

# Asda Income Tracker

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Making Business Sense

Centre for Economics and  
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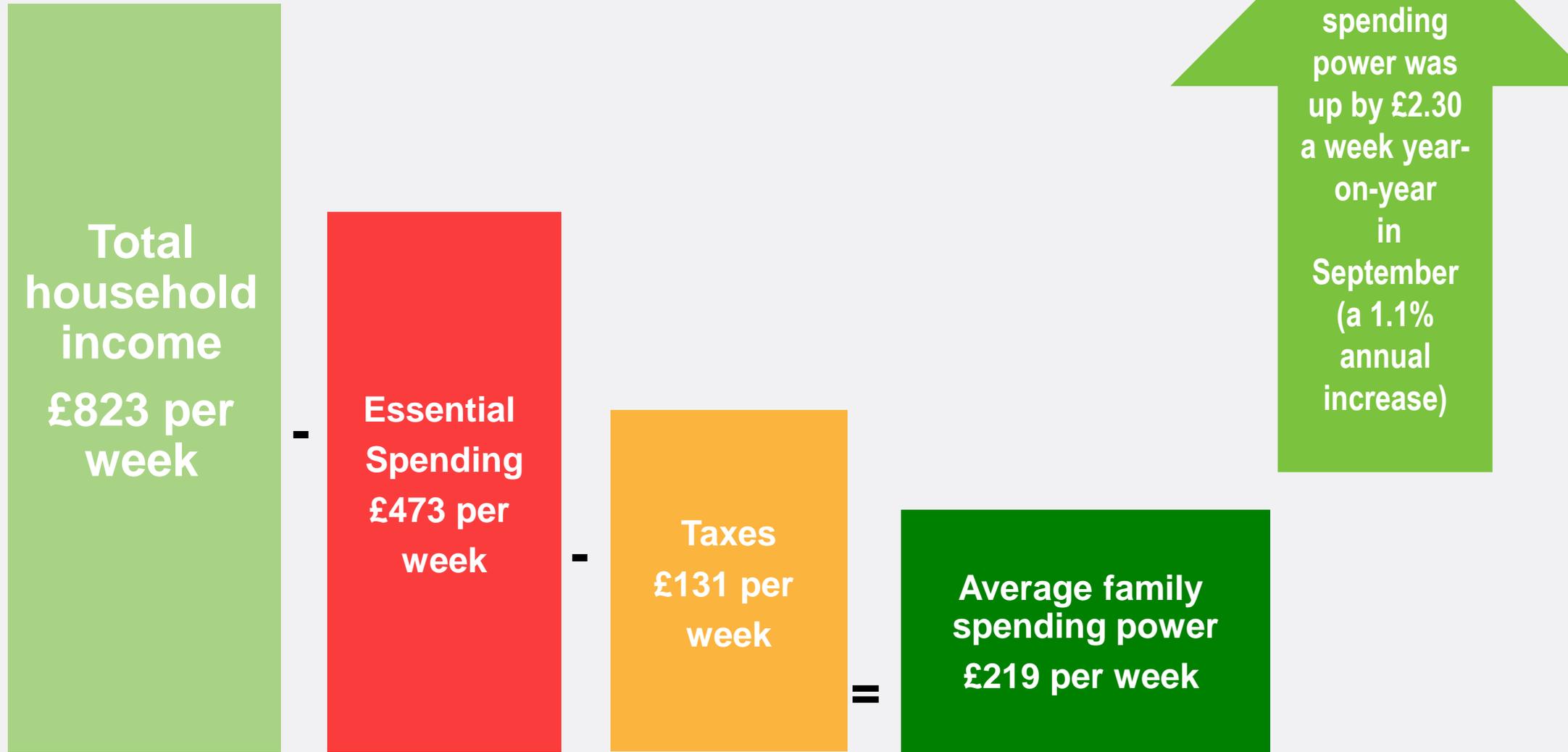
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# Asda Income Tracker – Key Figures



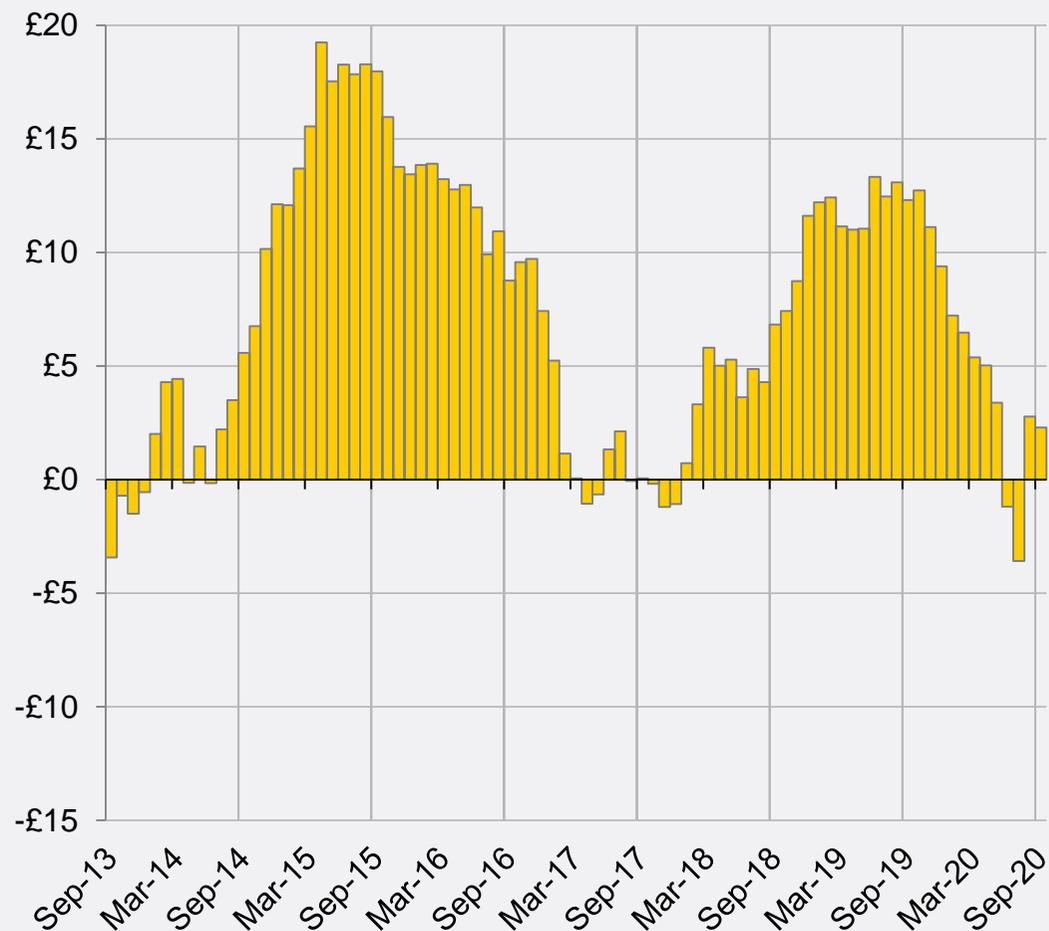
**NB: Due to the unprecedented effects of the coronavirus crisis on the UK economy, this month's Income Tracker figures are subject to a greater degree of uncertainty than usual. While we have used the latest data available to estimate the impacts of the crisis on incomes and expenditures in the reporting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

# Strong summer wage growth sees income tracker pick up

The Asda Income Tracker was £2.30 a week higher in September 2020 than a year before

- Family spending power increased by 1.1% in the year to September. This marks the second consecutive month of annual growth following a revision to August's data.
- August saw a noticeable return to work among employees previously on furlough, with figures from HMRC pointing to a 12.0% fall in the number of individuals making use of the Coronavirus Job Retention Scheme (CJRS). This trend is expected to be more muted in September, resulting in a smaller year-on-year change in the income tracker.
- The end of the CJRS and the anticipated labour market fallout pose the biggest threats to household discretionary incomes in the near future. In spite of new support schemes outlined by the government, a spike in the unemployment rate is still anticipated, bringing with it more typical recessionary features such as subdued consumer spending and wage fragility. As a result, the positivity seen in the income tracker in August and September may well prove short-lived.

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



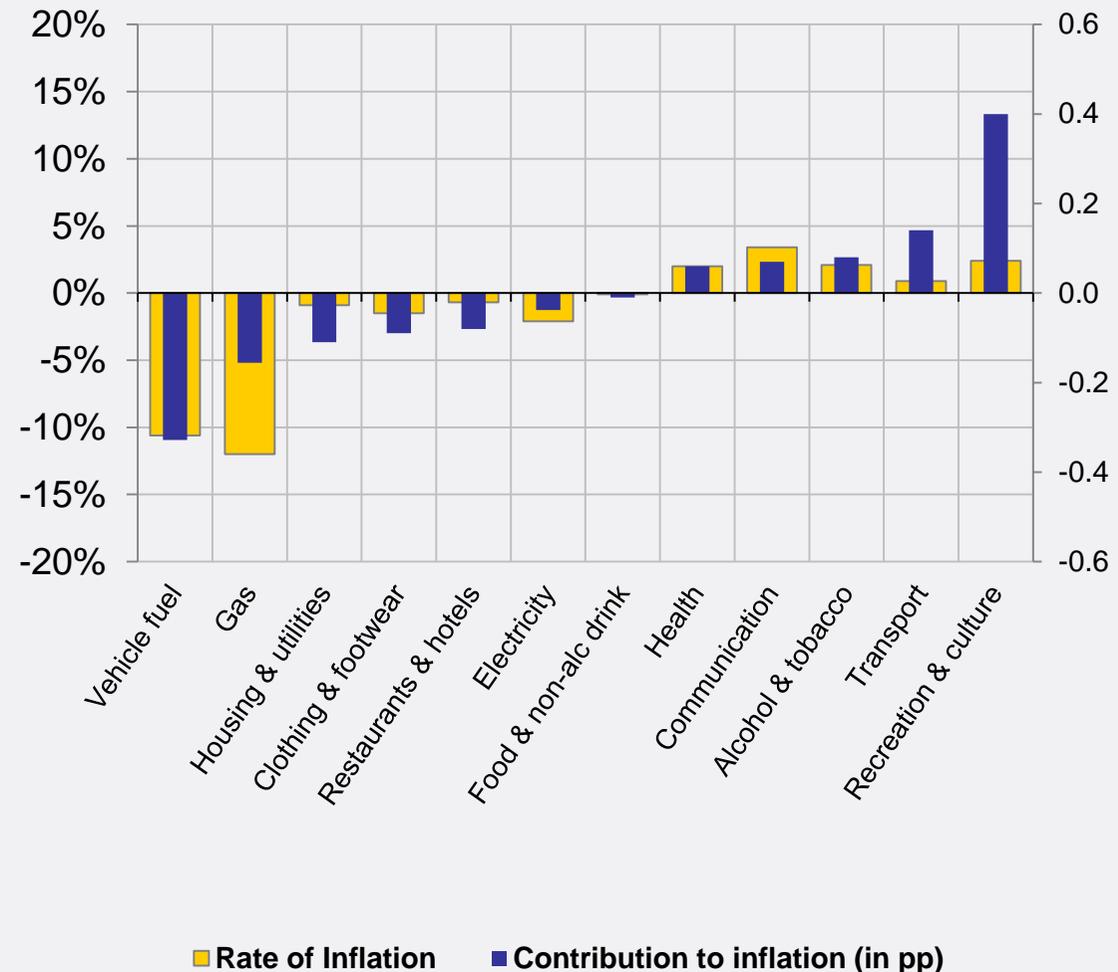
# Transport costs return to annual growth for first time in six months

Cost of living

The main factors affecting family costs in September were:

- Inflation, as measured by the Consumer Price Index (CPI), picked up by 0.3 percentage points in September, reaching 0.5%.
- This uptick stems largely from the termination of the Eat Out To Help Out scheme, which had contributed to falling prices amongst restaurants & cafes in August, feeding into a low inflation rate of 0.2%.
- September saw upward price pressure from the transport category for the first time since March. Public transport prices saw considerable increases during the month, with 16.9% annual growth in bus and coach fares, for instance. Vehicle fuel prices remain considerably subdued on an annual basis, however, helping to partially offset the price increases from other transport subcategories.
- Utility prices fell across the board in September, helping to keep essential spending levels in check. Gas prices remain especially suppressed, exhibiting an annual growth rate of -12.0%.

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



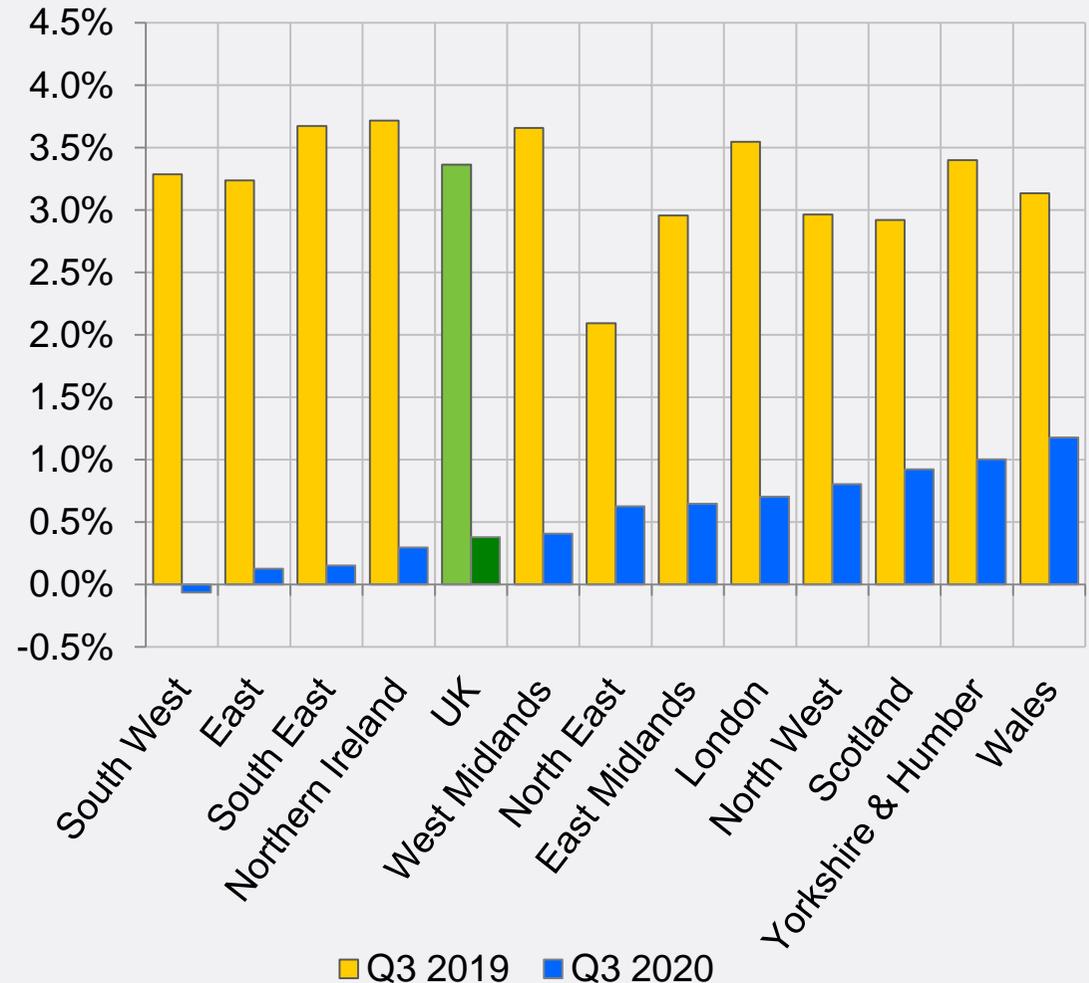
Vehicle fuel is a sub-category of Transport;  
Gas and electricity are sub-categories of Housing & utilities

# Growth in gross incomes sees considerable slowdown in Q3

UK-wide annual gross income growth slowed from 3.4% in Q3 2019 to 0.4% in Q3 2020

- Gross income growth decreased further in Q3, with this marking the fifth consecutive quarter of slowdown.
- When comparing gross income growth to that witnessed this time last year, the effect of the pandemic is evident. The rate of increase of gross incomes was a whole 3.0 percentage points lower in Q3 2020 than in the same quarter in 2019.
- Despite the magnitude of the pandemic’s impact on households, only those in the South West saw their gross income fall year-on-year.
- All other regions saw slight positive growth, ranging from 0.1% in the East of England to a high of 1.2% in Wales.
- Gross incomes have been impacted by a variety of factors associated with the spread of Covid-19, most notably the furlough scheme, reduced working hours, and widespread pay cuts. These factors have been particularly prevalent in the private sector.

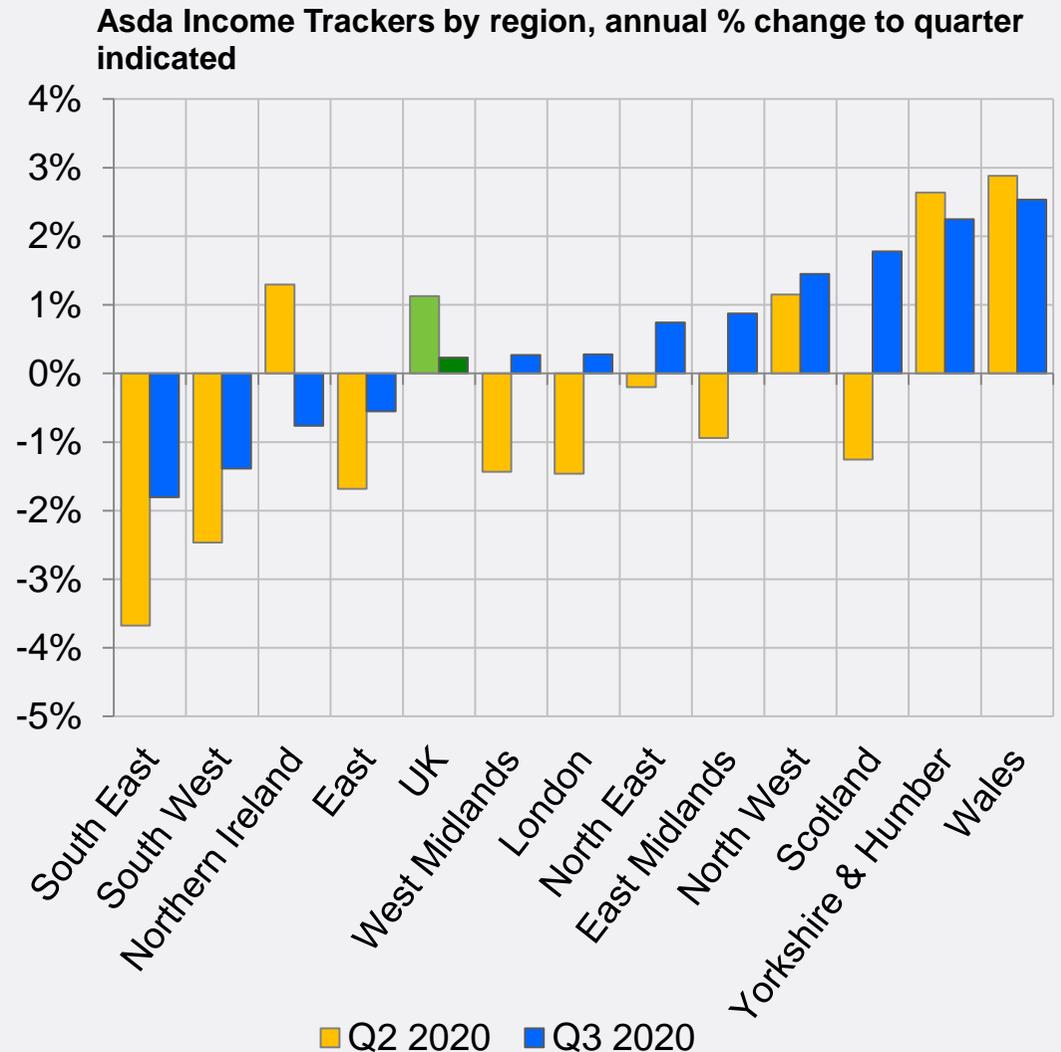
Regional gross income, annual change to quarter indicated



# Discretionary income sees varying fortunes across UK regions

## Fewer regions saw a decline in the Income Tracker in Q3 than in Q2

- Growth in the Income Tracker varied significantly across the UK's regions and nations in Q3.
- Year-on-year falls in discretionary income were seen amongst eight UK regions in Q2. This figure fell to just four regions in Q3.
- The South East and South West saw the largest annual percentage fall in Q3, with the Income Tracker down by 1.8% and 1.4%, respectively. These two regions also saw the largest annual contractions in Q2.
- Many other regions returned to year-on-year growth in the most recent quarter. The West Midlands, London, the North East, the East Midlands and Scotland all saw the Income Tracker increase in Q3 following contractions in Q2.
- The opposite can be said for Northern Ireland, which saw an annual fall in the Income Tracker for the first time since Q2 2017.

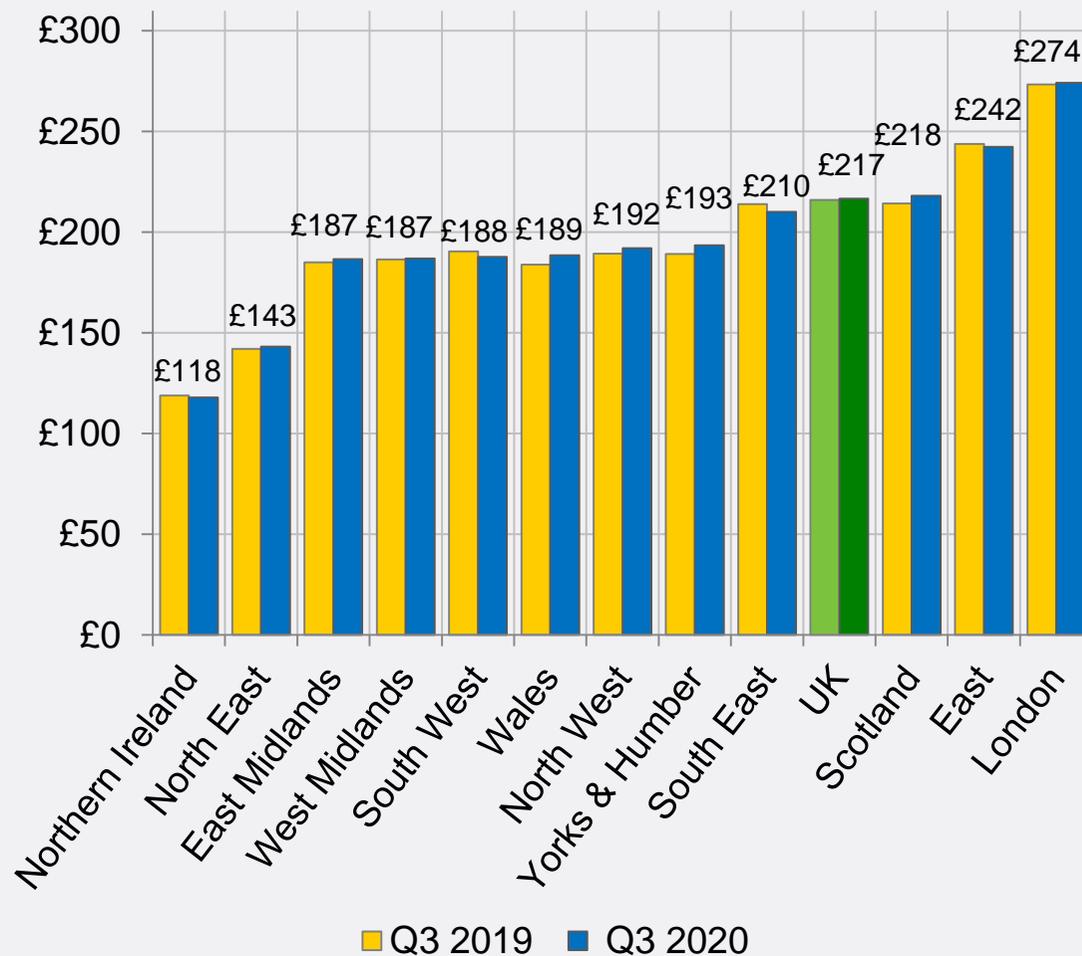


# Resilient discretionary spending power unlikely to continue into Q4

UK-wide family spending power averaged £217 in the third quarter of 2020

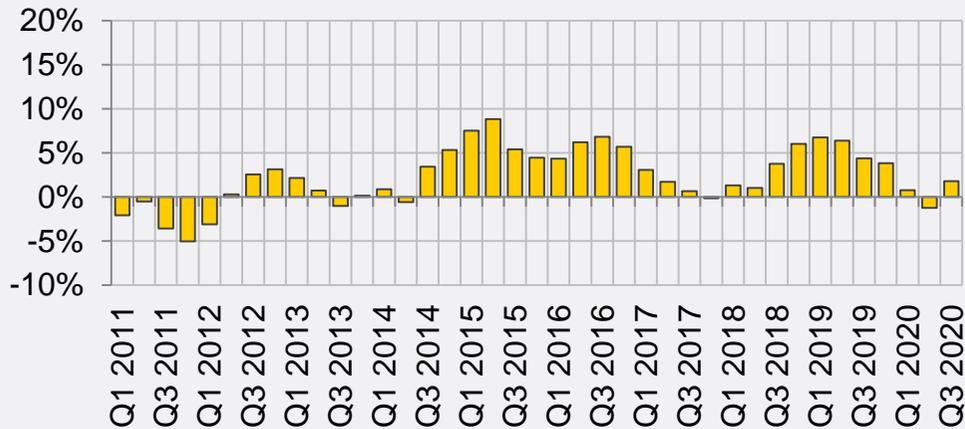
- Compared to Q3 2019, the South East saw the largest decrease in the Income Tracker in absolute terms, falling by £3.86.
- This also translates into the largest proportional terms fall, with discretionary income down by 1.8% year-on-year.
- The East of England, the South West, and Northern Ireland were the only other regions to witness an annual decline in their average discretionary income.
- The region with the largest absolute gain was Wales, where average household discretionary income was up by £4.66 compared to the third quarter of 2019. This was closely followed by Yorkshire and the Humber, with an increase of £4.25. These two regions were also the largest gainers in Q2 2020.
- Though nine UK regions saw positive income tracker growth in Q3, household incomes are set for more pressure in Q4, limiting the likely scale of future income tracker gains.

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

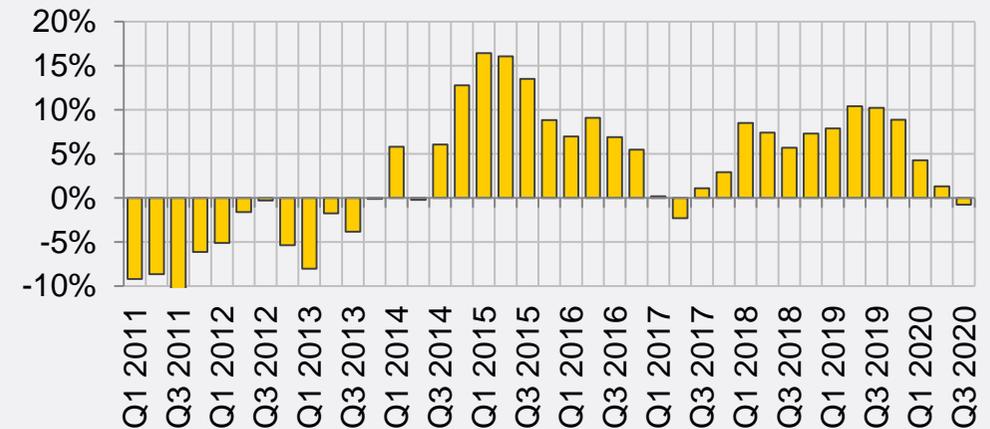


# Focus on Scotland and Northern Ireland

Annual % change in discretionary incomes, Scotland



Annual % change in discretionary incomes, Northern Ireland



- The Income Tracker for Scotland witnessed an increase of 1.8% year-on-year in Q3 2020. This marks a return to growth following a decline of 1.3% in the previous quarter.

- Scottish unemployment is expected to have averaged 4.5% in Q3, up from the rate of 3.8% witnessed in the same quarter in 2019. Despite this, the return of workers from furlough and the uptick in economic activity in Q3 drove the increase in the Income Tracker.

- In recent weeks, the Scottish government has further tightened coronavirus restriction measures across large swathes of the country. The reimplementation of such measures brings a host of factors which could impact household incomes in the coming months, including business closures, a redundancy spike, and subdued confidence.

- Northern Ireland recorded a 0.8% annual fall in the Income Tracker in Q3, putting an end to twelve consecutive quarters of year-on-year growth.

- Northern Ireland had previously avoided the falls in discretionary income experienced by other regions and countries. With falling wages seen predominantly within the private sector, Northern Ireland had thus far benefitted from its larger proportion of public sector workers.

- Northern Ireland has also reimplemented restriction measures recently, with a national 'circuit breaker' lockdown. These new restriction measures could negatively impact discretionary incomes as well as business and consumer confidence.

# 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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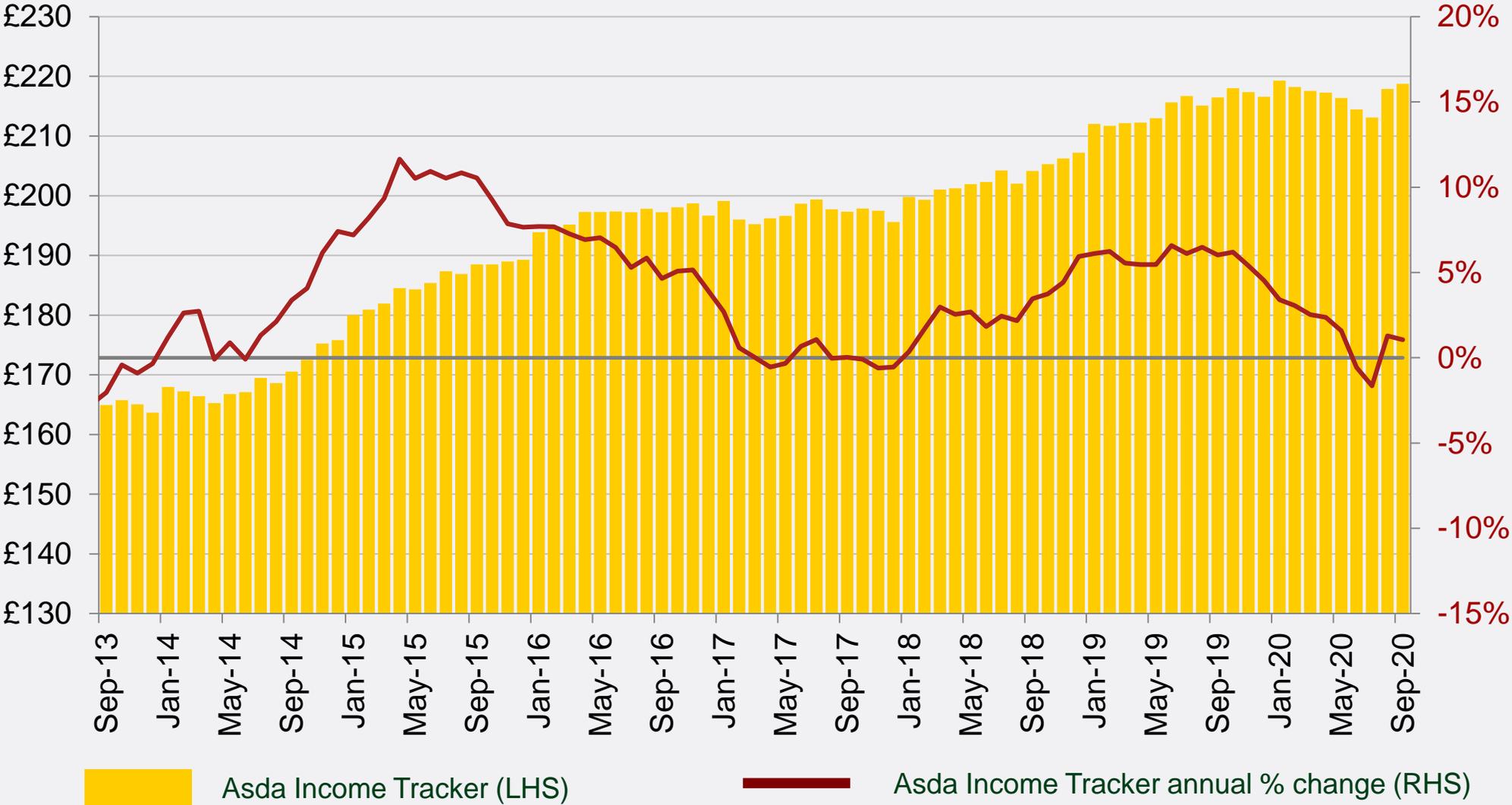
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# Appendix

# 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	£217
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	£214
July 2016	£197	July 2017	£200	July 2018	£204	July 2019	£217	July 2020	£213
August 2016	£198	August 2017	£198	August 2018	£202	August 2019	£215	August 2020	£218
September 2016	£198	September 2017	£197	September 2018	£204	September 2019	£216	September 2020	£219
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 2019	£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, October 2020**