

ASDA

Asda Income Tracker

Report : March 2024



Making Business Sense

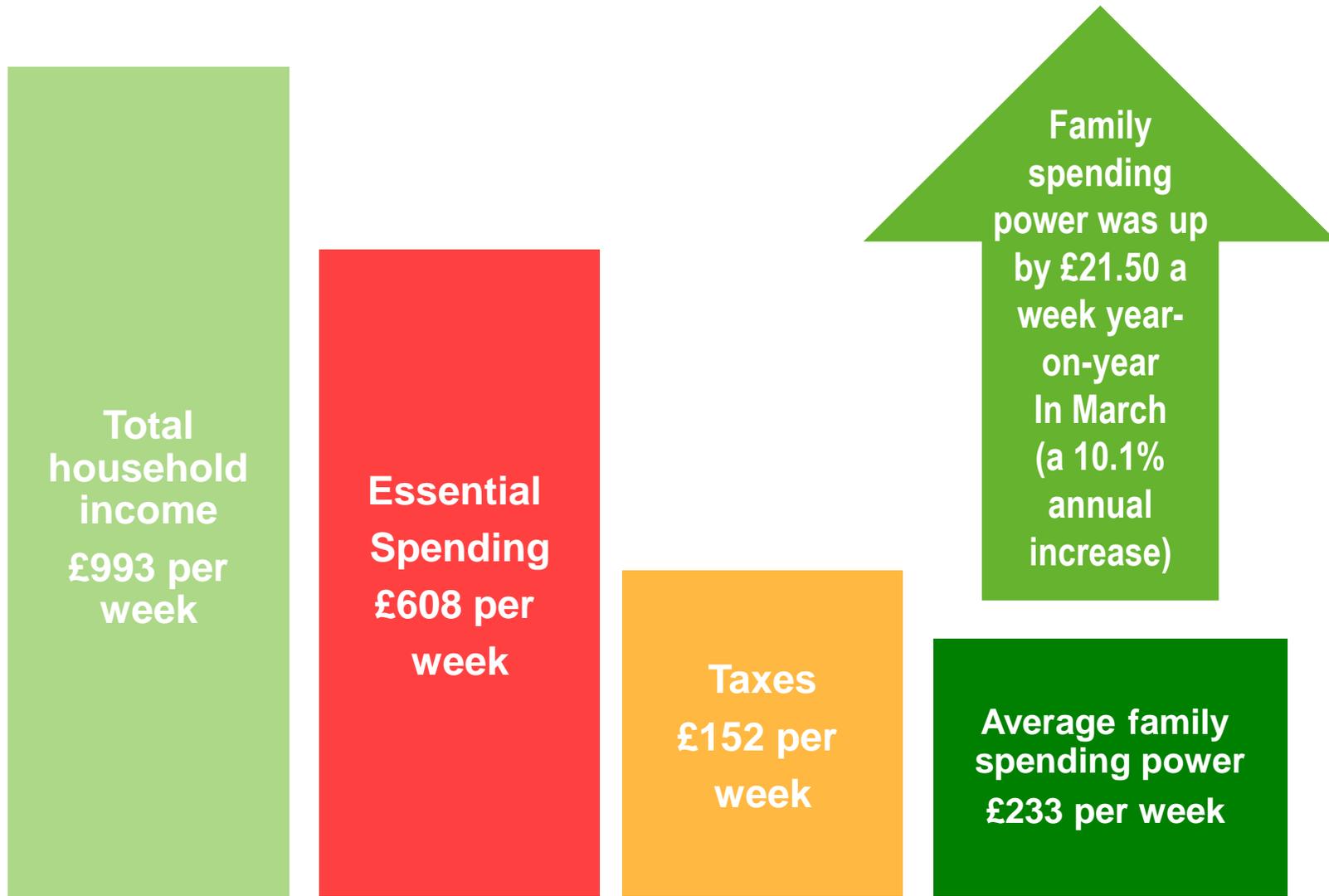
Centre for Economics and
Business Research Ltd

Unit 1, 4 Bath Street, London
EC1V 9DX

t 020 7324 2850

w www.cebr.com

Asda Income Tracker - Key Figures

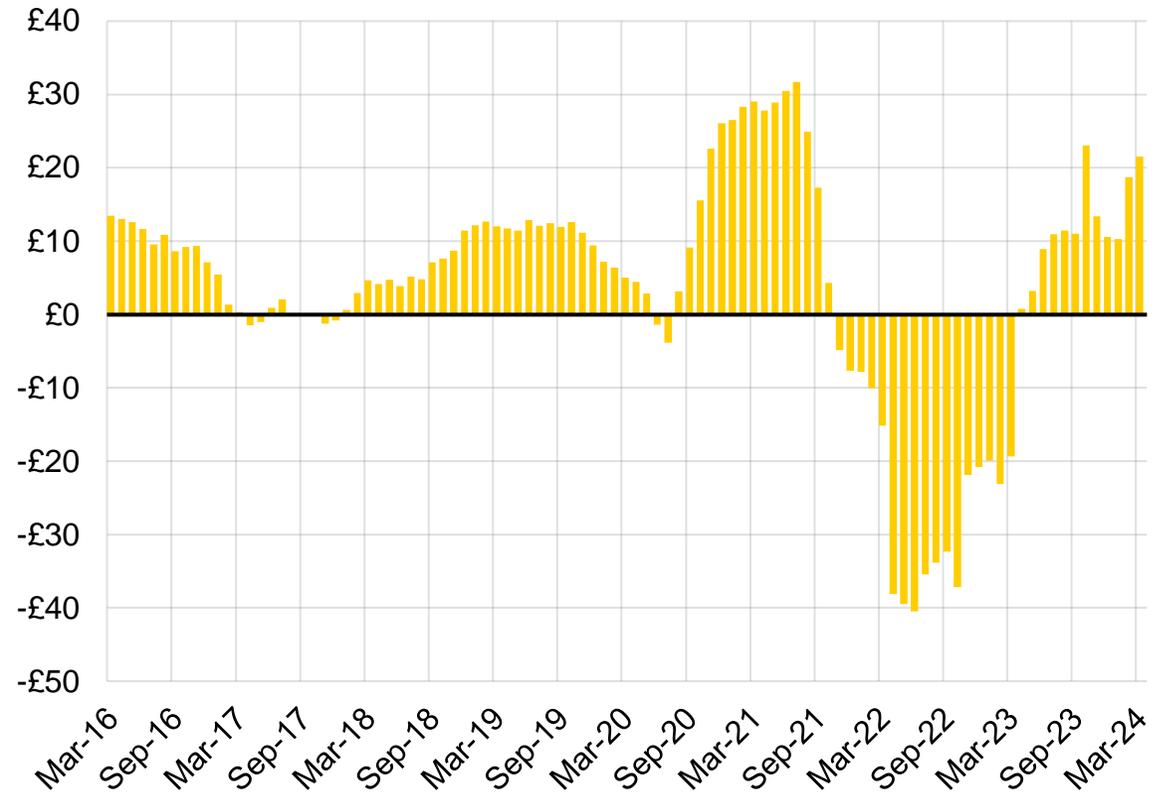


Income Tracker has recorded annual growth in each month for an entire year

The Asda Income Tracker was £21.50 a week higher in March 2024 than a year before

- The Asda Income Tracker saw annual growth of 10.1% in March 2024, marking 12 consecutive months of growth.
- Although nominal wages across the UK have experienced a decline from its near-term peak, they remain historically elevated. Consequently, nominal wage growth continues to outstrip inflation, owing to the significant deceleration in inflation, thereby supporting spending power growth. Notably, real total pay growth amounted to 1.6% in the three months to February.
- On a month-on-month basis, the Income Tracker increased by £1.65. Average household spending power now stands at £233 per week.
- Looking ahead, expectations of further slowdown in inflation along with recent policy measures, including a reduction to National Insurance Contribution rates, uplifts to pension payments, social securities, and the National Living Wage are expected to boost household spending power.
- Nevertheless, discretionary income remains 5.2% below its pre-crisis peak of March 2021. However, the sustained annual growth in the Income Tracker since April 2023 signals a steady recovery.

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

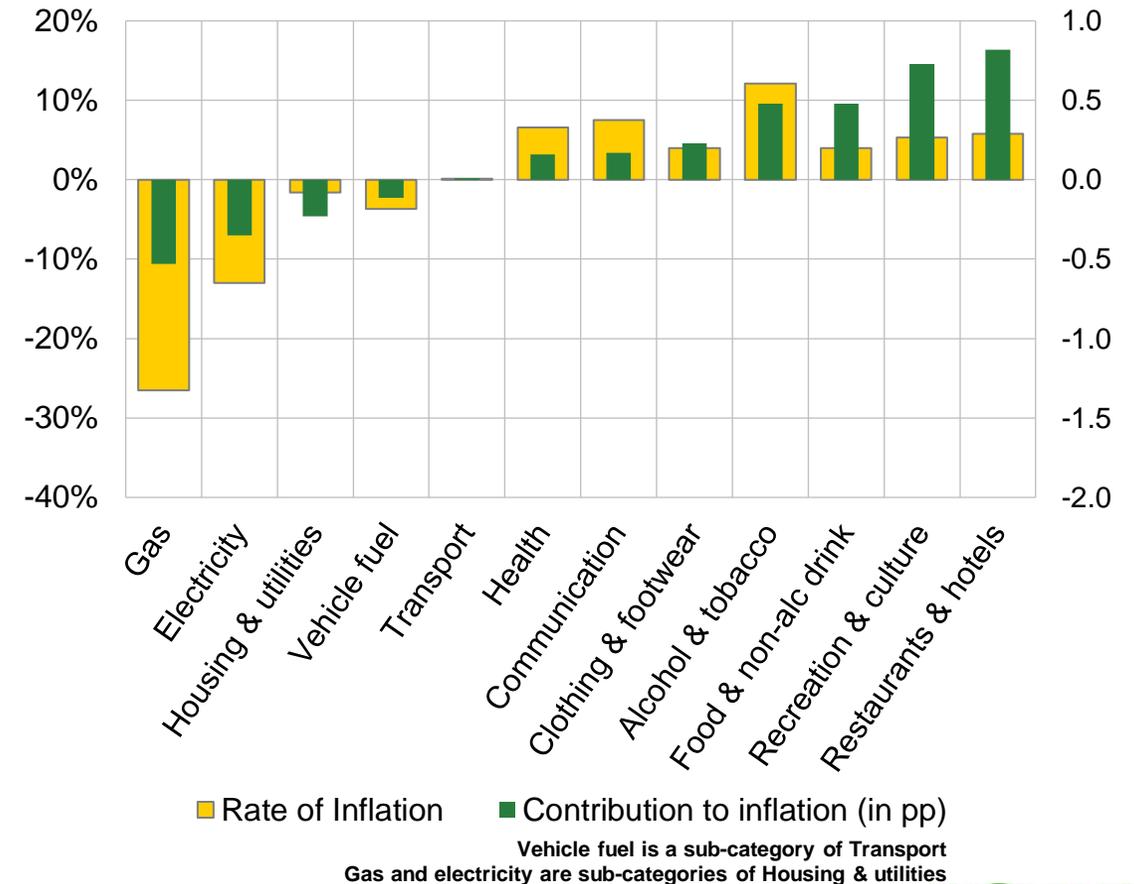


Inflation continues to ease, nearing Bank of England's target rate of 2.0%

The main factors affecting family costs in March were:

- Annual inflation, as measured by the Consumer Prices Index (CPI), eased slightly to 3.2% in March, down from 3.4% in February. This rate is now significantly lower than the peak of 11.1% recorded in October 2022.
- Core inflation also dropped to 4.2%, marking the third consecutive month of deceleration.
- The easing of the headline rate in March was driven by key household spending categories, notably food and non-alcoholic beverages, furniture and household goods, and clothing and footwear. Importantly, price growth in the food and non-alcoholic beverages category has now decelerated for 11 consecutive months.
- The housing, water, and electricity category, another key component of household expenditure, has recorded price falls since October 2023. The magnitude of the price falls has been narrowing in recent months, however, indicating that prices are falling at a slower pace. Nevertheless, the reduction in the Ofgem price cap effective from April will further exert downward pressure on inflation.
- Cebr continues to anticipate further slowdowns in price growth in the near-term, with the inflation rate to fall below the 2.0% for the first time in three years during Q2 2024.

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

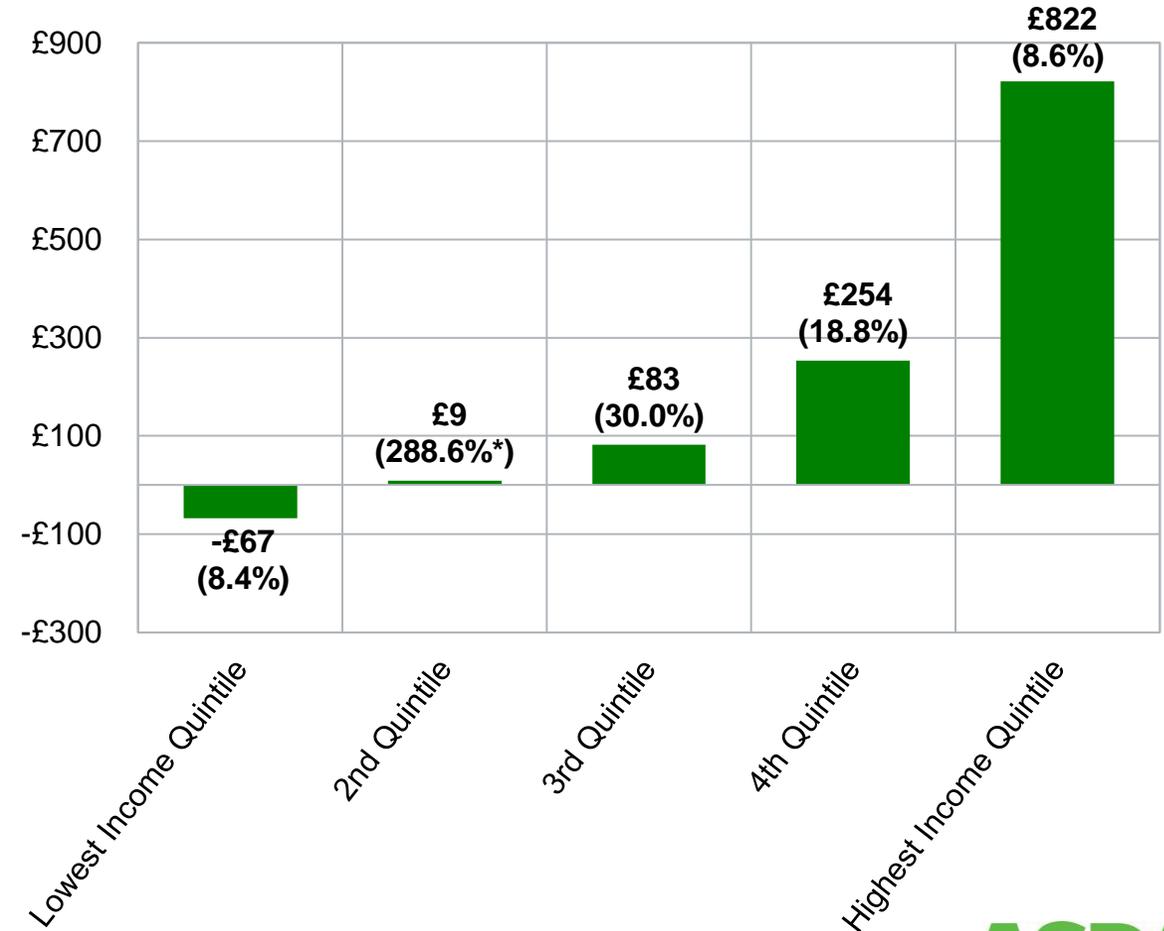


The lowest income quintile experienced the strongest growth in gross income in over two years

All income quintiles record annual growth in spending power

- All income quintiles recorded annual growth in spending power.
- Excluding the second and last income quintiles, all other income quintiles also saw an uptick in annual growth in spending power on a monthly basis.
- Notably, the last income quintile recorded a slight easing on the month for annual growth spending power, from 8.7% in the month prior to 8.6% in March.
- The lowest income quintile recorded the strongest improvement on a monthly basis, with a 3.5 percentage point increase in annual growth in spending power. Nevertheless, the lowest income quintile continues to experience negative spending power.
- The third income quintile recorded the strongest growth in spending power, excluding the second income quintile. The growth rate for the latter group is distorted by the move from negative spending power to positive spending power over the last 12 months.

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



*2nd Quintile saw discretionary income rise from -£4.9 to £9.3 over past year

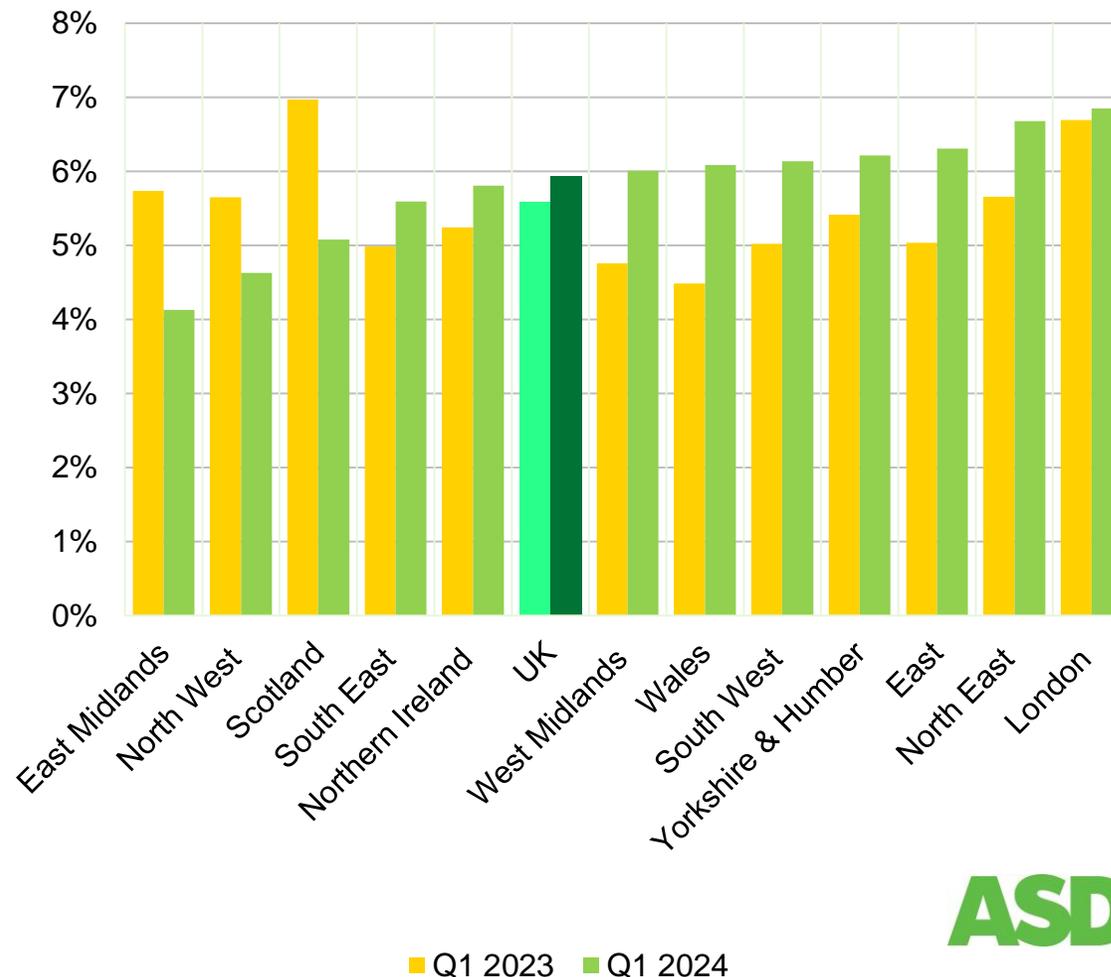


Most regions saw an easing in annual gross income growth compared to the previous quarter

UK-wide annual gross income growth stood at 5.9% in Q1 2024

- Annual growth in gross income slowed down on the quarter, reflective of the overall slowdown in the nominal wage growth.
- The recent slowdown in the UK labour market, marked by an increase in the unemployment rate to 4.2% during the three months leading up to February, is expected to exert further downward pressure on the nominal wage growth in the coming months. Nevertheless, nominal pay growth is expected to remain elevated by historical standards.
- The fastest rate of gross income growth in Q1 2024 was recorded amongst households in London, at 6.8%. This was closely followed by households in the North East, at 6.7%.
- Meanwhile, East Midlands record the slowest rate of earnings growth, of 4.1%.
- Compared to a year prior, the East Midlands, the North West and Scotland were the only regions to have witnessed a slowdown in the growth in gross income.

Regional gross income, annual change to quarter indicated

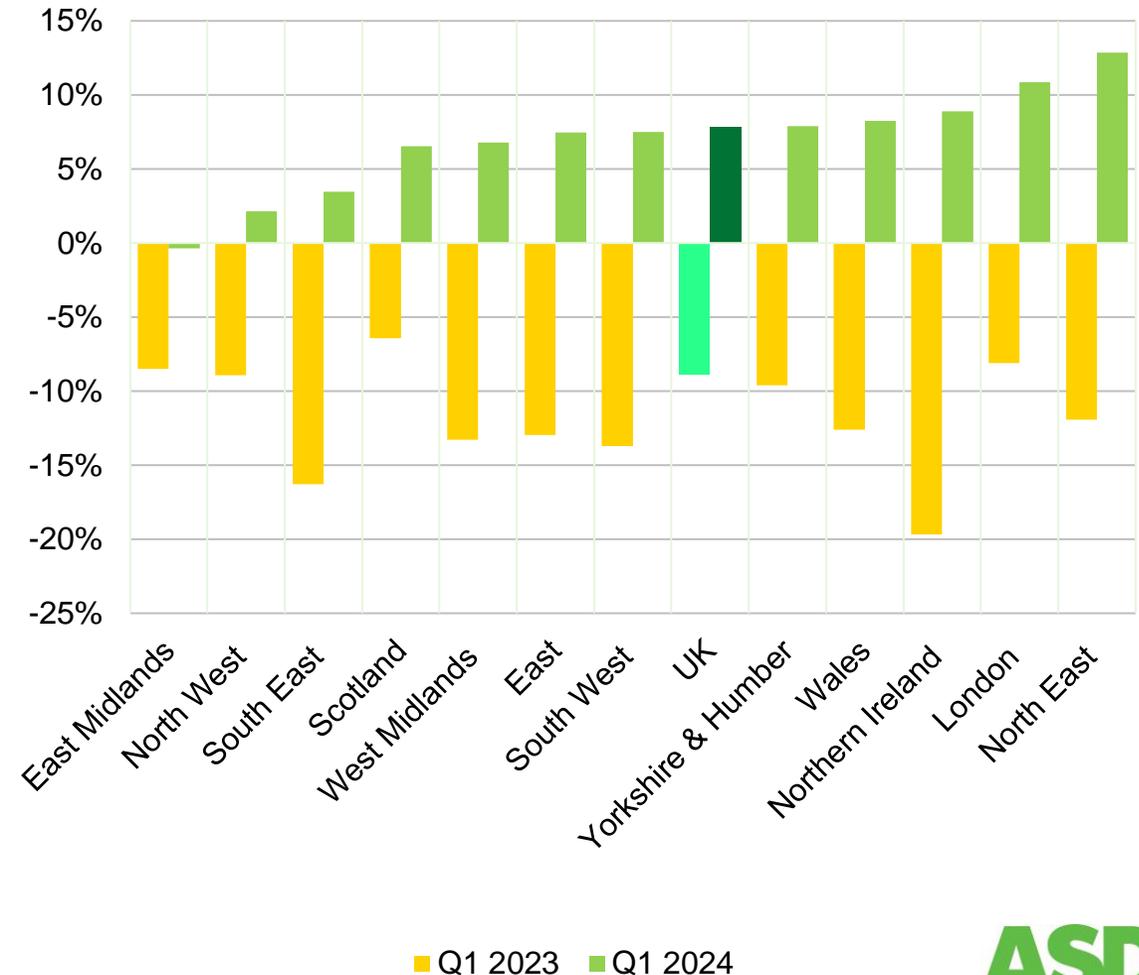


All regions saw annual growth in spending power, except the East Midlands

UK-wide Income Tracker grew by 7.9% on the year in Q1 2024

- The UK-wide Income Tracker recorded its strongest quarterly growth since Q3 2021. Such a development reflects a general easing of financial pressure on UK households.
- The shift from an annual decline in discretionary income to one of annual growth from Q1 2023 to Q1 2024 further substantiates this development.
- In Q1 2024, all regions except the East Midlands saw annual growth in spending power compared to a year prior.
- The North East led the way, with growth in spending power amounting to 12.9%, followed closely by London at 10.9%.
- When comparing annual growth rates in Q1 2024 to those observed in Q4 2023, the results were mixed. Four out of the twelve regions witnessed a deceleration in annual spending power growth across the two quarters, primarily due to a slowdown in gross income growth.
- Notably, London recorded a deceleration of 3.6 percentage points in spending power in Q1 2024 compared to Q4 2023, not least due to a slowdown in gross income growth over the two quarters.

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

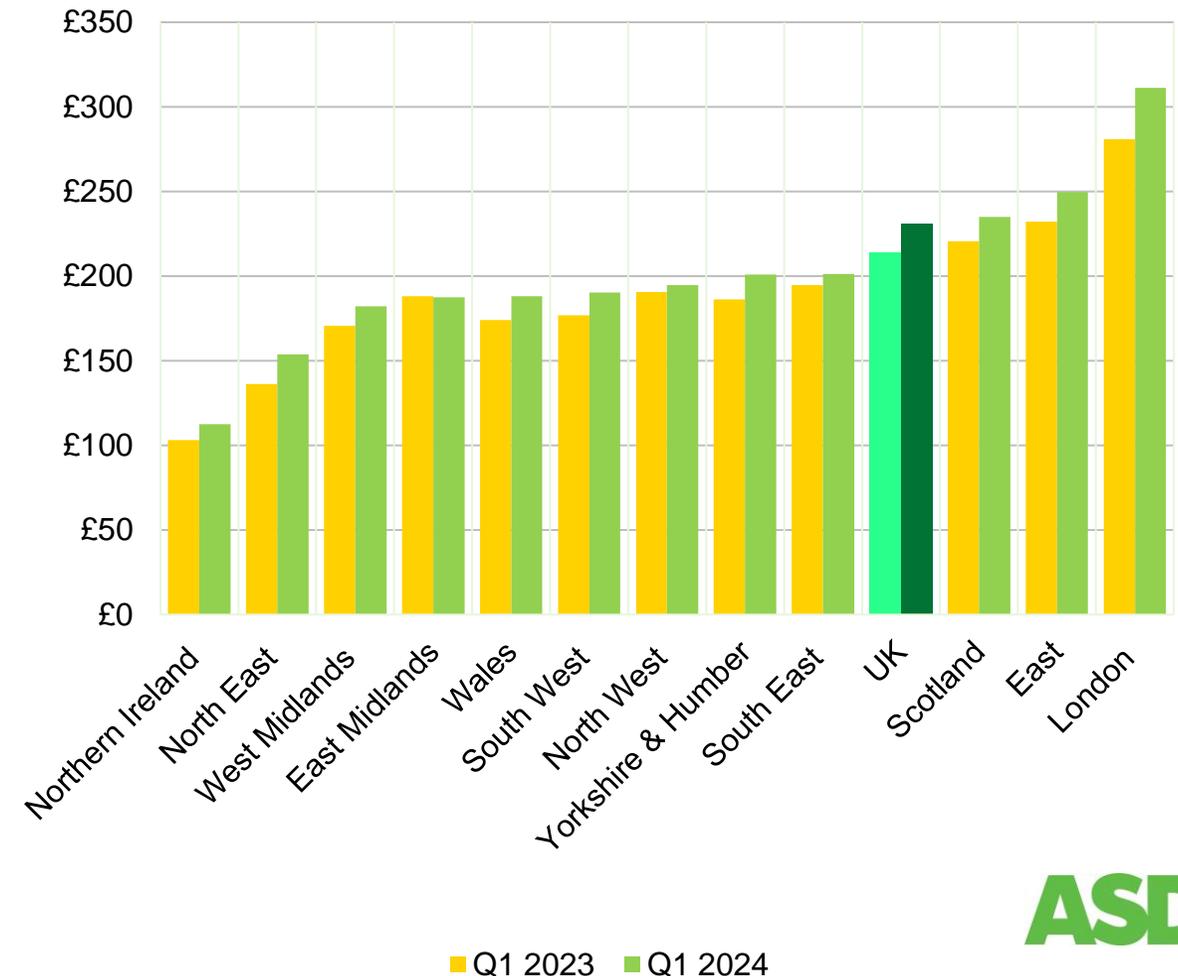


London is the sole region where spending power has surpassed pre-crisis peak levels

UK-wide weekly family spending power averaged £231 in Q1 2024

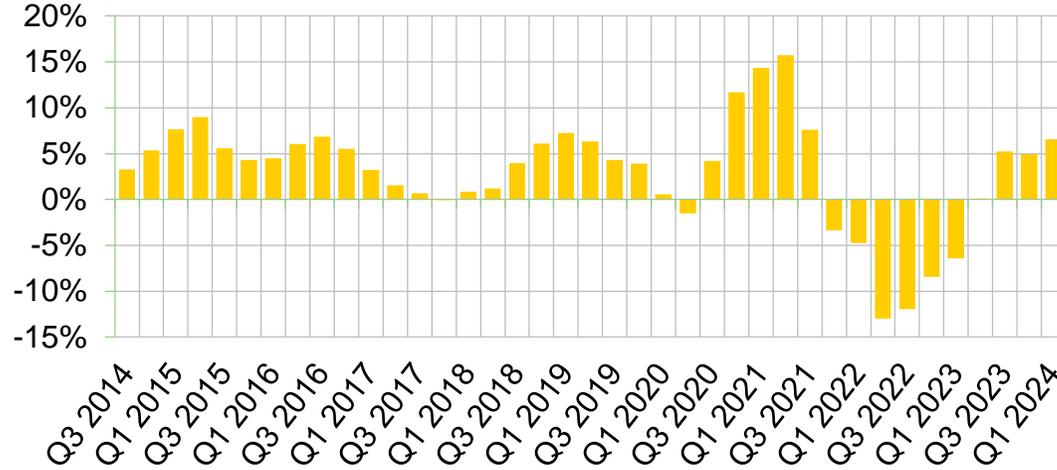
- Despite growth in spending power, it still remains 6.1% below the pre-crisis peak of £246 in Q1 2021.
- However, London has sustained a spending power of above its previous near-term peak levels for two consecutive quarters now. Meanwhile spending power in all other regions continues to linger below their pre-crisis peak levels.
- The discrepancy in spending power between the region with the weakest spending power (Northern Ireland) and the region with the highest spending power (London), is £199 per week across the quarter.
- Northern Ireland recorded the weakest spending power value in Q1, at just £112. Despite seeing the strongest annual growth in spending power, the North East charted the next weakest reading, at £154.
- London recorded the strongest spending power, with the average household in the capital witnessing discretionary income of £311 per week across Q1.
- Both Scotland and the East of England recorded spending power values above the UK-wide average in Q1, at £235 and £250 per week, respectively.

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

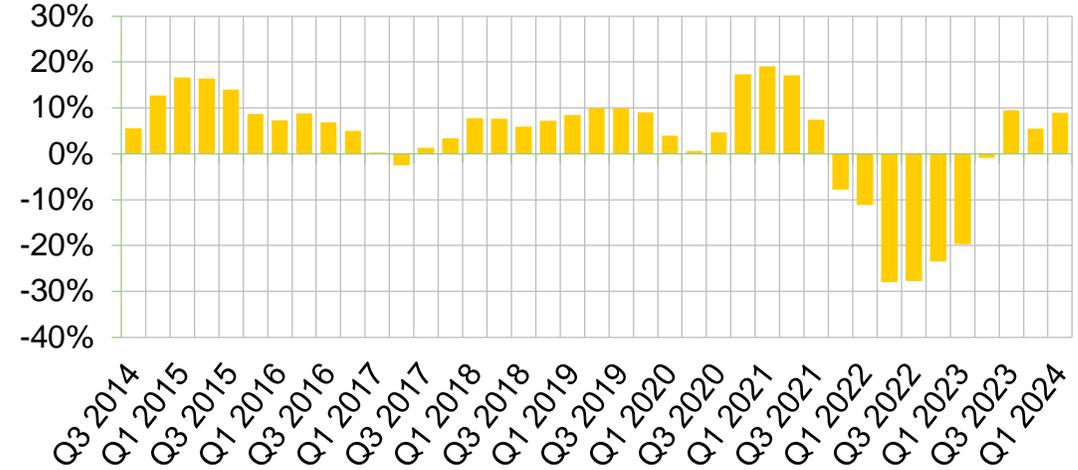


Focus on Scotland and Northern Ireland

Annual % change in discretionary incomes, Scotland



Annual % change in discretionary incomes, Northern Ireland

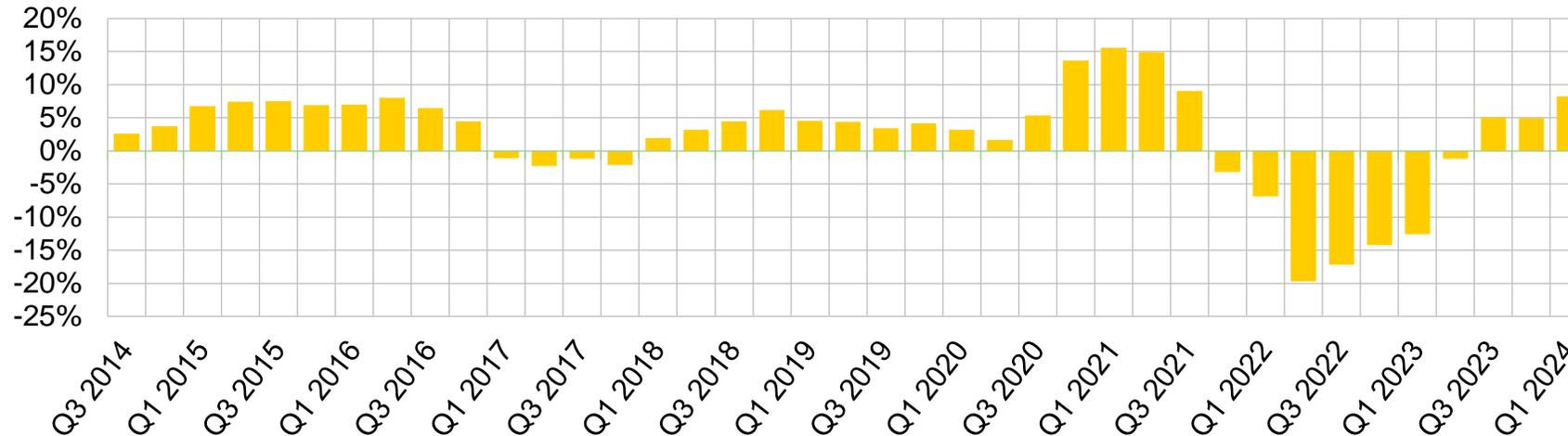


- The Income Tracker shows that weekly discretionary income in Scotland was up by 6.5% on the year in Q1 2024.
- On a quarter-on-quarter basis, the Income Tracker increased by £10, bringing the average household spending power for Scotland to £235 per week across the quarter, surpassing the UK average in Q1.
- However annual gross income growth in the region stood below the UK average for the fourth consecutive quarter. Scotland was one of the three regions that recorded a lower annual gross income growth in Q1 2024, compared to a year prior.
- Discretionary income in Scotland remains 5.0% below its peak observed in Q1 2021.

- The Income Tracker shows that weekly discretionary income in Northern Ireland was up by 8.9% on the year in Q1 2024. This was the third highest reading across all regions, exceeding the wider UK growth figure.
- On a quarter-on-quarter basis, the Income Tracker increased by £8, bringing the average household spending power for Northern Ireland to £112 per week across the quarter. Discretionary income in Northern Ireland remains 22.3% below its peak observed before the cost-of-living crisis in Q1 2021. This difference is the highest among all regions of the UK.

Focus on Wales

Annual % change in discretionary incomes, Wales

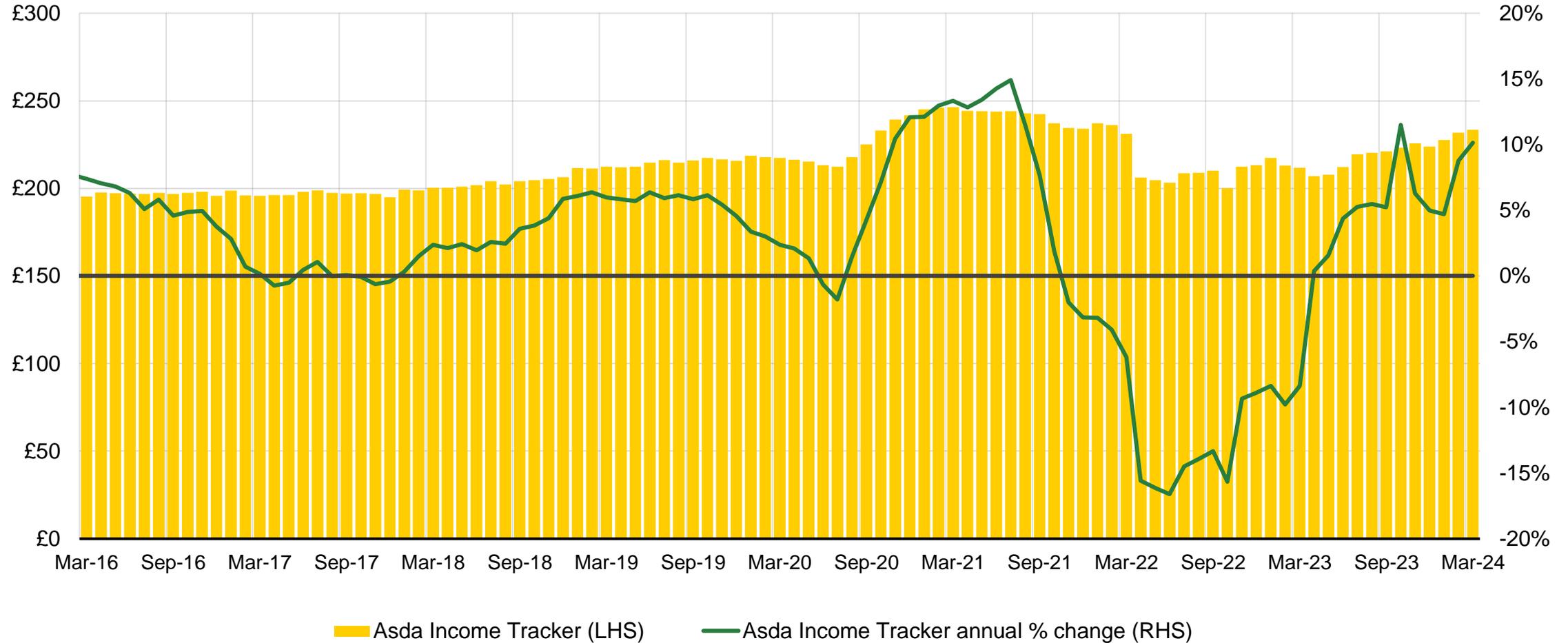


- The Income Tracker shows that weekly discretionary income in Wales was up by 8.2% on the year in Q1 2024.
- On a quarter-on-quarter basis, the Income Tracker increased by £6, bringing the average household spending power for Northern Ireland to £188 per week across the quarter.
- Wales experienced the second-lowest growth in the cost of essential spending, at 4.0% in Q1 2024, contributing to the boost in household spending power in the region. However, discretionary income remains 11.9% below its peak observed in Q1 2021.

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						
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	£232
March 2020	£217	March 2021	£246	March 2022	£231	March 2023	£212	March 2024	£233
April 2020	£216	April 2021	£244	April 2022	£206	April 2023	£207		
May 2020	£215	May 2021	£244	May 2022	£205	May 2023	£208		
June 2020	£213	June 2021	£244	June 2022	£203	June 2023	£212		
July 2020	£212	July 2021	£244	July 2022	£209	July 2023	£220		
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:

“The Income Tracker is showing sustained improvement, as households gradually rebound from the severe impacts of the cost-of-living crisis. Consumer spending and activity is expected to be further supported by a significant reduction in inflation driven by decreased energy costs for households from April onward, along with recent policy measures, not least due to cuts in National Insurance Contribution rates. This is expected to result in a sharp uptick in household spending power in April.”

Regional Income Tracker estimates

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

North East	North West	Yorkshire & Humber	East Midlands	West Midlands	East
£154	£196	£199	£189	£183	£251

London	South East	South West	Wales	Scotland	Northern Ireland
£306	£201	£185	£190	£236	£113

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.



Contact

For press enquiries, please contact:

Elliott Lancaster, Senior Press Officer

Elliott.Lancaster@Asda.co.uk ; 07779 700 385

For data enquiries, please contact:

Sam Miley, Managing Economics and Forecasting Lead

SMiley@Cebr.com ; 020 7324 2874

Hafsa Haniffa, Economist

HHaniffa@Cebr.com ; 020 7324 2859

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, Hafsa Haniffa and Cameron Misson.

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London, April 2024

