

ASDA

Asda Income Tracker

Report: August 2023



Making Business Sense

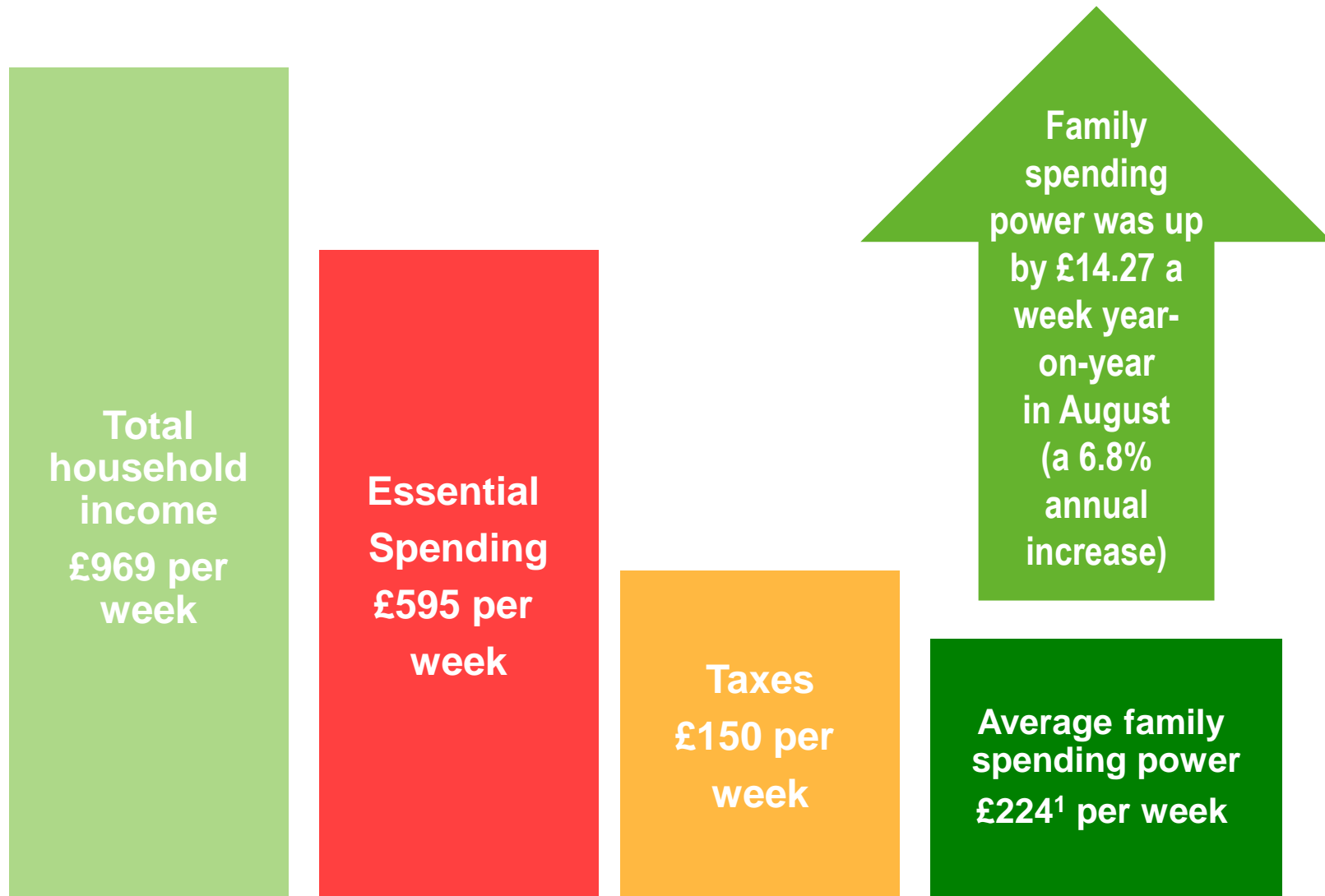
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Asda Income Tracker - Key Figures



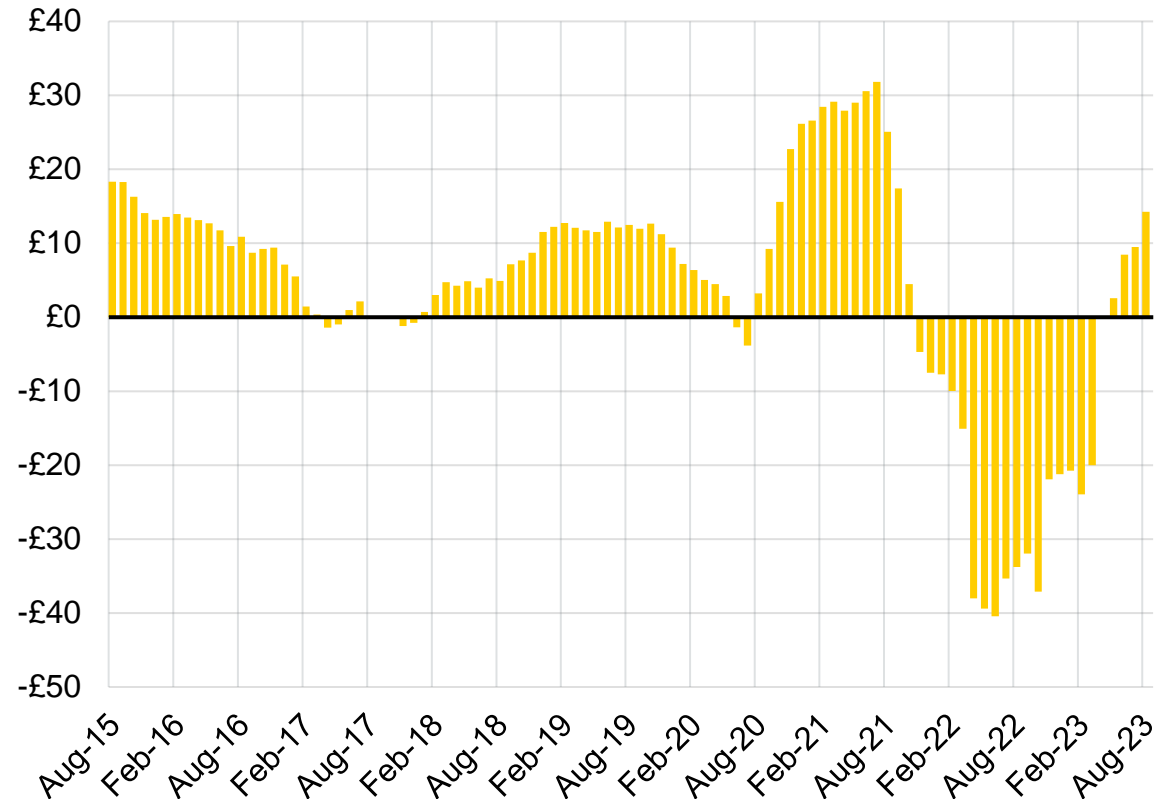
1 After rounding

Spending power improves for fourth consecutive month amidst slowing inflation

The Asda Income Tracker was £14.27 a week higher in August 2023 than a year before

- The Asda Income Tracker saw annual growth of 6.8% in August. This marked the strongest year-on-year change since September 2021.
- The Income Tracker has now recorded annual growth for four consecutive months. Continued strong growth in nominal wages amidst easing inflation is supporting the improvement in spending power.
- On a month-on-month basis, the Income Tracker picked up by £5.04 per week in August, taking weekly discretionary income for the average UK household to £224. This represents the strongest reading since March 2022.
- The near-term improvement was driven by a third consecutive month of deceleration in inflation. A slowdown in food inflation was amongst the primary contributors to August's slowdown.
- Despite the series of improvements, consumer spending power remains below pre-crisis levels. Compared to the same month two years ago, discretionary income was down by £19.48 per week for the average household.

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

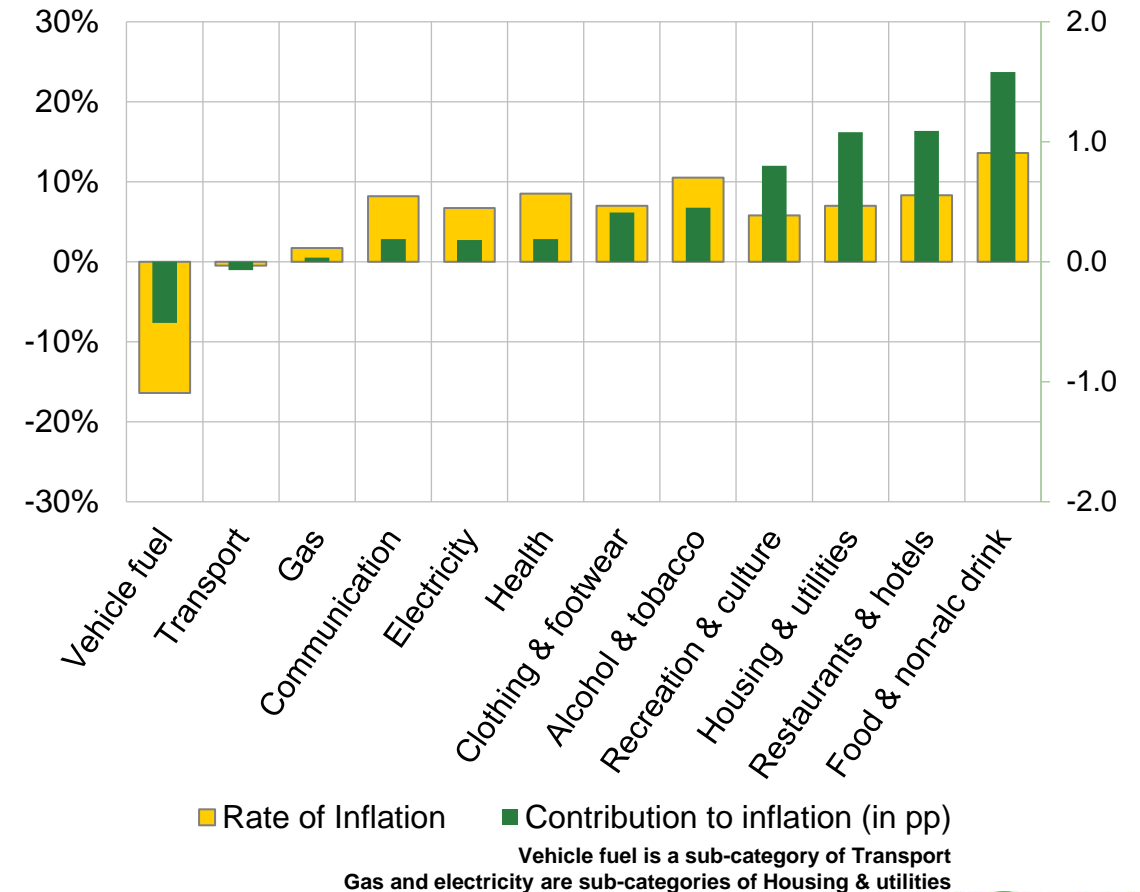


Inflation unexpectedly slows in August, despite higher fuel prices

The main factors affecting family costs in August were:

- Annual inflation, as measured by the Consumer Prices Index (CPI), slowed to 6.7% in August. This was down on July's rate of 6.8% and marked a third consecutive month of slowdown.
- Food and non-alcoholic beverages was the largest contributor to slower price growth in August. Though price growth in this category remains well above historic averages, August's rate of 13.6% marked a fifth consecutive month of slowdown since the peak in March of 19.1%.
- Another category contributing to the monthly slowdown was restaurants and hotels. Annual price growth in this category reached 8.3% in August, its lowest rate since May 2022. The slowdown in inflation for restaurants and hotels was predominantly driven by the accommodation services subcategory, for which prices can be particularly volatile.
- The rate of core inflation also slowed on the month, reaching 6.2% in August, having stood at 6.9% in July.

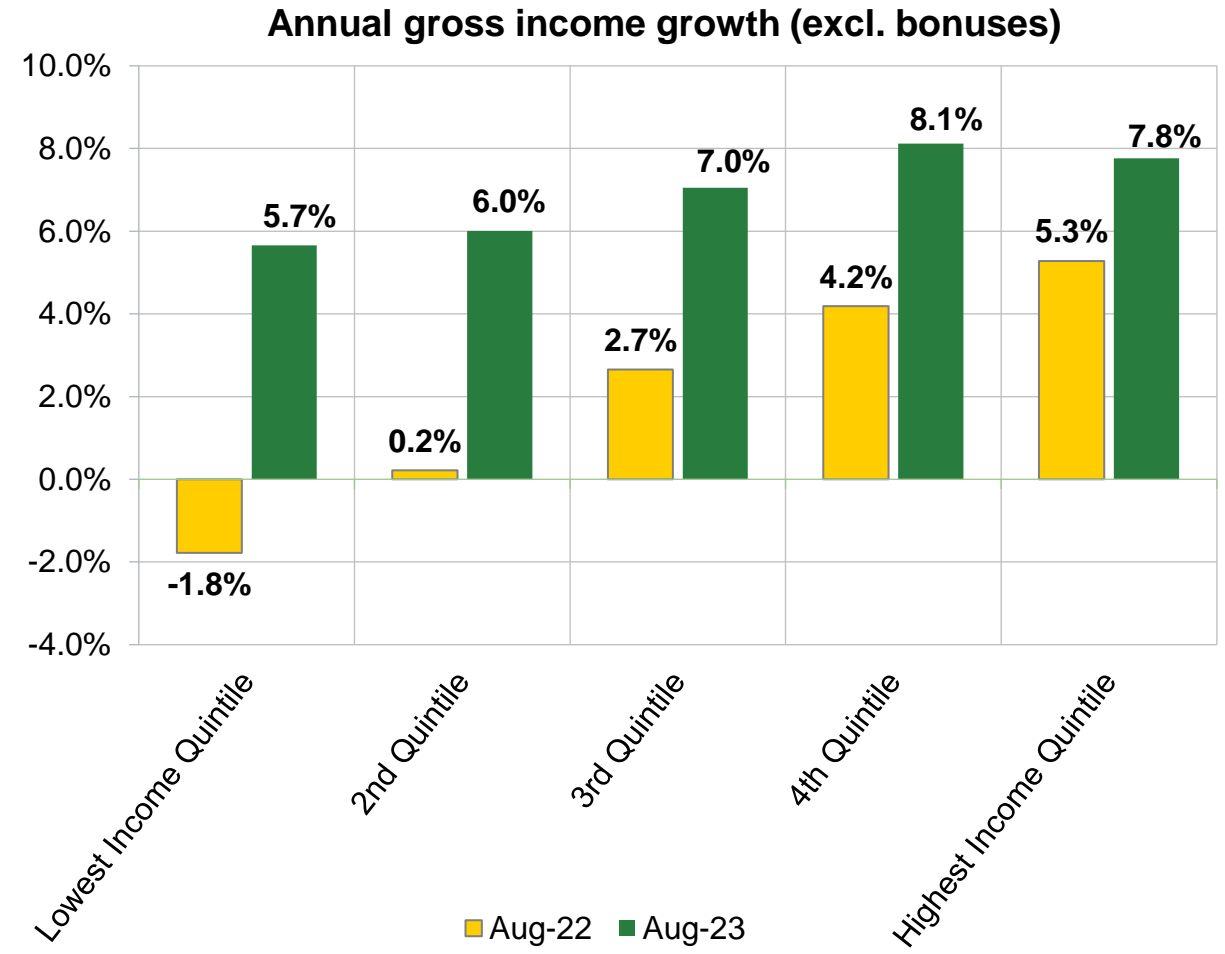
Inflation of selected goods, annual rate (LHS) and contribution to headline inflation (RHS)



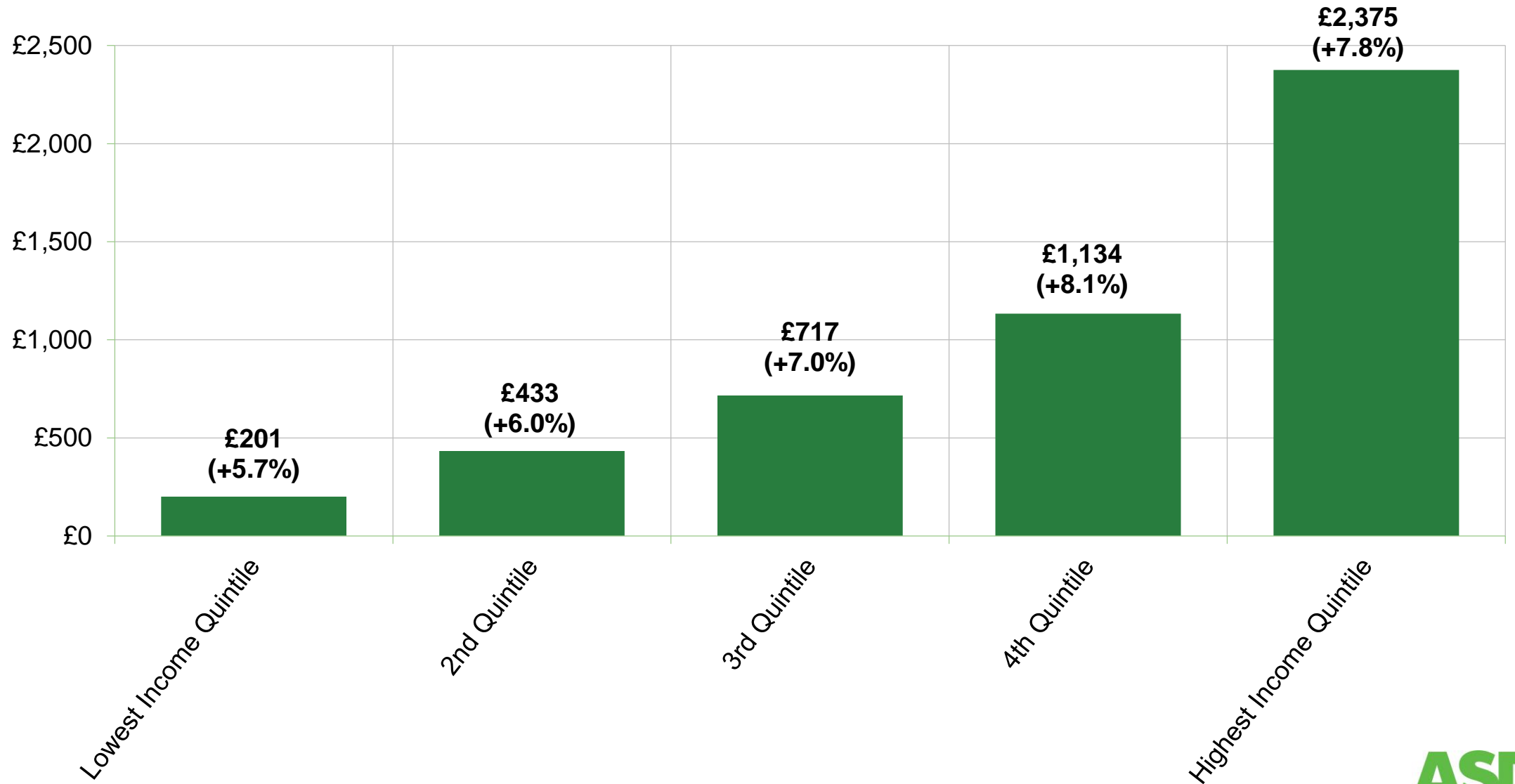
All income quintiles see annual growth in gross income amidst high nominal wage growth

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

- The graph to the right compares the annual gross income growth rates for different household income groups for August 2022 and August 2023. Gross income includes all income from various sources, including wages, self-employment, investment, pensions, and social security.
- Gross income growth has been strong in recent months, driven by relatively high nominal wage growth. All income quintiles recorded annual growth in gross income in August, with this trend having prevailed since October 2022.
- Wage growth has been supported by several policy changes. This includes an inflation adjustment to the National Living Wage in April, supporting pay growth for workers at the bottom end of the income spectrum, alongside one-off payments made to NHS and Civil Service staff in June and July.
- There is a positive relationship between income quintile and income growth in general, with higher income quintiles seeing stronger growth. Notably, the highest three quintiles posted the strongest annual gross income growth throughout the history of the Income Tracker in August.



Gross weekly income excluding bonuses by income quintile, August 2023, annual growth rates in brackets

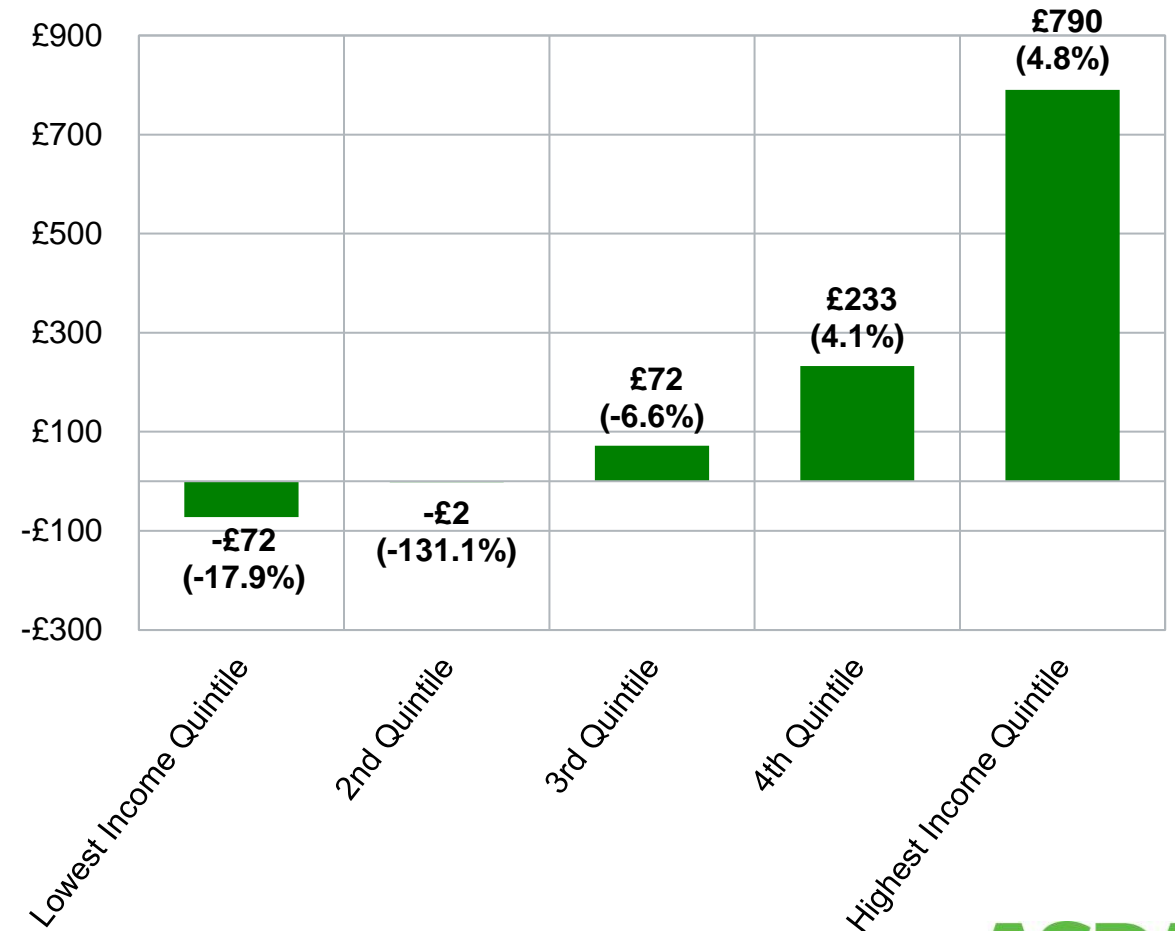


Highest earners witness sixth consecutive month of annual spending power growth

Annual falls in discretionary income witnessed for bottom three income quintiles

- Despite the relatively strong wage growth environment, spending power is falling for many households, highlighting the impact of still elevated inflation on discretionary income.
- The bottom three quintiles are still witnessing annual falls in spending power, though the magnitude of the decline is generally tapering from month-to-month. The fall in spending power has been most notable for those in the second quintile. Relative to August 2022, these households have seen their discretionary income fall by 131.1%, falling from £5 per week to -£2 per week.
- Households in the second income quintile have faced negative discretionary income consistently since February 2023, meaning they cannot afford to cover the basket of essentials with their post-tax income, for the last seven months.
- Meanwhile, households in the highest income quintile witnessed the strongest growth. Spending power for this demographic was £790 per week in August, a rise of 4.8% year-on-year. This marked the sixth consecutive month of annual improvement.

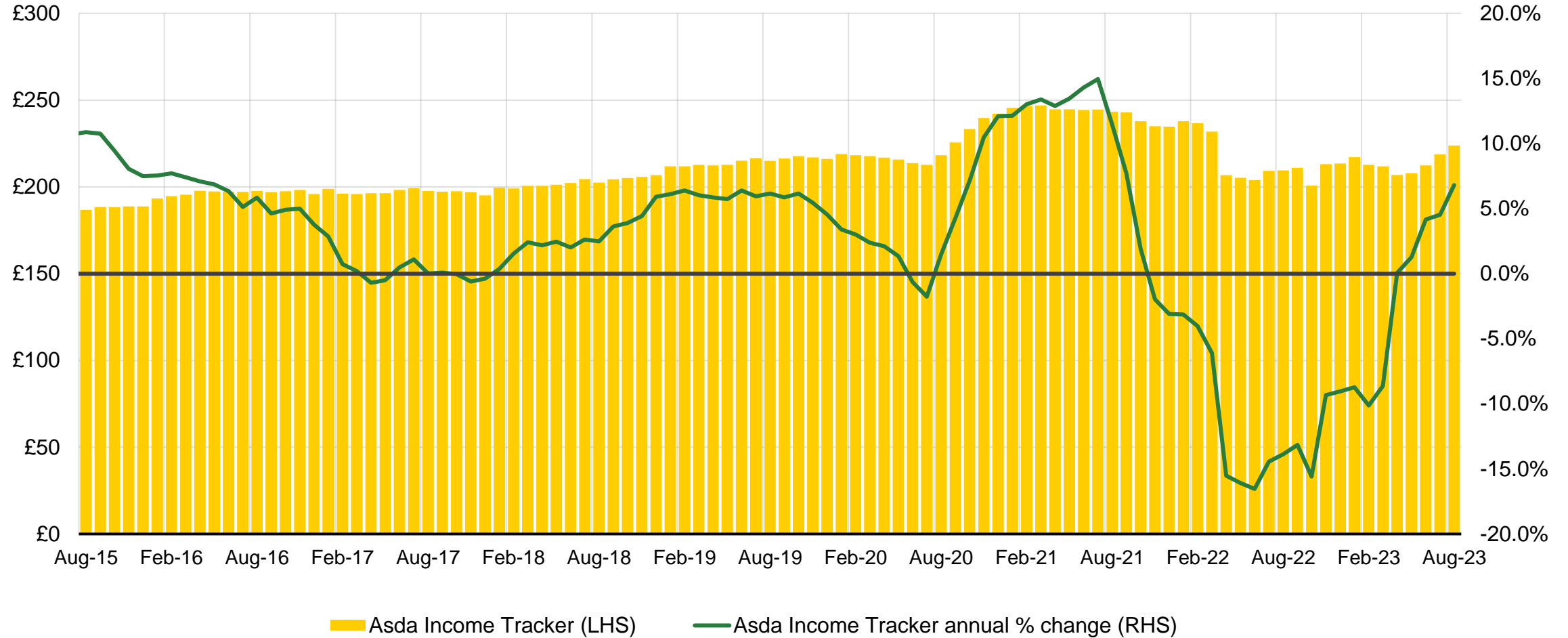
Average weekly discretionary income by household income group, August 2023, YoY growth in brackets



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	£237	February 2023	£213
March 2019	£213	March 2020	£217	March 2021	£247	March 2022	£232	March 2023	£212
April 2019	£212	April 2020	£217	April 2021	£245	April 2022	£207	April 2023	£207
May 2019	£213	May 2020	£216	May 2021	£245	May 2022	£205	May 2023	£208
June 2019	£215	June 2020	£214	June 2021	£244	June 2022	£204	June 2023	£212
July 2019	£217	July 2020	£213	July 2021	£244	July 2022	£209	July 2023	£219
August 2019	£215	August 2020	£218	August 2021	£243	August 2022	£210	August 2023	£224
September 2019	£217	September 2020	£226	September 2021	£243	September 2022	£211		
October 2019	£218	October 2020	£233	October 2021	£238	October 2022	£201		
November 2019	£217	November 2020	£240	November 2021	£235	November 2022	£213		
December 2019	£216	December 2020	£242	December 2021	£235	December 2022	£214		
2019 Average	£215	2020 Average	£223	2021 Average	£243	2022 Average	£215	2023 Average	£213

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 Kay Neufeld and Sam Miley.

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London, August 2023

