

Asda Income Tracker

Report : June 2024



Making Business Sense

Centre for Economics and
Business Research Ltd

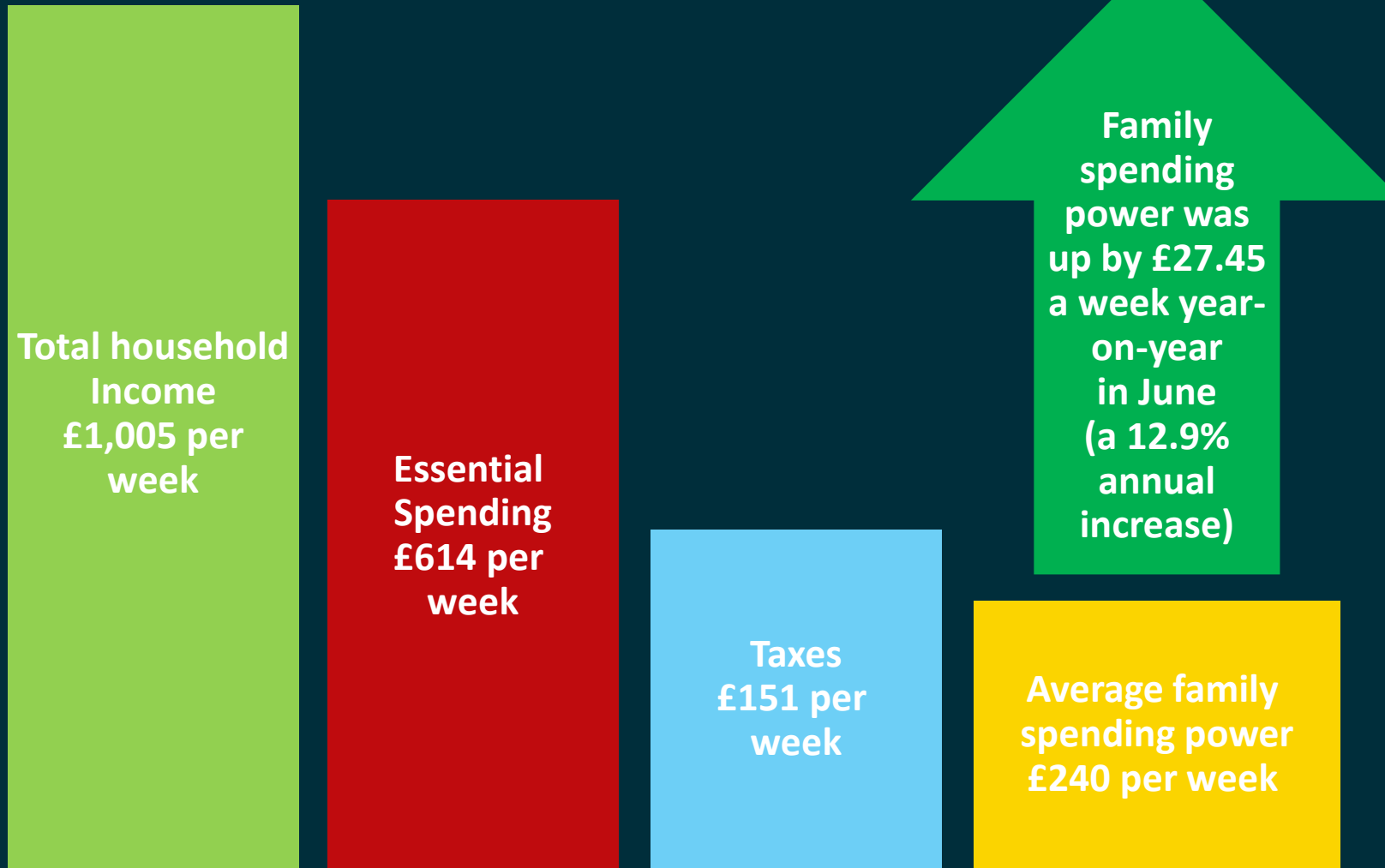
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Asda Income Tracker – Key Figures

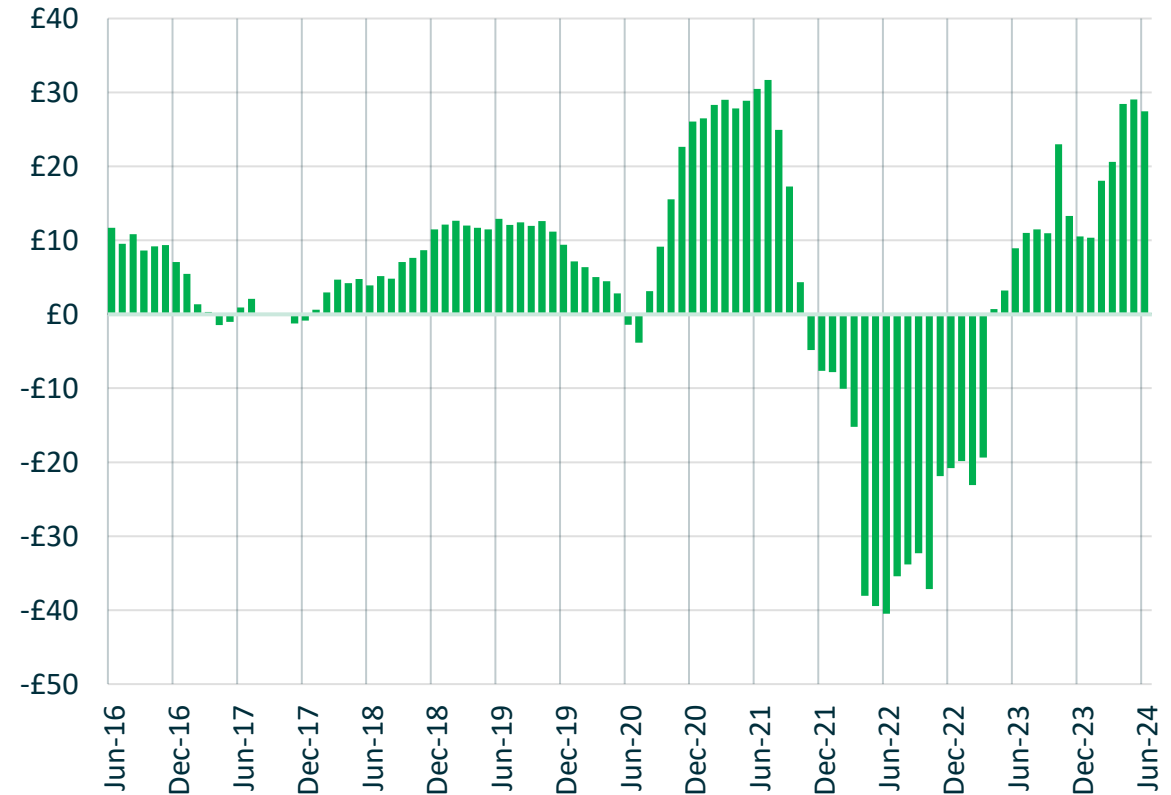


Income Tracker reports slowdown in annual growth

The Asda Income Tracker was £27.45 a week higher in June 2024 than a year before

- The Asda Income Tracker saw annual growth of 12.9% in June 2024, down from 14.0% annual growth in May. Nevertheless, the Income Tracker has recorded double-digit annual growth for three consecutive months.
- The monthly slowdown was largely driven by the slowdown in gross income growth, with inflation remaining unchanged from last month.
- Despite this, gross income growth remains elevated by historical standards, and inflation is at its lowest in almost three years.
- On a month-on-month basis, the Income Tracker increased by £2.73, with average household spending power now standing at £240 per week.
- Looking ahead, while inflation is expected to pick up slightly, it will remain below the rate of earnings growth for some time. As such, annual growth in the Income Tracker can be expected in the coming months.
- Despite continued improvements, discretionary income is still 2.7% below its pre-crisis peak of £246 in March 2021.

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

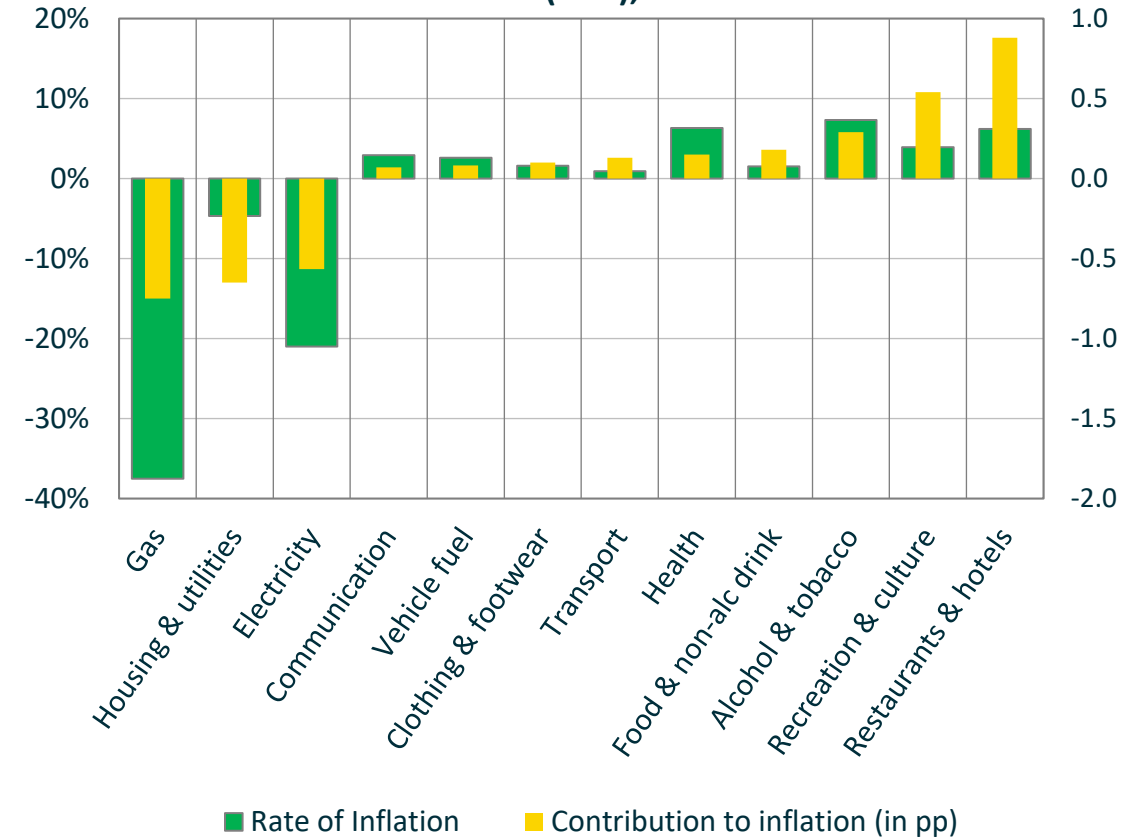


Inflation remains at target for the second consecutive month

The main factors affecting family costs in June were:

- Annual inflation, as measured by the Consumer Prices Index (CPI), remained at 2.0% in June.
- Categories considered as essential spending for households continue to record decelerations. Notably, the clothing and footwear category recorded a sharp slowdown in price growth in June as a result of summer sales. Food and non-alcoholic beverages also continued to record a slowdown, with inflation in June standing at 1.5% in comparison to 17.3% in June 2023, reflecting the easing of the cost-of-living crisis.
- Meanwhile, energy prices remain in deflationary territory, further easing household cost burdens, but the rate of decline has been diminishing since April.
- The restaurants and hotels category was an upward contributor to inflation in June, preventing a further slowdown in the headline rate.
- While inflation is at the target, concerns about price stickiness persist. This is evident from core inflation, which excludes food and energy prices, remaining elevated at 3.5%, unchanged from last month. Similarly, service inflation remains high at 5.7% in June, also unchanged from last month.
- Cebr is forecasting an inflation rate of 2.1% across Q3 2024, reflecting slight upward pressure.

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



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

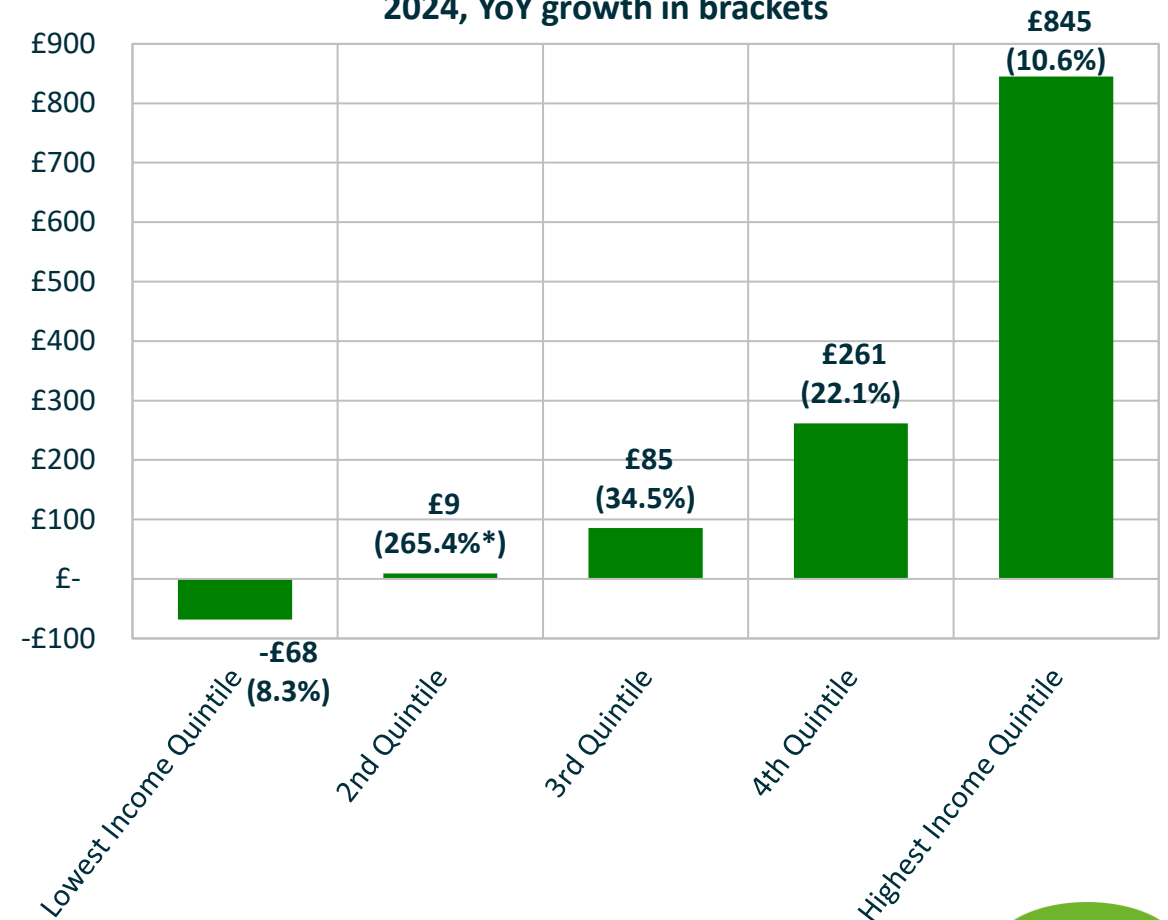


All income quintiles except the second quintile saw a monthly slowdown in spending power growth

Lowest income quintile reverts to single digit growth in spending power

- The monthly slowdowns in spending power growth were driven by the slowdown in gross income growth recorded across all income quintiles. This is reflective of the overall cooling in the labour market.
- Nevertheless, inflation remaining at its lowest level in almost three years helps boost spending power growth. Compared to a year earlier, all income quintiles recorded growth in spending power.
- The third income quintile recorded the strongest growth in spending power in June, at 34.5%. This group has seen the highest spending power growth rate since February. This is likely due to these households benefiting more from gross income growth compared to lower-income quintiles. Further, given that these middle-income earners spend a larger proportion of their income on essential goods compared to higher-income earners they are likely benefitting more from the significant deceleration in inflation compared to the higher income quintiles. The combination of these factors likely explains their strong spending power growth in recent months.
- Nevertheless, the spending power of those in the highest income quintile is almost ten times higher than those in the third income quintile, highlighting the stark income disparity across income groups.

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



*2nd Quintile saw discretionary income rise from -£5 to £9 over the past year, explaining the anomalous annual growth rate.

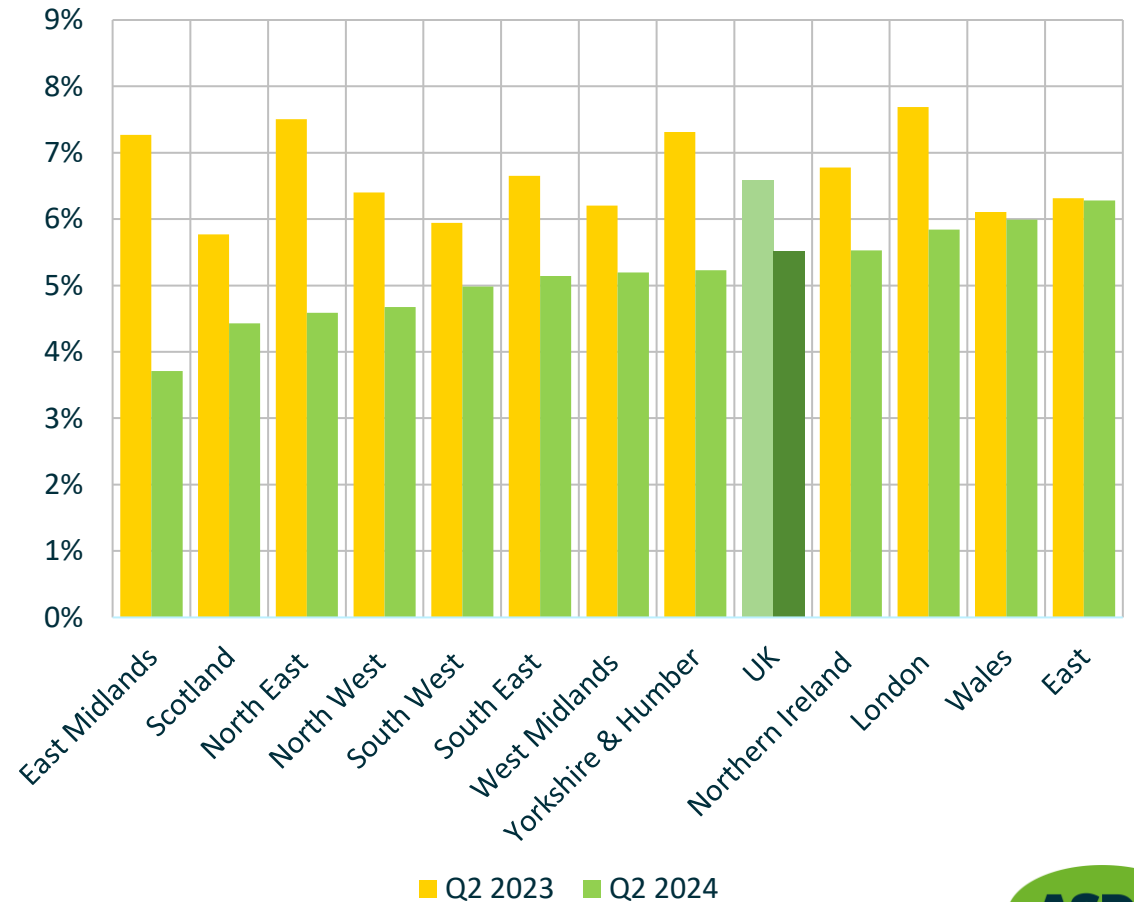


All but one region recorded an easing in gross income growth compared to a year ago

UK-wide annual gross income growth stood at 5.5% in Q2 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 4.4% during the three months leading up to May, 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 for some time.
- The fastest rate of gross income growth in Q2 2024 was recorded amongst households in the East of England, at 6.3%. This was closely followed by households in Wales, at 6.0%. The improvement in Wales is likely because of the uplift in the National Living Wage which would have been particularly beneficial for this region given its typically lower-earning households.
- Meanwhile, East Midlands record the slowest rate of earnings growth, at 3.7%.
- Compared to a year prior, all regions except the East recorded a slow down in gross income growth.

Regional gross income, annual change to quarter indicated

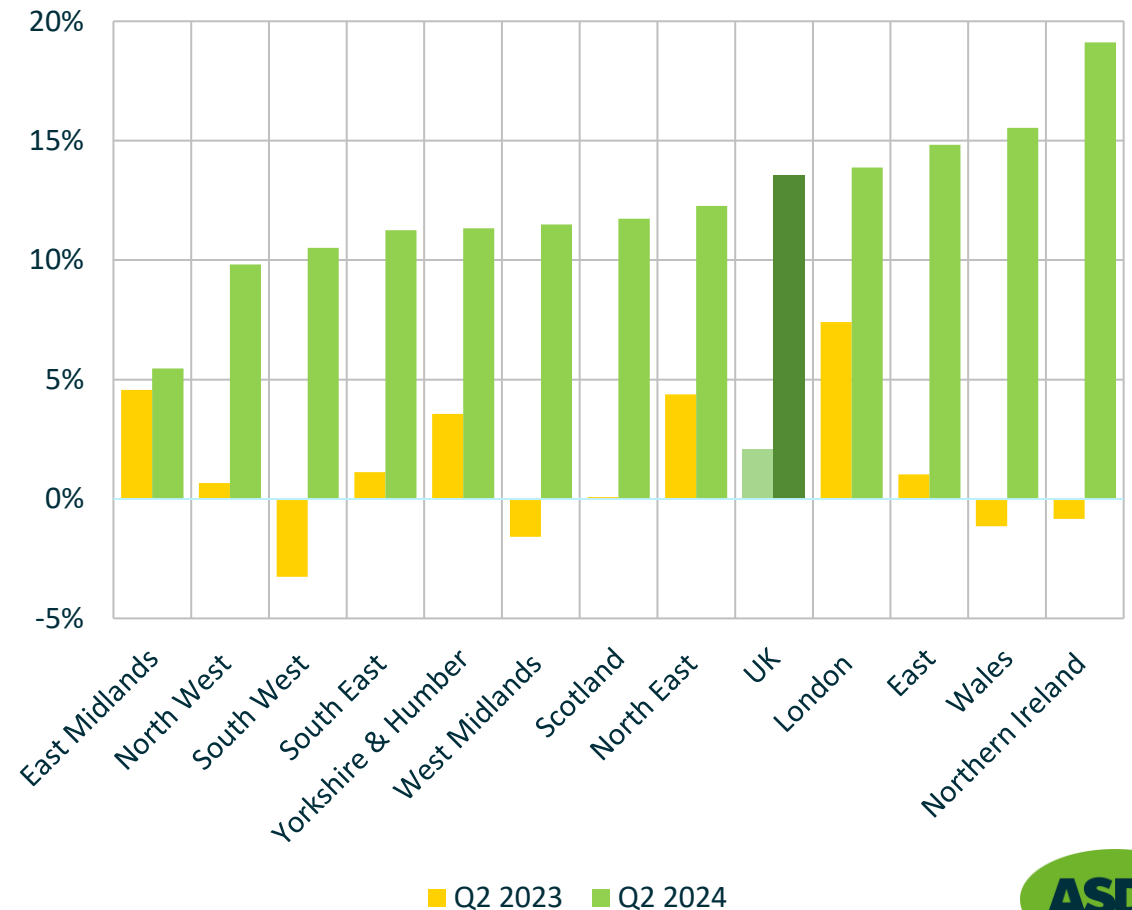


All regions except the East Midlands and the North West record double-digit growth in spending power

UK-wide Income Tracker grew by 13.5% on the year in Q2 2024

- The UK-wide Income Tracker recorded its strongest quarterly growth since Q2 2021.
- This development is driven by the sharp slowdown in inflation, easing financial pressure on UK households. All regions now report slower growth in the cost of essential goods, with single-digit growth in essential spending compared to the double-digit growth recorded a year ago.
- Northern Ireland led the way, with annual growth in spending power amounting to 19.1%. This improvement is due to a base effect where spending power in Q2 2023 was only at £99 per week. This region has recorded double-digit spending power growth for the first time since Q2 2021. The East Midlands recorded the slowest growth amounting to 5.5%.
- When comparing annual growth rates in Q2 2024 to those observed in Q1 2024, all regions recorded an uptick.
- Despite gross income growth slowing down from the previous quarter for all but two regions, the slowdown in the cost of essential spending outweighed this, resulting in the improvement in spending power.

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

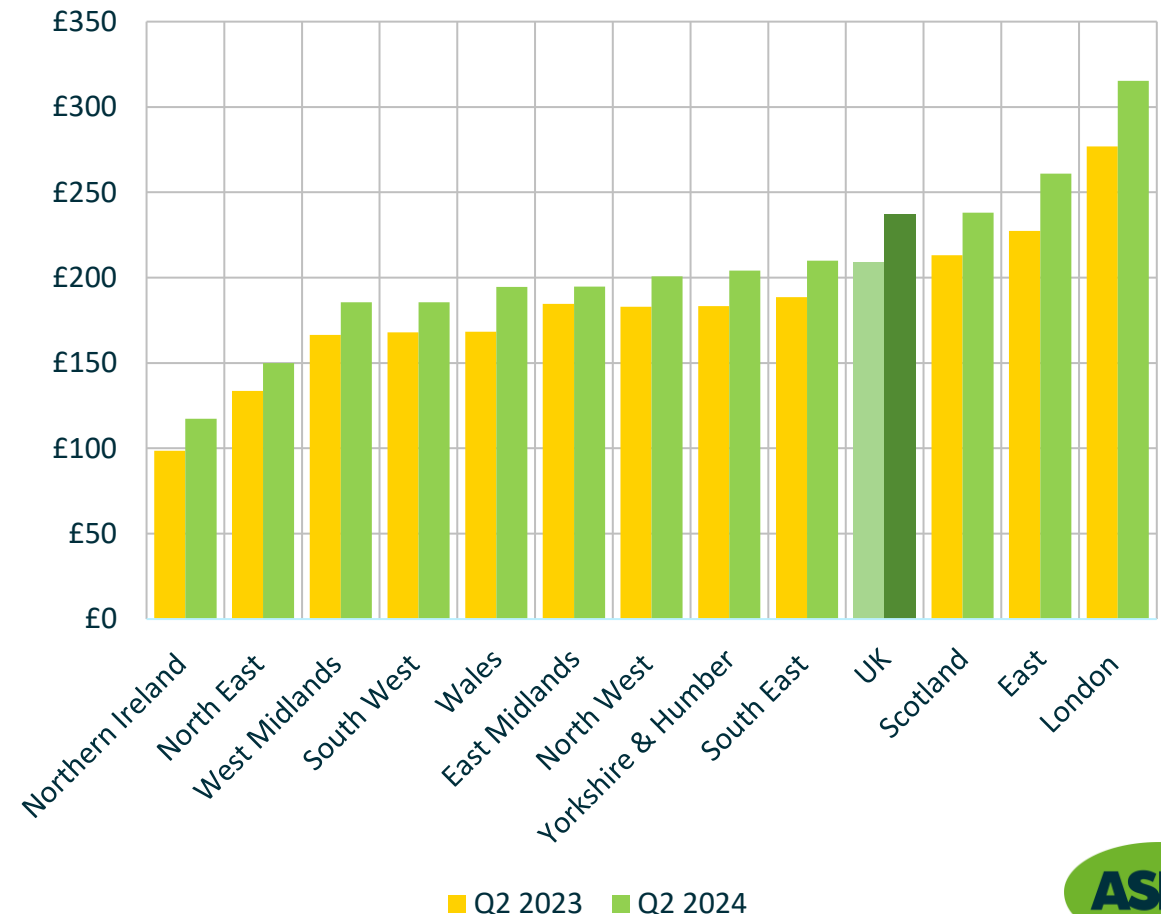


London is the sole region where spending power has surpassed pre-crisis peak levels

UK-wide weekly family spending power averaged £237 in Q2 2024

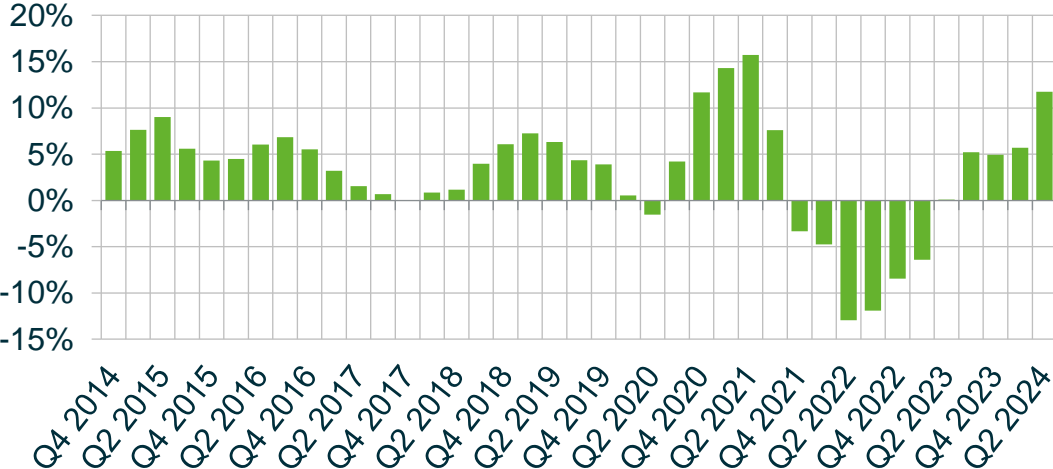
- Despite continued growth in spending power, it still remains below the pre-crisis peak at the aggregate level.
- However, spending power in London is now 3.0% above its pre-pandemic peak. Meanwhile, spending power in all other regions continues to linger below their respective pre-crisis peak levels.
- Northern Ireland recorded the weakest spending power at £117 per week despite recording the strongest annual growth. London recorded the strongest spending power at £351 per week.
- The discrepancy in spending power between Northern Ireland and London is £198 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 Q2 at £238 and £261 per week, respectively.

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



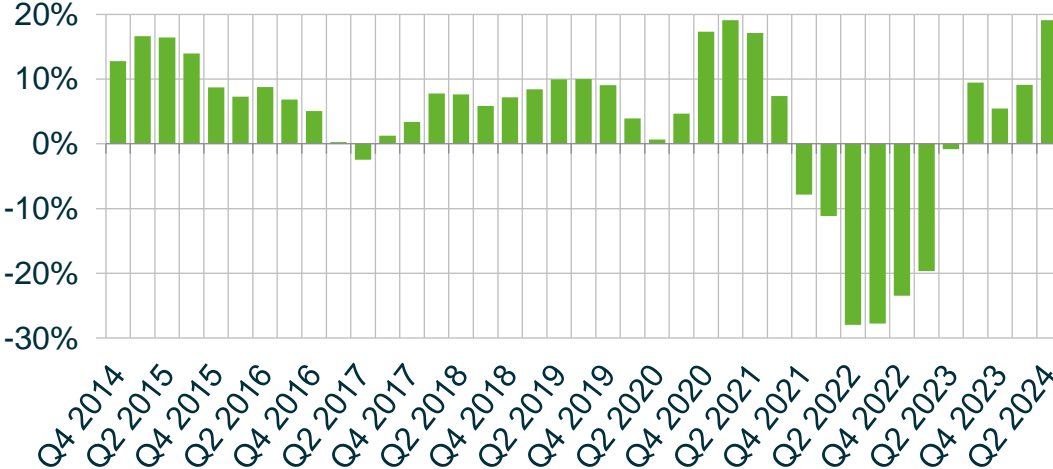
Focus on Scotland and Northern Ireland

Annual % change in discretionary incomes, Scotland



- The Income Tracker shows that weekly discretionary income in Scotland was up by 11.7% on the year in Q2 2024. This is the strongest growth since Q2 2021.
- On a quarter-on-quarter basis, the Income Tracker increased by £5, bringing the average household spending power for Scotland to £238 per week. However annual gross income growth in the region fell on quarter-on-quarter basis and stood below the UK average.
- Discretionary income in Scotland remains 3.8% below its peak observed in Q1 2021.

Annual % change in discretionary incomes, Northern Ireland

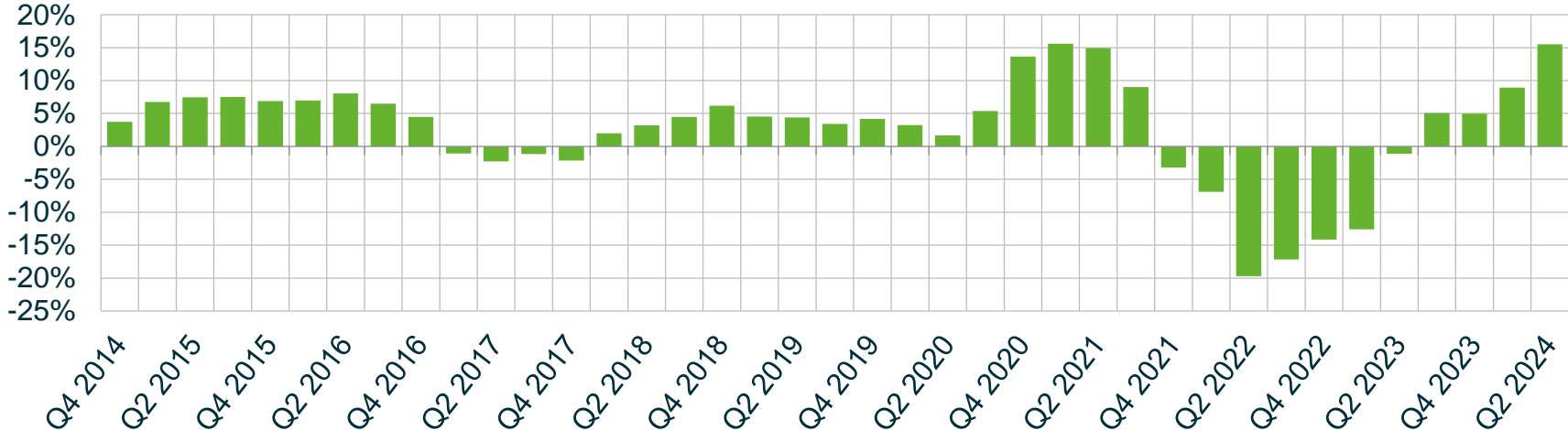


- The Income Tracker shows that weekly discretionary income in Northern Ireland was up by 19.1% on the year in Q2 2024. This was the strongest growth across all regions.
- On a quarter-on-quarter basis, the Income Tracker increased by £5, bringing the average household spending power for Northern Ireland to £117 per week.
- Discretionary income in Northern Ireland remains 18.8% below its peak observed before the cost-of-living crisis in Q1 2021. This difference is the largest 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 15.5% on the year in Q2 2024.
- On a quarter-on-quarter basis, the Income Tracker increased by £5, bringing the average household spending power for Wales to £195 per week across the quarter.
- In Q2 2024, Wales saw the second-strongest annual growth in both gross income and spending power across all regions. This increase is likely attributable to the uplift in the National Living Wage, which has been particularly advantageous for the region due to its generally lower-earning households.
- However, discretionary income remains 9.0% below its peak observed in Q1 2021.

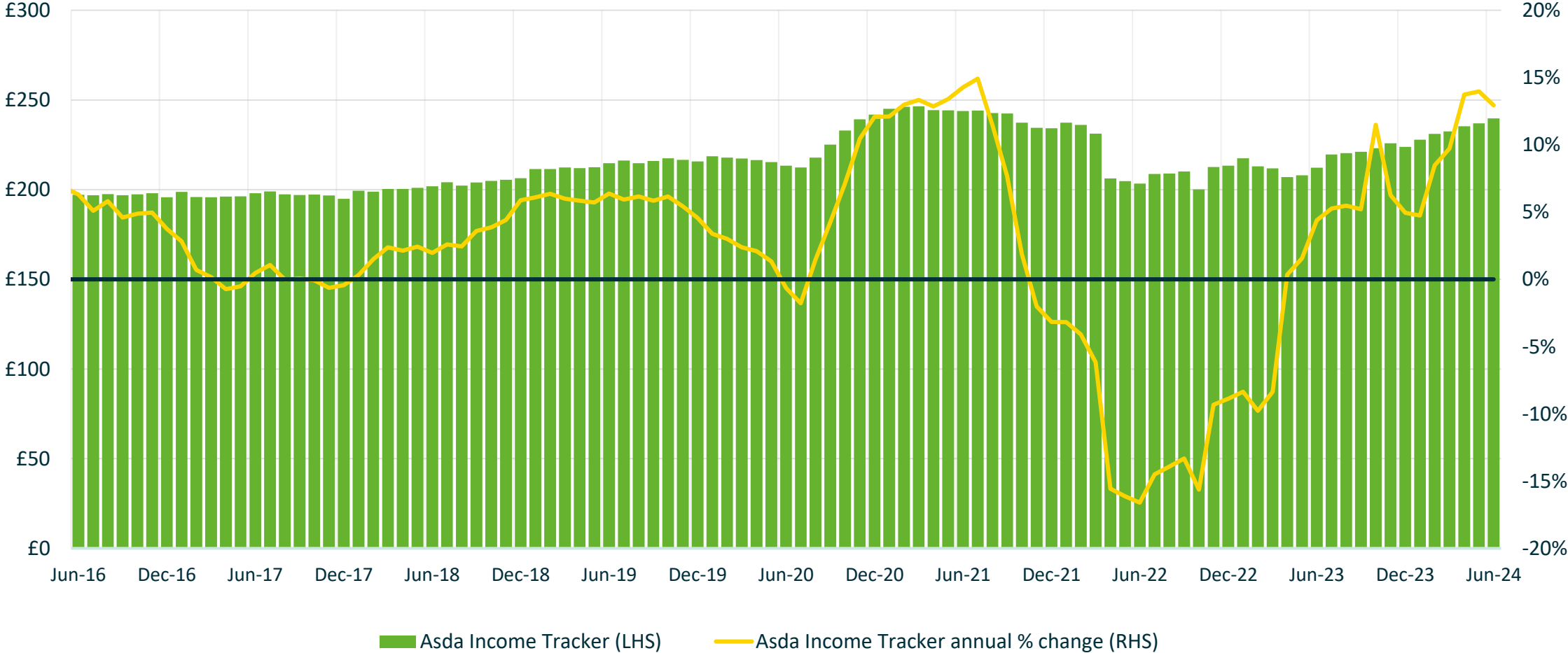


Appendix



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	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	£237
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		
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:

“A second consecutive month of inflation being at target has helped to support household spending power, given that earnings growth is significantly stronger. Though inflation may pick up slightly in the coming months, it is still expected to fall short of income growth for some time. This means that improvements in spending power are set to continue, supporting consumption and the wider economy.”

Regional Income Tracker estimates

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

North East	North West	Yorkshire & Humber	East Midlands	West Midlands	East
£149	£200	£206	£197	£187	£264

London	South East	South West	Wales	Scotland	Northern Ireland
£319	£214	£188	£196	£243	£119

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, July 2024

