

Asda Income Tracker

Report : November 2024



Making Business Sense

Centre for Economics and
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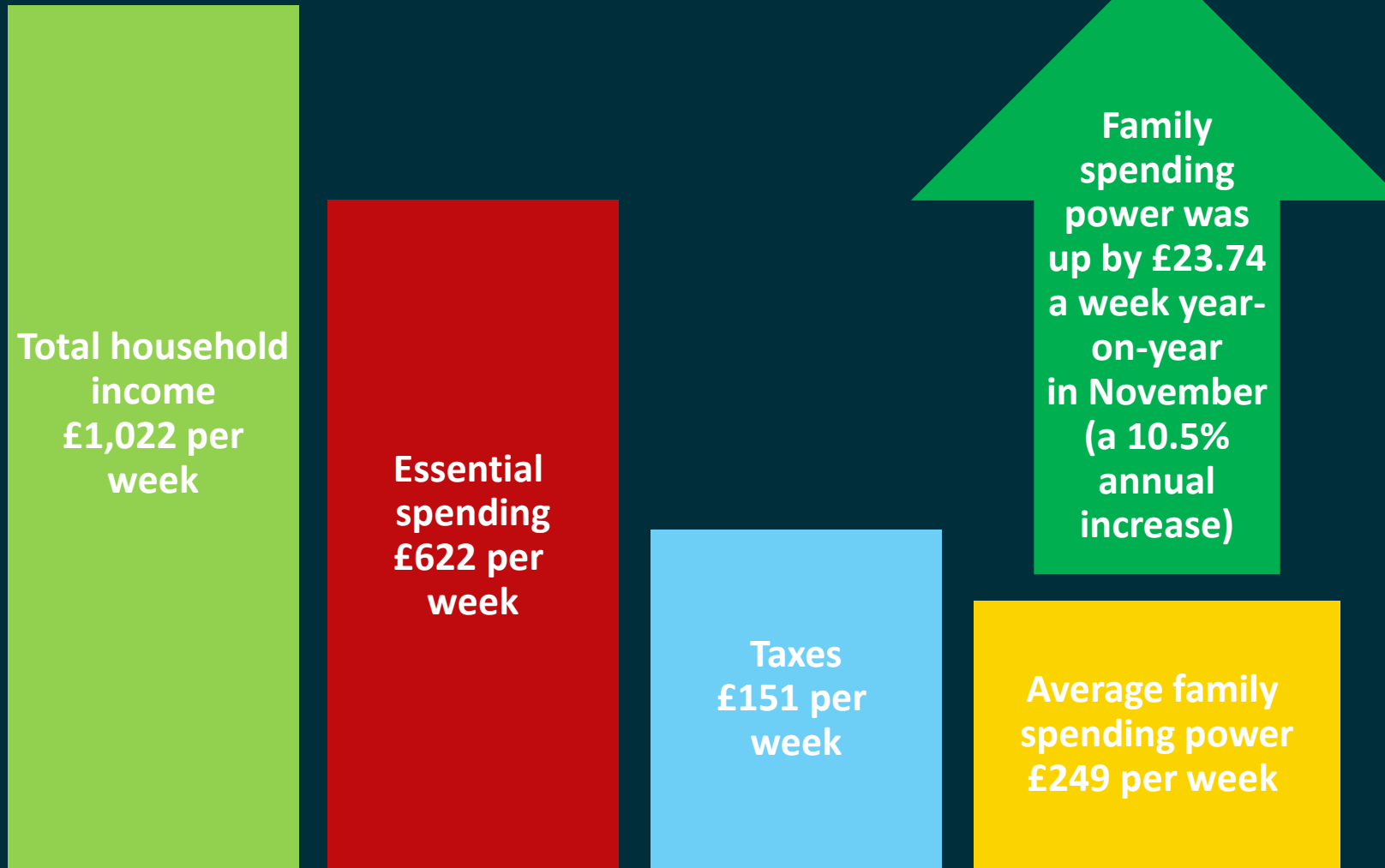
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Asda Income Tracker – Key Figures

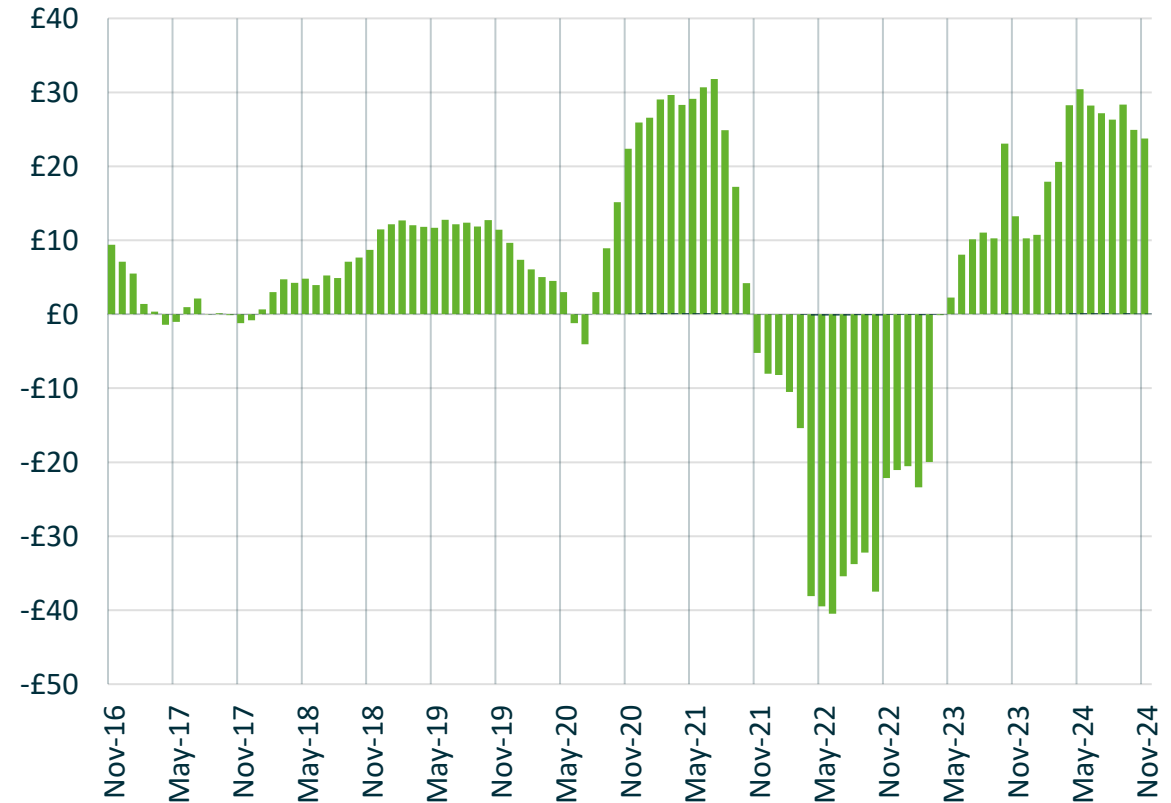


Annual growth in Income Tracker slows down in November

The Asda Income Tracker was £23.74 a week higher in November 2024 than a year before

- The Asda Income Tracker recorded annual growth of 10.5% in November, marking a slight deceleration from October. Despite the slowdown, the Income Tracker recorded double-digit annual growth for a sixth consecutive month.
- On a month-on-month basis, the Income Tracker increased by £1.56, bringing average household spending power to £249 per week in November. This has brought spending power back to its peak this year, the same level also seen in September.
- The slowdown in spending power growth was driven by a sharp acceleration in inflation, which rose to 2.6% in November. Amongst the main contributors were the prices for motor fuels and clothing. As such, the growth in essential spending rose by 3.9% in the year to November, increasing the costs for households ahead of the festive period.
- Looking ahead, earnings growth is expected to outpace the growth in consumer prices. Consequently, the Income Tracker is likely to record continued annual growth in the coming months.

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

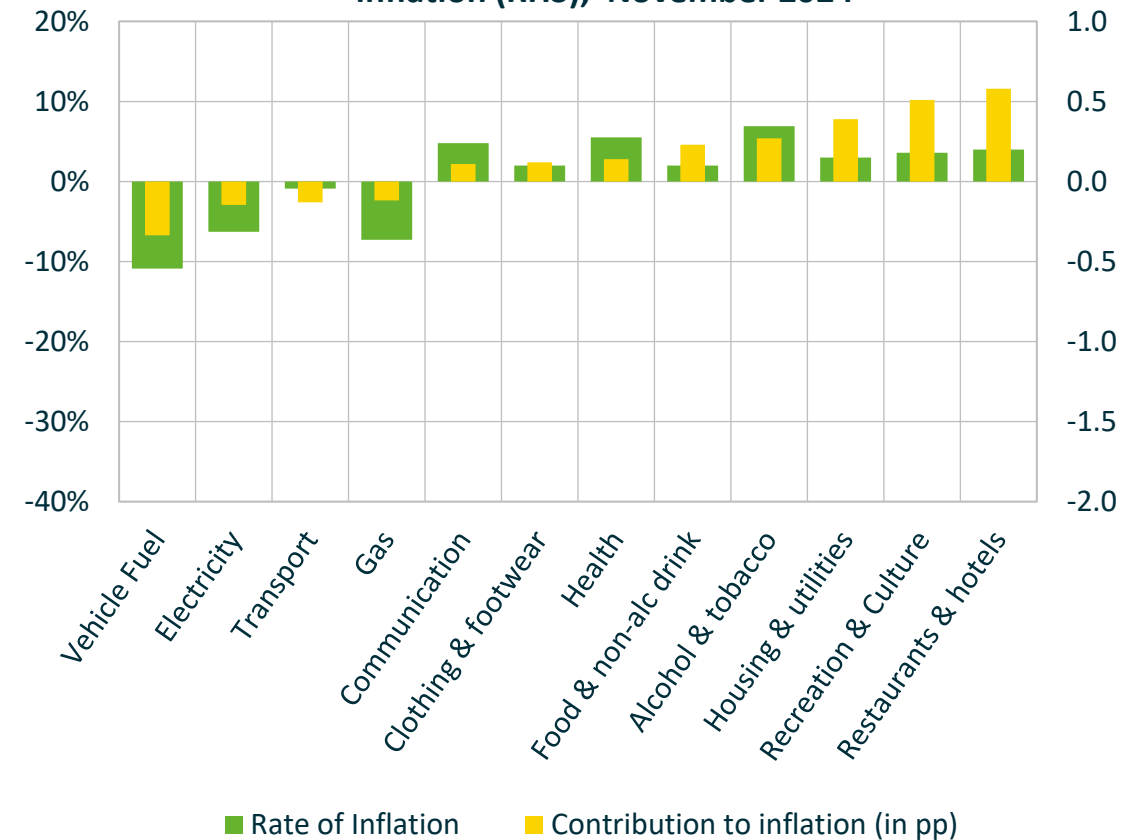


Inflation accelerated to 2.6% in November, marking the fastest rate since March

The main factors affecting family costs in November were:

- Annual inflation, as measured by the Consumer Prices Index (CPI), accelerated to 2.6% in November. This marked a second consecutive month of faster price rises, having stood at 1.7% in September and 2.3% in October.
- The monthly acceleration was primarily driven by the transport category, which provided the largest upward contribution to the change in inflation. This increase was largely due to a rise in motor fuel prices. Indeed, the average price of petrol rose by 0.8 pence per litre in the month, while the average price of diesel rose by 1.4 pence per litre.
- That said, motor fuel prices remain in deflationary territory when considering annual changes. In the 12 months to November, prices fell by 10.9%. They also stand well below their July 2022 peak, following the oil price shock caused by the Russia-Ukraine invasion. This continued annual decline in fuel prices will mean households making travel arrangements over Christmas will be in a better position this year than last.
- Clothing and footwear prices were a significant driver of annual inflation in November, rising by 2.0%, up from 1.0% in the previous month. Across other essential spending categories, price growth in food and non-alcoholic beverages accelerated slightly to 2.0%, from 1.9% in October.
- Over the coming months, Cebr forecasts that inflation will remain slightly above the 2.0% target, driven by energy prices and pay growth.

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



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

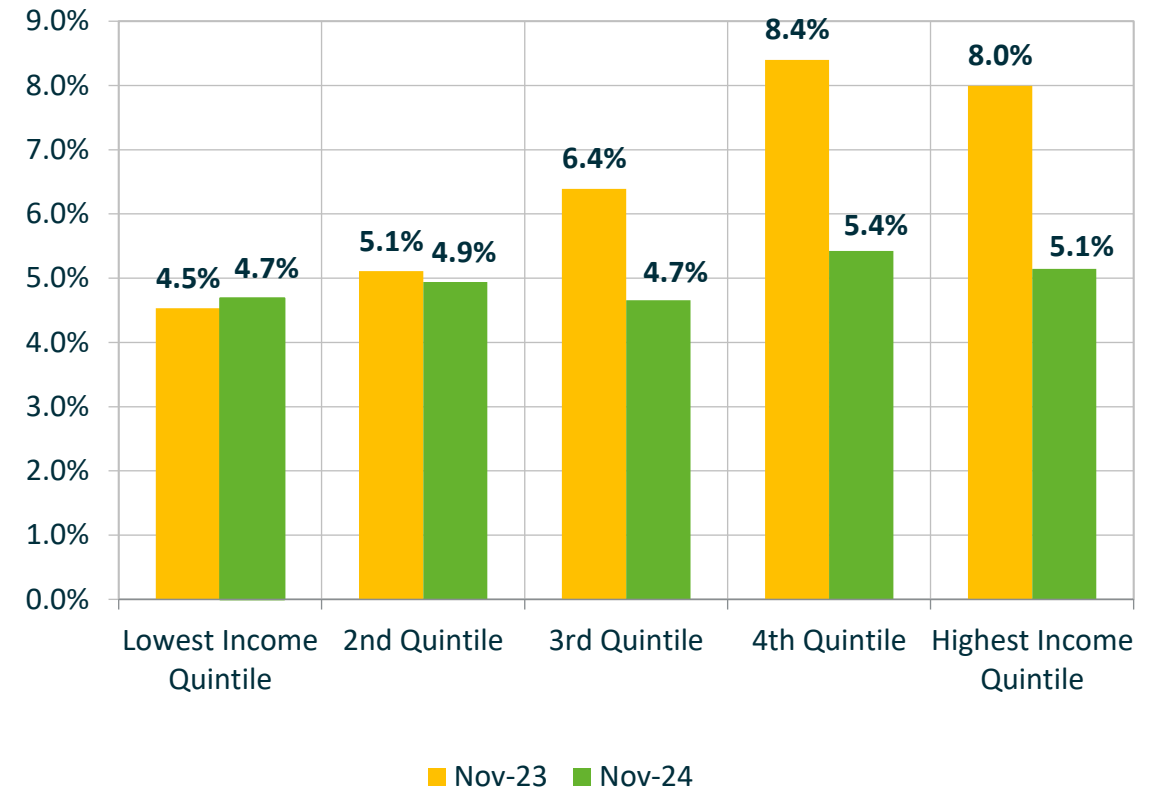


Four of the five income quintiles saw a deceleration of annual income growth when compared with last year

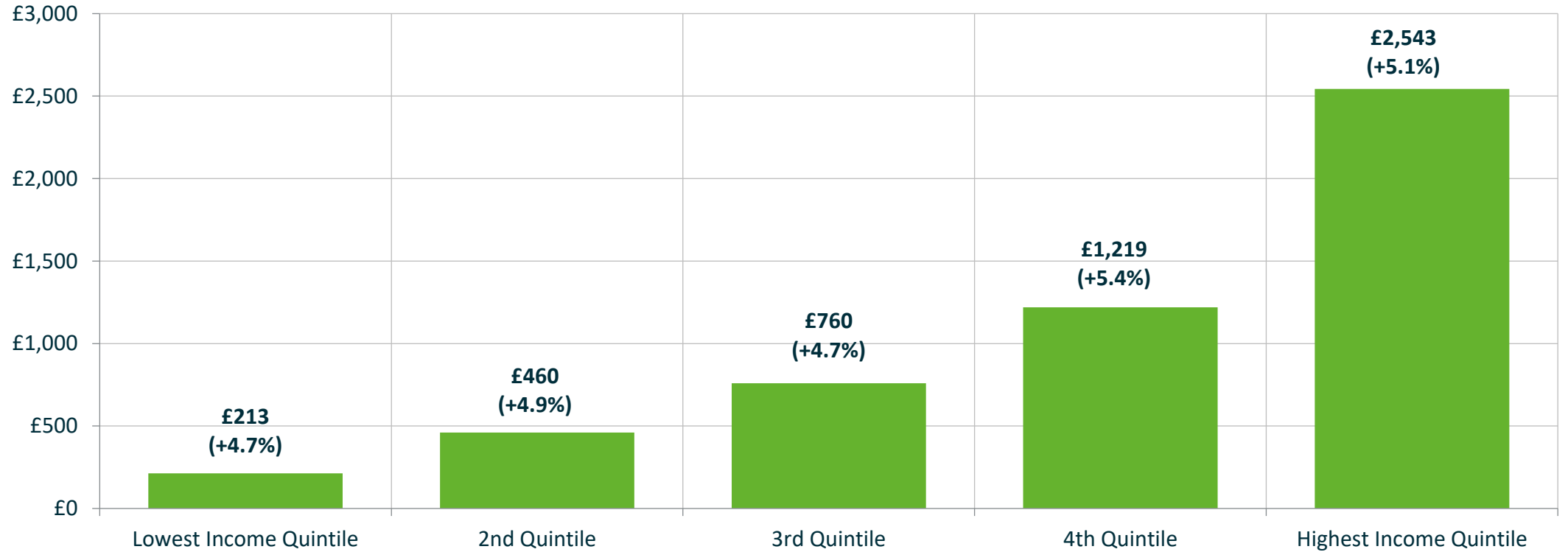
Compared to a year prior, only the lowest income quintile saw an acceleration in annual income growth

- Across the income quintiles, the highest four saw a deceleration in annual income growth when compared with the same period a year prior. This was largely driven by the economy-wide slowdown in pay growth that has taken place over this period.
- The most pronounced deceleration was recorded among higher income quintiles. Notably, the fourth income quintile experienced the largest year-on-year decline in annual gross income growth, amounting to 3.0 percentage points.
- In contrast, the lowest income quintile saw an acceleration since November 2023, to 4.7%. Despite the faster rate of growth compared to a year ago, annual growth in this quintile remains amongst the lowest across the distribution. Furthermore, the absolute value of gross income for the lowest quintile remains below 10% of that of the highest quintile, highlighting the stark income inequality across the groups.
- When compared with the previous month, three of the five quintiles saw an acceleration in annual growth. The lowest income quintile saw the strongest rise, to 4.7% from 4.5%. Only the highest income quintile recorded a deceleration, to 5.1%, from 5.2%.

Annual gross income growth (excl. bonuses)



Gross weekly income excluding bonuses by income quintile, November 2024, annual growth rates in brackets

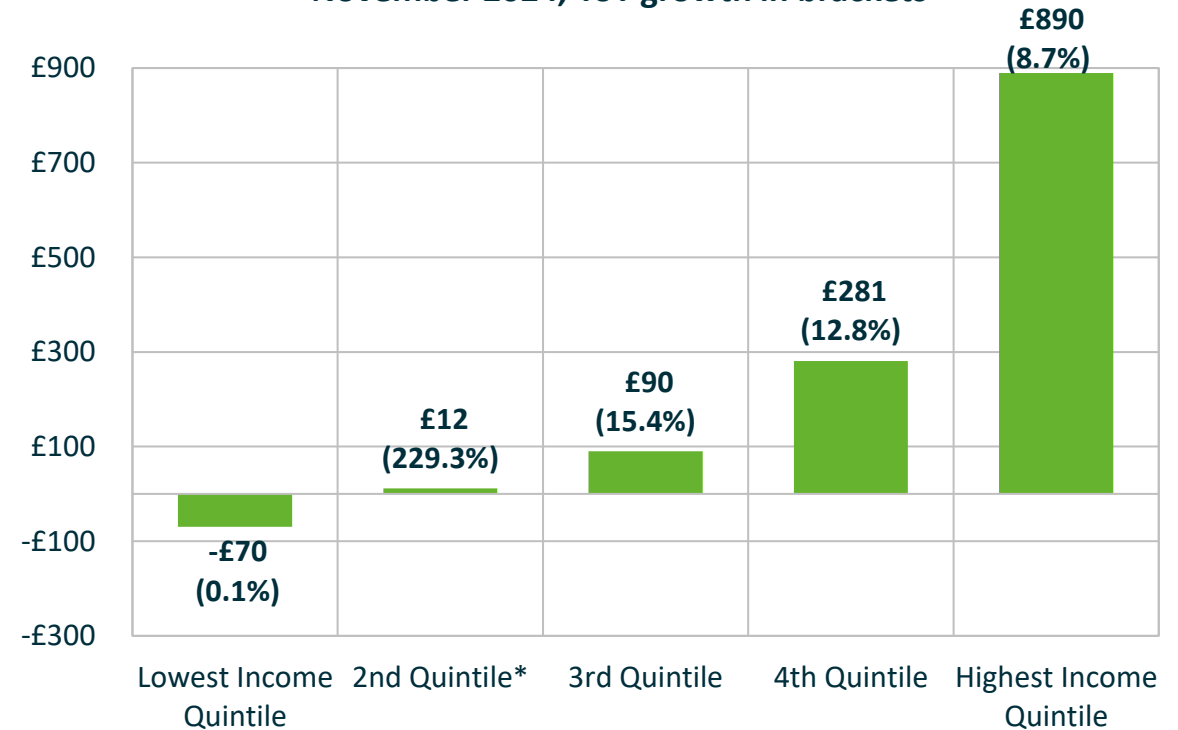


All income quintiles recorded a monthly slowdown in annual growth in spending power

But spending power in all quintiles improved when compared with last year

- All income quintiles recorded a slowdown in discretionary income growth in November, when compared with the previous month.
- Excluding the anomalous results seen in the second quintile, the most pronounced slowdown was found in the fourth quintile. Annual growth in spending power fell to 12.8% in November, amounting to a 0.9 percentage point decline when compared with October.
- However, all quintiles did also record an increase in spending power when compared with November last year.
- In terms of annual growth, the third quintile witnessed the fastest rise in spending power, rising by 15.4% on the year. Despite the rise, spending power within the quintile remains well below the average seen in 2021, when the cost-of-living crisis was beginning to take hold.
- Amongst the quintiles, only the lowest experiences negative discretionary income. This is in stark contrast to the spending power exhibited by the top 20% of households in the income distribution. In annual terms, this suggests a difference in average annual discretionary income of nearly £50,000 between the two groups.

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



*2nd Quintile saw discretionary income rise from £3.60 to £11.80 over the past year, explaining the anomalous annual growth rate.

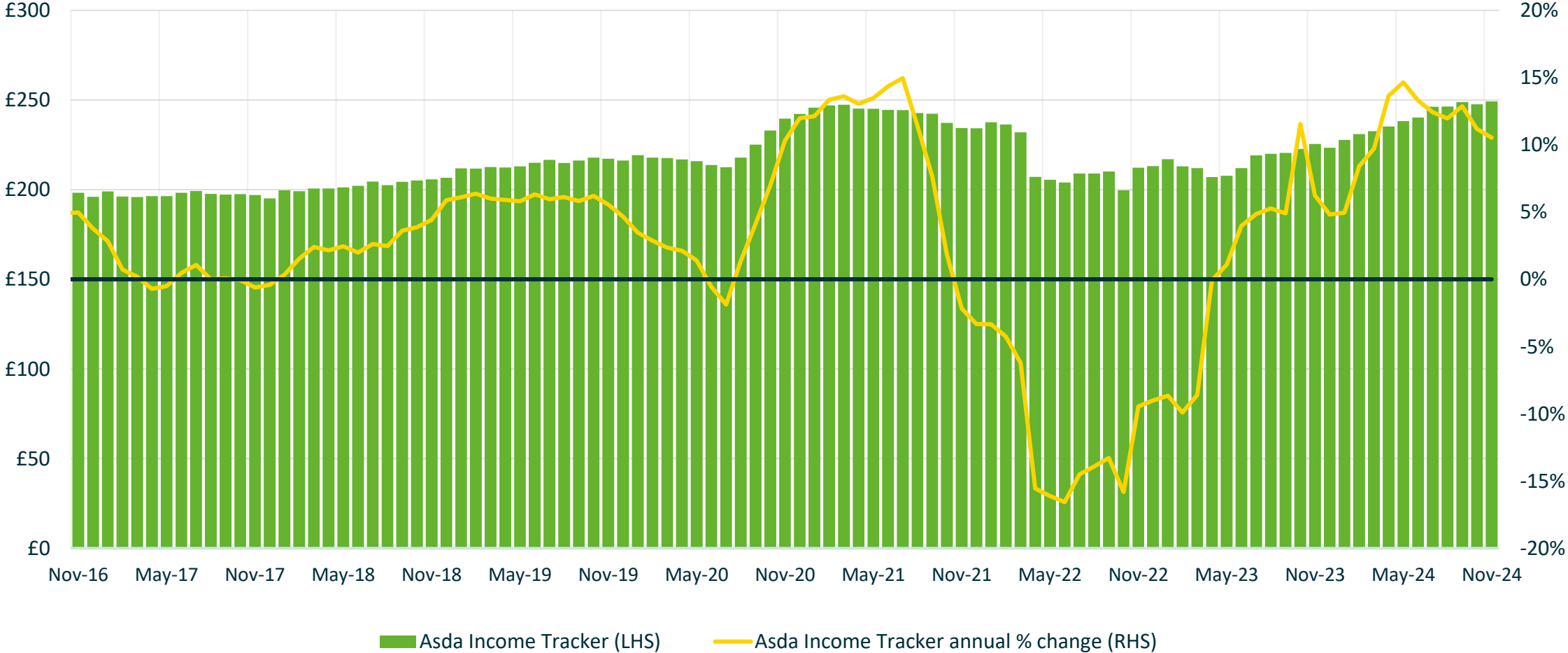


Appendix



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 | £233 |
| 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 | £238 |
| June 2020 | £213 | June 2021 | £244 | June 2022 | £203 | June 2023 | £212 | June 2024 | £240 |
| July 2020 | £212 | July 2021 | £244 | July 2022 | £209 | July 2023 | £220 | July 2024 | £246 |
| August 2020 | £218 | August 2021 | £243 | August 2022 | £209 | August 2023 | £220 | August 2024 | £246 |
| September 2020 | £225 | September 2021 | £242 | September 2022 | £210 | September 2023 | £221 | September 2024 | £249 |
| October 2020 | £233 | October 2021 | £237 | October 2022 | £200 | October 2023 | £223 | October 2024 | £248 |
| November 2020 | £239 | November 2021 | £234 | November 2022 | £213 | November 2023 | £226 | November 2024 | £249 |
| 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 saw a slowdown in growth in November, driven by accelerating inflation. That said, spending power has continued to increase, with the Tracker having exhibited double-digit growth for sixth consecutive months.

Spending power amongst households has seen a gradual improvement throughout the year, which is welcomed ahead of the festive period. Nevertheless, consumer expenditure over Christmas is still expected to be held back relative to pre-pandemic levels amidst elevated inflation and the lingering effects of the cost-of-living crisis.”

Regional Income Tracker estimates

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

| North East | North West | Yorkshire & Humber | East Midlands | West Midlands | East |
|------------|------------|--------------------|---------------|---------------|------|
| £159 | £216 | £208 | £216 | £206 | £270 |

| London | South East | South West | Wales | Scotland | Northern Ireland |
|--------|------------|------------|-------|----------|------------------|
| £320 | £223 | £199 | £192 | £260 | £129 |

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 Charlie Cornes.

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London, December 2024

