

# Asda Income Tracker

Report: June 2019

Released: July 2019



Making Business Sense

Centre for Economics and  
Business Research Ltd

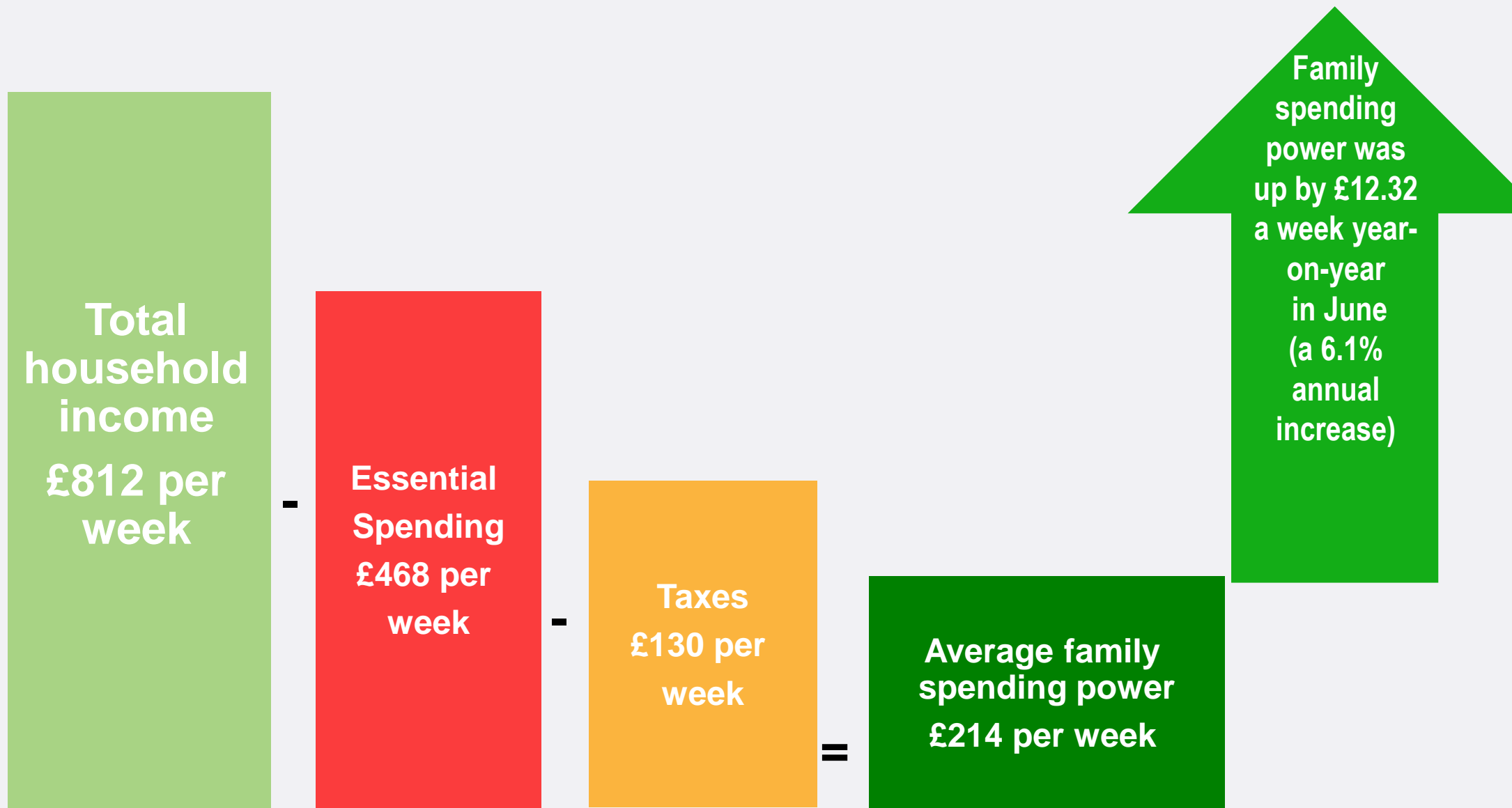
Unit 1, 4 Bath Street, London  
EC1V 9DX

t 020 7324 2850

w [www.cebr.com](http://www.cebr.com)



# Asda Income Tracker – Key Figures

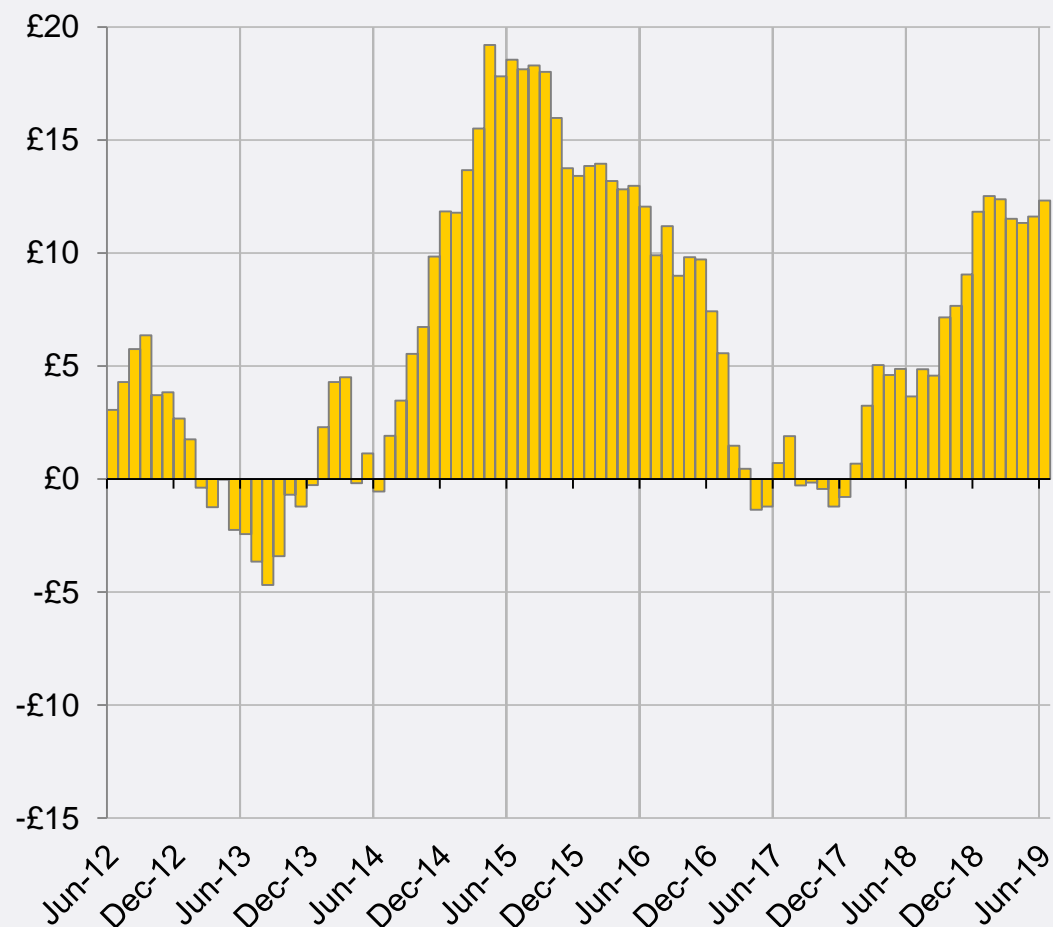


# Wage growth at highest in over a decade boost Income Tracker growth

The Asda Income Tracker was £12.32 a week higher in June 2019 than a year before

- Family spending power increased by 6.1% compared to June 2018, the fastest increase since February this year. In pound terms, the Income Tracker rose by £12.32 year-on-year.
- Households continue to benefit from a strong labour market and healthy rates of wage growth. In the three months to May, unemployment remained unchanged at 3.8%, the lowest rate since 1974.
- Meanwhile, regular pay (excluding bonuses) increased by 3.6% year-on-year, the highest since the three months to July 2008.
- There are, however, some early signs that the jobs boom might be losing steam. Over the quarter, the number of people working full-time fell by 77,000. This was offset by an increase of 86,000 in the number of part-time workers. Falling vacancy numbers are a further indicator of a moderation in firms' hiring intentions.

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

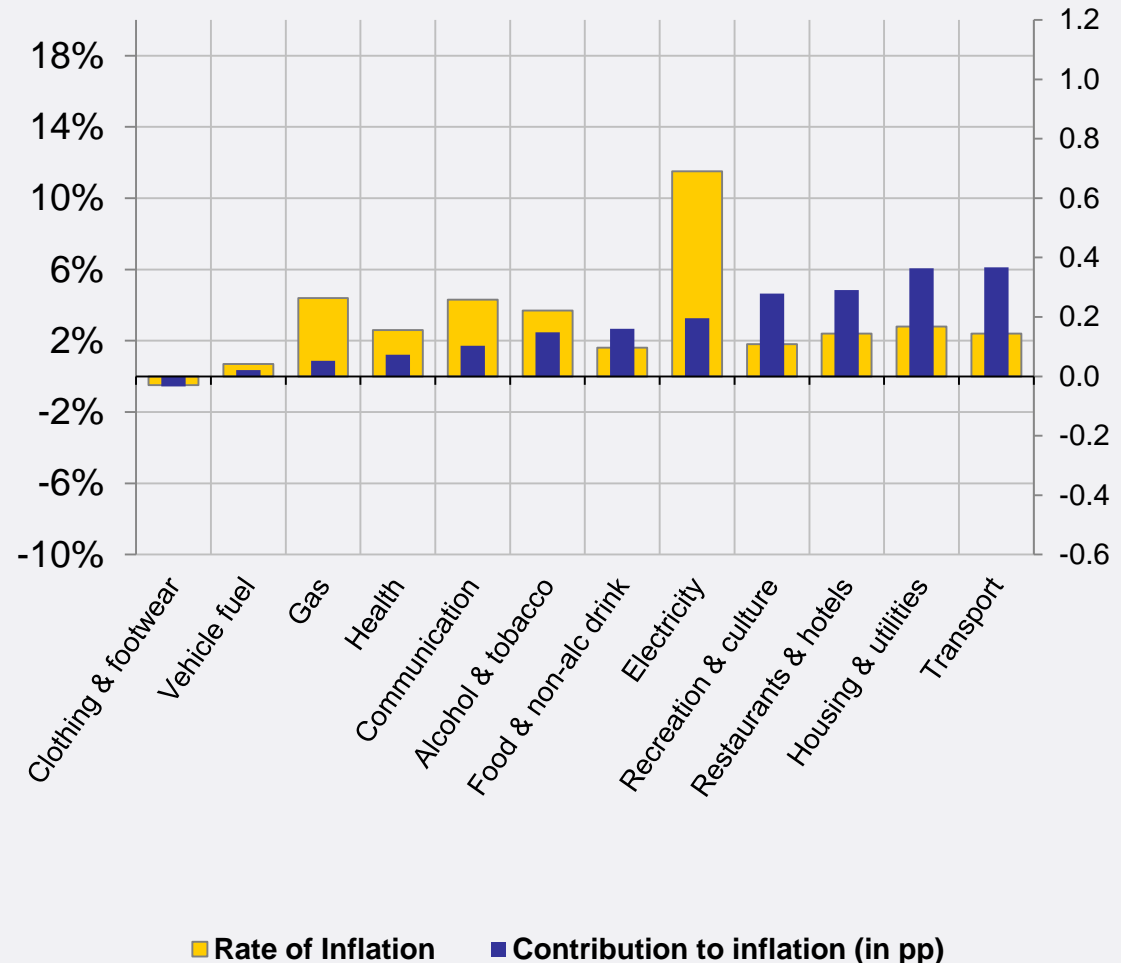


# Inflation holds steady as utility price increases start to ease

The main factors affecting family costs in June were:

- Inflation, as measured by the Consumer Price Index, remained unchanged at 2.0% in June.
- Prices for clothing and footwear fell by 0.4% year-on-year, the 10th consecutive month of negative growth. However, comparing the monthly price change to that of the previous year, prices fell by a smaller amount, causing upward pressure on the price index.
- This, however, was more than offset by slowing inflation for transport, housing & utilities, and recreation & culture.
- Fuel price inflation fell to 0.7%, the lowest rate since February this year.
- Meanwhile, the annual price increases for gas and electricity have started to ease compared to the previous two months.

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



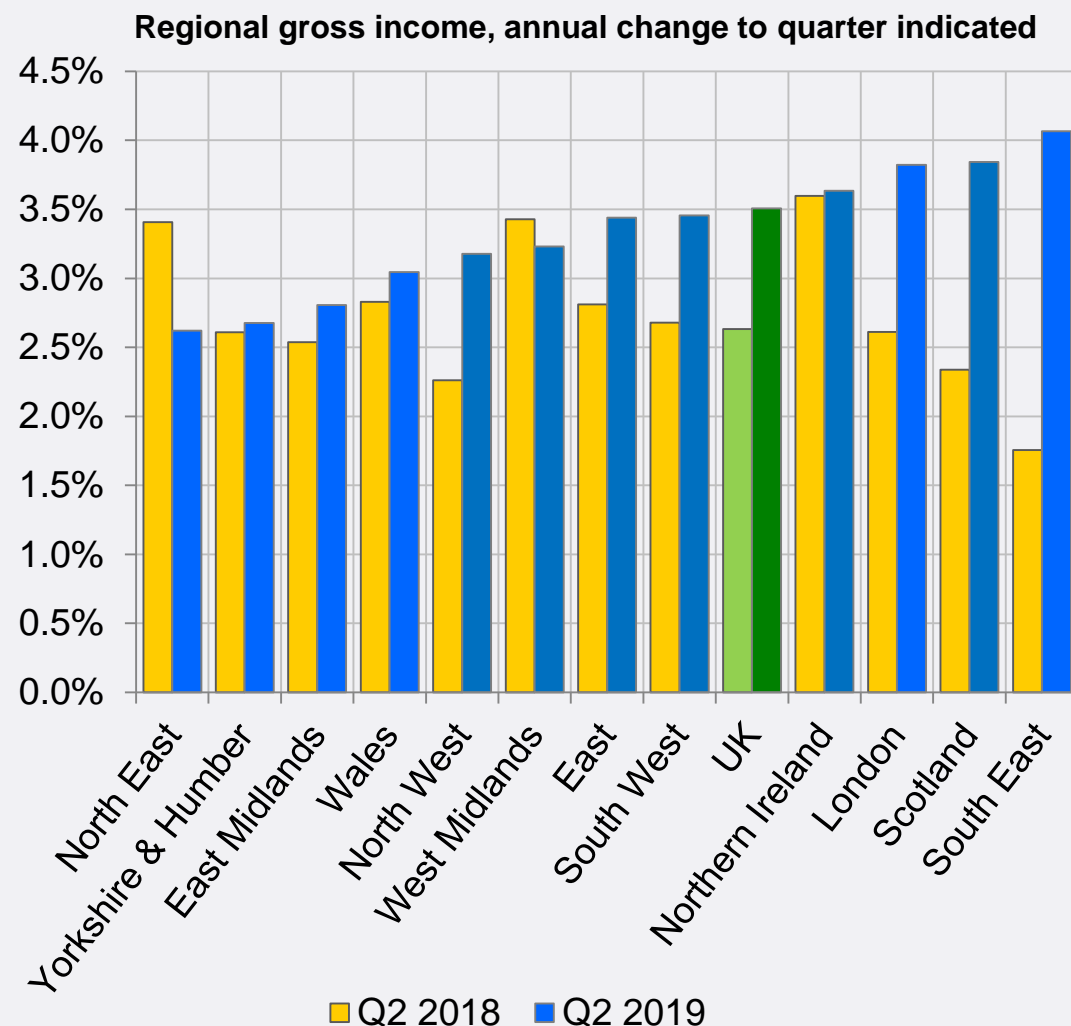
Vehicle fuel is a sub-category of Transport;  
Gas and electricity are sub-categories of Housing & utilities

■ Rate of Inflation    ■ Contribution to inflation (in pp)

# The South East sees the fastest growth in gross incomes in over a decade

Gross income growth continues to accelerate due to a tight labour market

- Over the past year, gross income growth has accelerated significantly as employers have had to offer higher wages to attract and retain talent. While average annual gross income growth stood at 2.6% in Q2 2018, the rate has risen to 3.5% in the second quarter of this year.
- After years of sluggish income growth following the financial crisis, this is good news for UK households. Moreover, income gains are spread widely across the regions. With Scotland and Northern Ireland, two home nations are among the top four regions in terms of gross income growth in the latest quarter.
- The South East is leading the way with annual gross income growth of 4.1% in Q2 2019, the highest growth rate in over a decade. Scotland and London follow with growth rates of 3.8% each.

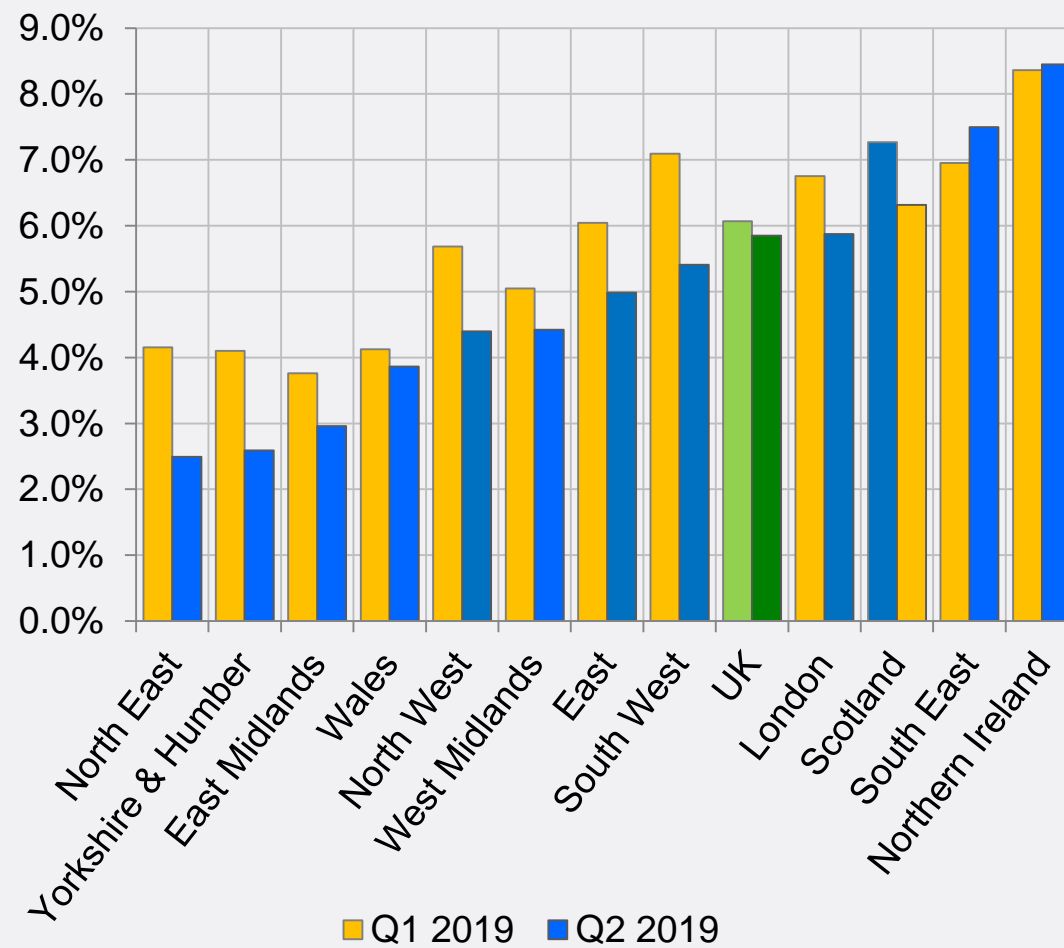


# Higher utility prices cause slowdown in Income Tracker growth across most regions

Northern Ireland, South East and Scotland see fastest increase in family spending power

- Despite the healthy increases in gross incomes, Income Tracker growth rates across the UK have moderated slightly between Q1 and Q2 of this year.
- Only two regions, Northern Ireland and the South East, have seen an acceleration in family spending power growth over this period. The remaining regions and constituent countries have seen a slowdown, leading to a fall in the average UK-wide Income Tracker growth rate from 6.1% in Q1 2019 to 5.8% in Q2.
- In April, Ofgem raised its energy price cap, leading to higher gas and electricity costs for millions of households. This has had a significant impact on the cost of essentials in the second quarter, leading to lower Income Tracker growth.
- The North East and the South West have seen the most severe slowdown among all regions with family spending power growth slowing by 1.7 percentage points between the first and second quarter of 2019.

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

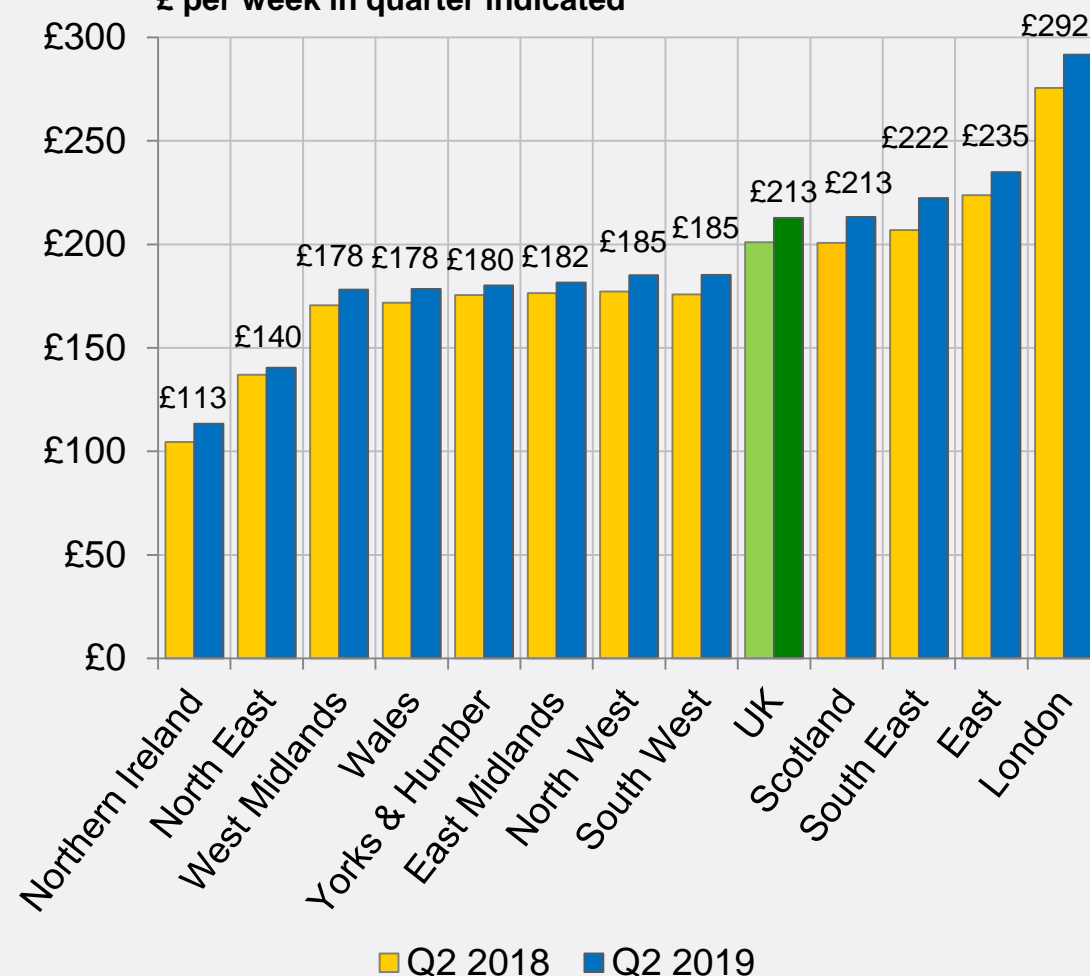


# Family spending power rises to £292 per week in London

UK-wide average family spending power rose to £213 in the second quarter of 2019

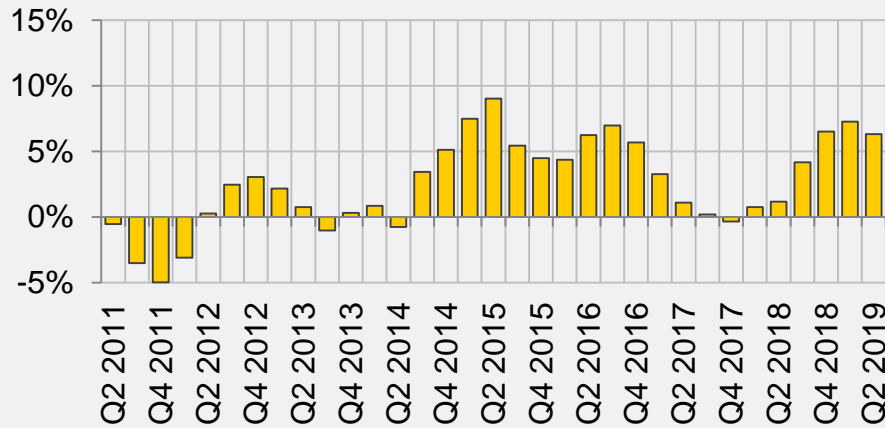
- Comparing the second quarters of 2019 with the same period a year earlier, all UK regions have seen an increase in family spending power over the period.
- Across the UK, the Income Tracker rose from £201 in Q2 2018 to £213 in the second quarter of this year.
- London has the highest discretionary income, at £292 per week, and also seen the strongest annual growth in absolute terms, at £16.20.
- Northern Ireland has seen an increase of £8.80 over the year, ahead of Wales (£6.60) but falling behind Scotland (£12.70).
- The slowest growth rates were recorded in the North East (2.5%), Yorkshire & the Humber (2.6%) and the East Midlands (3.0%). Employment growth in these regions has fallen behind that of other parts of the country. The North East and Yorkshire and the Humber are the only regions with unemployment above 5% according to the latest labour market data.

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



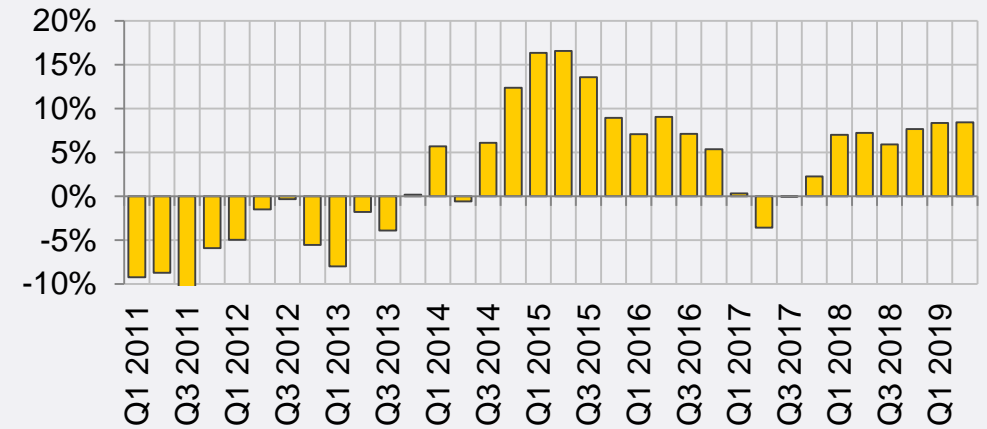
# Focus on Scotland and Northern Ireland

Annual % change in discretionary incomes, Scotland



- Income Tracker growth in Scotland stood at 6.3% in Q2 2019, slightly below the 7.3% recorded in the first quarter.
- The Scottish rate of unemployment remained unchanged in the three months to May, standing at 3.3% and thereby below the national average.
- At 3.5%, wage growth in Scotland remains just below the UK-wide rate.
- Scotland's economy showed resilience in the first quarter of the year, posting GDP growth of 0.5%. The picture is somewhat distorted, however, by producers' stockpiling ahead of the March Brexit deadline.

Annual % change in discretionary incomes, Northern Ireland



- Northern Ireland extended its run of robust Income Tracker growth rates, showing an annual increase in family spending power of 8.4% in the second quarter, unchanged from the Q1 figure.
- At a rate of 3.1%, unemployment remains well below the national average. As in Scotland, wages have risen by 3.5% on the year.
- Meanwhile, the share of employees working in the public sector has fallen below 25% for the first time since comparable statistics exist. This suggests an increasingly dynamic private-sector led economy in Northern Ireland.



# 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](mailto:Jessica.Finlay@Asda.co.uk) ; 0113 82 63369**

For data enquiries please contact:

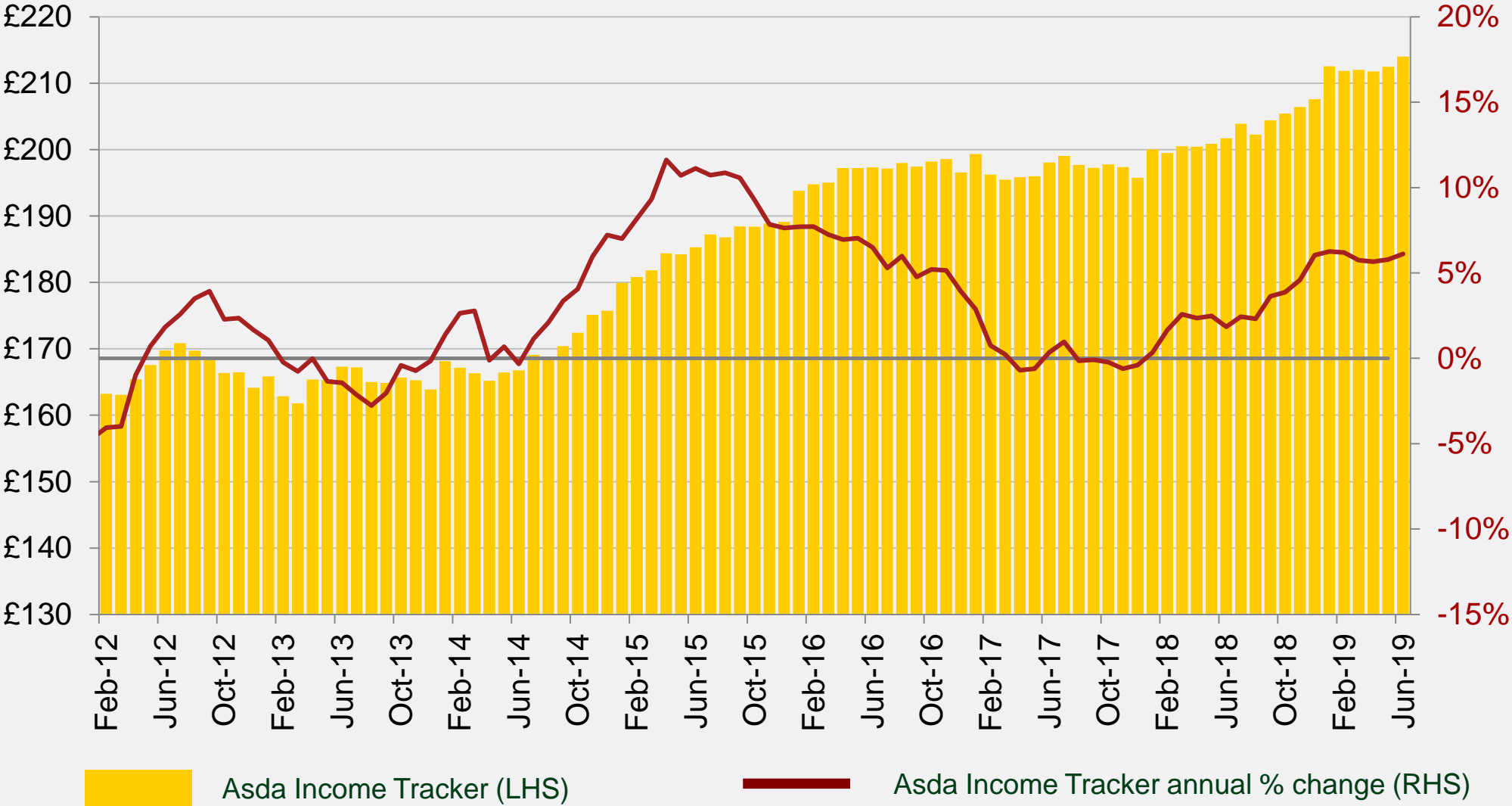
**Kay Daniel Neufeld, Cebr Head of Macroeconomics**

**[KNeufeld@Cebr.com](mailto: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 2015	£185	January 2016	£195	January 2017	£201	January 2018	£200	January 2019	£213
February 2015	£185	February 2016	£195	February 2017	£197	February 2018	£199	February 2019	£212
March 2015	£186	March 2016	£195	March 2017	£196	March 2018	£201	March 2019	£212
April 2015	£188	April 2016	£198	April 2017	£196	April 2018	£200	April 2019	£212
May 2015	£188	May 2016	£198	May 2017	£196	May 2018	£201	May 2019	£213
June 2015	£189	June 2016	£198	June 2017	£198	June 2018	£202	June 2019	£214
July 2015	£191	July 2016	£198	July 2017	£199	July 2018	£204		
August 2015	£191	August 2016	£199	August 2017	£198	August 2018	£202		
September 2015	£192	September 2016	£199	September 2017	£197	September 2018	£204		
October 2015	£193	October 2016	£199	October 2017	£198	October 2018	£205		
November 2015	£193	November 2016	£200	November 2017	£197	November 2018	£206		
December 2015	£193	December 2016	£198	December 2017	£196	December 2018	£208		
<b>2015 Average</b>	<b>£190</b>	<b>2016 Average</b>	<b>£198</b>	<b>2017 Average</b>	<b>£197</b>	<b>2018 Average</b>	<b>£203</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 Nina Skero.**

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**London, July 2019**