

# Asda Income Tracker

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Making Business Sense

Centre for Economics and  
Business Research Ltd

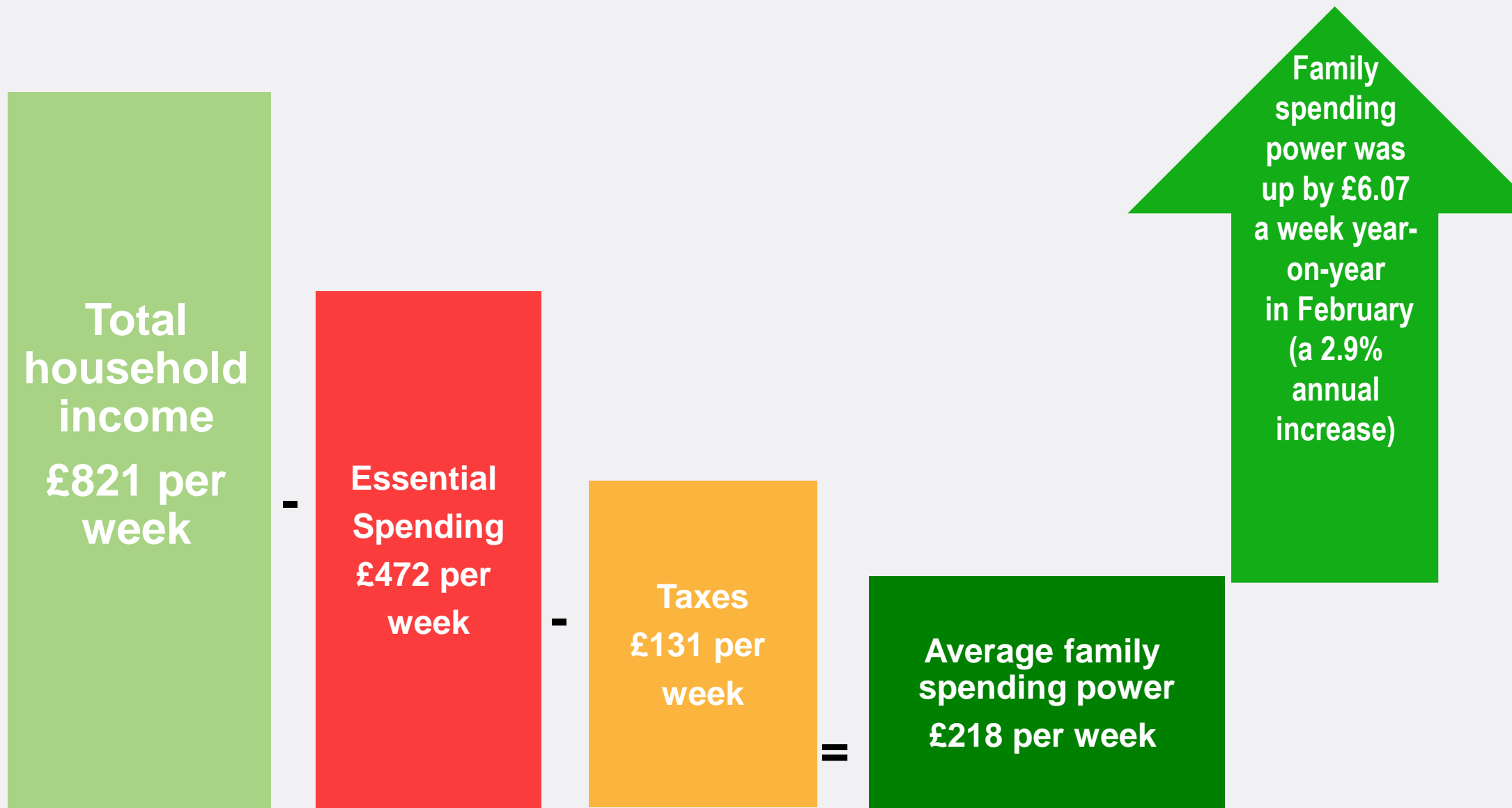
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# Asda Income Tracker – Key Figures

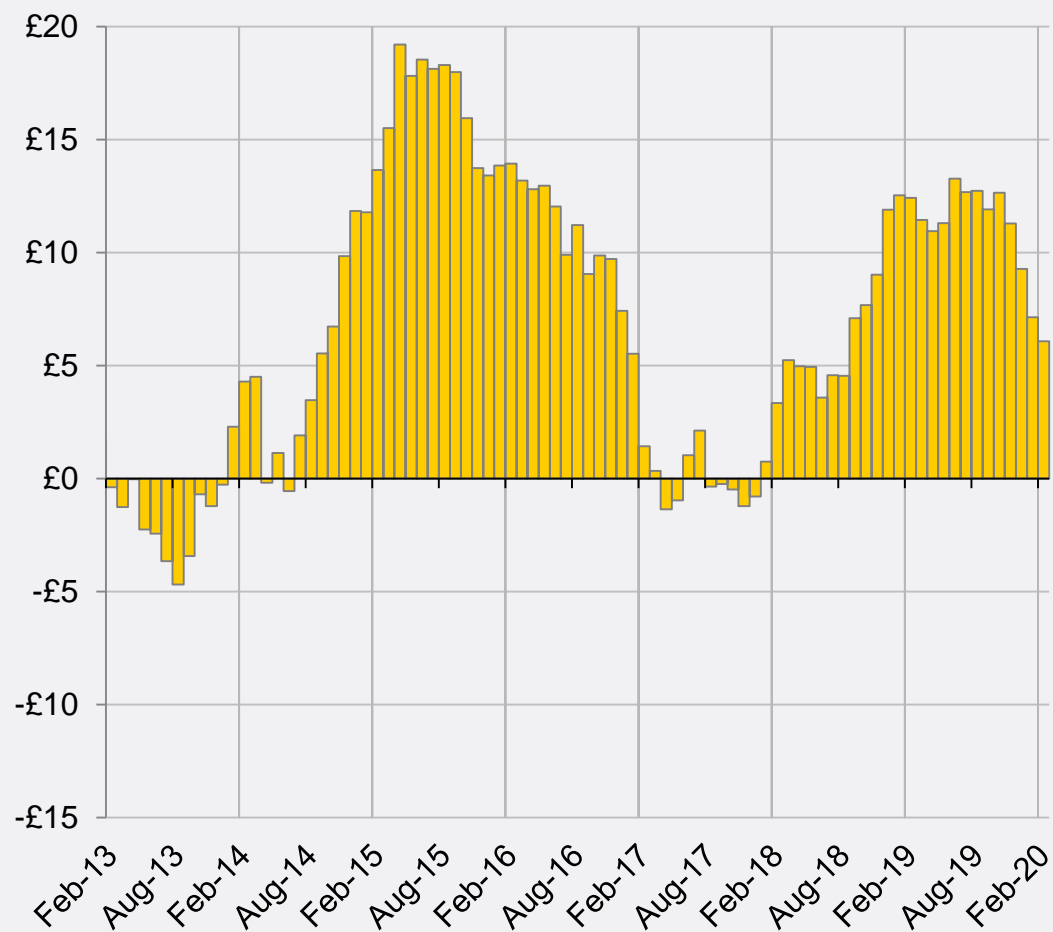


# Slowing wage growth causes Income Tracker growth to decelerate further

The Asda Income Tracker was £6.07 a week higher in February 2020 than a year before

- Family spending power increased by 2.9% in the year to February 2020, down from an increase of 3.4% in the previous month. This was the slowest rise in the Income Tracker since August 2018. Growth in the Income Tracker has now slowed for four consecutive months.
- Wage growth slowed for the sixth consecutive month, according to the latest data from the Office for National Statistics (ONS). Regular wage growth (excluding bonuses) stood at 3.1% in the three months to January 2020, compared to the same period a year earlier. This is down from a temporary high of 3.9% measured in the summer of 2019.
- In real terms – that is, adjusted for inflation – annual wage growth was estimated at 1.5%, down from the recent peak of 2.0%. Slowing real wage growth is a key factor behind similarly slowing growth in household spending power.

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

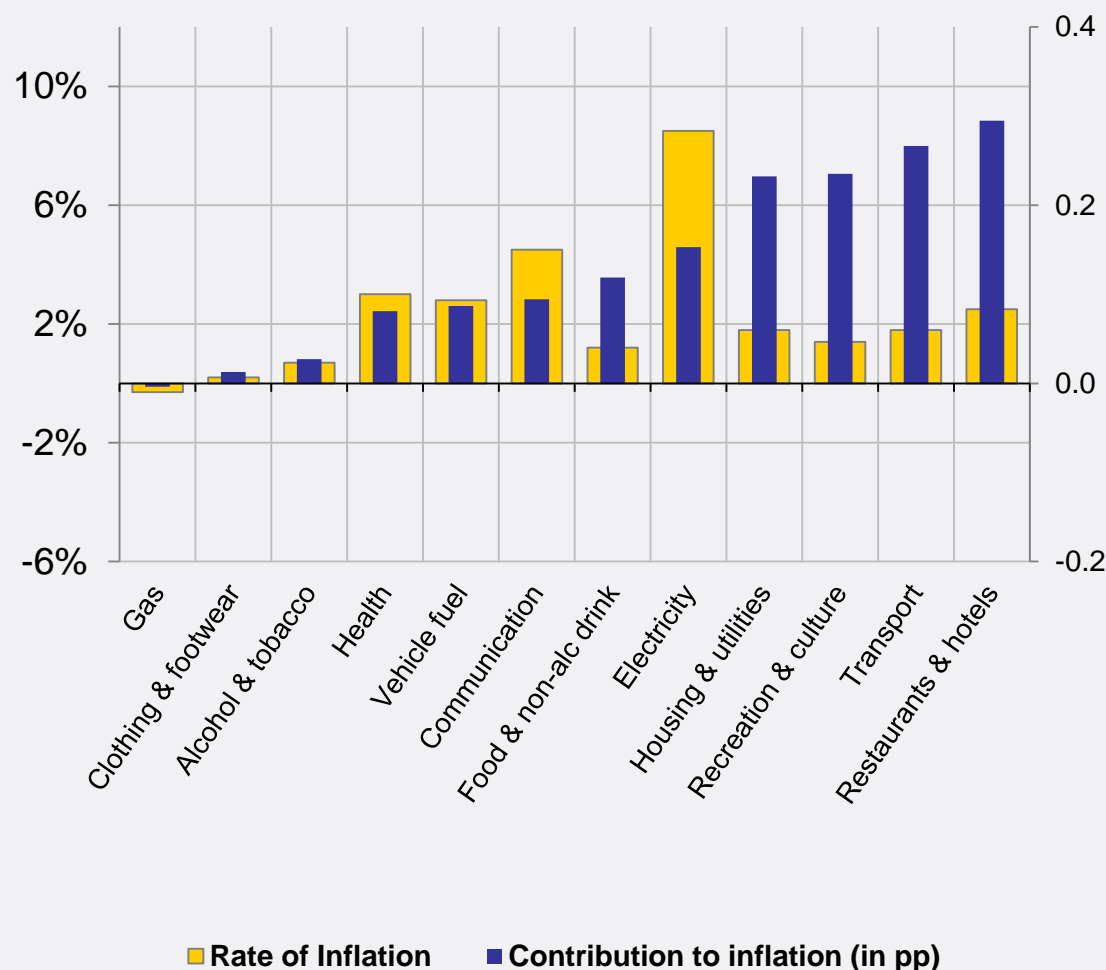


# Inflation edges down on the back of cheaper fuel prices

The main factors affecting family costs in February were:

- Inflation, as measured by the Consumer Price Index, was down slightly at 1.7% in February 2020, having stood at 1.8% in January.
- Looking at the individual expenditure categories, there were slight increases in the Communication and Restaurants & Hotels inflation rates. All other components saw steady price increases or a downtick in inflation.
- Price growth in housing and utilities slowed in February, decreasing by 0.2 percentage points compared to January. Electricity inflation remained elevated at 8.5% as a result of the changes in the price cap by Ofgem. Prices for gas and other liquid fuels recorded a fall compared to the same month in the previous year.
- Volatility in the oil market has seen petrol and diesel prices fall 2.4 and 3.2 pence per litre in February. Lower prices at the pump have supported family incomes in February with fuel price inflation falling back to 2.7%, down from 4.7% in the previous month.

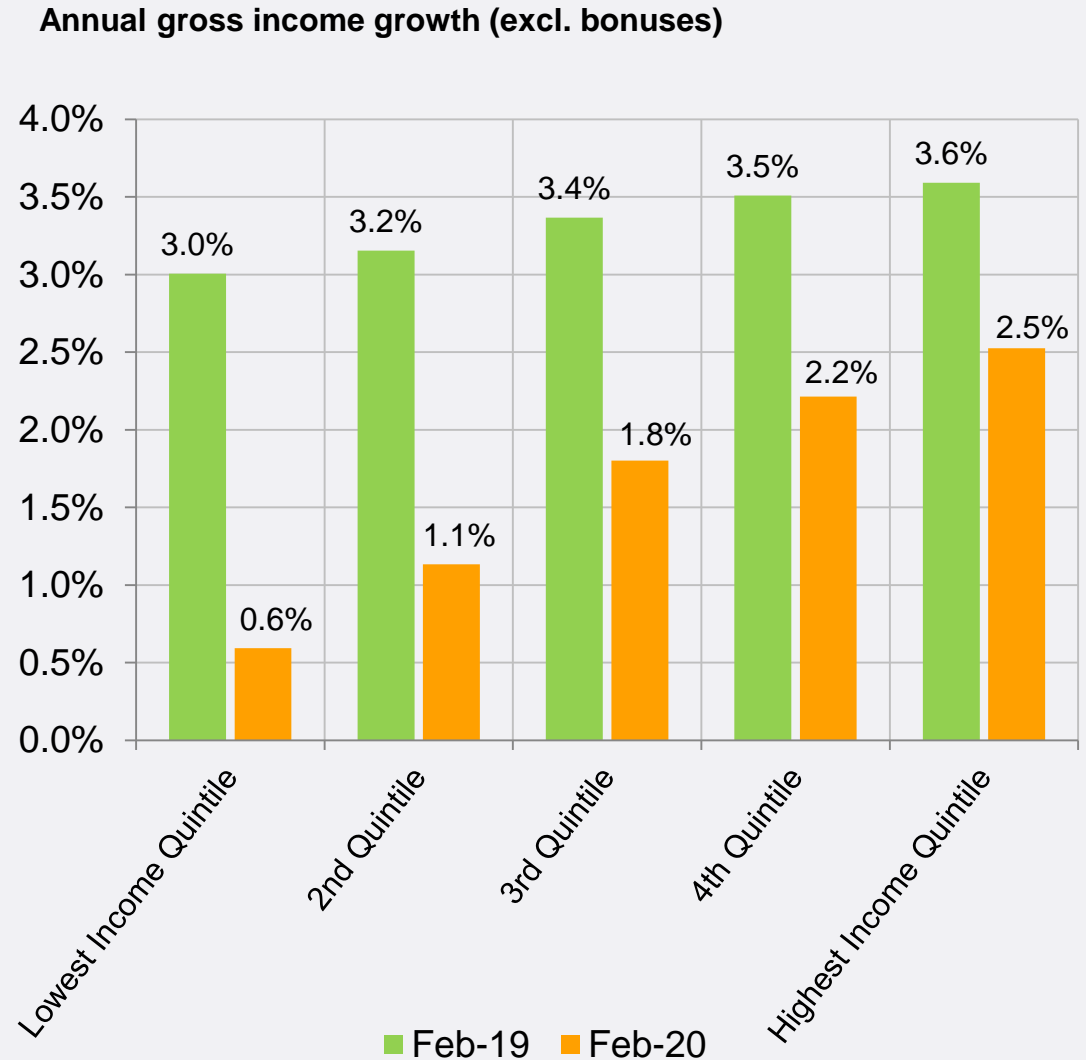
Inflation of selected goods, annual rate (LHS) and contribution to headline inflation (RHS)



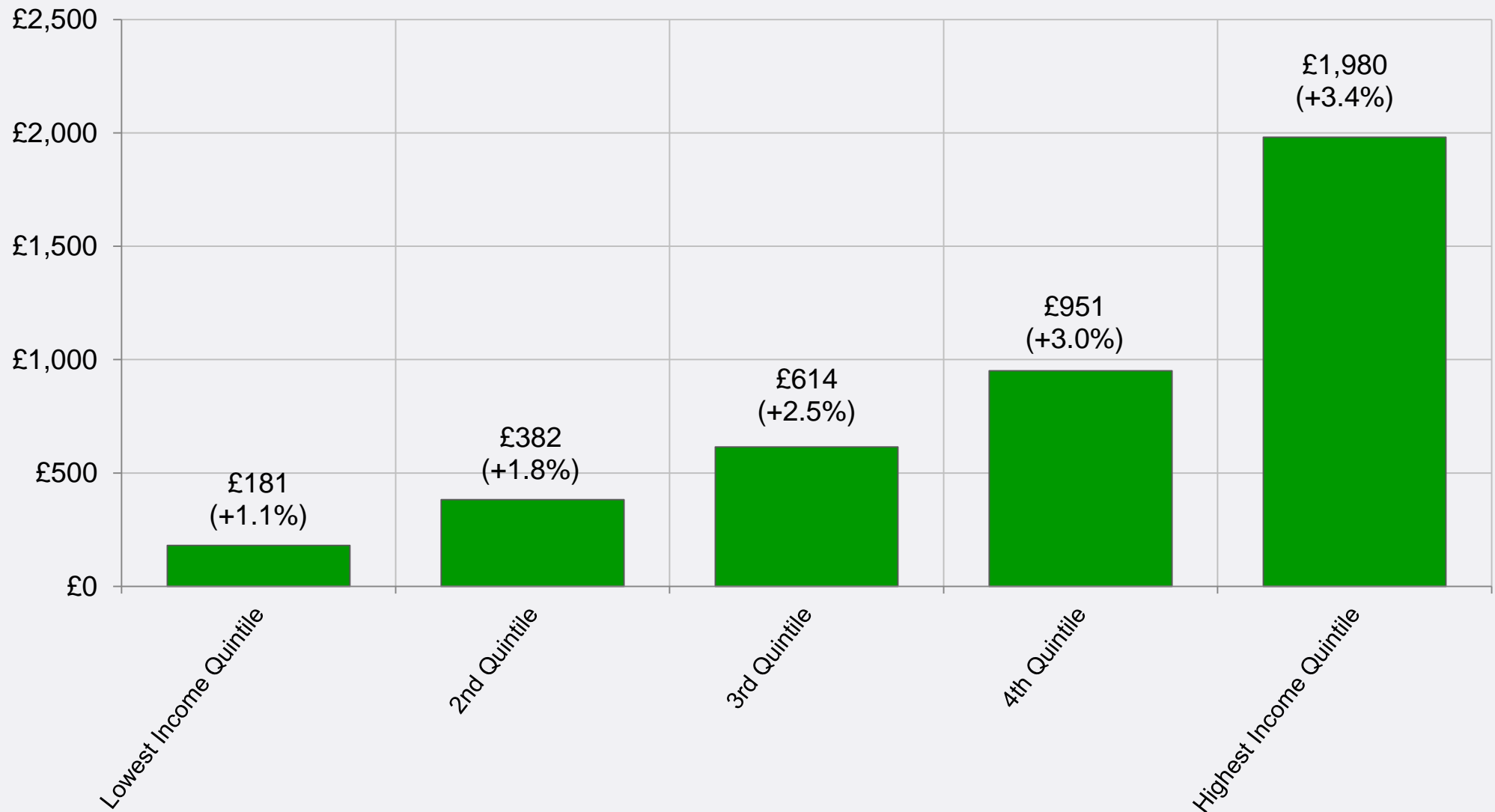
Vehicle fuel is a sub-category of Transport;  
Gas and electricity are sub-categories of Housing & utilities

# Gross income growth lower than a year ago across all income groups

- The graph to the right compares the annual gross income growth rates for different household income groups for February 2020 and February 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 growth slowed for all income groups. All such growth rates have reduced by a considerable amount, ranging from a fall of 1.1 percentage points for the Highest Income Quintile to a fall of 2.4 percentage points for the Lowest Income Quintile
- Gross income growth has now slowed across all income groups in each month since June 2019, barring very slight increases for the Lowest Income Quintile and the 2<sup>nd</sup> Quintile in January 2020.
- This can be mainly attributed to slowdown in wage growth for large parts of the working population. The latest ONS figures show slowing wage growth both in real and nominal terms.



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

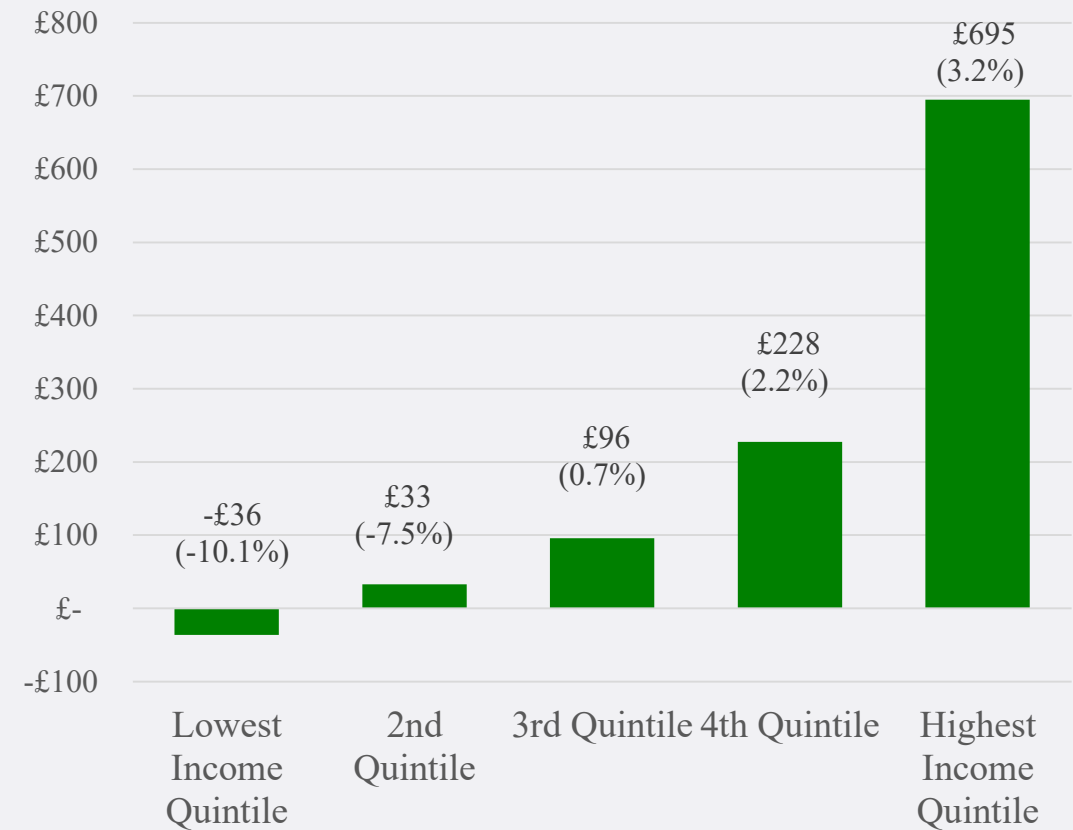


# Income Tracker growth slows across the board as bottom 40% see household spending power fall compared to a year ago

ASDA Income Tracker rises fastest for Highest Income Quintile, though growth slows across all income groups.

- Growth rates in the Income Tracker have fallen back for all income groups, with the bottom 40% particularly harshly hit.
- Discretionary income has now fallen for the fourth consecutive month for those in the 2<sup>nd</sup> Quintile, while those in the Lowest Income Quintile see their spending power decrease by more than 10% for the first time since February 2018.
- The impact of coronavirus is expected to substantially affect discretionary incomes in the coming months. A considerable slowdown in economic activity is all but inevitable, bringing with it higher rates of unemployment, lower wage growth and hence lower discretionary incomes.

Average weekly discretionary income by household income group, February 2020, YoY growth in %



# 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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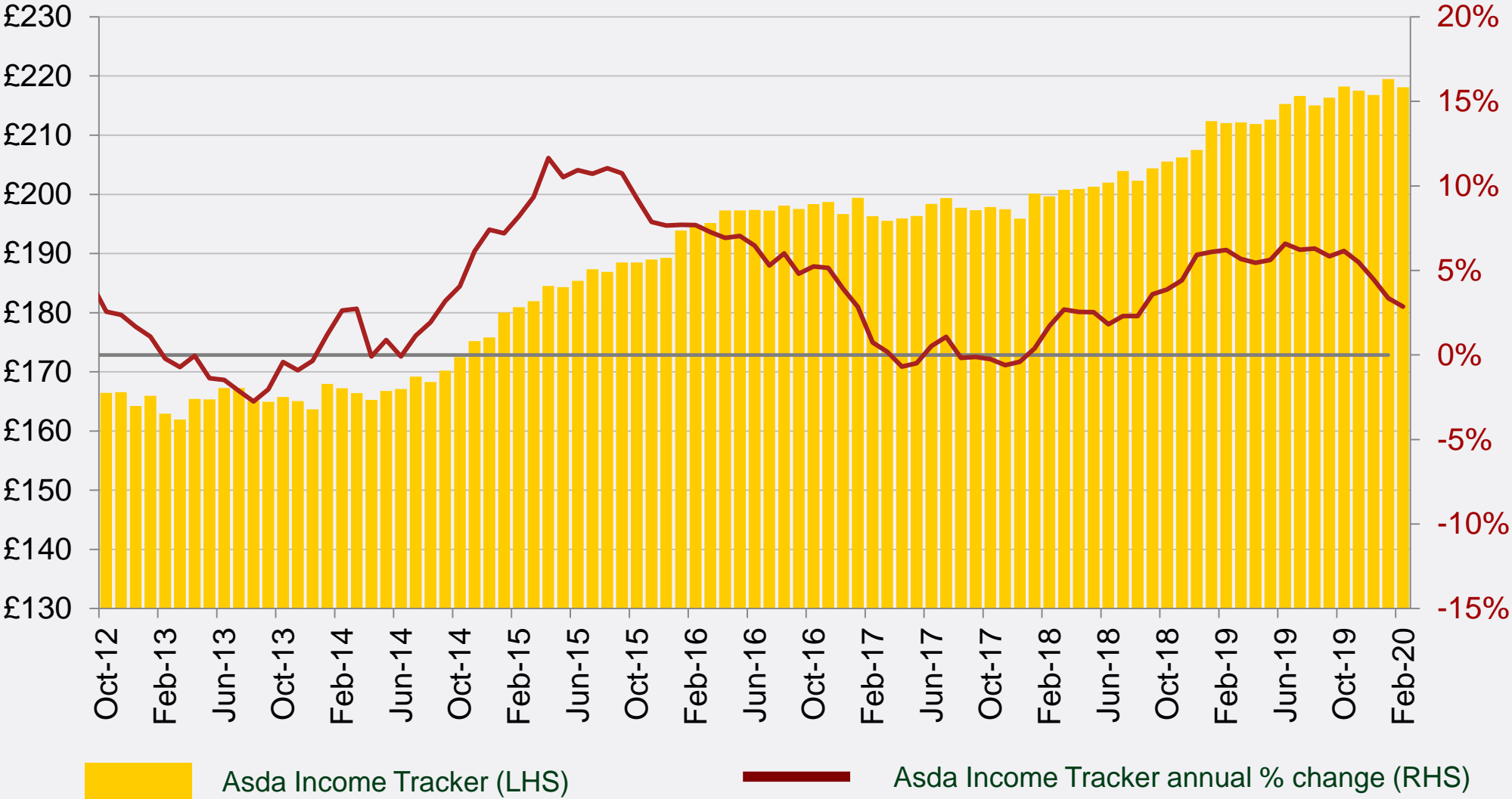
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# Appendix

# 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	£195	January 2017	£201	January 2018	£200	January 2019	£213	January 2020	£220
February 2016	£195	February 2017	£197	February 2018	£199	February 2019	£212	February 2020	£218
March 2016	£195	March 2017	£196	March 2018	£201	March 2019	£212		
April 2016	£198	April 2017	£196	April 2018	£200	April 2019	£212		
May 2016	£198	May 2017	£196	May 2018	£201	May 2019	£213		
June 2016	£198	June 2017	£198	June 2018	£202	June 2019	£215		
July 2016	£198	July 2017	£199	July 2018	£204	July 2019	£217		
August 2016	£199	August 2017	£198	August 2018	£202	August 2019	£215		
September 2016	£199	September 2017	£197	September 2018	£204	September 2018	£216		
October 2016	£199	October 2017	£198	October 2018	£205	October 2019	£218		
November 2016	£200	November 2017	£197	November 2018	£206	November 2019	£218		
December 2016	£198	December 2017	£196	December 2018	£208	December 2018	£217		
2016 Average	£198	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, March 2020**