

Asda Income Tracker

Report: January 2018

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Making Business Sense

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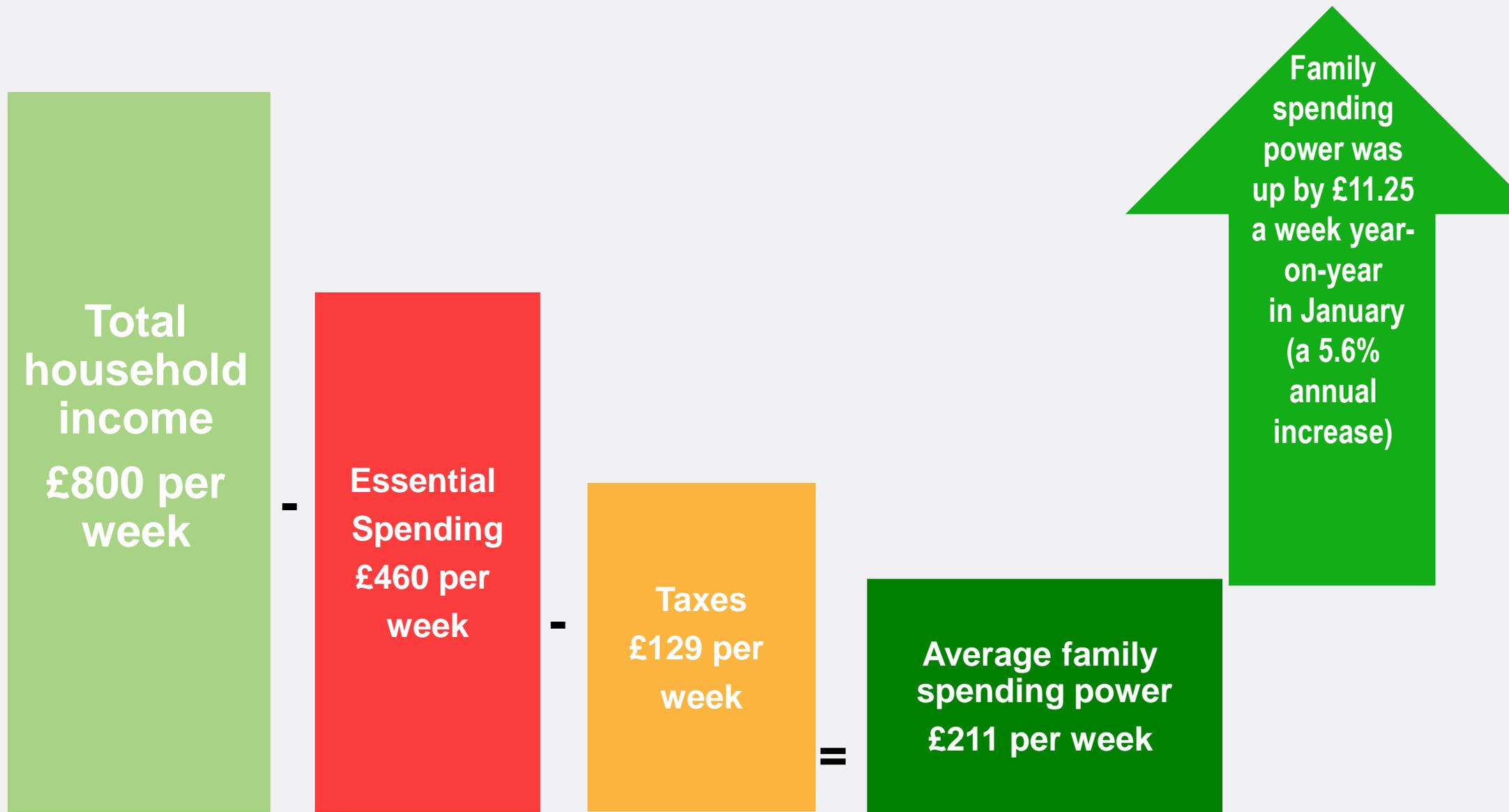
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Asda Income Tracker – Key Figures

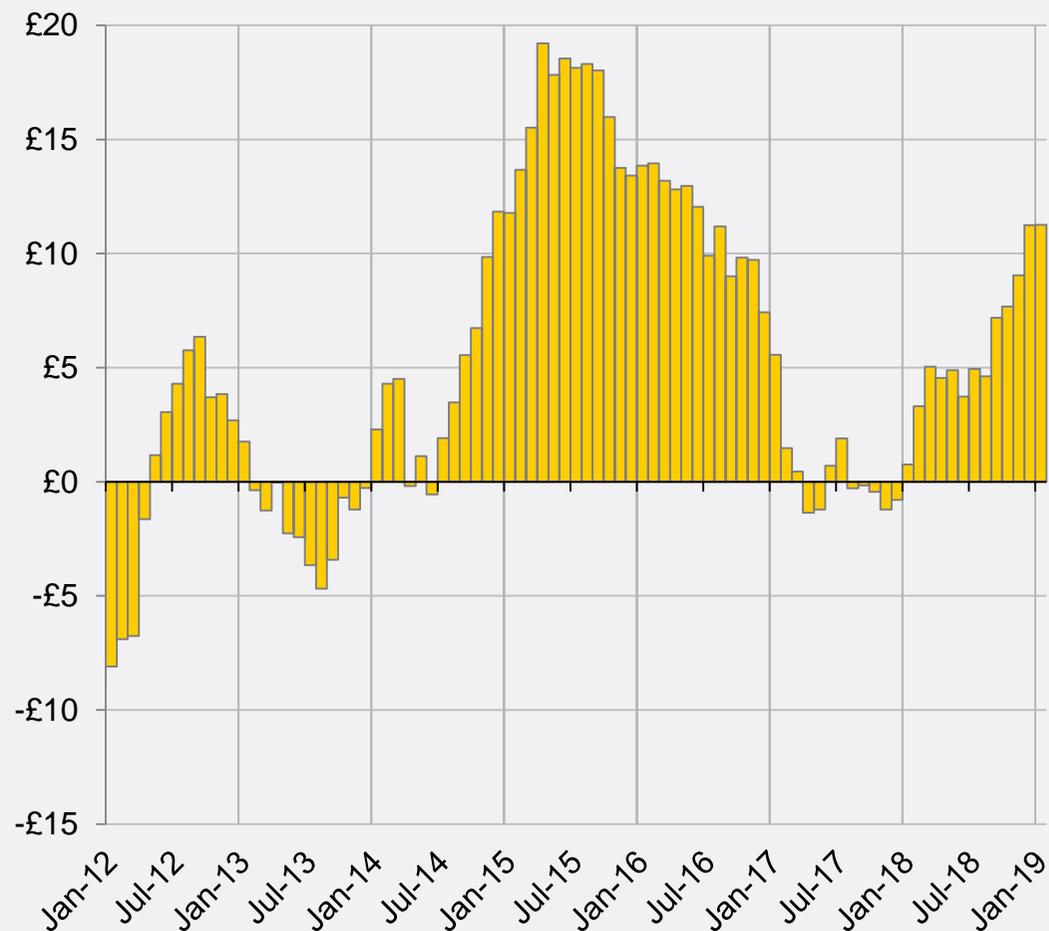


Income Tracker growth boosted by lowest rate of inflation in two years

The Asda Income Tracker was £11.25 a week higher in January 2019 than a year before

- Family spending power increased by 5.6% compared to January 2018, just below the 5.7% growth recorded in the previous month. In pound-terms, the increase of £11.25 over the past 12 months is the strongest since June 2016.
- Despite slowing GDP growth and ongoing business uncertainty, the UK labour market continues to boast high employment figures and a low unemployment rate. According to the latest official data, unemployment remained unchanged at 4.0% in the three months to December.
- Regular pay growth accelerated slightly to stand at 3.4% in the final quarter of 2018, the fastest rate since the three months to October 2008.
- Meanwhile, inflation continued to slow at the beginning of the year, keeping the cost of essential spending in check.

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



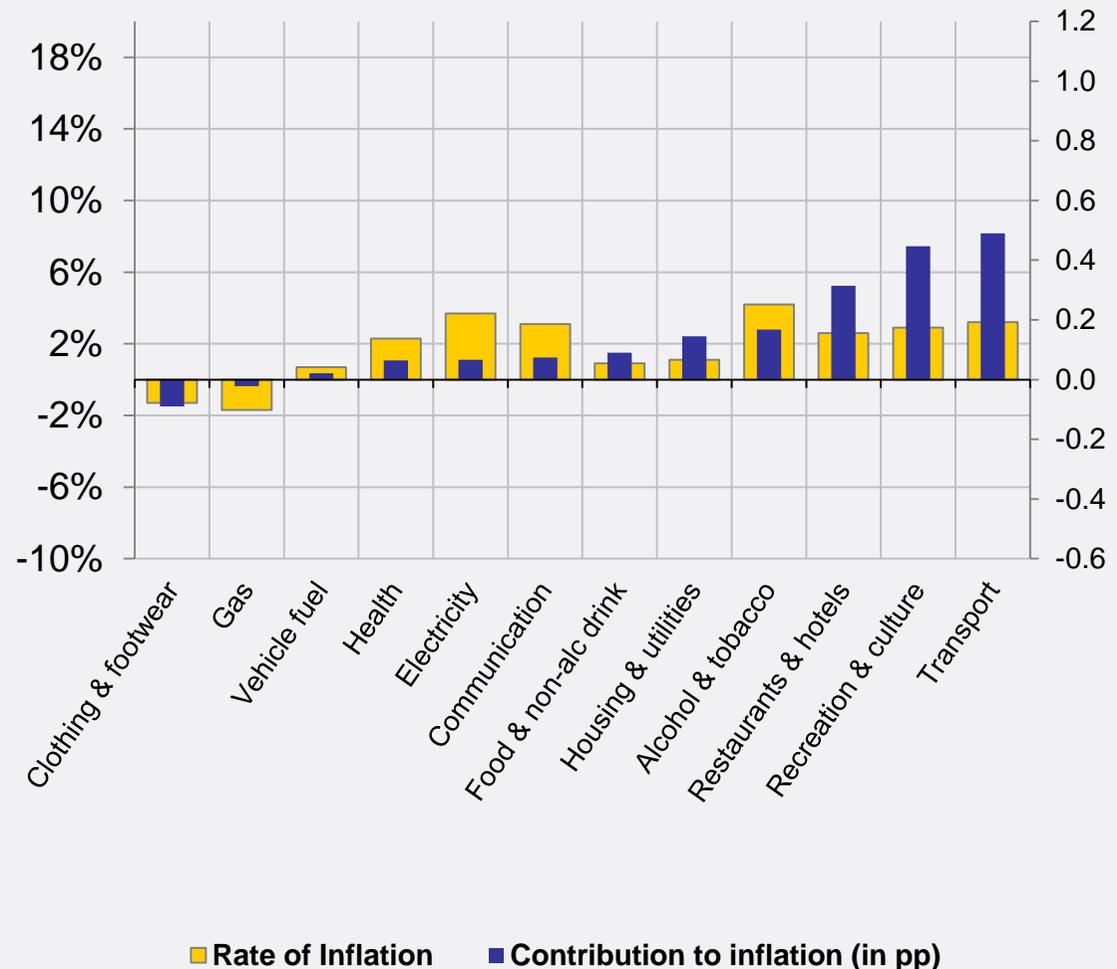
Falling energy prices exert drag on inflation

The main factors affecting family costs in January were:

- Inflation, as measured by the Consumer Price Index, fell to 1.8% in January, down from 2.1% in December. This is the lowest rate of inflation in two years.
- The fall in inflation was mainly driven by a decrease in price growth for electricity, gas and other fuels. Inflation in this category fell from 8.1% in December to 1.4% in January this year. This price moderation was caused by falling oil prices over the second half of 2018.
- Inflation for vehicle fuel prices fell to 0.7%, the lowest level in 10 months.
- The fall in prices for clothing and footwear accelerated in January as stores offered large discounts to entice shoppers after the holiday period. The rate of deflation fell to -1.3%, down from -0.9% in December.
- These effects were partially offset by higher inflation for recreation and culture and furniture and household equipment.

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

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



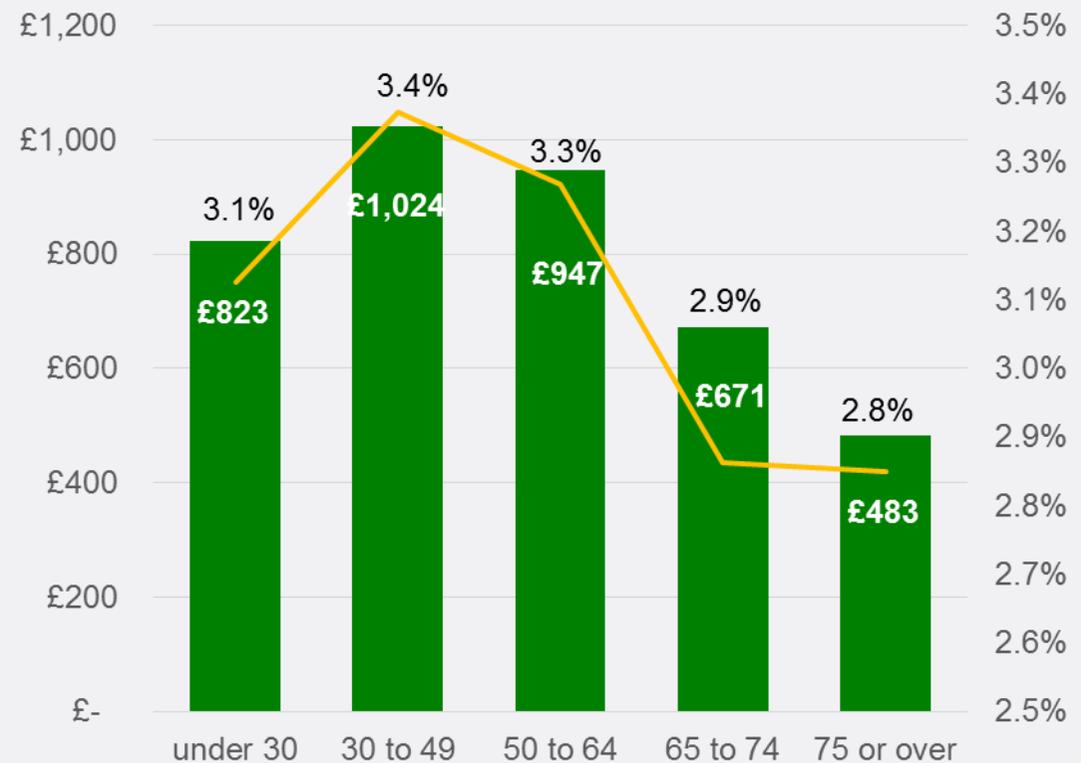
■ Rate of Inflation ■ Contribution to inflation (in pp)

30 to 49 year olds see strongest income growth among all age groups

Income growth for youngest households remains above 3.0% for a 5th consecutive month

- Incomes continue to grow at a healthy pace across all age groups. Gross incomes increased 3.3% on average in the year to January, with 30 to 49 year olds recording above average income growth of 3.4%.
- The UK labour market is characterized by a high demand for workers, which is reflected in a record high number of vacancies. According to the latest figures, there were 870,000 vacancies in the UK in the three months to January.
- Some have noted that the unemployment rate does not properly account for people stuck in involuntary part-time contracts. While there has been an increase in involuntary part-time work following the 2008 recession, gains in employment over the past years were predominantly due to new full-time positions, leading to the current gains in gross incomes.
- Due to increasing labour market participation of older generations and the pension triple lock, incomes for those aged 65 and over have also increased markedly in January.

Average weekly gross income by age group, January 2019, YoY growth in % (RHS)



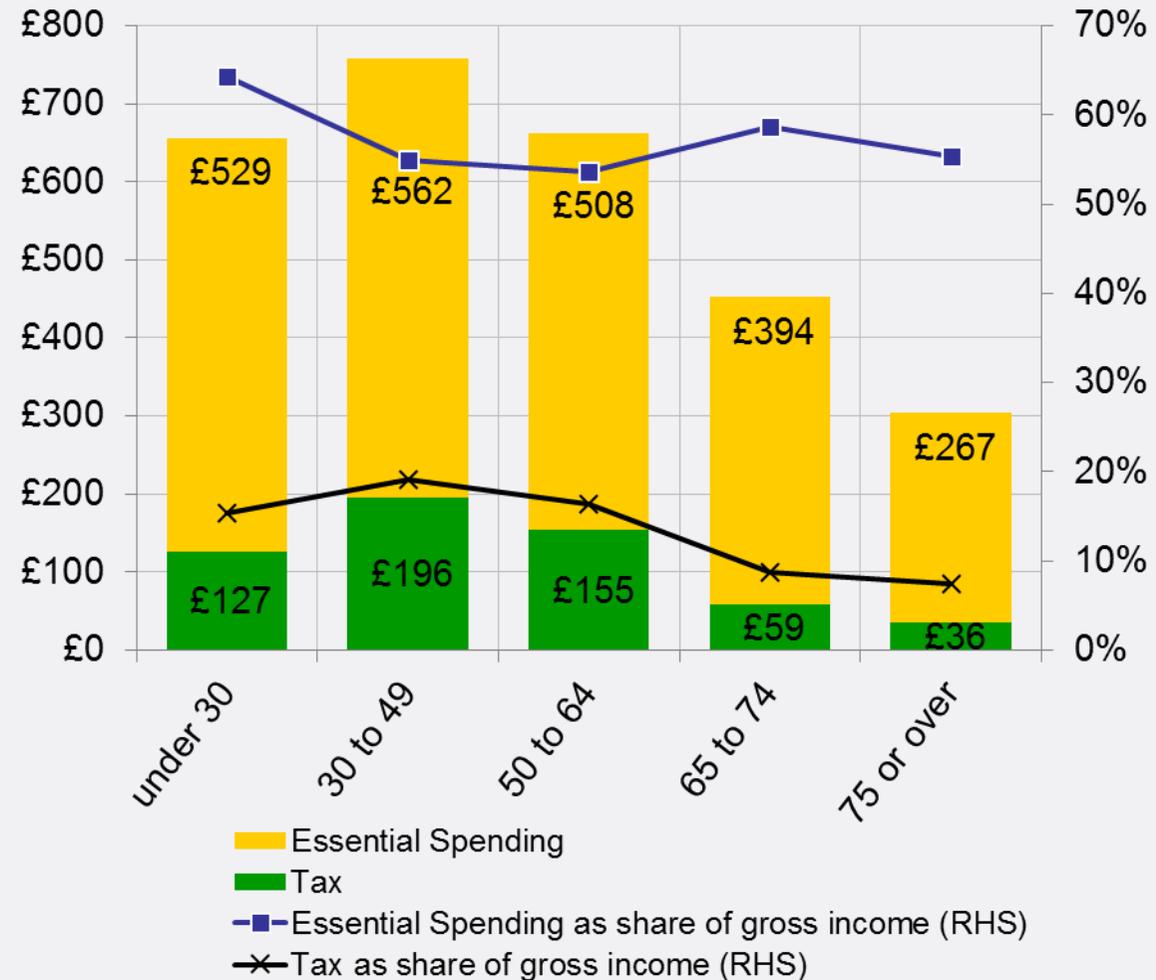
*Age groups determined via age of household representative person / main income earner in household.

65 to 74 year olds spend second highest share of their income on essentials

30 to 49 year olds pay on average £196 per week in taxes

- The cost of essential spending has increased by 2.3% among working age households in the year to January 2019. For households aged 65 to 74 the increase was 2.2%, while those aged 75 and over saw a rise of 2.1% in the cost of essential spending.
- 30 to 49 year olds continue to be the 'squeezed middle' age group, paying the most in absolute terms on essentials spending (£562) and tax (£196).
- Due to their lower income, households under 30 pay more in relative terms however. On average, 80p out of every £1 income they earn goes towards taxes or essential spending.
- This share falls steadily with age with those aged 75 or over spending just 63% of their income on taxes or essentials.

Average weekly tax burden and essential spending; combine share of gross income by age group, January 2019

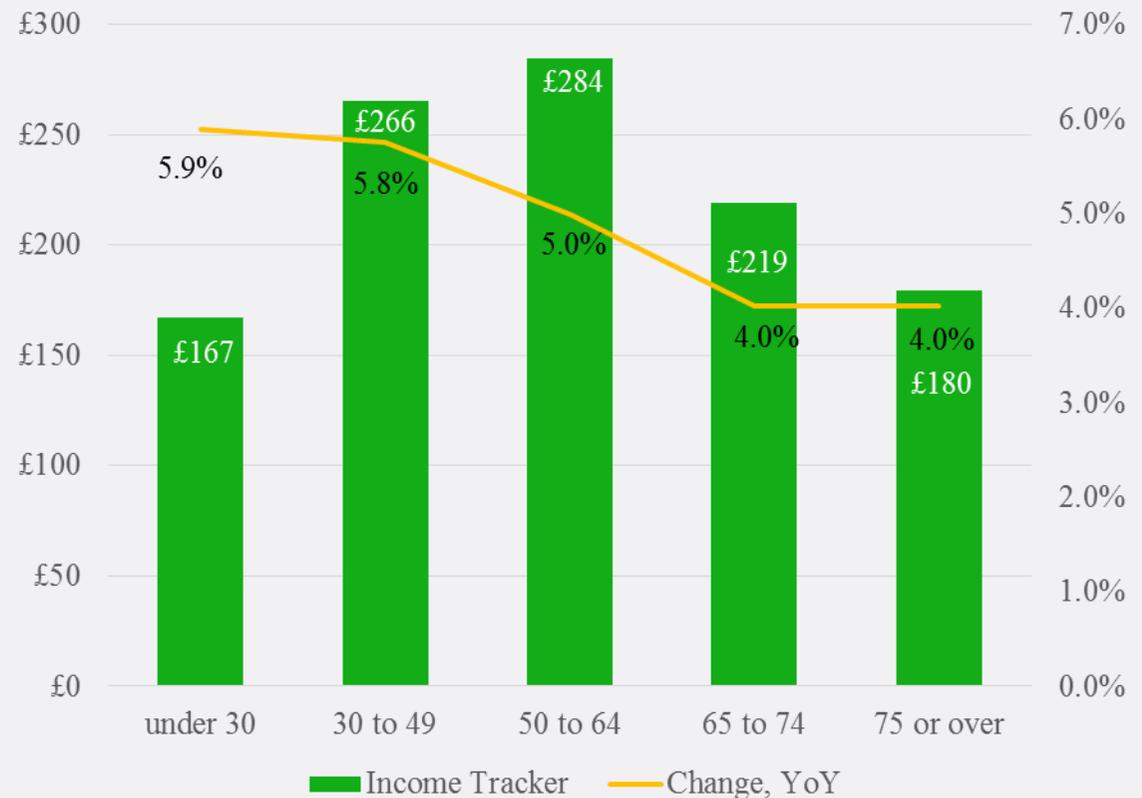


Under 30s see fastest increase in discretionary incomes at 5.9%

Growth in family spending power accelerates further for all age groups

- All age groups have seen a further acceleration in Income Tracker growth rates in January compared to November when we last presented this split.
- Working-age households have all seen discretionary incomes growing by at least 5.0% in the year to January with under 30s experiencing the strongest growth at 5.9%.
- In absolute terms, 50 to 64 year olds have the highest family spending power at £284 per week. 30 to 49 year olds are catching up, however, having seen consistently faster Income Tracker growth over the past months.
- At 4.0%, households in pension age have also seen robust increases in discretionary incomes. While income gains are more moderate for older age groups, low inflation helps pensioners disproportionately as their relative spending on essentials is higher.

Average weekly discretionary income by age group, January 2019, 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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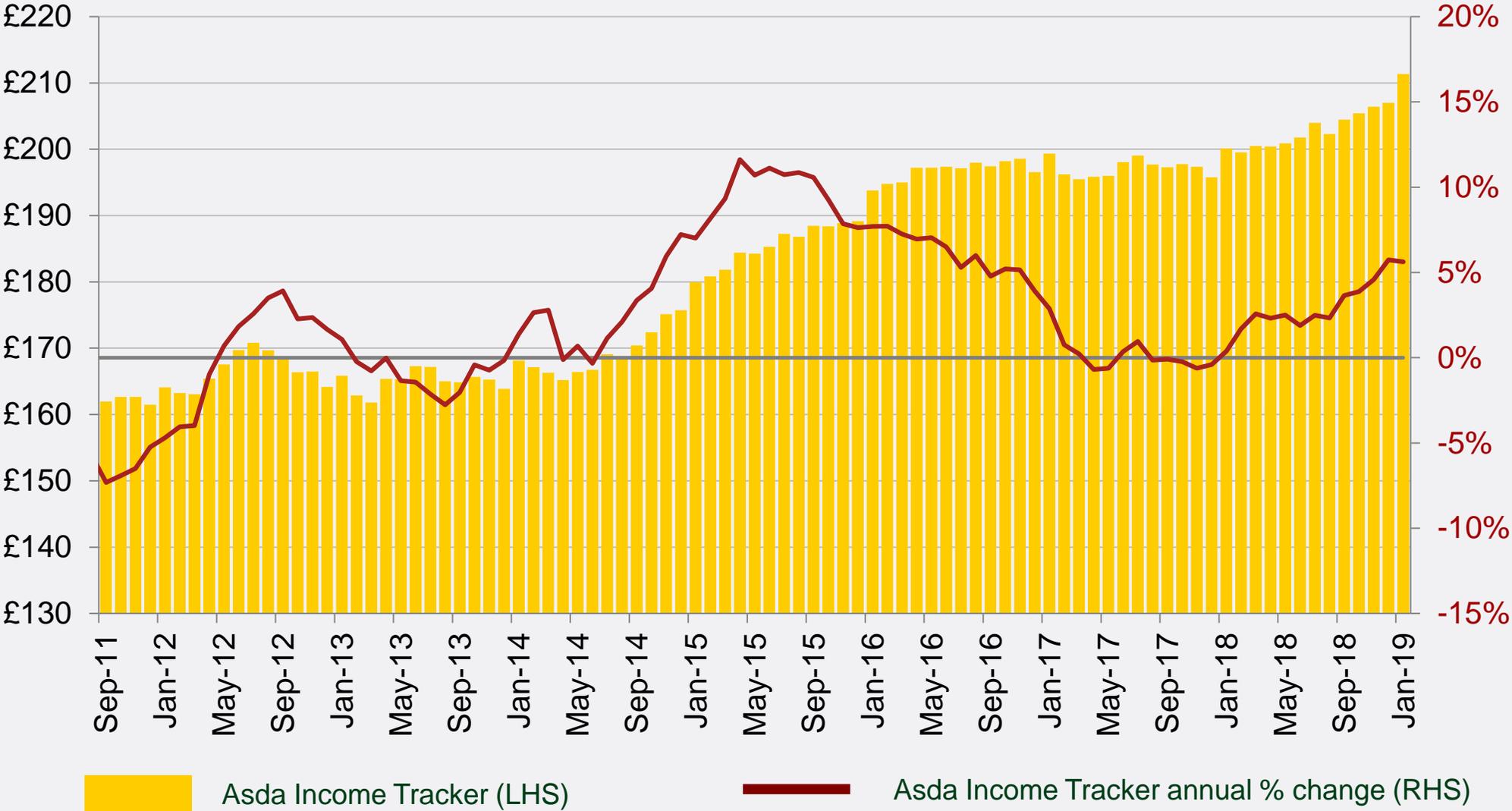
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Appendix

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 2015	£185	January 2016	£195	January 2017	£201	January 2018	£200	January 2019	£207
February 2015	£185	February 2016	£195	February 2017	£197	February 2018	£199		
March 2015	£186	March 2016	£195	March 2017	£196	March 2018	£201		
April 2015	£188	April 2016	£198	April 2017	£196	April 2018	£200		
May 2015	£188	May 2016	£198	May 2017	£196	May 2018	£201		
June 2015	£189	June 2016	£198	June 2017	£198	June 2018	£202		
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	£207		
2015 Average	£190	2016 Average	£198	2017 Average	£197	2018 Average	£203		

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, February 2019