

Asda Income Tracker

Report: November 2022

Released: December 2022



Making Business Sense

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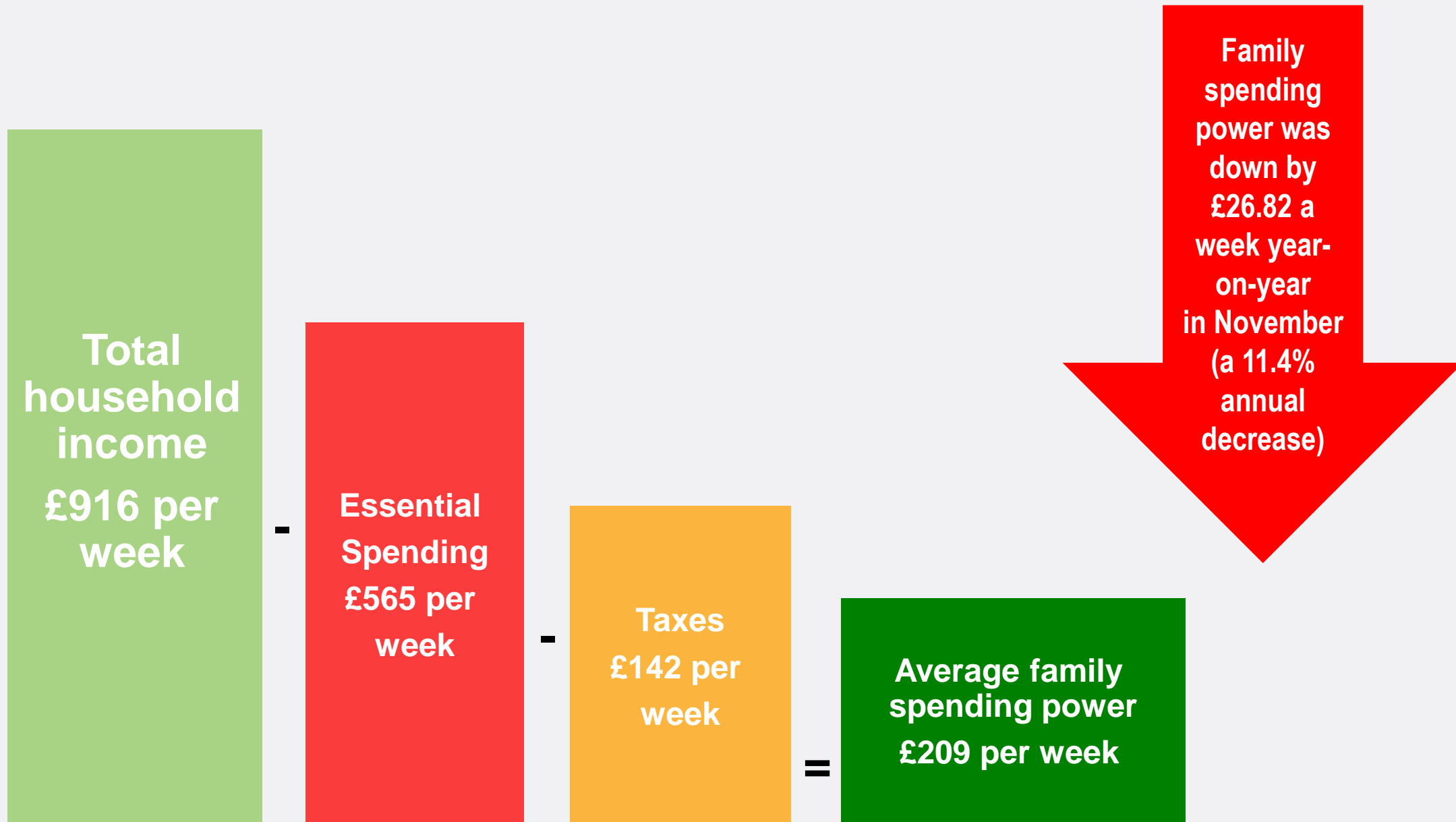
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Asda Income Tracker – Key Figures

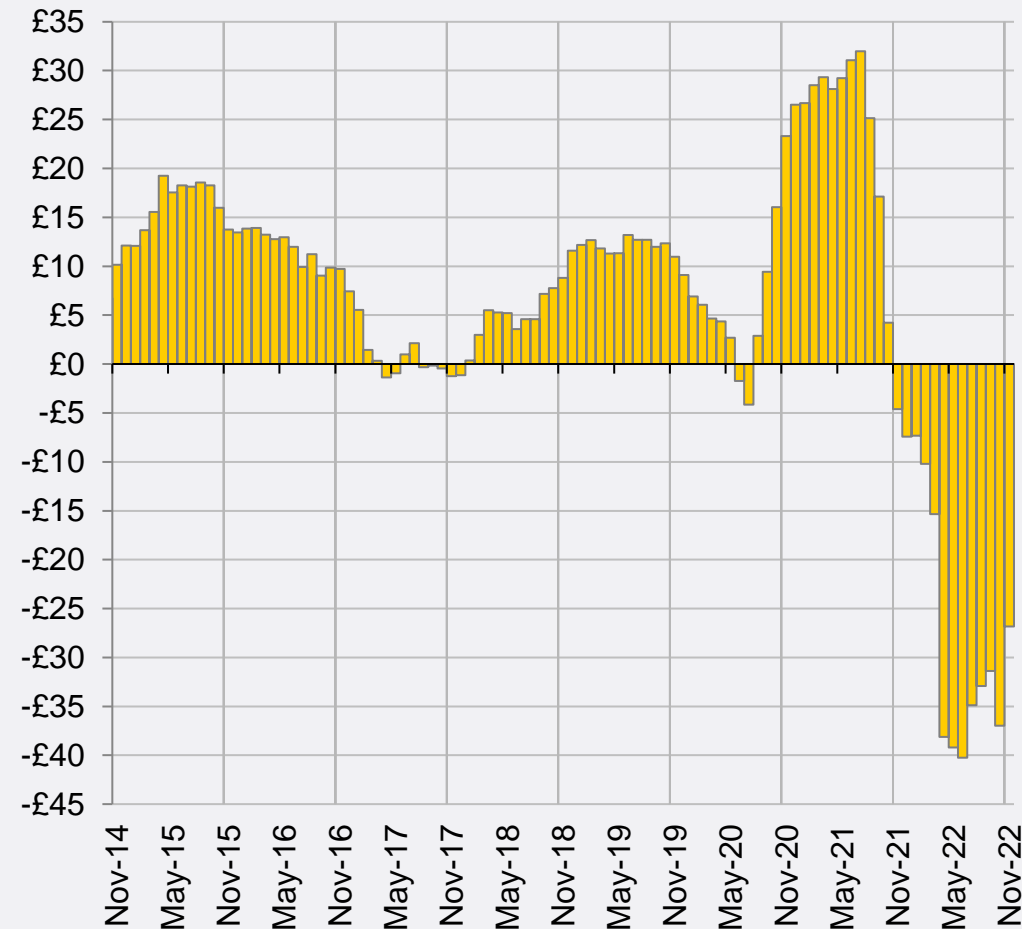


Income Tracker improves month-on-month but remains down on the year

The Asda Income Tracker was £26.82 a week lower in November 2022 than a year before.

- The Asda Income Tracker saw an annual contraction of 11.4% in November. This followed an annual contraction of 15.5% in October.
- On a monthly basis, the Income Tracker improved by £7.79, reaching £209 per week. This improvement was largely driven by changes to National Insurance contributions between October and November, via the removal of the Health and Social Care Levy. This increased take-home pay for working households.
- On the spending side, inflation came in lower than expectations in November, with the CPI measure showing price growth of 10.7%. Nevertheless, given the concentration of inflation in essential consumption categories, the price of the basket of goods monitored by the Income Tracker is still rising at a near-record pace.
- Looking ahead, the Income Tracker is expected to remain weak in 2023, as inflation is set to outpace income growth for some time.

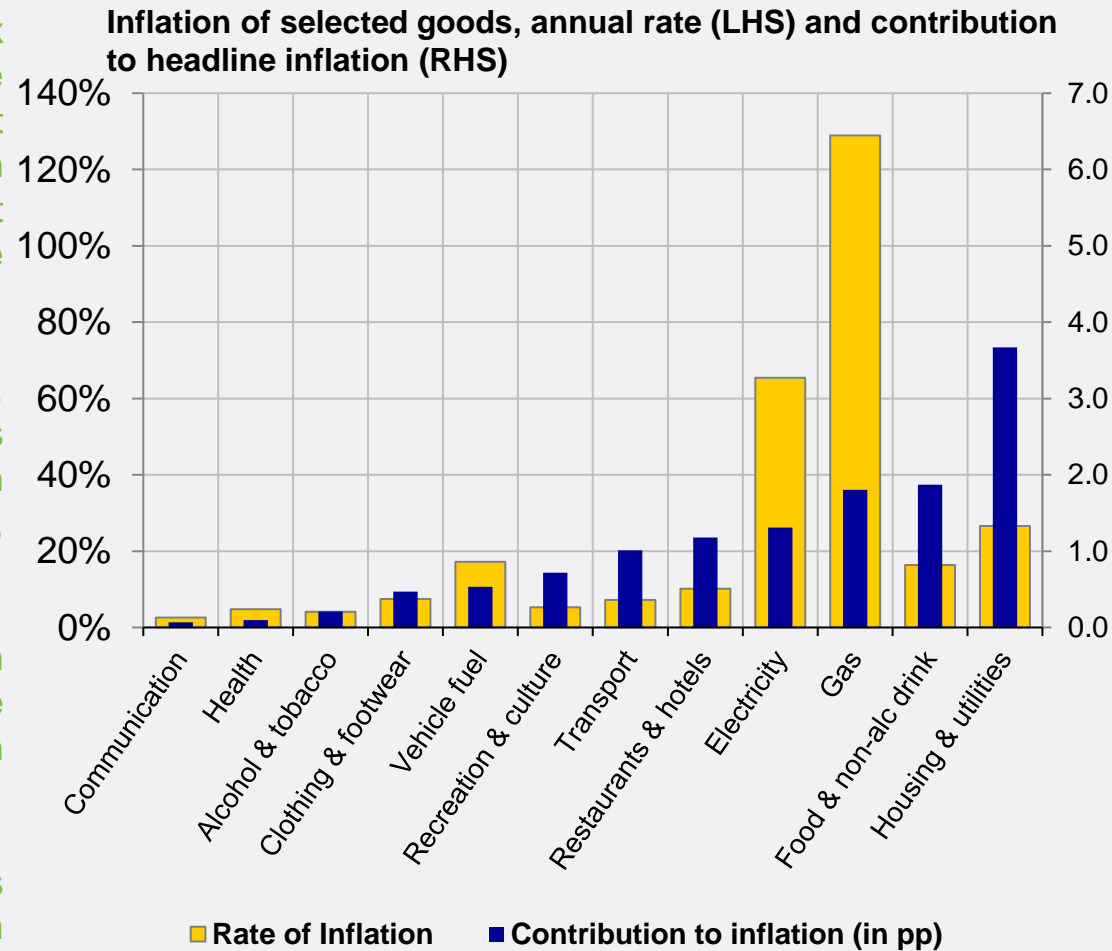
Year-on-year change in Asda Income Tracker, £



Inflation slowed in November, marking turning point for price growth

The main factors affecting family costs in November were:

- Annual inflation, as measured by the Consumer Price Index (CPI), slowed to 10.7% in November. This followed price growth of 11.1% in October, which had represented the fastest rate of price growth since 1981. Inflation in November came in lower than consensus expectations. These factors suggest that October marked the peak of the inflationary spike, with price growth now expected to begin a gradual deceleration.
- Energy remained the main contributor to inflation in November. Across the housing and utilities category, price growth was 26.6%. Within the category, particularly stark rates of inflation were seen for gas and electricity, at 128.9% and 65.4%, respectively.
- Inflation for food and non-alcoholic drinks accelerated again in November, hitting 16.4%, up from 16.2% in October. Price growth in this category has now accelerated for sixteen consecutive months.
- Inflation eased once more in the transport category, with prices picking up by 7.2% annually in November. This is down from the peak rate of 14.9%, recorded in June.



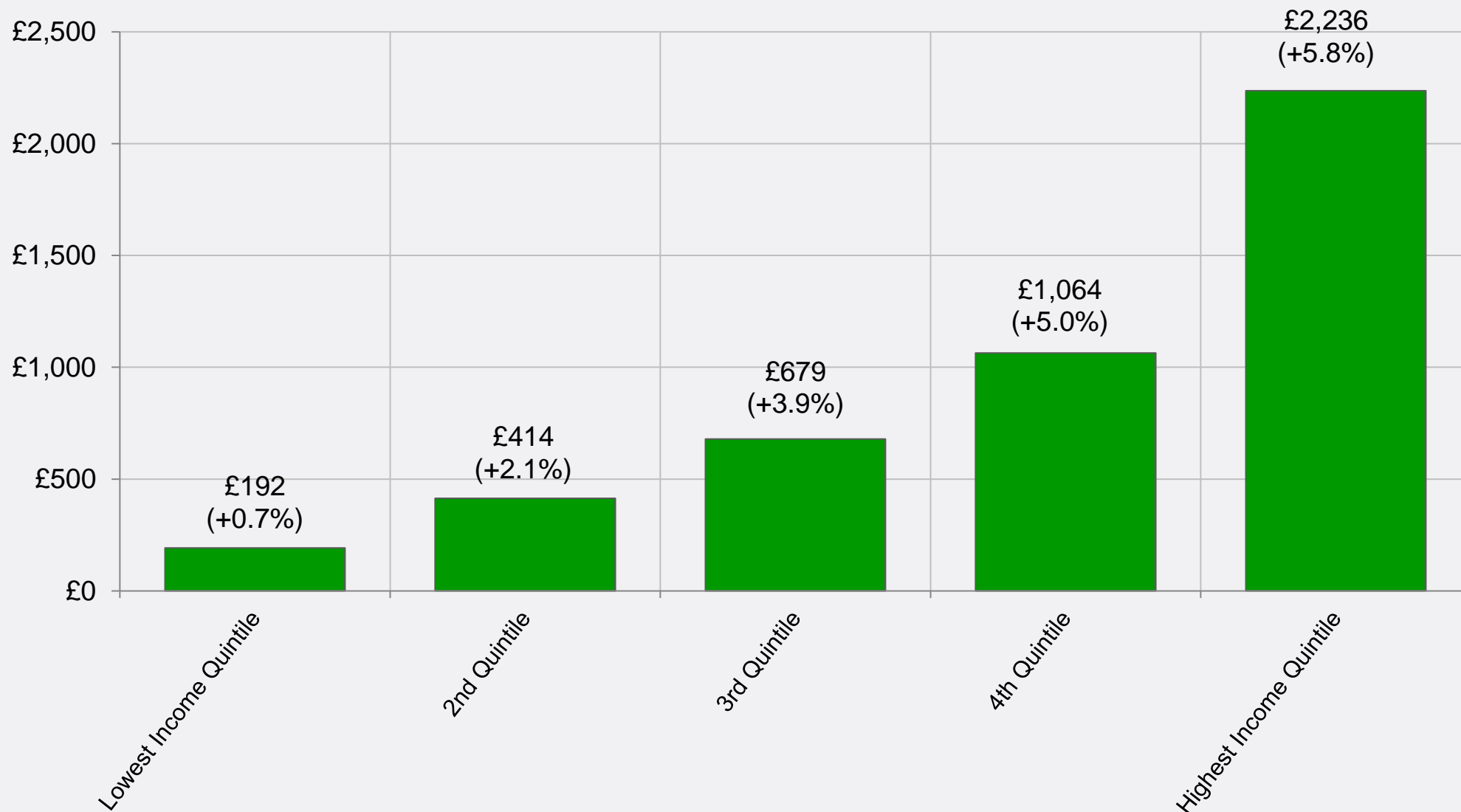
Vehicle fuel is a sub-category of Transport;
Gas and electricity are sub-categories of Housing & utilities

Fastest income growth being seen amongst the highest earners

- The graph to the right compares the annual gross income growth rates for different household income groups for November 2021 and November 2022. 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 November, having also done so in October. In the months prior to this, annual gross income growth had been confined to the top 80% of households.
- There is a positive relationship between income quintile and income growth at present. The highest income quintile is witnessing the strongest growth, with each descending quintile seeing a lower rate. This reflects varying degrees of labour market exposure, which impacts the extent to which households benefit from earnings growth.



Gross weekly income excluding bonuses by income quintile, November 2022, annual growth rates in brackets

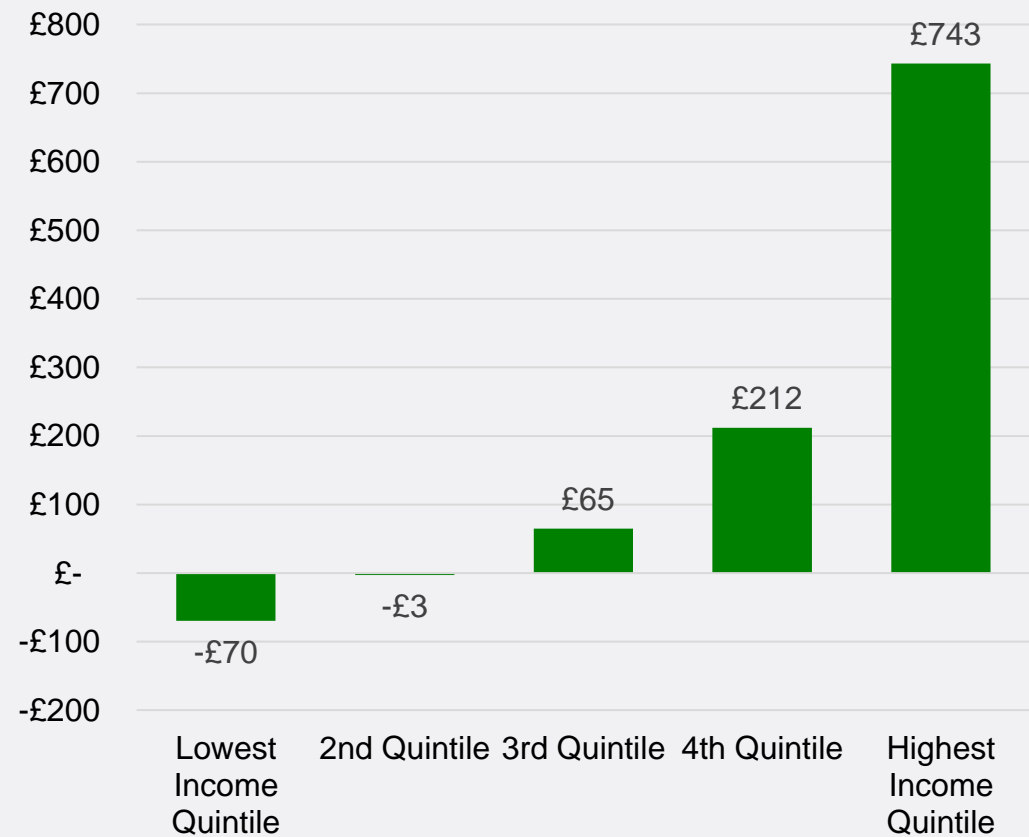


Bottom 40% of households now have negative discretionary income

Annual falls in discretionary income witnessed for all income quintiles

- Despite the relatively strong wage growth environment, spending power is falling for all income demographics, being driven by elevated inflation.
- The fall in spending power has been most stark for those in the second quintile. Relative to November 2021, these households have seen their discretionary income fall by 107.6%, falling from £36 per week to -£3 per week. This figure has stood in negative territory for two consecutive months, signifying that these households can no longer cover the basket of essentials with their post-tax income.
- This is also the case for households in the first income quintile. Spending power for this demographic was -£70 per week in November, a fall of 82.5% year-on-year.
- Looking ahead, these households will be supported by various policy measures in 2023, including the uprating of social securities by 10.1% and the increase to the National Living Wage. Nevertheless, their discretionary income is still set to be weaker than was the case prior to the cost-of-living crisis.

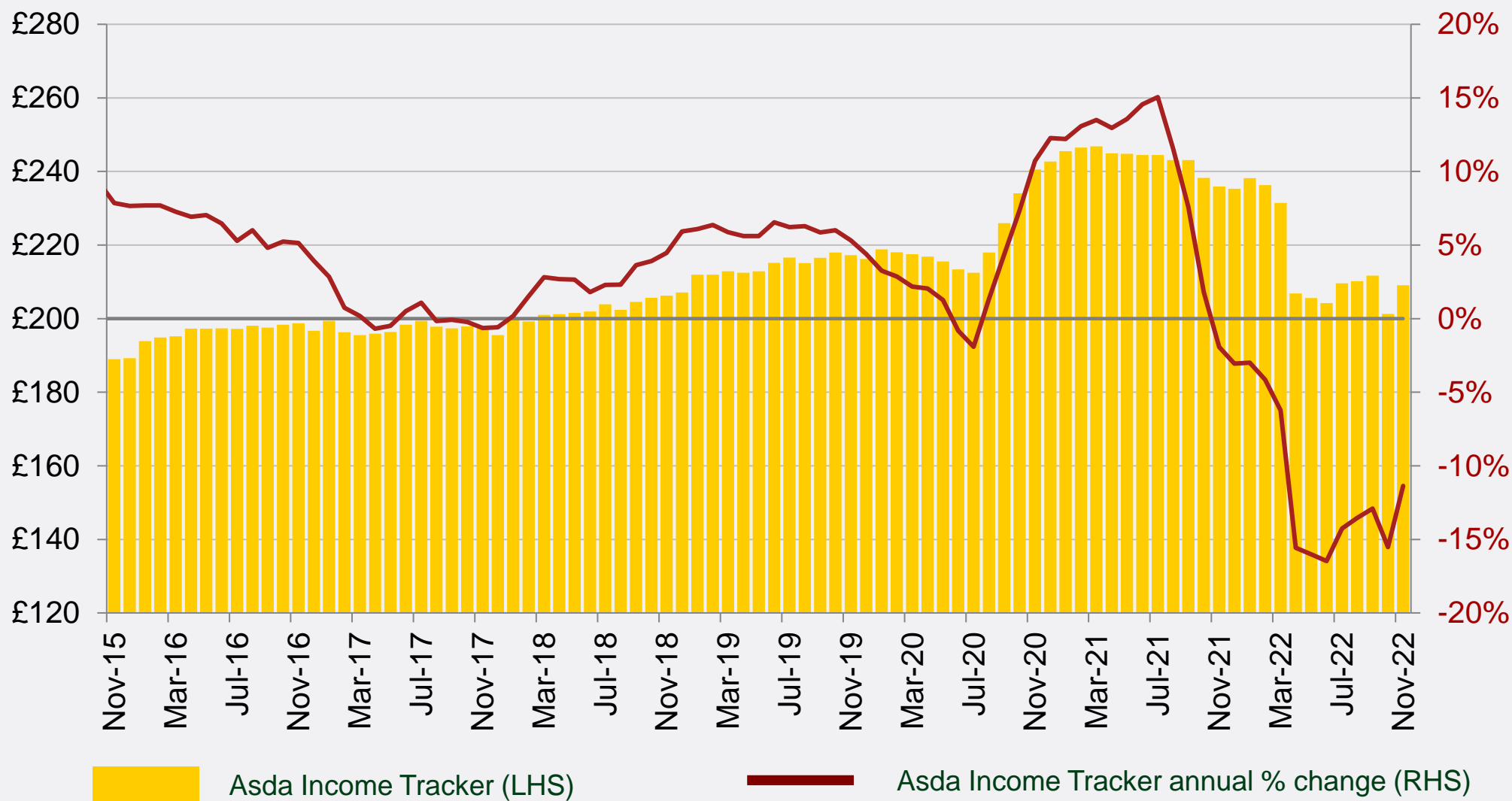
Average weekly discretionary income by household income group, November 2022, YoY growth in brackets



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	£204
July 2018	£204	July 2019	£217	July 2020	£213	July 2021	£244	July 2022	£210
August 2018	£202	August 2019	£215	August 2020	£219	August 2021	£243	August 2022	£210
September 2018	£204	September 2019	£216	September 2020	£227	September 2021	£243	September 2022	£211
October 2018	£205	October 2019	£218	October 2020	£235	October 2021	£238	October 2022	£201
November 2018	£206	November 2019	£218	November 2020	£241	November 2021	£236	November 2022	£209
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.

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, December 2022

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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