

Asda Income Tracker

Report: September 2024



Making Business Sense

Centre for Economics and
Business Research Ltd

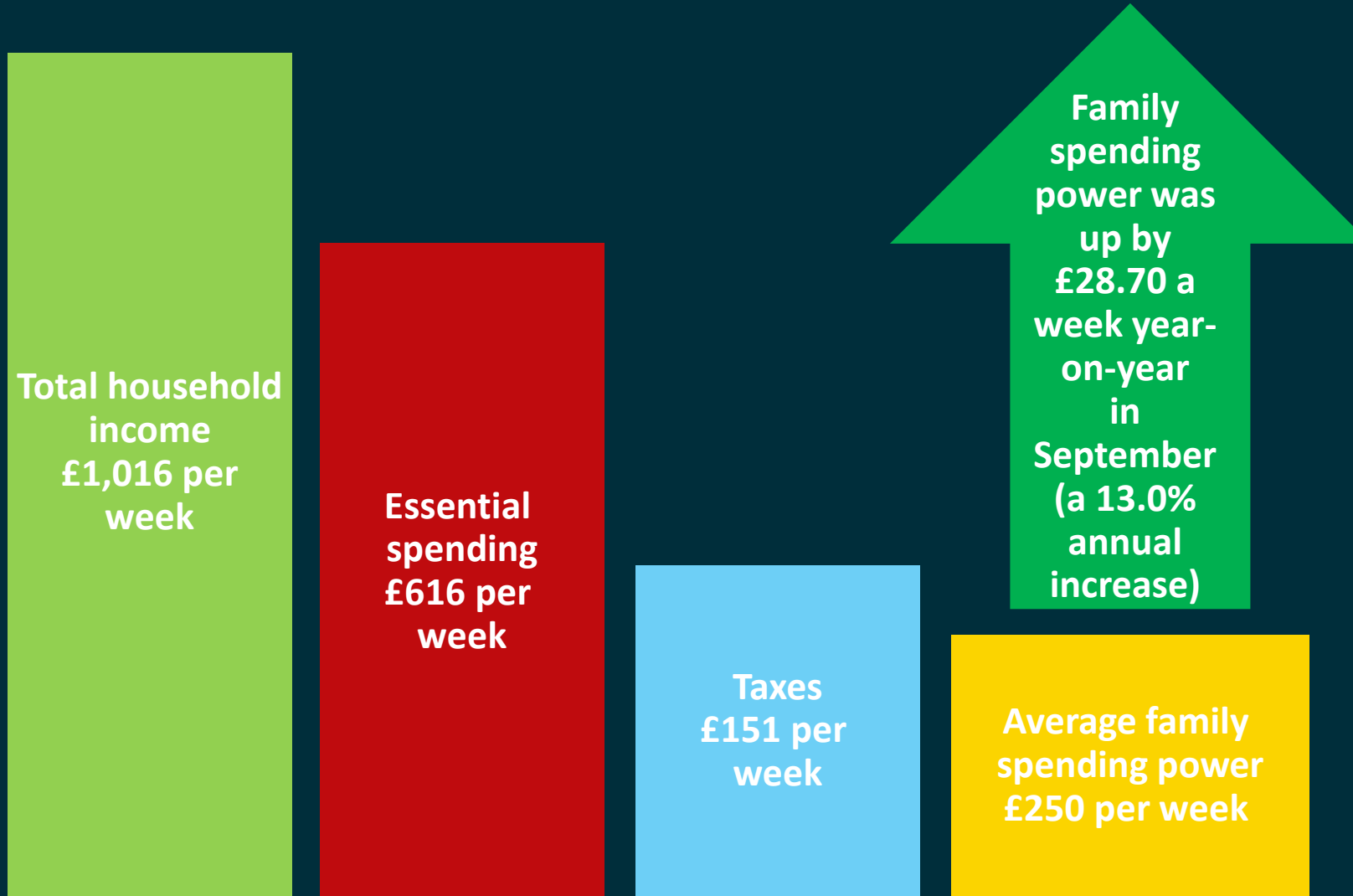
Unit 1, 4 Bath Street, London
EC1V 9DX

t 020 7324 2850

w www.cebr.com



Asda Income Tracker – Key Figures

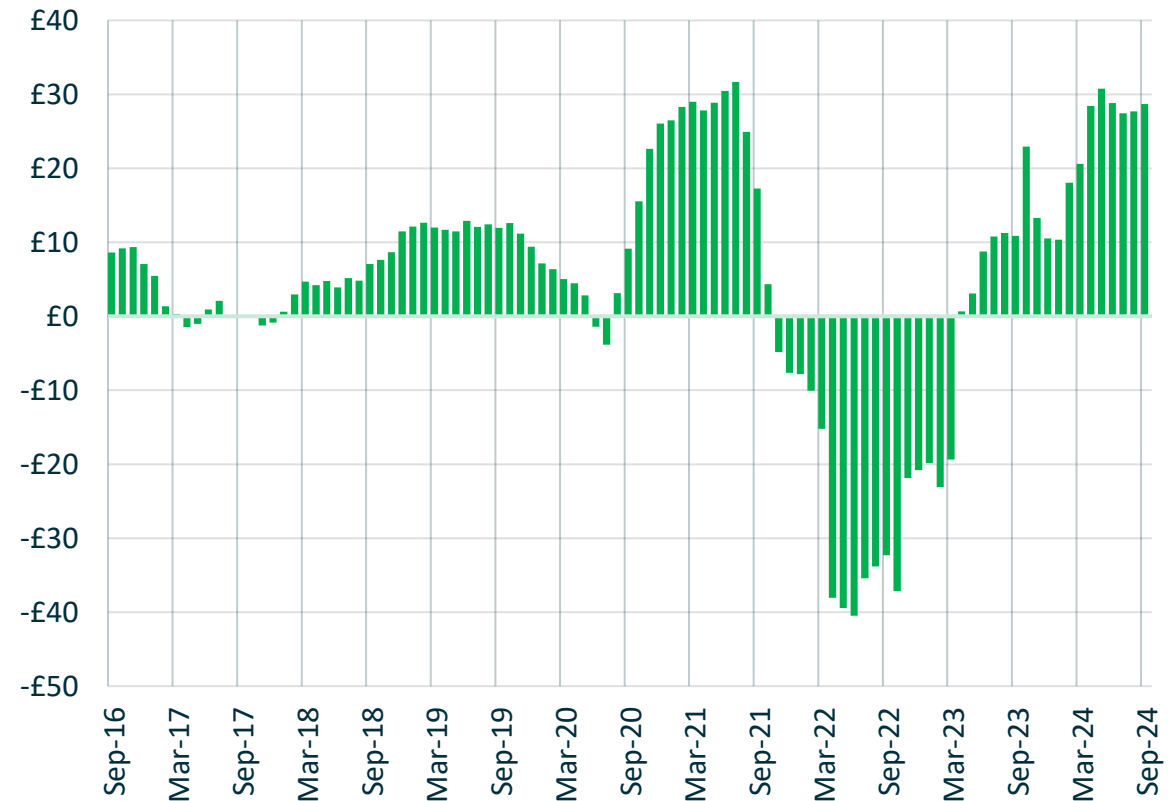


Income Tracker reports uptick in annual growth driven by slowdown in inflation

The Asda Income Tracker was £28.70 a week higher in September 2024 than a year before

- The Asda Income Tracker saw annual growth of 13.0% in September 2024. The Income Tracker has now recorded double-digit annual growth for six consecutive months.
- The monthly uptick was primarily driven by a larger-than-expected decline in the inflation rate, which fell below the 2.0% target in September for the first time since April 2021.
- Wage growth continued to slow down, reaching an annual rate of 3.8% in the three months to August, marking the lowest rate in nearly four years. However, the deceleration in inflation has helped shield households from the impact of this slowdown, as reflected in the continued growth of real earnings, which increased by 0.9% during the same period.
- On a month-on-month basis, the Income Tracker increased by £1.75, with average household spending power now standing at £250 per week.
- The Income Tracker is now well above the pre-crisis peak of £246 recorded in March 2021, reflecting a nominal terms recovery for the average household.
- Looking ahead, despite further expectation of a slowdown in earnings growth, it is still expected to outpace inflation. As such, annual growth in the Income Tracker can be expected in the coming months.

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

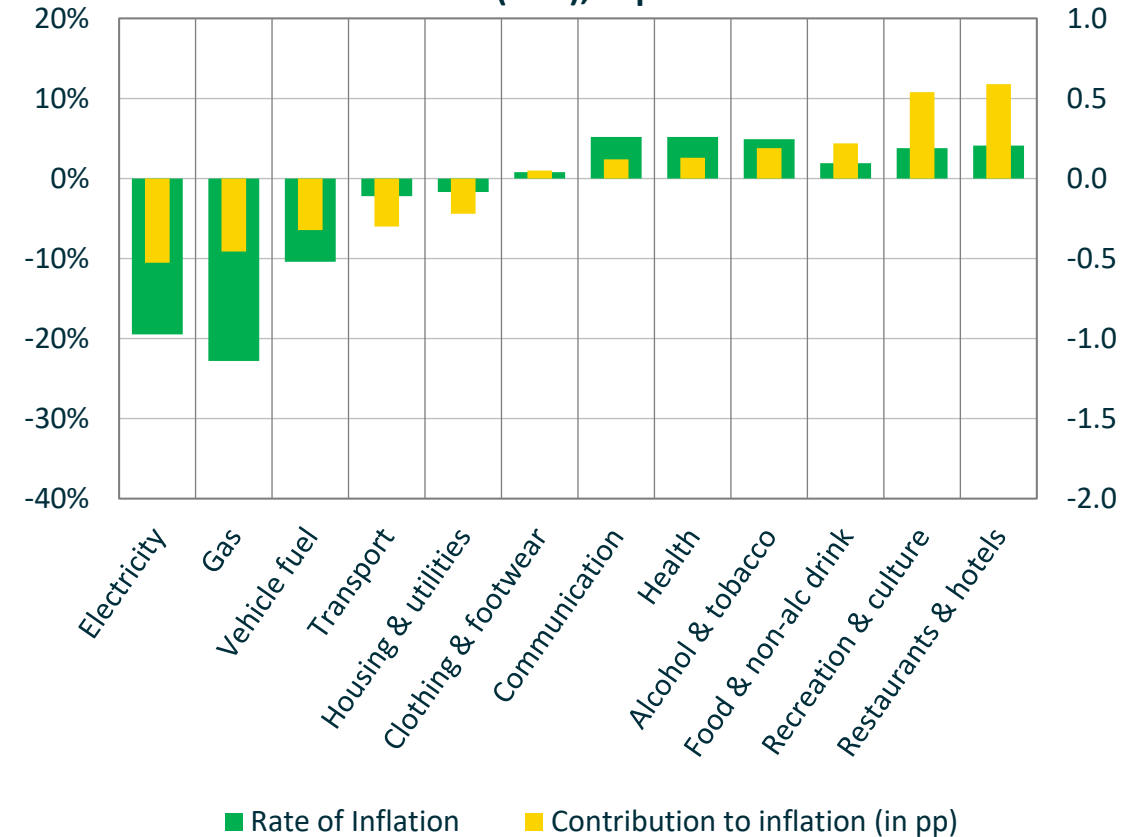


Inflation hits three-year low in September, driven by price falls in the transport sector

The main factors affecting family costs in September were:

- Annual inflation, as measured by the Consumer Prices Index (CPI), stood at 1.7% in September, marking a low of more than three years. This figure falls below the Bank of England's 2.0% target.
- The slowdown in inflation was primarily driven by the transport sector. While a rise in airfares kept inflation steady in August, a decline in the same category in September helped ease inflation. Additionally, a drop in global demand for oil contributed to notable price reductions in petrol and diesel, with prices falling by 10.9% and 9.9%, respectively.
- In contrast, food and non-alcoholic beverages saw a jump in inflation for the first time since March 2023. Despite this acceleration, inflation for this category remains significantly lower than the double-digit rates recorded during the height of the cost-of-living crisis, standing at 1.9% in September.
- September's inflation data also indicate that concerns over domestic price pressures have eased. Notably, services inflation saw a sharp decline, dropping from 5.6% last month to 4.9% in September.
- The overall easing of these price pressures increases the likelihood of a BoE rate cut next month and a faster pace of loosening into 2025.

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



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

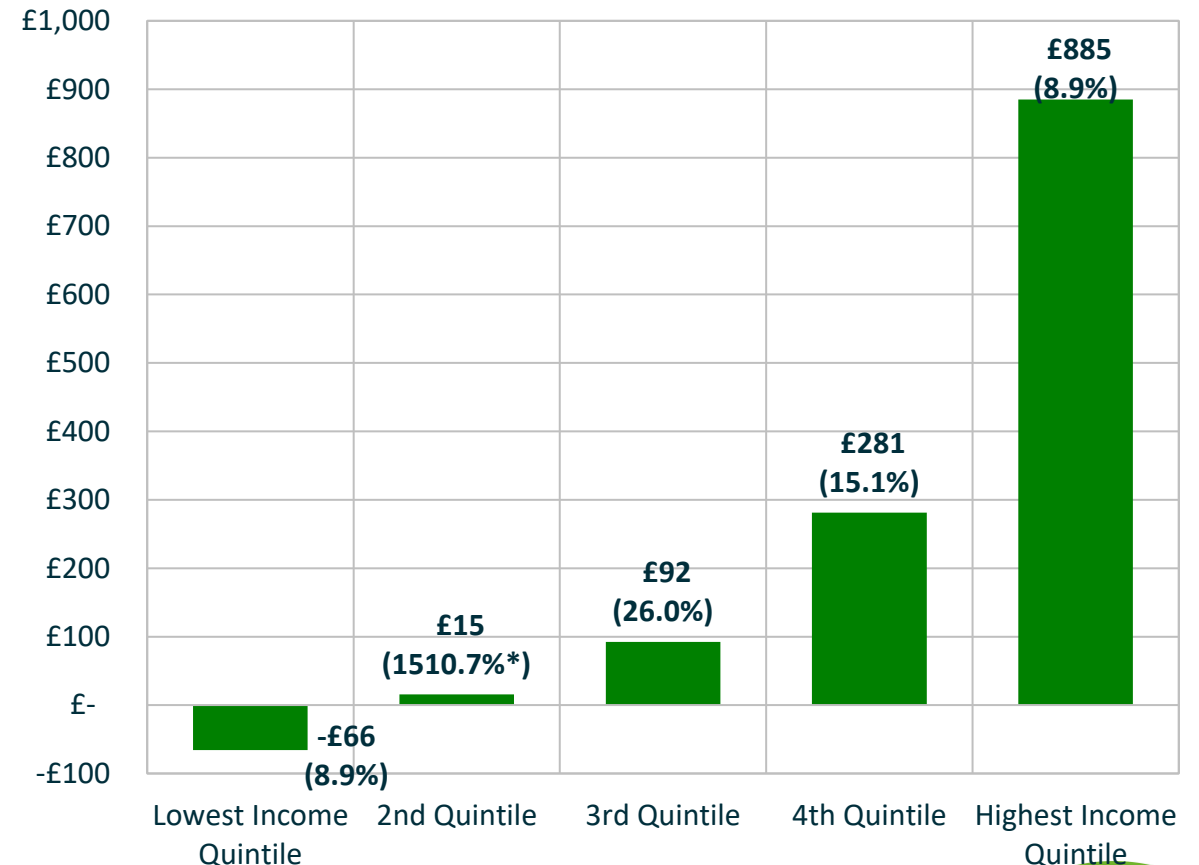


All except the second income quintile record monthly uptick in spending power growth

Third income quintile continues to record strongest growth in spending power

- All income groups experienced a monthly slowdown in gross income growth.
- This was most evident among higher income groups, as these households tend to be more sensitive to shifts in wage growth trends. Notably, the top three income quintiles recorded the largest monthly drops in gross income growth.
- The third income quintile continued to show the strongest growth in spending power in September, reaching 26.0% annually. This quintile has now recorded the highest growth in spending power across all groups since February 2024.
- In contrast, the highest income quintile recorded the joint-lowest growth in spending power at 8.9%. This marks a shift from the double-digit growth seen across Q2, to single digit growth rates across Q3. This is still an historically elevated rate, however.
- The lowest income quintile also experienced an 8.9% increase in spending power. However, spending power for this group is still in negative territory, indicating that their income remains insufficient to cover the cost of essential spending.

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



*2nd Quintile saw discretionary income rise from -£1 to £15 over the past year, explaining the anomalous annual growth rate.

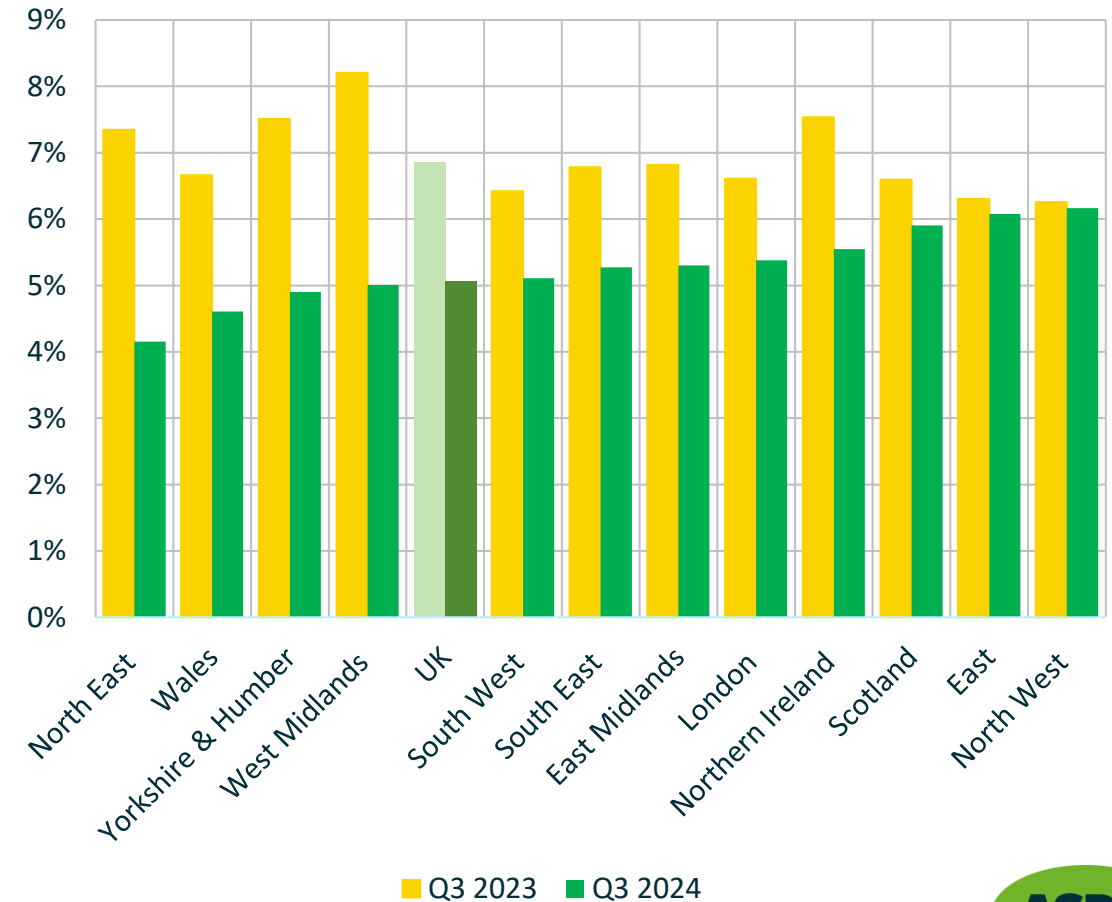


All regions recorded an easing in gross income growth compared to a year ago

UK-wide annual gross income growth stood at 5.1% in Q3 2024

- Relative to Q3 2023, all regions saw a slower rate of gross income growth in Q3 2024. Annual growth in gross income also slowed down on the quarter for many regions, with the exceptions of the East Midlands, Scotland and the North West.
- The overall slowdown of gross income is reflective of cooling labour market conditions. The latest data show that earnings growth has slowed to its lowest level in nearly four years, reaching 3.8% in the three months to August.
- In addition to cooling labour market conditions, the slowdown in earnings growth since June 2024 has also partially been impacted by a base effect related to one-off cost of living payments to public sector workers last year. Earnings growth for public sector workers slowed to 0.9% in the three months to August, as opposed to 12.6% in the same period last year. This trend is particularly evident in regions like Wales, which has a higher concentration of public sector employment compared to other areas. Wales experienced the second-lowest growth in gross income in Q3 2024 at 4.6%.
- The fastest rate of gross income growth in Q3 2024 was recorded amongst households in the North West at 6.2%. This was closely followed by households in the East at 6.1%.

Regional gross income, annual change to quarter indicated

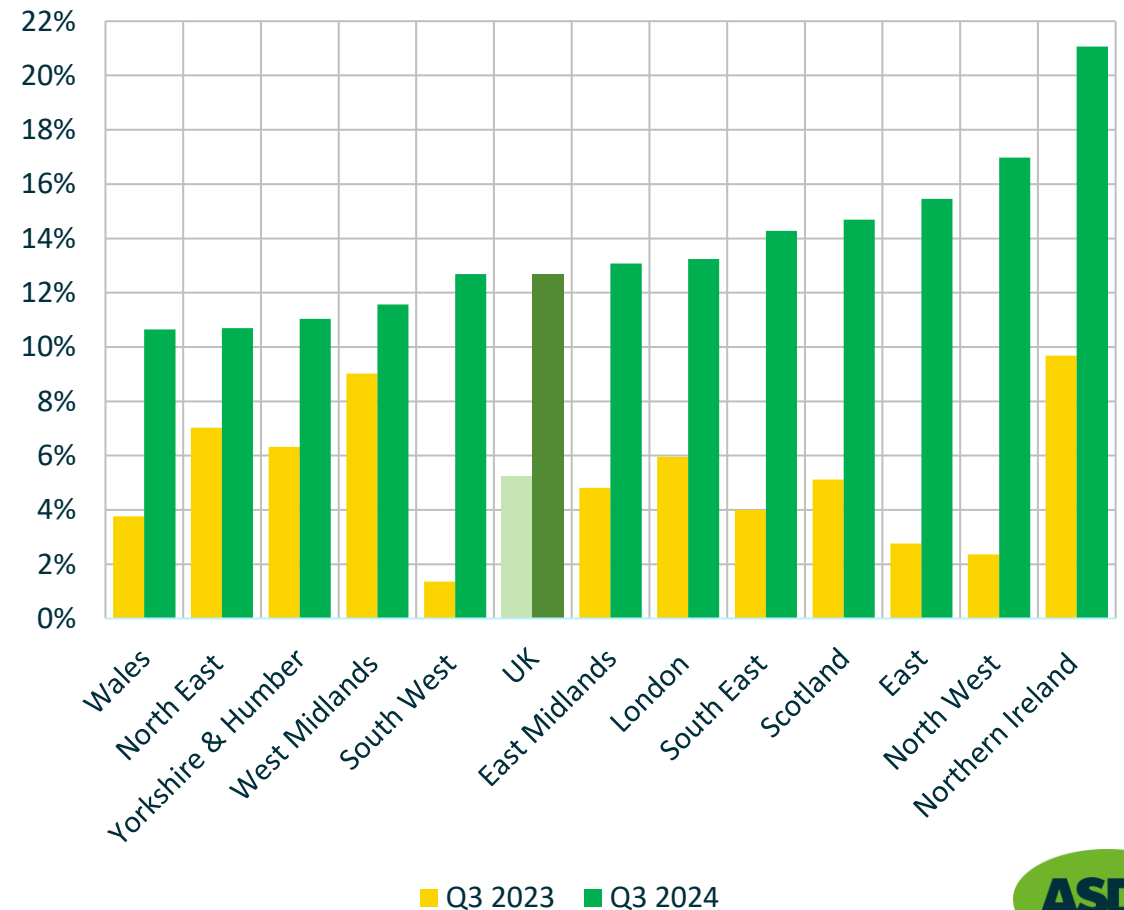


All regions recorded double-digit growth in spending power in Q3

UK-wide Income Tracker grew by 12.7% on the year in Q3 2024

- The UK-wide Income Tracker indicated a quarterly slowdown in spending power growth. This was mirrored across all regions except the East Midlands, Scotland, and the North West, as was the case with gross income growth.
- This slowdown is reflective of the overall cooling of labour market conditions. Nevertheless, spending power growth remains in double digits for the average UK household. This is also the case for all regions.
- Northern Ireland led the way in terms of annual spending power growth in Q3, with the average household there seeing discretionary income up by 21.1% annually.
- In contrast, Wales and the North East reported the slowest growth, at 10.6% and 10.7%, respectively. This aligns with these regions recording the lowest levels of gross income growth.
- Compared to the same period last year, the North West recorded the largest improvement in spending power growth, with an increase of 14.6 percentage points. This was followed by Northern Ireland, which saw an improvement of 11.4 percentage points.

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

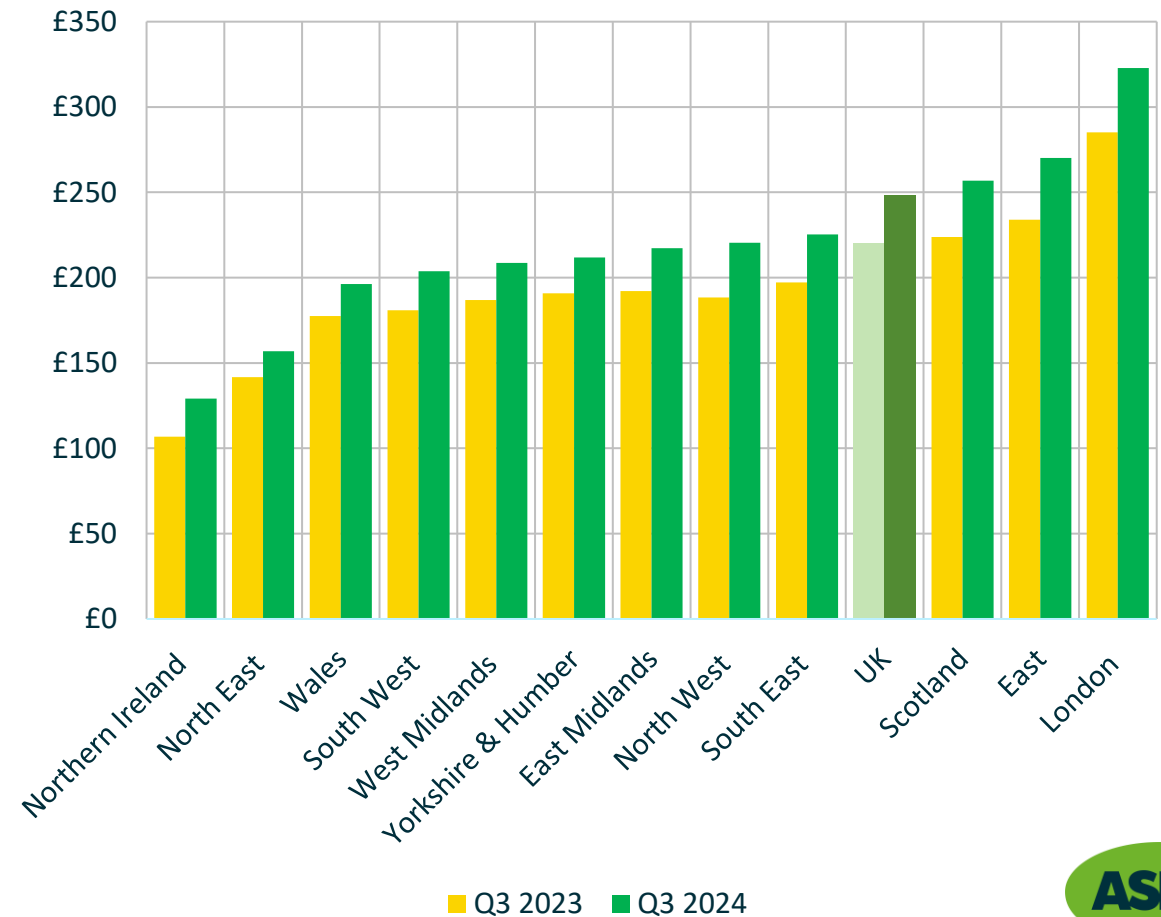


Three regions now have spending power higher than pre-crisis peak levels

UK-wide weekly family spending power averaged £248 in Q3 2024

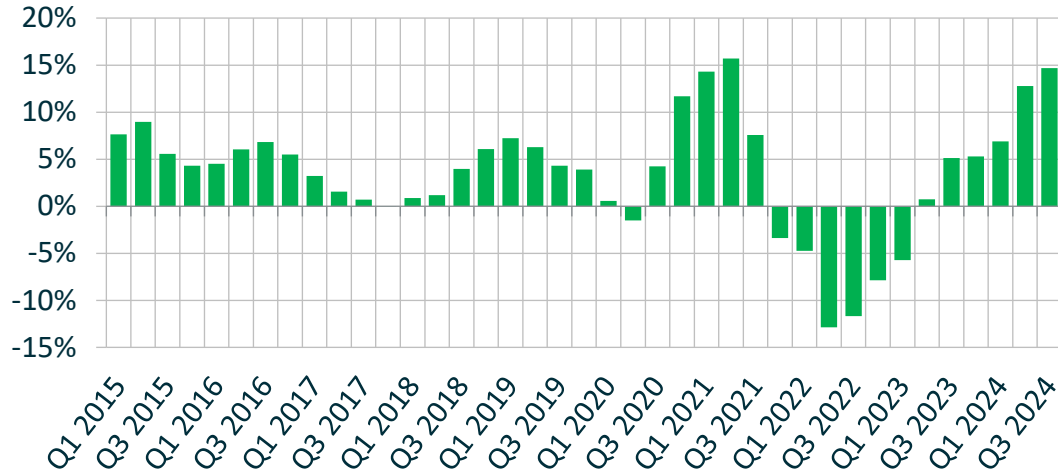
- Spending power for the average UK household is now 0.9% higher than its pre-crisis peak of £246 recorded in Q1 2021.
- London is no longer the only region with spending power above its pre-crisis peak. The East Midlands and Scotland have also joined this group, with spending power exceeding their respective pre-crisis peaks by 2.5% and 3.8%.
- Northern Ireland recorded the weakest spending power at £129 per week despite recording the strongest annual growth. London recorded the strongest spending power at £323 per week.
- The discrepancy in spending power between Northern Ireland and London is £194 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 Q3 at £270 and £257 per week, respectively.

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

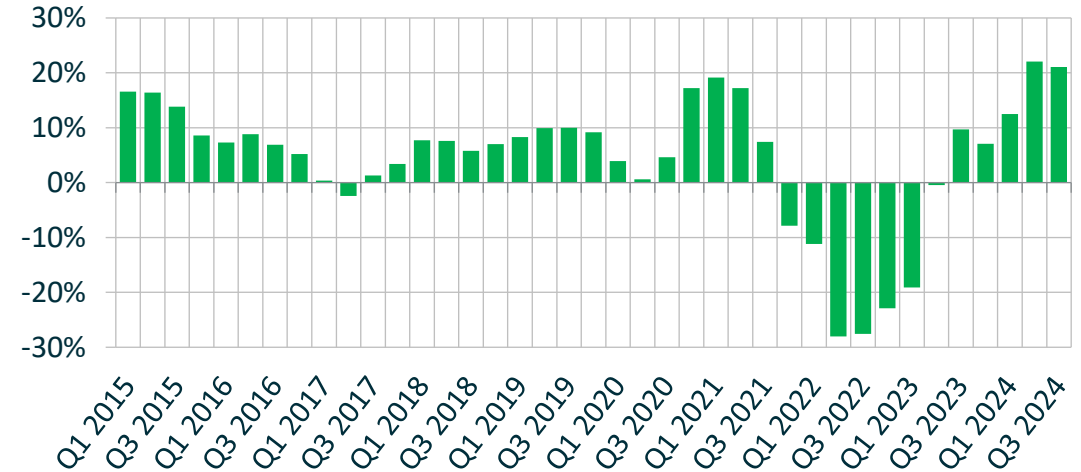


Focus on Scotland and Northern Ireland

Annual % change in discretionary incomes, Scotland



Annual % change in discretionary incomes, Northern Ireland



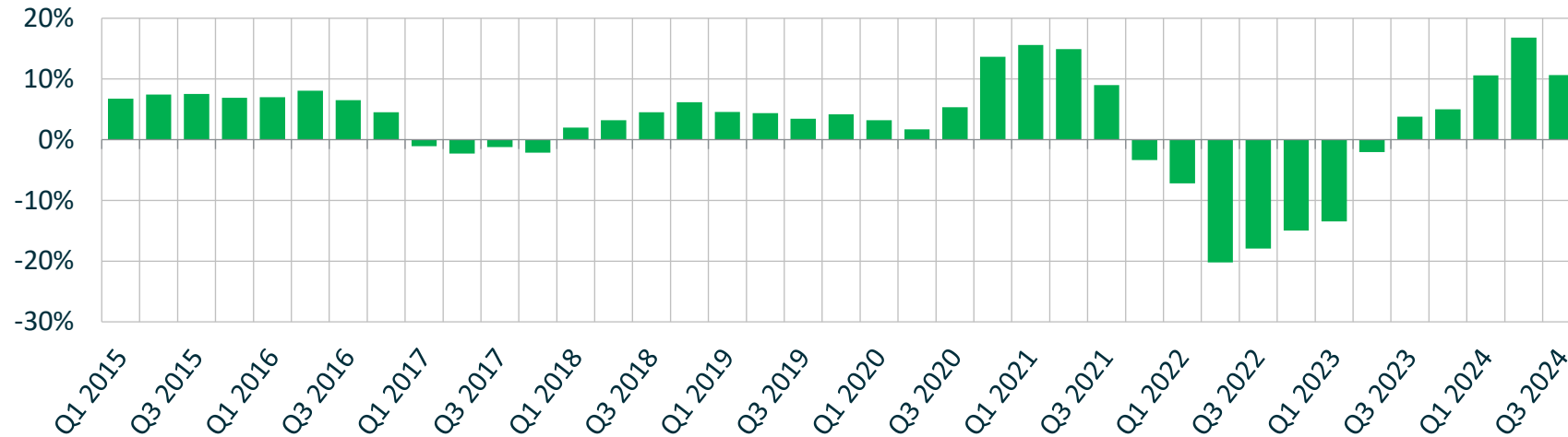
- The Income Tracker shows that weekly discretionary income in Scotland was up by 14.7% on the year in Q3 2024. This is the strongest growth since Q2 2021.
- On a quarter-on-quarter basis, the Income Tracker rose by £15, bringing the average household spending power in Scotland to £257 per week. Scotland was one of three regions that did not experience a quarterly decline in neither gross income growth nor spending power growth. Additionally, spending power in Scotland exceeds the UK average and has now surpassed its pre-crisis peak by 3.8%.
- The stronger performance in Scotland aligns with the relatively robust state of its labour market compared to the overall UK average.

- The Income Tracker shows that weekly discretionary income in Northern Ireland was up by 21.1% on the year in Q3 2024. This was the strongest growth across all regions.
- On a quarter-on-quarter basis, the Income Tracker increased by £8, bringing the average household spending power for Northern Ireland to £129 per week. This is the lowest level of spending power among all UK regions.
- Discretionary income in Northern Ireland remains 10.7% 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 10.6% on the year in Q3 2024.
- On a quarter-on-quarter basis, the Income Tracker increased by £3, bringing the average household spending power for Wales to £196 per week across the quarter.
- In Q3 2024, Wales recorded the second-lowest annual growth in gross income and the lowest annual growth in spending power among all UK regions. These relatively low rates are likely due to the slowdown in gross income growth, particularly among public sector workers, as Wales has a relatively high level of public sector employment.
- Discretionary income in Wales remains 8.1% below its peak observed in Q1 2021, amounting to a weekly shortfall of £17.

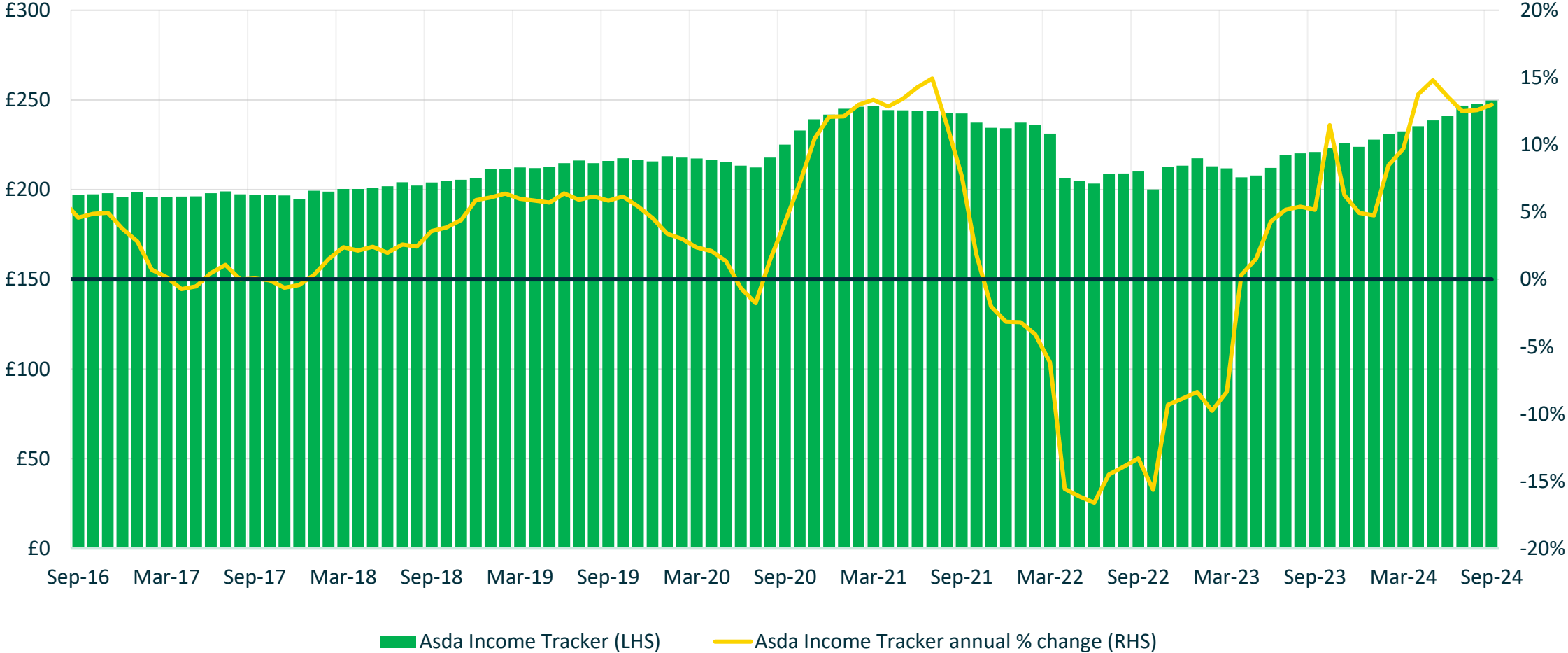


Appendix



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	£239
June 2020	£213	June 2021	£244	June 2022	£203	June 2023	£212	June 2024	£241
July 2020	£212	July 2021	£244	July 2022	£209	July 2023	£220	July 2024	£247
August 2020	£218	August 2021	£243	August 2022	£209	August 2023	£220	August 2024	£248
September 2020	£225	September 2021	£242	September 2022	£210	September 2023	£221	September 2024	£250
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 stronger-than-expected fall in inflation in September helped to support spending power growth, taking the average UK household's discretionary income to £250 per week. Further improvement in the Income Tracker is expected for the rest of this year and into next, with income growth outweighing inflation.

Announcements at the upcoming Budget could affect this trajectory, however. One likely change is a hike to fuel duty, which would reverse the recent deflation experienced in the transport category and put downward pressure on household spending power, all else equal.”

Regional Income Tracker estimates

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

North East	North West	Yorkshire & Humber	East Midlands	West Midlands	East
£159	£220	£210	£217	£208	£271

London	South East	South West	Wales	Scotland	Northern Ireland
£323	£226	£204	£196	£258	£129

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.



Contact

For press enquiries, please contact:

Elliott Lancaster, Senior Press Officer

Elliott.Lancaster@Asda.co.uk; 07779 700 385

For data enquiries, please contact:

Sam Miley, Managing Economist and Forecasting Lead

SMiley@Cebr.com; 020 7324 2874

Hafsa Haniffa, Economist

HHaniffa@Cebr.com; 020 7324 2859

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.

Whilst every effort has been made to ensure the accuracy of the material in this report, the authors and Cebr will not be liable for any loss or damages incurred through the use of this report.

London, October 2024

