

**ASDA**

# **ASDA INCOME TRACKER**

Report : April 2024



Making Business Sense

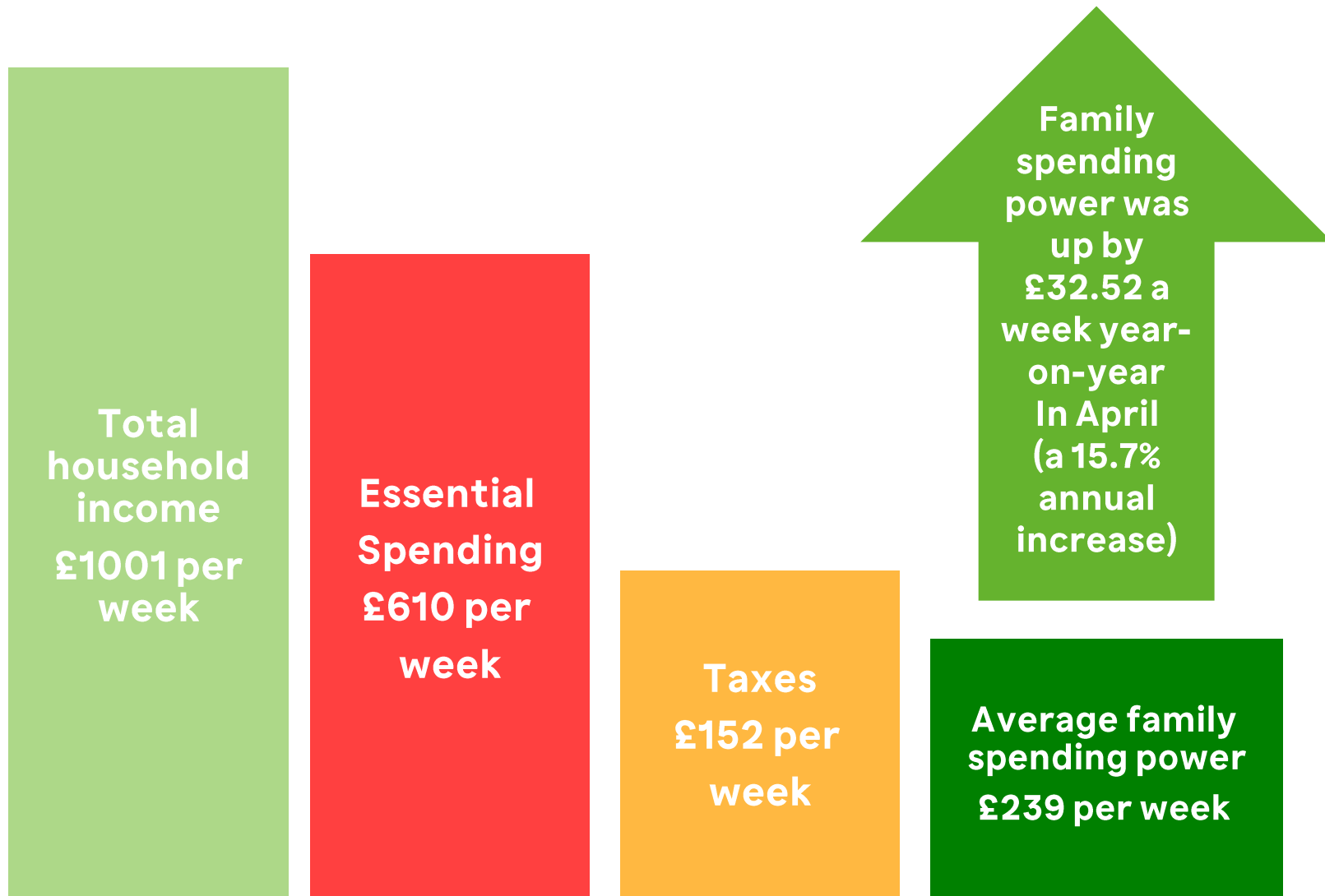
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# Asda Income Tracker - Key Figures

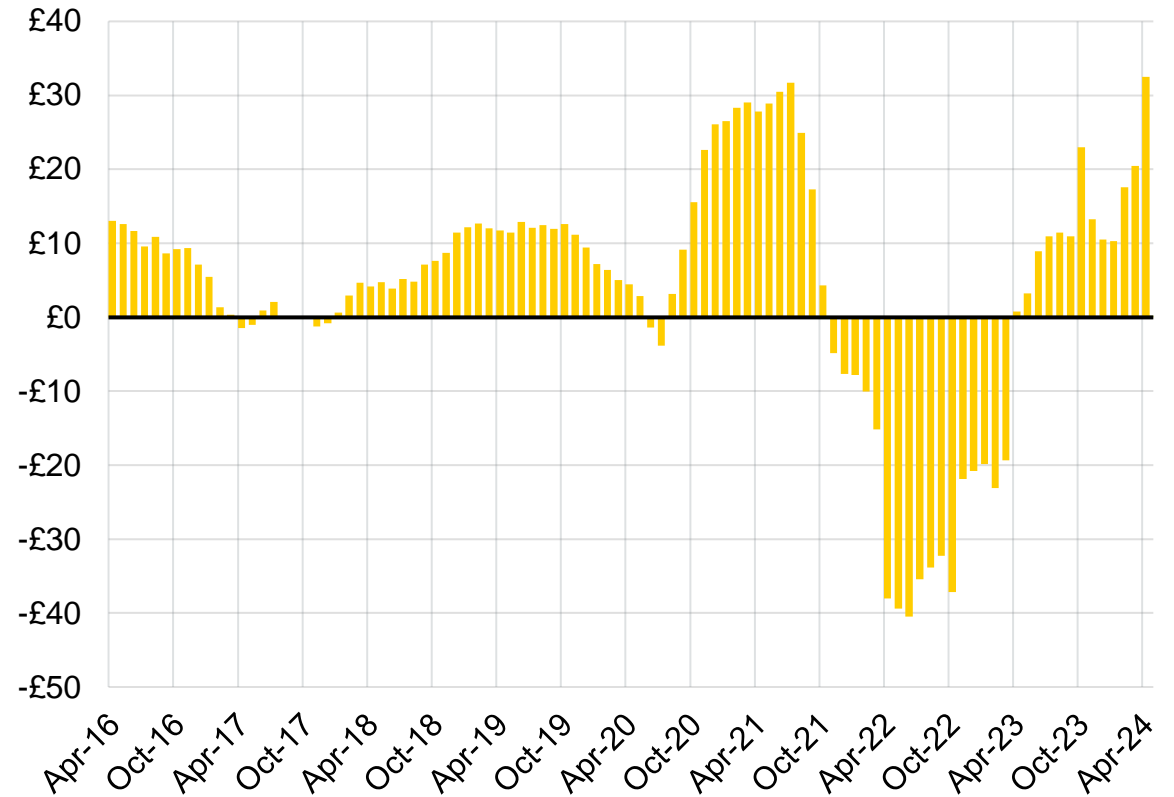


# Income Tracker at its highest level since September 2021

## The Asda Income Tracker was £32.52 a week higher in April 2024 than a year before

- The Asda Income Tracker saw annual growth of 15.7% in April 2024. The Income Tracker has recorded double-digit growth for the first time since October 2023, where annual household spending power growth was influenced by base effects stemming from lower energy prices.
- The reduction in the Ofgem price cap, effective from April, drove the slowdown in inflation, to 2.3% in April. This, combined with resilient nominal pay growth, were likely the key drivers behind the improvement in household spending power.
- On a month-on-month basis, the Income Tracker increased by £7.12. Average household spending power now stands at £239 per week, its highest level since September 2021.
- Looking ahead, inflation is expected to remain close the Bank of England's (BoE) target rate of 2.0% for the remainder of Q2, which will further improve household spending power. However, Cebr is forecasting that the headline rate of inflation will pick up thereafter, once base effects wane.
- Discretionary income is now only 2.7% below its pre-crisis peak of £246 in March 2021.

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

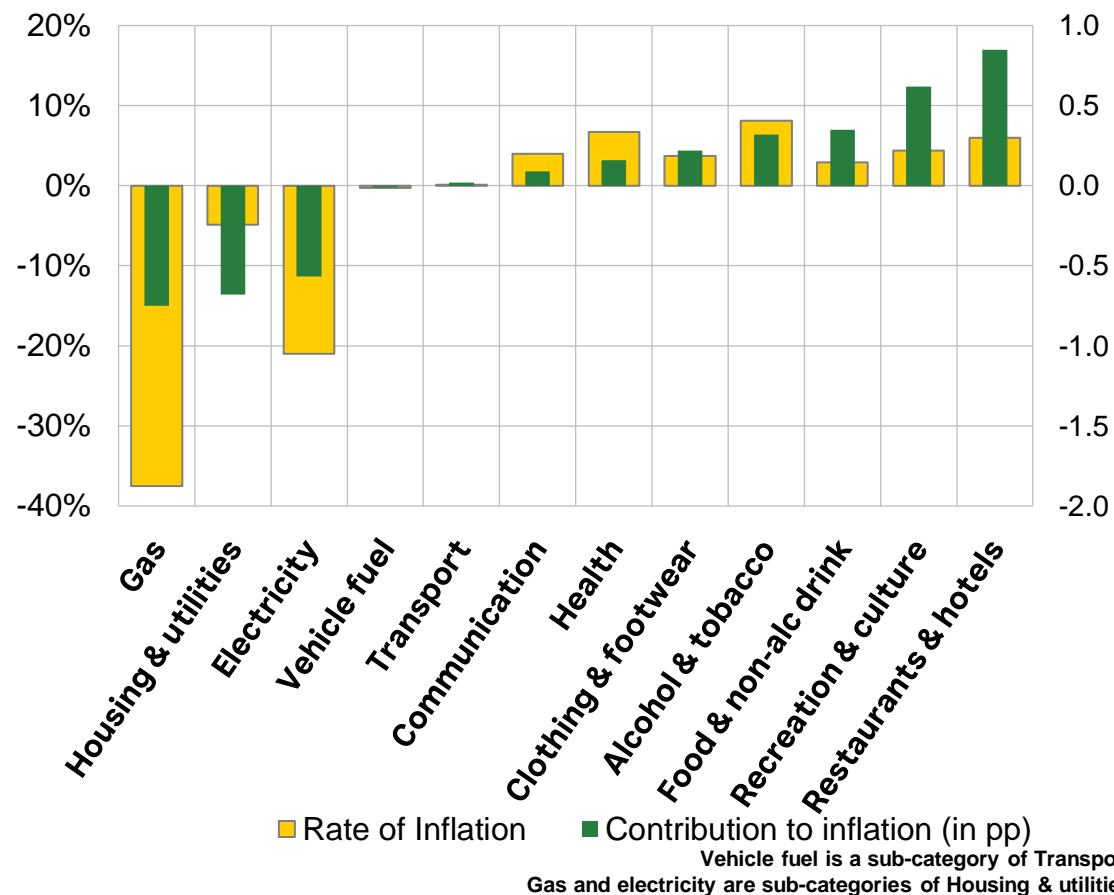


# Inflation eased to its lowest rate in more than two years in April, driven by significant deflation in household energy prices

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

- Annual inflation, as measured by the Consumer Prices Index (CPI), stood at 2.3% in April, recording its third consecutive month of deceleration and now stands only 0.3 percentage points above the BoE's inflation target of 2.0%.
- Housing and household services of which energy prices is a significant component drove the slowdown in inflation, with this category recording annual deflation of 4.9%. This is a result of the Ofgem energy price cap in April.
- Annual inflation in food and non-alcoholic beverages also saw significant deceleration, to 2.9% in April, easing from the 4.0% recorded last month. The aforementioned categories constitute a large proportion of household spending; therefore, easing price pressures in these areas are particularly favourable for households.
- Cebr expects inflation to remain close to the BoE's 2.0% target for the remainder of Q2. However, Cebr expects a slight uptick in the headline rate of inflation thereafter, as base effects subside.

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

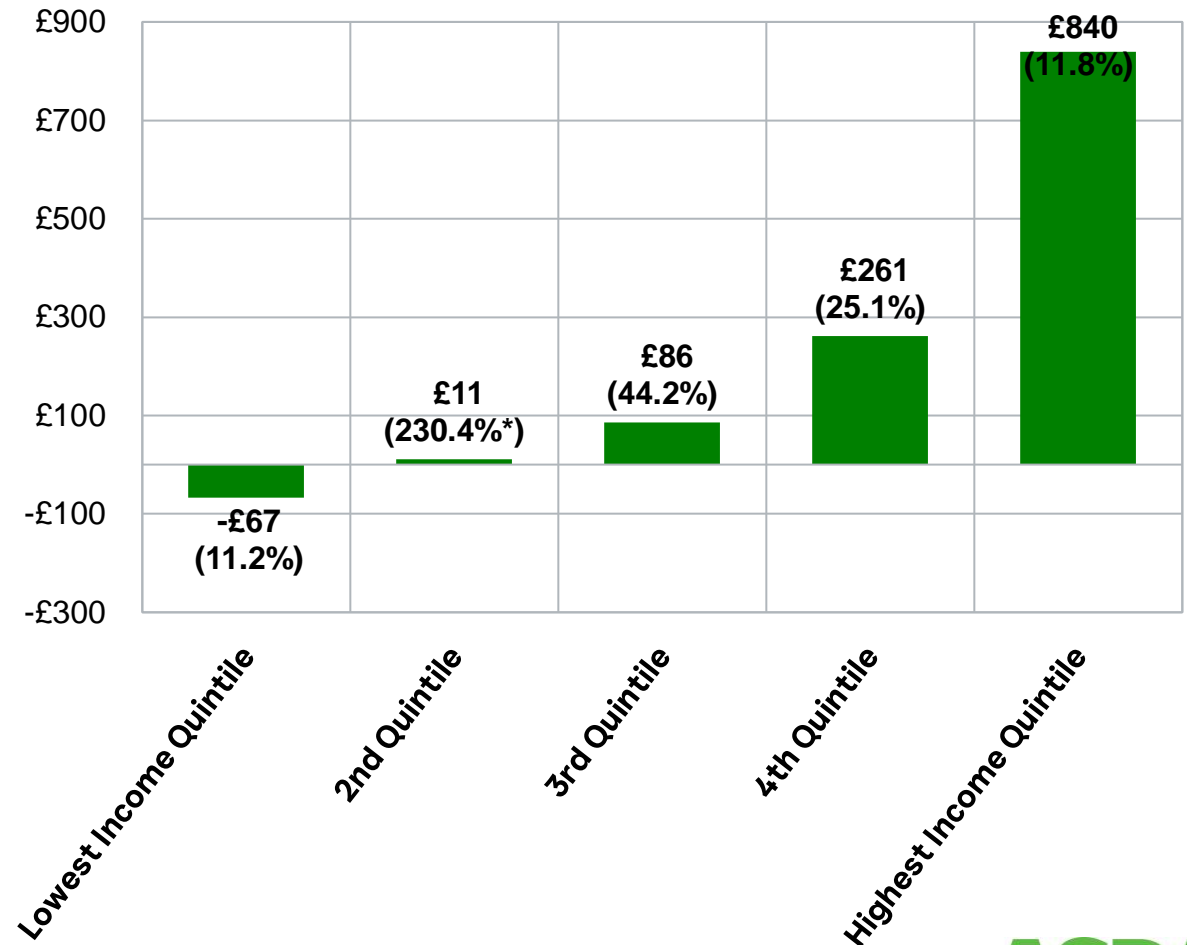


# Lowest income households record double-digit growth in discretionary income for the first time since July 2021

## All income quintiles recorded annual growth in April

- All income quintiles, except those in the second quintile, saw an uptick in annual growth in spending power on a monthly basis, driven by the slowdown in inflation.
- The lowest income quintile recorded double-digit growth in discretionary income for the first time since July 2021, with the monthly improvement amounting to 3.9 percentage points.
- In addition to the slowdown in inflation, the uplift in the National Living Wage likely benefited this group, buoying the improvement in spending power. Nevertheless, the lowest income quintile continues to experience negative spending power.
- The third income quintile recorded the strongest growth in spending power, excluding the second income quintile, and the strongest monthly improvement in spending power, amounting to 15.9 percentage points.

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



\*2<sup>nd</sup> Quintile saw discretionary income rise from -£8.1 to £10.6 over the past year, giving a distorted percentage growth rate.

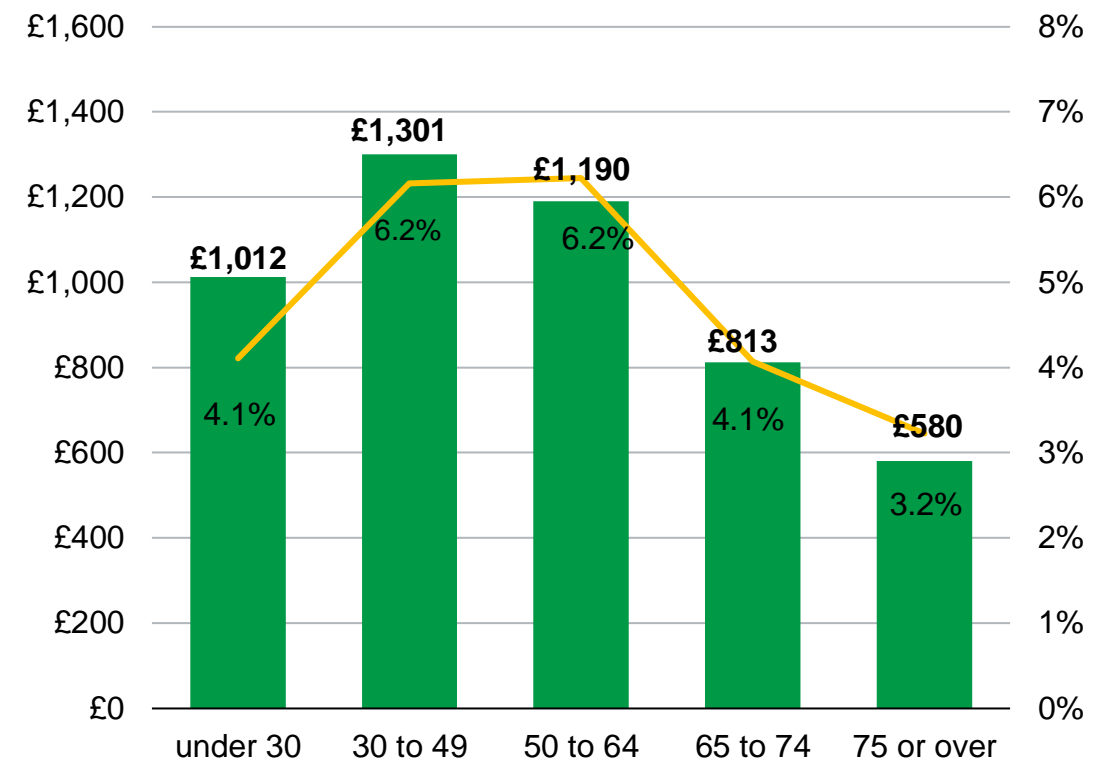


# Households above 75 record the slowest annual growth in gross income since March 2023

## Sticky wage growth proves to be more beneficial for working-age households

- Annual growth in gross income was observed across all age categories in April.
- Nominal wage growth has been robust over the past few months despite a period of deceleration. Consequently, the effects of resilient wage growth is most evident among working-age households, particularly those in the 30 to 49 and 50 to 64 age groups. These age groups recorded the strongest growth in gross income across all age groups, amounting to 6.2%. Moreover, the two age groups were also the only ones to record a monthly acceleration in annual gross income growth.
- Individuals aged 75 and above recorded the slowest annual growth in gross income since March 2023. This is likely because the uplift in state pensions is at a lower rate of 8.5% this financial year as opposed to the 10.1% uplift witnessed last year.
- This is also likely the reason that those in the 65 to 74 and 75 and over age groups no longer record the strongest growth in gross income, which was the case in previous months.

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

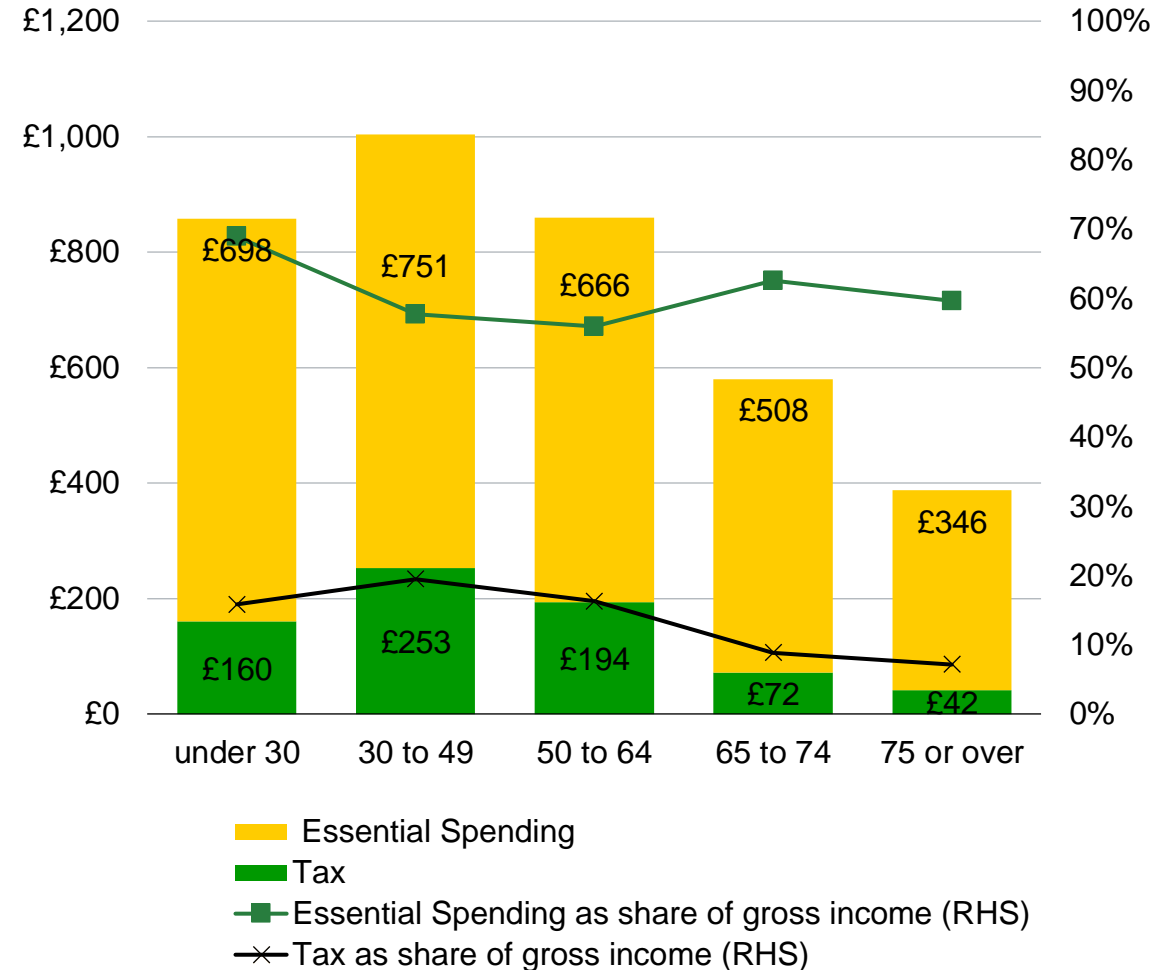


# All age groups record monthly slowdown in growth of cost of essential spending

## Average cost of basket of essentials is now growing at its slowest rate since September 2021

- The cost of the essential basket of goods and services monitored by the Income Tracker was up by 3.5% on the year in April.
- The slowdown in inflation, particularly in the food and non-alcoholic beverages category, which eased considerably from 4.0% in March to a more than two-year low of 2.9% in April, has benefited all age groups. Indeed, each group recording monthly slowdowns in annual growth of the cost of essentials.
- Among the age groups, those aged 30 to 49 exhibited the fastest essential spending growth, at an annual rate of 4.0% in April. However, this still represented a decrease of 1.3 percentage points compared to March.
- Cebr expects inflation to remain close to the BoE's 2.0% target in Q2, owing to base effects, which will likely result in further improvements in the cost of essential spending in the coming months.

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

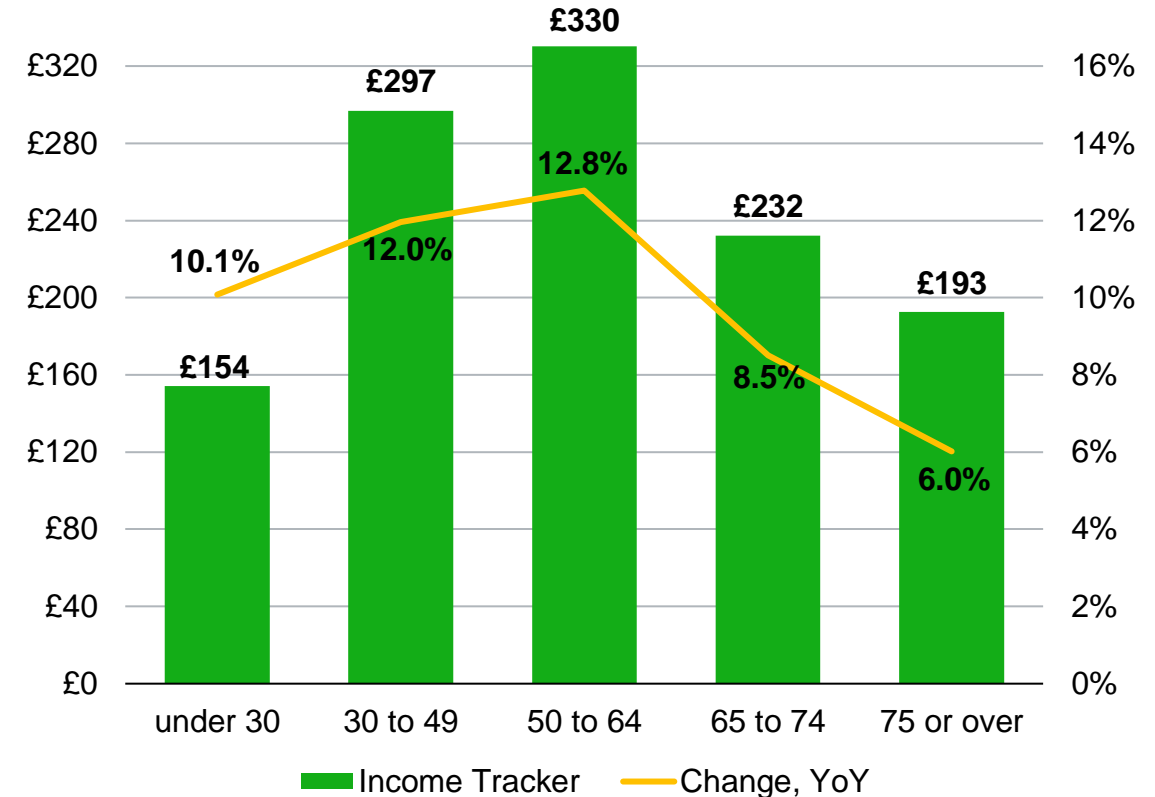


# Annual growth in spending power picks up on the month for all under 65

## Working age households witnessed strongest growth in discretionary income

- All age groups recorded annual discretionary income growth in April.
- Working households experienced stronger growth rates, with those in the 50-64 age group recording the highest growth rate at 12.8%, followed by those in the 30-49 age group with a growth rate of 12.0%. These improvements align with the significant gains these age groups have seen in gross income.
- Older age households no longer record the strongest growth in discretionary income. While this was the case in previous months, in contrast, they now record the slowest growth rates.
- Annual growth in discretionary income amounted to 8.5% and 6.0% for those aged 65 to 74 and 75 and over respectively. This is likely due to the slowdown in annual gross income growth for such households.
- Those under 30 recorded the strongest monthly improvement in growth in discretionary income, after witnessing a stagnation in the previous month. This is likely due to the slowdown in the cost of essential spending.
- Looking ahead, as inflation is expected to remain close to the 2.0% target for the remaining months of Q2, all age groups are expected to witness further improvements in spending power.

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

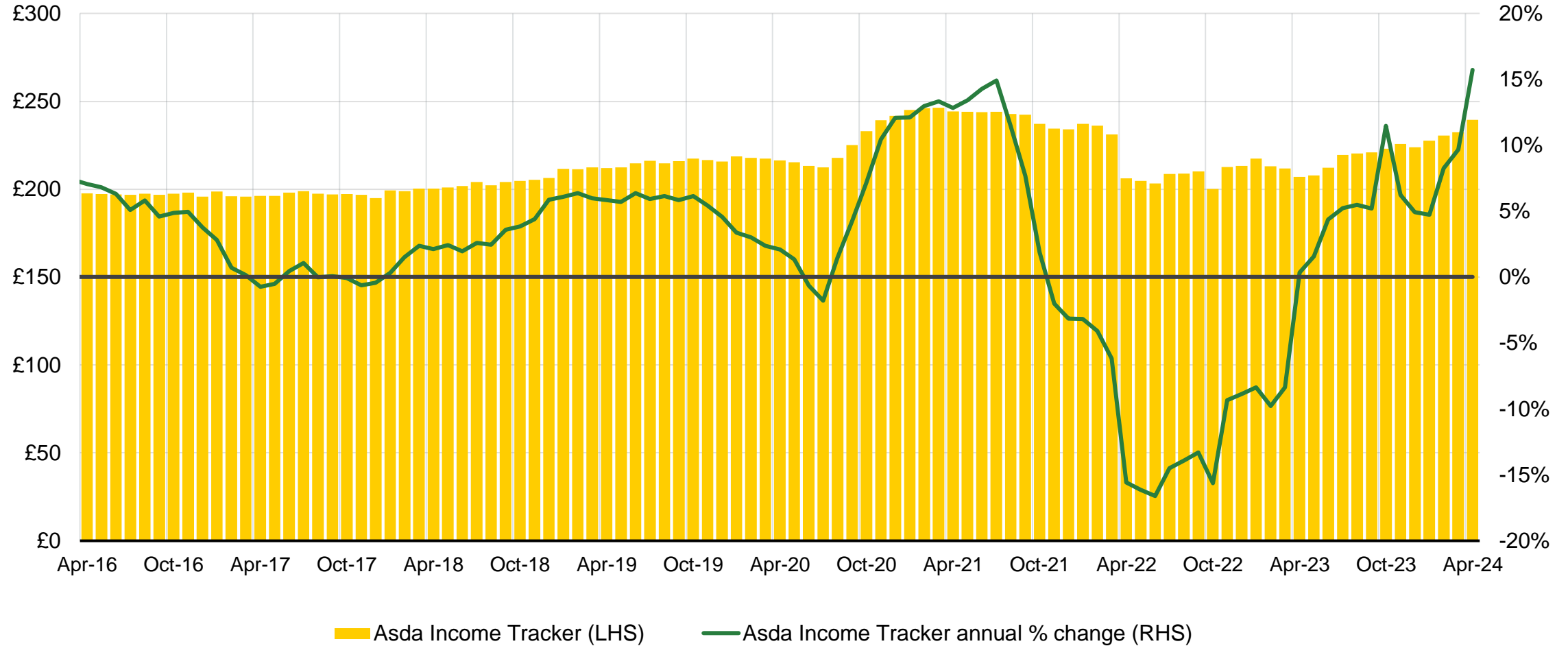




# Appendix

# 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	£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	£239
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		
<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:

*“The Income Tracker continues to improve, with discretionary income increasing to £239 per week. This improvement was driven by several factors, including still resilient earnings growth, the reduction in the Ofgem price cap, the uplift in the National Living Wage, and further cuts to National Insurance contribution rates. Cebr anticipates spending power to see further improvements in 2024, bolstered by the economic growth momentum that has pulled the UK out of the technical recession experienced in H2 2023.”*

# Regional Income Tracker estimates

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

North East	North West	Yorkshire & Humber	East Midlands	West Midlands	East
£155	£200	£210	£196	£189	£263

London	South East	South West	Wales	Scotland	Northern Ireland
£320	£211	£200	£197	£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, May 2024

