

ASDA

Asda Income Tracker

Report : February 2024



Making Business Sense

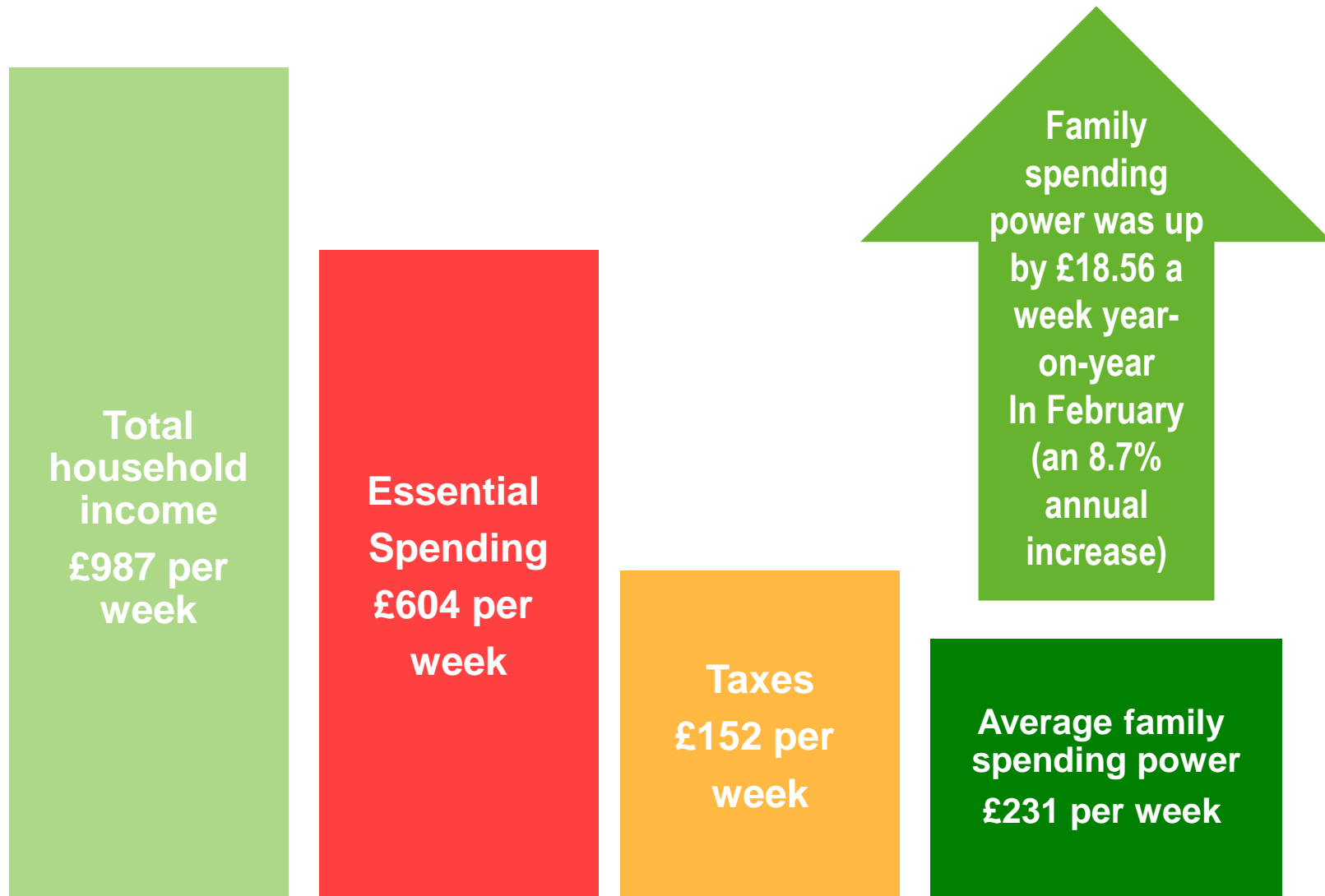
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Asda Income Tracker - Key Figures

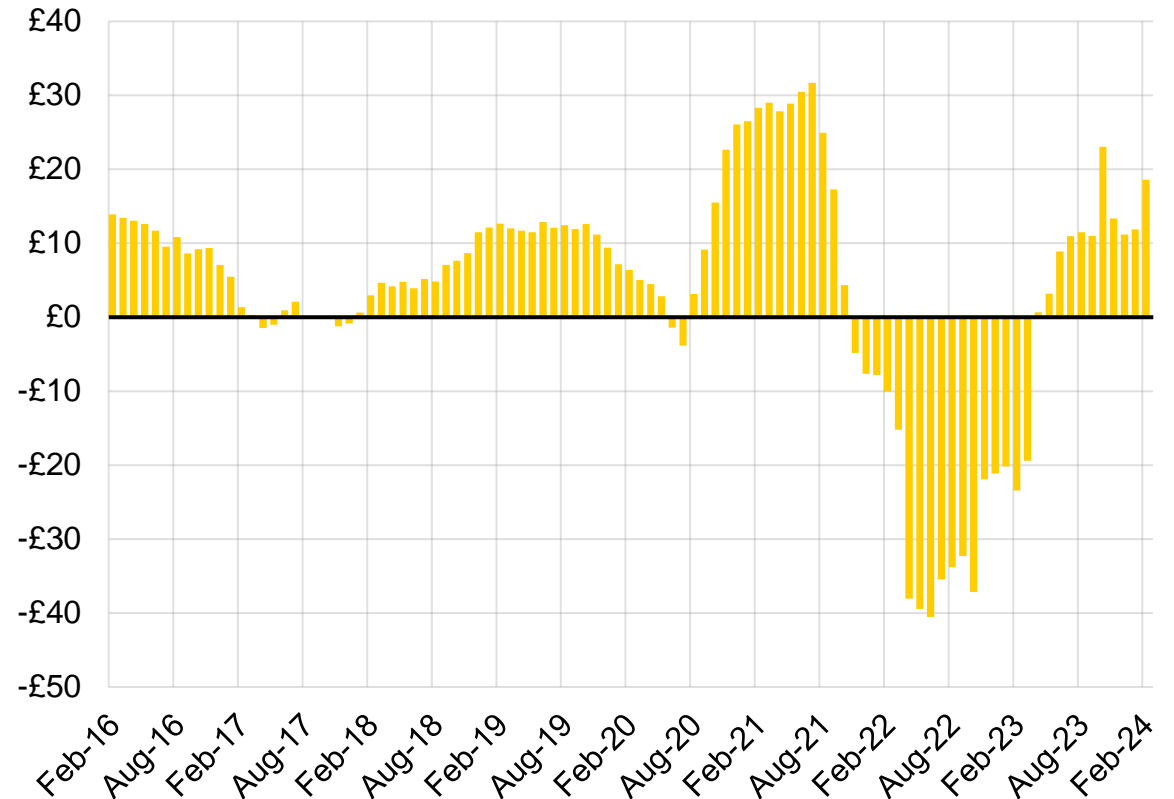


Income Tracker records strong growth in February driven by sharp slowdown in inflation

The Asda Income Tracker was £18.56 a week higher in February 2024 than a year before

- The Asda Income Tracker saw annual growth of 8.7% in February 2024. The Income Tracker has now recorded annual growth for eleven consecutive months.
- With the exception of October 2023, when improvement was driven by significant base effects, this represents the strongest annual growth since August 2021.
- The improvement was driven by a continued increase in gross income growth and weaker growth in the cost of essential spending.
- On a month-on-month basis, the Income Tracker increased by £2. Average household spending power now stands at £231 per week.
- Upcoming policy changes, including the reduction to National Insurance Contribution rates, uplifts to pension payments, social securities, and the National Living Wage, and the fall in the Ofgem price cap are expected to further boost household spending power in the coming months.
- Despite these positive trends, discretionary income remains 6.2% below its pre-crisis peak. However, the sustained increase in the Income Tracker since April 2023 signals a steady recovery.

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

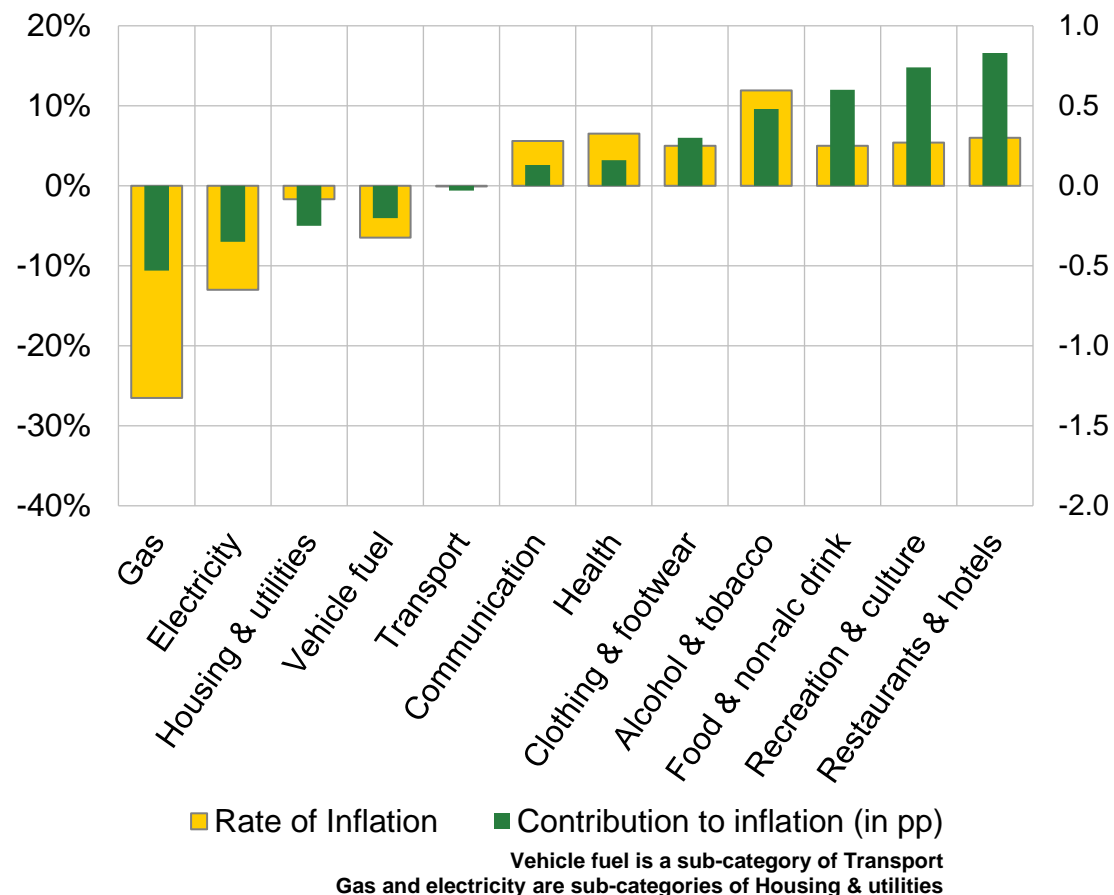


Inflation slowed sharply in February, driven by food prices

The main factors affecting family costs in February were:

- Annual inflation, as measured by the Consumer Prices Index (CPI), stood at 3.4% in February. This is the lowest rate since September 2021.
- Core inflation dropped to 4.5% after remaining unchanged at 5.1% for three consecutive months.
- Food and non-alcoholic beverages, a significant component of household expenditure and one of the largest contributors to inflation recently, has experienced decelerating price growth since April 2023. This trend continued into February, with inflation for this category standing at 5.0%.
- Several other categories of household spending, such as clothing and footwear, furniture, household equipment and maintenance, communications, and health also recorded monthly decelerations.
- The Ofgem price cap will fall sharply in April, which will further exert downward pressure on inflation.
- Cebr continues to anticipate a general deceleration in price growth throughout 2024, with the inflation rate to fall below the 2.0% for the first time in three years during Q2 2024.

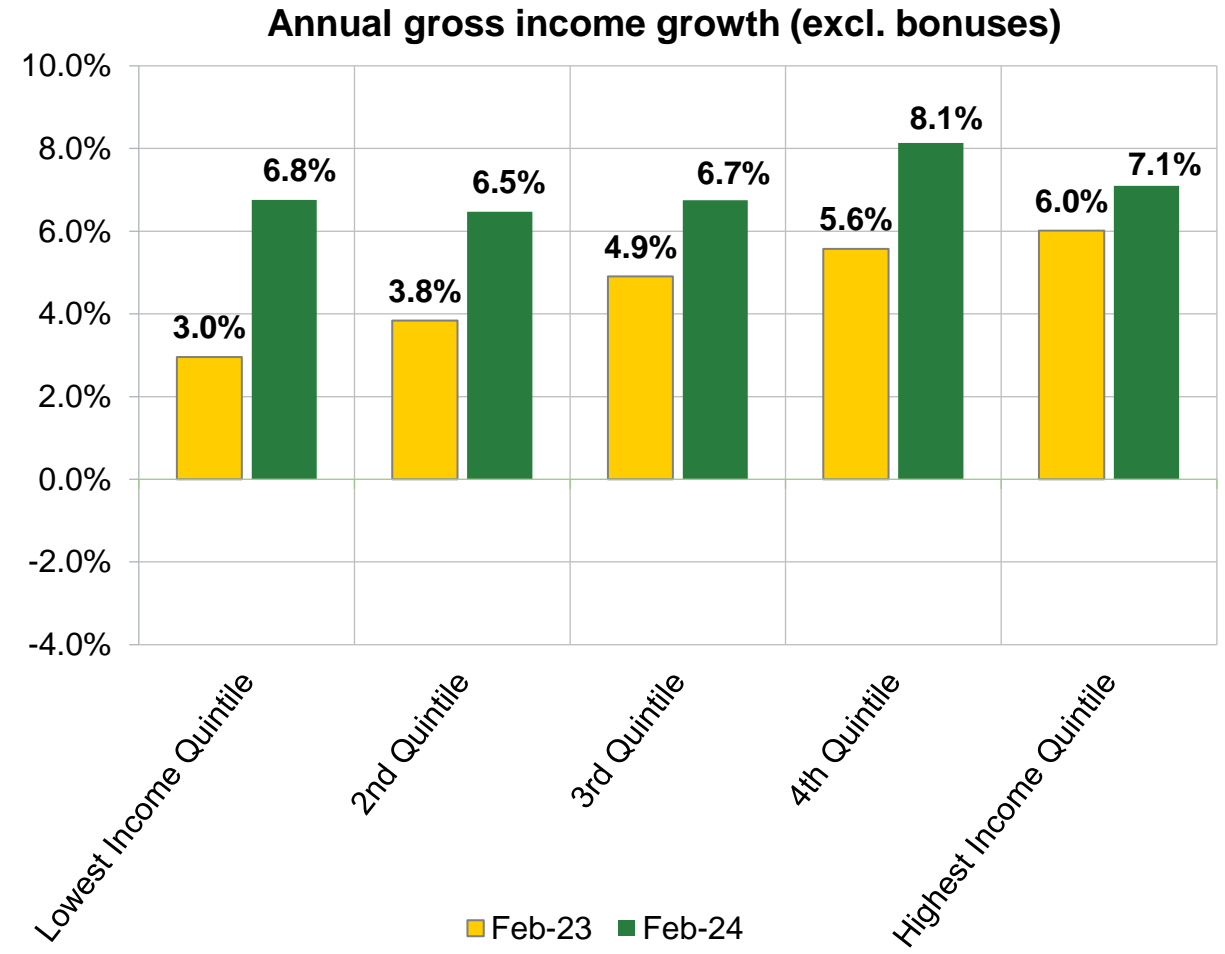
Inflation of selected goods, annual rate (LHS) and contribution to headline inflation (RHS), February 2024



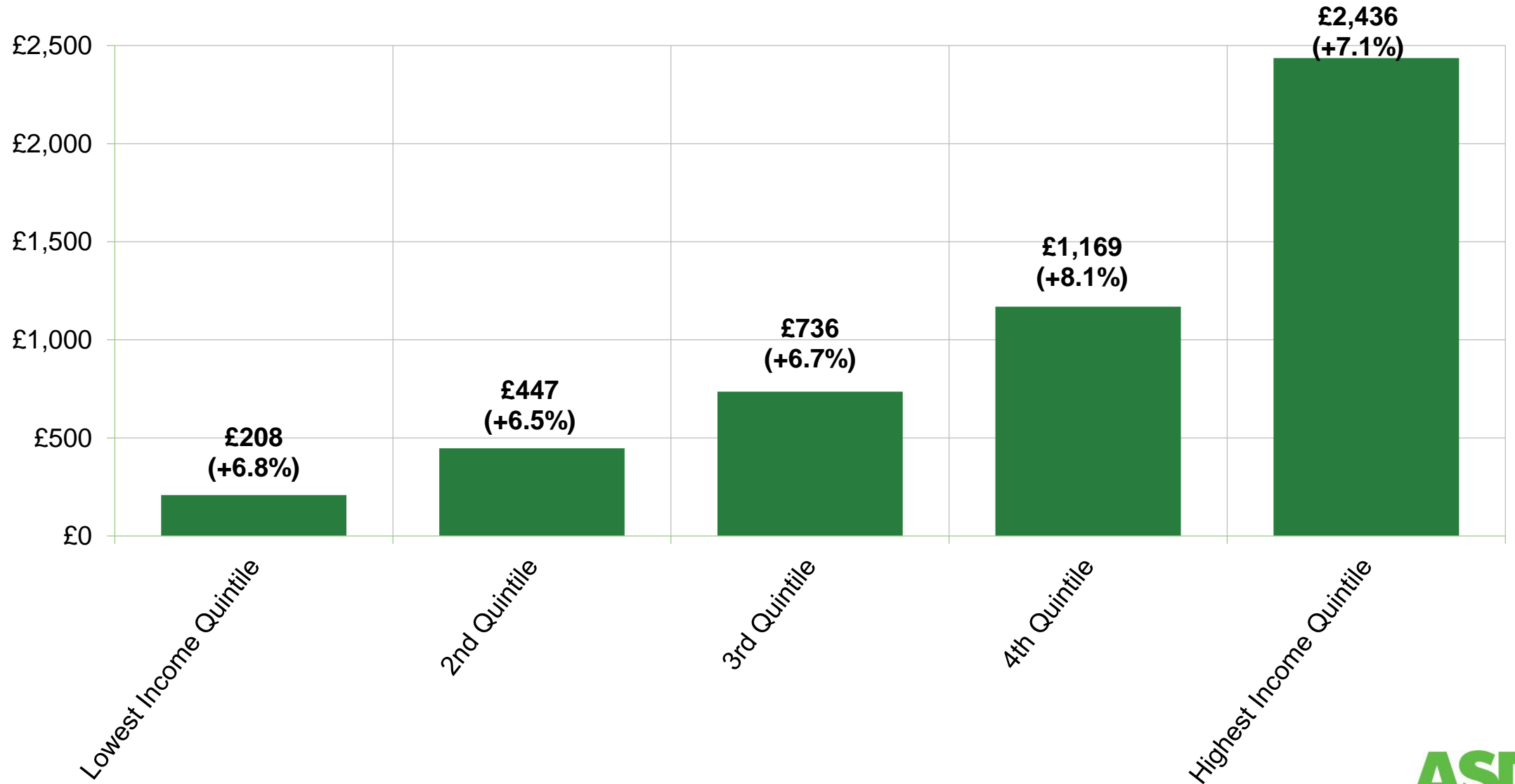
Annual growth in gross income picks up on the month for all but the highest income quintile

Compared to a year prior, all income quintiles saw accelerated income growth

- All income quintiles experienced annual growth in gross income in February.
- Despite an overall easing in nominal wage growth, growth in gross income picked up on the month for all income quintiles except the highest. This quintile has now recorded a slowdown in the growth rate of gross income for five consecutive months.
- The bottom two quintiles saw some of their strongest gross income growth rates in recent times. The lowest income quintile recorded its fastest growth since April 2021, while the second quintile recorded its strongest growth since August 2004.
- These quintiles are the most likely to be supported by the upcoming National Living Wage uplift, which will further improve gross income growth in the coming months.
- However, the top income quintiles still recorded the strongest gross income growth rates, with those in the fourth quintile experiencing growth of 8.1% and the highest income quintile recording growth of 7.1%.



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

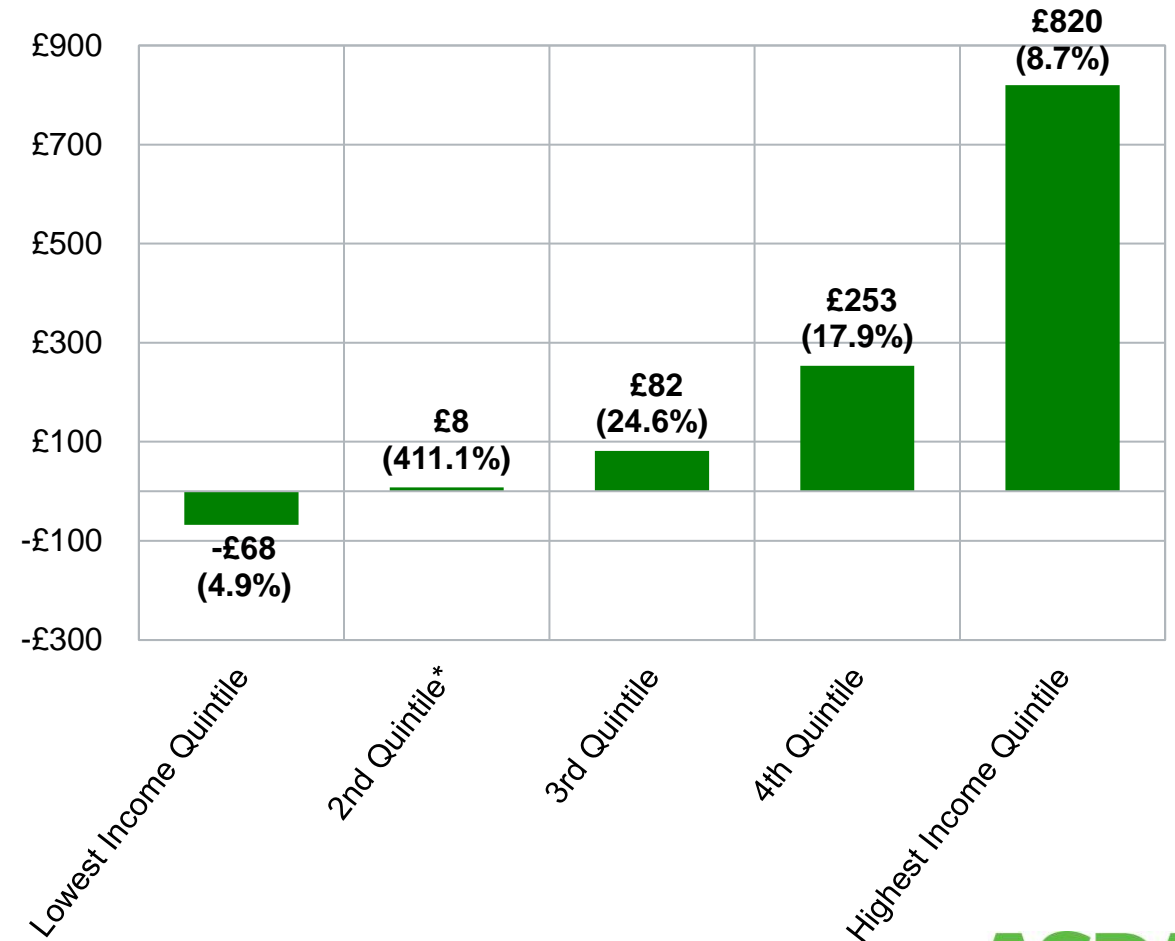


Bottom income quintile records annual growth in spending power for the first time since August 2021

Spending power falls below peak levels observed before cost-of-living crisis for all but the highest income quintile

- The bottom quintile saw annual growth in spending power for the first time since August 2021. However, despite this improvement, discretionary income for this group remains in negative territory, indicating that their net income is insufficient to cover essential spending.
- The second income quintile has now seen annual growth for five consecutive months, reaching £8 per week in February.
- Meanwhile, households in the third and fourth income quintiles have recorded double-digit growth in spending power for five consecutive months, amounting to 24.6% and 17.9%, respectively, in February.
- Despite these positive trends, spending power in all groups, except the highest income quintile, remains below the peak levels observed before the cost-of-living crisis.
- The shortfall is particularly pronounced for lower income quintiles, with the second income quintile's spending power being 86% below its pre-crisis peak. This suggests that lower income quintiles will require more time to recover from the effects of the cost-of-living crisis.

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



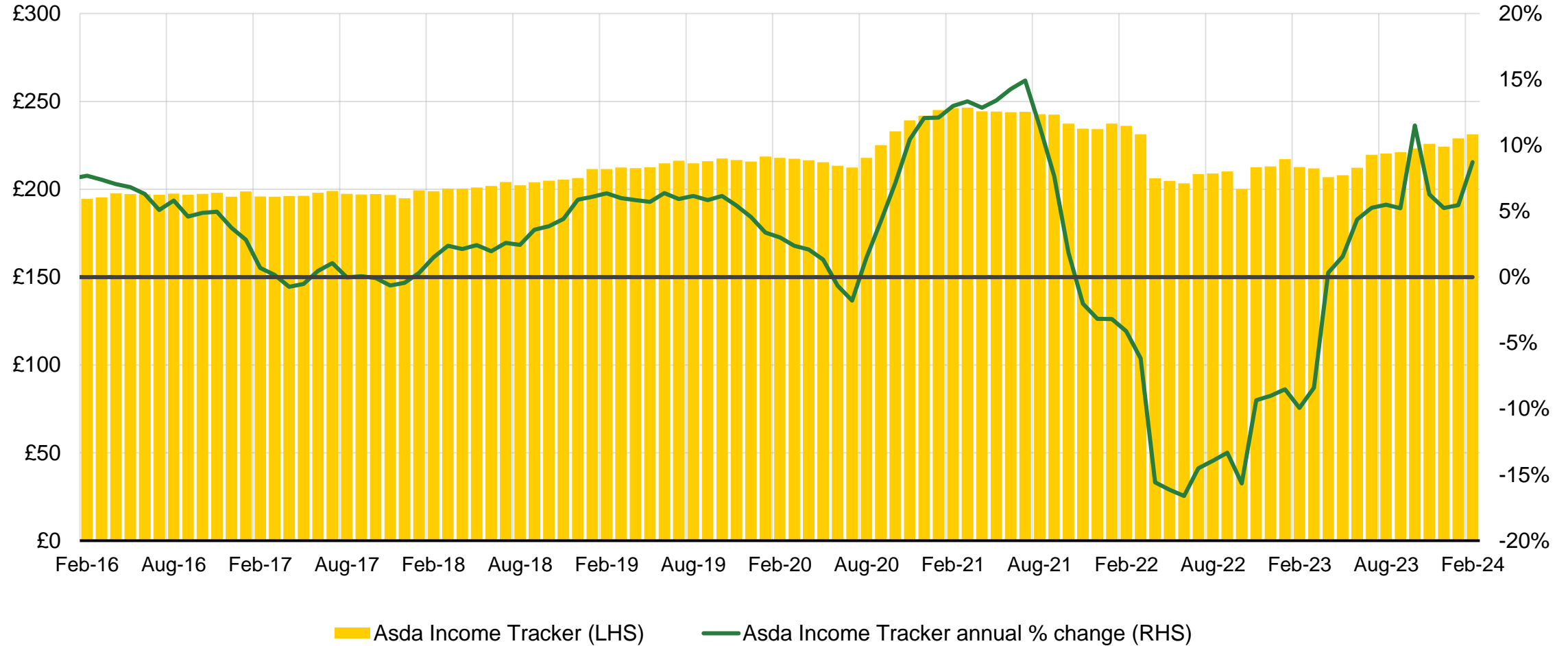
*2nd Quintile saw discretionary income rise from -£3 to £8 over the past year, giving a distorted percentage growth rate.



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	£229
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		
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	£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 has been improving for almost a year now, with households continuing to recover from the depths of the cost-of-living crisis. A particularly sharp uptick is expected to take place from April, when inflation will ease significantly off the back of lower household energy bills. This will help to support spending power and consumer activity.”

Regional Income Tracker estimates

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

North East	North West	Yorkshire & Humber	East Midlands	West Midlands	East
£148	£198	£203	£190	£186	£249

London	South East	South West	Wales	Scotland	Northern Ireland
£318	£207	£194	£188	£231	£109

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, March 2024

