

ASDA INCOME TRACKER

REPORT : JULY 2024



Making Business Sense

Centre for Economics and
Business Research Ltd

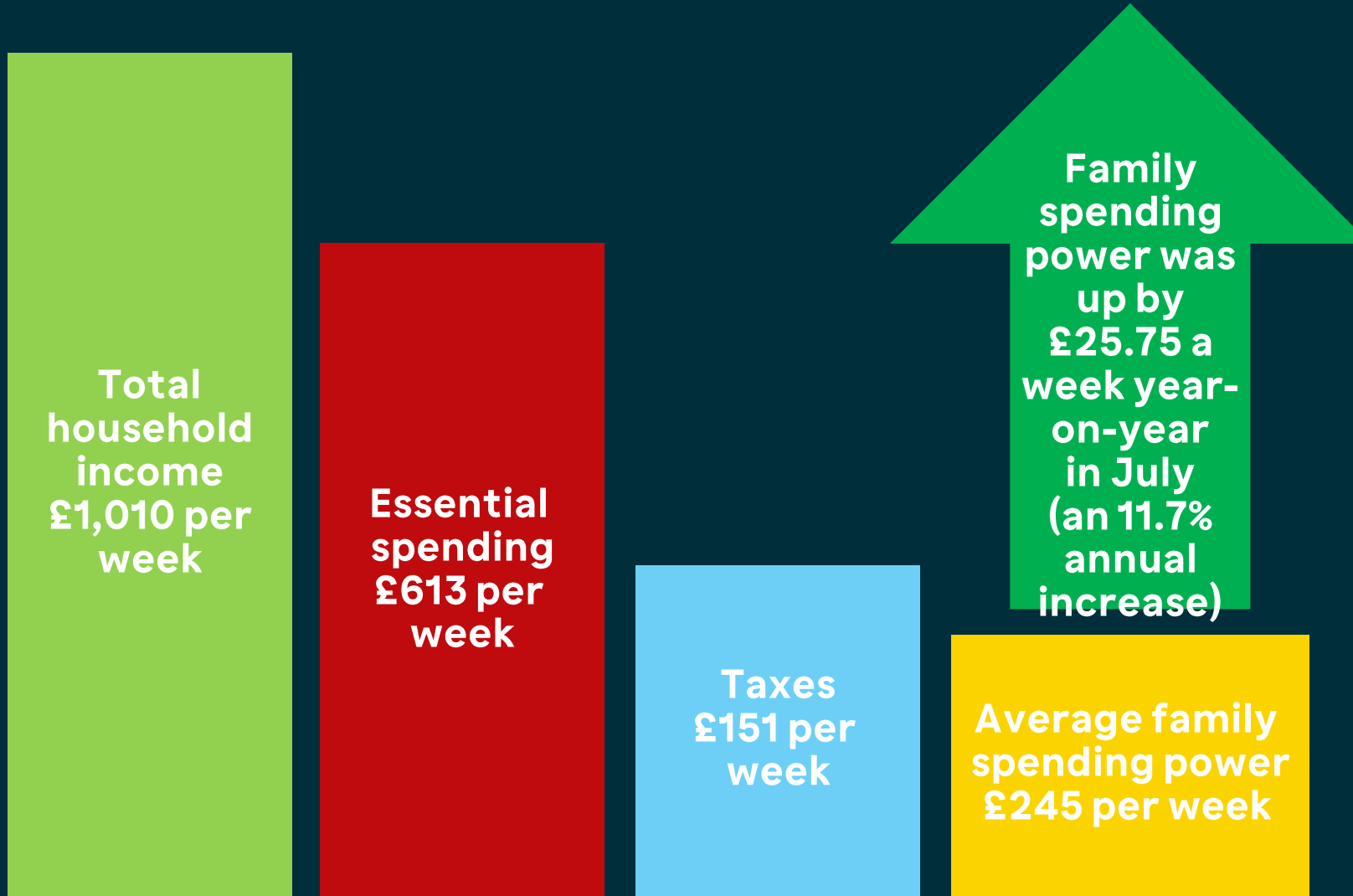
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ASDA INCOME TRACKER – KEY FIGURES

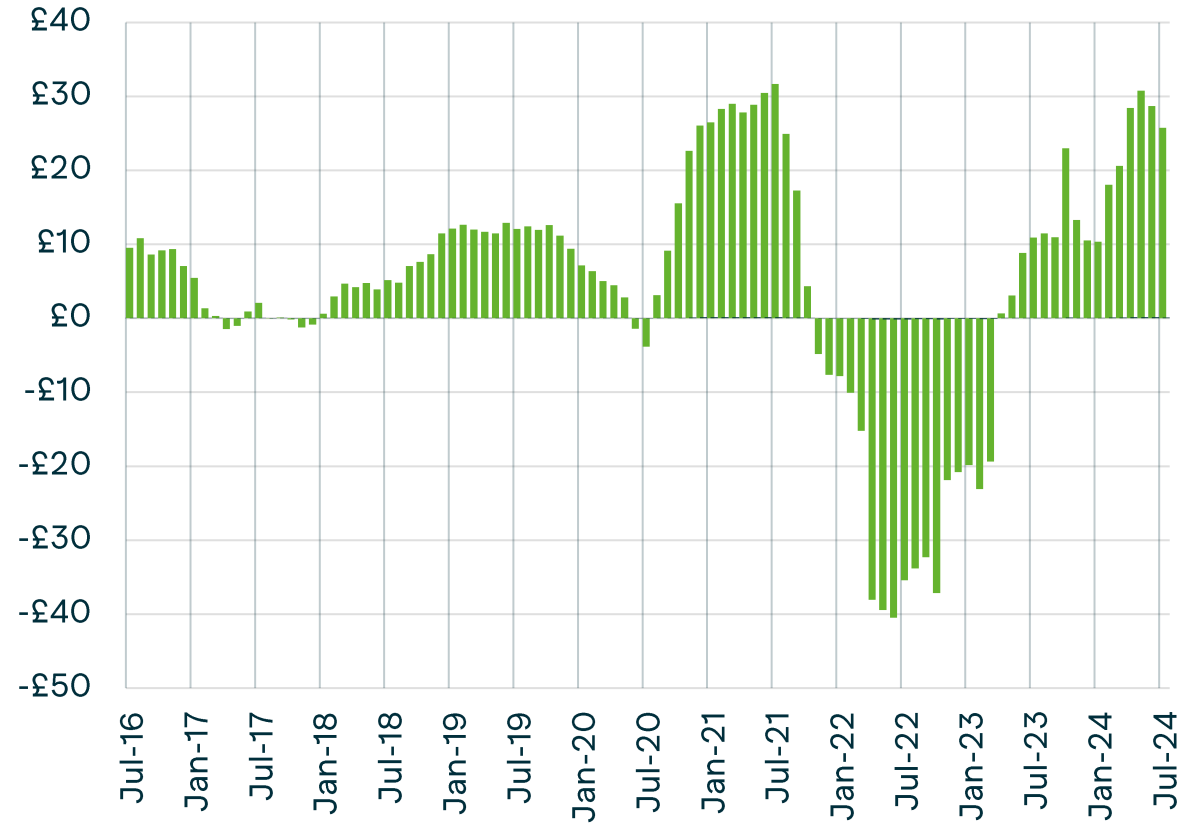


INCOME TRACKER CONTINUES TO REPORT SLOWDOWN IN ANNUAL GROWTH

The Asda Income Tracker was £25.75 a week higher in July 2024 than a year before

- The Asda Income Tracker recorded annual growth of 11.7% in July, down from 13.5% in June. Despite the slowdown, the Income Tracker has recorded double-digit annual growth for four consecutive months.
- This steady growth has brought discretionary income to within 0.4% of its pre-crisis peak of £246 in March 2021. However, given that these figures are nominal, this suggests that there is still a shortfall in spending power.
- The monthly deceleration was driven by both a slowdown in gross income growth and uptick in inflation.
- According to the latest available data, regular pay growth in Q2 slowed to 5.4%, the weakest rate since the three months to July 2022. Meanwhile, inflation picked up to 2.2% in July, after remaining at the Bank of England's (BoE) target for the previous two months.
- On a month-on-month basis, the Income Tracker increased by £4.48, bringing average household spending power to £245 per week.
- Despite spending power being 14.0% higher in Q2 2024 compared to the same period last year, consumption was down by 0.3% during the same timeframe. This likely reflects a trend where households are opting to save more rather than increase their spending. Cebr estimates that households saved an average of £122 per week in Q2 2024, a 12.3% increase from the £109 per week saved in the same period last year.
- Looking ahead, although inflation is anticipated to rise slightly towards the end of the year, it is expected to stay below the pace of earnings growth for some time. Consequently, the Income Tracker is likely to see continued annual growth in the coming months, though at a potentially slower rate.

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

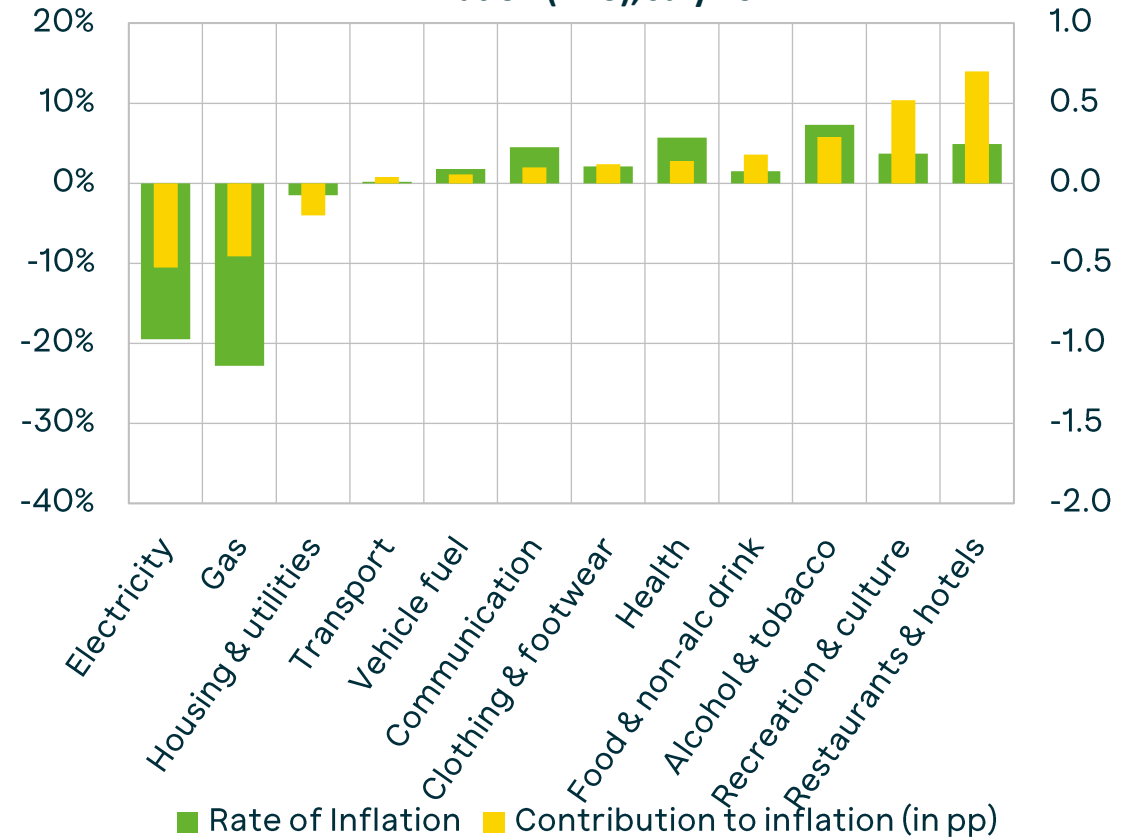


INFLATION PICKS UP FOR THE FIRST TIME IN 2024, DRIVEN BY ENERGY PRICES

The main factors affecting family costs in July were:

- Annual inflation, as measured by the Consumer Prices Index (CPI), increased to 2.2% in July, after holding steady at the BoE's target for the previous two months. This marks the first rise in the inflation rate this year.
- The monthly acceleration was primarily driven by changes in energy prices. While energy prices remain in deflationary territory, the rate of decline has slowed. This suggests that although prices in this category are still falling, they are doing so at a much slower pace compared to previous months. Notably, the decline in the housing, water, and electricity category is the slowest since price falls began in October 2023.
- Amongst other essential spending categories, inflation for food and non-alcoholic beverages remained unchanged at 1.5% from last month, while clothing and footwear experienced a slight acceleration, with price growth rising to 2.1% from 1.6% in June.
- Despite these trends, underlying price pressures are easing. This is evident in the core CPI reading, which excludes energy and food prices. Core CPI slowed to 3.3% in July, after remaining steady at 3.5% for the past two months, reaching its lowest level in nearly three years.

Inflation of selected goods, annual rate (LHS) and contribution to headline inflation (RHS), July 2024



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

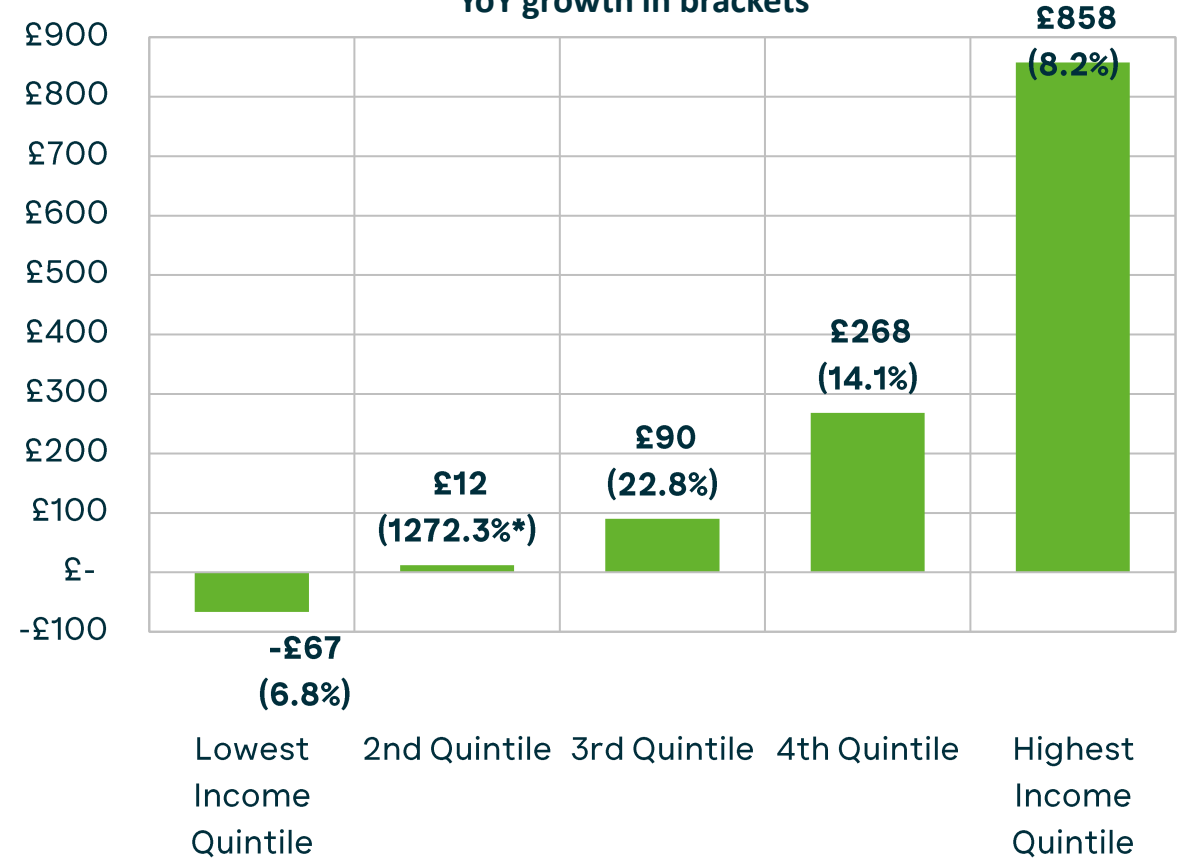


ALL BUT ONE QUINTILE SAW A MONTHLY SLOWDOWN IN SPENDING POWER GROWTH

The highest income quintile recorded single digit growth in spending power for the first time since March

- All income quintiles experienced a monthly slowdown in spending power growth.
- The third income quintile recorded the largest monthly decline, with a decrease of 13.0 percentage points. Despite this, they are still exhibiting the strongest growth in spending power among all quintiles.*
- When examining spending power across income quintiles, those in the top two groups have levels well above pre-crisis figures. In contrast, the bottom three quintiles remain below pre-crisis levels, with the second quintile's spending power falling 78% below its peak and the third quintile 25% below. This highlights the varying impact of the cost-of-living crisis, with lower-income quintiles still feeling the effects.
- Those in the highest quintile returned to single-digit growth in spending power in July, following three months of double-digit growth. However, their spending power remains almost ten times higher than that of middle-income earners.

Average weekly discretionary income by household income group, July 2024, YoY growth in brackets



*2nd Quintile saw discretionary income rise from -£1 to £12 over the past year, explaining the anomalous annual growth rate.

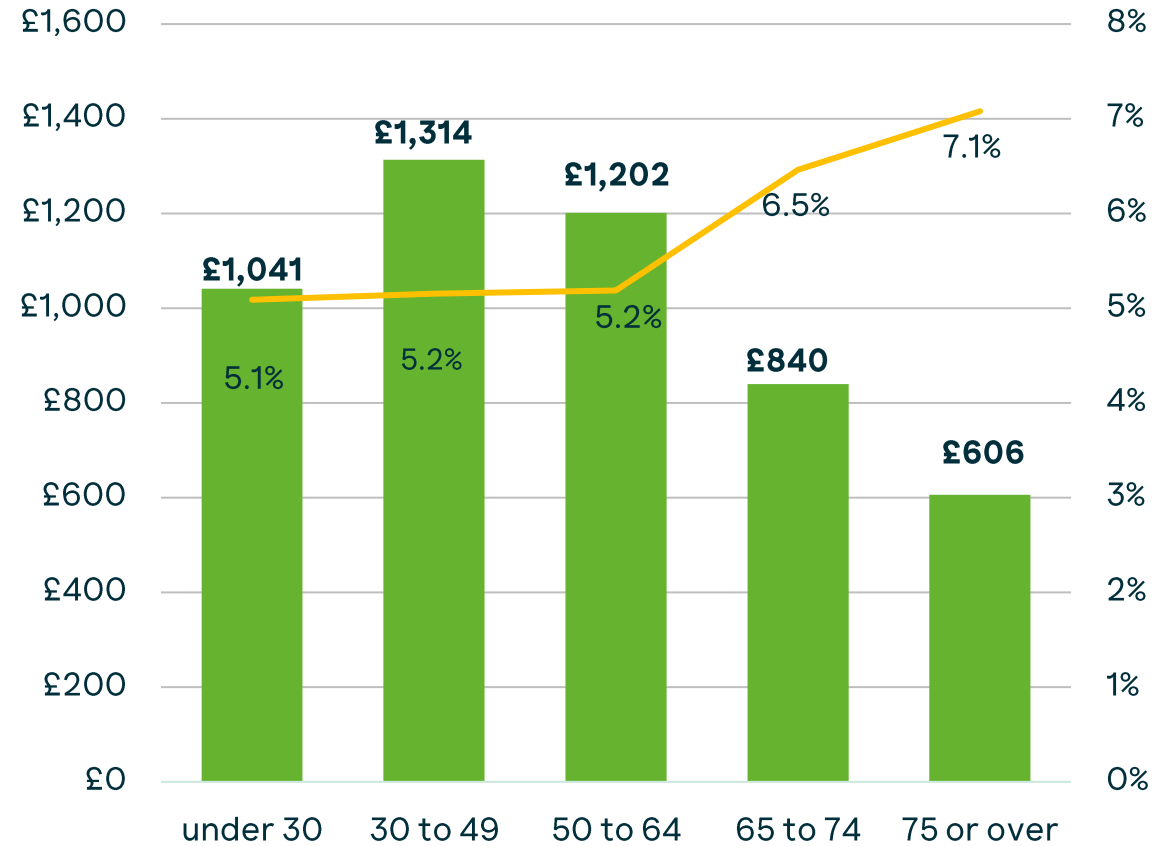


HOUSEHOLDS BELOW 65 RECORD MONTHLY SLOWDOWN IN GROSS INCOME GROWTH

Working-age households record slowest gross income growth in almost two years

- Annual growth in gross income was observed across all age groups in July.
- The economy-wide slowdown in gross income growth has a more pronounced impact on working-age households, due to their exposure to the labour market. This is evident for households under 65, for which monthly slowdowns in gross income growth were recorded in July.
- Amongst age groups, those under 30 experienced the slowest growth, at 5.1% in July. This was the weakest rate for this group since September 2022.
- For those aged 30 to 49, July marked the joint-slowest rate since June 2022, while for those aged 50 to 64, it was the lowest since October 2022.
- Although those aged 65 and above experienced a slowdown in gross income growth from March to June, this trend reversed in July. Those aged 75 and above recorded the strongest annual growth across all age groups in July, amounting to 7.1%.

Average weekly gross income by age group, July 2024
(LHS), YoY growth in % (RHS)

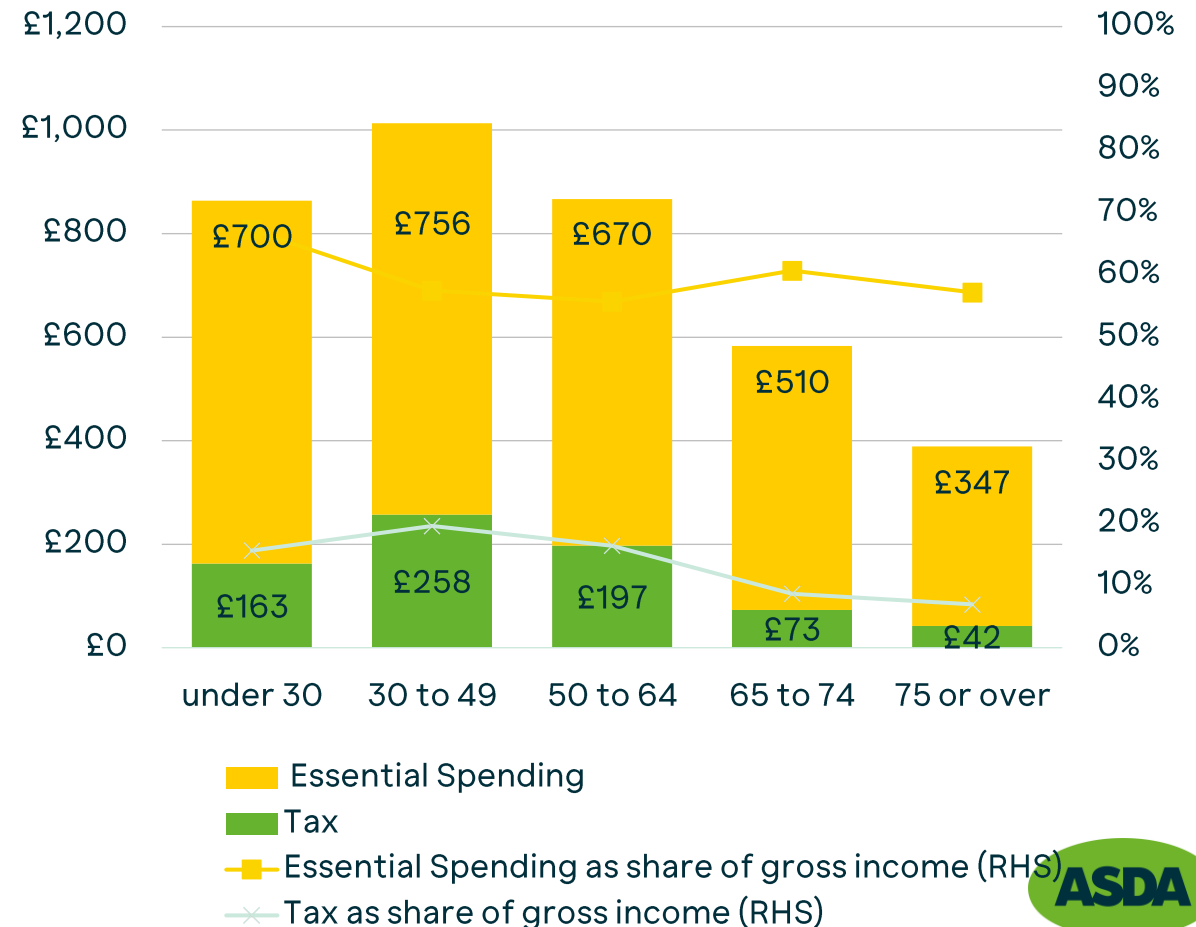


ALL AGE GROUPS RECORD MONTHLY UPTICK IN GROWTH OF COST OF ESSENTIAL SPENDING

July marked the end of the trend of decelerating growth in the cost of the essential basket of goods and services

- The cost of the essential basket of goods and services monitored by the Income Tracker was up by 3.7% on the year in July.
- Across all age groups, those aged 30 to 49 experienced the highest increase in the cost of essential spending, rising by 4.1% in July. This group, often comprising younger families with children, faces substantial essential expenses, including childcare costs. The higher essential spending for this group is reflected in the absolute value of their expenditures, which is the highest among all age groups. Additionally, they are more likely to be affected by elevated mortgage payments due to higher borrowing costs.
- Those aged 75 or over had the lowest spending increase at 1.9% in July. However, they recorded the largest monthly jump in the annual growth rate, amounting to a 0.7 percentage point increase.
- The inflation rate is expected to remain relatively stable throughout Q3, with a slight pick-up anticipated towards the end of the year. Furthermore, the BoE implemented its first rate cut last month and is projected to make more before the end of the year. These rate cuts are likely to provide some further relief to households. Overall, growth in the cost of essential spending is expected to remain lower than last year.

Average weekly tax burden and essential spending as a share of gross income by age group, July 2024

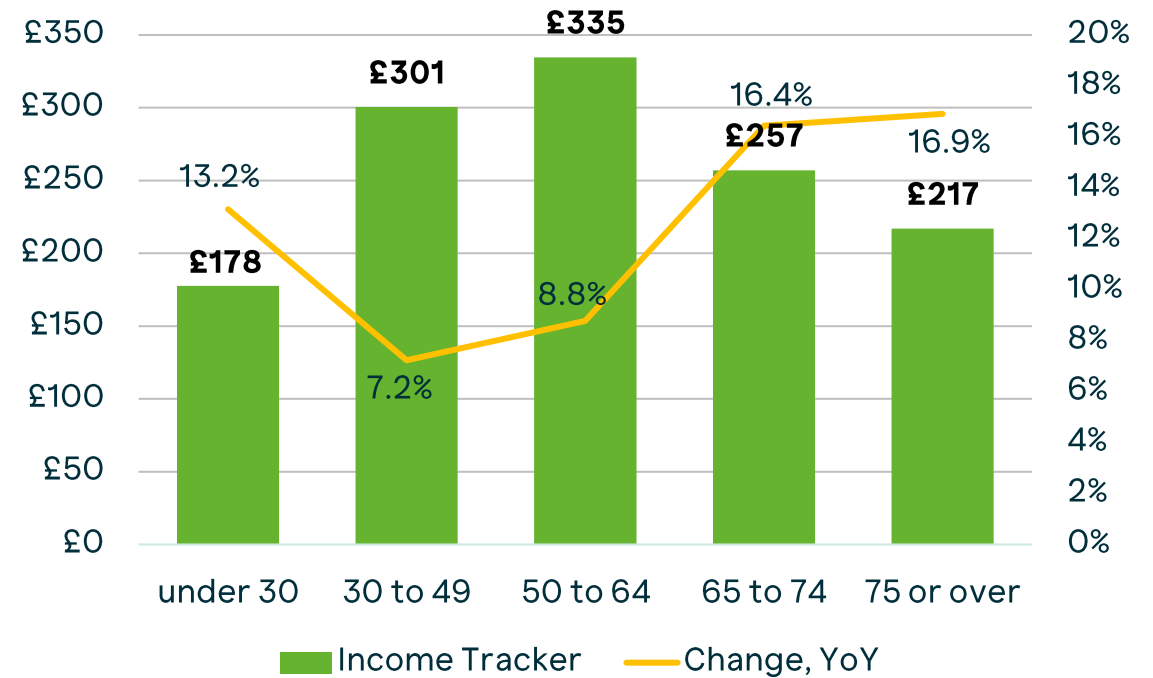


ANNUAL GROWTH IN SPENDING POWER SLOWS DOWN ON THE MONTH ACROSS ALL GROUPS

Households above 65 record strongest growth discretionary income

- All age groups recorded annual discretionary income growth in July.
- Working-age households experienced slower growth in discretionary income. Those aged 30 to 49 recorded the slowest growth, with a 7.2% increase in spending power. This is consistent with this group experiencing the highest rise in essential spending costs and the second-slowest growth in gross income.
- The next slowest growth was observed for households aged 50 to 64, who saw an 8.8% annual increase in spending power. Despite this slower growth rate, this group has the highest absolute value of spending power across all age groups, reaching £335 per week in July.
- Older age households recorded the strongest growth in discretionary income in July. Those above 75 recorded spending power growth of 16.9% closely followed by those aged 65 to 74 at 16.4%.
- Households aged 30 to 74 have spending power above the UK average.
- Looking ahead, income growth is anticipated to outpace inflation. Consequently, all age groups are expected to witness further improvements in spending power.

Average weekly discretionary income by age group (LHS), July 2024, YoY growth in % (RHS)

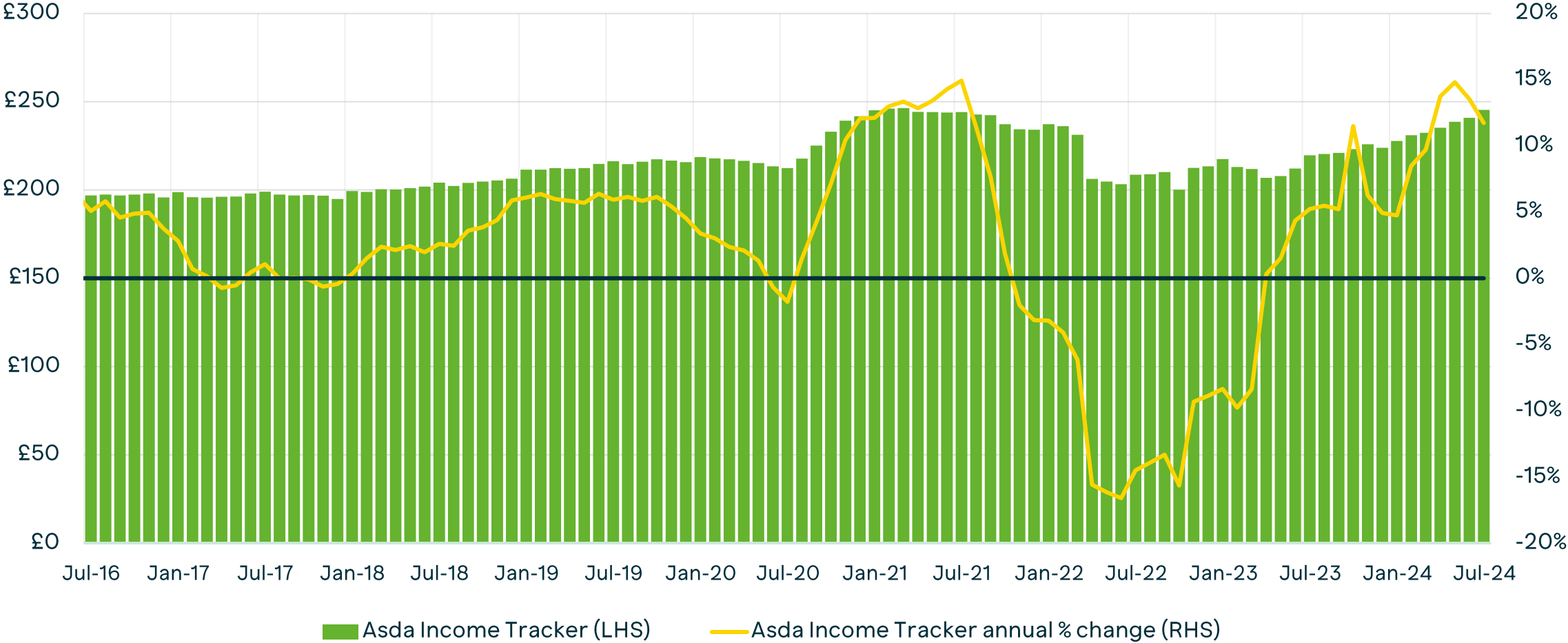


APPENDIX



MONTHLY ASDA INCOME TRACKER

Asda Income Tracker and year-on-year change (excluding bonuses)



MONTHLY ASDA INCOME TRACKER

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 2020	£219	January 2021	£245	January 2022	£237	January 2023	£217	January 2024	£228
February 2020	£218	February 2021	£246	February 2022	£236	February 2023	£213	February 2024	£231
March 2020	£217	March 2021	£246	March 2022	£231	March 2023	£212	March 2024	£232
April 2020	£216	April 2021	£244	April 2022	£206	April 2023	£207	April 2024	£235
May 2020	£215	May 2021	£244	May 2022	£205	May 2023	£208	May 2024	£239
June 2020	£213	June 2021	£244	June 2022	£203	June 2023	£212	June 2024	£241
July 2020	£212	July 2021	£244	July 2022	£209	July 2023	£220	July 2024	£245
August 2020	£218	August 2021	£243	August 2022	£209	August 2023	£220		
September 2020	£225	September 2021	£242	September 2022	£210	September 2023	£221		
October 2020	£233	October 2021	£237	October 2022	£200	October 2023	£223		
November 2020	£239	November 2021	£234	November 2022	£213	November 2023	£226		
December 2020	£242	December 2021	£234	December 2022	£213	December 2023	£224		
2020 Average	£222	2021 Average	£242	2022 Average	£214	2023 Average	£217		

ECONOMIST'S VIEW

Reacting to this month's Income Tracker, Sam Miley, Managing Economist and Forecasting Lead at Cebr, said:

“Though earnings growth is slowing and inflation has accelerated recently, the former is still outweighing the latter, supporting growth in household spending power. This is expected to persist into the future, supporting further improvements in discretionary income across all age groups and other demographics.”

REGIONAL INCOME TRACKER ESTIMATES

Average household Income Tracker, £ per week, current prices, excluding bonuses, by region, July 2024

North East	North West	Yorkshire & Humber	East Midlands	West Midlands	East
£154	£212	£210	£203	£193	£272

London	South East	South West	Wales	Scotland	Northern Ireland
£324	£221	£193	£199	£252	£123

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.

The following 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 recreational goods and services.



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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 Sam Miley and Hafsa Haniffa.

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London, August 2024

