

Asda Income Tracker

Report: November 2021

Released: December 2021



Making Business Sense

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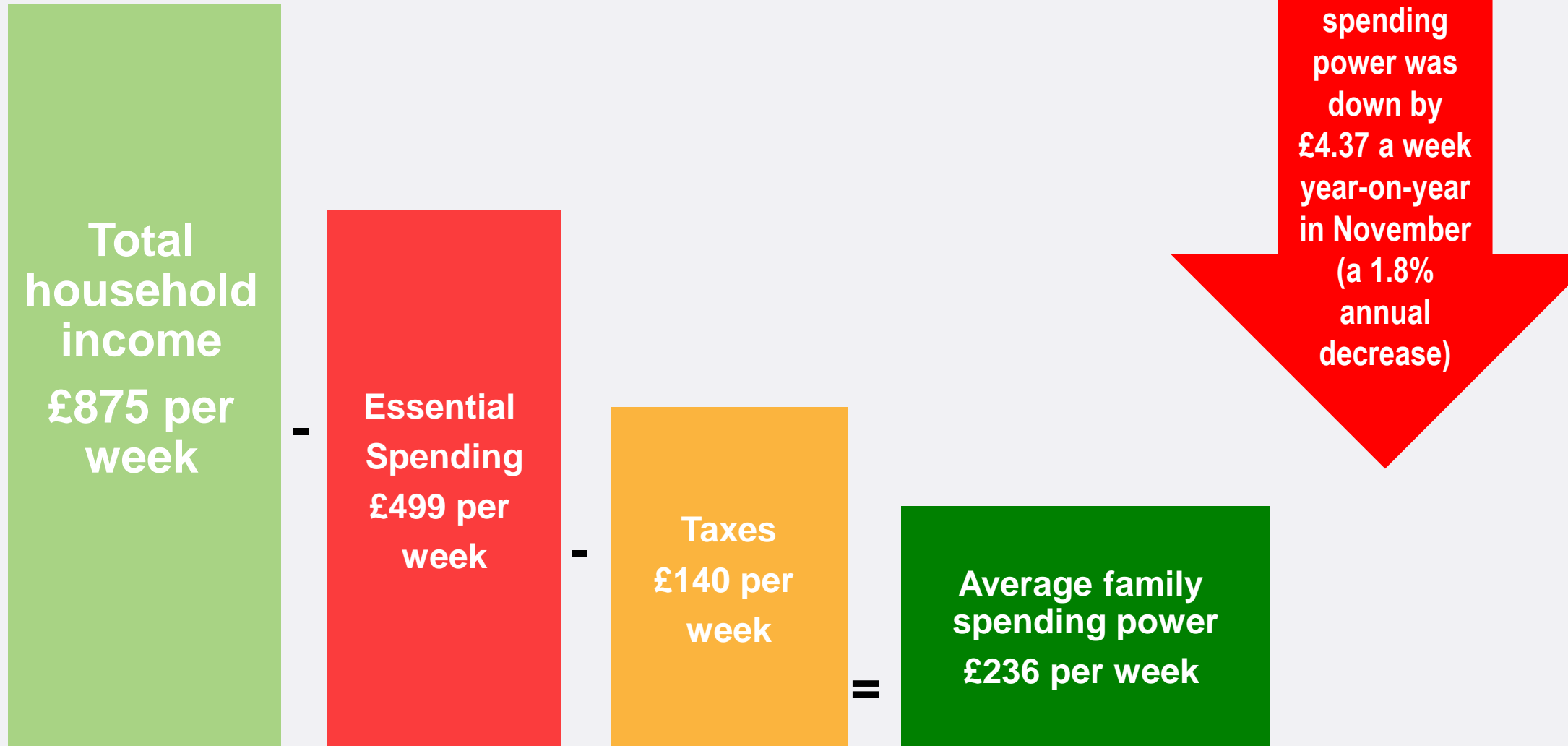
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Asda Income Tracker – Key Figures

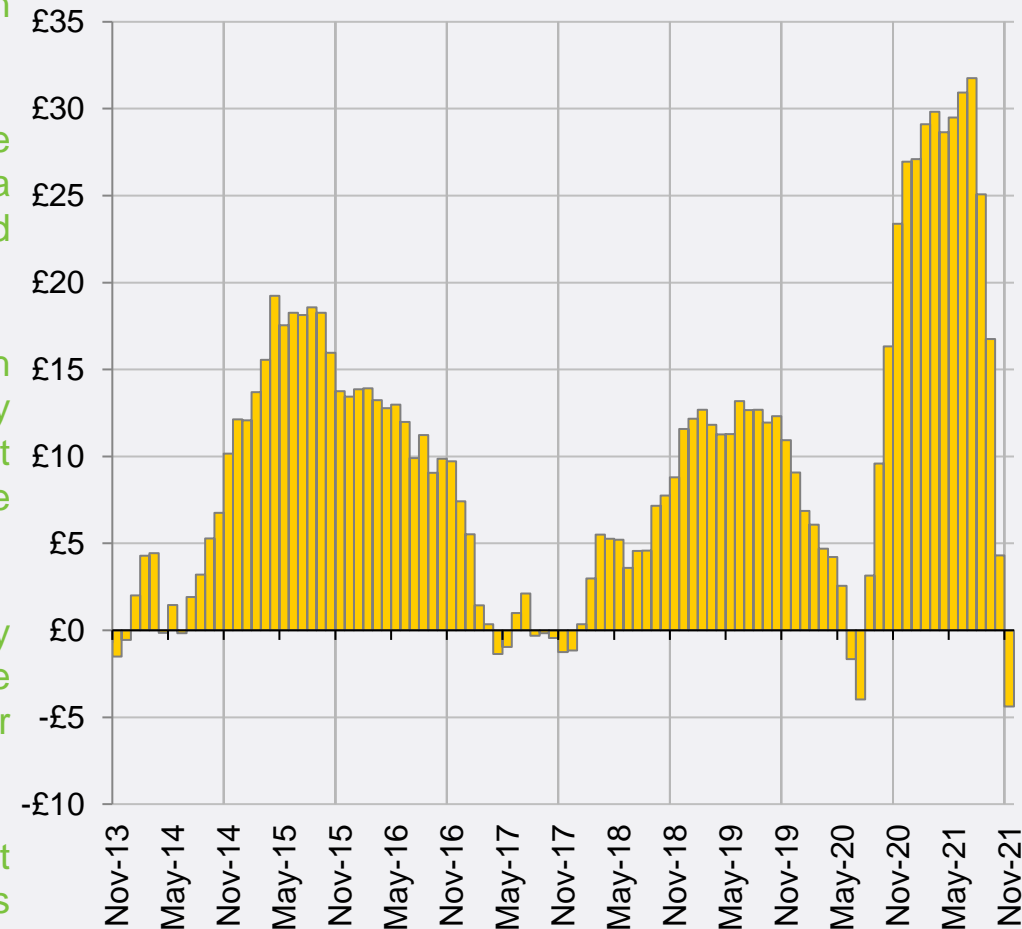


Income Tracker sees first contraction in over a year

The Asda Income Tracker was £4.37 a week lower in November 2021 than a year before.

- The Asda Income Tracker saw an annual contraction of 1.8% in November. This marks the first year-on-year fall since July 2020.
- The contraction in the Income Tracker has been driven by the surge in inflation in recent months. Inflation on the CPI measure reached a more than ten-year high of 5.1% in November, putting upward pressure on households' basket of essential spending.
- Inflationary pressure is expected to continue into the New Year, which could put further downward pressure on households' discretionary incomes. Indeed, inflationary pressures have become so stark that the Bank of England surprisingly raised interest rates for the first time since 2018.
- The overall fall in the Income Tracker has been cushioned by reasonably strong income growth, however. Gross incomes for the average UK household were found to be 3.3% higher in November 2021 than in the same month of 2020.
- This has itself been driven by wage growth. Annual growth stood at 4.2% in October. Though this stands above historic averages, this marked a fifth consecutive month of slowdown on this measure.

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



Bank of England raises interest rates amidst ten-year inflation high

The main factors affecting family costs in November were:

- Annual inflation, as measured by the Consumer Price Index (CPI), soared to 5.1% in November. This marks an increase of 0.9 percentage points on October's value. Inflation was last higher in September 2011.

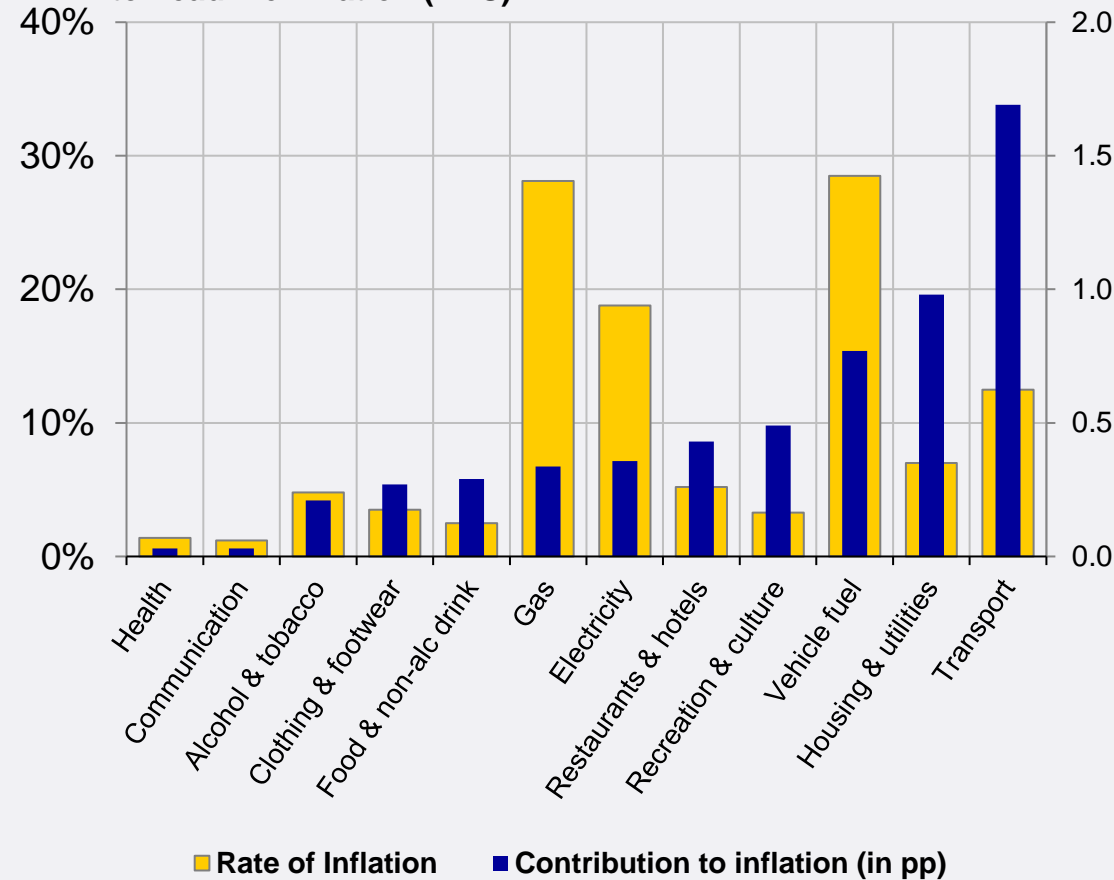
- The jump in inflation was once again driven by transport prices, within which prices were up by 12.5% year-on-year. Within the transport category, there was again significant price growth amongst vehicle fuels, with diesel and petrol prices picking up by annual rates of 27.5% and 29.5%, respectively.

- Household utilities, a key component of essential spending, also saw stark price growth in November. Gas prices picked up by 28.1%, while electricity prices were up by 18.8%. These increases partially reflect the recent uplift to the Ofgem price cap, allowing suppliers to charge higher prices.

- Inflation is expected to remain elevated in the near future. This comes in spite of the recent interest rate hike by the Bank of England, which was implemented in an attempt to slow price growth.

- Cebr expects inflation to average 5.0% on the CPI measure in Q1 2022.

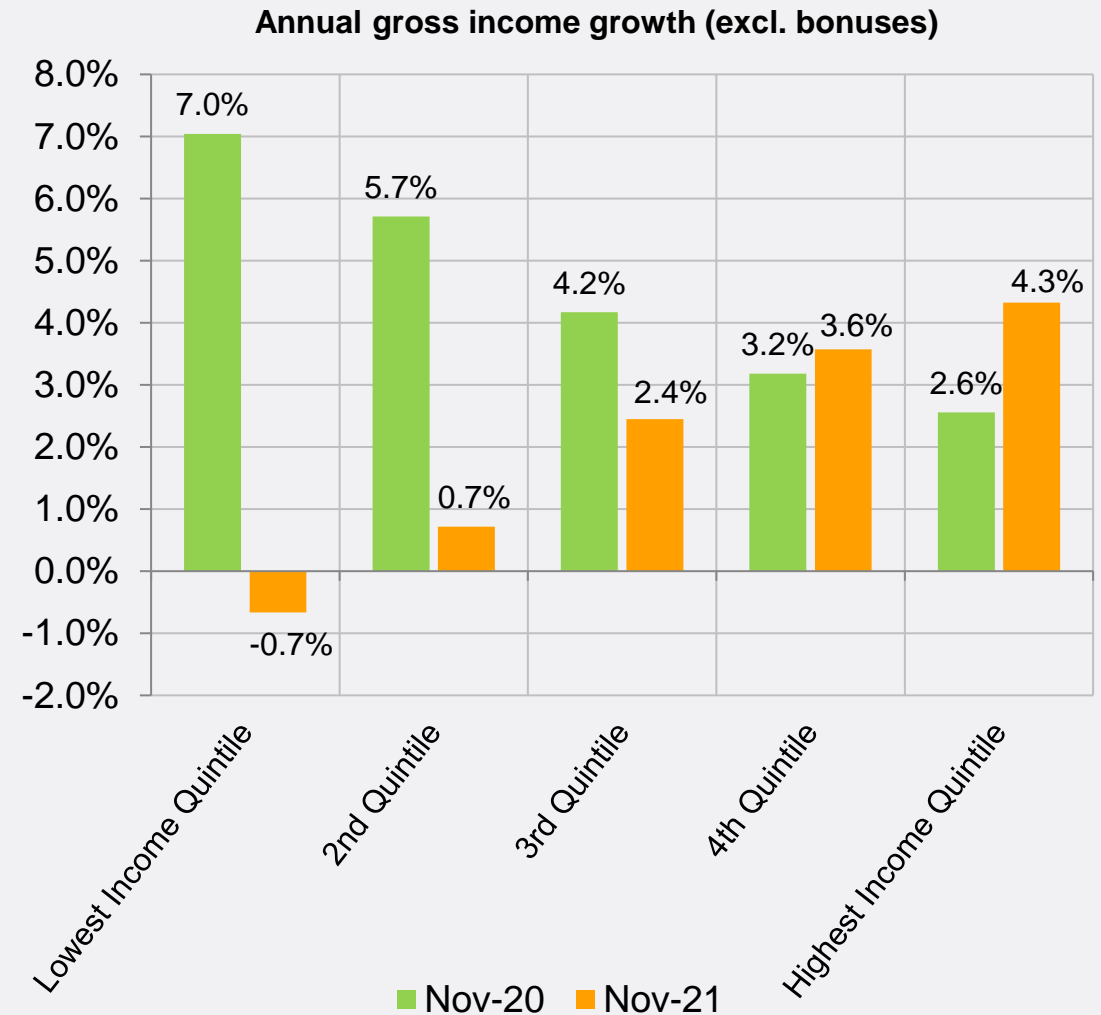
Inflation of selected goods, annual rate (LHS) and contribution to headline inflation (RHS)



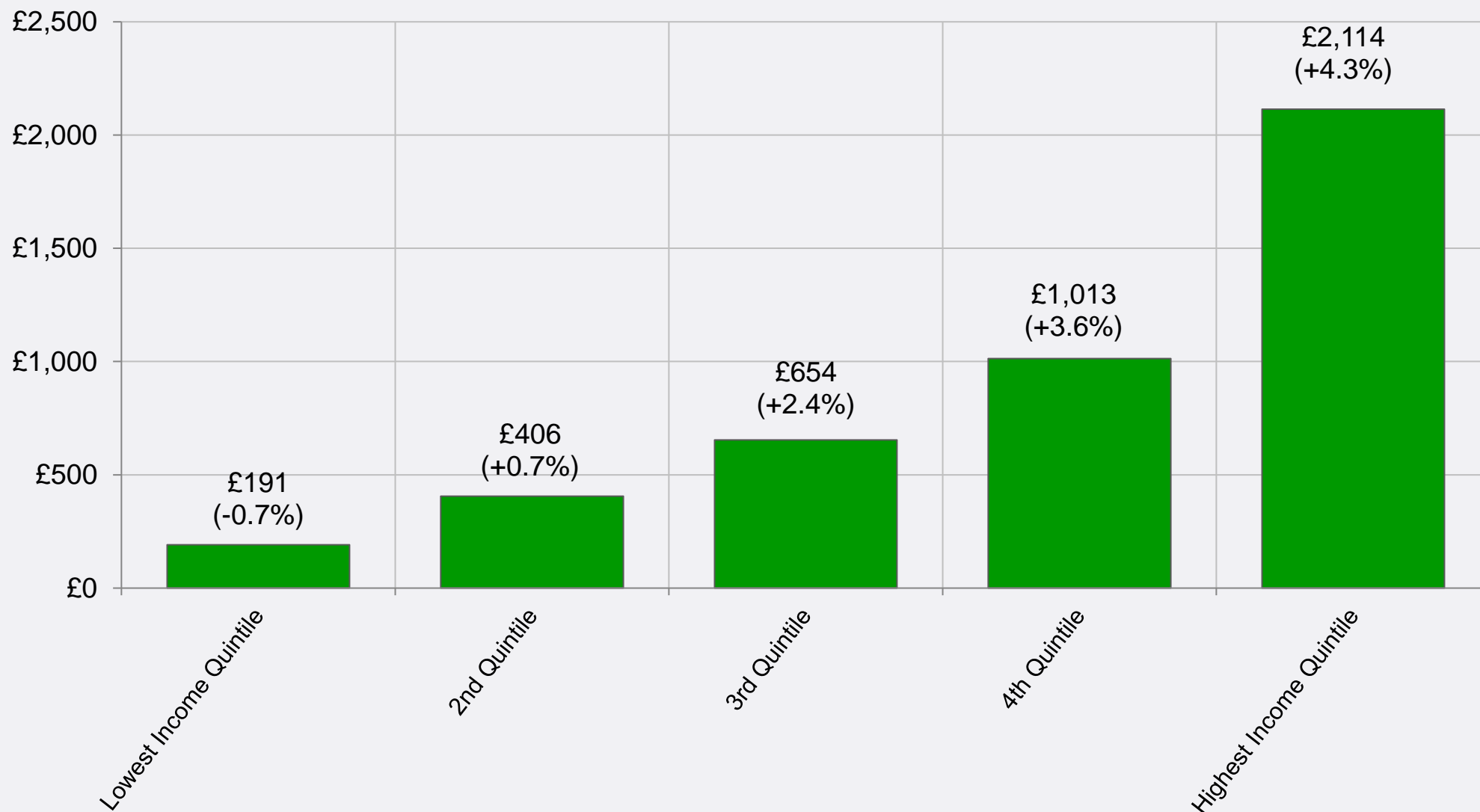
Vehicle fuel is a sub-category of Transport;
Gas and electricity are sub-categories of Housing & utilities

Lower income households falling behind in terms of income growth

- The graph to the right compares the annual gross income growth rates for different household income groups for November 2021 and November 2020. Gross income includes all income from various sources, including wages, self-employment, investment, pensions, and social security.
- The data show a positive relationship between income levels and the rate of gross income growth. Households in the highest quintile saw the fastest rate of income growth in November, at an annual rate of 4.3%. Each subsequently lower income quintile then saw a slower rate of gross income growth, with the poorest fifth of households actually seeing a 0.7% contraction in incomes compared to a year ago.
- This relationship can once again be explained by higher income households' greater exposure to the labour market, being able to benefit from recently strong aggregate wage growth.
- Meanwhile, the contraction amongst the poorest fifth of households reflects the withdrawal of the Universal Credit uplift, which had supported incomes for much of the pandemic.



Gross weekly income excluding bonuses by income quintile, November 2021, annual growth rates in brackets

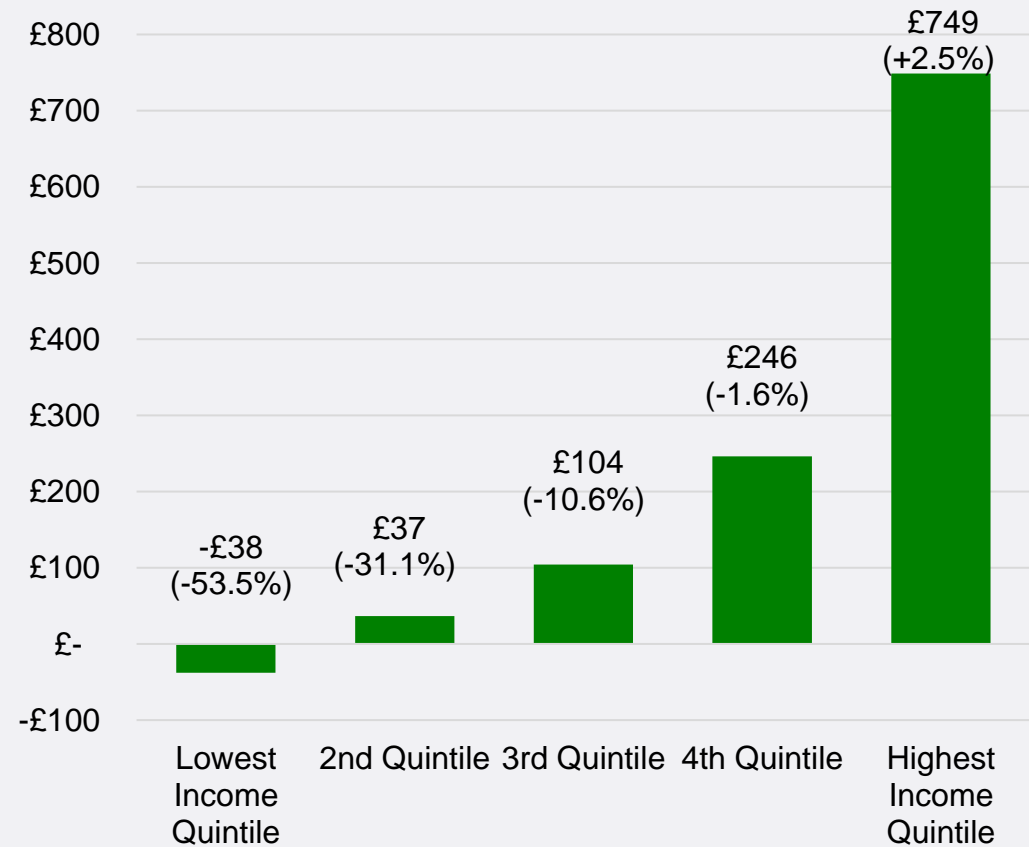


Contraction in discretionary income witnessed for bottom 80% of households

The majority of households saw their spending power fall in November

- An annual contraction in discretionary income was seen amongst the bottom four quintiles of households in November. This was seen to varying degrees, however.
- The poorest fifth of households saw their discretionary income fall by more than half (53.5%) compared to a year ago. Meanwhile, the contraction amongst fourth quintile households was much smaller in relative terms, amounting to a year-on-year fall of 1.6%.
- The factors driving these falls include mounting inflationary pressures and a slowing rate of wage growth. Policy changes, such as the aforementioned Universal Credit withdrawal, are also putting downward pressure on incomes, particularly for the poorest households. This explains the sharper rate of contraction amongst those in the first and second income quintiles.
- Further downward pressure on the Income Tracker is expected in the coming months. This is due to the expectation of persistent inflation and further downward pressure on incomes.

Average weekly discretionary income by household income group, November 2021, YoY growth in brackets



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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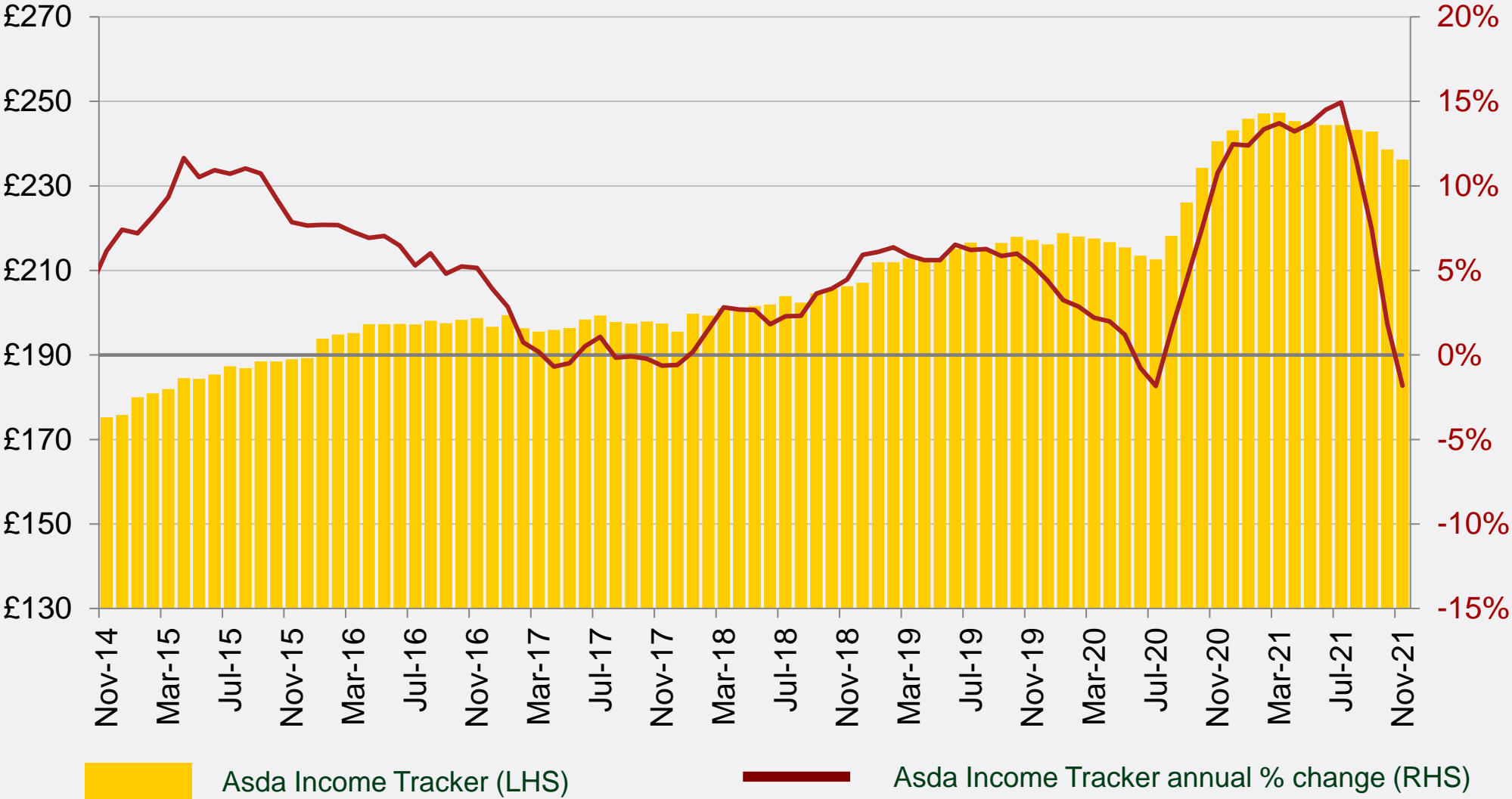
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Appendix

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 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	£247
April 2017	£196	April 2018	£201	April 2019	£212	April 2020	£217	April 2021	£245
May 2017	£196	May 2018	£201	May 2019	£213	May 2020	£216	May 2021	£245
June 2017	£198	June 2018	£202	June 2019	£215	June 2020	£214	June 2021	£244
July 2017	£200	July 2018	£204	July 2019	£217	July 2020	£213	July 2021	£244
August 2017	£198	August 2018	£202	August 2019	£215	August 2020	£219	August 2021	£243
September 2017	£197	September 2018	£204	September 2019	£216	September 2020	£227	September 2021	£243
October 2017	£198	October 2018	£205	October 2019	£218	October 2020	£235	October 2021	£239
November 2017	£198	November 2018	£206	November 2019	£218	November 2020	£241	November 2021	£236
December 2017	£196	December 2018	£207	December 2019	£217	December 2020	£243		
2017 Average	£197	2018 Average	£203	2019 Average	£215	2020 Average	£223	2021 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, December 2021