

**ASDA**

# Asda Income Tracker

Report : January 2024



Making Business Sense

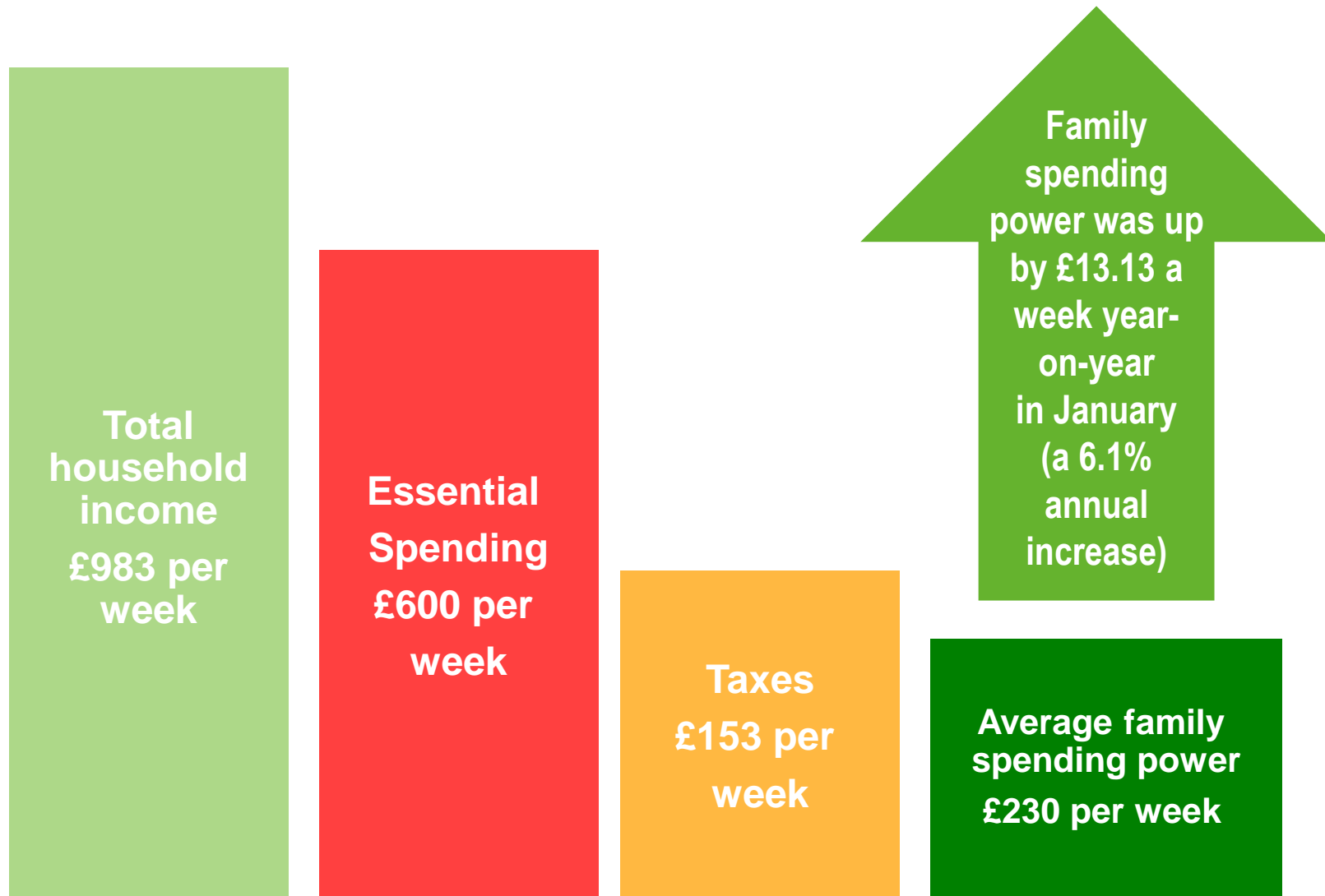
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# Asda Income Tracker - Key Figures

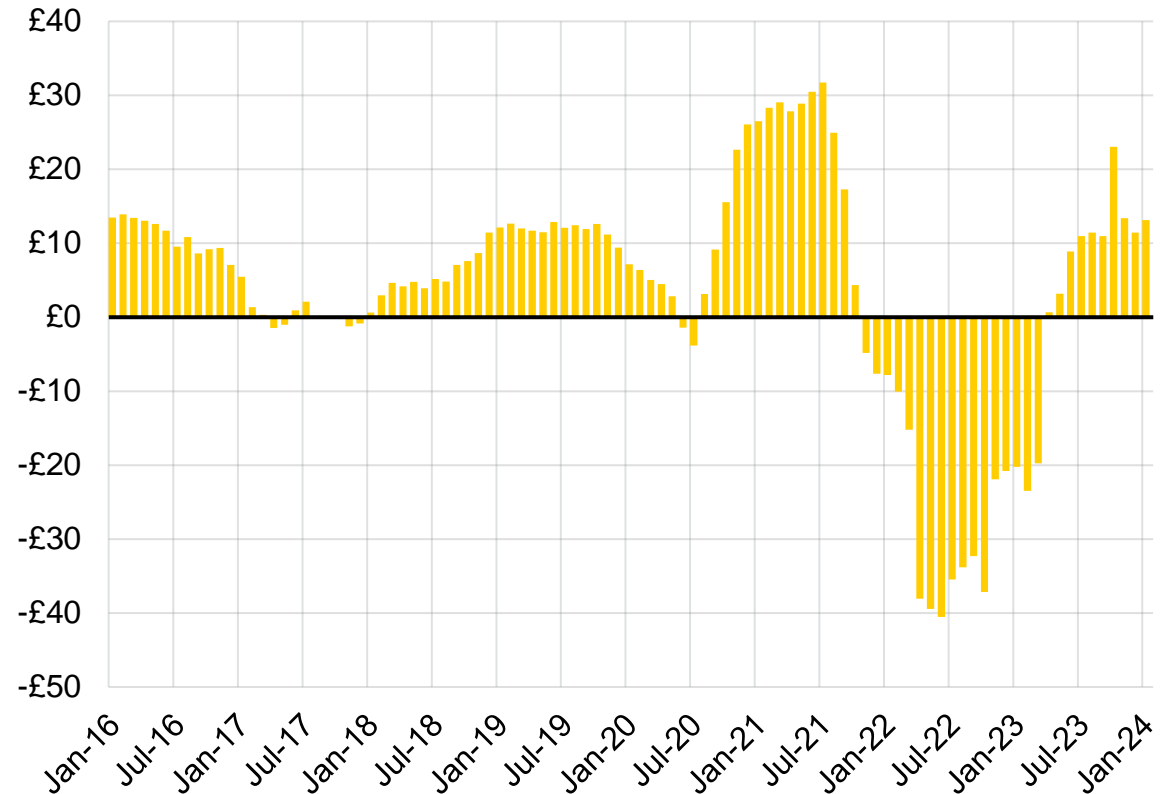


# Income Tracker growth picks up in January, as the economy begins to recover

## The Asda Income Tracker was £13.13 a week higher in January 2024 than a year before

- The Asda Income Tracker saw annual growth of 6.1% in January 2024. The Income Tracker has now recorded annual growth for ten consecutive months.
- This marks an uptick from December's annual growth of 5.4%. The improvement in annual growth was driven by a continued increase in gross income and marginal reduction in the cost of essential spending.
- On a month-on-month basis, the Income Tracker increased by just over £5, representing the largest monthly gain since July 2023. Average household spending power now stands at £230 per week.
- Elevated living costs and tighter monetary policy conditions plagued much of 2023, culminating in a technical recession in the second half of the year.
- However, these recessionary conditions are not expected to persist and the outlook for 2024 is showing signs of improvement. January 2024 is expected to mark the beginning of the post-recession recovery. Such economic growth will support spending power growth moving forward.

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

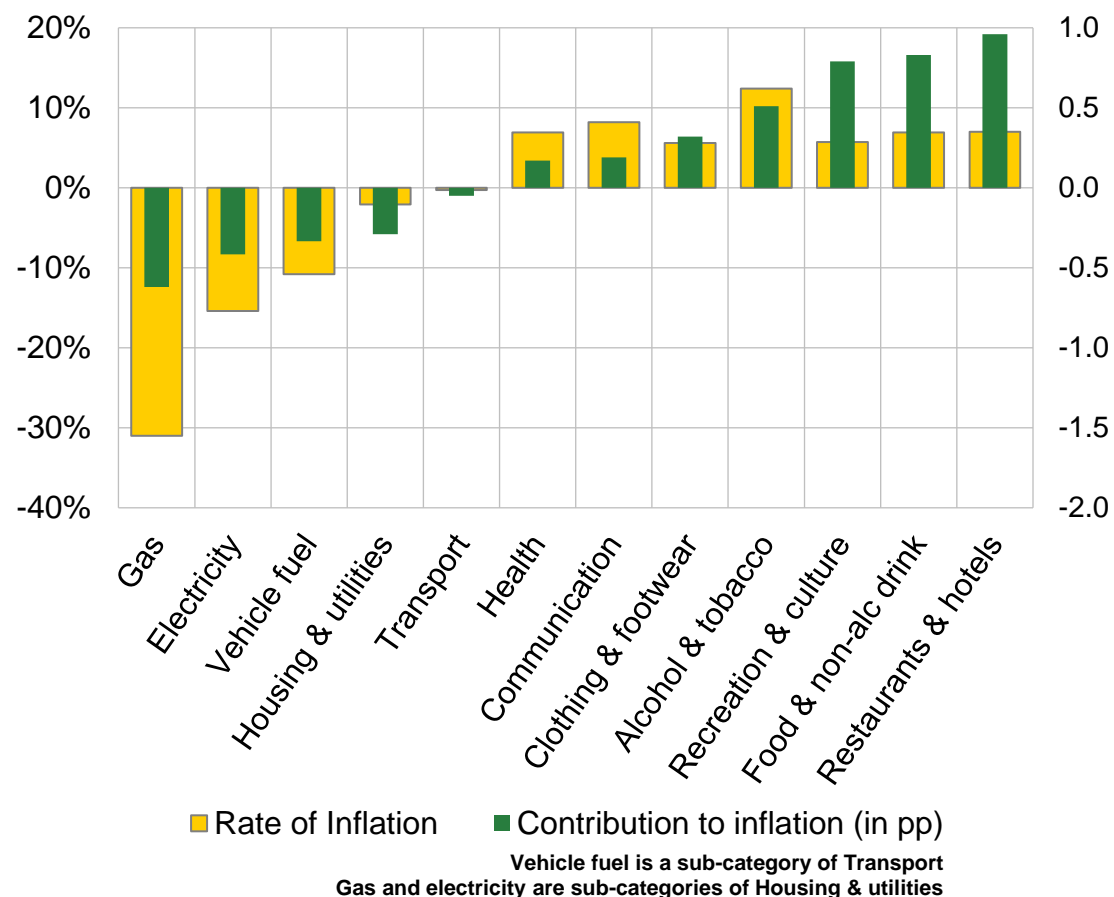


# Inflation remained unchanged in January, but deceleration expected for much of 2024

## The main factors affecting family costs in January were:

- Annual inflation, as measured by the Consumer Prices Index (CPI), stood at 4.0% in January, remaining unchanged from December's reading.
- Core inflation has now remained at 5.1% for three consecutive months.
- The housing and household services category provided the largest upward contribution to the change in inflation this month, as the Ofgem price cap rose by 5% in January. Nevertheless, the price cap is 23% lower than a year prior and is expected to fall again in April.
- Food and non-alcoholic beverages, a significant component of household expenditure and one of the largest contributors to inflation recently, has seen decelerating price growth since April 2023. This continued into January, with inflation for this category standing at 6.9%.
- Other categories that recorded monthly decelerations were alcoholic beverages and tobacco, clothing and footwear, furniture, household equipment and maintenance, communications, and health.
- Cebr continues to anticipate a general deceleration in price growth throughout 2024.

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

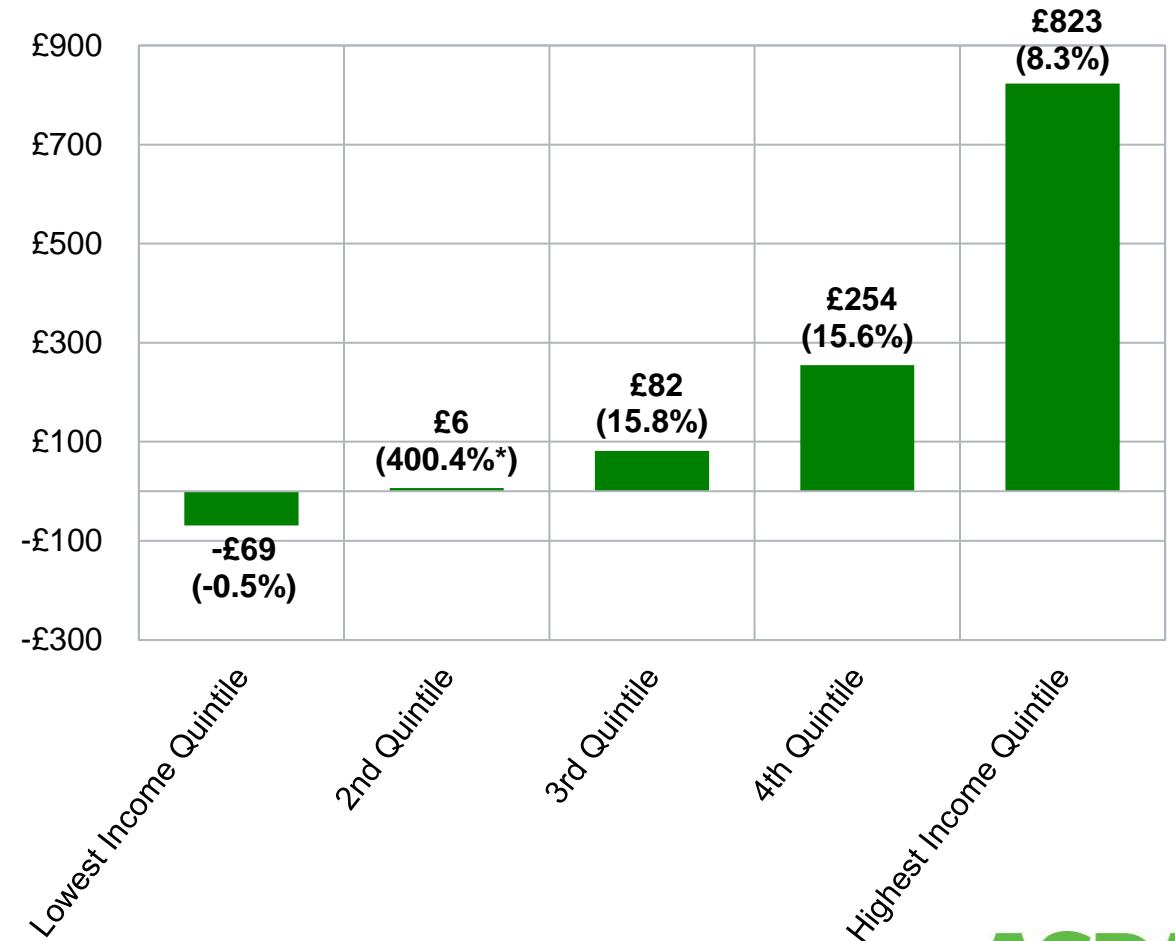


# Middle income households recording the strongest growth in discretionary income

## All income quintiles except those in the lowest quintile recorded annual growth in January

- Spending power continues to grow robustly on an annual basis for the higher income quintiles.
- The second income quintile has recently returned to annual spending power growth. This quintile has now recorded positive discretionary income and annual growth for four consecutive months.
- The lowest income quintile is the only group witnessing annual falls in spending power, though the magnitude of the decline has gradually fallen over the last year. Furthermore, on a monthly basis, this quintile recorded growth in discretionary income in January.
- The monthly improvement in spending power for the lowest income quintile can be partially explained by the slowdown in price growth in the food and beverages category, which tends to take up a larger proportion of spending for lower-income households.
- Spending power growth was highest for those in the second income quintile. However, this should be interpreted with caution given the low base value.

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



\*2<sup>nd</sup> Quintile saw discretionary income rise from £1.3 to £6.3 over past year, giving a distorted percentage growth rate.

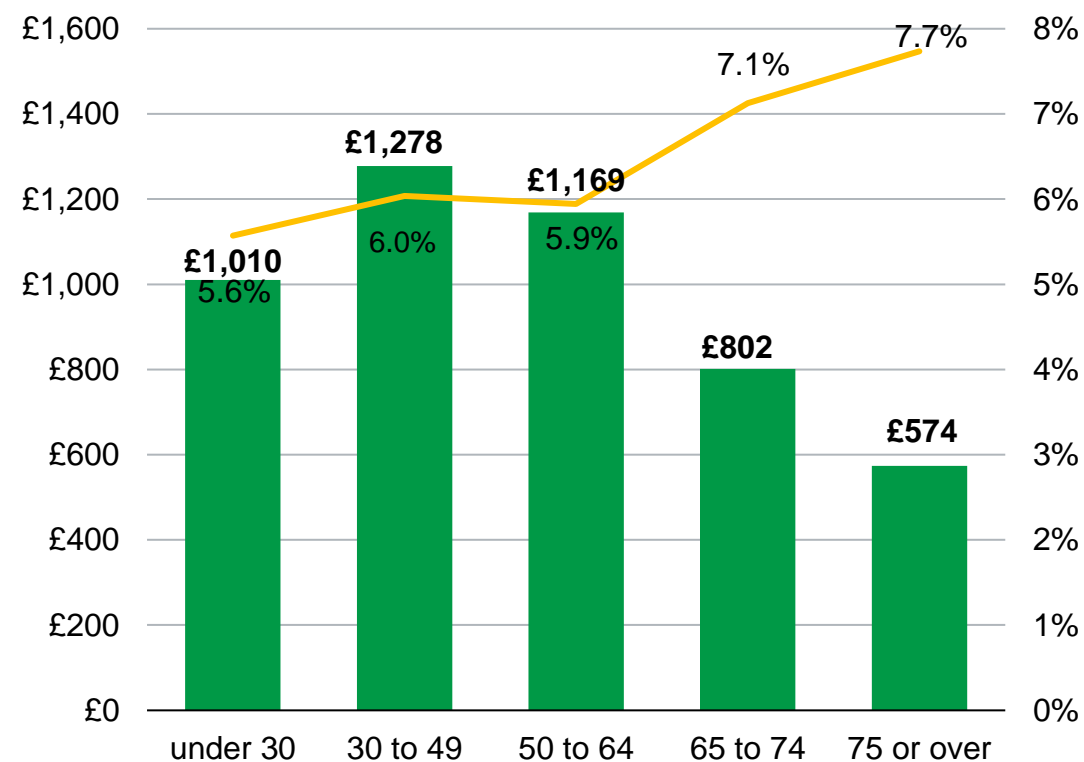


# Households above 50 recorded a monthly uptick in gross income growth rates

## Slowdown in wage growth has a more pronounced effect on working-age households

- Annual growth in gross income was observed across all age categories in January.
- Wage growth has generally been slowing since last summer. This has had a more evident effect on working-age households, specifically those under 30 who have seen a decelerating trend in gross income growth since October 2023. Those in the 30 to 49 age group have witnessed a similar trend, though the slowdown did end in January, with growth remaining unchanged from the previous month.
- The three age groups above 50 all recorded an uptick in gross income growth on a monthly basis.
- Households in the 75 or over age group continue to experience the strongest growth in gross incomes, followed by those in the age group of 65 to 74.
- This trend reflects the triple lock policy, which led to an inflation-adjusted uplift to state pensions in April. This is supporting earnings growth amongst pension-age households, with these groups recording annual gross income growth rates of 7.7% and 7.1%, respectively.

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

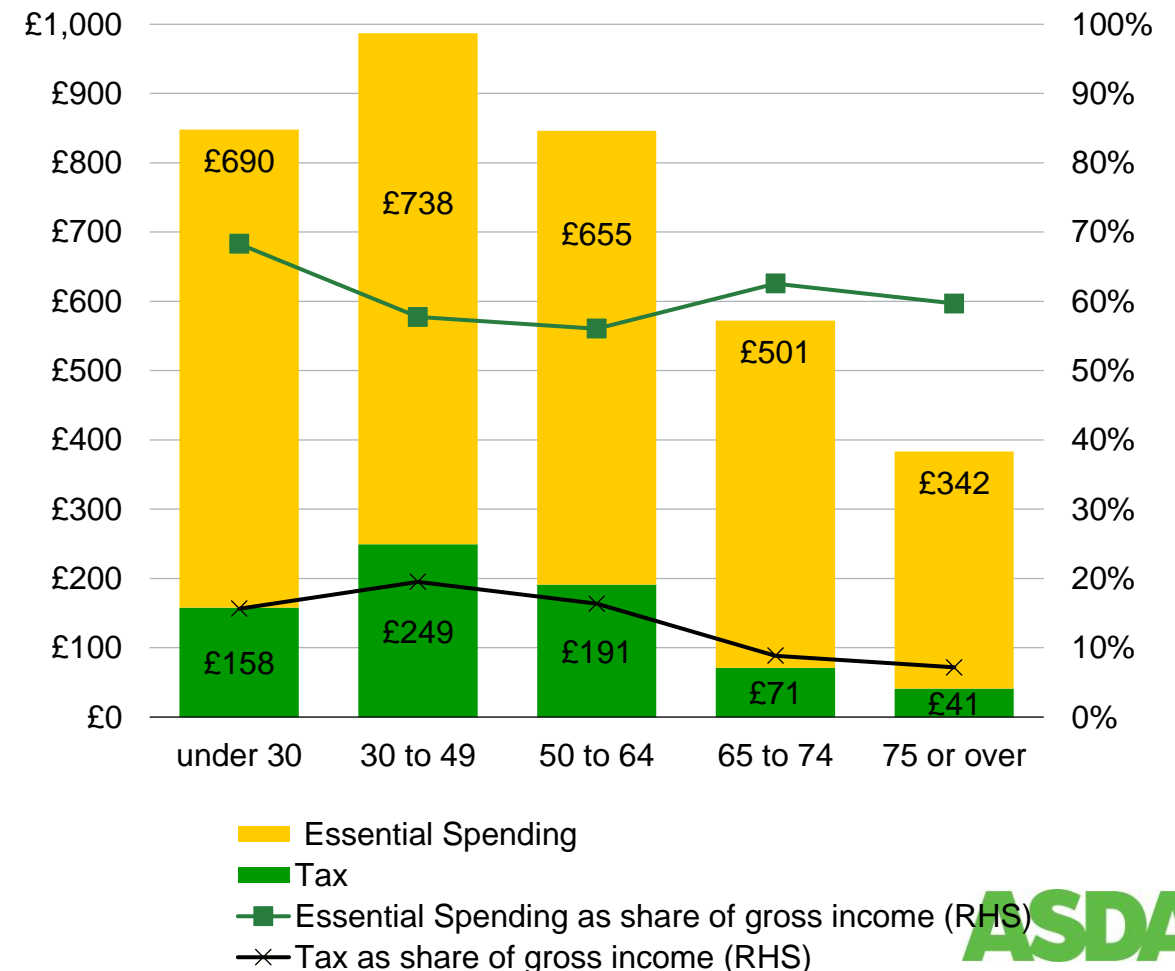


# Households aged 30 to 49 continue to witness the fastest growth in the cost of essentials

## Average cost of basket of essentials is now growing at a slower rate, however

- The cost of the essential basket of goods and services monitored by the Income Tracker was up by 5.6% on the year in January.
- Amongst age groups, those aged 30 to 49 exhibited the fastest essential spending growth, at an annual rate of 6.1% in January. However, this was down by 0.1 percentage point in comparison to December.
- This age group is likely to see more improvements in the coming months for two key reasons. Firstly, these households allocate a larger proportion of their gross income to taxes compared to other age groups. National Insurance rate cuts were implemented in January and the upcoming Spring Budget is anticipated to bring further tax cuts. Given their higher tax allocation, these households are likely to benefit the most from these policy changes.
- Secondly, the Bank of England is expected to initiate interest rate cuts around the middle of this year. This move will ease mortgage rates and the cost of borrowing, which will particularly benefit this age group as they are more likely to be mortgage holders.

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

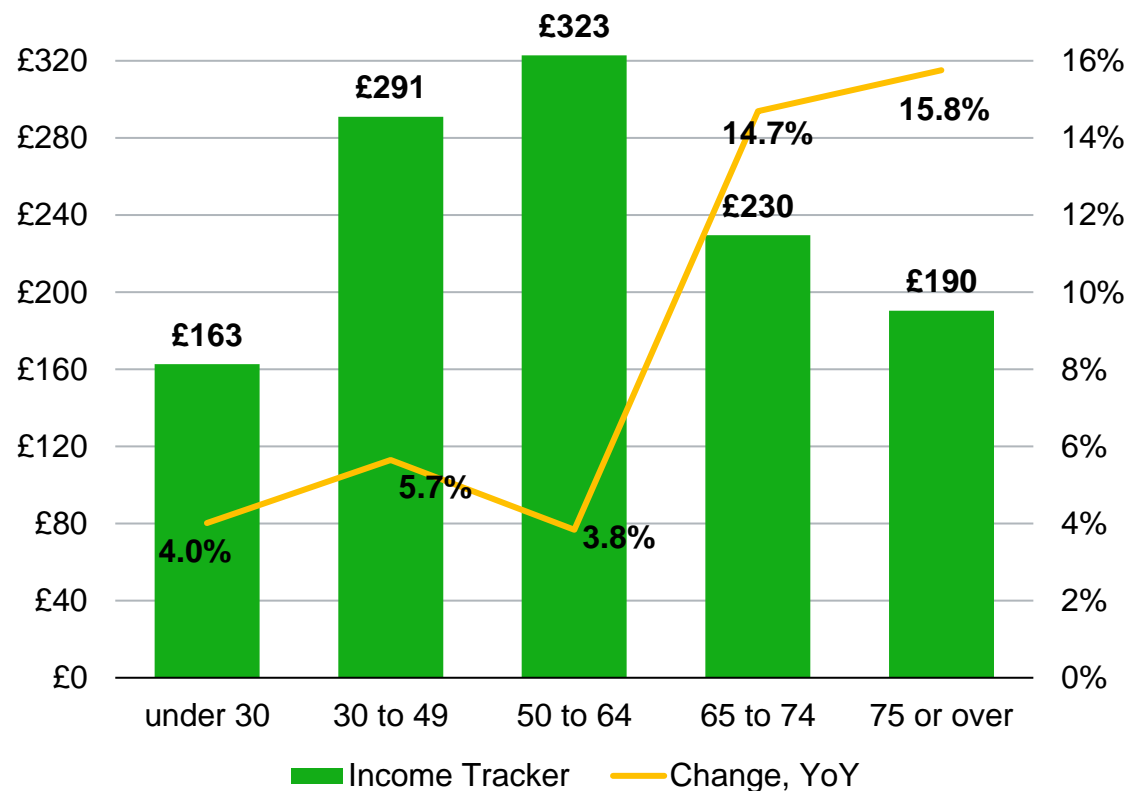


# Growth in spending power picks up on the month for all except those under 30

## Older households witnessing strongest growth

- All age groups recorded annual discretionary income growth in January.
- Older households recorded stronger growth rates, with those aged 75 or over recording the strongest at 15.8%. This reflects their stronger gross income growth and weaker rise in the cost of essentials. Households aged 65 to 74 followed closely, recording a growth rate of 14.7% on the year.
- Households aged 50 to 64 recorded the weakest growth across all age groups. This partially reflects the fact that this group saw the second-lowest growth in gross income. However, the annual growth of 3.8% represents an uptick from the previous month's rate.
- Those under the age of 30, recorded a growth rate of 4.0% in January, 2.7 percentage points lower than December's growth rate. This reflects that this group also recorded a monthly slowdown in the rate of gross income growth and a monthly uptick in the growth rate of the cost of essential spending.
- Looking ahead, all age groups are expected to witness an acceleration in the rate of spending power growth, as the economy recovers from the technical recession.

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

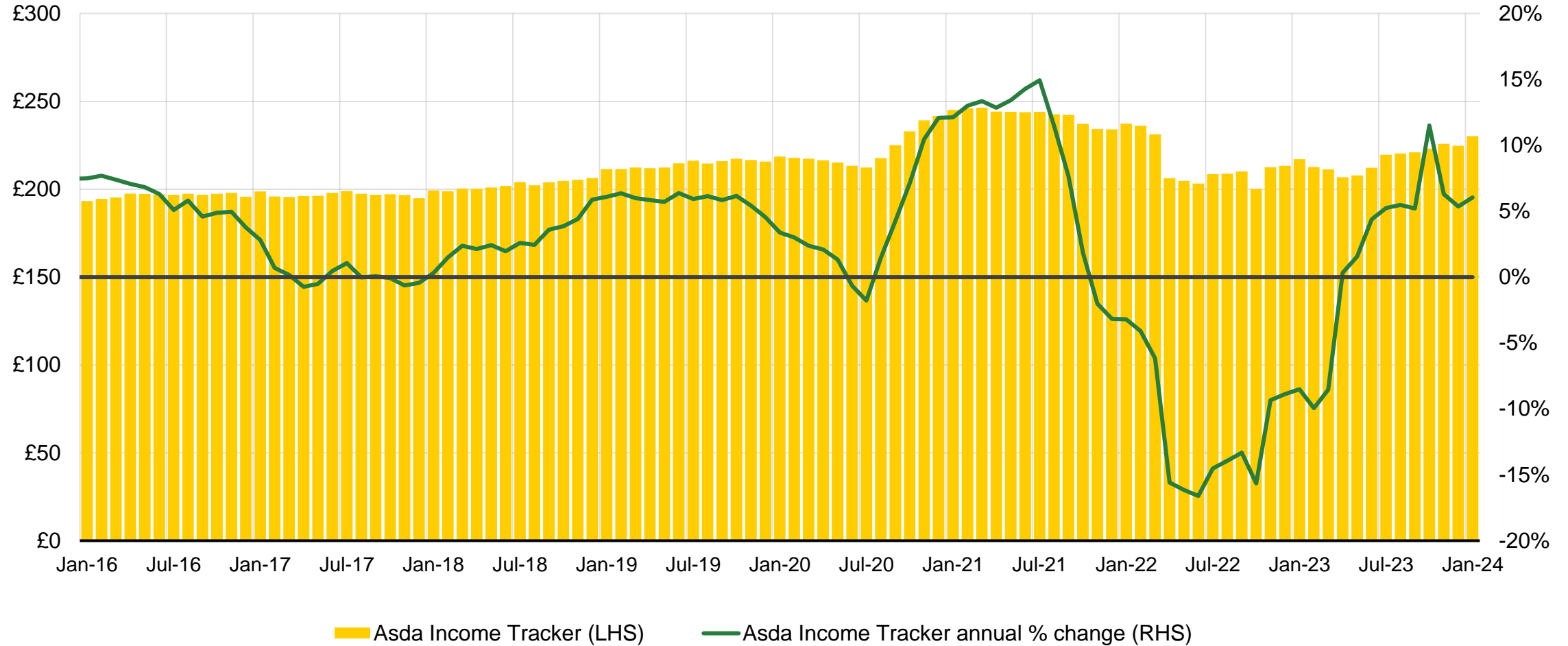




# Appendix

# 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	£230
February 2020	£218	February 2021	£246	February 2022	£236	February 2023	£213		
March 2020	£217	March 2021	£246	March 2022	£231	March 2023	£211		
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	£225		
<b>2020 Average</b>	<b>£222</b>	<b>2021 Average</b>	<b>£242</b>	<b>2022 Average</b>	<b>£214</b>	<b>2023 Average</b>	<b>£217</b>		

# Economist's view

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

*“January's Income Tracker results were the strongest for some time, with household spending power increasing to £230 per week. This improvement was driven by a number of factors, including continued earnings growth, weaker food price inflation, and the recent cut to National Insurance contribution rates. Cebr expects spending power to continue growing in 2024, supported by a generally more positive economic outlook.”*

# Regional Income Tracker estimates

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

North East	North West	Yorkshire & Humber	East Midlands	West Midlands	East
£147	£198	£202	£190	£186	£249

London	South East	South West	Wales	Scotland	Northern Ireland
£318	£207	£194	£188	£230	£110

# 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, Cameron Misson, and Hafsa Haniffa.

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London, February 2024

