

Asda Income Tracker

Report: December 2021

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Making Business Sense

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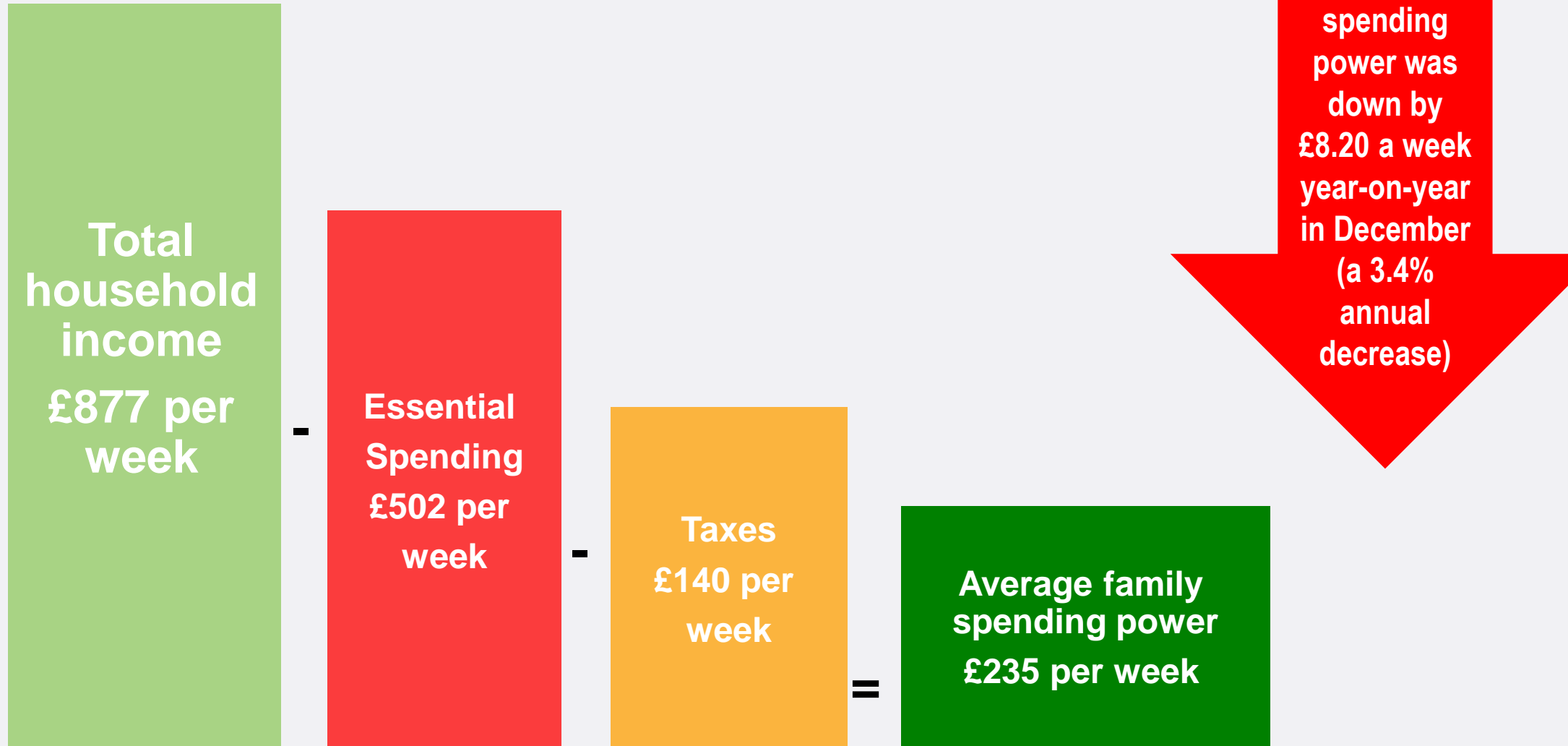
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Asda Income Tracker – Key Figures



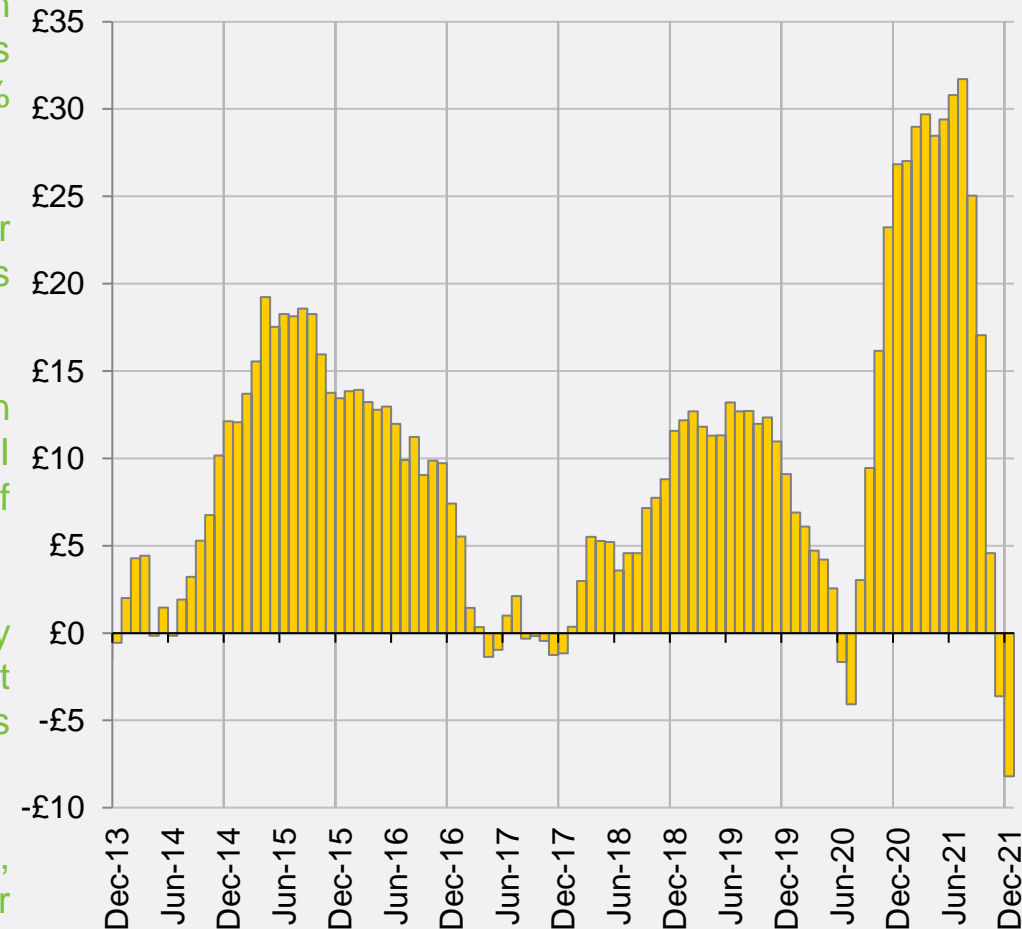
Income Tracker sees largest absolute contraction in over ten years

Income Tracker Trends

The Asda Income Tracker was £8.20 a week lower in December 2021 than a year before.

- The Asda Income Tracker saw an annual contraction of 3.4% in December. This marks the largest year-on-year fall in relative terms since March 2012, when discretionary incomes were down by 4.0% year-on-year.
- In absolute terms, weekly discretionary incomes were £8.20 lower per week in December 2021 than the same month in 2020. This marks the largest absolute fall since December 2011.
- This further contraction in the Income Tracker has once more been driven by the mounting inflationary landscape. Inflation on the CPI measure surged further in December, reaching a near 30-year high of 5.4%.
- The falls in the Income Tracker have been cushioned by continually high wage growth, however. Average weekly earnings growth stood at 4.2% year-on-year in the three months to November. This remains above historic averages.
- Nevertheless, price pressures are expected to accelerate into 2022, while wage growth is set to slow. These factors will put further downward pressure on the Income Tracker this year.

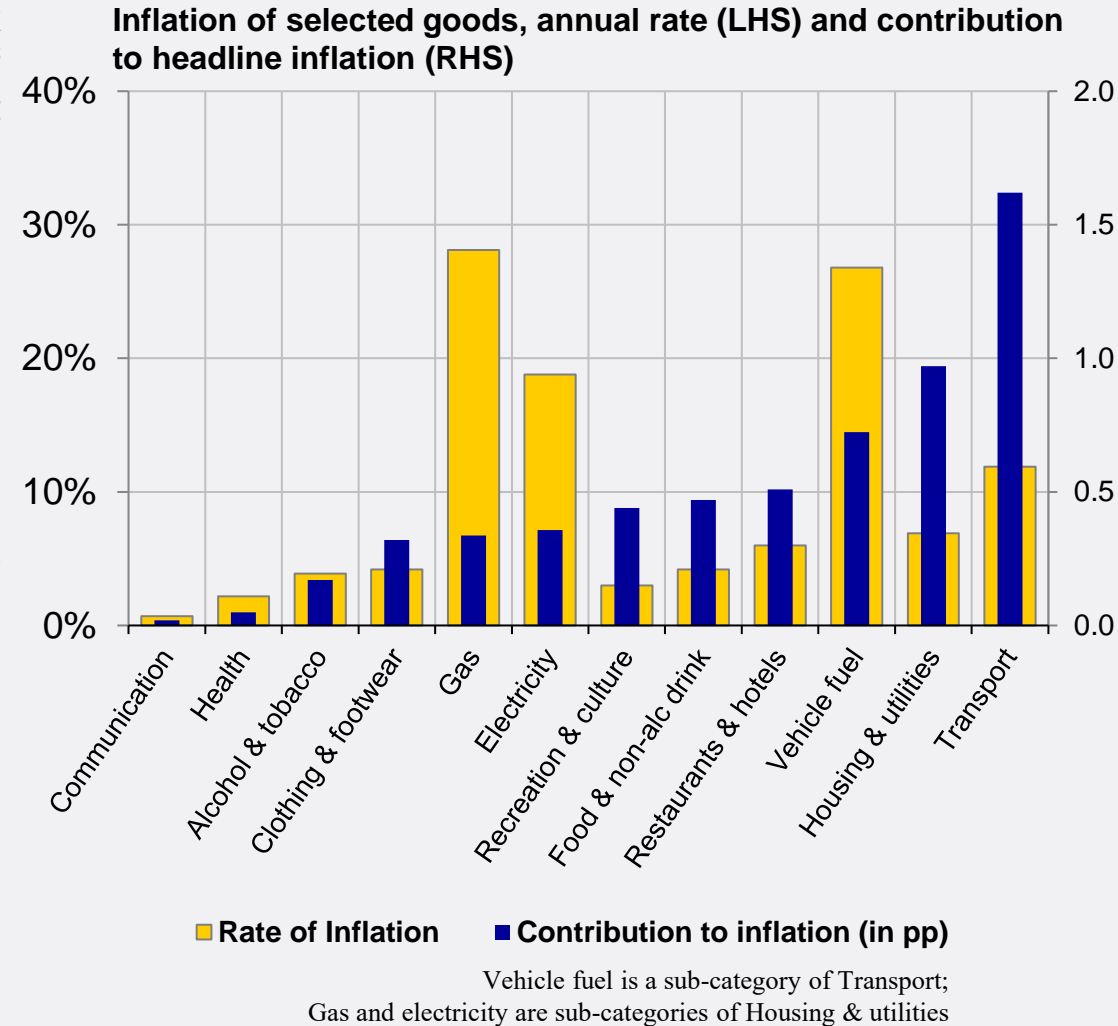
Year-on-year change in Asda Income Tracker, £



CPI inflation reached near 30-year high in December

The main factors affecting family costs in December were:

- Annual inflation, as measured by the Consumer Price Index (CPI), soared to 5.4% in December. This marks an increase of 0.3 percentage points on November's value. Inflation was last higher in March 1992.
- Commodity markets continue to put significant pressure on inflation. Oil prices have surged in recent months, elevating transport and fuel costs. The transport category was the main driver of inflation in December, contributing 1.6 percentage points to the headline rate of 5.4%.
- Within the transport category, petrol and diesel prices are exhibiting significant growth. This amounted to rates of 27.8% and 25.8%, respectively, in December.
- Utilities prices are also being affected by commodities markets, notably the surge in price for wholesale gas. This contributed to gas price inflation of 28.1% in December. Gas price inflation is expected to be further exacerbated from April onwards, when the Ofgem price cap is set to be raised once more.
- Cebr expects inflation to remain elevated in 2022. A peak rate of 5.9% on the CPI measure is forecasted for Q2.

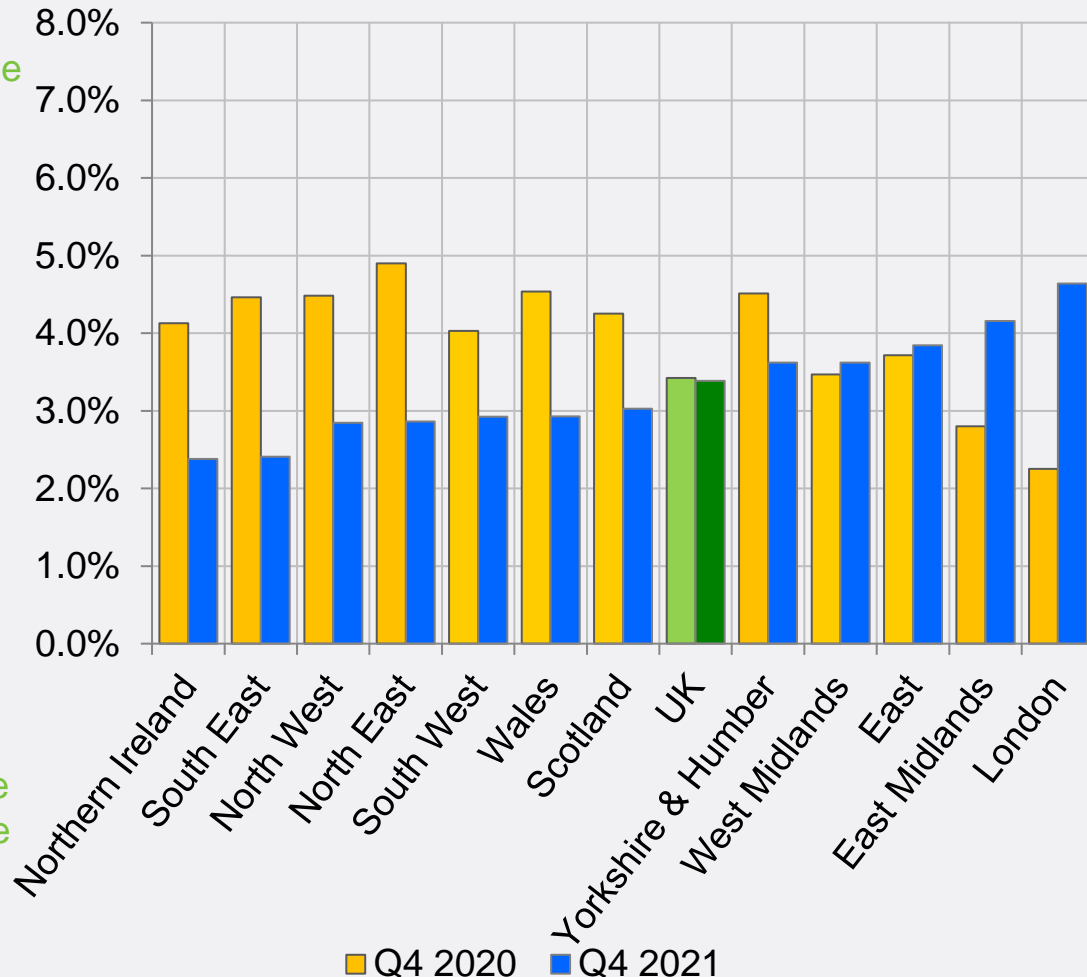


Gross income growth remains above historic averages despite slowdown

UK-wide annual gross income growth stood at 3.4% in Q4 2021

- Annual UK-wide growth in gross incomes slowed for a second consecutive quarter in Q4, amounting to 3.4%. This is down on the near-term high of 6.0% seen in Q2.
- Despite this slowdown, gross income growth remains above historic averages. For instance, gross income growth averaged just 3.1% in 2018 and 2019.
- The slowdown in gross income growth can be attributed to the deceleration in aggregate wage growth. For instance, average growth in total pay amounted to 4.2% in the three months to November, according to the ONS. This is down on the near-term high of 8.8% seen in the three months to June.
- Meanwhile, policy measures such as the withdrawal of the Universal Credit uplift have also hindered gross incomes growth.
- Nearly all regions saw slower growth in Q4 2021 than in the same quarter of 2020. Only the West Midlands, the East of England, the East Midlands and London saw an acceleration.

Regional gross income, annual change to quarter indicated

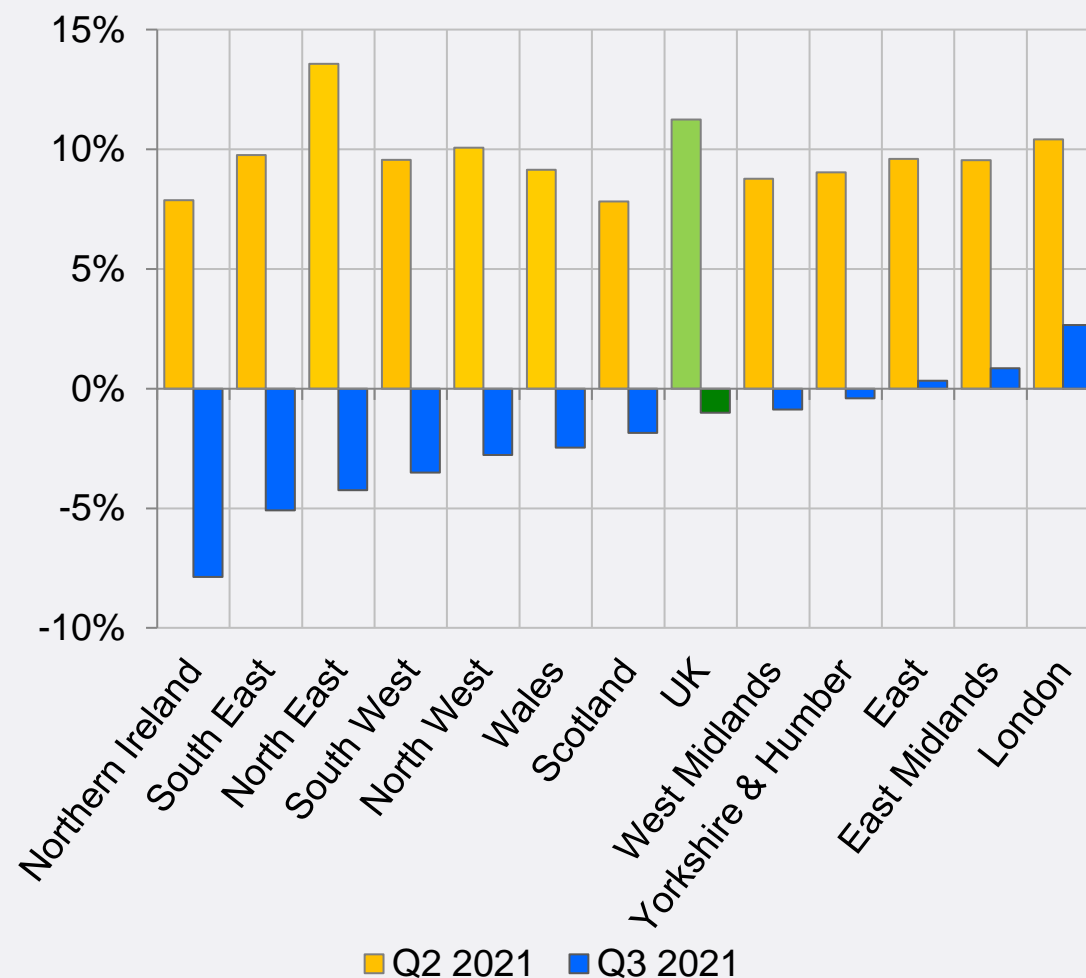


Contraction in Income Tracker seen in majority of UK regions

UK-wide Income Tracker exhibited contraction of 1.0% in Q4 2021

- The quarterly Asda Income Tracker saw its first contraction since Q4 2017, amounting to an annual fall of 1.0%. This was also the largest contraction since Q3 2013.
- The majority of the UK's regions saw annual contractions in Q4. This compares starkly to the situation in Q3, when all regions saw annual growth rates in excess of 7.5%. This had been fuelled by the strong wage growth environment over the summer months.
- The annual contraction in Q4 was most drastic in Northern Ireland, amounting to a fall of 7.9%. Discretionary incomes in Northern Ireland have been disproportionately impacted by the withdrawal of the Universal Credit uplift, given that a relatively larger proportion of the population claims social security.
- At the other end of the scale, three regions saw growth in discretionary incomes in Q4. This was most evident in London, where discretionary incomes were up by 2.7% year-on-year.

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

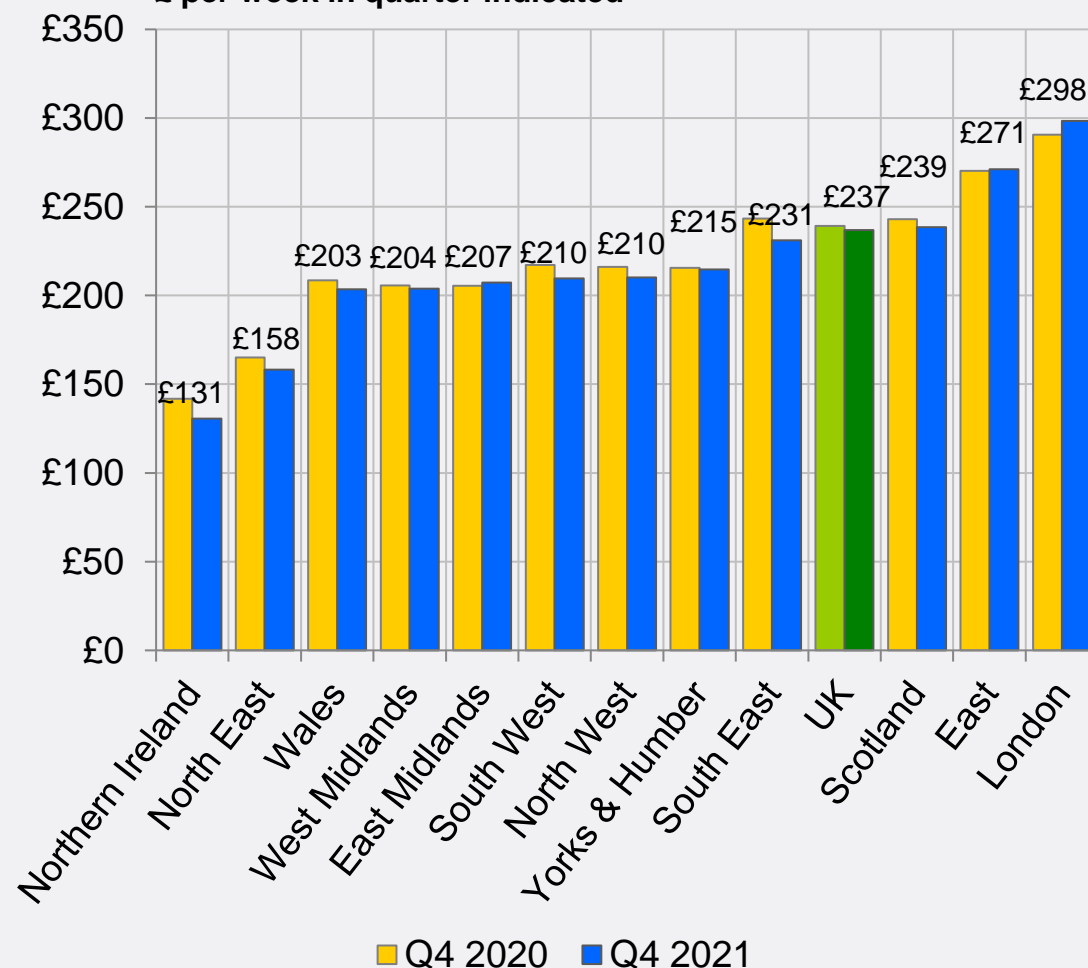


Discretionary incomes saw near unanimous annual fall in Q4

UK-wide family spending power averaged £237 in the final quarter of 2021

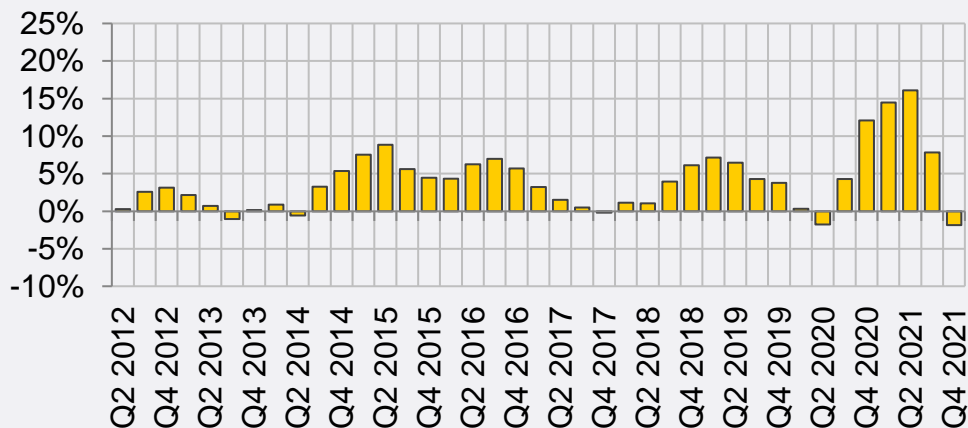
- Annual decreases in the Income Tracker were seen across nearly all regions in Q4 2021. London, the East of England and the East Midlands were the only regions to exhibit an increase.
- The absolute annual fall in discretionary incomes was largest in the South East. This amounted to a drop of £12.37 per week. Weekly spending power in the South East thus amounts to £231, falling short of the UK-wide average.
- A large annual fall in discretionary income was also seen in Northern Ireland. This amounted to a drop of £11.16 per week compared to Q4 2020. This took discretionary incomes in Northern Ireland to just £131 per week, the lowest value since Q2 2020.
- The largest annual increase discretionary incomes was seen amongst households in London. This amounted to an uptick of £7.71 per week, taking weekly discretionary income in the capital to £298.

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



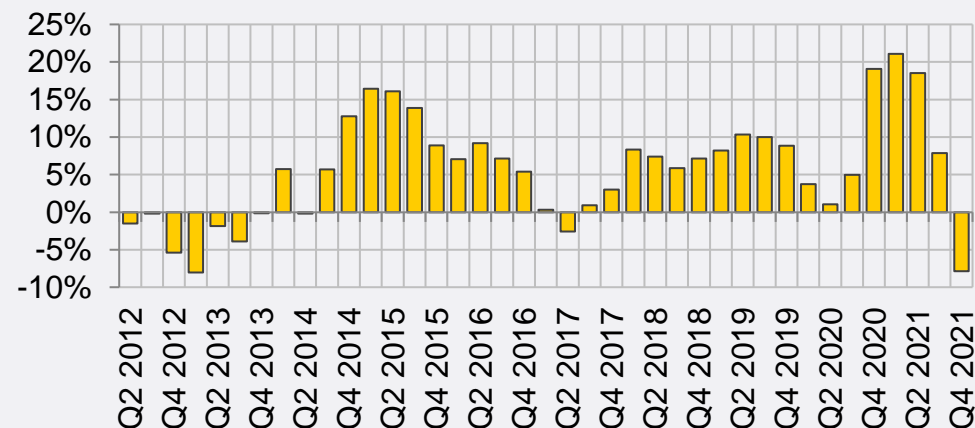
Focus on Scotland and Northern Ireland

Annual % change in discretionary incomes, Scotland



- The Income Tracker for Scotland witnessed an annual contraction of 1.9% in Q4. This marked the first fall since Q2 2020, when household spending power was down by 1.7% annually. The contraction in Scotland was stronger than the UK-wide average, which amounted to a fall of 1.0%.
- As with the rest of the country, Scotland's contraction has been driven by rising inflation and slowing gross income growth.
- The country has been particularly impacted by the labour market channel, however. Scotland has exhibited one of the slowest labour market recoveries amidst the pandemic, with the number of payrolled employees only exceeding pre-pandemic levels for the first time in December 2021. Other regions had seen this measure surpass pre-pandemic levels as early as May 2021.

Annual % change in discretionary incomes, Northern Ireland



- The Income Tracker for Northern Ireland witnessed an annual contraction of 7.9% in Q4. This was the largest contraction of any region.
- Households in Northern Ireland have been particularly impacted by earnings trends in recent months. For example, a larger percentage of Northern Ireland's population makes social security claims. Such households have thus been adversely impacted by the withdrawal of the Universal Credit uplift from October 2021.
- Meanwhile, Northern Ireland's labour market is also characterized by a high percentage of public sector workers. Public sector pay growth has fallen short of the private sector in each month since March.

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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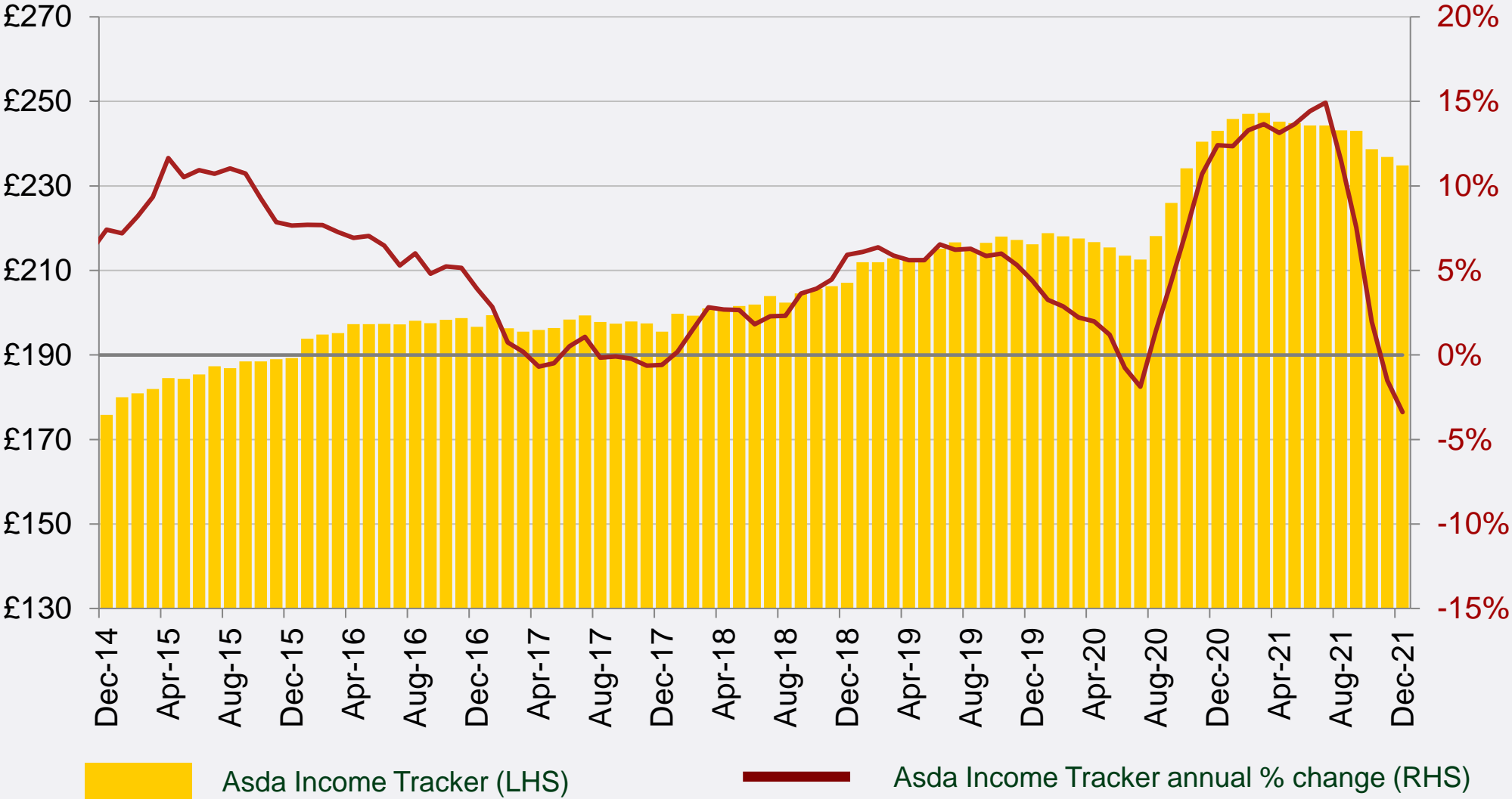
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Appendix

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	£237
December 2017	£196	December 2018	£207	December 2019	£217	December 2020	£243	December 2021	£235
2017 Average	£197	2018 Average	£203	2019 Average	£215	2020 Average	£223	2021 Average	£243

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, January 2022