

# Asda Income Tracker

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Making Business Sense

Centre for Economics and  
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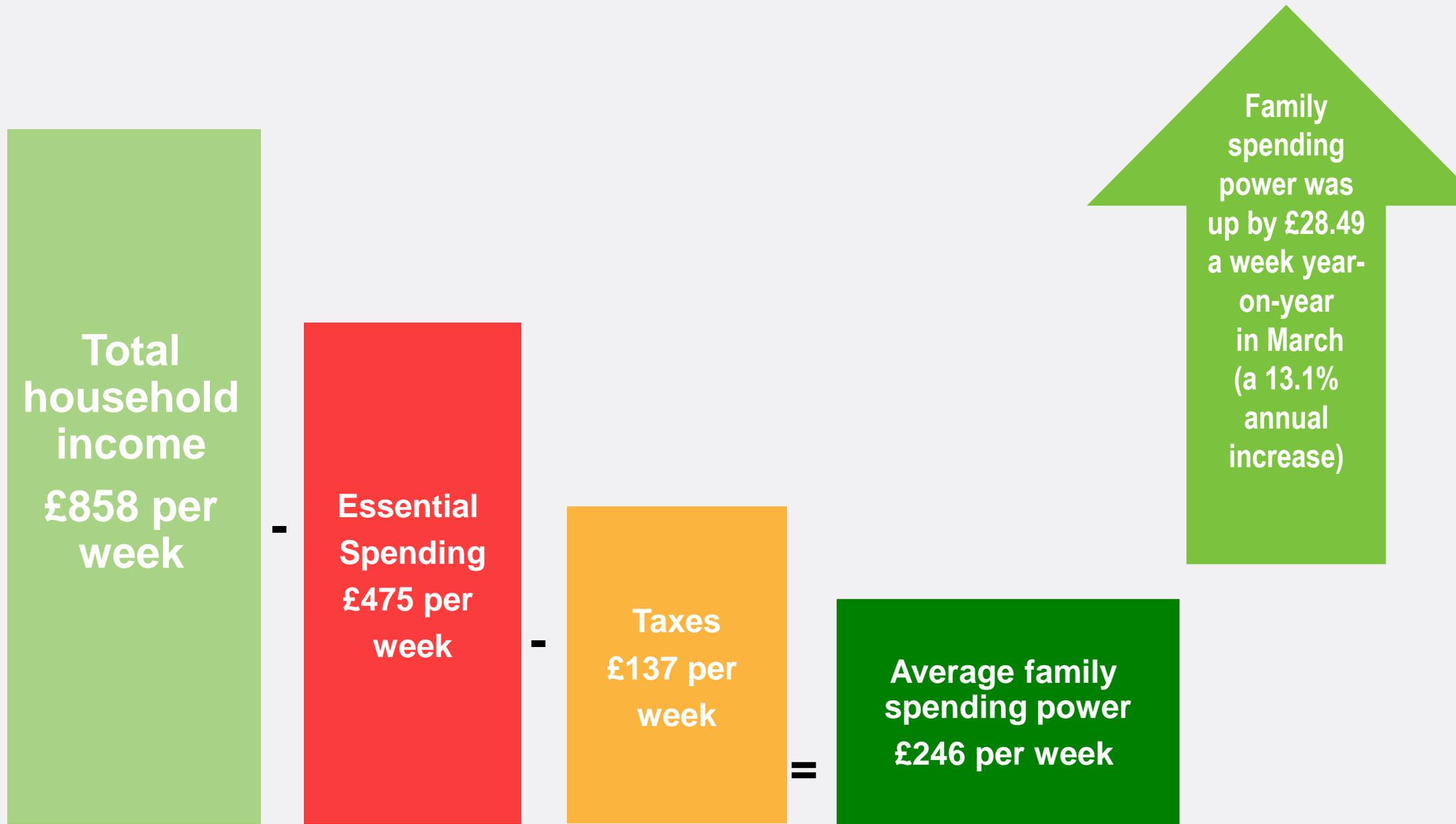
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# Asda Income Tracker – Key Figures



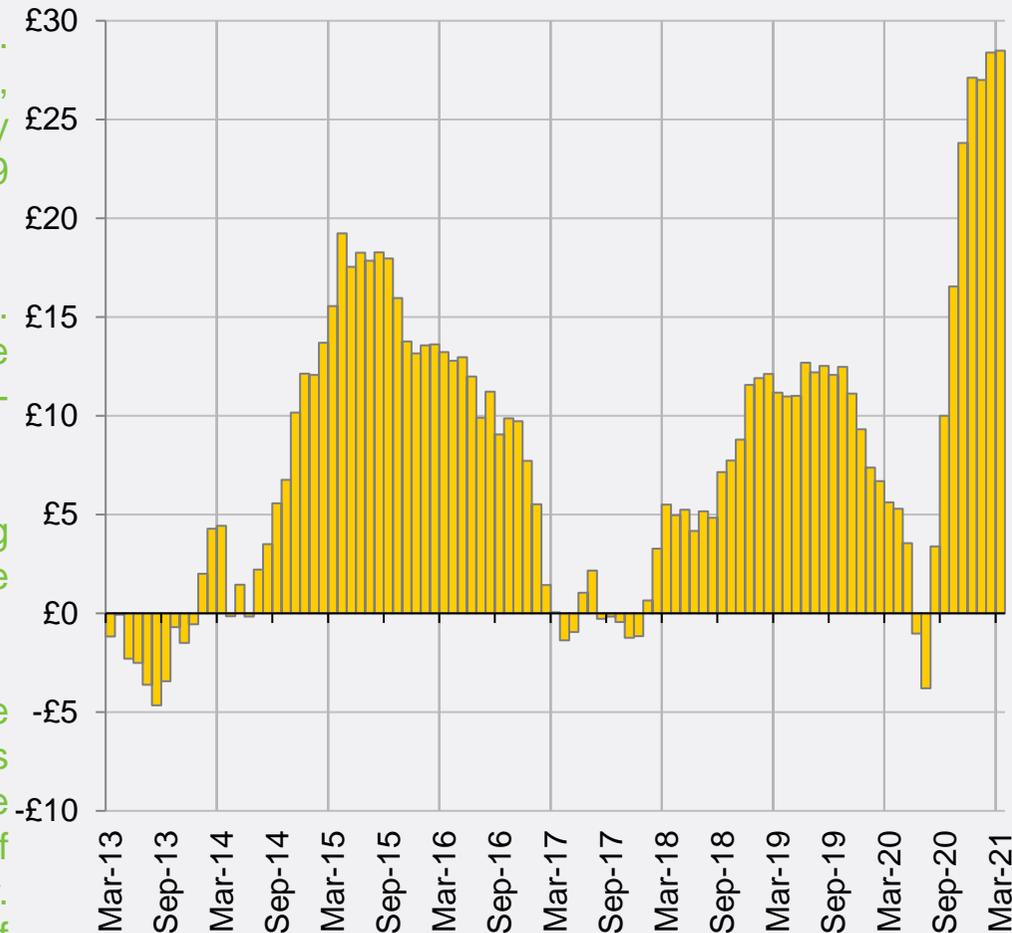
**NB: Due to the unprecedented effects of the coronavirus crisis on the UK economy, this month's Income Tracker figures are subject to a greater degree of uncertainty than usual. While we have used the latest data available to estimate the impacts of the crisis on incomes and expenditures in the reporting month, the Income Tracker figures will be subject to revisions as further official data are released over the coming weeks.**

# Income Tracker increase hits another record high

Income Tracker Trends

The Asda Income Tracker was £28.49 a week higher in March 2021 than a year before.

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



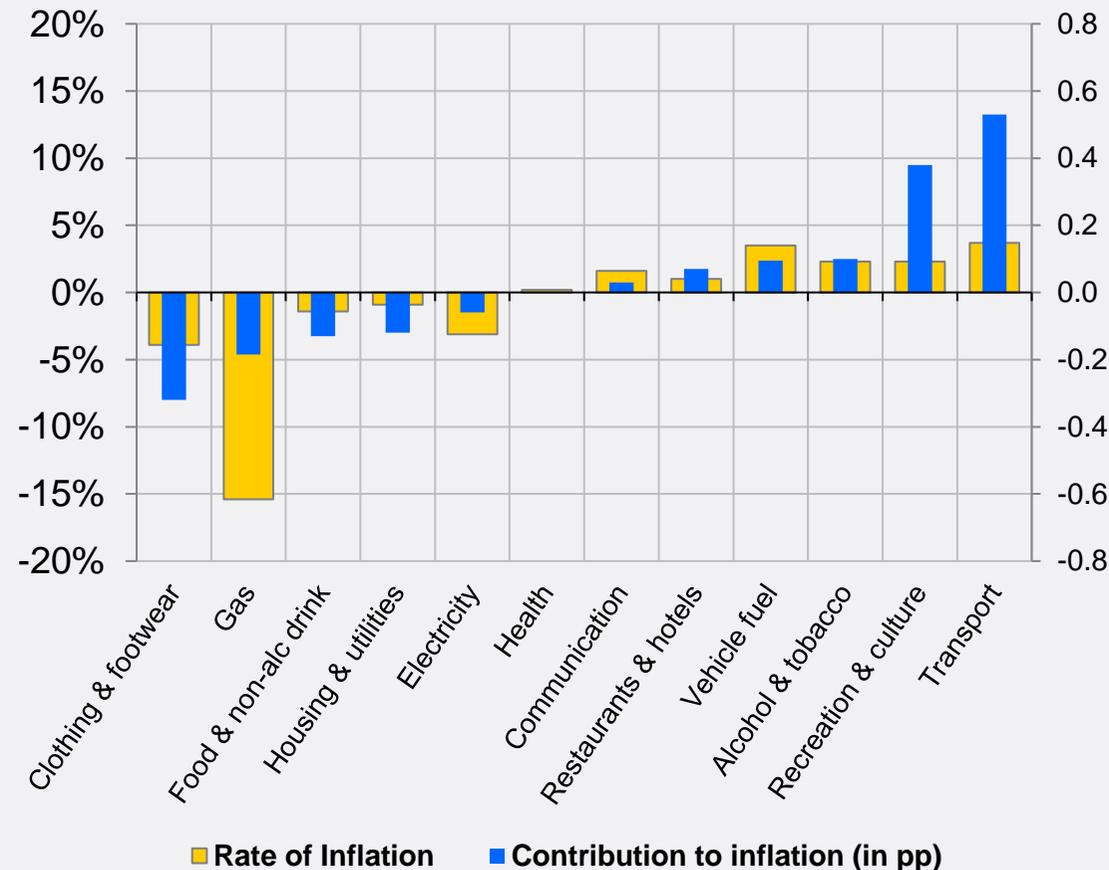
- Household spending power grew by 13.1% year-on-year in March. This marks the fastest annual growth rate in nearly twelve years, having last been higher in November 2009, when discretionary incomes picked up by 13.7%. The pound terms increase of £28.49 amounts to the largest on record.
- UK households are continuing to benefit from strong wage growth. There is some evidence of this slowing, however, with the annual rate of growth in total pay reaching 3.9% in February, down from a near-term high of 5.4% in December.
- Meanwhile, the labour market remains resilient, further supporting household incomes. The unemployment rate slipped to 4.9% in the three months to February, for instance.
- While current conditions are conducive to strength in the Income Tracker, it is worth noting that the strong annual growth rates are as much a matter of the low comparative base. March 2020 was the onset of the coronavirus crisis in the UK and marked the second of six consecutive months of monthly decline in the Income Tracker. Reduced working hours, wage cuts, and a greater prevalence of furloughed workers were all factors contributing to weaker incomes during this period.

# Increasing fuel prices drive uptick in inflation rate

The main factors affecting family costs in March were:

- Annual inflation, as measured by the Consumer Price Index (CPI), increased by 0.3 percentage points in March, reaching 0.7%.
- The transport category was the major source of upward pressure on the inflation rate in March. This was predominantly driven by changes in vehicle fuel prices, which rose annually for the first time since February 2020.
- Further upward pressure from the transport category is expected over the coming months. This will be driven by base effects, with fuel prices having suffered a notable dip in Spring 2020 on account of volatility in global oil markets.
- Further pressure on the headline rate is anticipated given the ongoing reopening of the economy and anticipated uptick in demand levels.
- As such, Cebr forecasts point to an acceleration of the inflation rate for the rest of 2021. On the CPI measure, we expect the annual rate to fall just short of 2.0% by the end of the year, before exceeding that value for much of 2022.

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



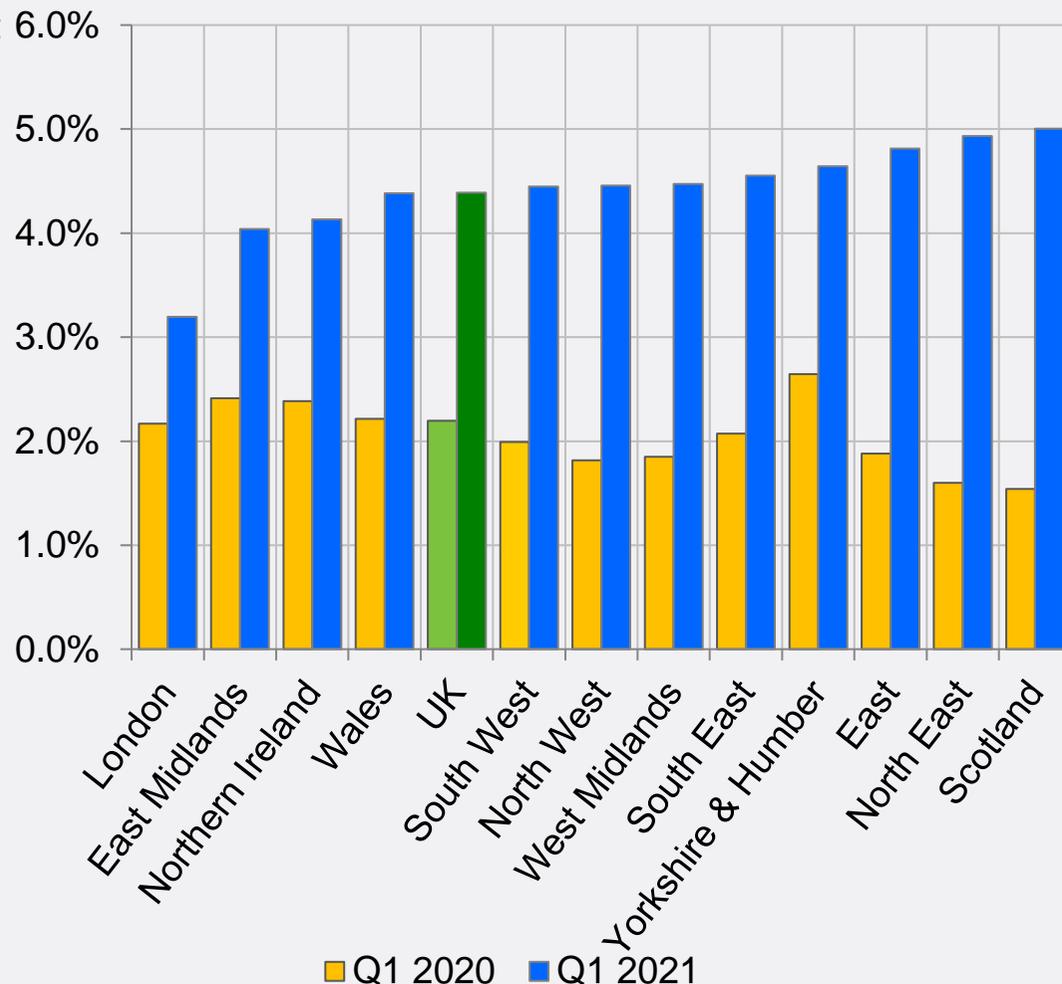
Vehicle fuel is a sub-category of Transport;  
Gas and electricity are sub-categories of Housing & utilities

# Gross income growth stands higher than a year ago across the entire UK

UK-wide annual gross income growth reached a near 13-year high of 4.4% in Q1 2021

- Annual growth in gross incomes continued to accelerate in the first quarter of 2021, reaching 4.4% across the UK. This marks the fastest growth rate since Q2 2008, when incomes had picked up by 4.8%.
- All of the UK's regions and nations saw an uptick in the annual rate of gross income growth between Q1 2020 and Q1 2021. There remains some variation, however, with Scotland exhibiting the highest growth rate of 5.0%, 1.8 percentage points higher than that of London, the region with the lowest growth rate.
- London's ranking as the region with the slowest growing gross income rates can be partially explained by its greater unemployment rate, which has been subject to the largest annual increase of the twelve regions. London's unemployment rate was 2.7 percentage points higher in the three months to February 2021 than in the same period a year ago.
- The East Midlands and Northern Ireland – the regions with the next slowest rates of gross income growth – also saw some of the largest annual increases in their unemployment rates over this period, amounting to 1.1 and 1.2 percentage points, respectively.

Regional gross income, annual change to quarter indicated

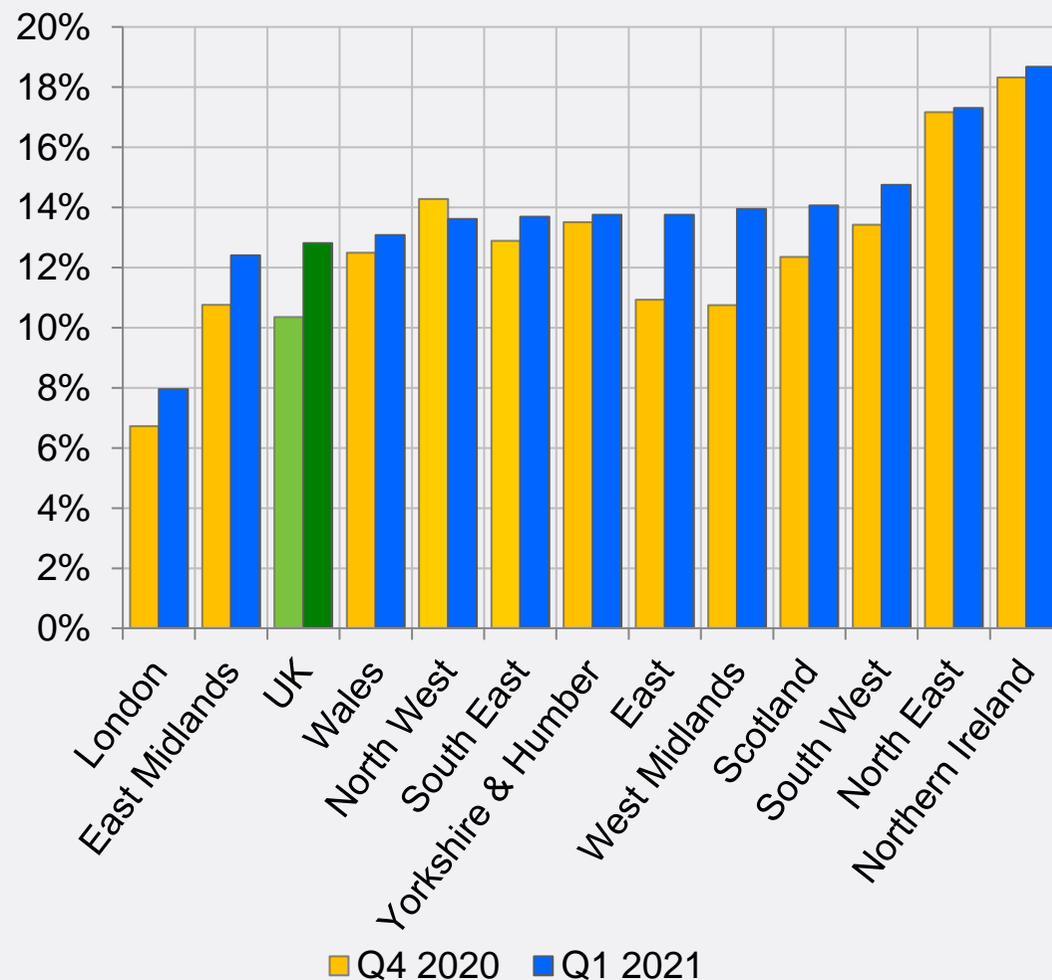


# Income Tracker growth hit near 12-year high in March

## 11 out of 12 regions have seen double digit Income Tracker growth in past two quarters

- Annual growth in the Asda Income Tracker picked up for the third consecutive quarter in Q1 2021, reaching 12.8%.
- This marks the fastest annual growth rate since Q3 2009, when growth of 15.0% was recorded. At this point, household incomes were recovering from a dip in the prior year, triggered by the global financial crisis.
- The largest percentage improvement in discretionary incomes was seen amongst households in Northern Ireland, amounting to 18.7% annual growth in Q1 2021. This had also been the case in Q4 2020. Though those in Northern Ireland have benefitted from the elevated UK-wide wage growth and expansion of Universal Credit, this strong growth is largely driven by base effects, with Northern Irish households experiencing the lowest discretionary income levels in ordinary circumstances, providing more scope for higher growth rates.
- Similar trends explain the experience of the North East, the region with the next fastest rate of Income Tracker growth.

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

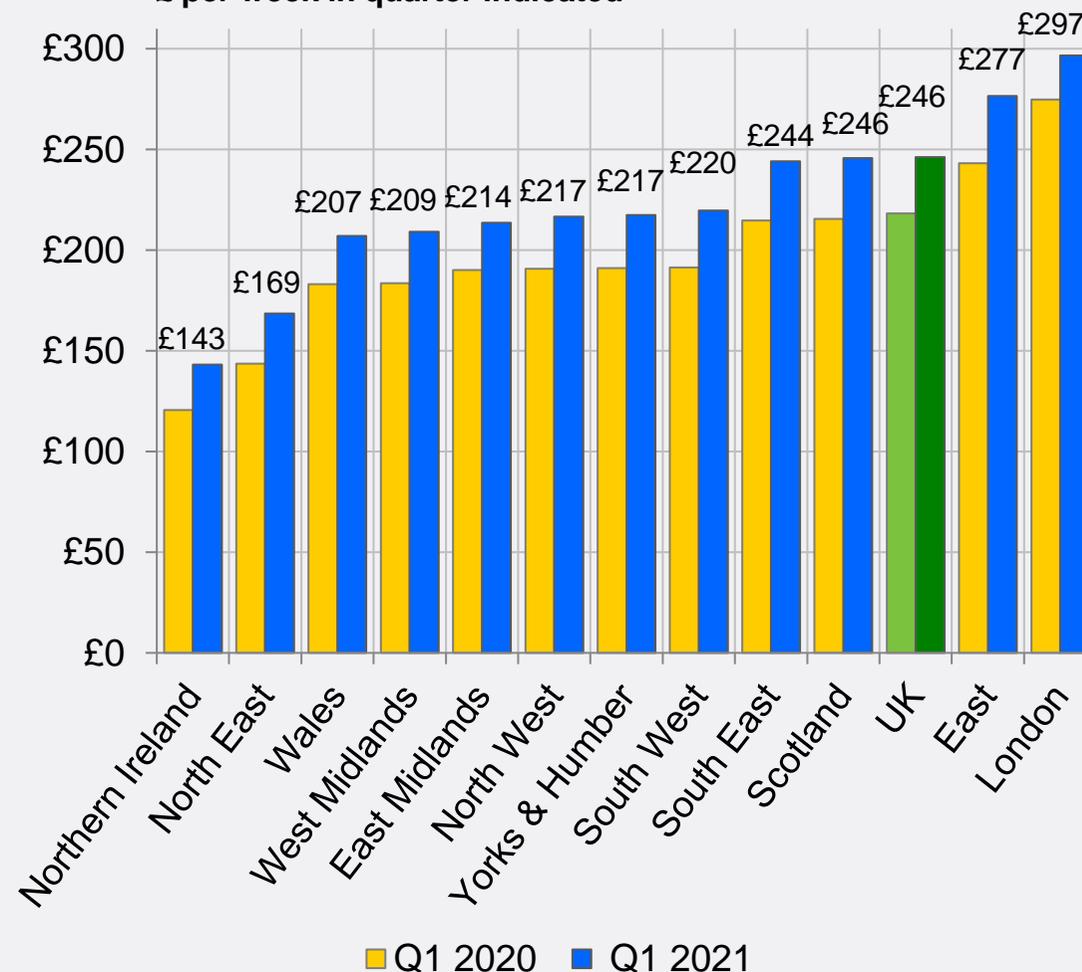


# Record annual increases in Income Tracker witnessed in nine out of twelve regions

UK-wide family spending power averaged £246 in the first quarter of 2021, marking another record high

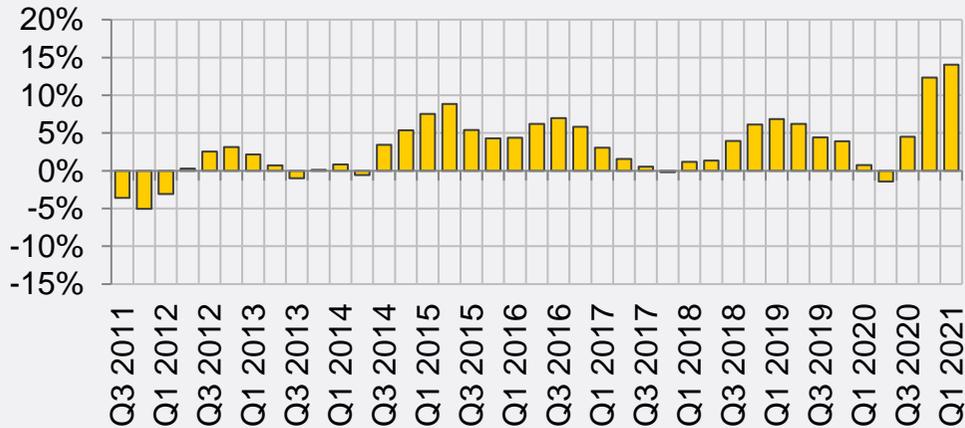
- The largest absolute increase in the Income Tracker was seen in the East of England, with discretionary incomes in the region being £33.45 higher per week in Q1 2021 than in Q1 2020.
- The smallest increase was seen amongst households in London. Nevertheless, this still amounted to an improvement of £21.87 per household per week.
- With the exceptions of the North West, London, and the South East, Q1's pound terms annual increases in the Income Tracker amounted to record highs in all regions.
- A key question for the future of the Income Tracker across all regions will be the extent to which wage growth remains high. To a certain degree, wage growth is being inflated by composition labour market effects, such as the greater concentration of job losses amongst lower paying industries. As the economy reopens and employment in these industries increases, we could see some downward pressure on wage growth and hence on the Income Tracker.

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

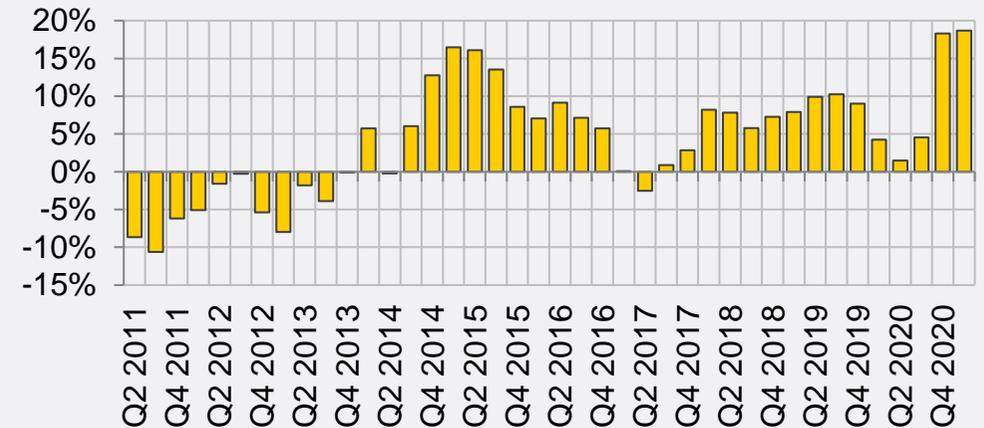


# Focus on Scotland and Northern Ireland

Annual % change in discretionary incomes, Scotland



Annual % change in discretionary incomes, Northern Ireland



- The Income Tracker for Scotland witnessed an annual increase of 14.1% in Q1 2021. This marks the nation's fastest ever Income Tracker growth rate.
- Households in Scotland have seen particularly strong growth in gross incomes. Indeed, at an annual rate of 5.0% in Q1, this amounted to the highest of any region or nation.
- Much of this growth has been driven by the public sector, which makes up a proportionally larger segment of the Scottish workforce compared to the rest of the UK. Regular pay growth in the public sector amounted to 5.7% in February 2021, exceeding that of the private sector by 1.6 percentage points.
- The Income Tracker for Northern Ireland witnessed annual growth of 18.7% in Q1 2021, the fastest growth rate of any region or nation.
- Northern Irish households tend to see a larger proportion of their incomes stemming from social security benefits. As such, the nation has benefitted from the uplift to Universal Credit and will continue to do so given the recent extension to this policy.
- Like Scotland, Northern Ireland also possesses a proportionally larger body of public sector workers, amounting to just over a quarter of the nation's workforce. The nation has thus similarly benefitted from stronger public sector pay growth.

# Contact

Please find attached method notes and the tabulated data. Asda produces a monthly Income Tracker report with a more comprehensive report every quarter.

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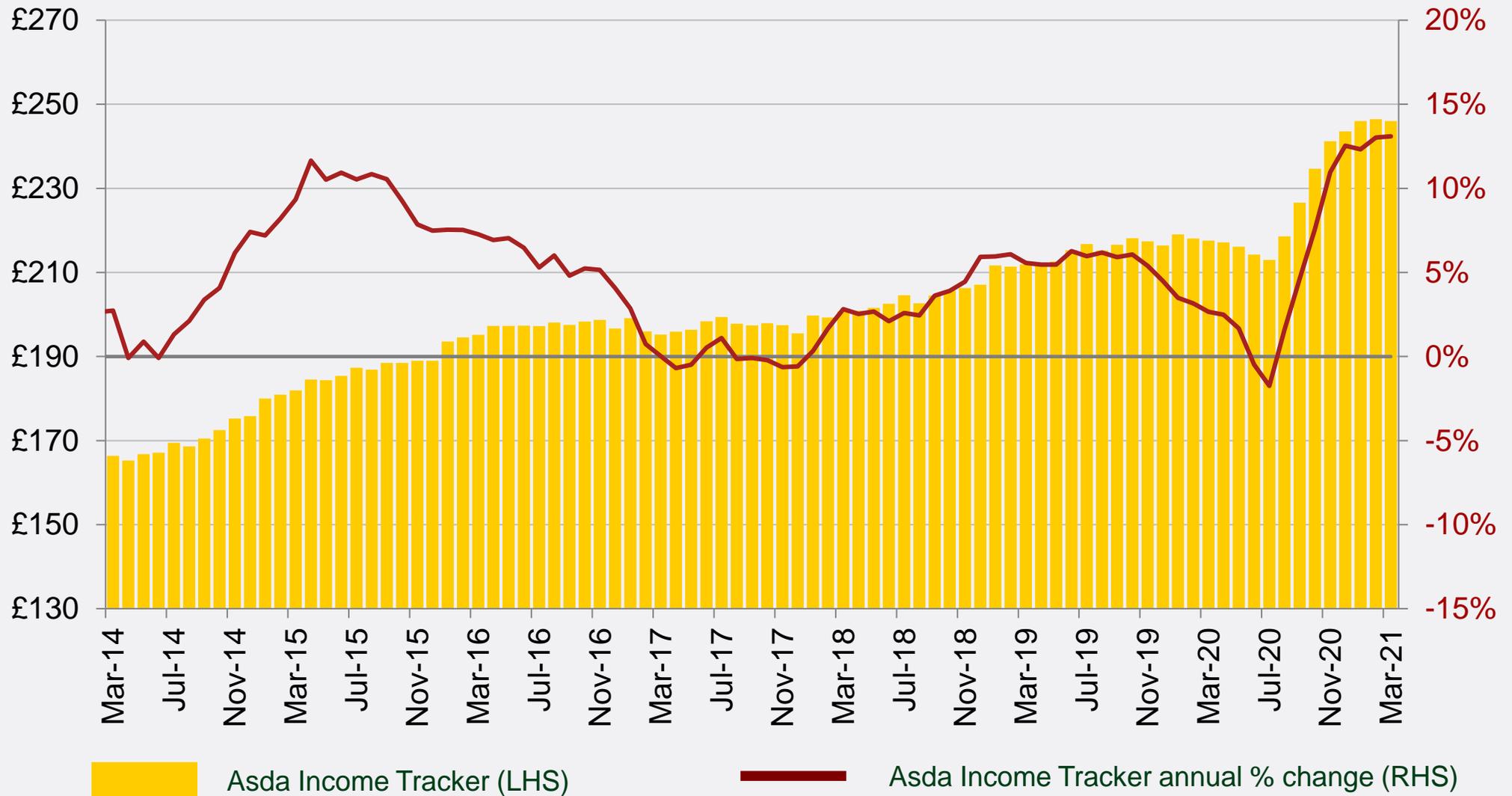
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# Appendix

# Monthly Asda Income Tracker

Figure 1: Asda Income Tracker and year-on-year change (excluding bonuses)



# Monthly Asda Income Tracker

**Table 1: Average UK household Income Tracker, £ per week, current prices, excluding bonuses**

Month	Income tracker								
January 2017	£199	January 2018	£200	January 2019	£212	January 2020	£219	January 2021	£246
February 2017	£196	February 2018	£200	February 2019	£212	February 2020	£218	February 2021	£247
March 2017	£196	March 2018	£201	March 2019	£212	March 2020	£218	March 2021	£246
April 2017	£196	April 2018	£201	April 2019	£212	April 2020	£217		
May 2017	£196	May 2018	£201	May 2019	£213	May 2020	£216		
June 2017	£198	June 2018	£202	June 2019	£215	June 2020	£214		
July 2017	£200	July 2018	£204	July 2019	£217	July 2020	£213		
August 2017	£198	August 2018	£202	August 2019	£215	August 2020	£219		
September 2017	£197	September 2018	£204	September 2019	£216	September 2020	£227		
October 2017	£198	October 2018	£205	October 2019	£218	October 2020	£235		
November 2017	£198	November 2018	£206	November 2019	£218	November 2020	£241		
December 2017	£196	December 2018	£207	December 2019	£217	December 2020	£244		
<b>2017 Average</b>	<b>£197</b>	<b>2018 Average</b>	<b>£203</b>	<b>2019 Average</b>	<b>£215</b>	<b>2020 Average</b>	<b>£223</b>	<b>2021 Average</b>	

NB: In June 2017, the ONS published revisions to the time series of its average weekly earnings data, one of the inputs of the ASDA Income Tracker. The values for the Income Tracker have been adjusted accordingly.

# 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.

# Method notes

**These 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 recreation goods and services.

# 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.**

**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, April 2021**