehicle fuels subcategory, with prices picking up by 17.9% annually.
- The main source of downward pressure on May's CPI rate was the food and non-alcoholic beverages category. With the exception of fruit, all of the major subcomponents of this category exhibited annual deflation in May. This likely reflects changes to consumption patterns this time a year ago, when consumers were forced to spend more time in the home, leading to increased demand for food and other domestic supplies. This caused food prices to rise between April and May 2020.

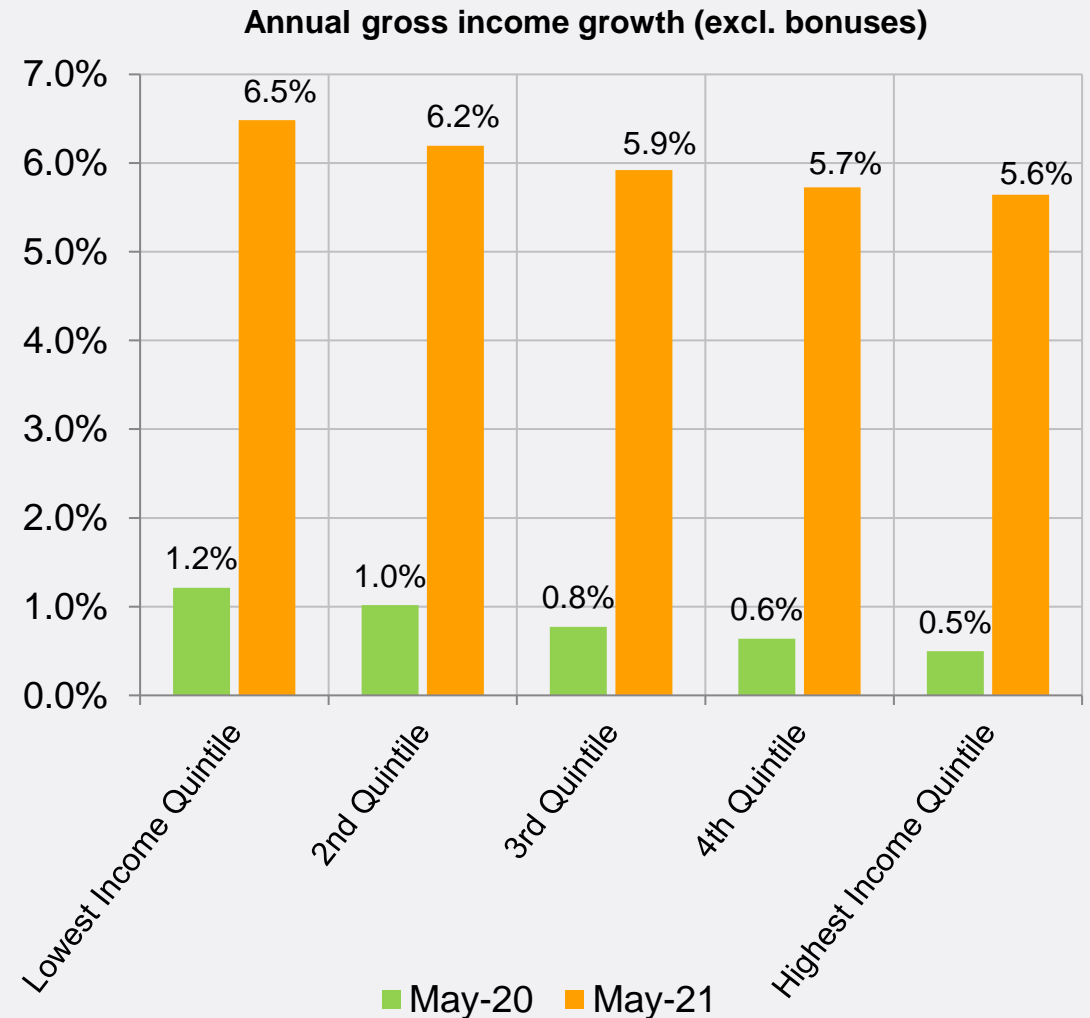
Inflation of selected goods, annual rate (LHS) and contribution to headline inflation (RHS)



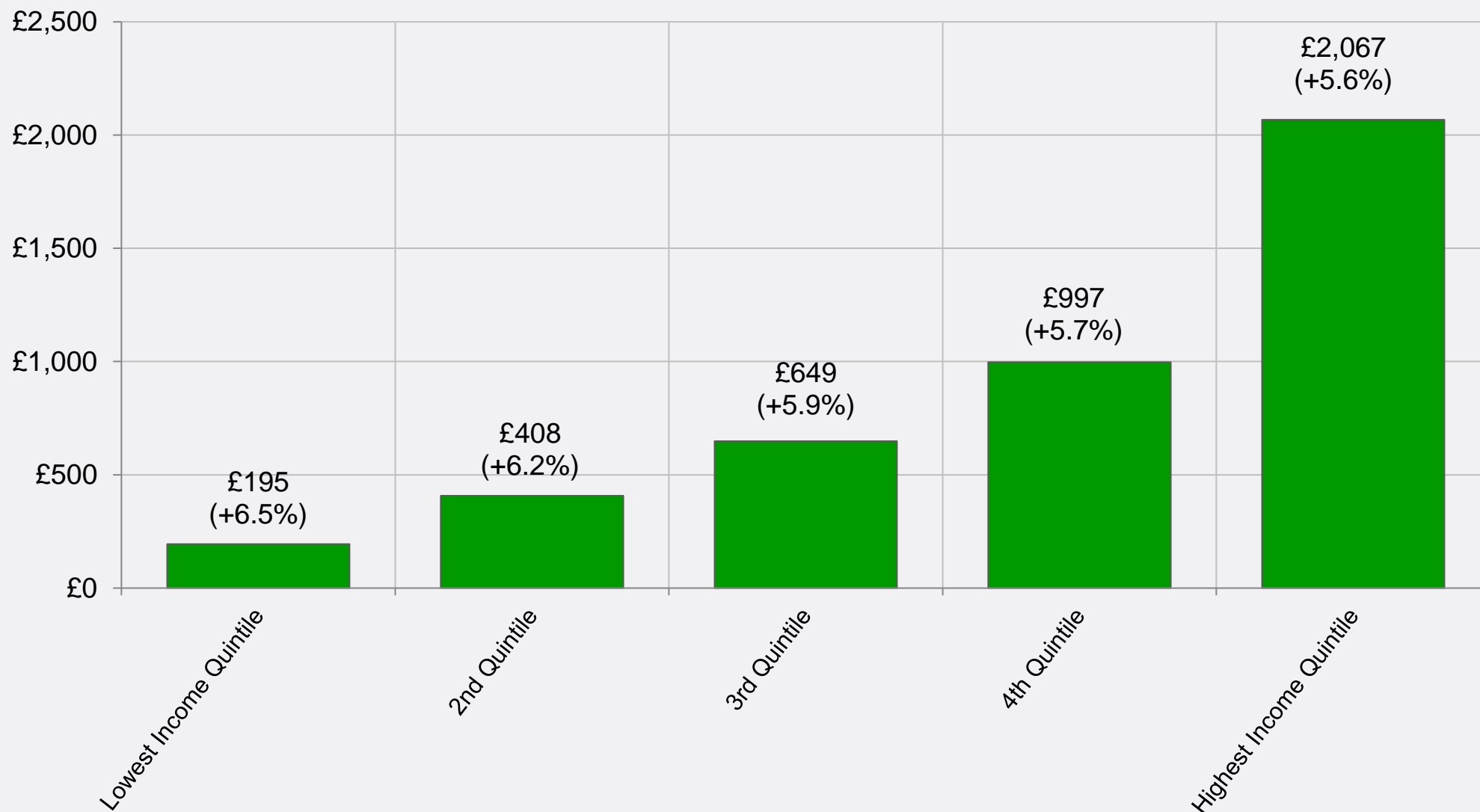
Vehicle fuel is a sub-category of Transport;
Gas and electricity are sub-categories of Housing & utilities

Lower income households continue to see faster gross income growth

- The graph to the right compares the annual gross income growth rates for different household income groups for May 2021 and May 2020. Gross income includes all income from various sources, including wages, self-employment, investment, pensions, and social security.
- The data continue to show an inverse relationship between income levels and the rate of gross income growth. Households in the lowest quintile saw the highest rate of growth in May, at an annual rate of 6.5%. Each subsequent income quintile then saw a lower rate of gross income growth, culminating in annual growth of 5.6% for those in the highest income quintile.
- This relationship has held in each month since May 2020. As illustrated in the figure, however, current rates of gross income growth are considerably higher than was the case a year ago.
- All households are benefitting from the environment of strong wage growth. Incomes amongst the lowest quintile of households are particularly supported by other income sources, however, including the ongoing Universal Credit uplift.



Gross weekly income excluding bonuses by income quintile, May 2021, annual growth rates in brackets

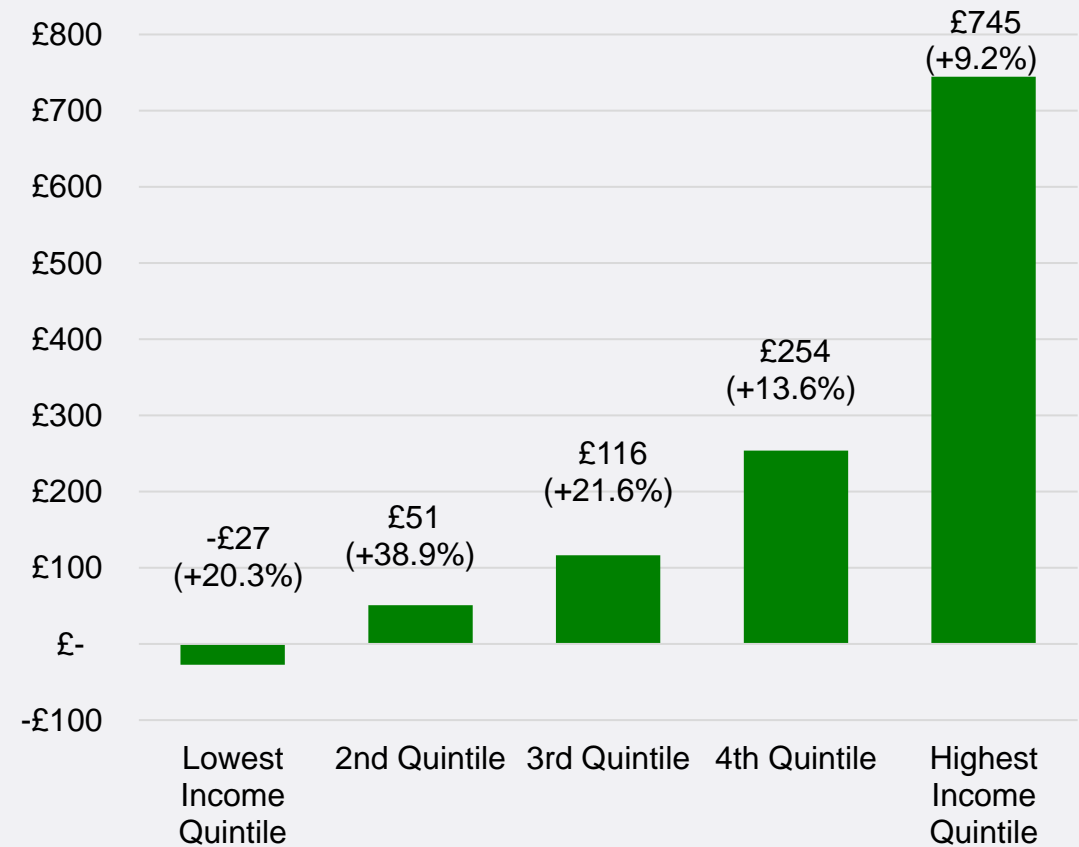


Discretionary incomes exhibiting annual growth across all income quintiles

ASDA Income Tracker growth witnessed unanimously

- The highest rate of growth was seen amongst those in the second income quintile, as was also the case in February, the last edition of this report. Discretionary income picked up by 38.9% annually amongst households in this group. Households in this quintile have simultaneously benefitted from the widened scope of the Universal Credit program, as well as the strong earnings growth witnessed across the labour market.
- Despite considerable year-on-year growth of 20.3%, households in the lowest income quintile continue to exhibit negative discretionary incomes. This means that their essential spending outweighs their post-tax income.
- Households in the bottom three income quintiles have seen their annual Income Tracker growth rates slow slightly in recent months. The opposite is true for those in the fourth and fifth income quintiles. Indeed, the annual growth for those in the fifth quintile represents the highest rate since 2002.

Average weekly discretionary income by household income group, May 2021, 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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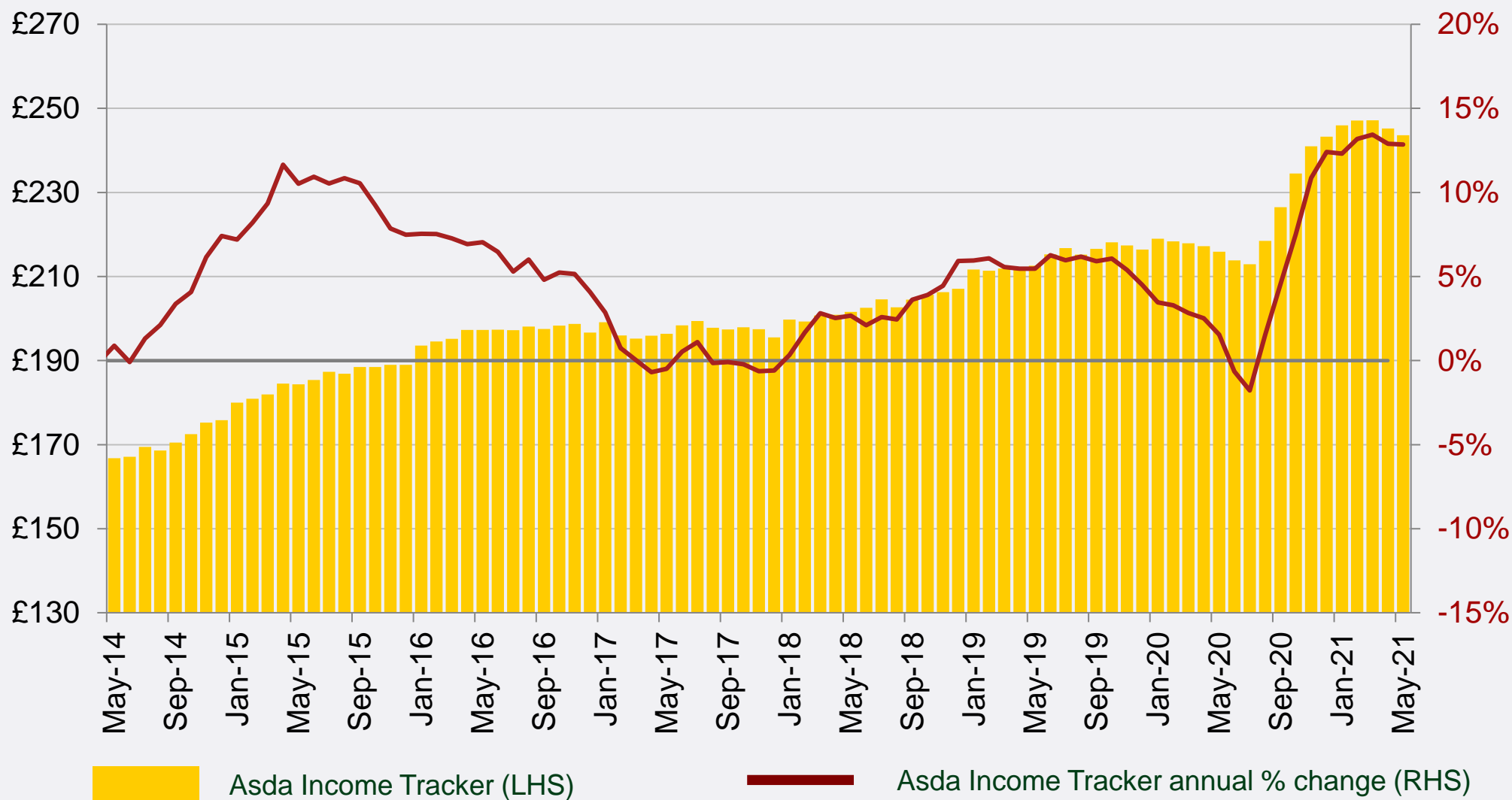
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Appendix

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 2017	£199	January 2018	£200	January 2019	£212	January 2020	£219	January 2021	£246
February 2017	£196	February 2018	£200	February 2019	£212	February 2020	£218	February 2021	£247
March 2017	£196	March 2018	£201	March 2019	£212	March 2020	£218	March 2021	£247
April 2017	£196	April 2018	£201	April 2019	£212	April 2020	£217	April 2021	£245
May 2017	£196	May 2018	£201	May 2019	£213	May 2020	£216	May 2021	£244
June 2017	£198	June 2018	£202	June 2019	£215	June 2020	£214		
July 2017	£200	July 2018	£204	July 2019	£217	July 2020	£213		
August 2017	£198	August 2018	£202	August 2019	£215	August 2020	£219		
September 2017	£197	September 2018	£204	September 2019	£216	September 2020	£227		
October 2017	£198	October 2018	£205	October 2019	£218	October 2020	£235		
November 2017	£198	November 2018	£206	November 2019	£218	November 2020	£241		
December 2017	£196	December 2018	£207	December 2019	£217	December 2020	£243		
2017 Average	£197	2018 Average	£203	2019 Average	£215	2020 Average	£223	2021 Average	

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, June 2021