

ASDA Income Tracker

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making business sense

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Introduction

“Our customers are telling us that not only do they have less money, but many are worried about their job security, and can't see their finances improving for some time.

That's why it's really important we do everything we can to help lessen the blow.

We're ready for the challenge – and will do everything in our power to ensure families don't pay a penny more than they need to for the things they need most”

Andy Clarke Asda president and CEO



Headlines – ASDA Income Tracker

Family spending power was down 4.2 per cent in June year on year. This equates to a £7 fall and is the sixth monthly fall in succession.

At 3.2 per cent in June, consumer price inflation has remained elevated and has now been above the upper bound of the Bank of England's target rate for the whole of 2010 to date.

Earnings growth has continued to be sluggish, with average weekly earnings (excluding bonuses) up 1.8 per cent in the three months to May year on year. This is down from 1.9 per cent growth over the same period in April.

“The ASDA income tracker reveals that discretionary income has fallen by 4.2 per cent in June year-on-year. Despite reductions in official unemployment figures and an easing of inflation, annual growth in earnings remains weak while the cost of many essentials continue to rise.

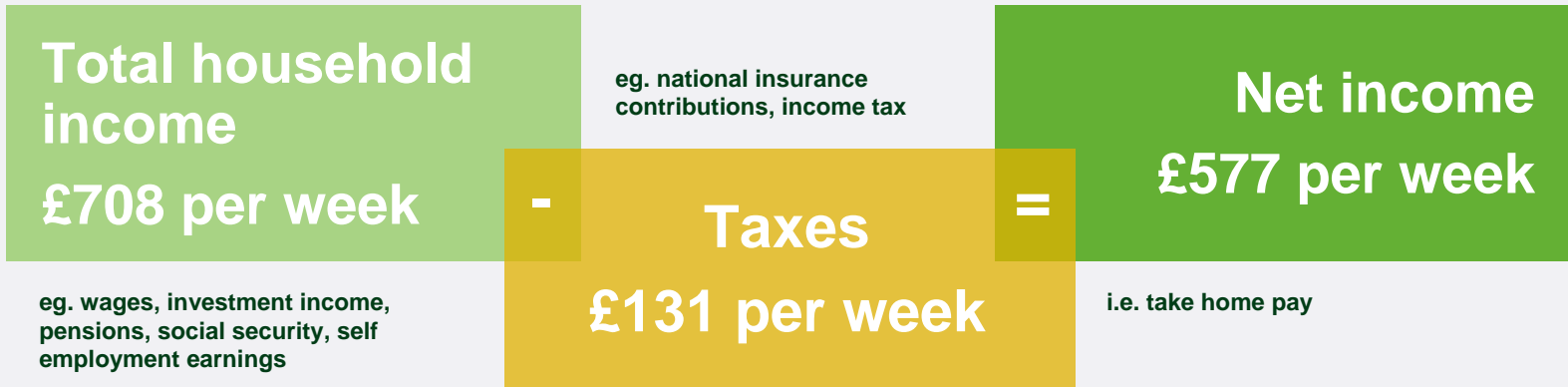
The bottom line is that real family spending power has continued to fall and the outlook continues to look tough for households.”

Charles Davis Managing Economist, cebr










ASDA family
spending
power down
4.2 per cent
in June year
on year




**£7 a week
less**

Constructing the ASDA Income Tracker



ASDA Income Tracker Dashboard

Indicator	Annual percentage change	Latest trend
Earnings Growth (May)	1.8% (excl. bonuses)	
Unemployment (May)	7.9%	
Net income	2.0%	
Mortgage costs	4.6%	
Food	1.9%	
Petrol	13.2%	
Utilities	0.5%	
Cost of living	4.9%	
Family spending power	-4.2%	

KEY IMPROVEMENT  NO SIGNIFICANT CHANGE  DETERIORATION 

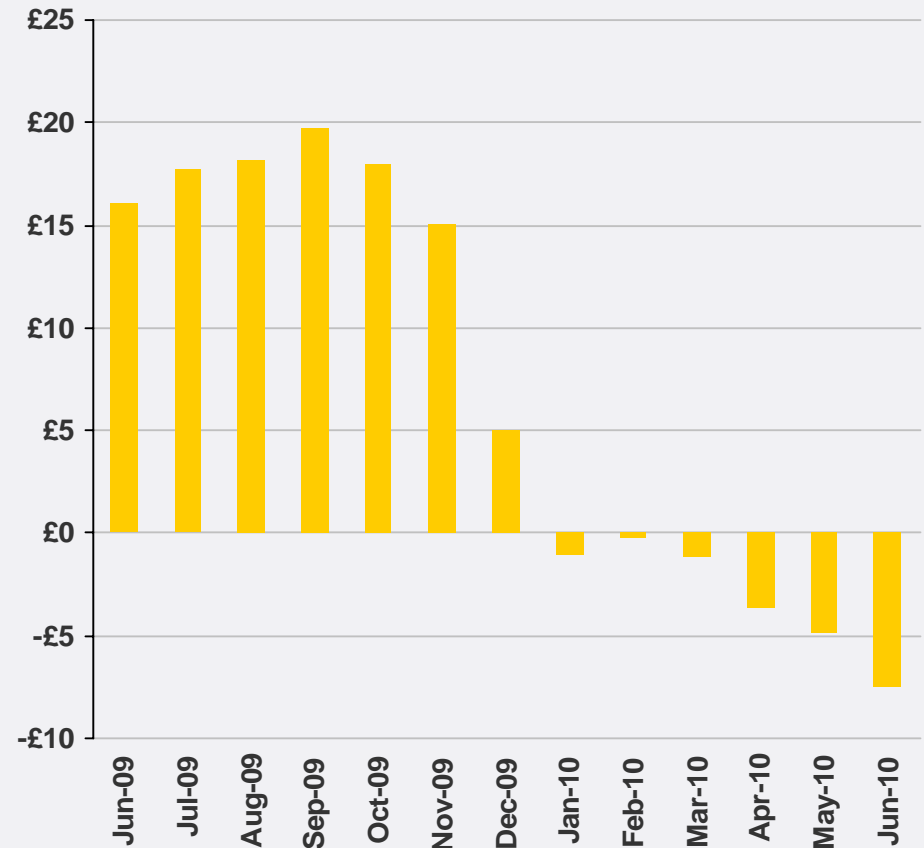
Period: June unless otherwise stated.

Sixth consecutive fall in family spending power

There was a year on year fall in the ASDA income tracker of 4.2 per cent in June 2010. This represents a £7 a week decrease in family spending power compared with the same month a year ago.

- The year on year change on the ASDA income tracker declined for the sixth consecutive month in June.
- Gross incomes excluding bonuses increased by 2.0 per cent year on year in June 2010. This is the slowest rate of growth on this measure since October 2009.
- The cost of spending on essential goods and services increased by 4.9 per cent year on year in June. This is compared to a rise of 5.0 per cent in May and 5.4 per cent in April.

Year on year change in ASDA income tracker

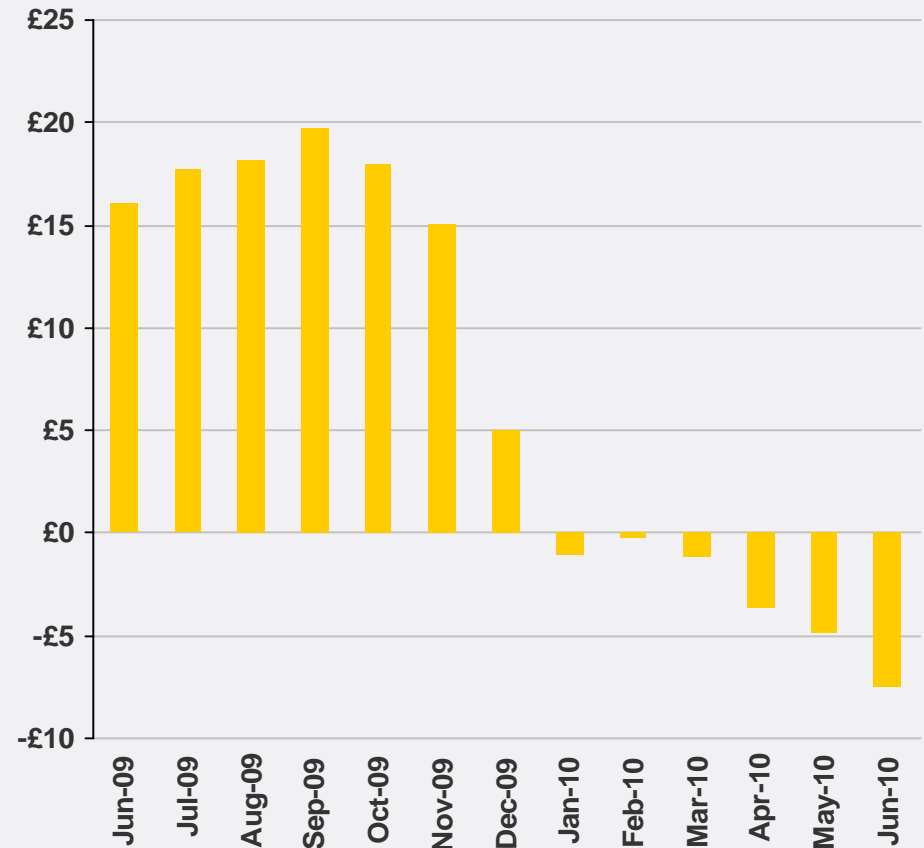


Sixth consecutive fall in family spending power

There was a year on year fall in the ASDA income tracker of 4.2 per cent in June 2010. This represents a £7 a week decrease in family spending power compared with the same month a year ago.

- The cost of living continued to rise at an elevated pace. Inflation remained above the upper bound of the Bank of England's target rate at 3.2 per cent in June.
- Regular pay increased by 1.8 per cent in the three months to May year on year. This is significantly below pre-recession levels.
- Earnings growth is likely to remain weak for the remainder of 2010 and - although falling back - inflation is likely to remain above target into 2011.
- As such, household discretionary income levels are likely to deteriorate further over the coming months relative to last year.

Year on year change in ASDA income tracker

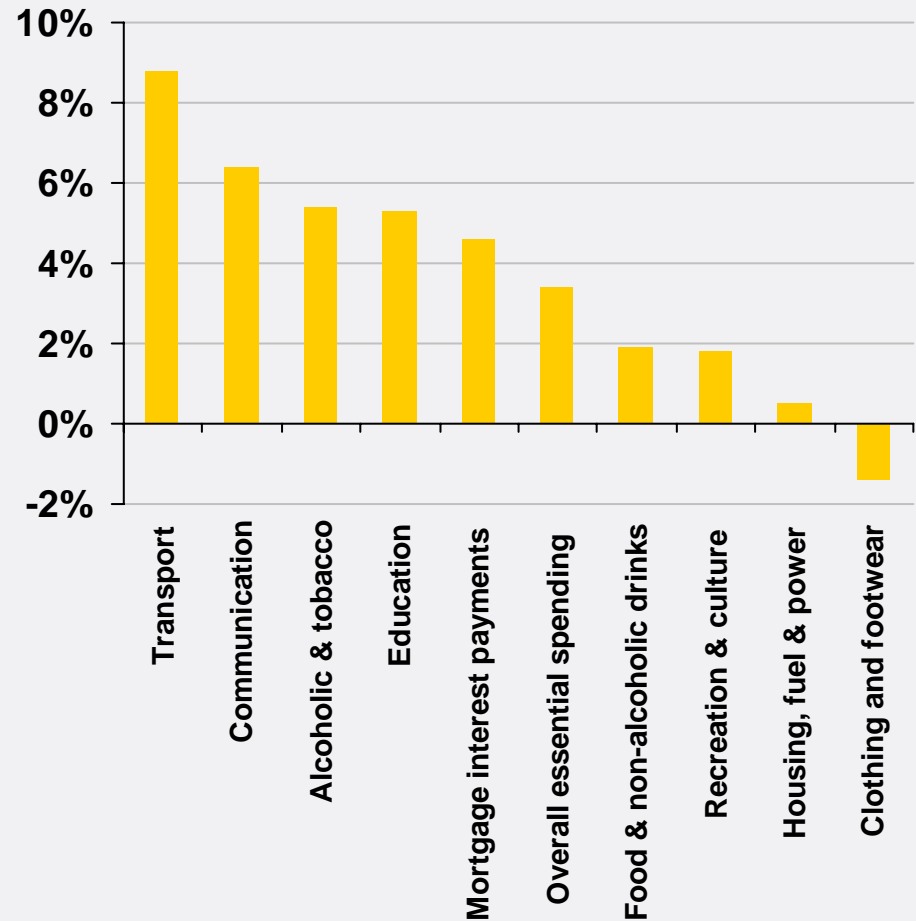


Cost of essentials remains elevated

Annual consumer price inflation was 3.2 per cent in June 2010, down from 3.4 per cent in May. Inflation has now been equal to or above the upper limit of the Bank of England's target for six months.

- Inflation on the wider retail price index stood at 5.0 per cent in June 2010 year on year, compared to 5.1 per cent in May 2010.
- Excluding the impact of indirect taxes (most notably VAT), the annual rate of consumer price inflation was 1.6 per cent.
- A large proportion of the labour market is currently operating under-capacity. This suggests that underlying inflationary pressures will remain weak for some time to come.
- The VAT increase in January will partially counteract this, but inflation is likely to fall back towards the target rate in 2011.

Inflation of selected goods, annual change to June 2010

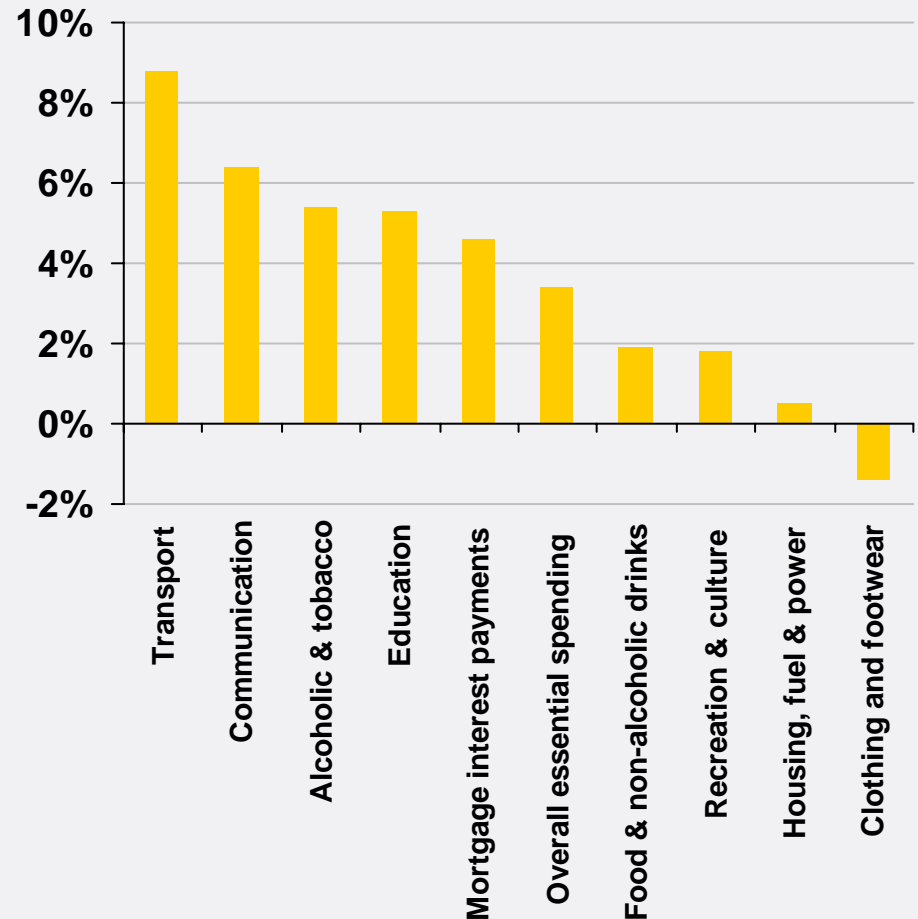


Cost of essentials remains elevated

The main factors putting downward pressure on family spending power in June were:

- The transport category saw the largest year on year increase in prices, up 8.9 per cent in June. This was however down from 10.0 per cent in May.
- The year on year increase in the cost of new vehicles has decreased from 10.6 per cent in January to 5.9 per cent in June. Increases in the cost of fuel and lubricants fell from 25.3 per cent to 15.9 per cent over the same period.
- The communication category witnessed a 6.4 per cent increase in June compared to the same month a year earlier.
- Utility bills edged up relative to last year for the third month in succession, up 0.5 per cent in June after a 0.6 per cent increase in May.
- As in May, mortgage interest repayments in June were up 4.6 per cent annually.

Inflation of selected goods, annual change to June 2010

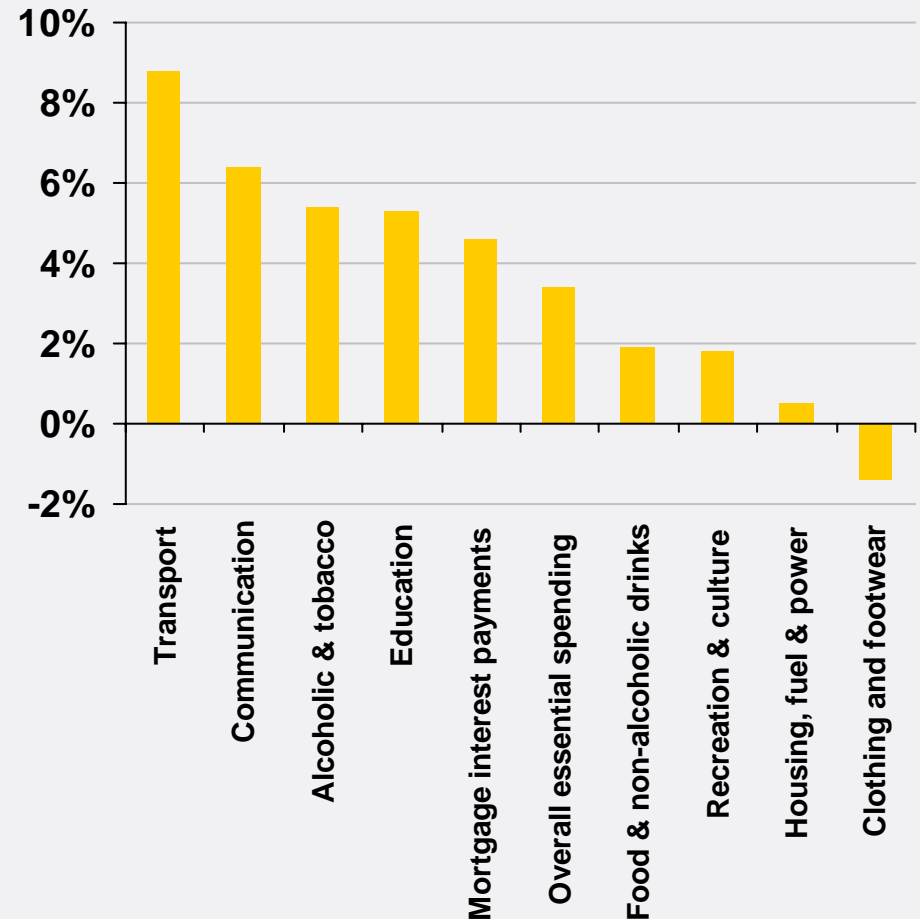


Cost of essentials remains elevated

The main factors putting upward pressure on family spending power in May were:

- The only broad area of spending on the consumer price index which has given a boost to households discretionary income relative to a year ago was clothing and footwear.
- The cost of clothing and footwear was 1.4 per cent lower in June than a year ago. This is far below long run average levels as clothing and footwear has decreased on average by 4.6 per cent annually over the June 1993 to June 2010 period.
- The cost of electricity and gas continued to remain below the same month a year earlier at -0.5 per cent and -6.1 per cent respectively. The broader housing, fuel and power category, however, did edge up slightly in June year on year.

Inflation of selected goods, annual change to June 2010



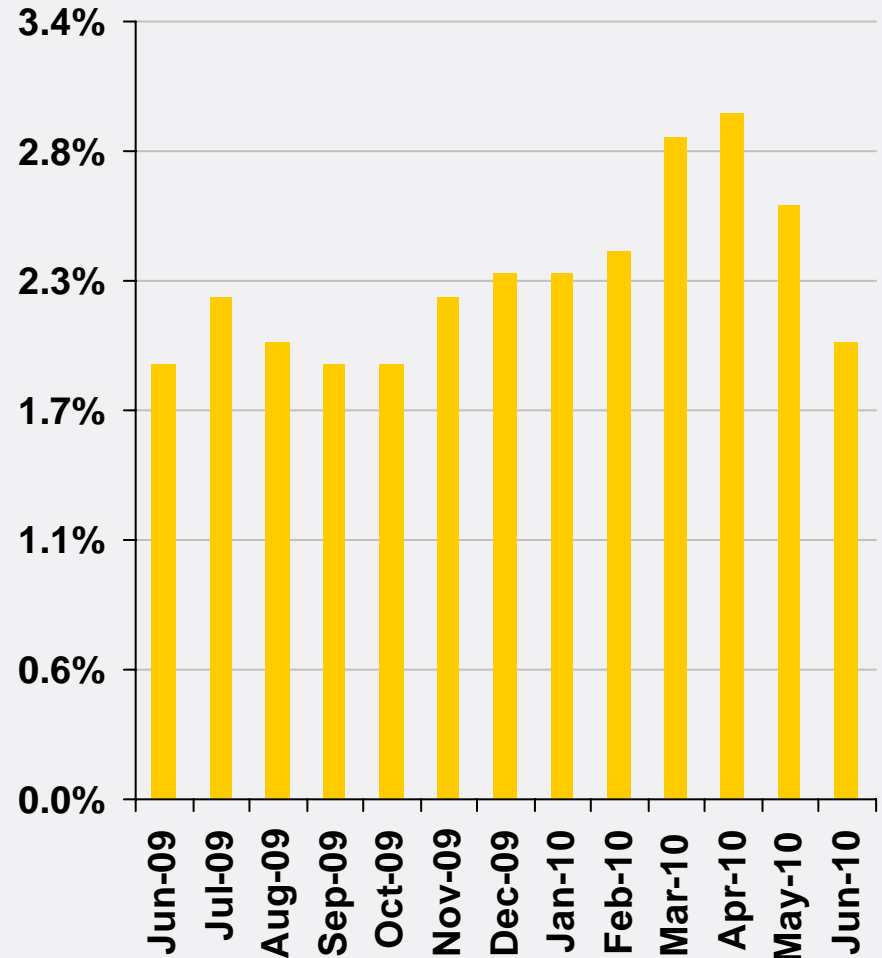
Unemployment falls but public sector cuts to come

Over the course of 2009 annual earnings growth was particularly weak, increasing by 1.7 per cent excluding bonuses. In 2010 average earnings growth has remained equally sluggish.

- Claimant count unemployment decreased by 20,800 in June compared to May, following a reduction of 31,100 in May from April.
- The number of individuals on the claimant count has now fallen by 167,700 between October 2009 and June 2010 to stand at 1.46 million.
- In June there were 6.4 per cent fewer individuals on the claimant count than June 2009. This compared to a 3.8 per cent reduction in May year on year.
- In June total claimant count unemployment stood at 4.5 per cent of the workforce.

Earnings data is one month in arrears relative to the consumer price data, therefore we forecast the latest month's growth. We also adjust earnings growth take account of changes in employment – details in appendix

Annual change in net income, June 2009 – June 2010



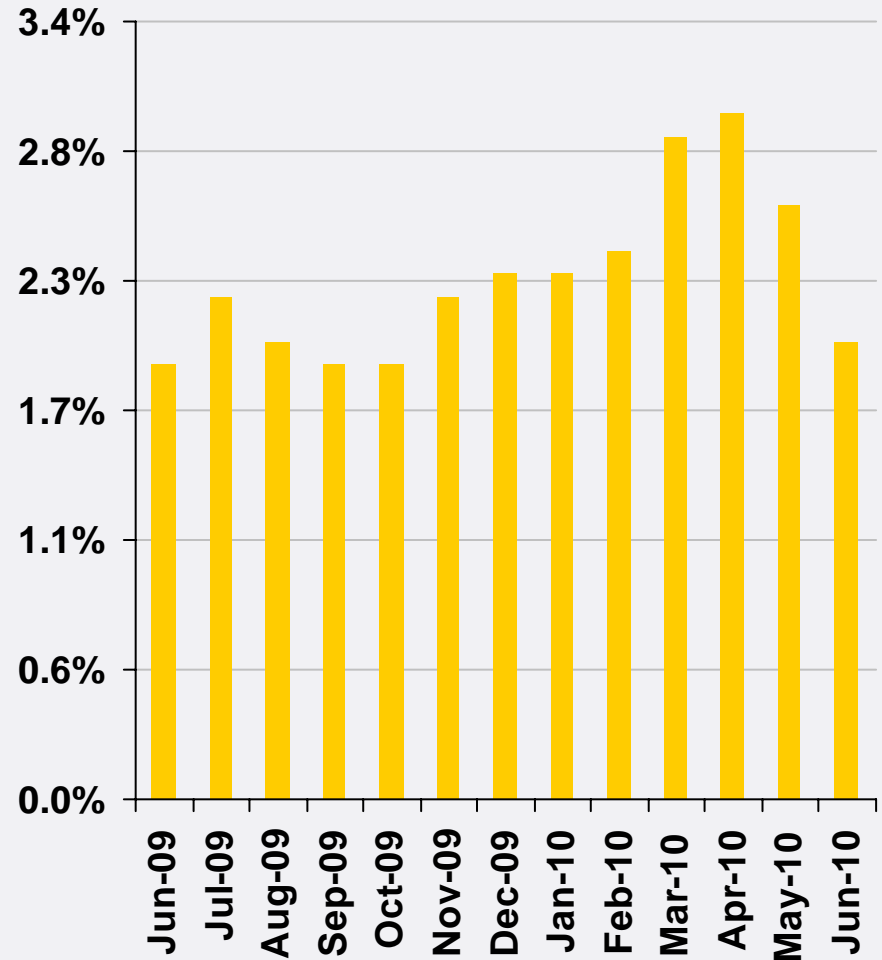
Unemployment falls but public sector cuts to come

Over the course of 2009 annual earnings growth was particularly weak, increasing by 1.7 per cent excluding bonuses. In 2010 average earnings growth has remained equally sluggish.

- On the wider ILO measure unemployment decreased by 34,000 over the three months to April.
- This equated to a reduction of 1.4 per cent year on the year, the first fall on this measure since April 2008.
- Over the three months to May the unemployment rate decreased to 7.8 per cent from 8.0 per cent in the three months to February.
- The number of vacancies increased by 12.0 per cent over the three months to June 2010 compared to the three months to June 2009, but remain 27.3 per cent lower than June 2008.

Earnings data is one month in arrears relative to the consumer price data, therefore we forecast the latest month's growth. We also adjust earnings growth take account of changes in employment – details in appendix

Annual change in net income, June 2009 – June 2010



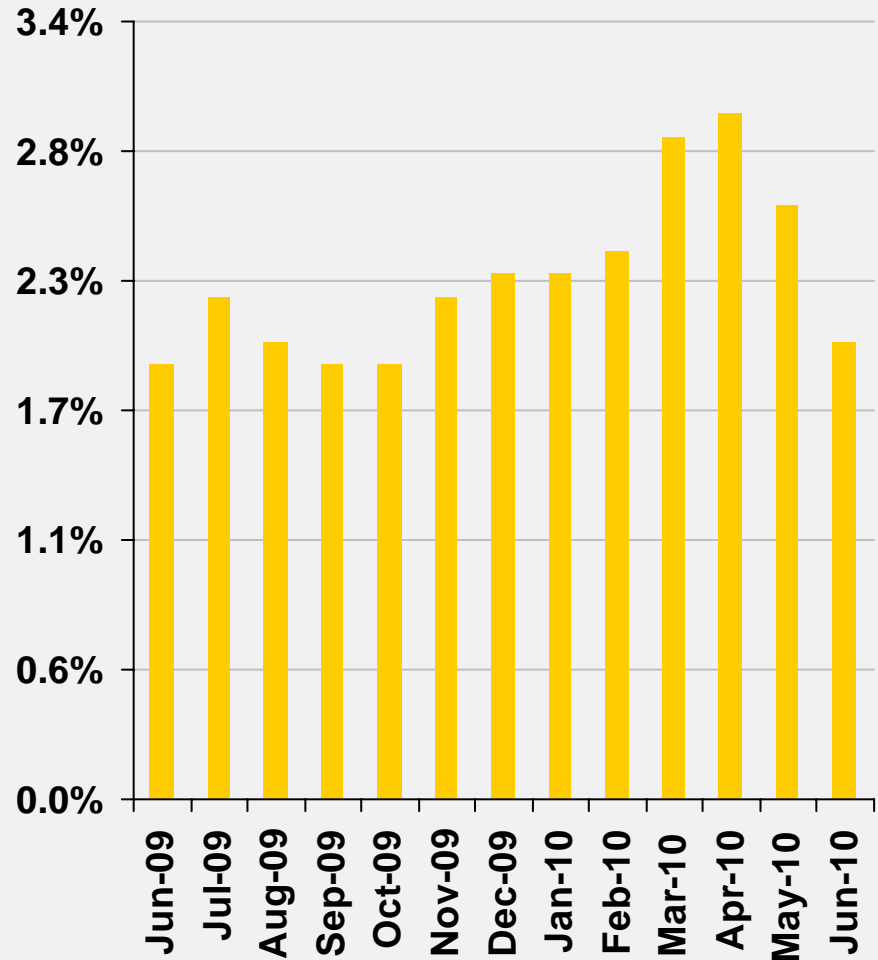
Unemployment falls but public sector cuts to come

Over the course of 2009 annual earnings growth was particularly weak, increasing by 1.7 per cent excluding bonuses. In 2010 average earnings growth has remained equally sluggish.

- Average earnings in the public sector (excluding bonuses) over the three months to May rose by 3.5 per cent, compared to a 1.8 per cent increase for the economy as a whole.
- While the private sector labour market recovery appears to be gaining some traction, there remains a significant level of spare capacity in the economy.
- Indeed, despite this months positive data unemployment is likely to continue to edge up over the medium term in the face of public sector job shedding.

Earnings data is one month in arrears relative to the consumer price data, therefore we forecast the latest month's growth. We also adjust earnings growth take account of changes in employment – details in appendix

Annual change in net income, June 2009 – June 2010



Data and Methodology

Please find attached the methodology and the tabulated data. ASDA produces a monthly income tracker report with a more comprehensive report every quarter.

For further information please contact:

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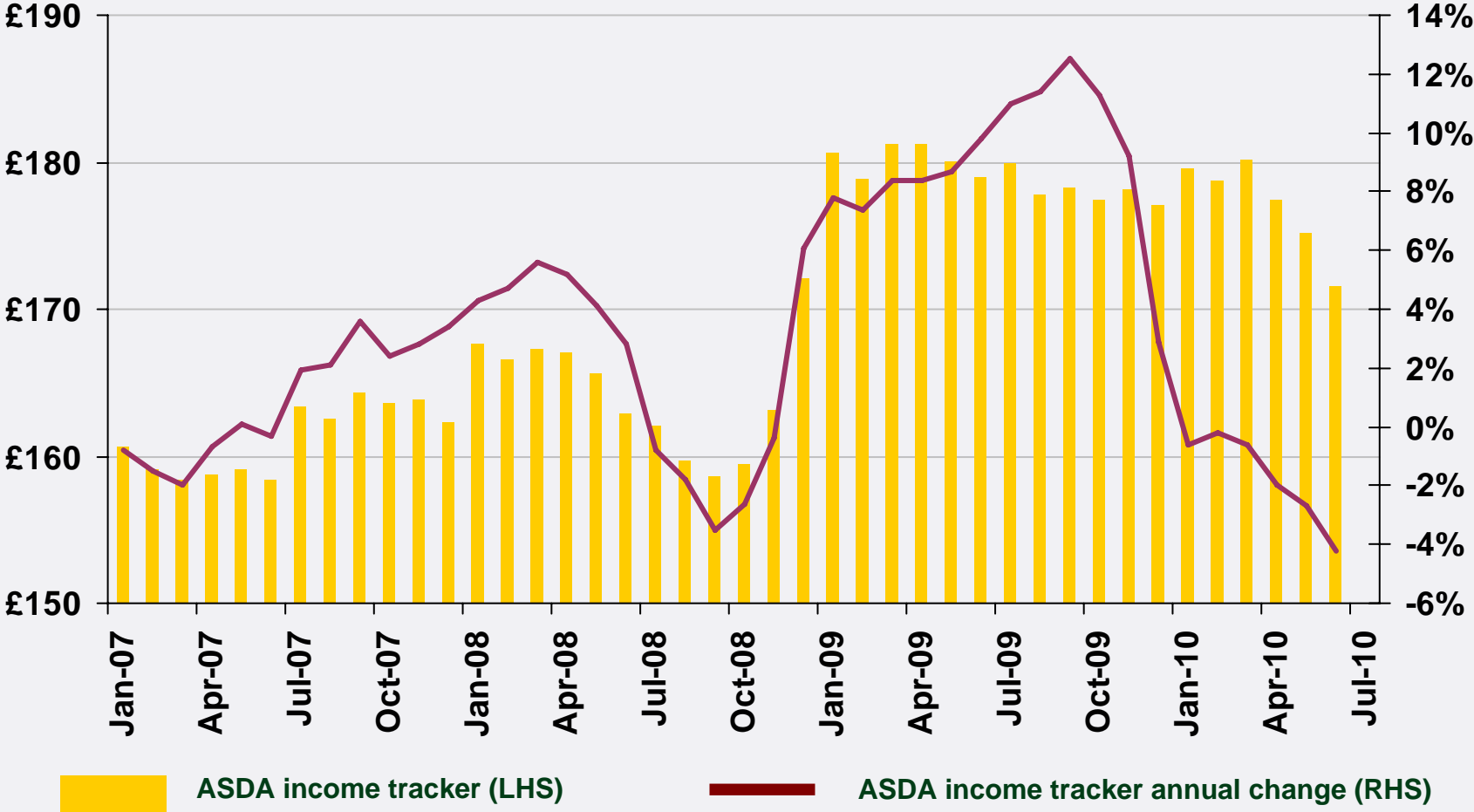
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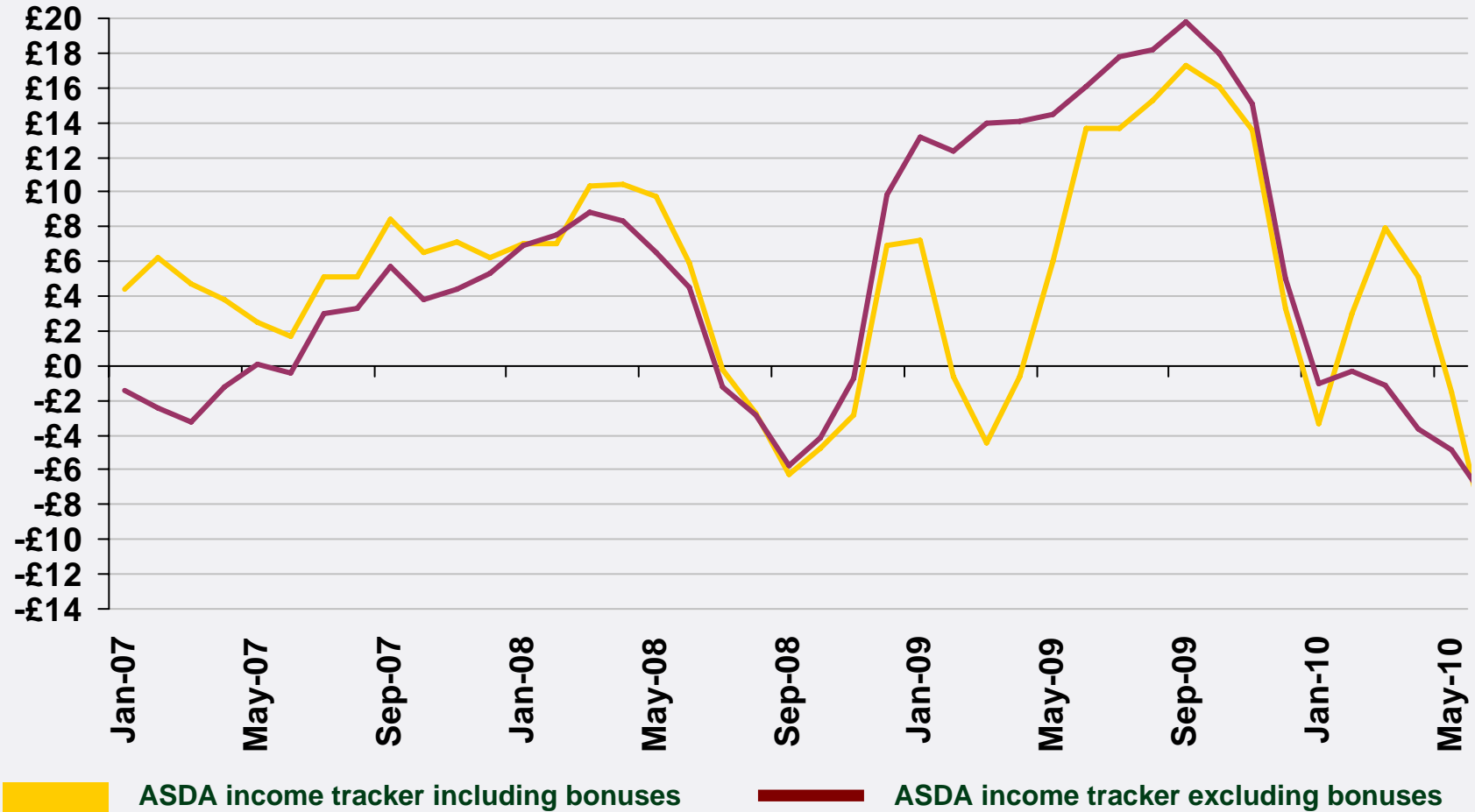
Monthly ASDA income tracker

Figure 1: ASDA income tracker an year on year change



Monthly ASDA income tracker

Figure 2: Comparison of year on year change in ASDA income tracker including and 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
January 2007	£161	January 2008	£168	January 2009	£181	January 2010	£180
February 2007	£159	February 2008	£167	February 2009	£179	February 2010	£179
March 2007	£158	March 2008	£167	March 2009	£181	March 2010	£180
April 2007	£159	April 2008	£167	April 2009	£181	April 2010	£178
May 2007	£159	May 2008	£166	May 2009	£180	May 2010	£175
June 2007	£158	June 2008	£163	June 2009	£178	June 2010	£171
July 2007	£163	July 2008	£162	July 2009	£180	July 2010	-
August 2007	£163	August 2008	£160	August 2009	£178	August 2010	-
September 2007	£164	September 2008	£159	September 2009	£178	September 2010	-
October 2007	£164	October 2008	£159	October 2009	£177	October 2010	-
November 2007	£164	November 2008	£163	November 2009	£178	November 2010	-
December 2007	£162	December 2008	£172	December 2009	£177	December 2010	-

Methodology

We use official data to provide an up to date and accurate measure of spending power. From April 2010, the income tracker is based on updated official base data on family expenditure and income from the Office for National Statistics Family Spending 2009 survey; making it not directly comparable with previous versions – but up to date as possible with the latest data. In the latest version of the income tracker, we have improved how we account for changes in unemployment – using the latest official data on Claimant Count and Labour Force Survey unemployment. A full methodology is available on request. The ASDA income tracker indicators are calculated from the following equations:

- **Total household income minus taxes equals net income**
- **Net income minus basic spend equals ASDA income tracker**

Methodology

These components are based on official statistics and cebr calculations.

Total household income for the United Kingdom is derived from the Family Spending Survey 2008 (released 2010). 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 of 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. The average amount of tax paid for 2006 is calculated using the latest version of the Family Spending Survey. This is updated on a monthly basis using National Accounts and Public Financial Accounts. We forecast one month forward using our macroeconomic model for the United Kingdom.

Methodology

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 subtracted from our net income figures to create our ASDA income tracker indicator. Basic spend items are listed in the appendix.

The ***ASDA income tracker*** is the amount remaining after the average UK household has had taxes subtracted from income and bought their essential items, such as groceries, electricity, gas, transport costs and mortgage interest payments. The income tracker measures the amount left over to spend on leisure and recreation goods and services; these are listed in the appendix.

Due to a formula error infecting the *other expenditure items* of spending, the series for disposable income was miscalculated last month. As a result of this, the series was reported approximately £35 higher than it ought to be. This error only impacted last month's data and has now been resolved. As a result the figures for last month have been revised accordingly. The error had a minimal impact on the absolute annual change in the income tracker, where a £6 change was reported instead of a £5 actual change. The annual percentage change has remained unchanged at -2.6%.

Disclaimer

This report has been 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 economists Owen James, Charles Davis and Douglas McWilliams.

**Whilst every effort has been made to ensure the accuracy of the material in this report, the authors and cebr will not be liable for any loss or damages incurred through the use of this report.
London, June 2010**