

# Asda Income Tracker

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Making Business Sense

Centre for Economics and  
Business Research Ltd

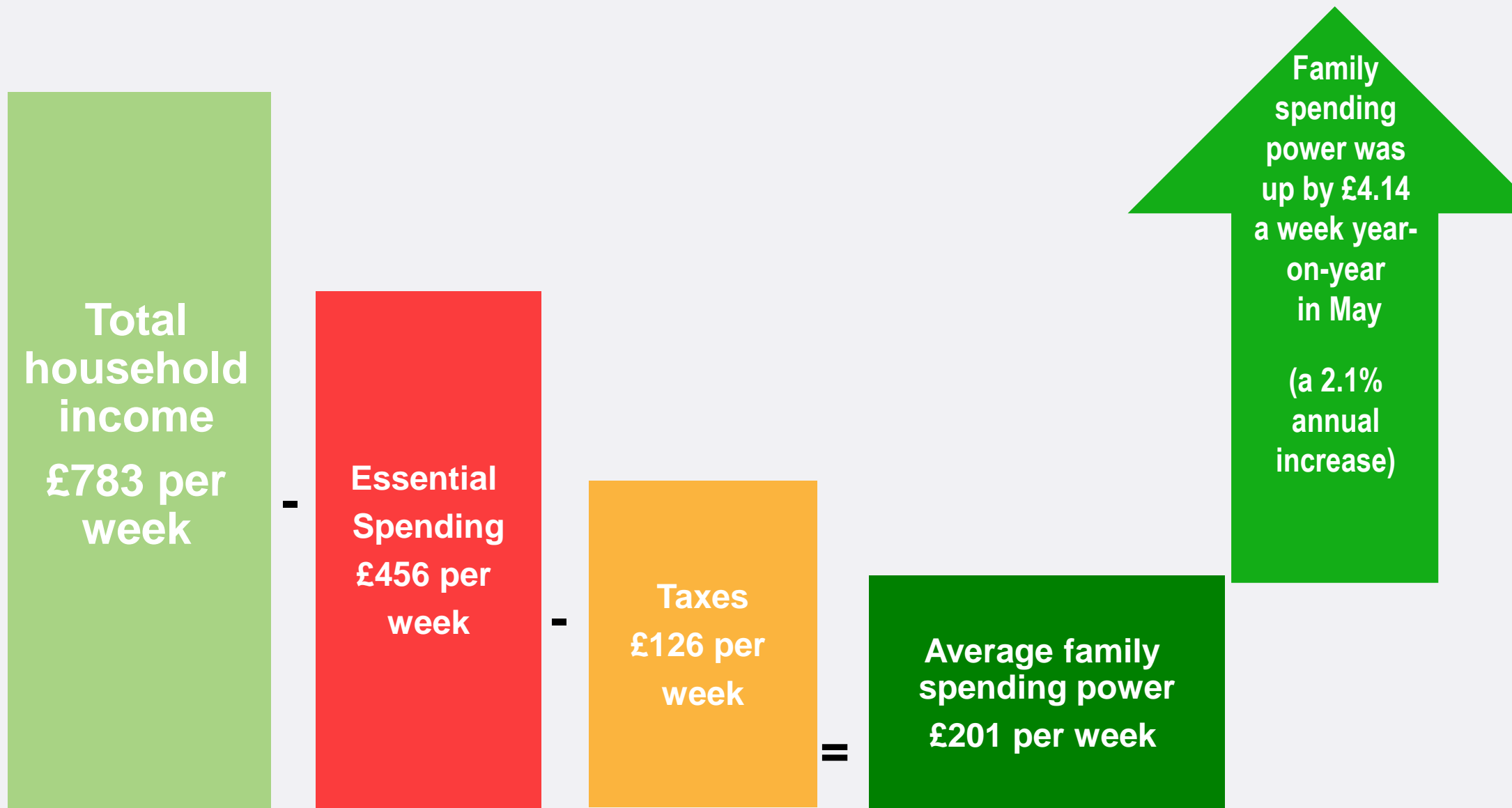
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# Asda Income Tracker – Key Figures

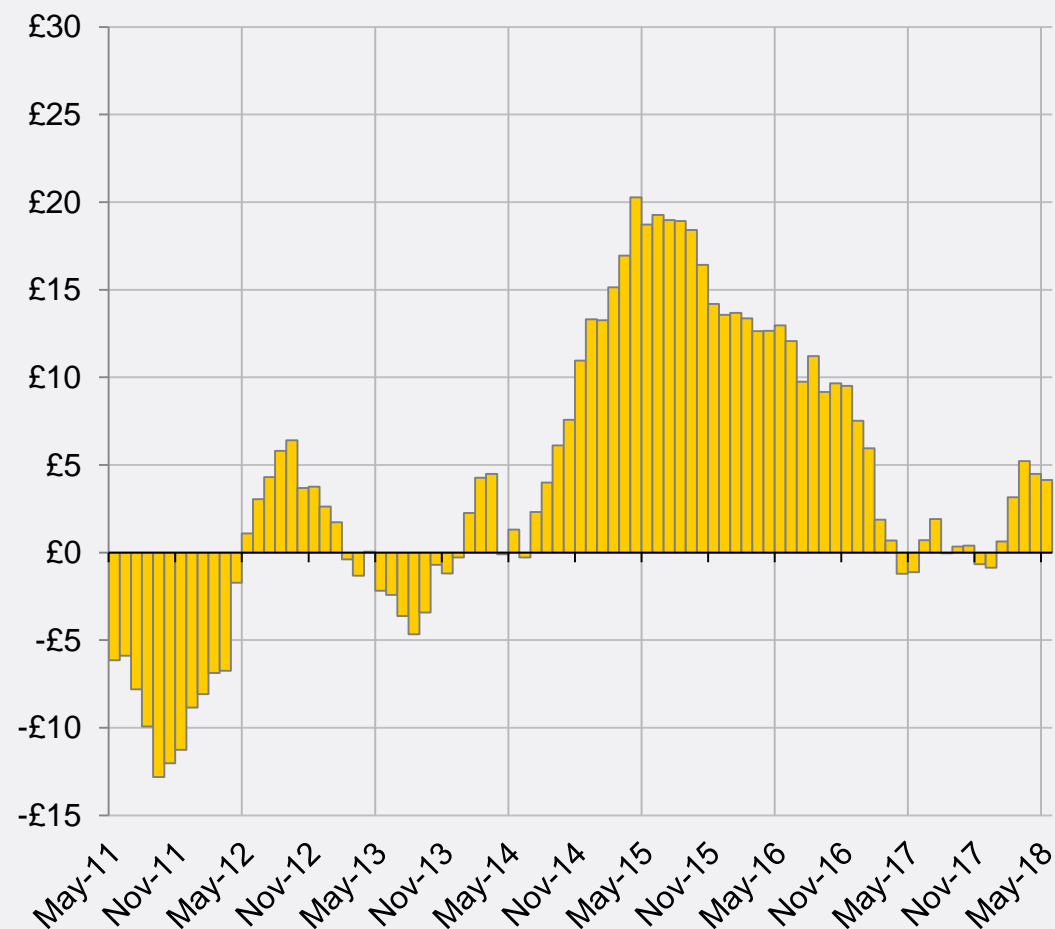


# Asda Income Tracker rises for the fifth month in a row

The Asda Income Tracker was £4.14 a week higher in May 2018 than a year before

- In May 2018 family spending power rose by £4.14 compared with the same month a year earlier, equivalent to a 2.1% increase.
- This is the fifth consecutive increase in the Income Tracker and extends the string of annual gains for households' discretionary spending power seen since the beginning of the year.
- The latest labour market data show that unemployment held steady at 4.2% and wage growth slowed slightly. The economy continues to combine record high employment figures with only modest pressure on earnings.
- Meanwhile, inflation on the CPI measure remained unchanged. Price increases slowed in a number of areas, though higher oil prices have led to significant price increases at the pump.

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

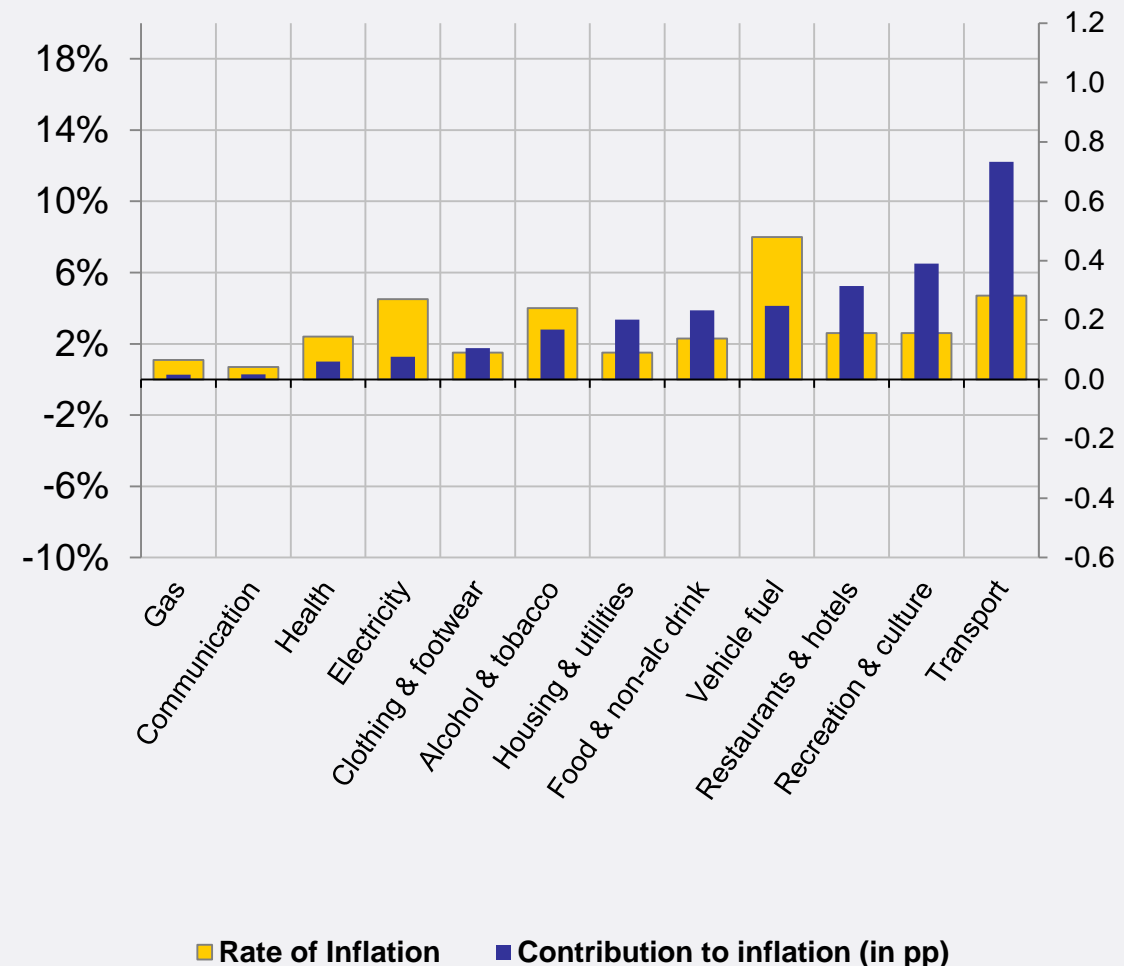


# Inflation holds steady as rising transport costs eat into households' budgets

The main factors affecting family costs in May were:

- Inflation as measured by the Consumer Price Index stood at 2.4% in the year to May, unchanged from the previous month.
- Compared to April, most categories saw price growth slow, suggesting that higher wage growth is not (yet) pushing the general price level higher.
- Inflation for recreation and culture saw the biggest monthly fall, but prices for housing and utilities and furniture also increased at a slower rate compared to April.
- The largest upward contribution to inflation came from transport costs. One reason for this are higher fuel prices at the pump, driven by the steady increase in global oil prices.
- Moreover, seasonal effects led to a marked increase of air and sea fares in May compared to April.

**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

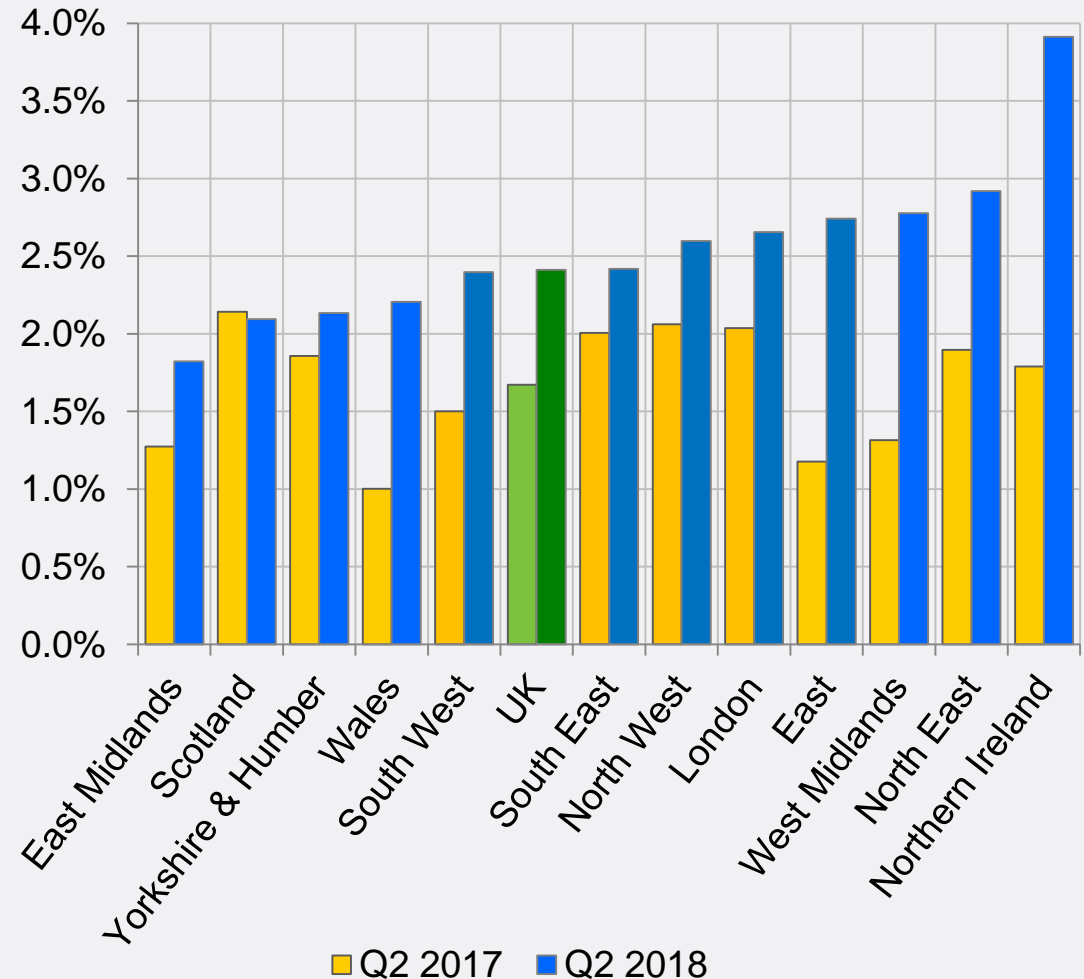
■ Rate of Inflation    ■ Contribution to inflation (in pp)

# Northern Ireland sees gross income growth more than double

Gross income growth accelerates in most regions over the year

- Between Q2 2017 and Q2 2018, gross income growth accelerated in all regions and nations except for Scotland.
- Across the UK, gross income growth increased from 1.7% in Q2 2017 to 2.4% in the same quarter of this year, reflecting the steady gains in earnings over the past 12 months.
- The continued gains in employment lead to an increasingly tight labour market and rising wages.
- The biggest jump between the two years can be observed in Northern Ireland, which leads the table in terms of income growth. At 3.9%, income growth stands 2.1 percentage points higher than over second quarter of 2017.
- The East of England and the West Midlands also reported strong gains of 1.6 and 1.5 percentage points, respectively.

Regional gross income, annual change to quarter indicated

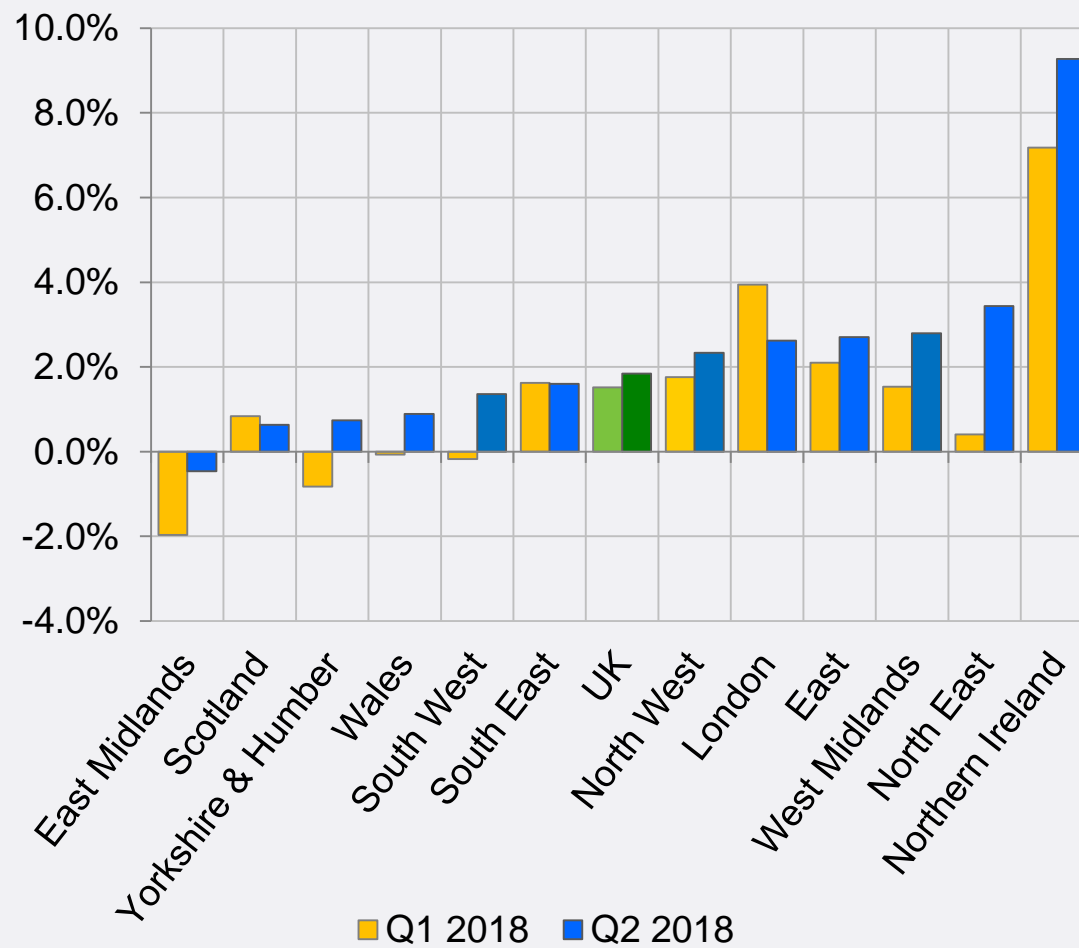


# Positive trend in family spending power growth in most regions

ASDA Income Tracker returns to growth led by the South East, London and Northern Ireland

- With most regions experiencing accelerating income growth, discretionary spending power is also on an upwards trend.
- The East Midlands is the last region where we see the Income Tracker still in decline.
- Yorkshire & the Humber, Wales and the South West have all experienced positive spending power growth in the second quarter after a year of falls in the Income Tracker.
- London is the only region that has seen discretionary income growth decline in the second quarter compared to the first three months of the year as income gains have moderated.
- Northern Ireland and the North East lead the table in terms of strongest increases in the Income Tracker in Q2 2018.

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

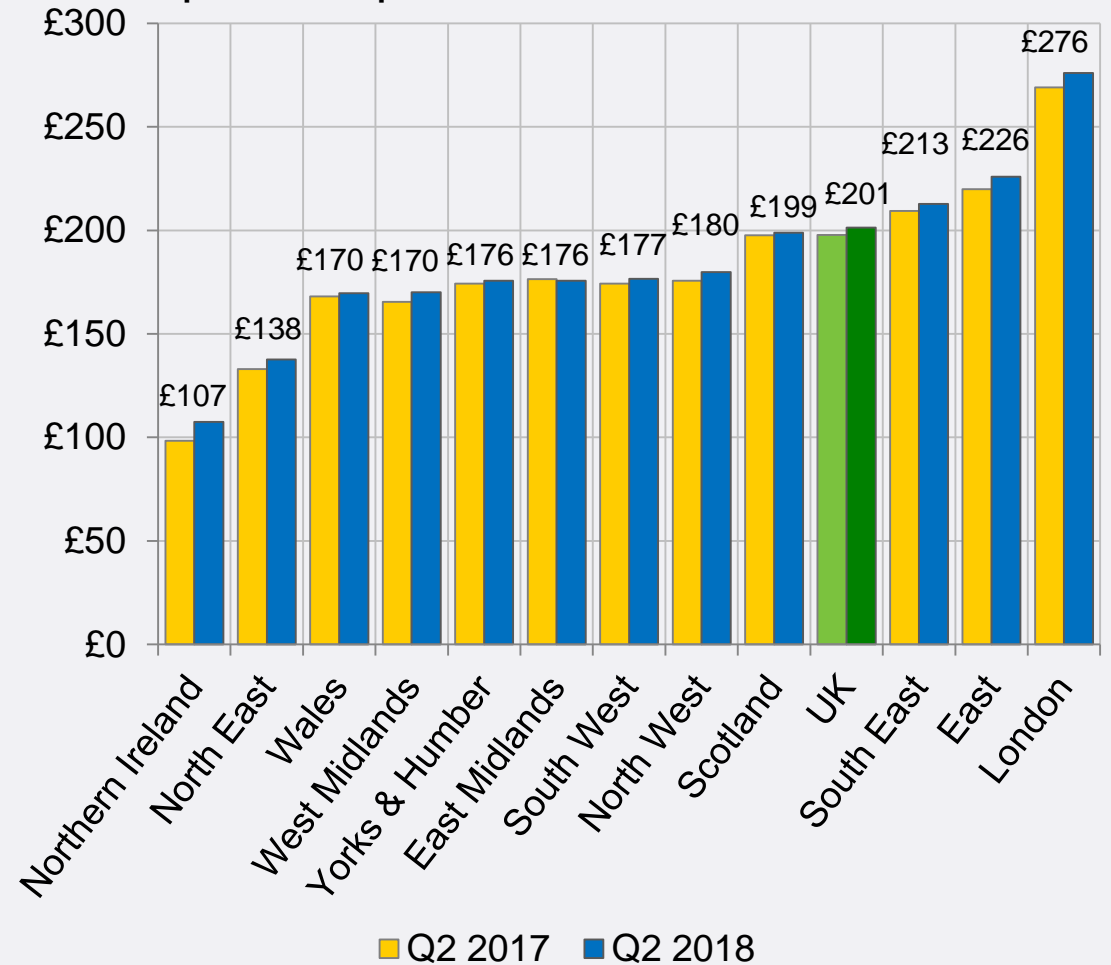


# Family spending power on the up compared to last year

UK-wide average family spending power stood at £201 in Q2 2018

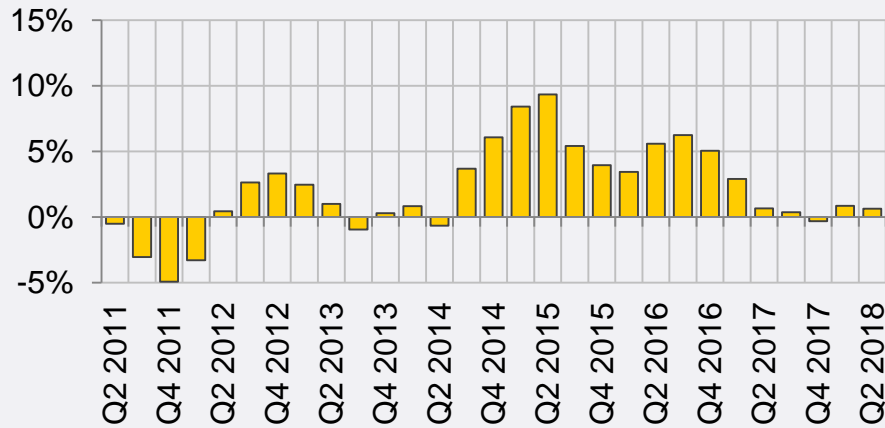
- Average household discretionary spending power has increased slightly in all regions except the East Midlands between Q2 2017 and Q2 2018.
- The East Midlands with its large manufacturing workforce has seen more modest earnings growth compared to other regions.
- The last regional Income Tracker report still showed stagnant regional family spending power; since then, moderate pay increases and easing inflation have benefitted households across the country.
- The biggest gain in pound terms is measured in Northern Ireland, where discretionary incomes increased from £98 per week to £107 per week.
- London and the East of England follow with gains of £7 and £6, respectively in the year to Q2 2018. The two regions also take the top spots with regards to overall family spending power.

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



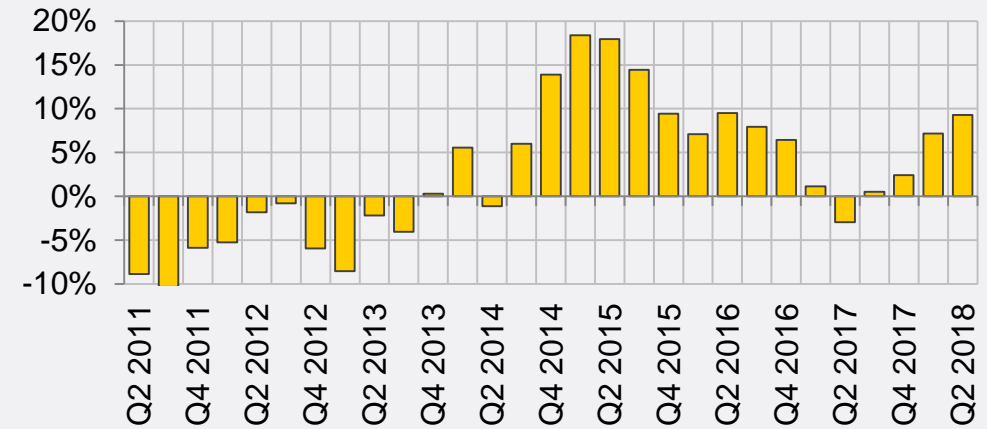
# Focus on Scotland and Northern Ireland

Annual % change in discretionary incomes, Scotland



- Discretionary income growth for Scottish households remains very weak compared to previous years as well as compared to other regions in the UK.
- In Q2 2018, annual family spending power growth dropped back to 0.6%, down from 0.8% in Q1 2018.
- Compared to the same quarter a year ago, unemployment in Scotland has increased slightly weighing on households' gross income growth.
- Scottish GDP is expected to grow less than the UK-wide average this year as the stronger pound weighs on the important export sector.

Annual % change in discretionary incomes, Northern Ireland



- Family spending power growth in Northern Ireland continues to accelerate and stands at 9.3% in the second quarter of this year. This is up from 7.2% in Q1 2018 and a 2.9% contraction in the second quarter of 2017.
- Northern Irish households continue to benefit from improvements in the labour market and strong employment gains. Unemployment stood at just 3.3% in June and therefore clearly below the UK average of 4.2%.
- This has led to the strong gross income growth seen on the previous slide despite the modest pay increase in the important public sector.



# 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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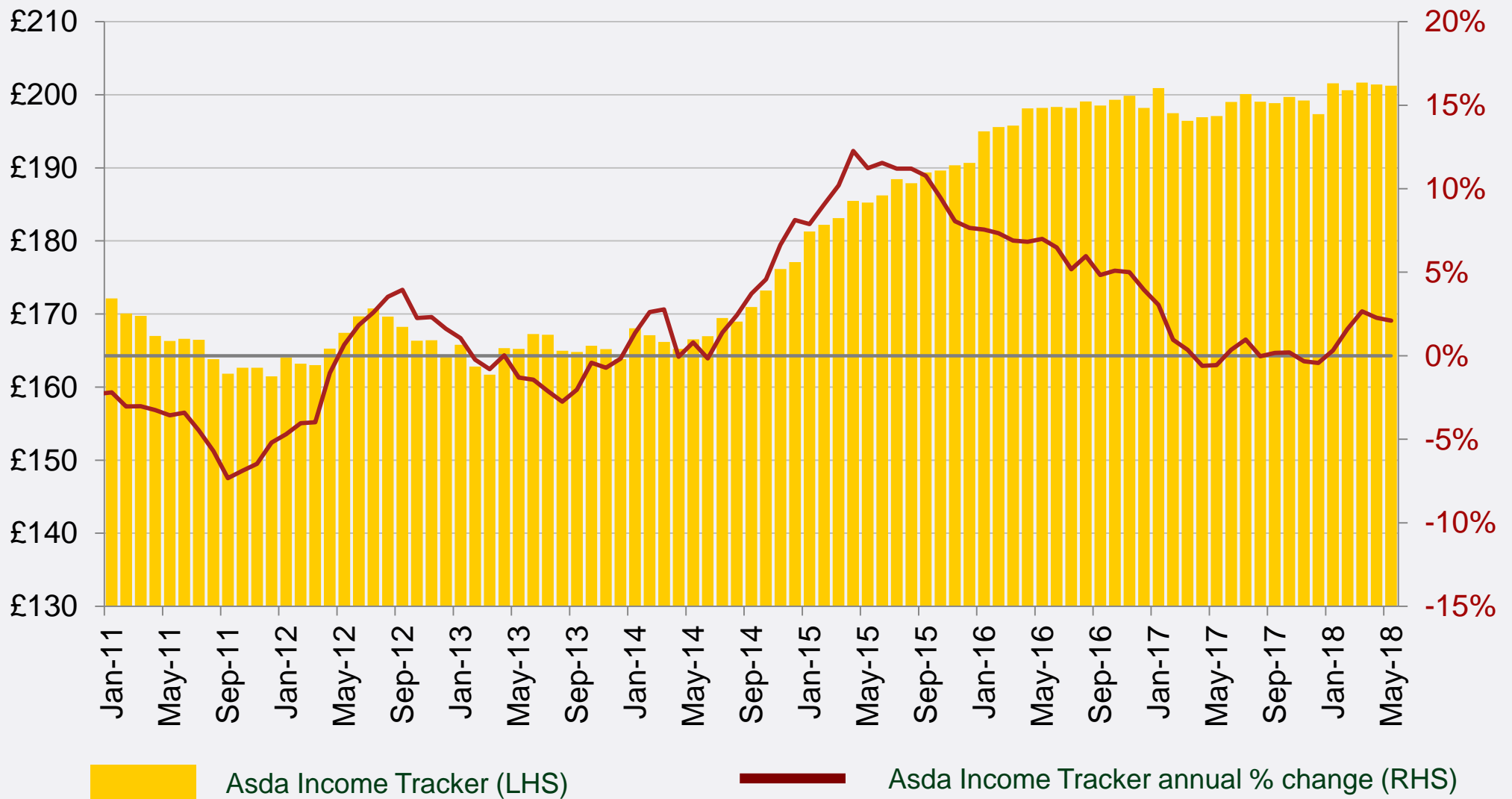
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# Appendix

# 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	£201
May 2014	£171	May 2015	£188	May 2016	£198	May 2017	£196	May 2017	£201
June 2014	£171	June 2015	£189	June 2016	£198	June 2017	£198		
July 2014	£173	July 2015	£191	July 2016	£198	July 2017	£199		
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, June 2018**