

Asda Income Tracker

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Making Business Sense

Centre for Economics and
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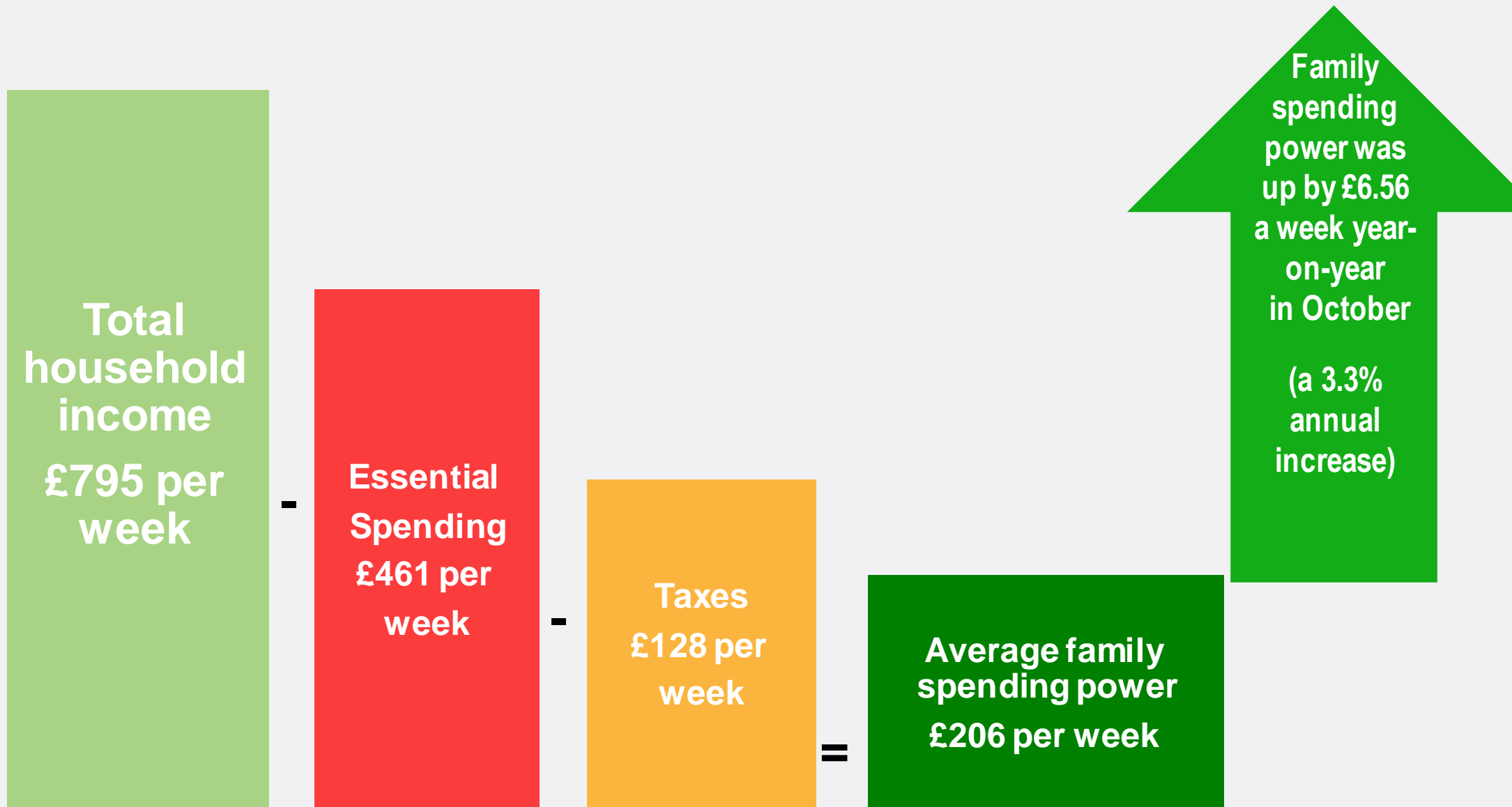
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Asda Income Tracker – Key Figures

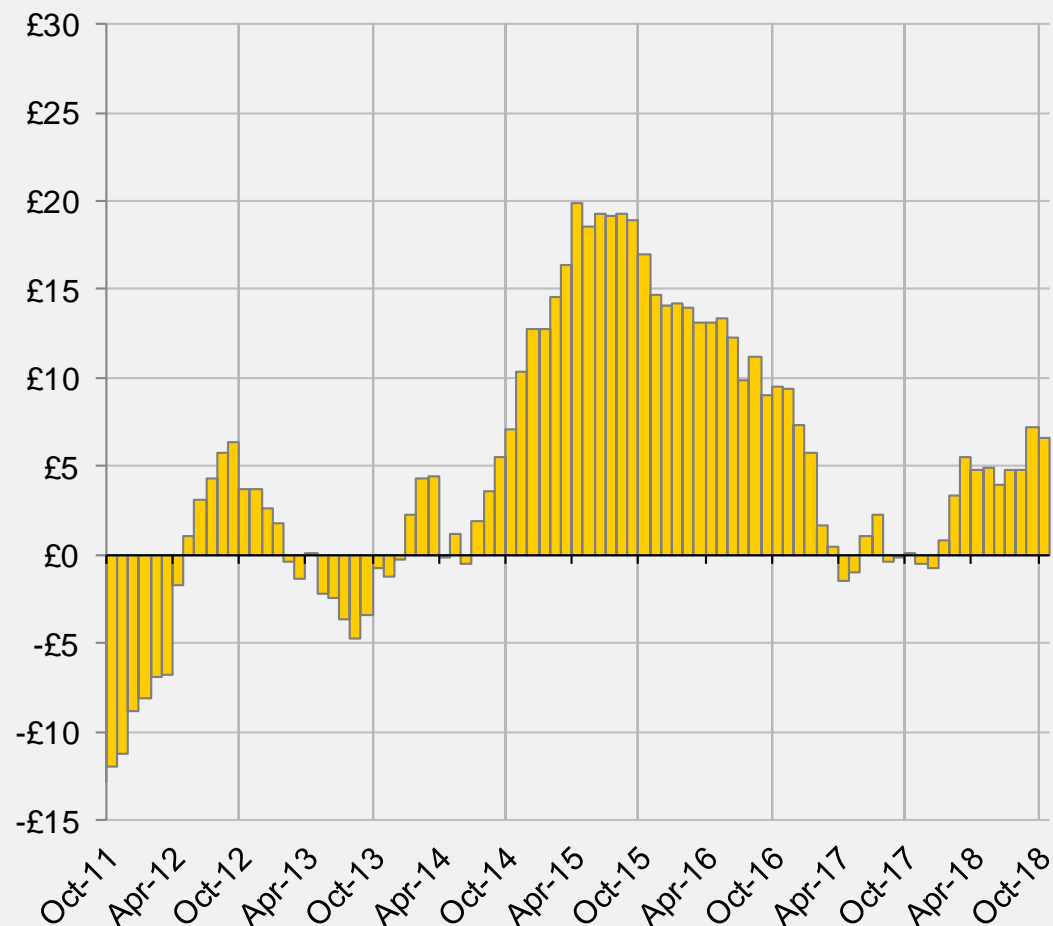


Growth in the Asda Income Tracker picks up pace as pay rises

The Asda Income Tracker was £6.56 a week higher in October 2018 than a year before

- Family spending power increased by 3.3% compared to October 2017, marking the second consecutive month with growth in the Income Tracker above 3%.
- The latest official labour market data show that the rate of unemployment ticked up in the three months to September to stand at 4.1%, driven by an increase in the economically active population.
- Meanwhile, wage growth rose again as the tight labour market forces employers to offer better pay to attract and retain staff. Regular pay (excluding bonuses) increased by 3.2% on the year, the fastest since the Q4 2008.
- With inflation remaining stable in October, the accelerating rate of wage growth leads to faster real income growth for households. This is also reflected in the uptick in the Income Tracker over the past couple of months.

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

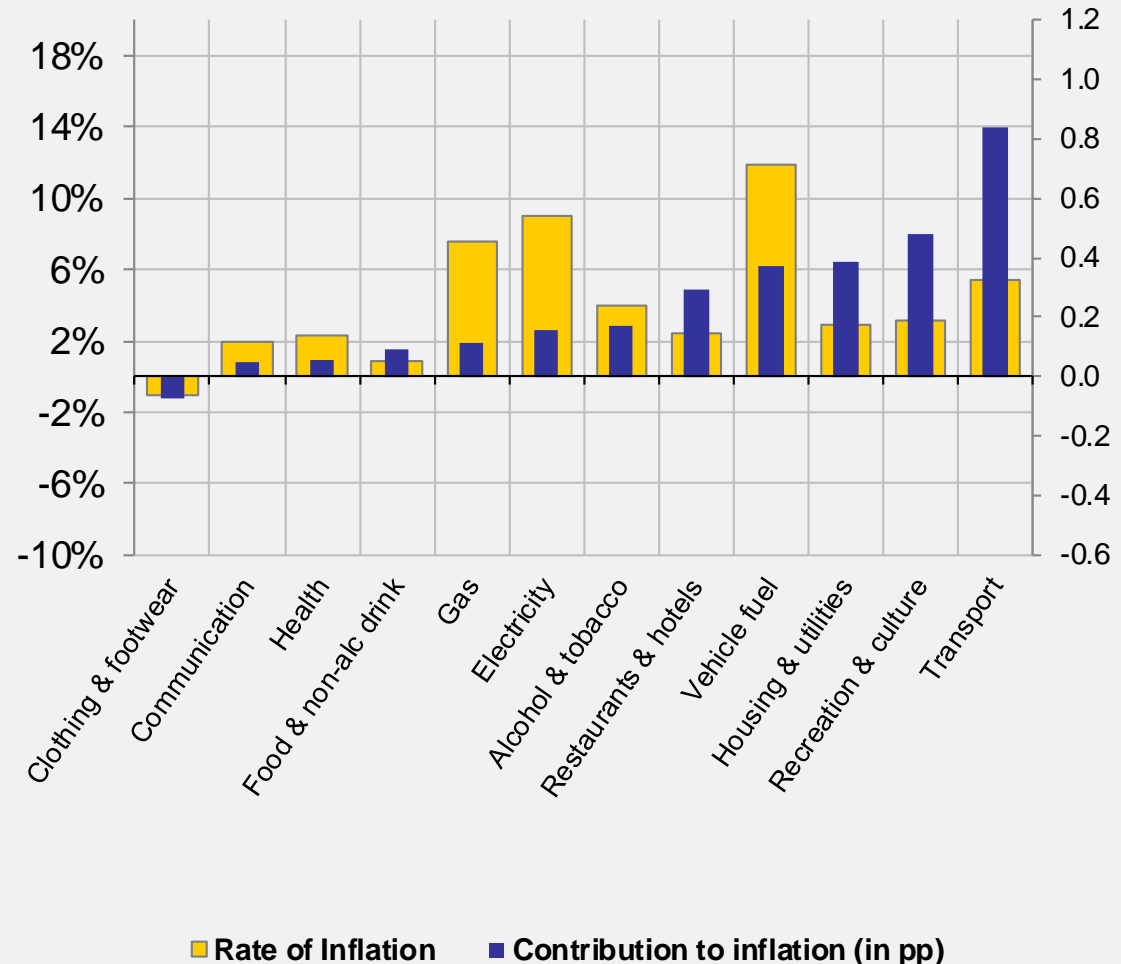


Inflation remains steady as prices for clothes continue to fall

The main factors affecting family costs in October were:

- Inflation as measured by the Consumer Price Index remained at 2.4% in October, unchanged from the previous month.
- Prices for clothing and footwear decreased for a second consecutive month in October, exerting downwards pressure on the headline index.
- Inflation in the transport category also slowed again in October on the back of cheaper prices for new vehicles and transport tickets.
- This was partially offset by higher prices for petrol. Fuel prices inflation rose to 11.9% in October, the highest value since July. Given the recent fall in global oil prices, we expect consumers to benefit from somewhat cheaper prices at the pump over the coming 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

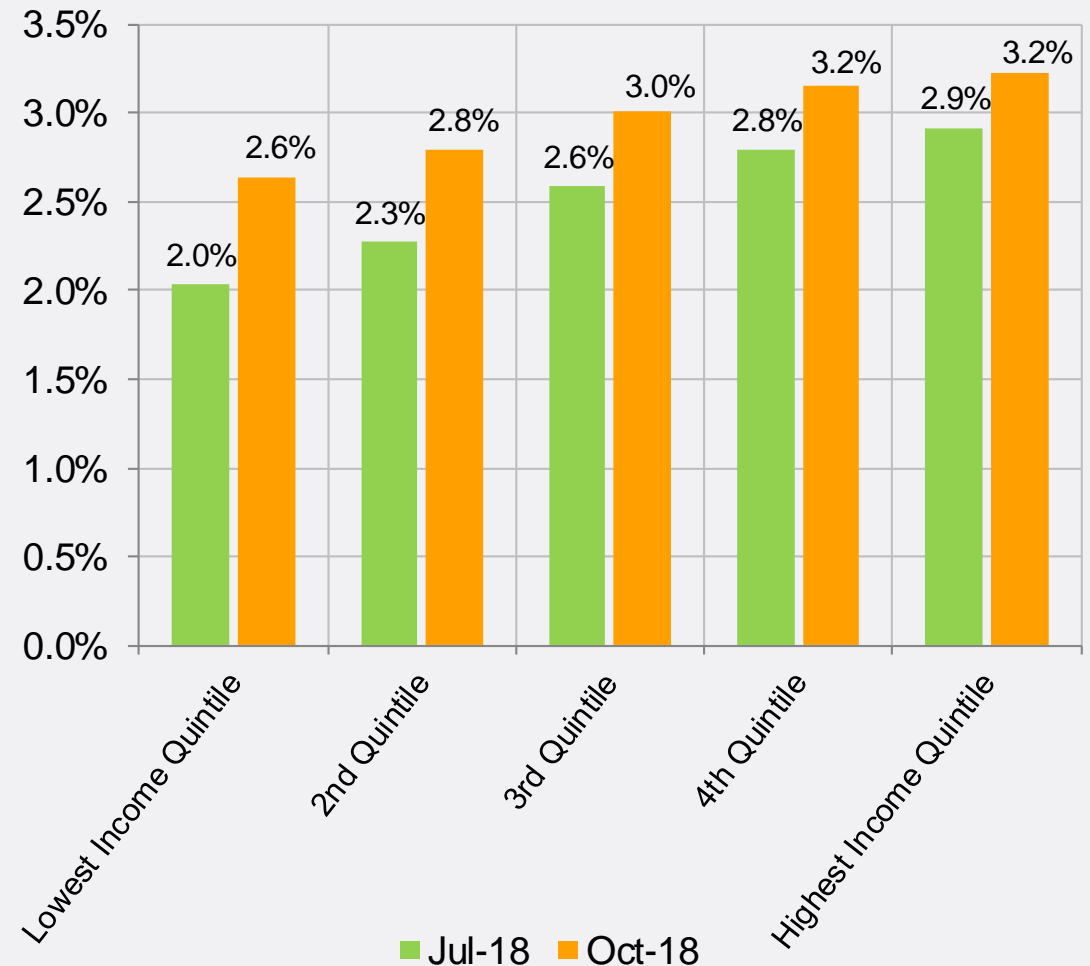
■ Rate of Inflation ■ Contribution to inflation (in pp)

Higher wage growth benefits households across all income groups

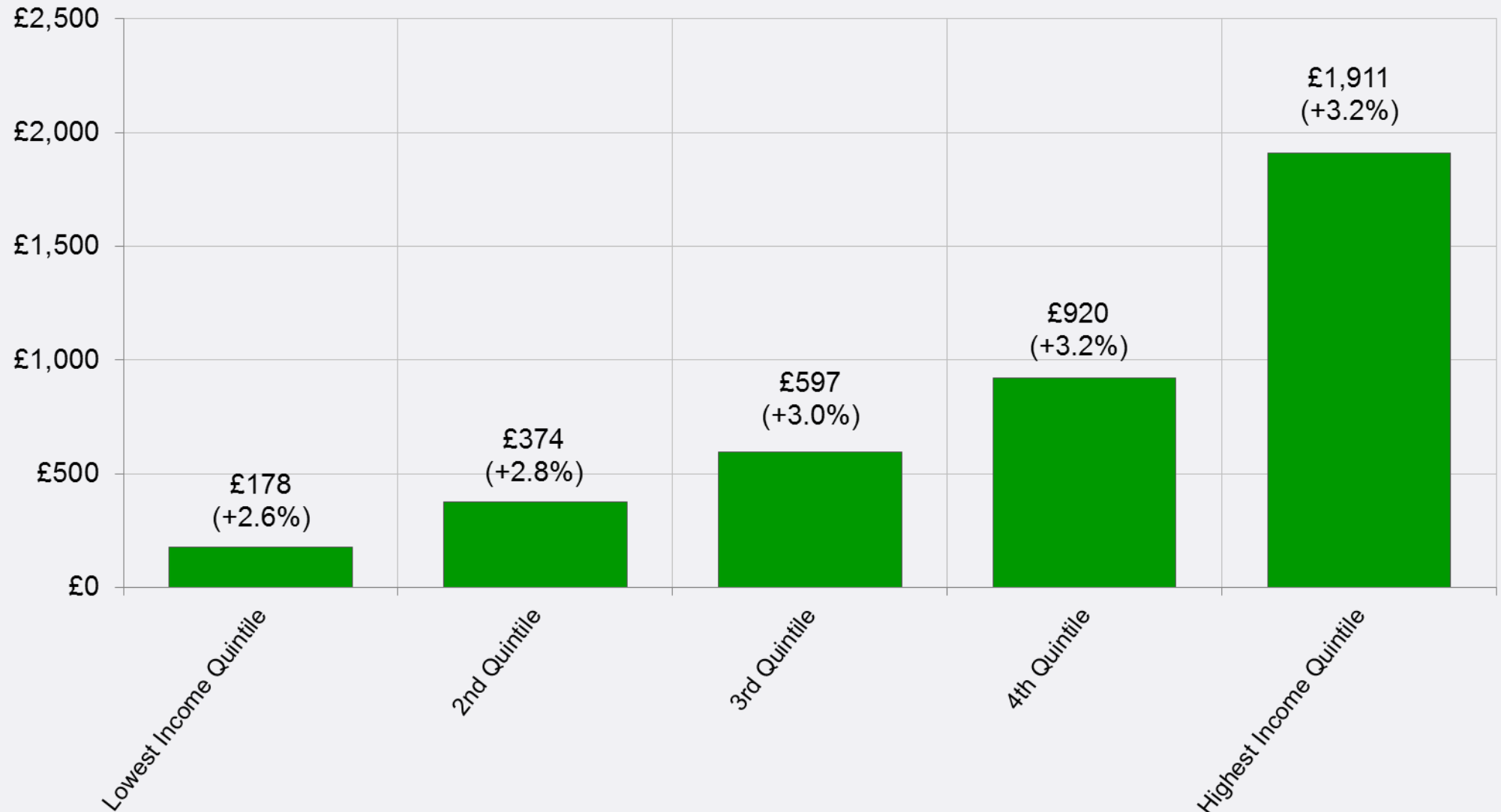
Households in the highest income quintile enjoy income growth of 3.2%

- The graph to the right compares the gross income growth rates for different household income groups for July, when we last analyzed the income data, and October. Gross income includes income from wages, self-employment, investment, pensions and social security.
- Gross income growth has accelerated across all income groups in between July and October. The largest gains are recorded among low income households. Those in the bottom 20% of the income distribution saw their gross income growth accelerate to 2.6%, up from 2.0% three months ago. While some of the increase was due to higher wages, the largest contributor were higher social security receipts.
- Moving up the income distribution, an increasing share of the rise in gross income growth can be attributed to the higher wages. Annual regular pay growth stood at 2.9% in the three months to July and has since accelerated to 3.2% according to the latest labour market figures.

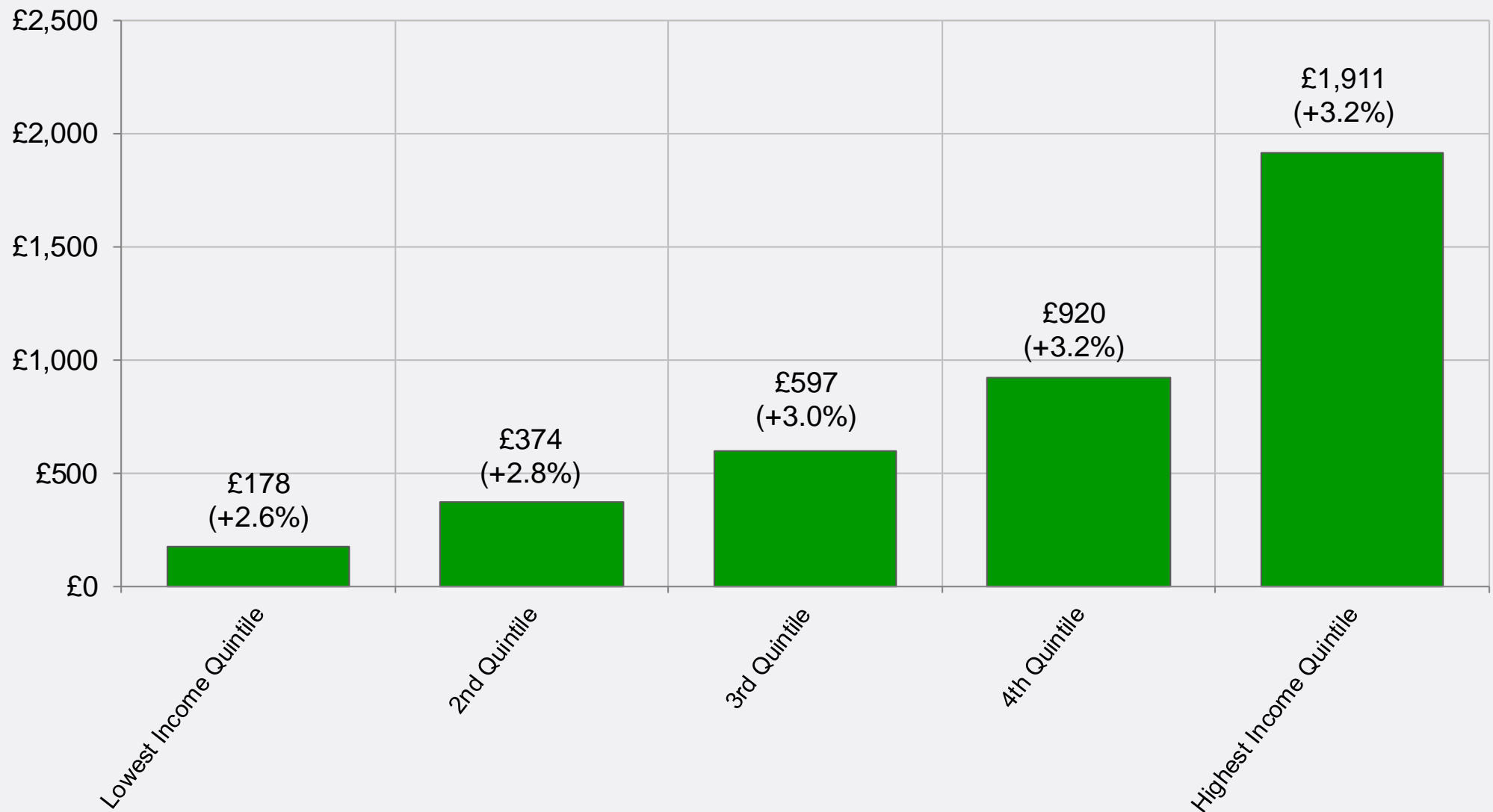
Annual gross income growth (excl. bonuses)



Gross weekly income excluding bonuses by income quintile, October 2018, annual growth rates in brackets



Gross weekly income excluding bonuses by income quintile, October 2018, annual growth rates in brackets

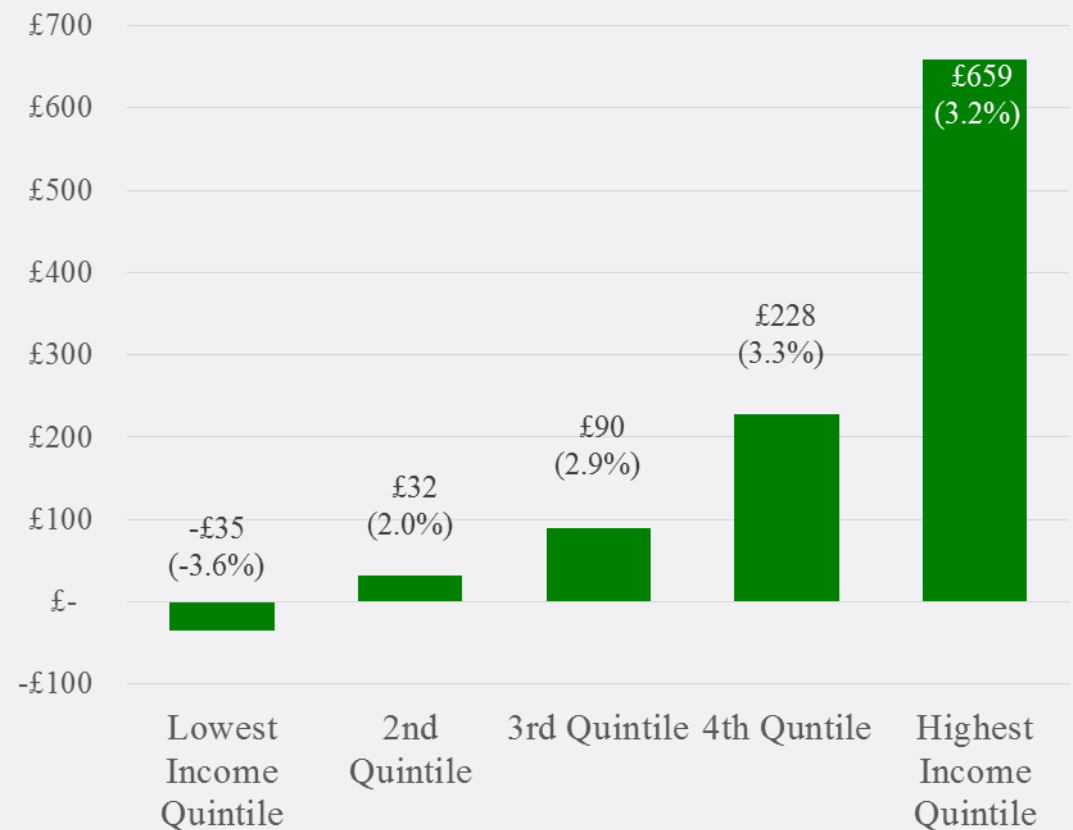


Spending power increases for 80% of UK households

Only households in the lowest income quintile see further declines in spending power

- The pick-up in wage growth due to low unemployment levels has led to a noticeable uptick in the ASDA Income Tracker for nearly all income groups.
- Households in the 2nd income quintile recorded an increase in the income tracker after 21 months of consecutive declines. Discretionary income for the group stands at £32 per week.
- The third income quintile group has been recording growth in the Income Tracker since March 2018. At £90 of weekly family spending power, the Income Tracker reached a high last seen in December 2016.
- The fourth income quintile saw the strongest annual increase in the Income Tracker at 3.3%, edging out slightly faster growth than the richest households, which have seen discretionary incomes increase by 3.2% on the year. Low income households have not seen an increase in family spending power since June 2016.

Average weekly discretionary income by household income group, October 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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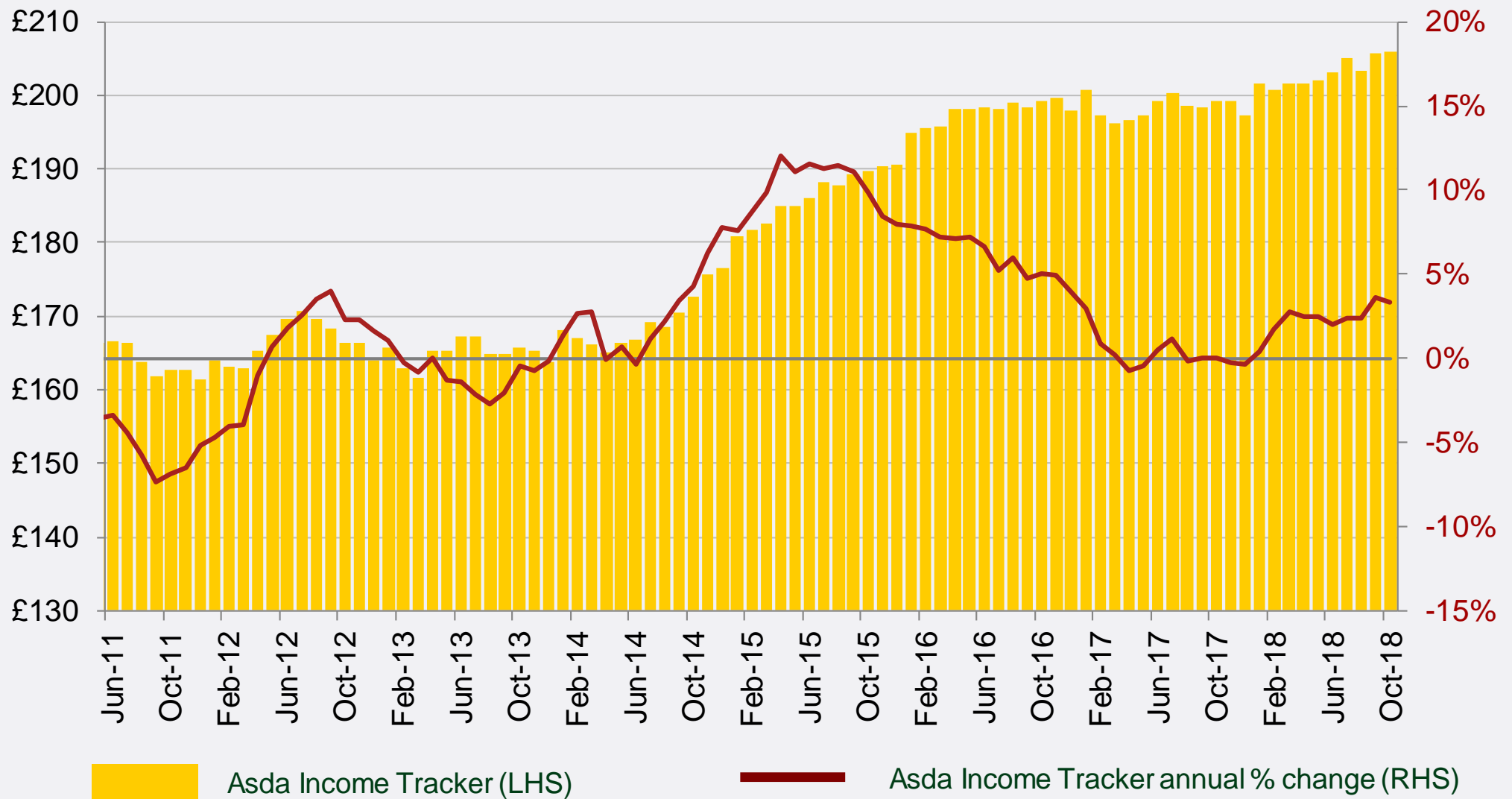
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Appendix

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	£203
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	£199	August 2018	£203
September 2014	£174	September 2015	£192	September 2016	£199	September 2017	£198	September 2018	£206
October 2014	£176	October 2015	£193	October 2016	£199	October 2017	£199	October 2018	£206
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, November 2018