

ASDA

ASDA INCOME TRACKER

Report : May 2024



Making Business Sense

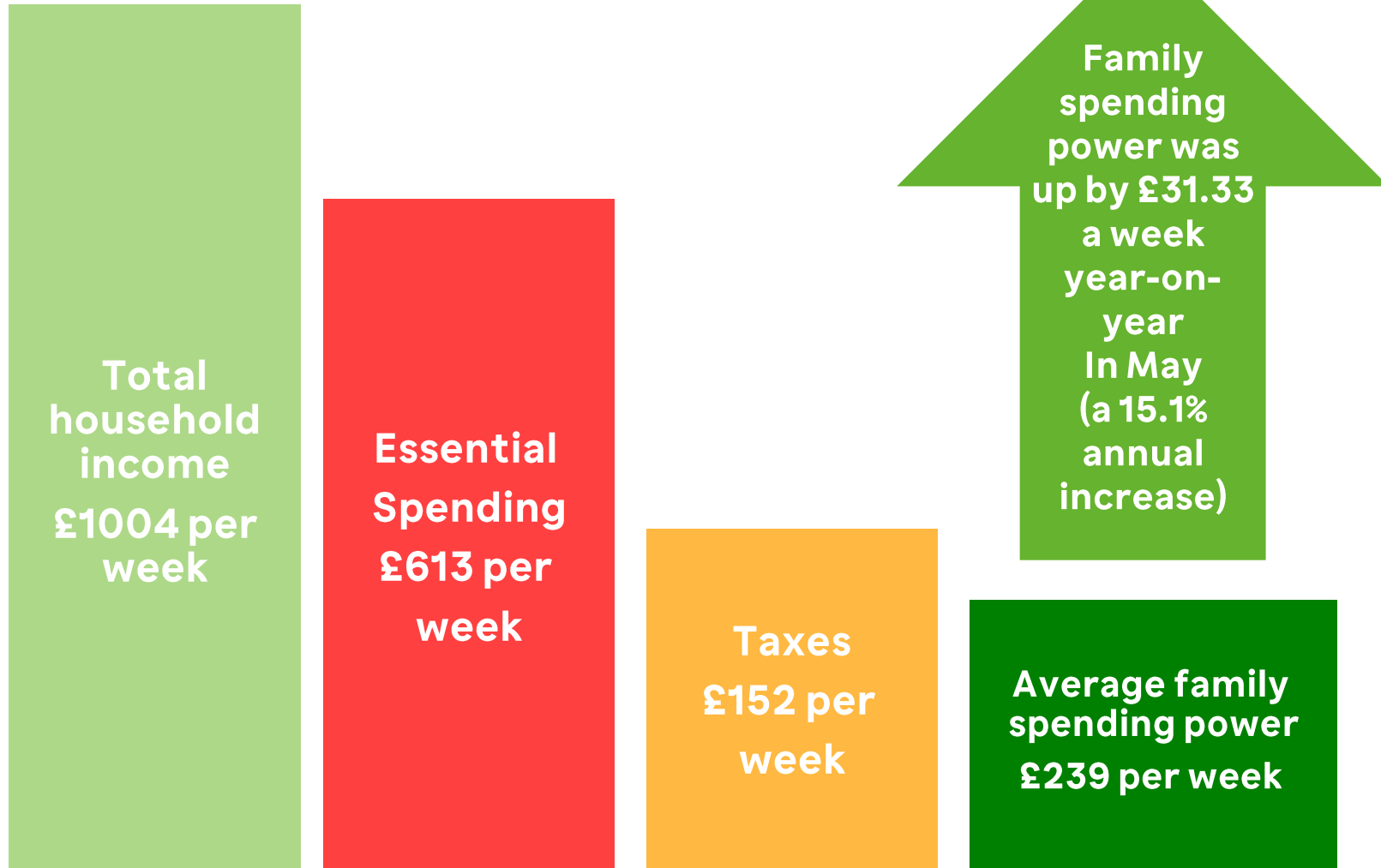
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Asda Income Tracker - Key Figures

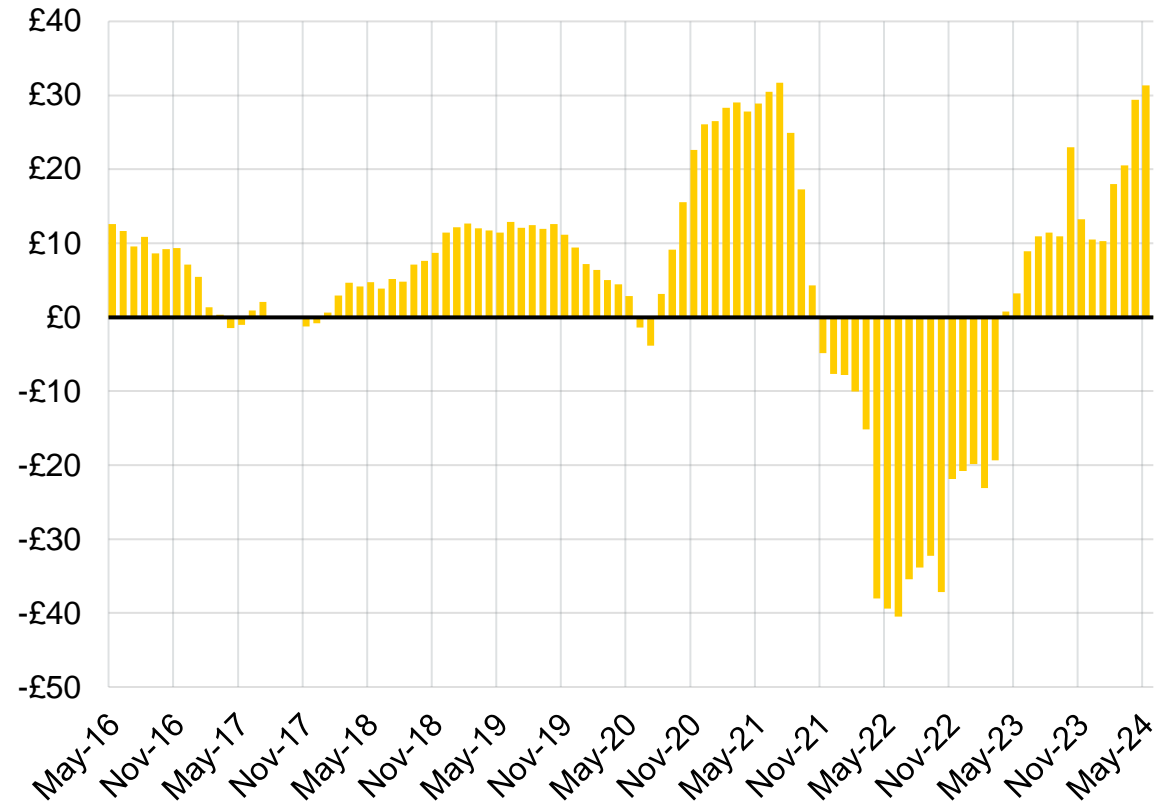


Income Tracker continues to record double-digit growth rates

The Asda Income Tracker was £31.33 a week higher in May 2024 than a year before

- The Asda Income Tracker saw annual growth of 15.1% in May 2024. The Income Tracker has now recorded double-digit annual growth for two consecutive months.
- The improvement in the tracker continues to be driven by the deceleration in inflation. Notably, inflation reached the Bank of England's (BoE) 2.0% target for the first time in over two years in May. Complementing this slowdown in consumer price levels is strong gross income growth, amounting to 5.9% in May.
- On a month-on-month basis, the Income Tracker increased by £2.93. Average household spending power now stands at £239 per week, its highest level since September 2021.
- Looking ahead, while inflation is expected to pick up slightly, it will nevertheless remain close to the target rate of 2.0% for the remainder of Q2.
- Despite the continued improvements, discretionary income is still 2.9% below its pre-crisis peak of £246 in March 2021.

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

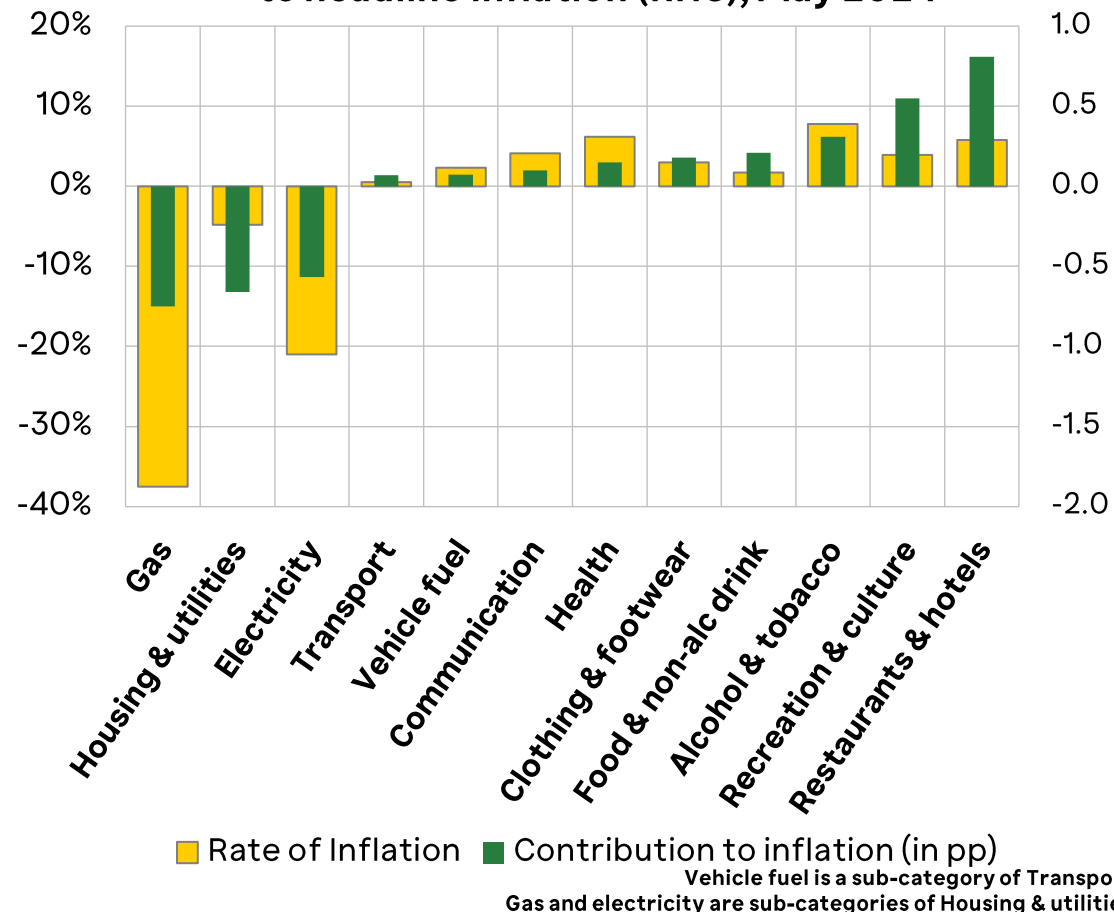


Inflation reached the BoE's target for the first time in more than two years

The main factors affecting family costs in May were:

- Annual inflation, as measured by the Consumer Prices Index (CPI), stood at 2.0% in May, reaching the BoE's target for the first time since July 2021.
- May's deceleration was driven by categories that feature heavily in the household basket of goods. Notably, annual growth in the food and non-alcoholic beverages, alcoholic beverages, and clothing and footwear categories recorded strong slowdowns.
- However, the transport category recorded annual inflation of 0.5% in May, continuing a trend in annual price growth in this category seen in the two months prior, following a period of annual deflation from November to February. This return to a higher inflation rate in May was driven by rising petrol and diesel prices.
- Core inflation, which excludes food and energy prices, eased to 3.5%, though it remains elevated. Similarly, service inflation remains high at 5.7% in May. Both figures reflect the robust wage growth environment in the UK, which may prevent a sustained deceleration in inflation.
- Indeed, Cebr expects inflation to slightly pick up in the coming months. However, the rate is expected to remain close to the BoE's 2.0% target for the remainder of Q2.

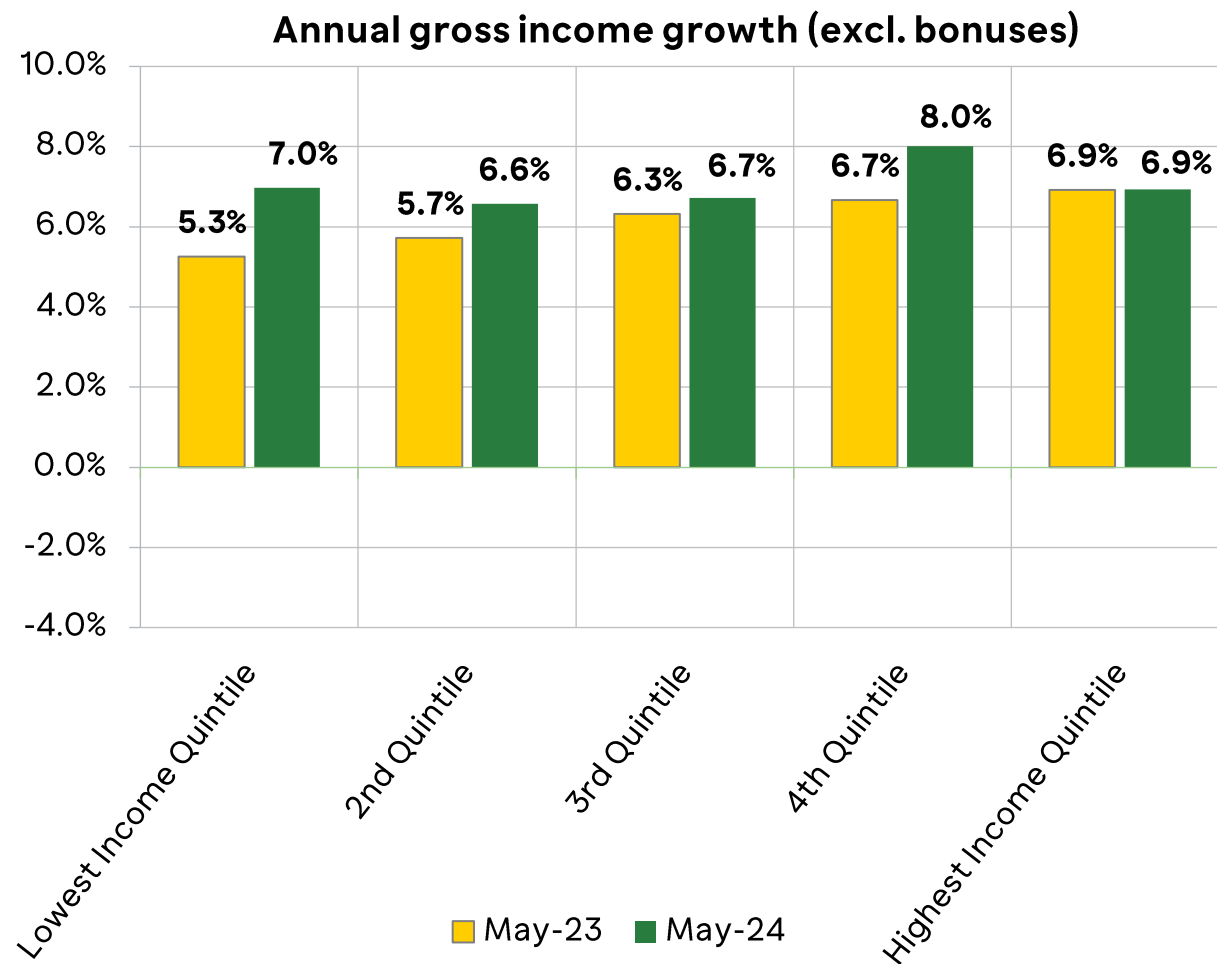
Inflation of selected goods, annual rate (LHS) and contribution to headline inflation (RHS), May 2024



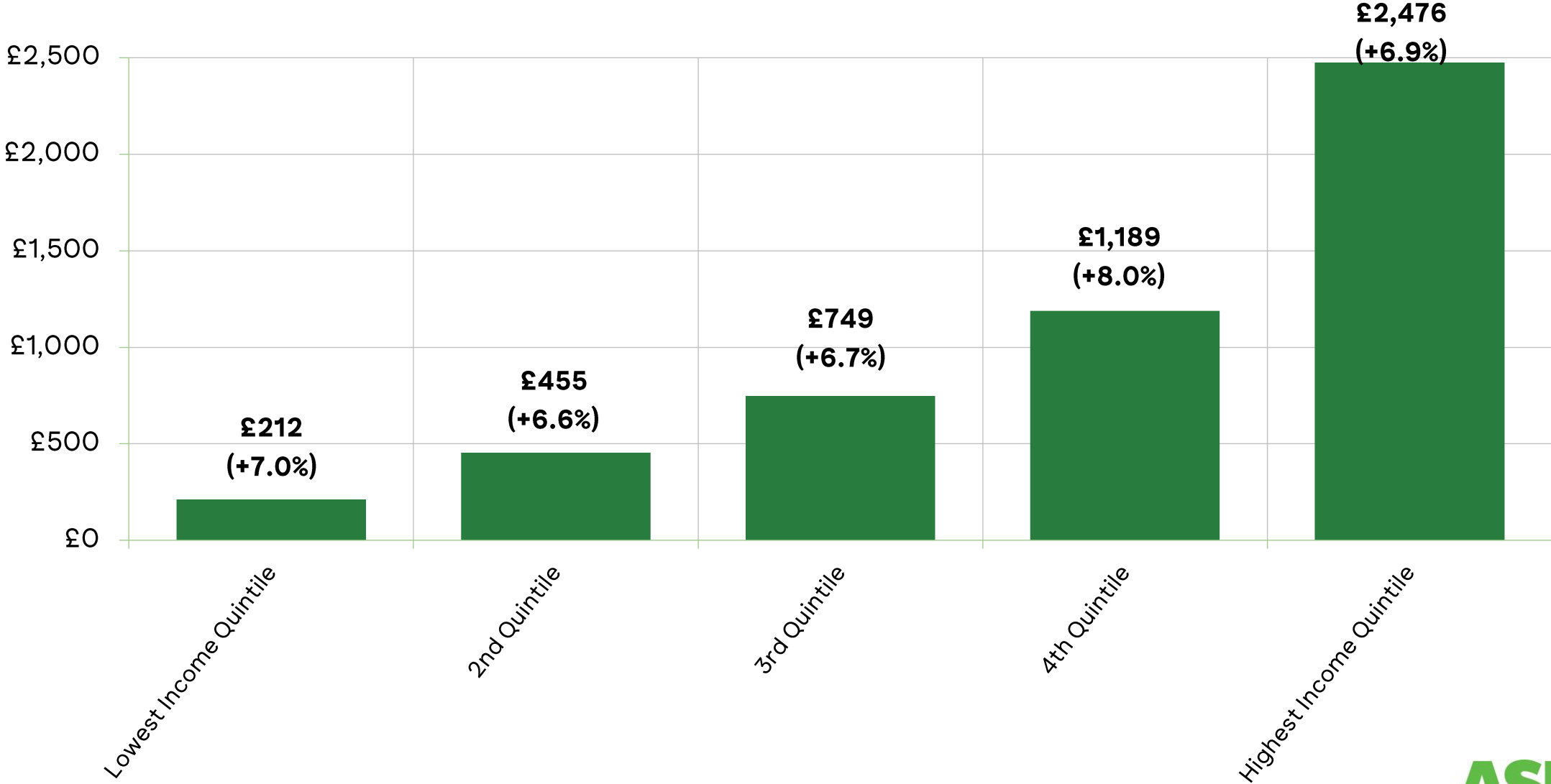
The bottom two quintiles record monthly uptick in annual gross income growth

Compared to a year prior, all but the highest income quintile saw an acceleration in annual income growth

- The lowest income quintile also saw the strongest improvement in annual gross income growth compared to a year prior, recording a 1.7 percentage point increase. This group also recorded a stronger growth rate than the highest income quintile this month.
- On a monthly basis, only the bottom two income quintiles recorded an uptick in annual gross income growth. A key contributor to this development is likely the uplift in the National Living Wage, which would have benefited these groups the most.
- On the other hand, annual gross income growth stagnated on a month-on-month basis for the third- and fourth-income quintiles. The highest income quintile, which has maintained a gross income growth rate of 7.0% since January 2024, saw annual gross income growth slightly to 6.9% in May. Nevertheless, gross income growth for these groups remains at historic highs.



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

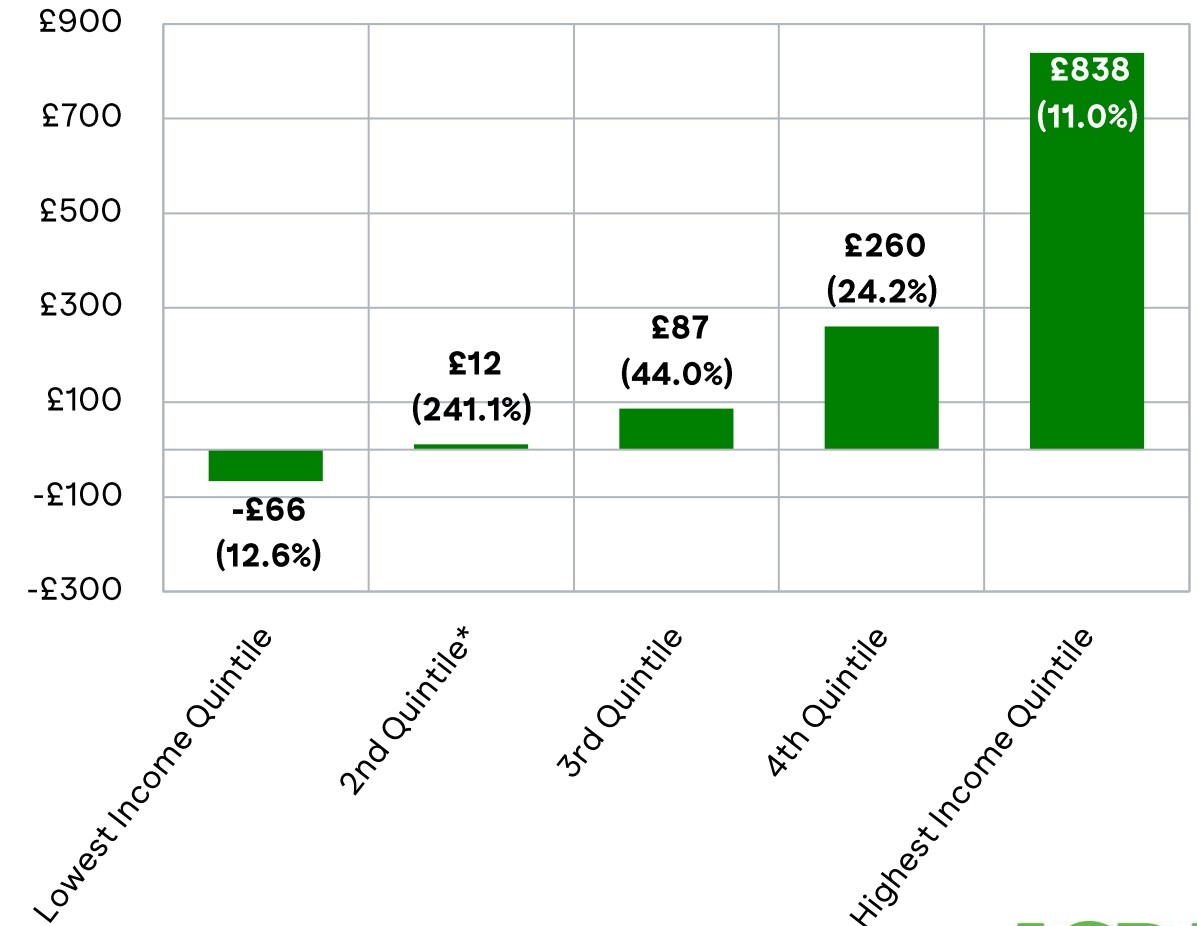


All income quintiles record monthly improvement in annual growth in spending power

Lowest income quintile records second consecutive month of double-digit growth in spending power

- The bottom quintile recorded the strongest annual growth in spending power since July 2021. However, despite this improvement, discretionary income for this group remains in negative territory, indicating that on average, their net income is insufficient to cover essential spending.
- Meanwhile, the second income quintile recorded its highest absolute value for spending power since March 2022. This group now records double-digit spending power, at £12 per week.
- The third income quintile recorded the strongest non-anomalous growth in spending power across quintiles, amounting to 44.0%. However, spending power for this quintile still falls short of the pre-cost-of-living peak of £120 per week recorded in March 2021.
- The upper two quintiles are the only groups to exceed their pre-cost-of-living peaks.

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



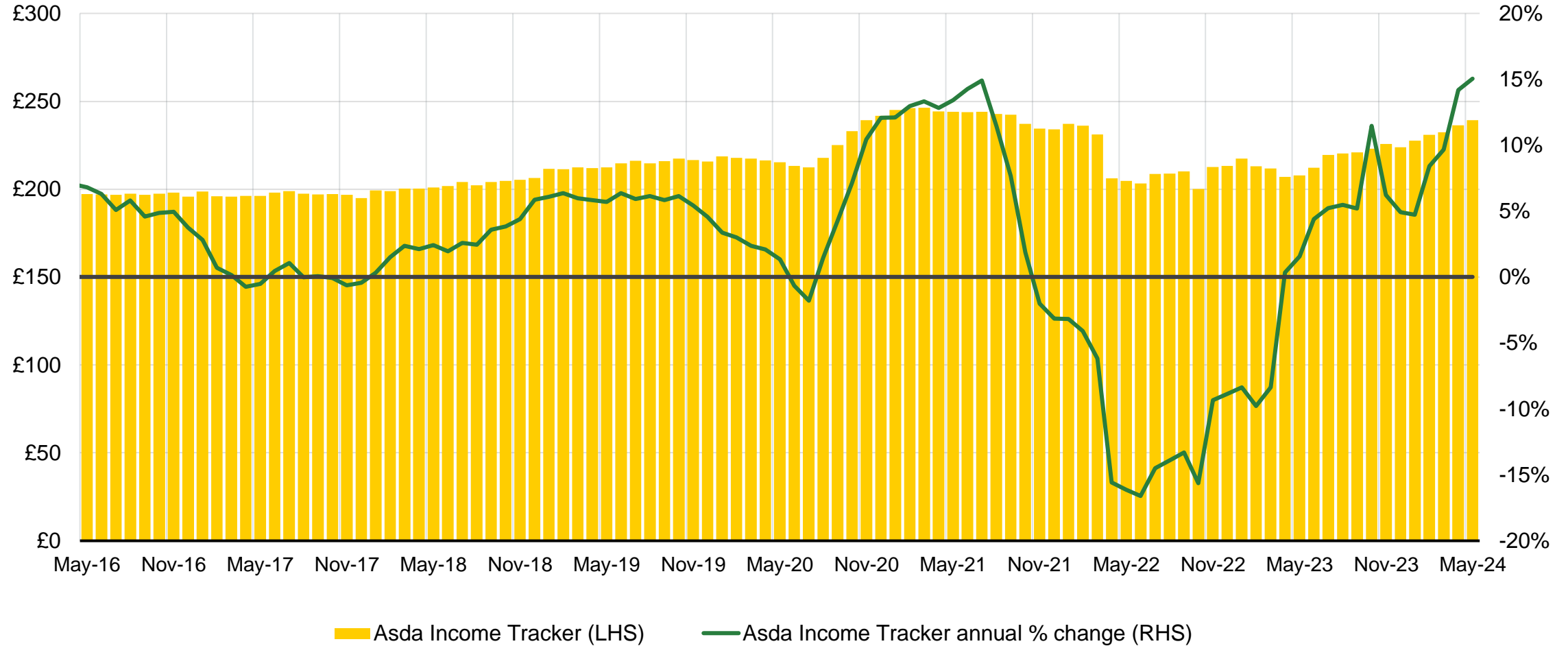
*2nd Quintile saw discretionary income rise from -£8 to £12 over the past year, explaining the anomalous annual growth rate.



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 | £232 |
| April 2020 | £216 | April 2021 | £244 | April 2022 | £206 | April 2023 | £207 | April 2024 | £236 |
| May 2020 | £215 | May 2021 | £244 | May 2022 | £205 | May 2023 | £208 | May 2024 | £239 |
| 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, Pushpin Singh, Senior Economist at Cebr, said:

“The Income Tracker continues to improve, with discretionary income increasing to £239 per week. This improvement continues to be driven by several factors, not least elevated nominal earnings growth, easing inflation, the uplift in the National Living Wage, and tax policy changes. Cebr anticipates spending power to see further improvements in 2024, bolstered by the relatively strong growth momentum seen in Q1 2024.”

Regional Income Tracker estimates

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

| North East | North West | Yorkshire & Humber | East Midlands | West Midlands | East |
|------------|------------|--------------------|---------------|---------------|------|
| £156 | £203 | £208 | £196 | £189 | £263 |

| London | South East | South West | Wales | Scotland | Northern Ireland |
|--------|------------|------------|-------|----------|------------------|
| £318 | £212 | £198 | £201 | £240 | £118 |

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, June 2024

