

**ASDA**

# Asda Income Tracker

Report: June 2023



Making Business Sense

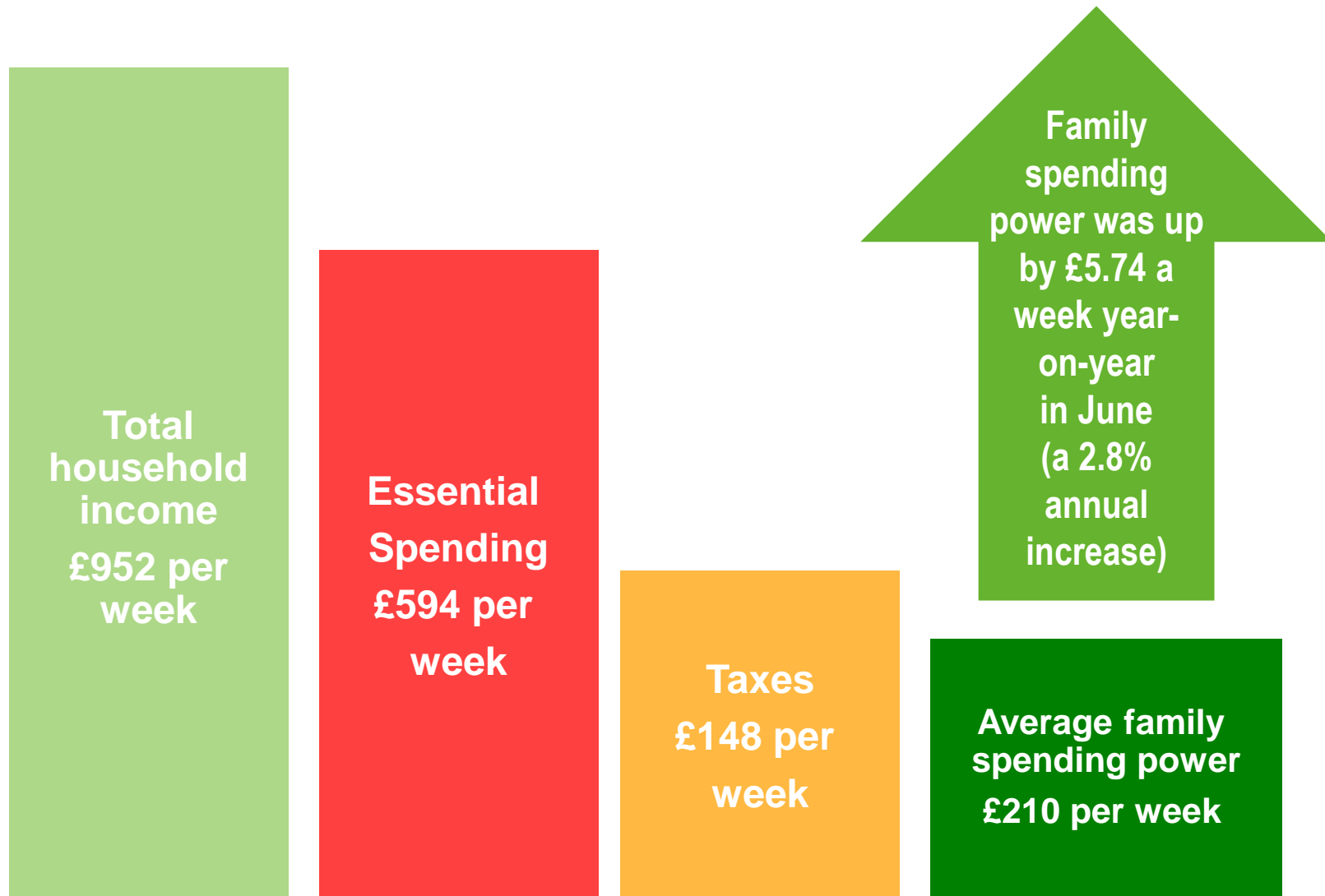
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# Asda Income Tracker - Key Figures

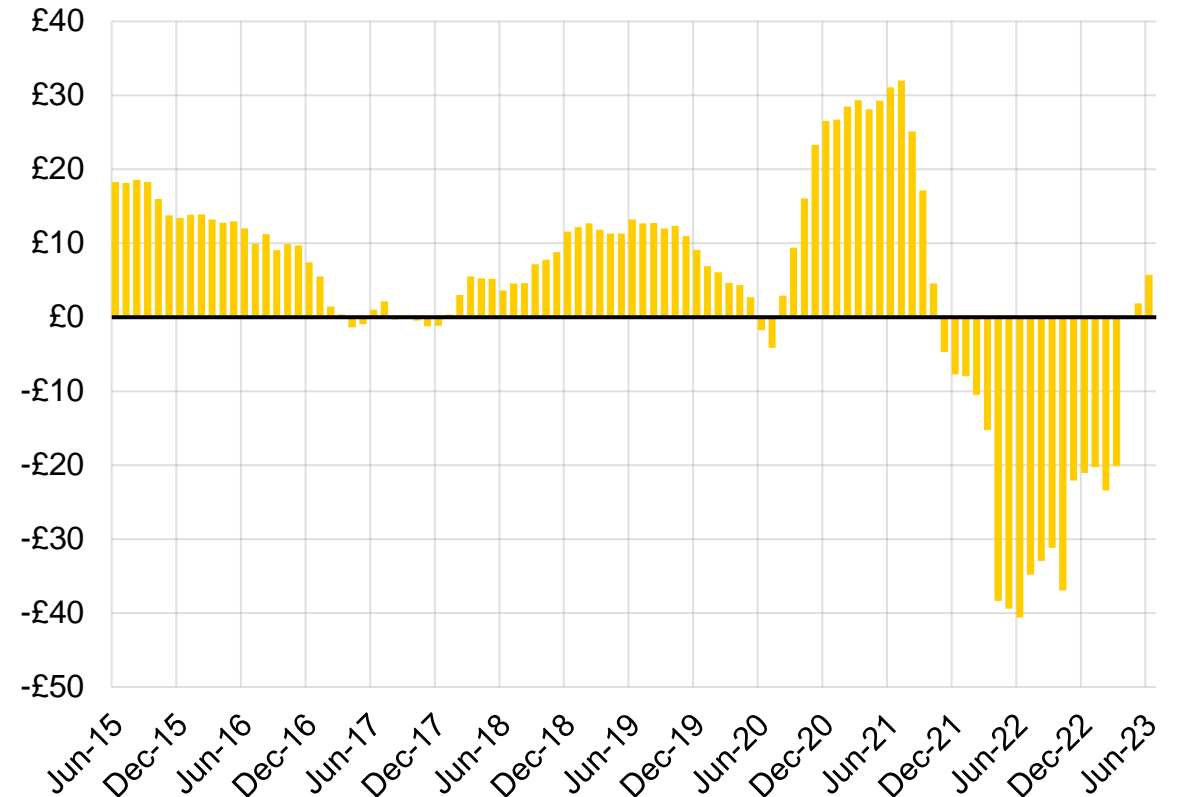


# Income Tracker witnesses annual growth for second consecutive month

## The Asda Income Tracker was £5.74 a week higher in June 2023 than a year before

- The Asda Income Tracker saw annual growth of 2.8% in June. This marked the strongest year-on-year change since September 2021.
- The annual growth was supported by base effects, given that energy-driven inflation and the ensuing cost-of-living crisis began to take hold around a year ago. Continued growth in gross incomes is also supporting the improvement in spending power.
- On a month-on-month basis, spending power picked up £2.34 per week. The average household now has £210 per week in discretionary income.
- Despite the near-term improvements, consumer spending power remains in a weak position. Compared to the same month two years ago, discretionary income for the average household was £35 lower. This highlights the continued impact of the cost-of-living crisis.

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

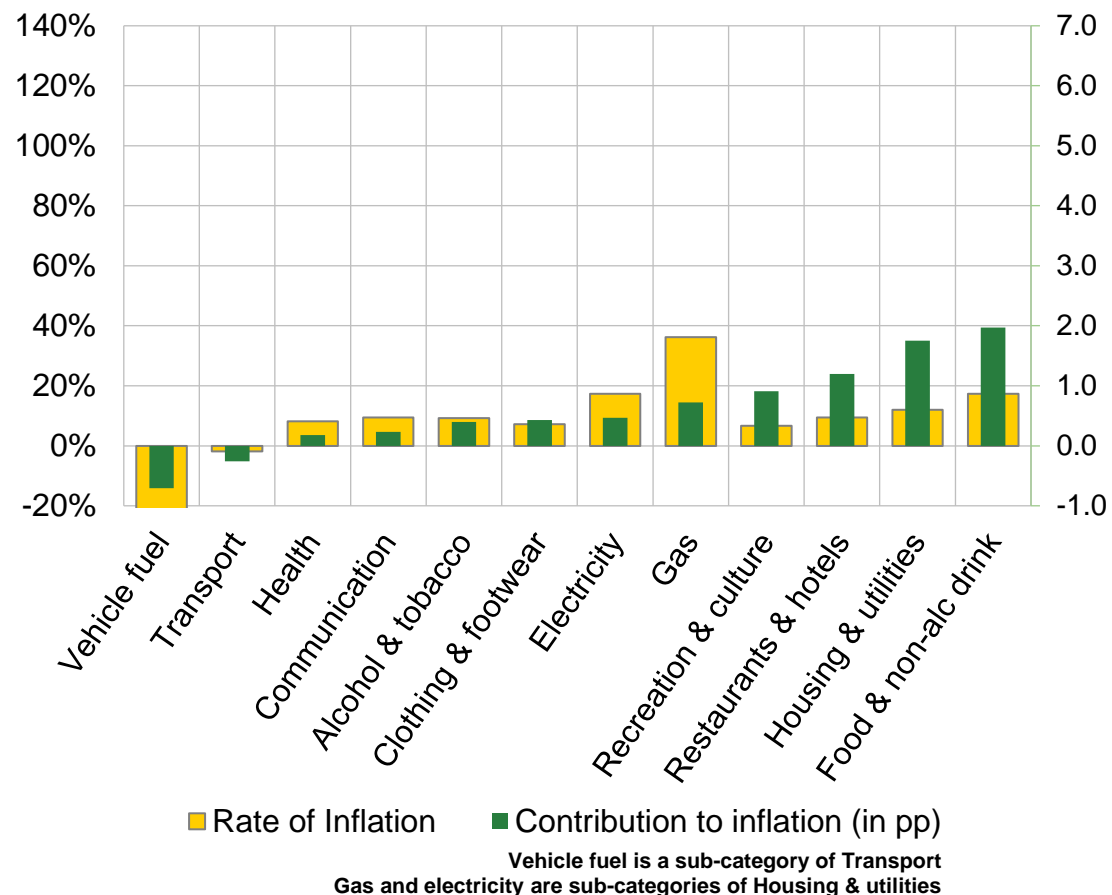


# Inflation slows sharply amidst falling motor fuel prices

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

- Annual inflation, as measured by the Consumer Prices Index (CPI), slowed to 7.9% in June. This was down on May's rate of 8.7% and marked the slowest rate of inflation since March 2022.
- Transport was the main contributor to the slowdown in inflation in June. Price growth in this category is now negative, with prices falling by 1.8% on the year.
- The decline in transport prices was predominantly driven by motor fuels. Petrol prices were down by 22.3% on the year in June, while diesel prices fell by 24.3%.
- Other categories contributing to the slowdown in inflation in June included food and non-alcoholic beverages and restaurants and hotels. Though prices are still rising on the year for these categories, inflation was weaker in June than in May.
- Inflation is expected to slow further in July, reflecting the recent fall in energy prices. Looking further ahead, a continued deceleration is anticipated, though there is a long way to go before inflation approaches the Bank of England's 2.0% target.

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

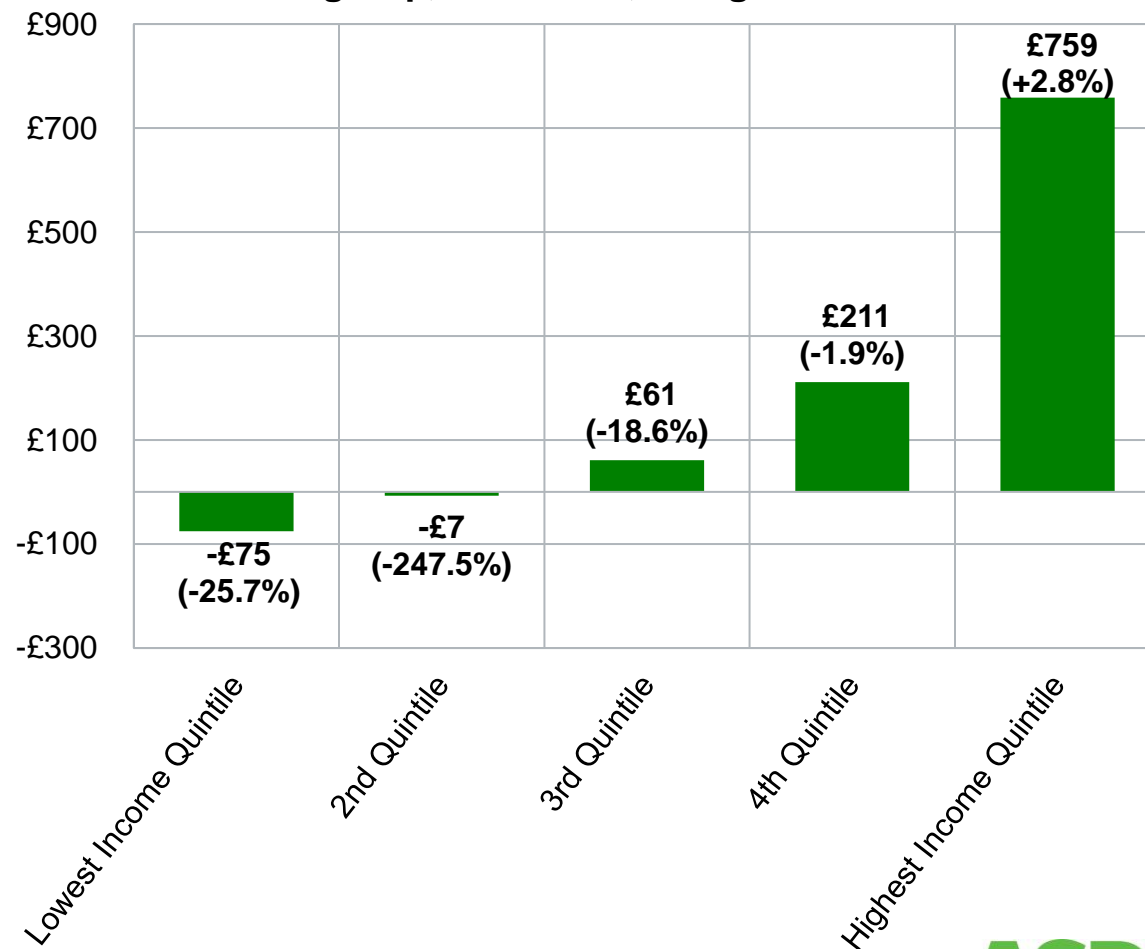


# Highest earners witness third consecutive month of annual spending power growth

## Discretionary income still down on the year for other groups

- Despite the relatively strong wage growth environment, spending power is falling for the vast majority of households.
- The bottom four income quintiles are still witnessing annual falls in spending power, though the magnitude of the decline is generally narrowing from month-to-month. For instance, households in the first quintile saw a discretionary income fall of 25.7% in June, down from a drop of 30.3% in May.
- Households in the highest income quintile saw their discretionary income grow by 2.8% on the year in June. This marked a third consecutive month of annual improvement. These households are particularly supported by the strong gross income growth environment, with higher paid jobs witnessing even stronger pay growth than the economy-wide average.
- Amongst the households recording an annual fall in spending power in Q2, those in the fourth quintile showed the most resilience. Similarly to fifth quintile households, this grouping has a high degree of labour market exposure, supporting their gross income growth. Nevertheless, spending power still fell for these households in June, at a rate of 1.9% on the year.

Average weekly discretionary income by household income group, June 2023, YoY growth in brackets

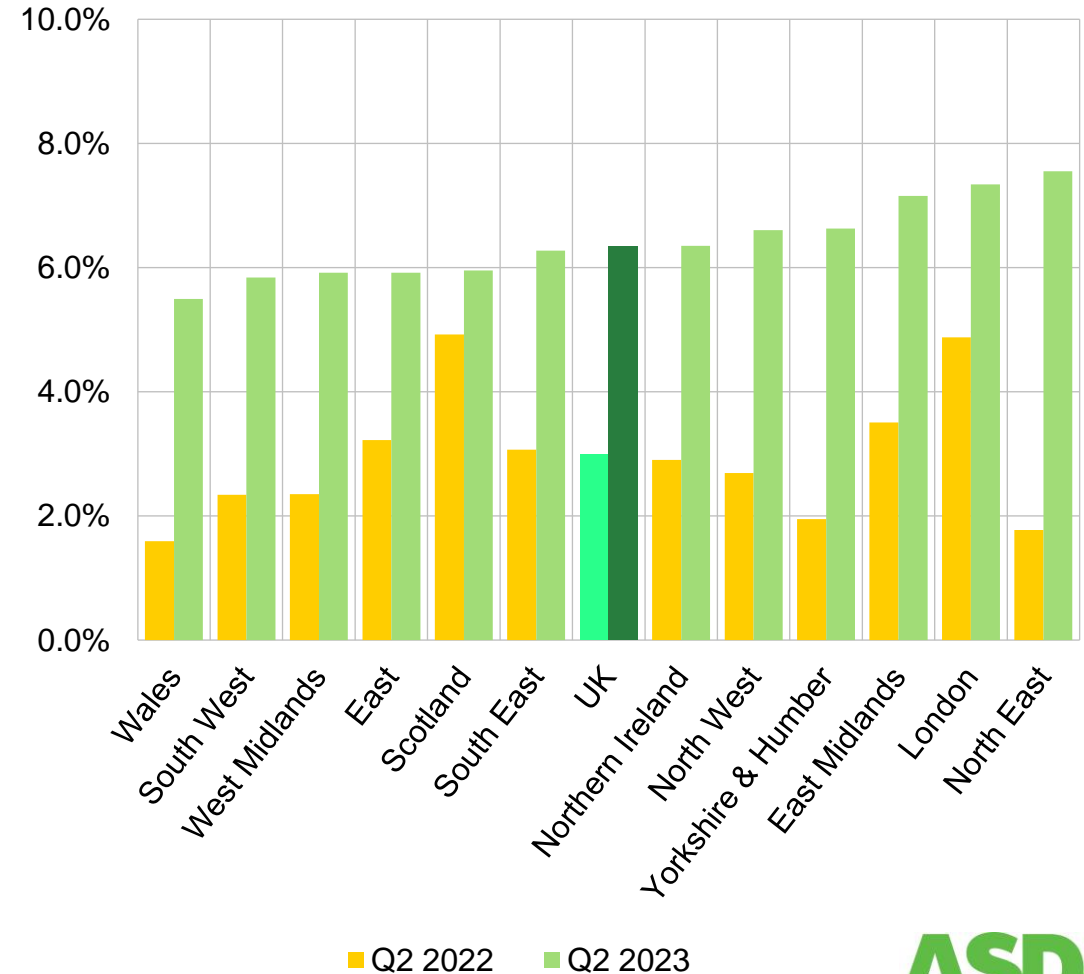


# Aggregate gross income growth hits series high

## UK-wide annual gross income growth stood at 6.3% in Q2 2023

- The UK-wide gross income growth stood at 6.3% in Q2. After a fourth consecutive month of acceleration, gross income growth now stands at its highest rate since the inception of the Income Tracker.
- Record gross income growth is being supported by a number of factors. For those in work, nominal wage growth remains elevated, being affected by the ongoing inflationary environment and the continually tight labour market. Data from the ONS showed particularly strong private sector pay growth in the three months to May, picking up by 7.1% on the year.
- Recent policy changes are also supporting the strong gross income growth. Social securities, including means-tested benefits and the state pension, were recently uprated by inflation.
- Compared to a year ago, the North East saw the largest change in gross income growth. In Q2 2022, this region saw annual gross income growth of just 1.8%. This rate picked up to 7.6% in Q2 2023, representing the fastest growth of any region.

Regional gross income, annual change to quarter indicated

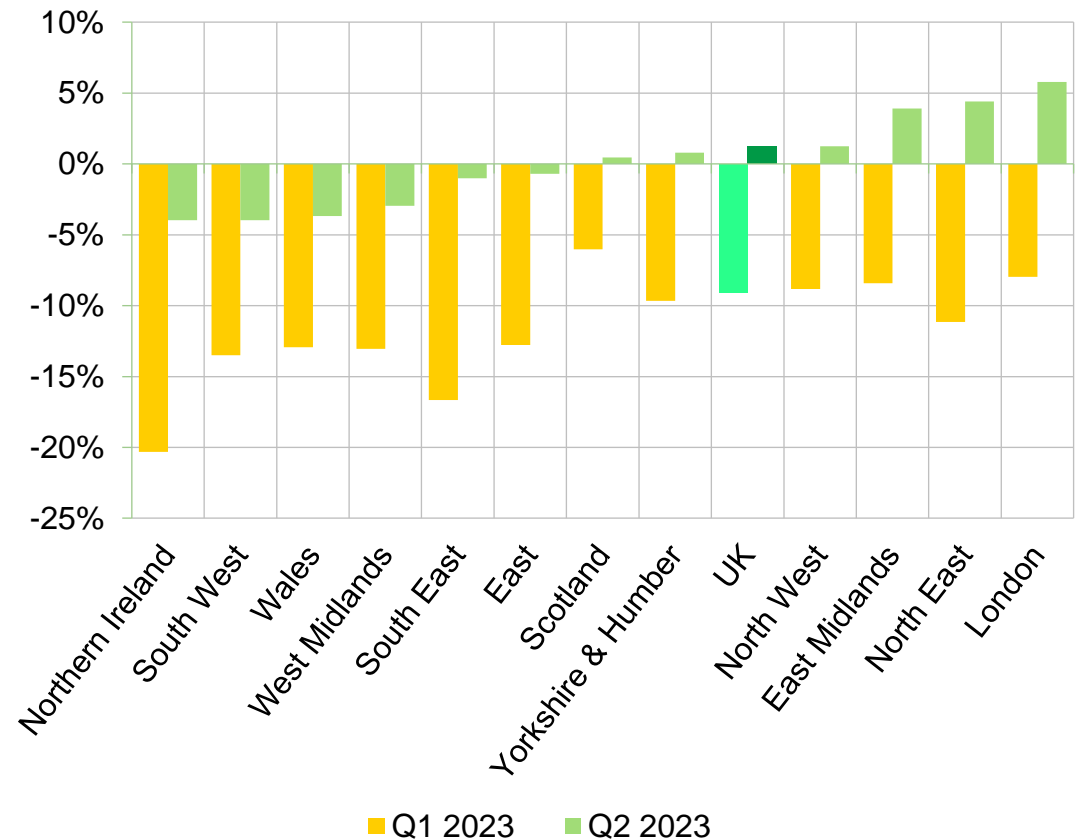


# UK-wide Income Tracker returns to growth in Q2, but several regions are still seeing shortfalls

## UK-wide Income Tracker grew by 1.2% on the year in Q2

- The UK-wide Income Tracker returned to annual growth in Q2, with post-tax income growing at a faster rate than prices. This put an end to six consecutive quarters of annual contraction.
- However, there remains variation across regions. There was an even split amongst regions, with six recording annual growth in discretionary income in Q2 and six witnessing annual contractions.
- The strongest performer was London, where the average household saw their spending power grow by 5.8% on the year. London households are particularly supported by current labour market conditions. The capital has a large share of high-paying jobs, where wage growth has been stronger in recent months. The capital's sector composition is also supporting spending power. For instance, total pay growth for finance and business services, one of London's largest sectors, averaged 8.1% in the three months to May.
- Northern Ireland remains the weakest performer in terms of spending power growth, with an annual contraction of 4.0% in Q2.

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

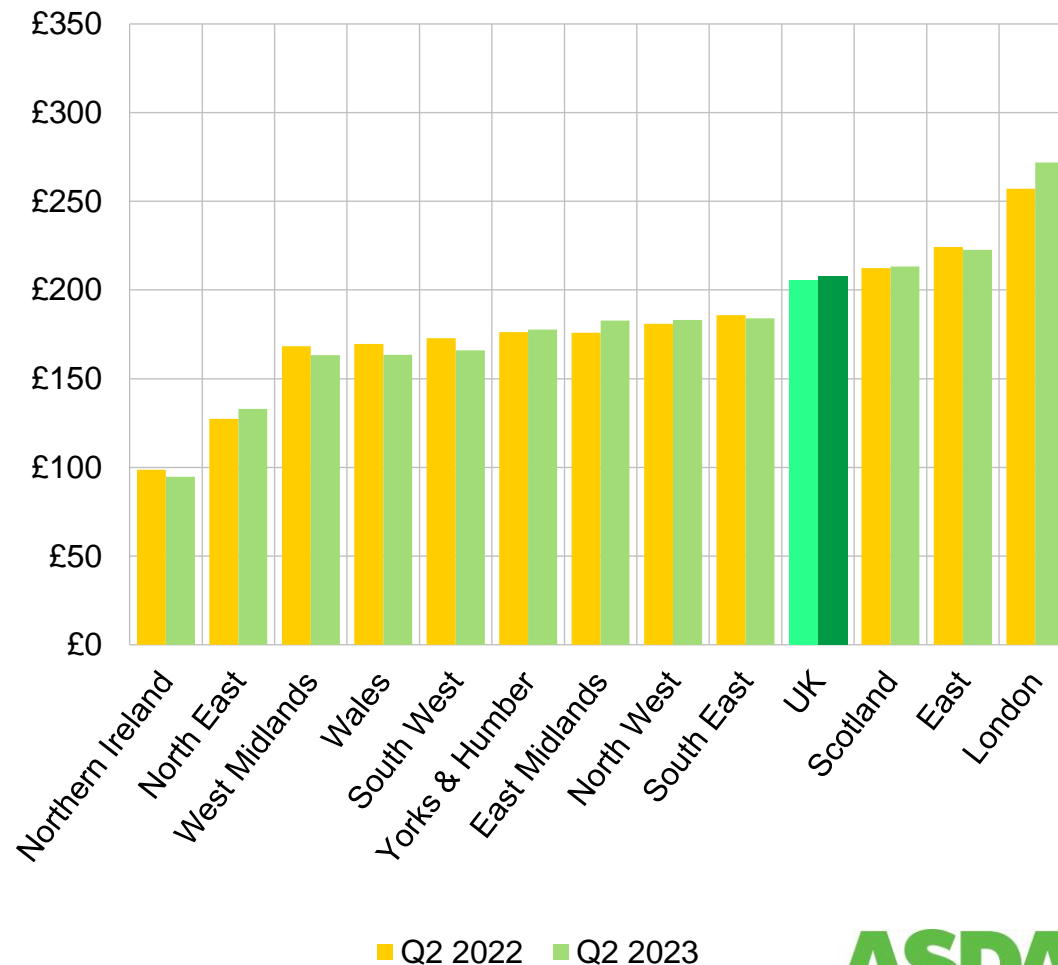


# Growing gap between London and the rest of the country in terms of spending power

## UK-wide weekly family spending power averaged £208 in Q2 2023

- The Asda Income Tracker averaged £208 per week across Q2. Though down on the previous quarter's average, this figure was up on the same quarter of 2022.
- There is considerable variation amongst regions when looking at spending power. London is the strongest performer, with the average household witnessing discretionary income of £272 per week across Q2. Given that London also recorded the strongest growth in spending power in Q2, the divergence between the capital and the rest of the country is increasing.
- The East of England and Scotland both recorded above average spending power values in Q2, at £223 and £213 per week, respectively.
- The weakest regions for spending power are Northern Ireland and the North East, with average spending power of £95 and £133 per week, respectively, across Q2.
- All regions saw a quarterly decline in spending power between Q1 2023 and Q2 2023.

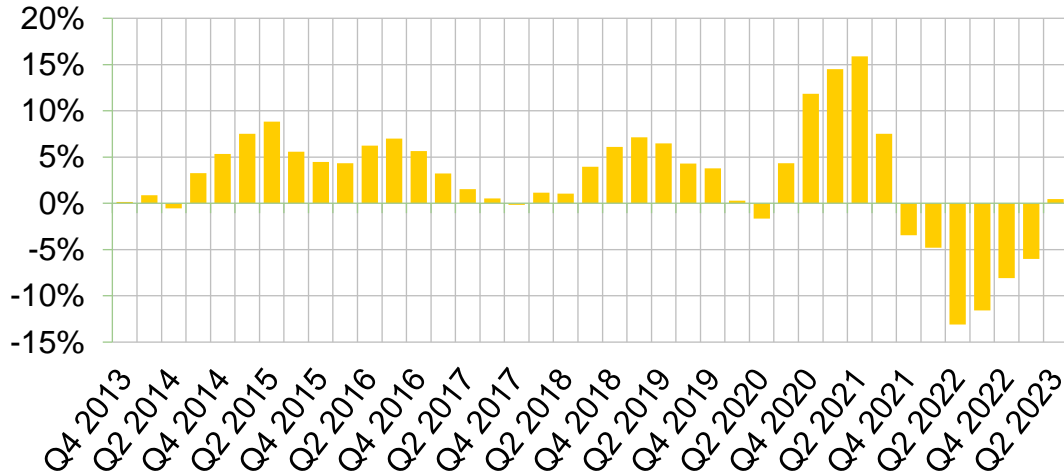
Average household discretionary income by region, £ per week in quarter indicated



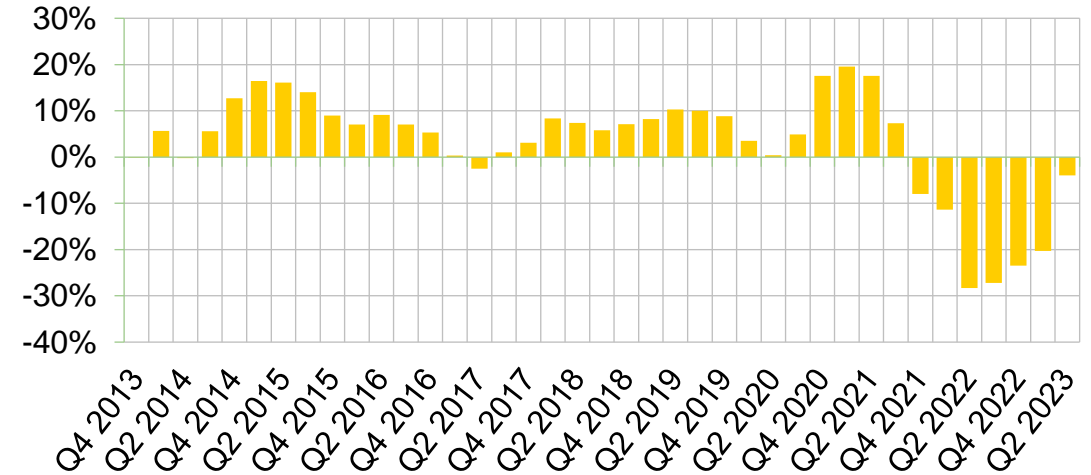


# Focus on Scotland and Northern Ireland

Annual % change in discretionary incomes, Scotland



Annual % change in discretionary incomes, Northern Ireland

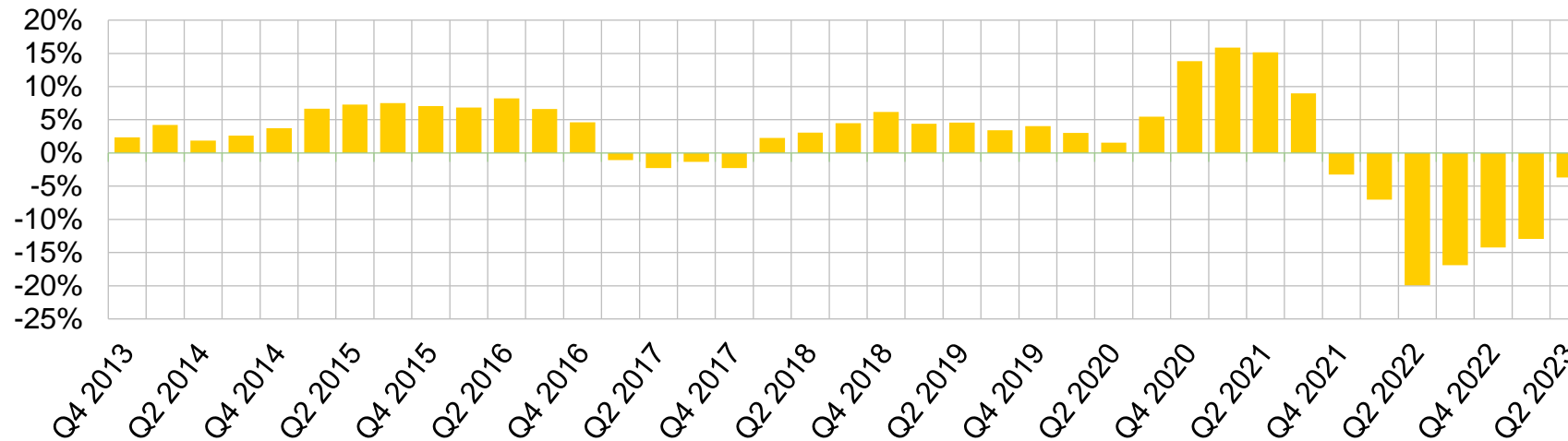


- The Income Tracker shows that the average Scottish household returned to annual discretionary income growth in Q2. Spending power picked up by 0.4% on the year, equivalent to an additional £0.95 per week or an additional £4 across the month.
- Scotland was amongst six UK regions to show experience annual growth in spending power in Q2. However, the rate fell below the UK-wide average of 1.2%.
- Scotland's weaker performance relative to the UK average can be partially explained by its labour market composition. Scotland has a larger public sector than the UK as a whole, where wage growth has been weaker in recent months compared to the private sector. As such, gross income growth in Scotland fell below the UK-wide average.

- The Income Tracker in Northern Ireland fell by 4.0% on the year in Q2. This is equivalent to a drop of £4 per week or a shortfall of £17 across the month.
- Q2 marked the seventh consecutive quarter of annual spending power falls in Northern Ireland. The magnitude of these falls has narrowed in recent quarters, however, reflecting continued gross income growth and slowing inflation.
- Though gross income growth was above the UK-wide average in Q2, Northern Ireland remains particularly exposed to inflation.
- A return to annual growth in discretionary income for Northern Ireland is expected in Q3.

# Focus on Wales

Annual % change in discretionary incomes, Wales

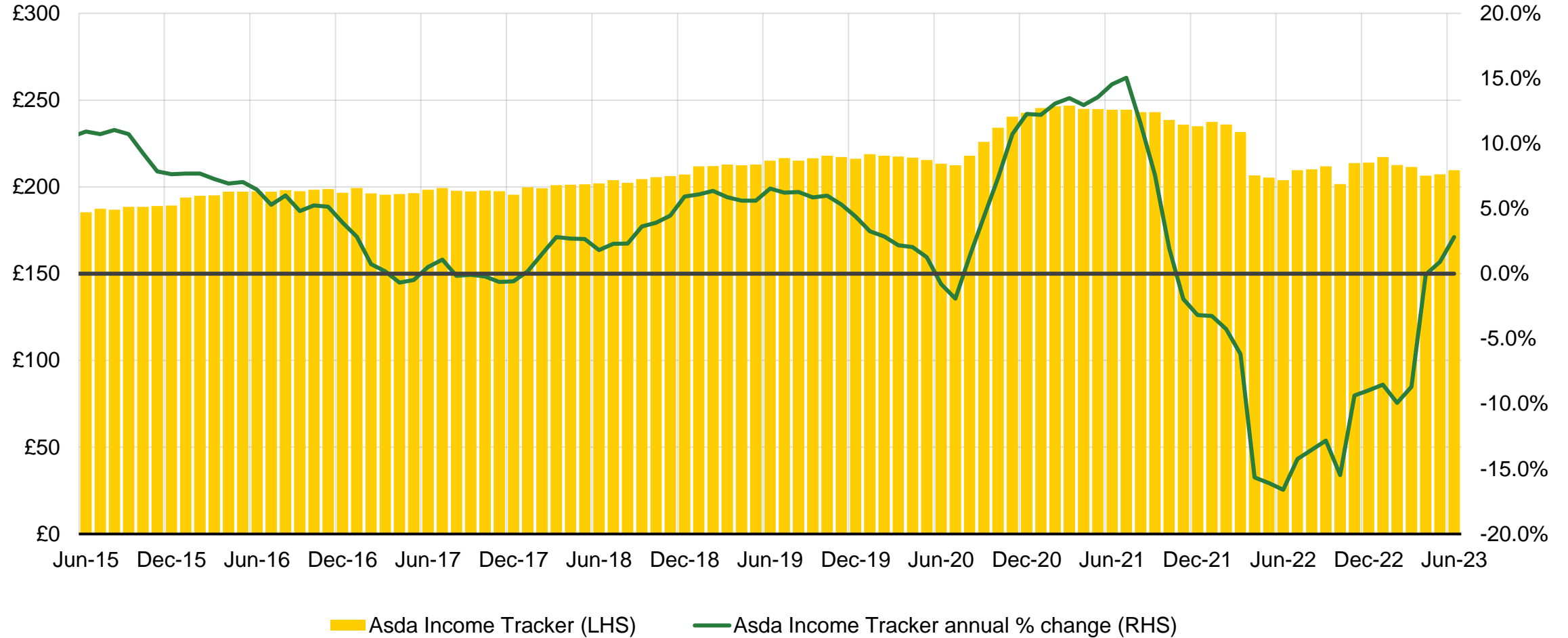


- The Income Tracker in Wales was down by 3.7% on the year in Q2. This is equivalent to a shortfall of £6 per week or £27 across the month.
- Wales was amongst the worst performers in terms of spending power growth in Q2. Only Northern Ireland and the South West saw larger percentage falls in discretionary income, at 4.0% each.
- Wales' weak performance is explained by its poor gross income growth. Though gross incomes in Wales picked up at an historically elevated annual rate of 5.5% in Q2, this was the weakest improvement of any region. As with Scotland, Wales' labour market composition is likely holding back its gross income growth, with the public sector accounting for a large share of jobs in the country.
- As with Northern Ireland, a return to annual improvement in spending power is expected from Q3, when inflation is expected to slow considerably.

# 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 2019	£212	January 2020	£219	January 2021	£246	January 2022	£238	January 2023	£217
February 2019	£212	February 2020	£218	February 2021	£247	February 2022	£236	February 2023	£213
March 2019	£213	March 2020	£217	March 2021	£247	March 2022	£231	March 2023	£211
April 2019	£212	April 2020	£217	April 2021	£245	April 2022	£207	April 2023	£206
May 2019	£213	May 2020	£216	May 2021	£245	May 2022	£206	May 2023	£207
June 2019	£215	June 2020	£213	June 2021	£244	June 2022	£204	June 2023	£210
July 2019	£217	July 2020	£212	July 2021	£244	July 2022	£210		
August 2019	£215	August 2020	£218	August 2021	£243	August 2022	£210		
September 2019	£217	September 2020	£226	September 2021	£243	September 2022	£212		
October 2019	£218	October 2020	£234	October 2021	£239	October 2022	£202		
November 2019	£217	November 2020	£241	November 2021	£236	November 2022	£214		
December 2019	£216	December 2020	£243	December 2021	£235	December 2022	£214		
<b>2019 Average</b>	<b>£215</b>	<b>2020 Average</b>	<b>£223</b>	<b>2021 Average</b>	<b>£243</b>	<b>2022 Average</b>	<b>£215</b>	<b>2023 Average</b>	<b>£211</b>

# 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

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London, July 2023

