

Asda Income Tracker

Report: July 2022

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Making Business Sense

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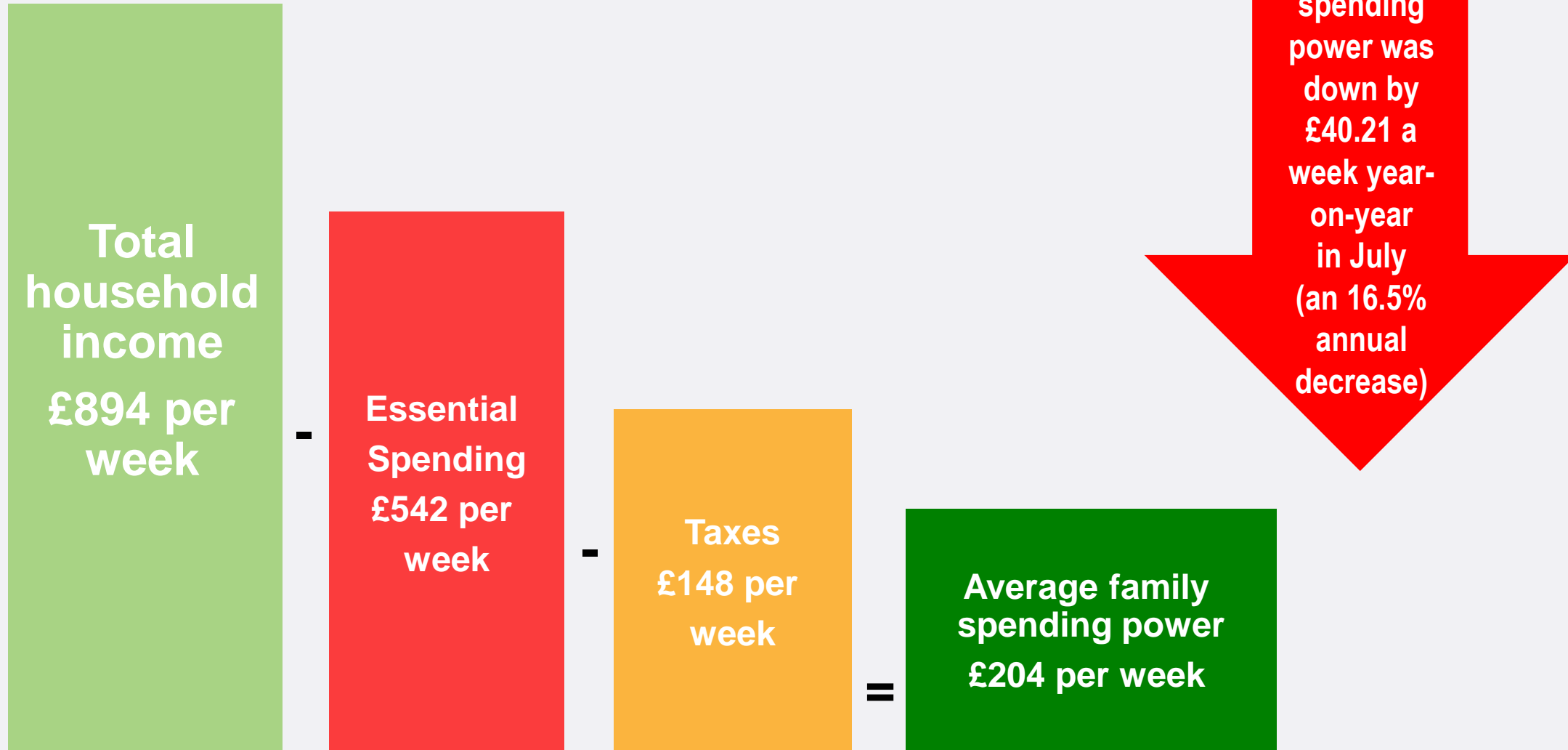
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Asda Income Tracker – Key Figures

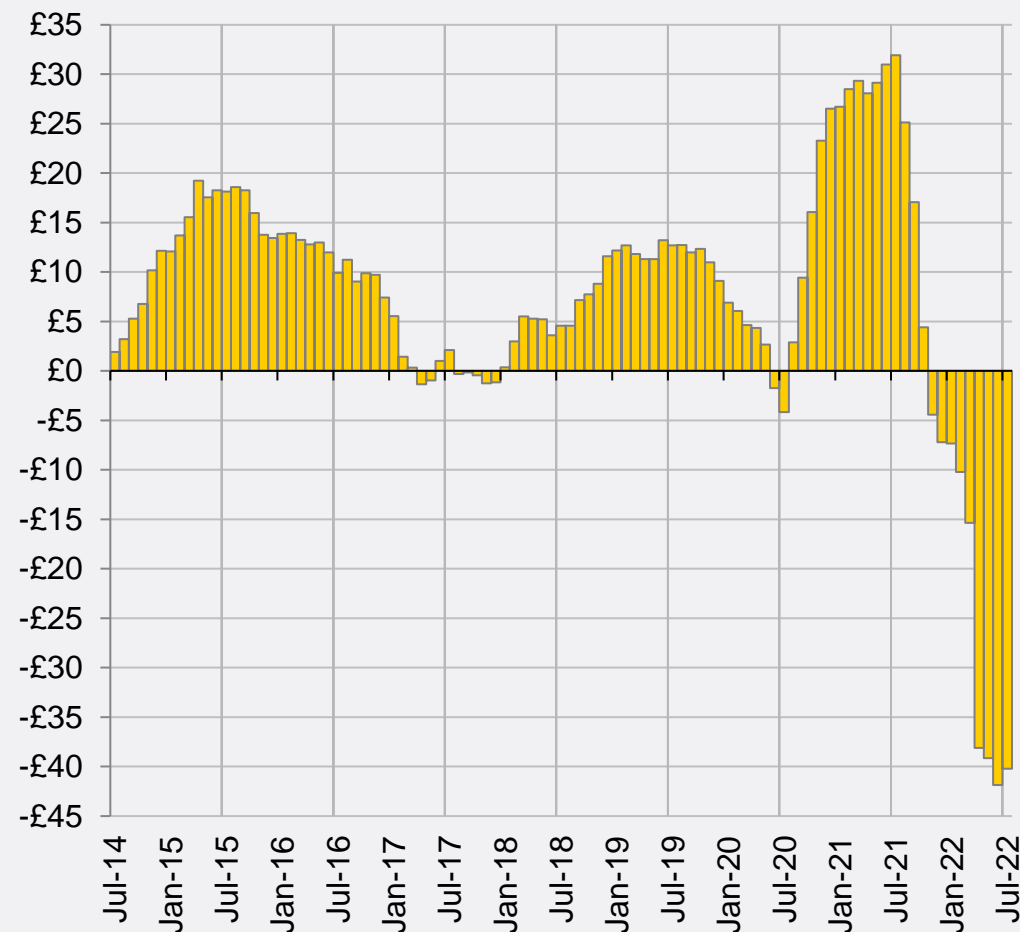


Income Tracker subject to weaker annual fall in July

The Asda Income Tracker was £40.21 a week lower in July 2022 than a year before.

- The Asda Income Tracker saw an annual contraction of 16.5% in July. The size of the annual contraction has therefore slowed from the record 17.1% drop in June.
- Nevertheless, in both relative and absolute terms, July's annual falls marked the second-largest in the history of the Income Tracker, highlighting the continued impact of the cost-of-living crisis.
- On a month-on-month basis, the Income Tracker picked up by £1.64, meaning households were marginally better off in July than in June. The Income Tracker last picked up on a monthly basis in January 2022. This was mostly driven by changing tax arrangements, with the weekly National Insurance threshold picking up from £190 to £242, where it will stay for the rest of the 2022/23 financial year.
- There was further pressure on living costs, however, with the cost of essentials being up by 11.3% annually in July. This outweighs the most recent headline inflation rate, highlighting the fact that rapid price growth is currently concentrated amongst essential spending categories.

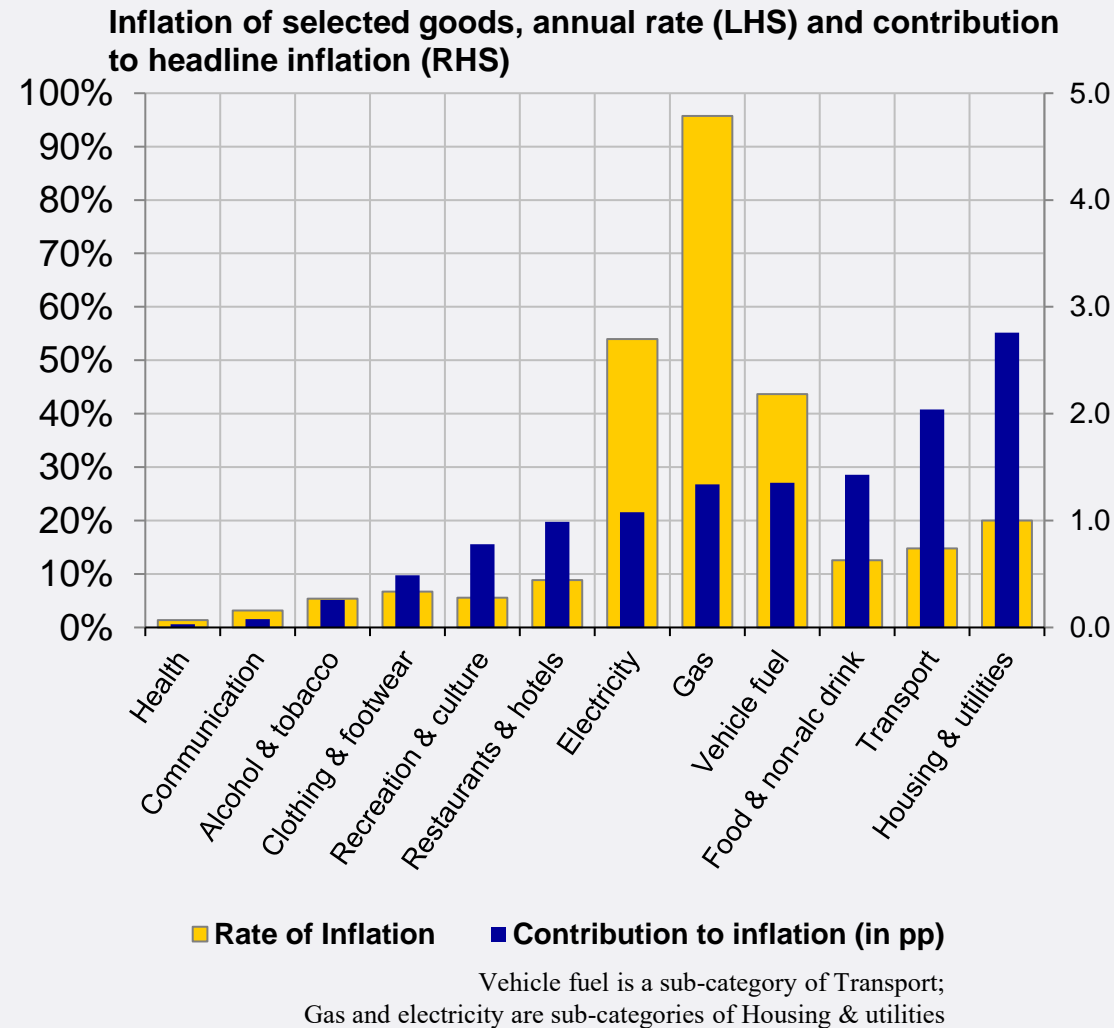
Year-on-year change in Asda Income Tracker, £



CPI inflation reaches double digits as price pressures broaden

The main factors affecting family costs in July were:

- Annual inflation, as measured by the Consumer Price Index (CPI), accelerated to 10.1% in July, marking the fastest rate of CPI inflation since February 1982. The inflation rate has now accelerated for ten consecutive months.
- Housing & utilities was once again the most significant contributor to inflation in July. Prices in this category picked up by 20.0% year-on-year. Energy prices are key drivers, with gas prices up 95.7% annually and electricity prices up by 54.0%.
- Transport was the next most significant contributor. Prices in this category picked up by 14.8% annually. This was slightly down on the growth of 14.9% recorded in June, however.
- The contribution from food and non-alcoholic beverages continues to increase. Food prices were up by 12.6% in the year to July, a stark acceleration from June's value of 9.8%.
- Inflation is now showing little sign of slowing. Further accelerations are expected in the coming months, with Cebr forecasts showing a peak rate of 12.0% in October.

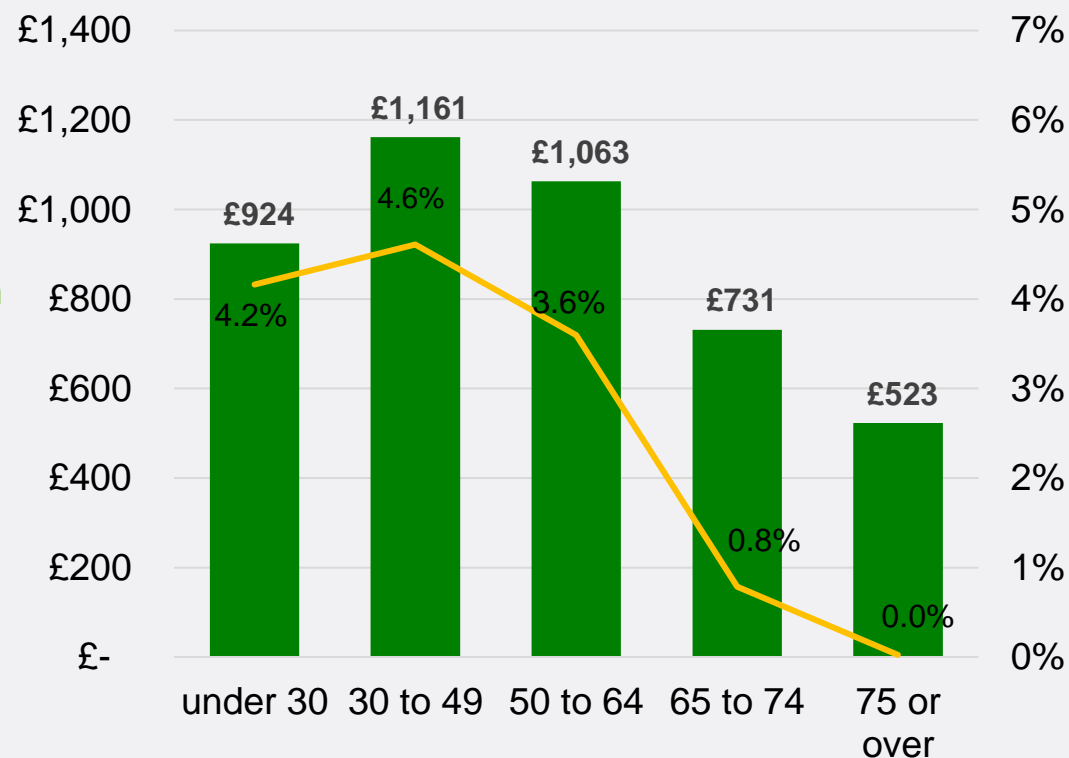


Working age households witnessing slight uptick in wage growth

The oldest households are seeing stagnant incomes, however

- Annual growth in gross income was witnessed across the four youngest age categories in July. The fastest growth was seen for those aged 30 to 49, for whom incomes picked up by 4.6% year-on-year. Meanwhile, growth of 4.2%, 3.6%, and 0.8% was seen for the under 30s, those aged 50 to 64, and those aged 65 to 74, respectively.
- Income growth was stagnant for those aged 75 or over. Though the uplift to the state pension has put upward pressure on incomes, receipts from private pension schemes have been weaker this year, producing an offsetting effect.
- All age groups saw slightly stronger income growth in July than in April, the previous edition of this report. This likely reflects the stronger wage growth environment that has emerged since then.
- The greater income growth amongst younger households reflects their relatively greater exposure to the labour market, and subsequently to this stronger wage growth.

Average weekly gross income by age group, July 2022 (LHS), YoY growth in % (RHS)



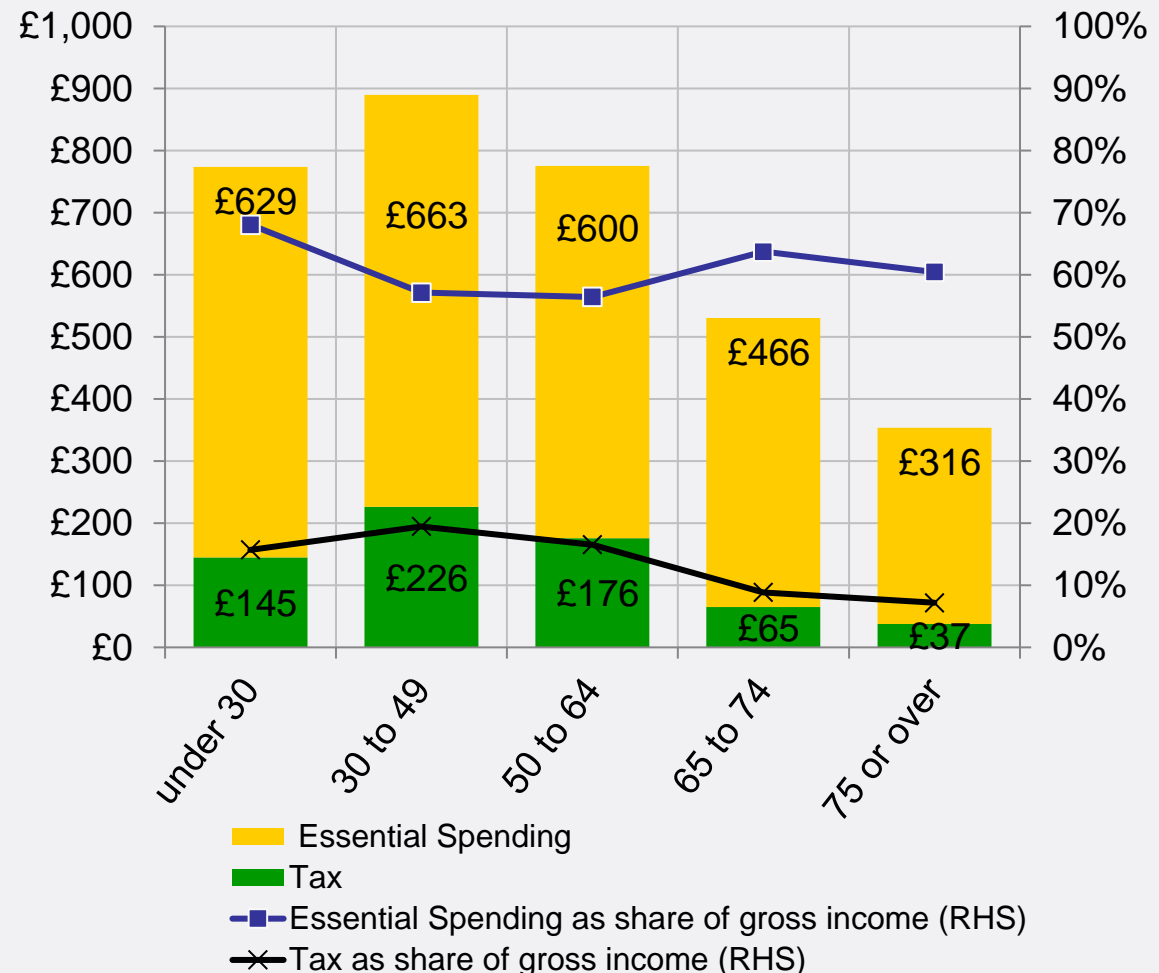
*Age groups determined via age of household representative person / main income earner in household.

Essential spending costs rising fastest for younger people

All households feeling the pinch given that inflation is concentrated in essential categories, however

- Inflation has maintained an upward trajectory over much of the last year, and this is expected to continue over the coming months. Such price growth has been the main source of downward pressure on household spending power.
- Notably, inflation is currently concentrated in essential spending categories. This is most clear with energy and transport, though food has been contributing more significantly recently.
- The basket of essentials increased by 11.3% annually for the average UK household in July.
- The largest increase in the cost of essentials was seen for households aged under 30, with a 12.5% annual increase, closely followed by those aged 30 to 49, for whom essentials picked up 12.0%.
- This largely reflects the greater share of housing and utilities costs in the budgets of these households.

Average weekly tax burden and essential spending as a share of gross income by age group, July 2022

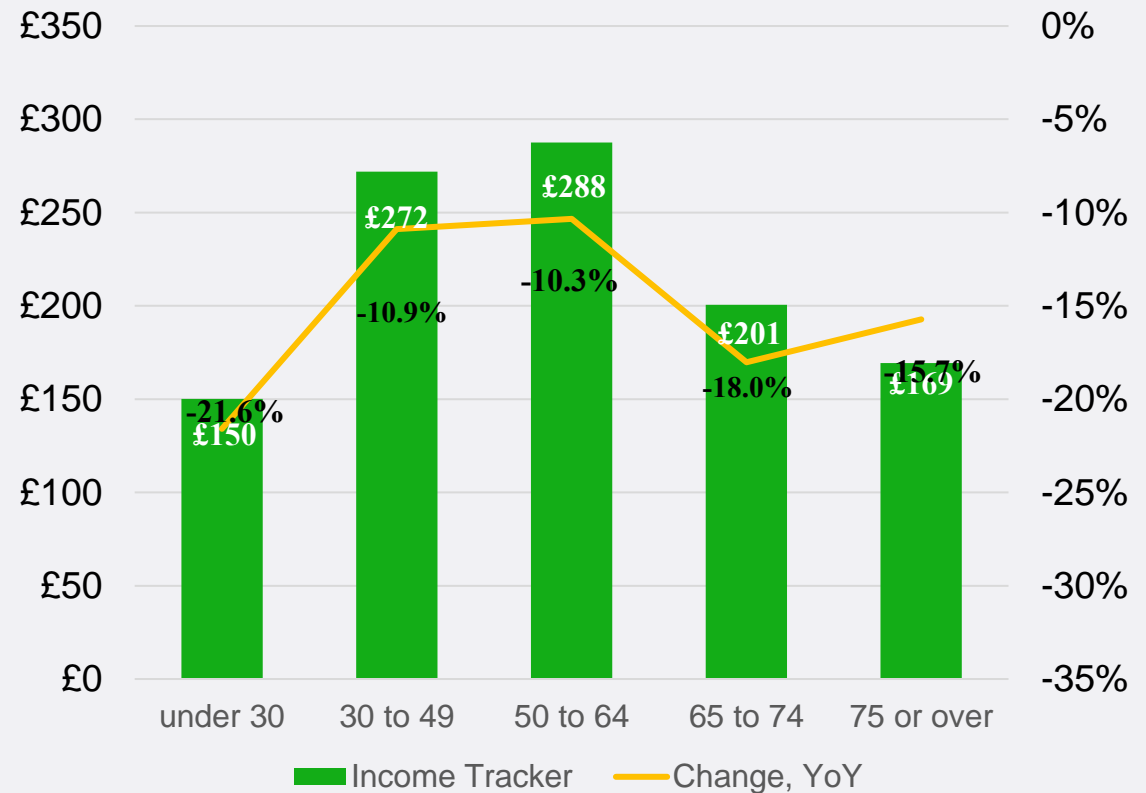


Households aged 30 to 64 are relatively more resilient to the cost-of-living crisis

Nevertheless, they are still seeing double digit falls in discretionary income

- Discretionary incomes for the average UK household fell by 16.5% year-on-year in July.
- Contractions were also seen across all age groups. Under 30s saw the largest relative fall, with an annual contraction in discretionary income of 21.6%. This reflects their concentration of spending, as outlined on the previous slide.
- The smallest fall was seen for those aged 50 to 64, though this still amounted to a drop of 10.3%. These households have been more resilient to the cost-of-living crisis by their greater labour market exposure, and ability to benefit from the relatively strong nominal wage growth at present.
- Similarly, those aged 30 to 49 were more resilient than average, with discretionary incomes falling by 10.9% year-on-year.
- Further falls should be expected for all age groups later this year, given the anticipated energy price increase in October 2022.

Average weekly discretionary income by age group, July 2022 (LHS), YoY growth in % (RHS)



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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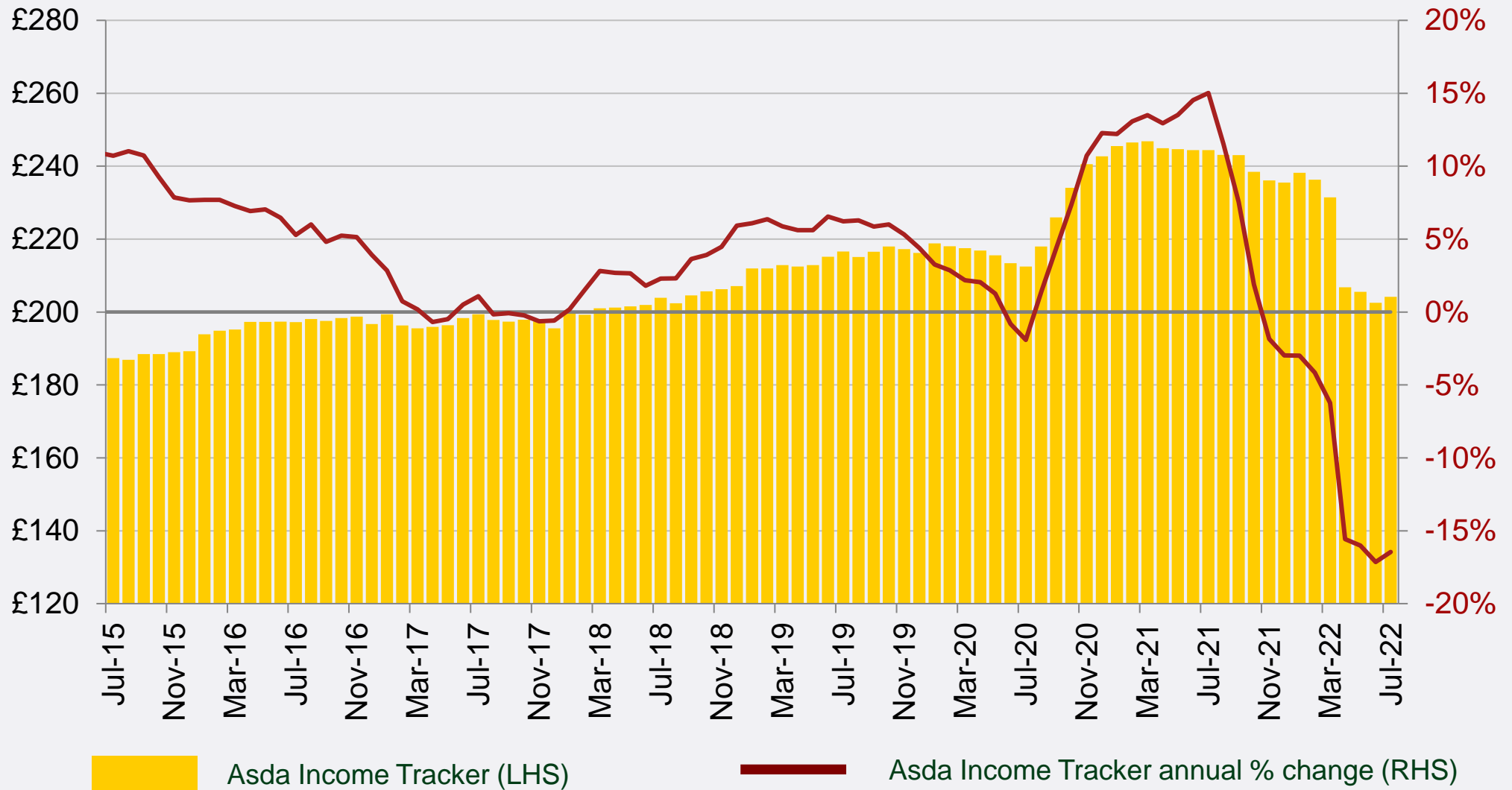
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Appendix

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	Month	Income tracker	Month	Income tracker	Month	Income tracker	Month	Income tracker
January 2018	£200	January 2019	£212	January 2020	£219	January 2021	£246	January 2022	£238
February 2018	£200	February 2019	£212	February 2020	£218	February 2021	£247	February 2022	£236
March 2018	£201	March 2019	£212	March 2020	£218	March 2021	£247	March 2022	£231
April 2018	£201	April 2019	£212	April 2020	£217	April 2021	£245	April 2022	£207
May 2018	£201	May 2019	£213	May 2020	£216	May 2021	£245	May 2022	£206
June 2018	£202	June 2019	£215	June 2020	£214	June 2021	£244	June 2022	£203
July 2018	£204	July 2019	£217	July 2020	£213	July 2021	£244	July 2022	£204
August 2018	£202	August 2019	£215	August 2020	£219	August 2021	£243		
September 2018	£204	September 2019	£216	September 2020	£227	September 2021	£243		
October 2018	£205	October 2019	£218	October 2020	£235	October 2021	£238		
November 2018	£206	November 2019	£218	November 2020	£241	November 2021	£236		
December 2018	£207	December 2019	£217	December 2020	£243	December 2021	£236		
2018 Average	£203	2019 Average	£215	2020 Average	£223	2021 Average	£243	2022 Average	

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.

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London, August 2022