

Asda Income Tracker

Report: December 2024



Making Business Sense

Centre for Economics and
Business Research Ltd

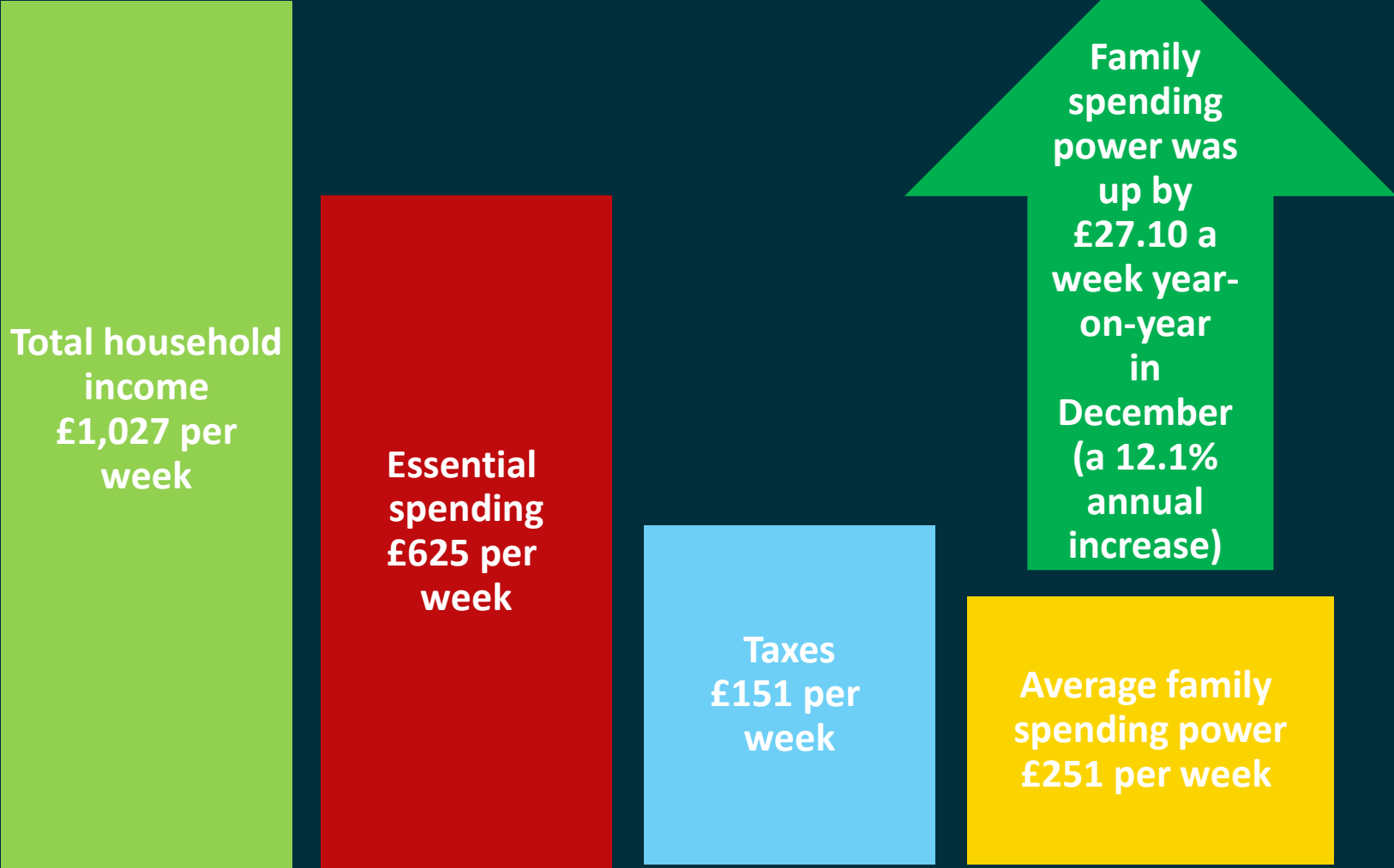
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Asda Income Tracker – Key Figures

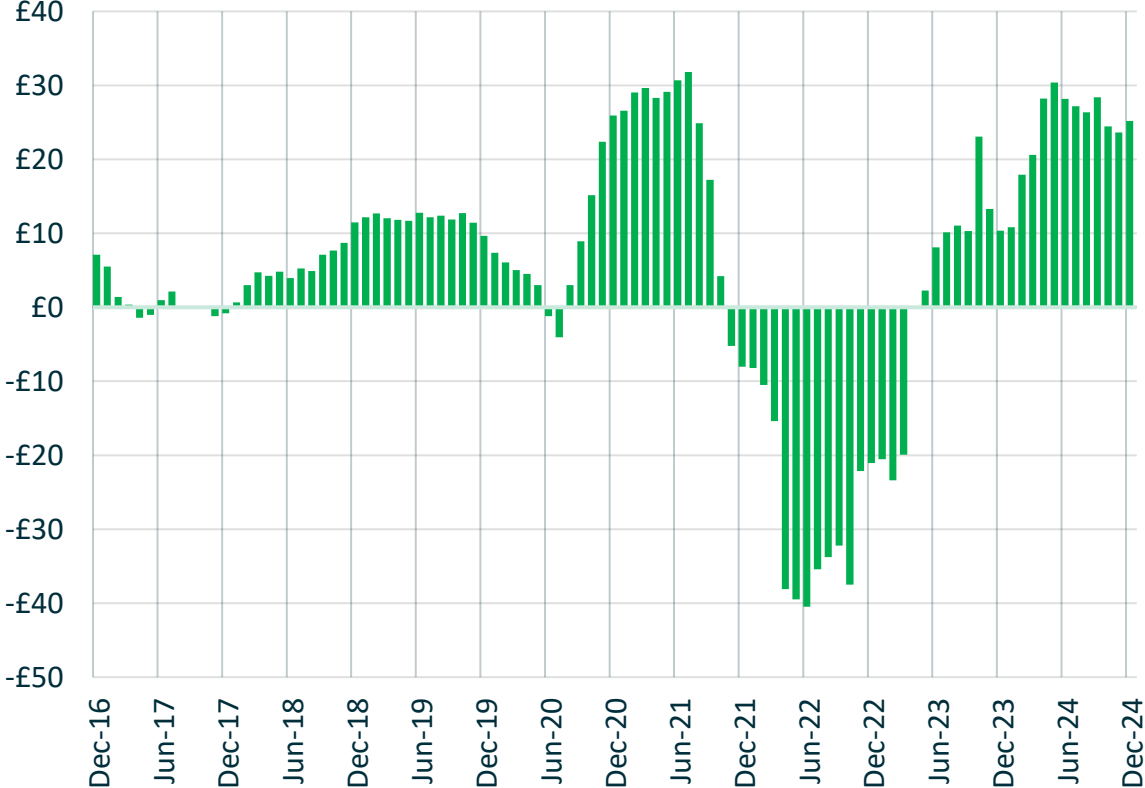


Income Tracker hits 2024 peak as year closes

The Asda Income Tracker was £27.10 a week higher in December 2024 than a year before

- The Asda Income Tracker saw annual growth of 12.1% in December 2024, an acceleration from November. The Income Tracker has now recorded double-digit growth for nine consecutive months.
- On a month-on-month basis, the Income Tracker increased by £0.52, bringing average household spending power to £251 per week in December. This marks the peak spending power for 2024 and brings the metric 1.3% above the pre-cost-of-living crisis peak of £247 per week.
- This means that 2024 ended with the average household showing a nominal recovery from the effects of the cost-of-living crisis.
- The monthly improvement was driven by a combination of accelerating gross income growth and a slowdown in inflation in December.
- Looking ahead, inflation is expected to remain above the Bank of England’s (BoE) 2.0% target for much of 2025. Nevertheless, earnings growth is still anticipated to outpace inflation, supporting further growth in the Income Tracker this year.

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

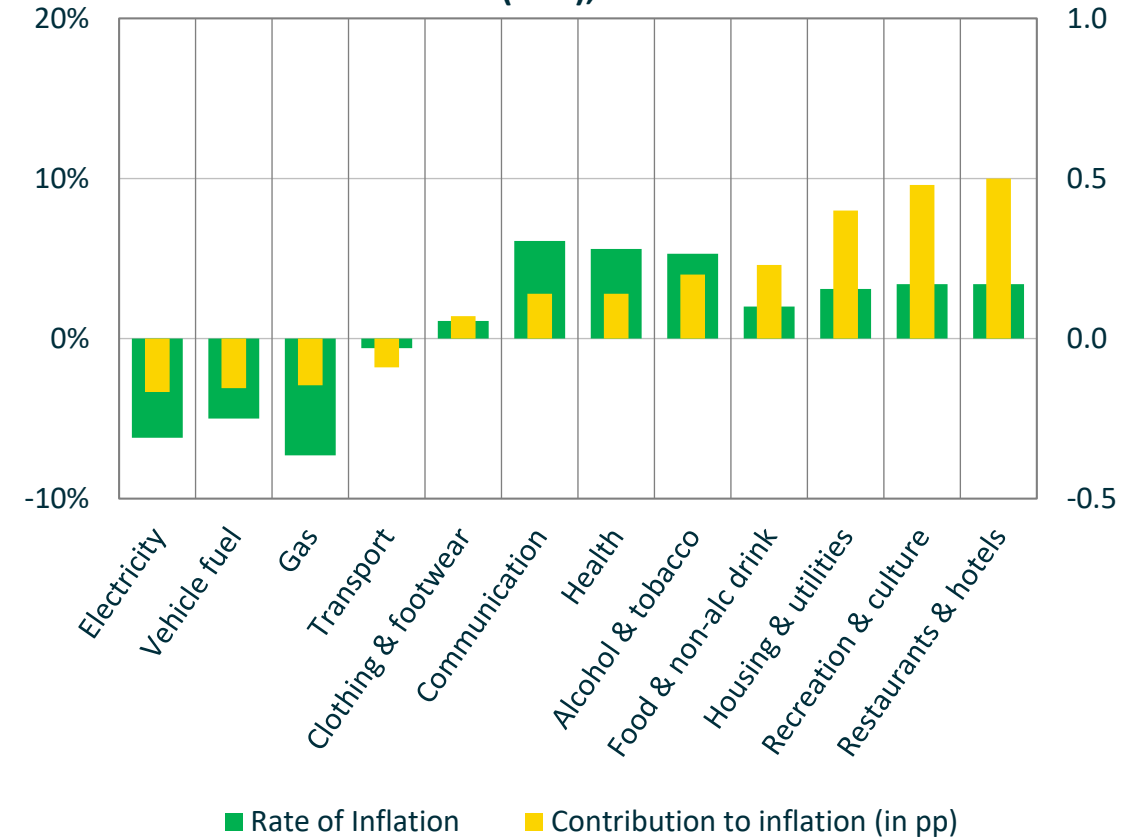


Slowdown in inflation in December increases the likelihood of an interest rate cut

The main factors affecting family costs in December were:

- Annual inflation, as measured by the Consumer Prices Index (CPI), slowed to 2.5% in December, down from 2.6% in November. Inflation has now remained above the BoE's target of 2.0% for three consecutive months, following a three-year low of 1.7% in September.
- The slowdown in price growth in December was primarily driven by reduced price growth in the restaurants and hotels category. In addition, the alcoholic beverages and tobacco and clothing and footwear categories also experienced monthly slowdowns in price growth.
- The food and non-alcoholic beverages category remained unchanged from November, with price growth at 2.0%. Meanwhile, energy prices are declining, but the pace of deflation has been less strong recently. Current price declines are in the single-digit range, compared to the double-digit falls observed when price reductions peaked in April 2024.
- Overall price pressures are showing signs of easing. Core inflation, which excludes energy and food prices, slowed to 3.2% in December from 3.5% in November. Furthermore, services inflation also eased, to 4.4% from 5.0%.
- The slowdown in inflation in December increases the likelihood of a BoE rate cut next month.

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



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

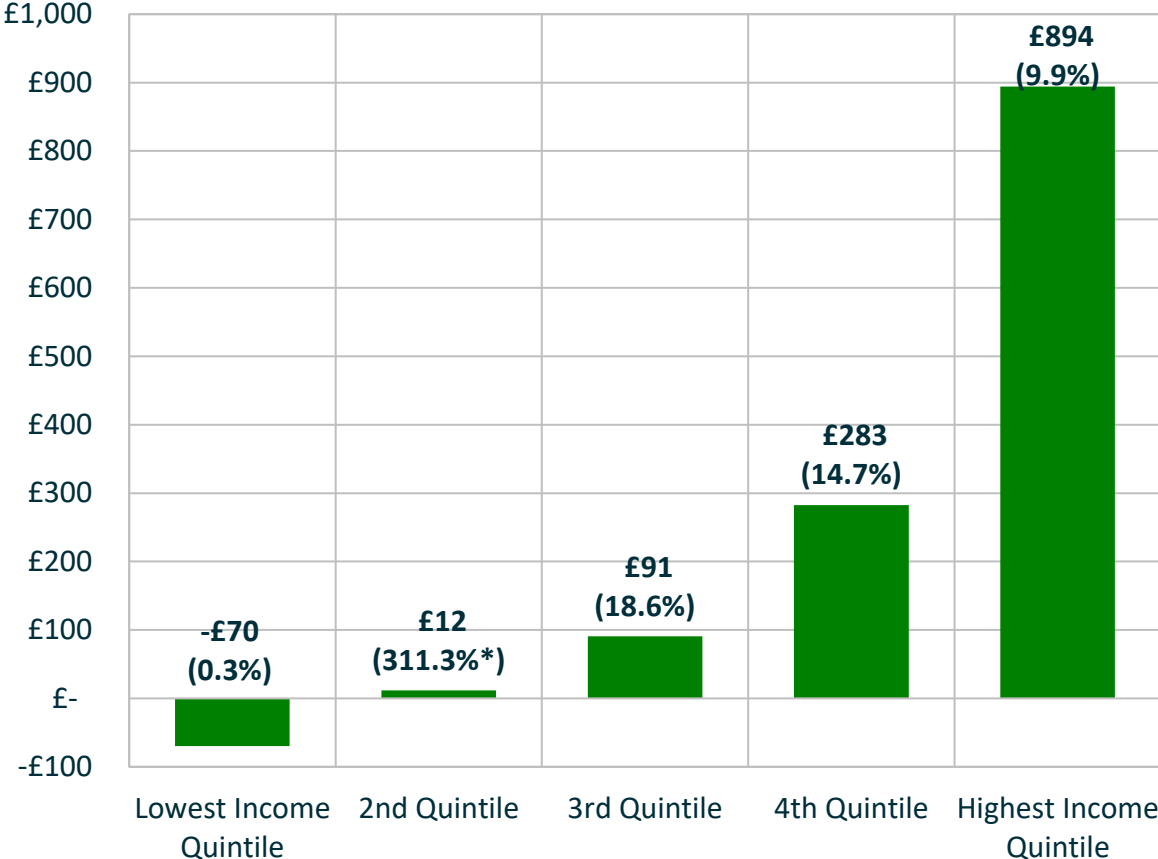


Lower income quintiles record monthly falls in spending power

Third income quintile continues to record strongest annual growth in spending power

- All income quintiles, except the lowest, recorded an acceleration in discretionary income growth in December compared to the previous month.
- Excluding the anomalous results in the second quintile, the strongest annual growth in spending power was recorded in the third quintile at 18.6%, bringing spending power to £91 per week.
- In absolute terms, the lowest three income quintiles experienced a monthly fall in discretionary income in December. Contrastingly, the top two income quintiles recorded increases. The highest income quintile saw the largest monthly gain of £2.53 per week, bringing spending power to £894 per week in December.
- In contrast, the lowest income quintile continues to experience negative discretionary income. This group is likely to see some improvement in the coming months as the increase in the National Living Wage takes effect, but this will not be enough to offset its sustained deficit.

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



*2nd Quintile saw discretionary income rise from £2.9 to £11.8 over the past year, explaining the anomalous annual growth rate.

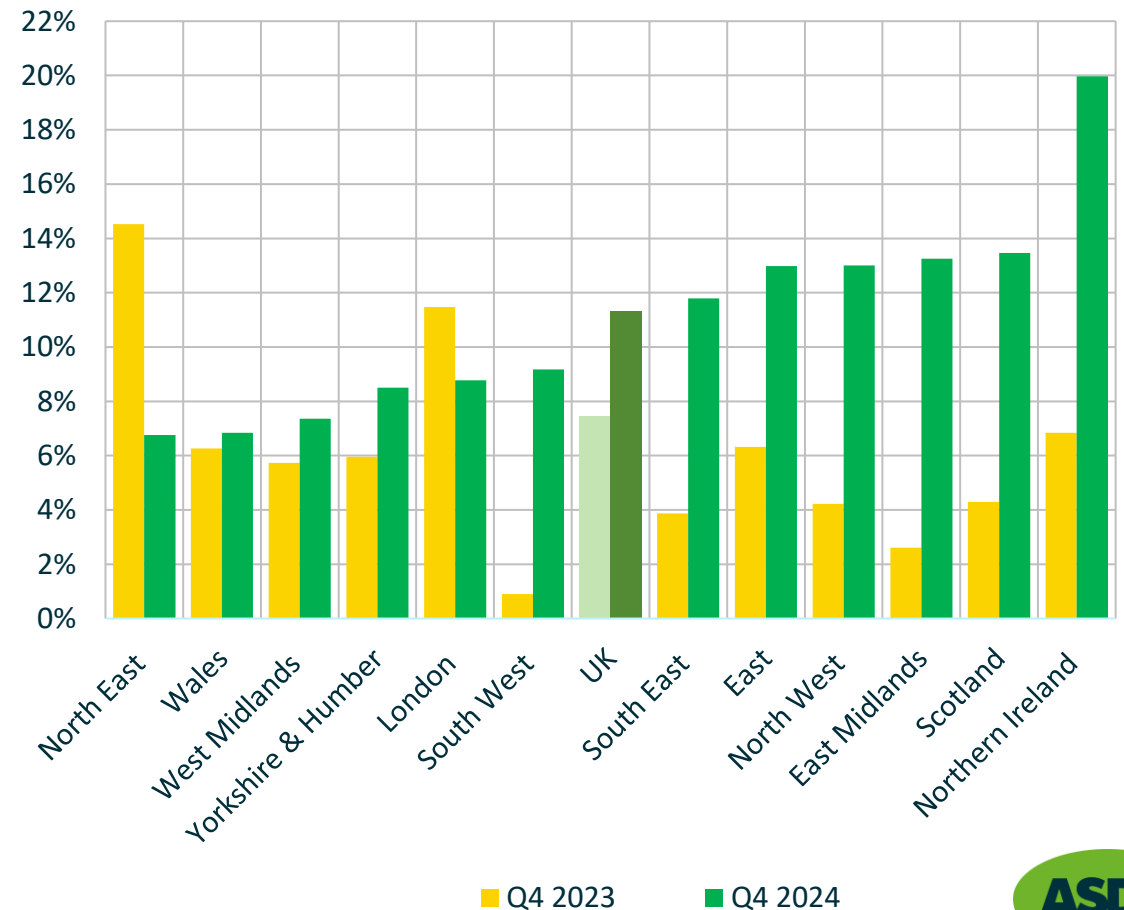


All but two regions recorded a quarterly slowdown in spending power growth

UK-wide Income Tracker grew by 11.3% on the year in Q4 2024

- The UK-wide Income Tracker showed a quarterly slowdown in growth in Q4. Nevertheless, growth is still strong, with double-digit rates experienced since Q2 2024.
- The quarterly slowdown in spending power growth was observed across all regions, except the East Midlands and the South East.
- Northern Ireland led the way in annual spending power growth in Q4, with the average household there experiencing a 20.0% annual increase in discretionary income. This region recorded double-digit growth across all four quarters of the year.
- In contrast, Wales and the North East recorded the joint-lowest spending power growth in Q4, at 6.8%. This corresponds with these regions having the lowest gross income growth.
- Compared to the previous year, all but two regions recorded faster growth in spending power. London and the North East were the only exceptions. Northern Ireland recorded the largest change in spending power growth compared to the same time last year.

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

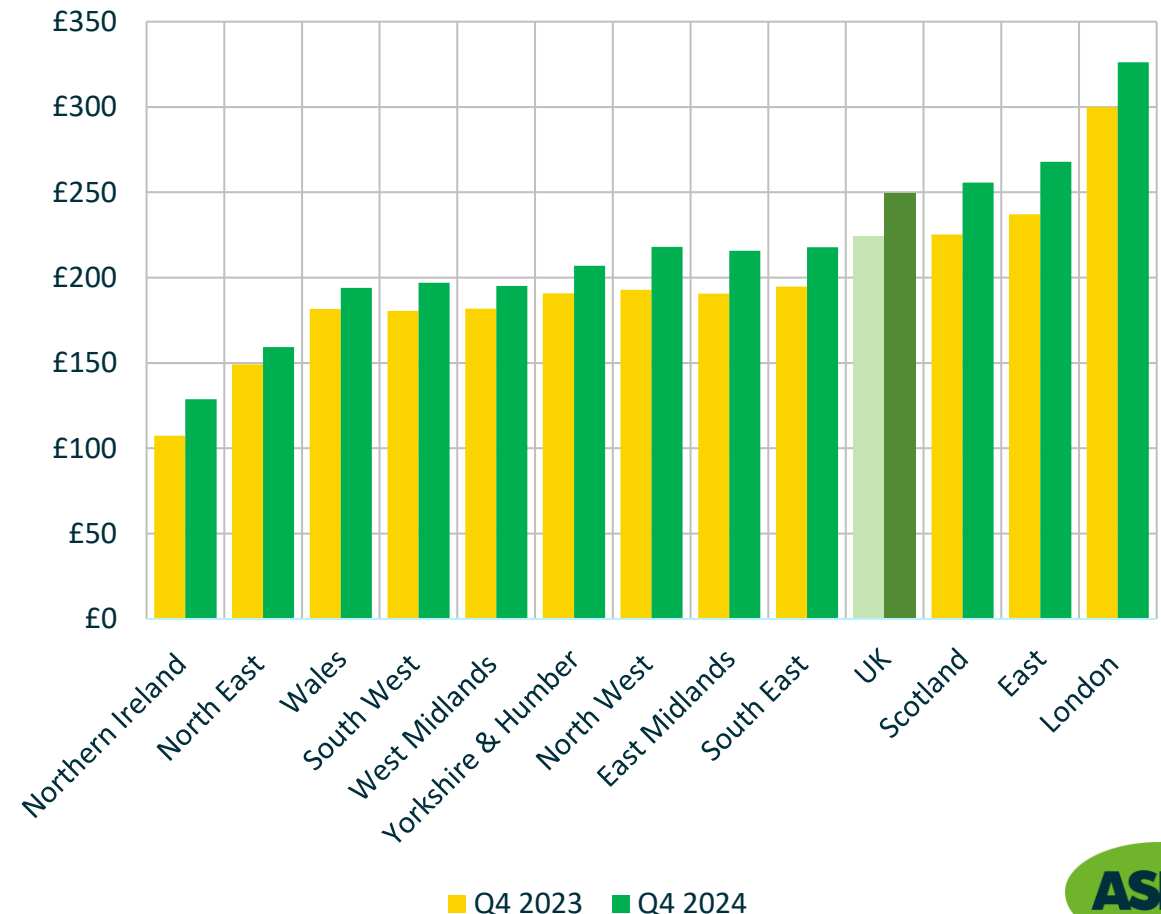


Three regions now have spending power higher than pre-crisis peak levels

UK-wide weekly family spending power averaged £249 in Q4 2024

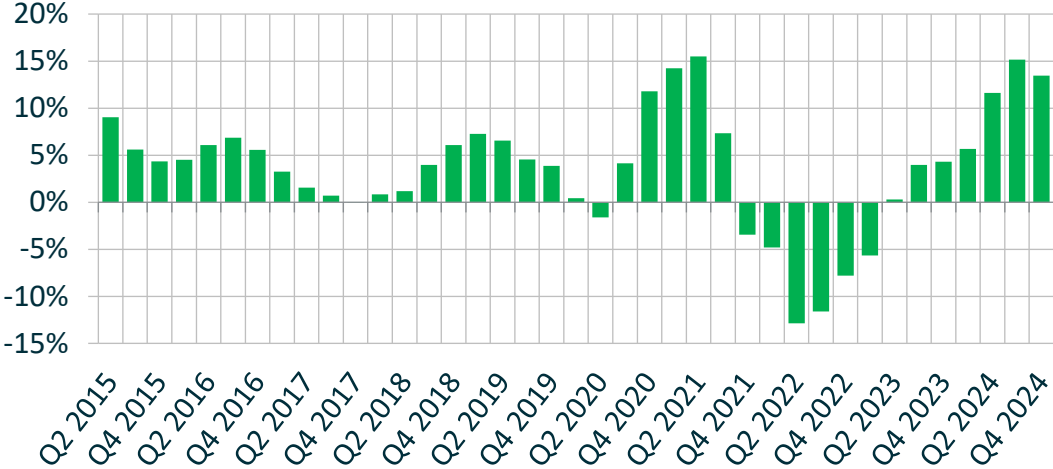
- Quarterly spending power for the average UK household is now at a record high of £249 per week. This is 1.0% higher than the previous quarterly peak of £247 recorded in Q1 2021.
- London is no longer the only region with spending power above its pre-crisis peak. The East Midlands and Scotland have also joined this group, with spending power exceeding their respective pre-crisis peaks by 1.7% and 3.6%.
- Northern Ireland recorded the weakest spending power at £129 per week. Nevertheless, spending power in Northern Ireland is £21 per week higher than it was compared to the same time last year.
- London recorded the strongest spending power at £326 per week.
- The discrepancy in spending power between Northern Ireland and London is £197 per week, highlighting the regional disparity on this metric.
- In addition to London, both Scotland and the East of England recorded spending power values above the UK-wide average in Q4 at £256 and £268 per week, respectively.

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



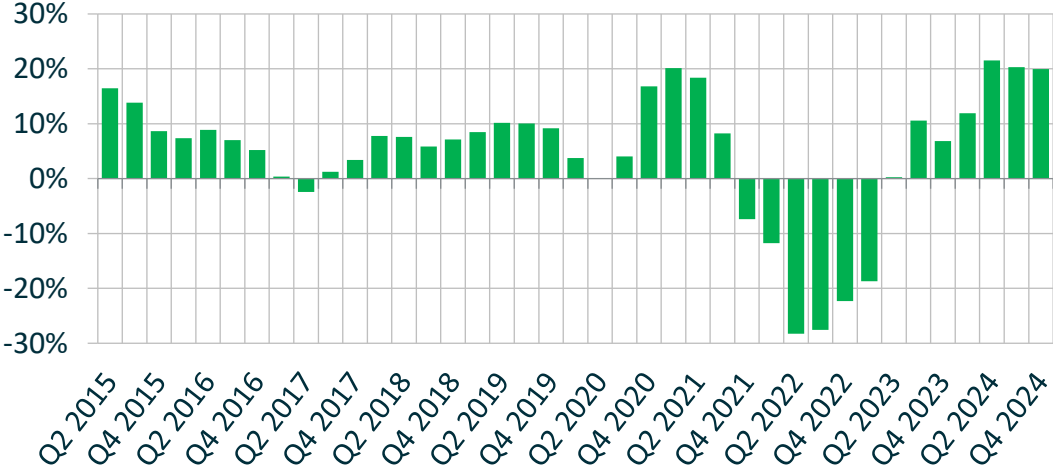
Focus on Scotland and Northern Ireland

Annual % change in discretionary incomes, Scotland



- The Income Tracker shows that weekly discretionary income in Scotland was up by 13.5% on the year in Q4 2024. Scotland has now recorded three consecutive quarters of double-digit spending power growth.
- On a quarter-on-quarter basis, the Income Tracker rose by a marginal £0.87 per week bringing the average household spending power in Scotland to £256 per week.
- Scotland's stronger performance partially reflects its labour market. Despite signs of cooling, the unemployment rate fell to 3.8% in the three months to November and annual real earnings grew by 4.6% in November, outperforming the respective UK averages of 4.4% and 1.9%.

Annual % change in discretionary incomes, Northern Ireland

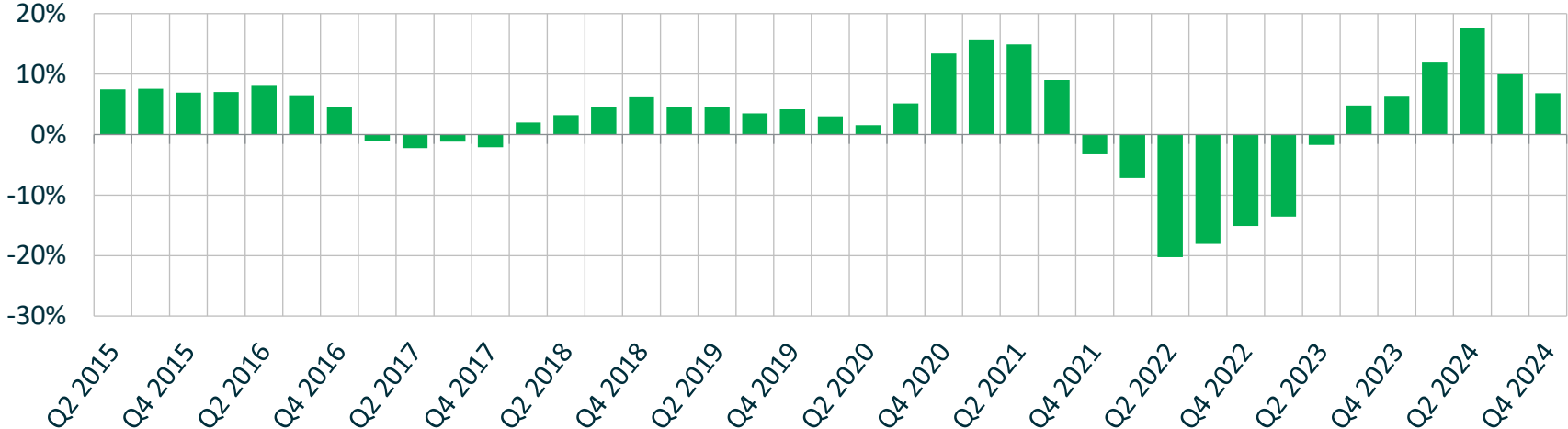


- The Income Tracker shows that weekly discretionary income in Northern Ireland was up by 20.0% on the year in Q4 2024. This was the strongest growth across all regions.
- Average household spending power for Northern Ireland amounted to £129 per week in Q4 2024. This remains the lowest level amongst the UK's regions and nations.
- Northern Ireland has historically had one of the highest incidences of low-paid jobs in the UK. This is reflected in its gross income, which averaged £869 per week in Q4 2024, the third lowest of all regions and nations, ahead of only the North East and Wales. This lower earning capacity partly explains the lower spending power.



Focus on Wales

Annual % change in discretionary incomes, Wales



- The Income Tracker shows that weekly discretionary income in Wales rose by 6.8% year-on-year in Q4 2024, the lowest quarterly growth in spending power for the region in 2024.
- On a quarter-on-quarter basis, the Income Tracker decreased by £2.36, bringing the average household spending power in Wales to £194 per week.
- Wales recorded the lowest annual growth in spending power among all UK regions in Q4 2024, reflecting its position as the region with the second-lowest gross income growth and overall gross income, ahead of only the North East.
- Households in Wales are likely to benefit disproportionately from the scheduled increase in the National Living Wage later in 2025, as relatively more are at the lower end of the earnings spectrum. This change is expected to improve spending power in the region.

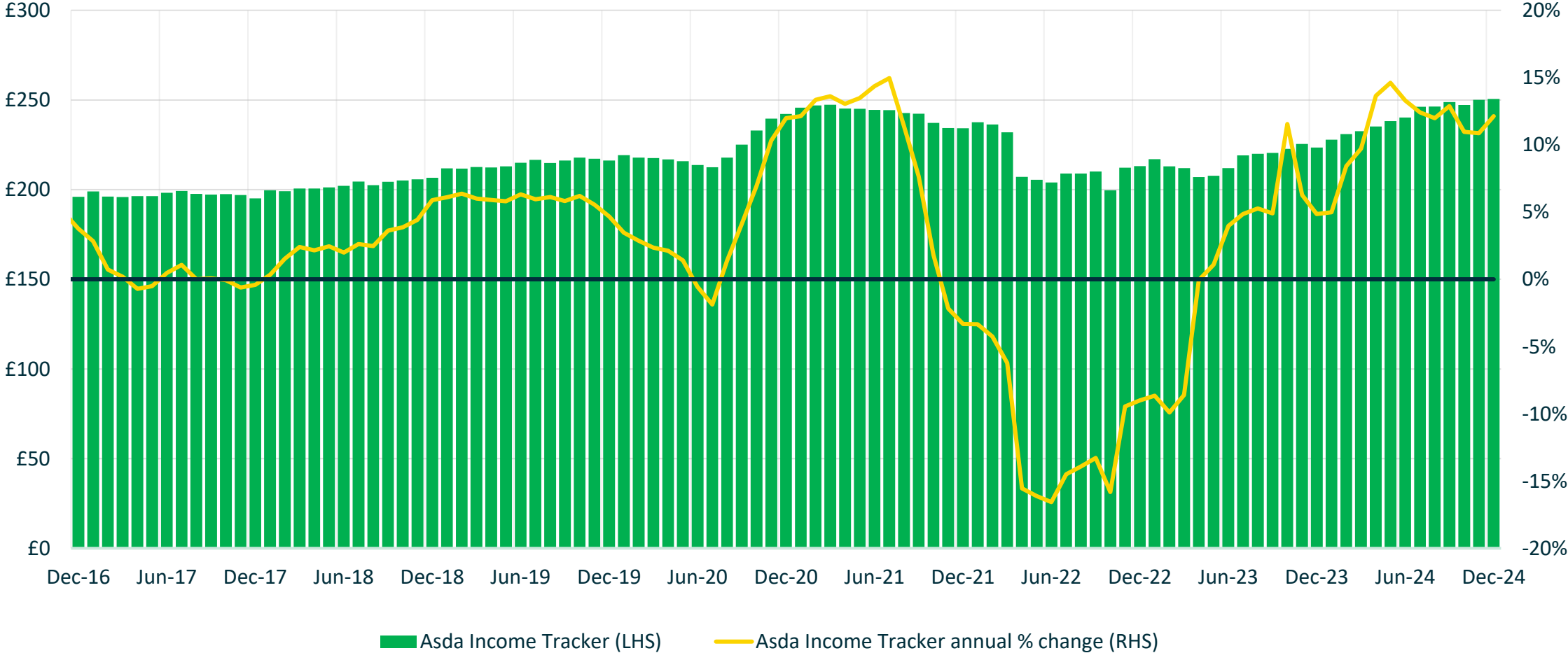


Appendix



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	£247
November 2020	£239	November 2021	£234	November 2022	£213	November 2023	£226	November 2024	£250
December 2020	£242	December 2021	£234	December 2022	£213	December 2023	£224	December 2024	£251
2020 Average	£222	2021 Average	£242	2022 Average	£214	2023 Average	£217	2023 Average	£241



Economist's view

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

“The Income Tracker reached a new high in December, capping off a year of solid growth in spending power. Looking ahead, we expect further improvements to take place in 2025, driven by continued growth in real earnings. This should help to support the wider economy, by encouraging consumption. Despite these positive developments, it should still be noted that spending power is down on pre-cost-of-living crisis levels when considering values in real terms.”

Regional Income Tracker estimates

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

North East	North West	Yorkshire & Humber	East Midlands	West Midlands	East
£160	£219	£208	£217	£196	£269

London	South East	South West	Wales	Scotland	Northern Ireland
£328	£219	£198	£195	£257	£130

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, October 2024

