

# Asda Income Tracker

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Making Business Sense

Centre for Economics and  
Business Research Ltd

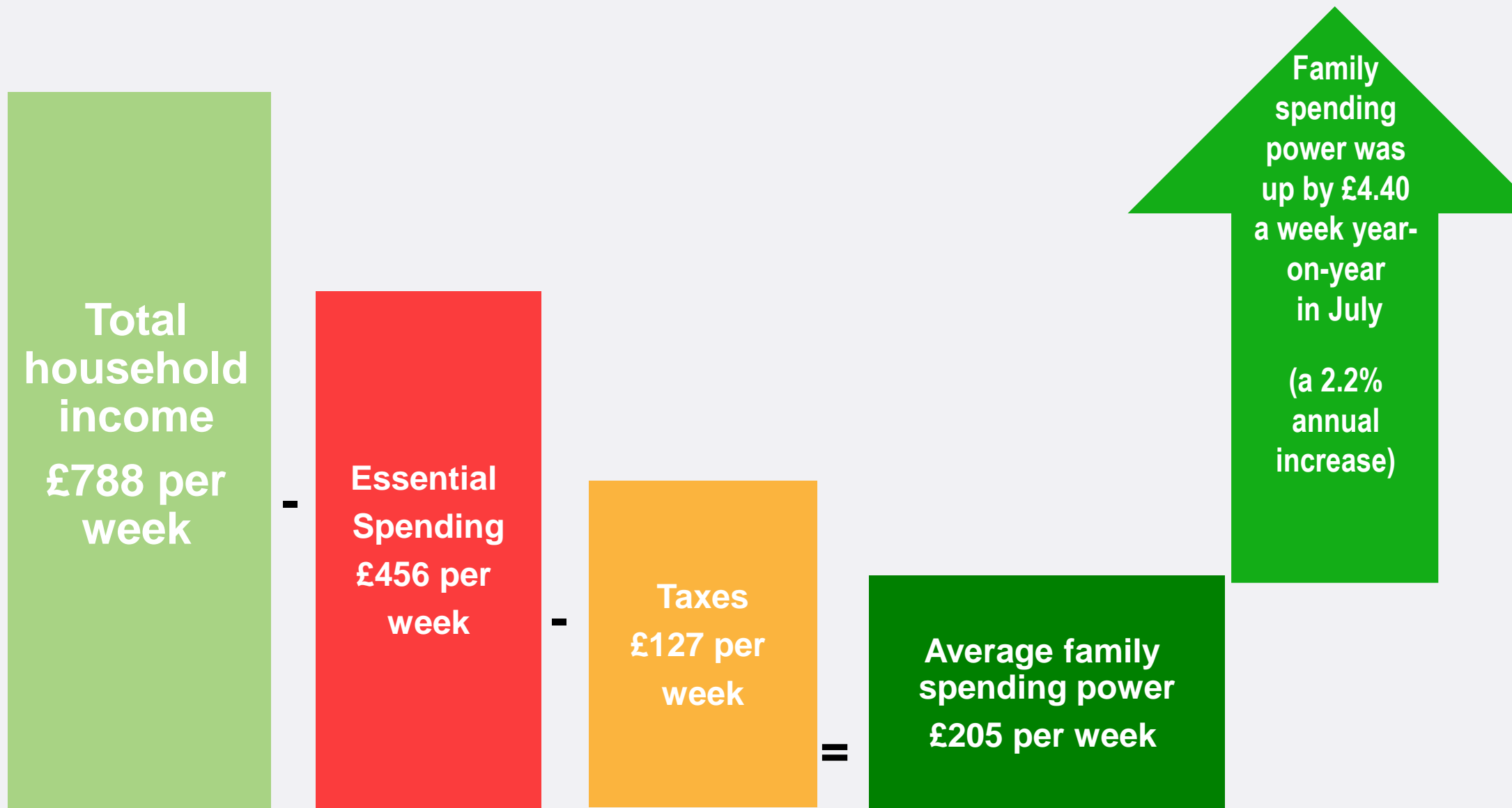
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# Asda Income Tracker – Key Figures

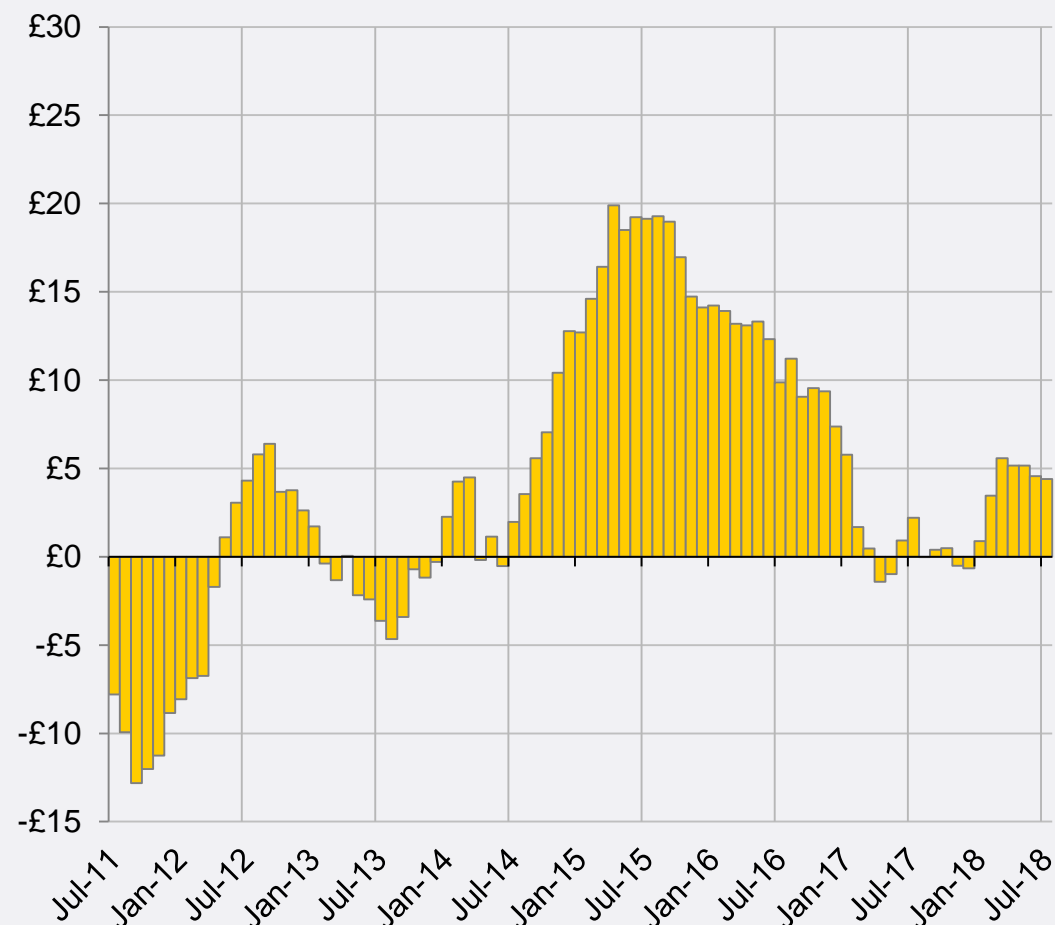


# Asda Income Tracker rises as employment levels remain at record high

The Asda Income Tracker was £4.40 a week higher in July 2018 than a year before

- Family spending power increased by 2.2% compared to July 2017.
- Gains in spending power have been relatively stable over recent months, reflecting the positive situation in the labour market and steady price levels.
- The latest labour market data show that unemployment decreased further to 4.0% in the three months to June. Unemployment has not been lower in over 40 years.
- The employment rate remained unchanged from the latest reading at a joint-record high of 75.6%. The latest ONS data show that the number of zero-hours contracts decreased by more than 100,000 over the past year, suggesting that people are finding more secure jobs.
- Nevertheless, wage growth continues to disappoint and (including bonuses) fell back to 2.4% YoY in the three months to June.

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

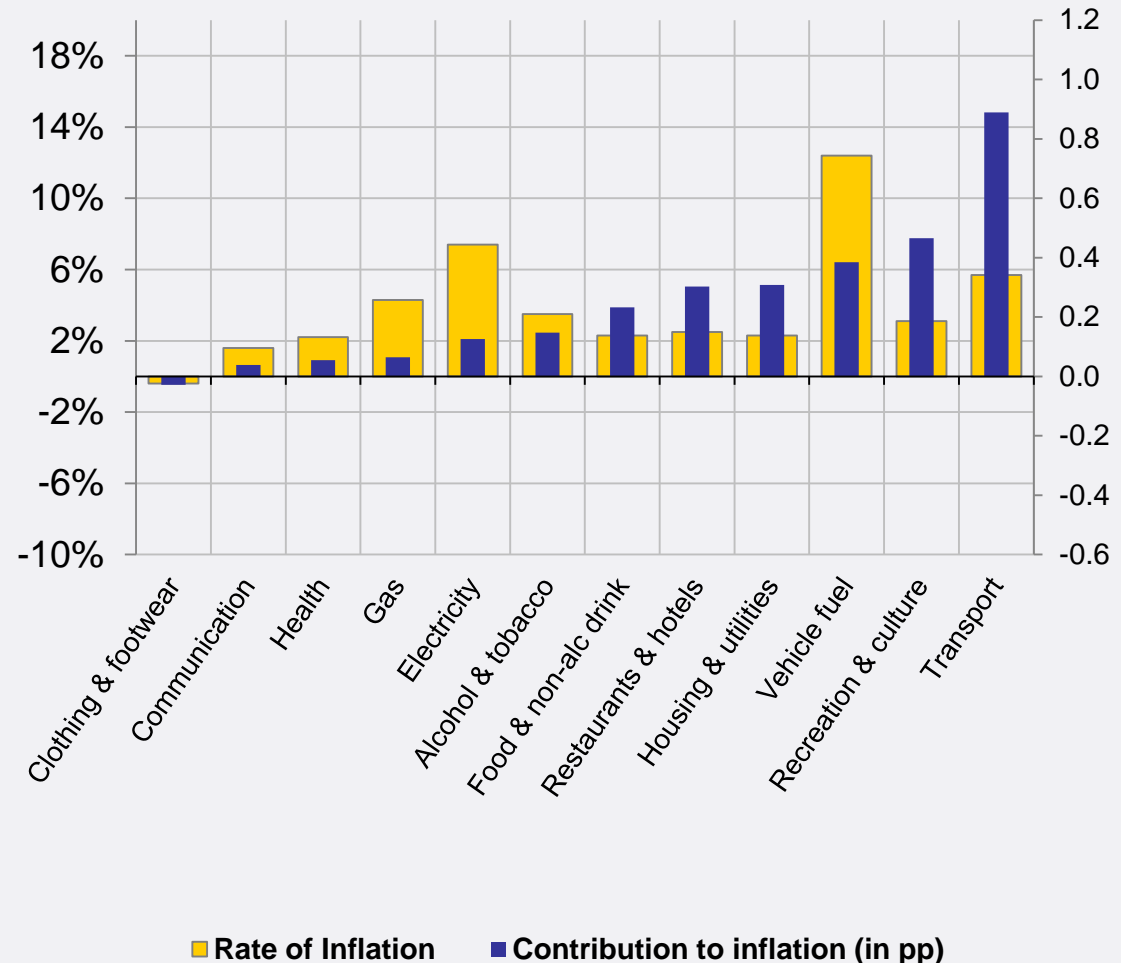


# Inflation edges up as fuel costs rise at their fastest in 16 months

The main factors affecting family costs in July were:

- Inflation as measured by the Consumer Price Index rose to 2.5% in July, up from 2.4% in the previous month, marking the first increase in inflation in 2018. The CPIH measure of inflation remained unchanged at 2.3%.
- Transport costs were the largest single contributor to inflation in July. Driven by higher global oil prices, households had to pay significantly more at the pump in July compared to the same month last year. Fuel price inflation reached 12.4%, its highest level since March 2017.
- Recreational goods and services also contributed substantially to inflation in July, with prices for games and hobbies rising strongly.
- Decreases in the prices for clothing and footwear and miscellaneous goods only partially offset these upward pressures on inflation.

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

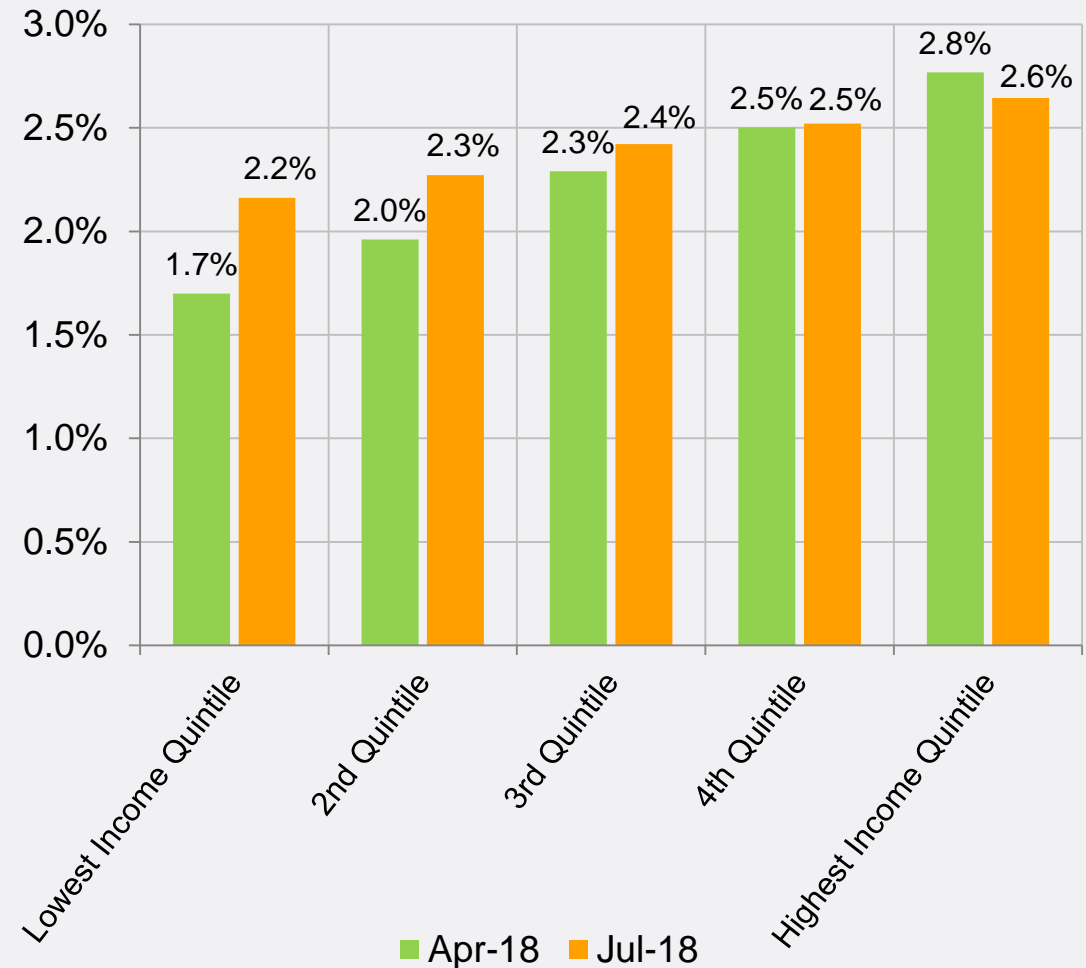
■ Rate of Inflation    ■ Contribution to inflation (in pp)

# Income growth accelerates for low income households

## Gross income growth of richest group slows

- The graph to the right compares the gross income growth rates for different household income groups for April, when we last analyzed the income data, and July. Gross income includes income from wages, self-employment, investment, pensions and social security.
- Compared to April, growth in gross incomes has accelerated for the three lowest income quintiles. The lowest income group benefitted from a rise in social benefit receipts.
- The graph shows the effect of the slowdown in wage growth observed over recent months. Total pay growth - an important contributor to overall income growth for higher income quintiles - fell from a temporary high of 2.8% YoY in the three months to February to 2.4% in the three months to June.
- As a result, the highest income group has seen a slowdown in income growth from 2.8% in April to 2.6% in July.

Annual gross income growth (incl. bonuses)



## Gross weekly income including bonuses by income quintile, July 2018, (year-on-year growth in brackets)

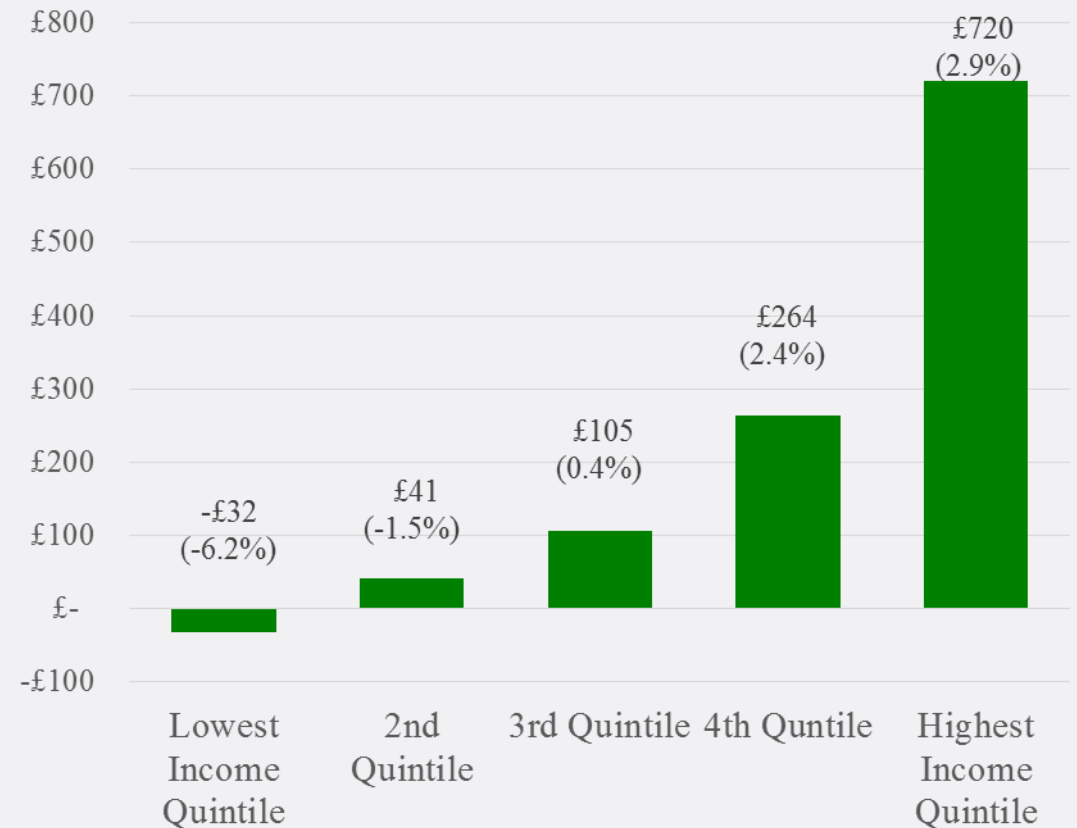


# Spending power of lowest two income groups continues to shrink

The majority of households see spending power increase

- Elevated inflation in combination with weak wage growth continue to take their toll on low-income households.
- The July figures show that the lowest income group recorded a decrease of 6.2% on the year in their family spending power, standing now at -£32 per week.
- Those on low incomes are particularly hit by increases in fuel and energy prices.
- The second income quintile had to endure another month of shrinking discretionary income, falling by 1.5% to £41 per week.
- The two highest income quintiles saw comfortable growth in their family spending power with modest wage growth being sufficient for them to offset increases in the cost of living.

Average weekly discretionary income by household income group, July 2018, 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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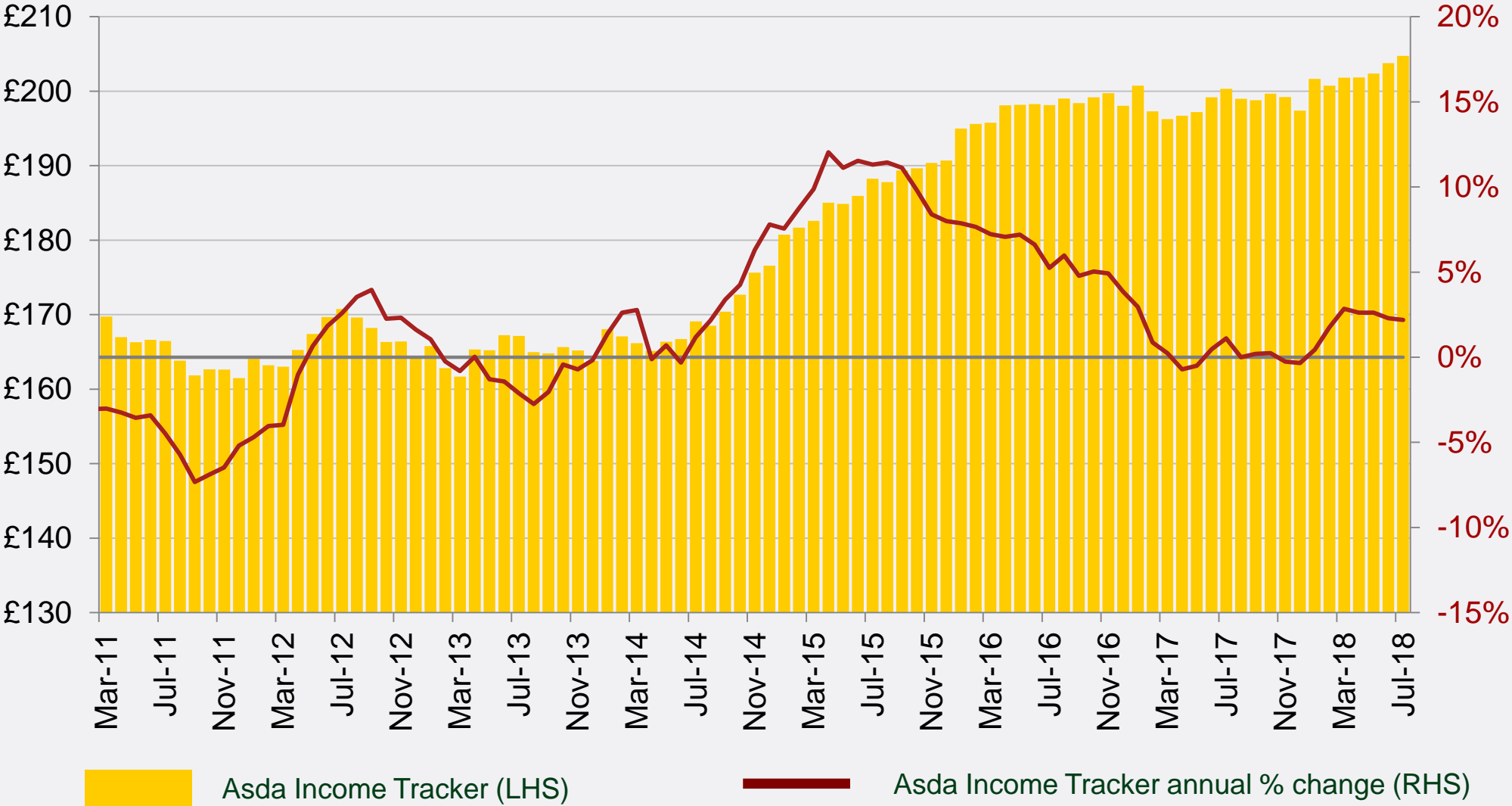
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# Appendix

# 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 2014	£170	January 2015	£185	January 2016	£195	January 2017	£201	January 2018	£202
February 2014	£169	February 2015	£185	February 2016	£195	February 2017	£197	February 2018	£201
March 2014	£168	March 2015	£186	March 2016	£195	March 2017	£196	March 2018	£202
April 2014	£170	April 2015	£188	April 2016	£198	April 2017	£196	April 2018	£202
May 2014	£171	May 2015	£188	May 2016	£198	May 2017	£196	May 2018	£202
June 2014	£171	June 2015	£189	June 2016	£198	June 2017	£198	June 2018	£204
July 2014	£173	July 2015	£191	July 2016	£198	July 2017	£199	July 2018	£205
August 2014	£173	August 2015	£191	August 2016	£199	August 2017	£198		
September 2014	£174	September 2015	£192	September 2016	£199	September 2017	£198		
October 2014	£176	October 2015	£193	October 2016	£199	October 2017	£199		
November 2014	£179	November 2015	£193	November 2016	£200	November 2017	£198		
December 2014	£181	December 2015	£193	December 2016	£198	December 2017	£197		
2014 Average	£173	2015 Average	£190	2016 Average	£198	2017 Average	£198		

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, August 2018**