

# Asda Income Tracker

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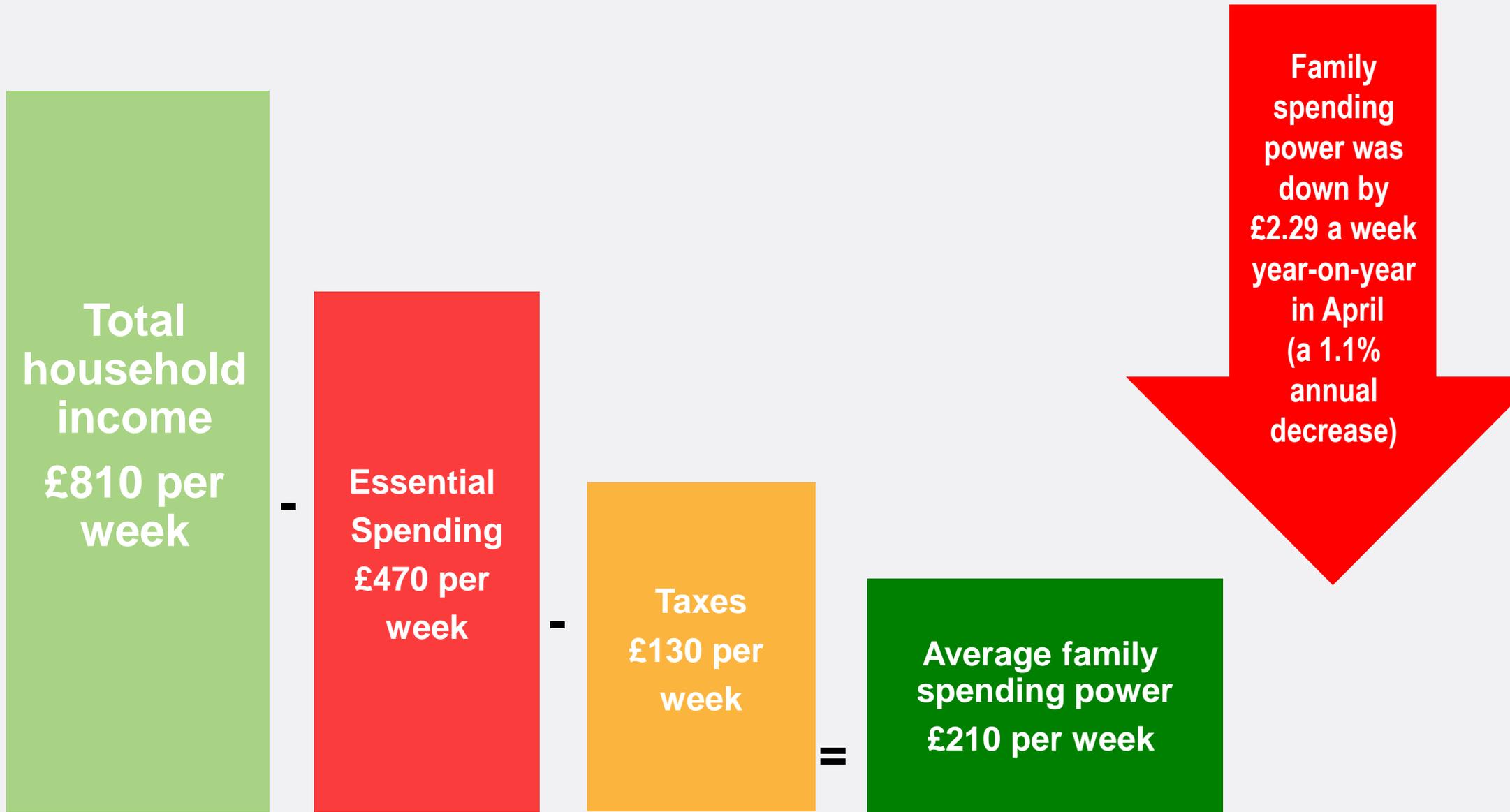
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# Asda Income Tracker – Key Figures



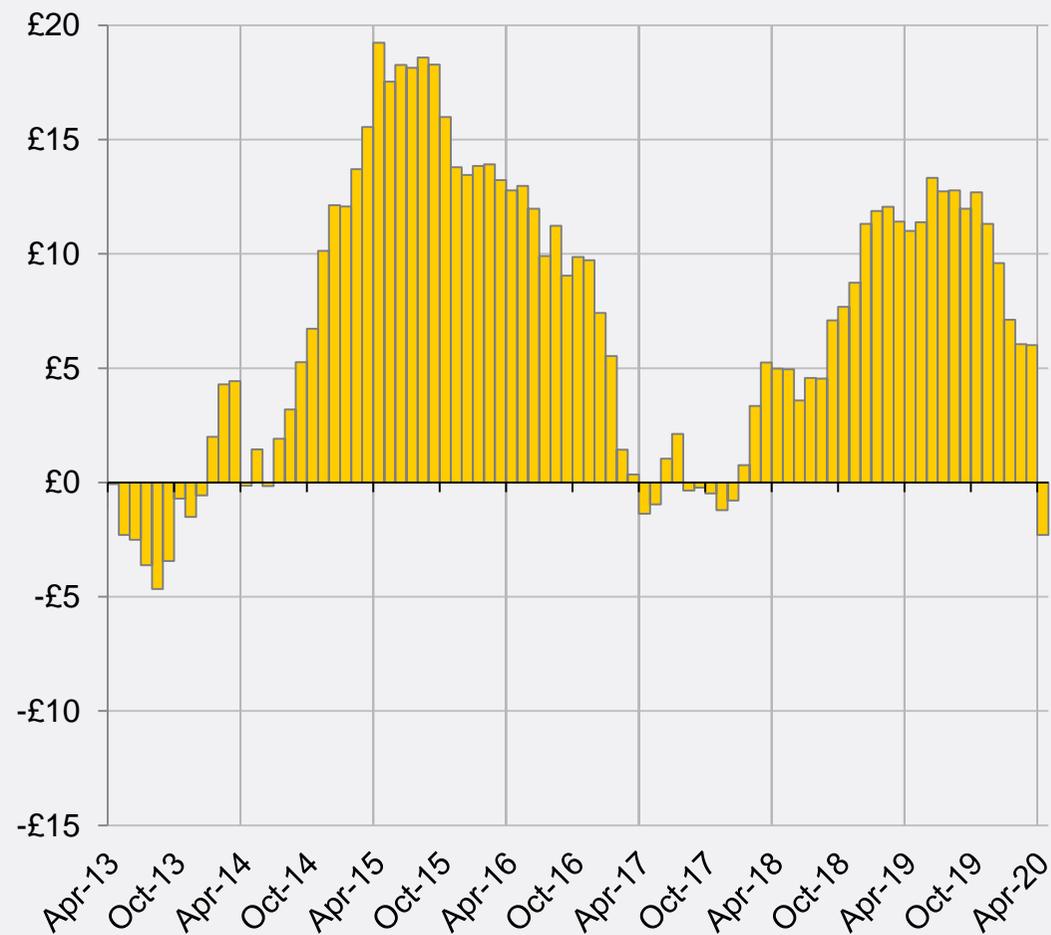
**NB: Due to the unprecedented effects of the coronavirus crisis on the UK economy, this month's Income Tracker figures are subject to a greater degree of uncertainty than usual. While we have used the latest data available to estimate the impacts of the crisis on incomes and expenditures in April 2020, the Income Tracker figures will be subject to revisions as further official data are released over the coming weeks.**

# Spending power falls as coronavirus squeezes household incomes

The Asda Income Tracker was £2.29 a week lower in April 2020 than a year before

- Family spending power fell by 1.1% in the year to April 2020, marking the first decrease since December 2017 and the worst performance since September 2013. The Income Tracker growth rate has now fallen for six consecutive months.
- Wage growth slowed for the eighth consecutive month, according to the latest data from the Office for National Statistics (ONS). Regular wage growth (excluding bonuses) stood at 2.7% in the three months to March 2020, compared to the same period a year earlier. This represents the joint-lowest wage growth level since January 2018.
- The labour market held up quite well prior to the onset of the coronavirus crisis, with the employment rate creeping up to a record high of 76.6% in the three months to March. Since then, the scale of the impact of coronavirus has become somewhat clearer. The labour market has taken a significant hit in April, as shown by a record rise of 857,000 on the claimant count, an estimated loss of 450,000 payrolls, as well as some 7.5 million workers currently on furlough.

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

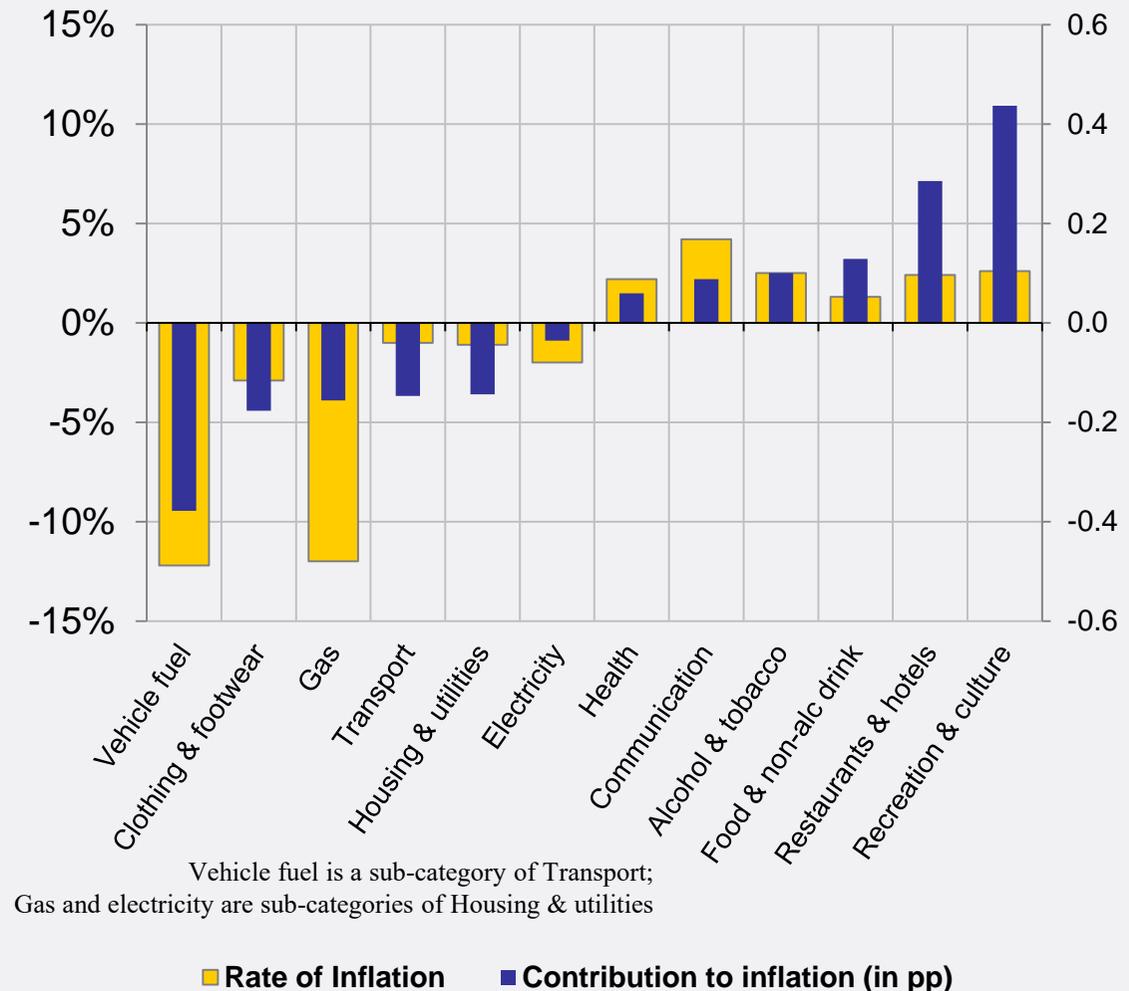


# Falling fuel and energy prices see inflation slow to near four-year low

The main factors affecting family costs in April were:

- Inflation, as measured by the Consumer Price Index, fell to 0.8% in April, having stood at 1.5% in March. This is the lowest rate of inflation recorded since August 2016.
- Falling prices were observed in the clothing & footwear, housing & utilities, and transport categories, all of which yielding downward contributions to the headline inflation rate. Such falling prices reflect the slump in demand caused by the ongoing lockdown measures, with businesses reducing prices in an attempt to rekindle consumer spending.
- Within the housing & utilities category, there was a significant fall in gas prices owing to the lowering of the Ofgem energy price cap as of 1<sup>st</sup> April. Within the transport category, prices of vehicle fuels continued to fall, with this being a result of the significantly suppressed global oil prices witnessed in April.
- There was greater than usual uncertainty in the most recent inflation data, as the closure of non-essential stores has rendered some prices temporarily unobservable.

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

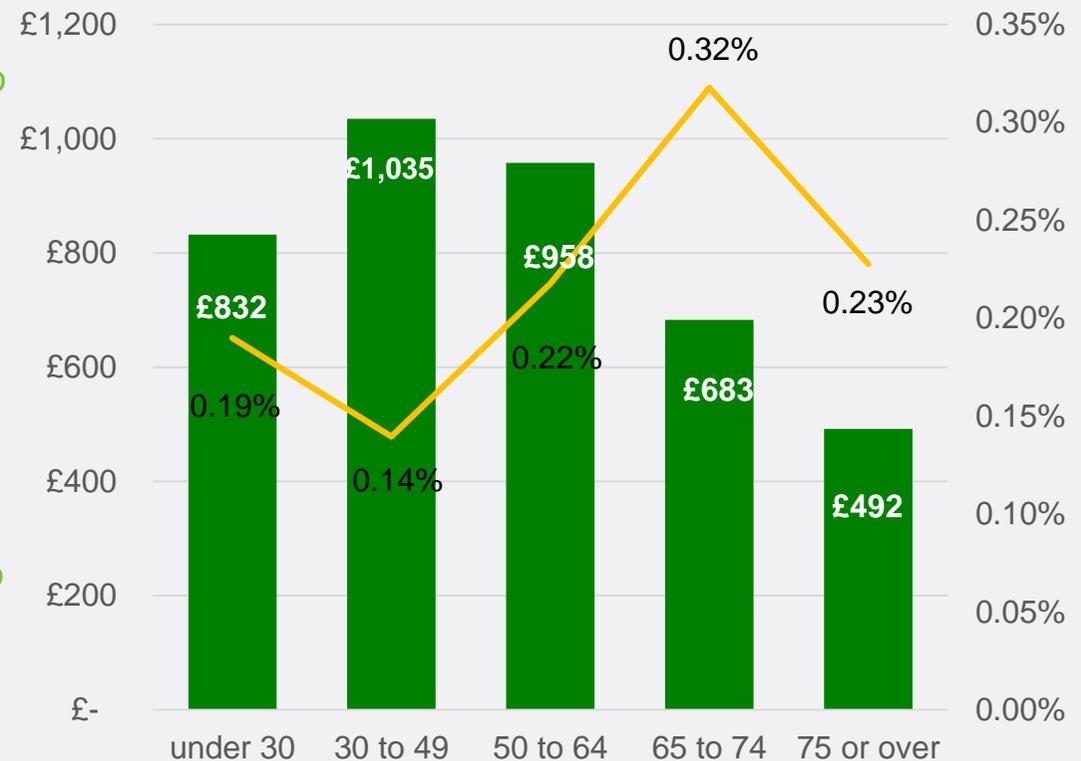


# Gross income growth nears stagnation across all age groups

Gross income growth weakest amongst those aged 30 to 49, increasing by just 0.1% YoY

- Growth in gross incomes fell back for all age groups between January and April. There were falls of at least 1.5 percentage points for all groups, as gross income growth rates fell close to zero.
- The largest fall in the growth rate of gross income was for those aged 30 to 49, witnessing a fall of 2.6 percentage points to stand at just 0.1% growth in April.
- The annual income growth in April fell below the headline rate of inflation for all groups, suggesting an erosion of spending power.
- This drastic fall in gross income growth reflects the changes to household incomes amidst the economic downturn brought about by coronavirus. Furloughing, job losses, pay cuts, and reduced working hours were all factors contributing to suppressed gross income growth in April.

Average weekly gross income by age group, April 2020, YoY growth in % (RHS)



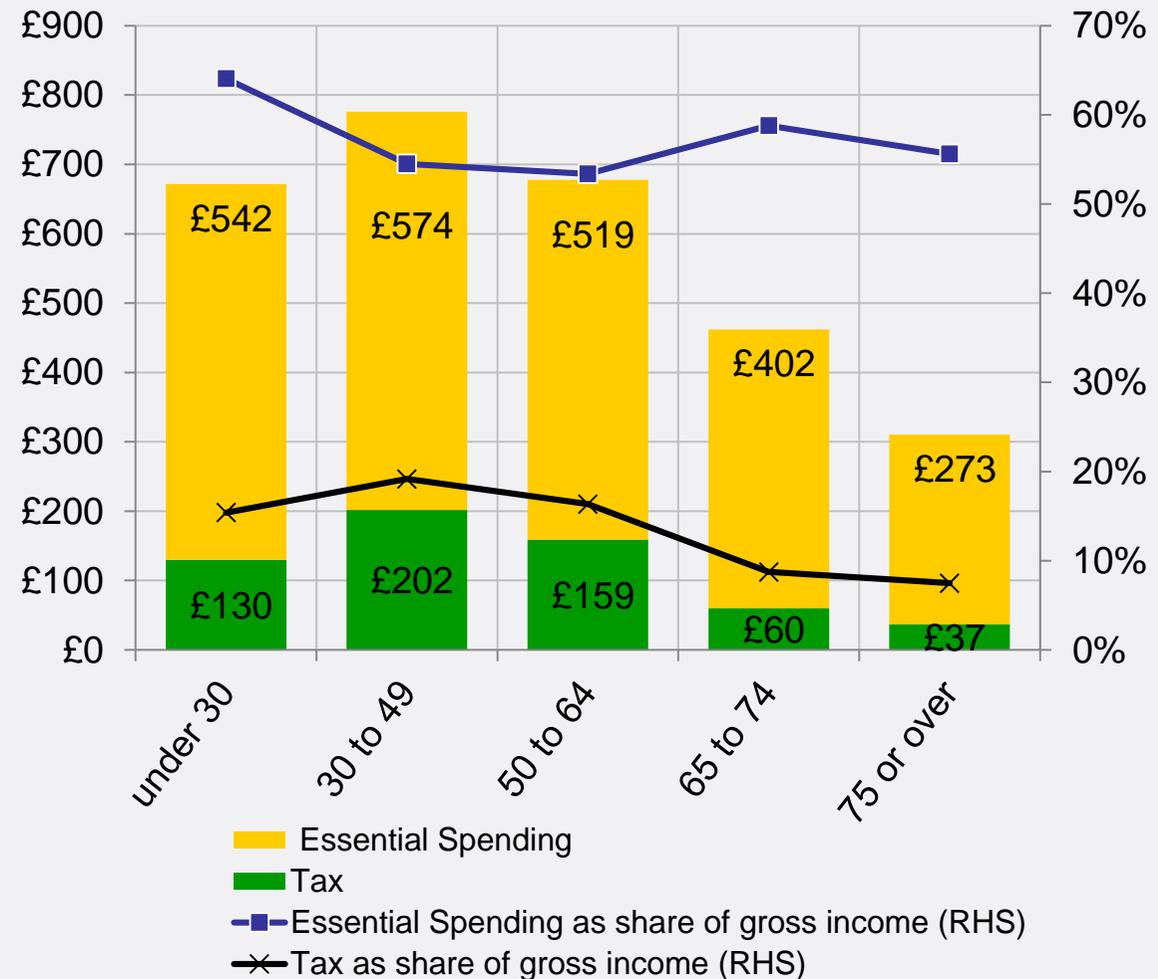
\*Age groups determined via age of household representative person / main income earner in household.

# Growth in cost of essentials slows significantly for all age groups

The cost of essentials increased at a slower rate than headline inflation in April

- In line with the path of inflation, the cost of essential spending increased only slightly in April. Indeed, the cost to purchase the basket of essential goods and services monitored by the Income Tracker increased at a slower rate than the headline level of inflation, rising by just 0.3% in the year to April.
- The growth rate of the cost of essential spending fell by at least 1.1 percentage points for all age categories between March and April.
- Lower prices for electricity, gas, and transport helped to keep the growth of essential spending costs muted in April.
- Such price reductions were felt across all age groups, given that housing costs and utilities make up the largest proportion of essential spending for those under 30 and those over the age of 75, while transport costs were the single largest component of essential spending for those in the middle age categories.

Average weekly tax burden and essential spending as a share of gross income by age group, April 2020

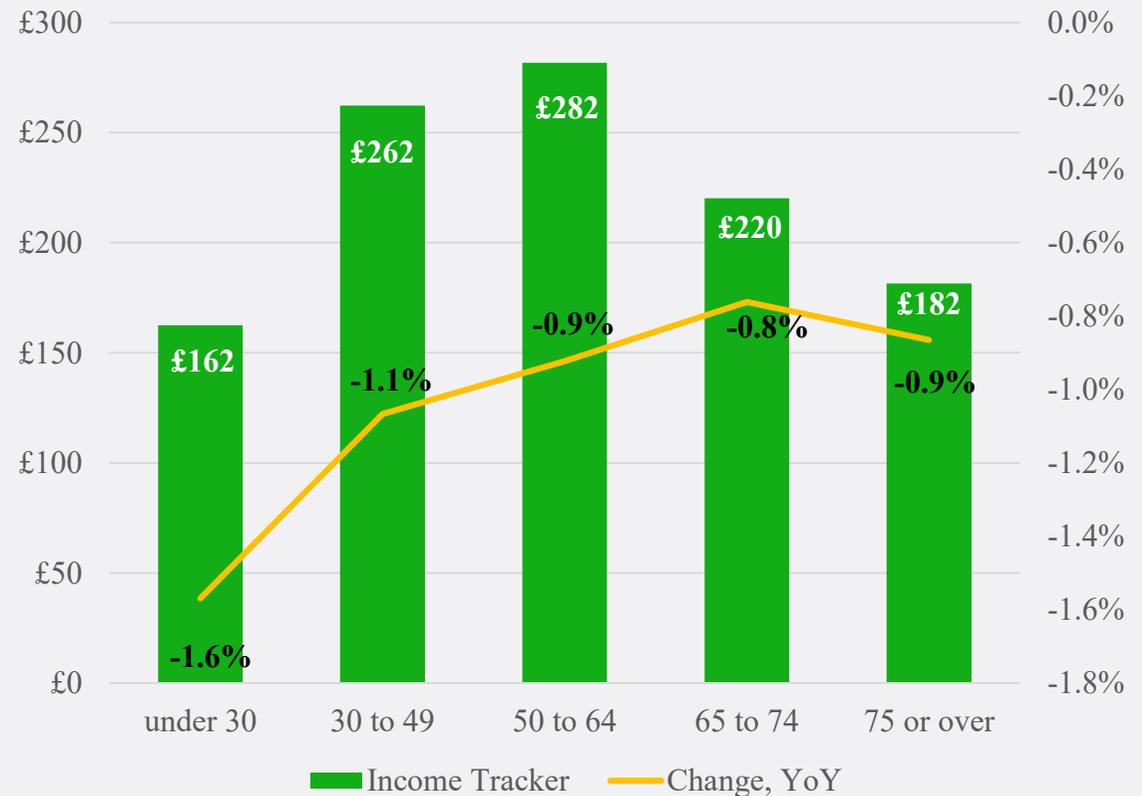


# Income Tracker falls across all household groups for first time since 2013

Under 30s see largest percentage contraction in discretionary spending power

- Households of all age groups saw discretionary spending power weaken year-on-year, as the Income Tracker fell across the board for the first time since December 2013.
- Those under 30 were particularly badly hit, seeing their discretionary income fall by 1.6% year-on-year. This is largely because essential spending makes up a larger proportion of their gross income than other working age households.
- Those aged 30 to 49 saw the largest raw reduction, with their average weekly discretionary income falling by £2.80 compared to April 2019.
- Those aged 65 to 74 took the smallest hit in percentage change terms, as pension incomes were less affected by the crisis than wages and salaries.
- The slowdown in inflation in April helped to mitigate the effects of falling gross incomes, though it was not enough to prevent an overall weakening of discretionary spending power.

Average weekly discretionary income by age group, April 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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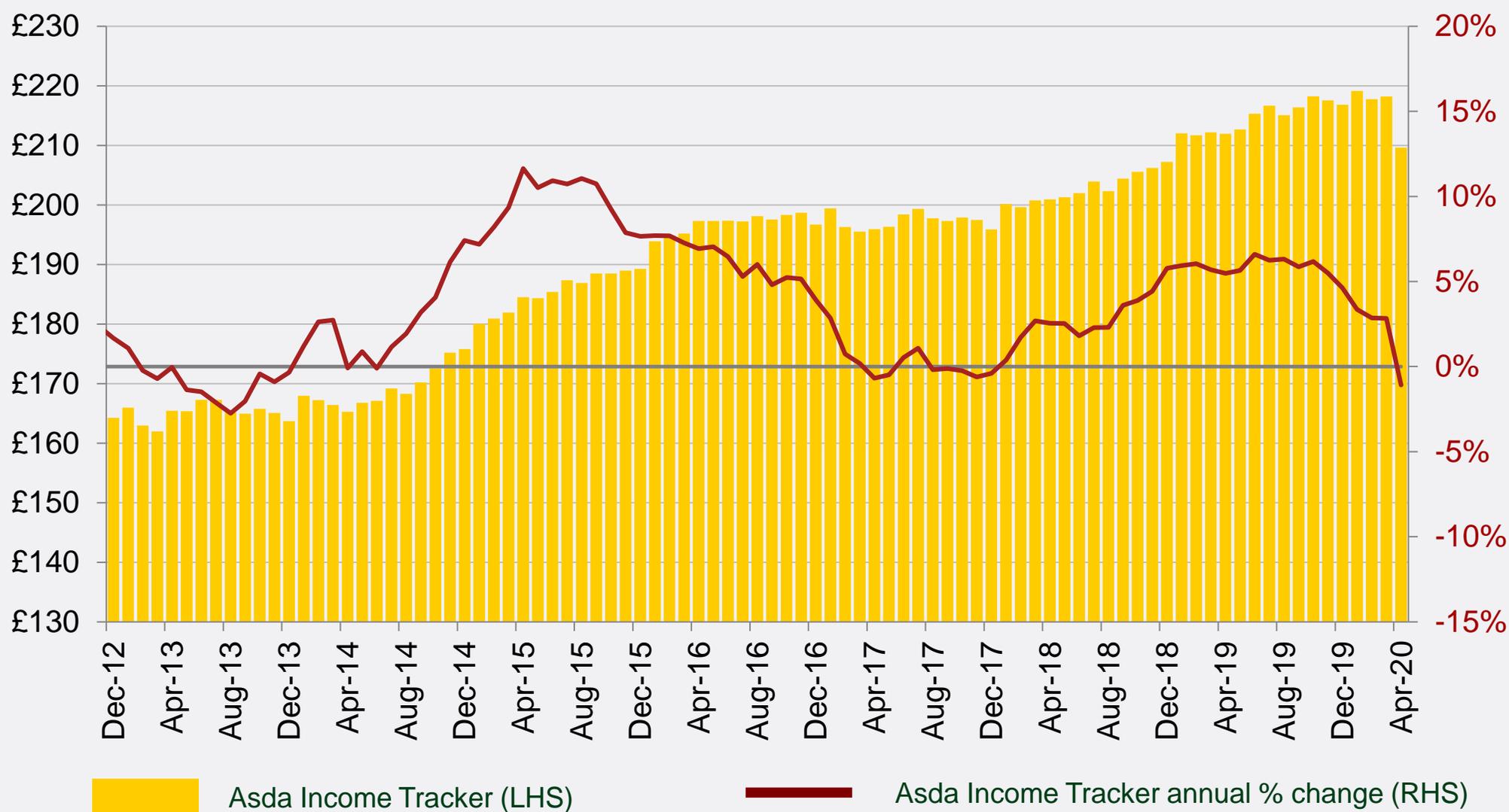
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# Appendix

# 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						
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	£218
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	£210
May 2016	£197	May 2017	£196	May 2018	£201	May 2019	£213		
June 2016	£197	June 2017	£198	June 2018	£202	June 2019	£215		
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		
<b>2016 Average</b>	<b>£197</b>	<b>2017 Average</b>	<b>£197</b>	<b>2018 Average</b>	<b>£203</b>	<b>2019 Average</b>	<b>£215</b>		

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, May 2020**