

Asda Income Tracker

Report: June 2022

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Making Business Sense

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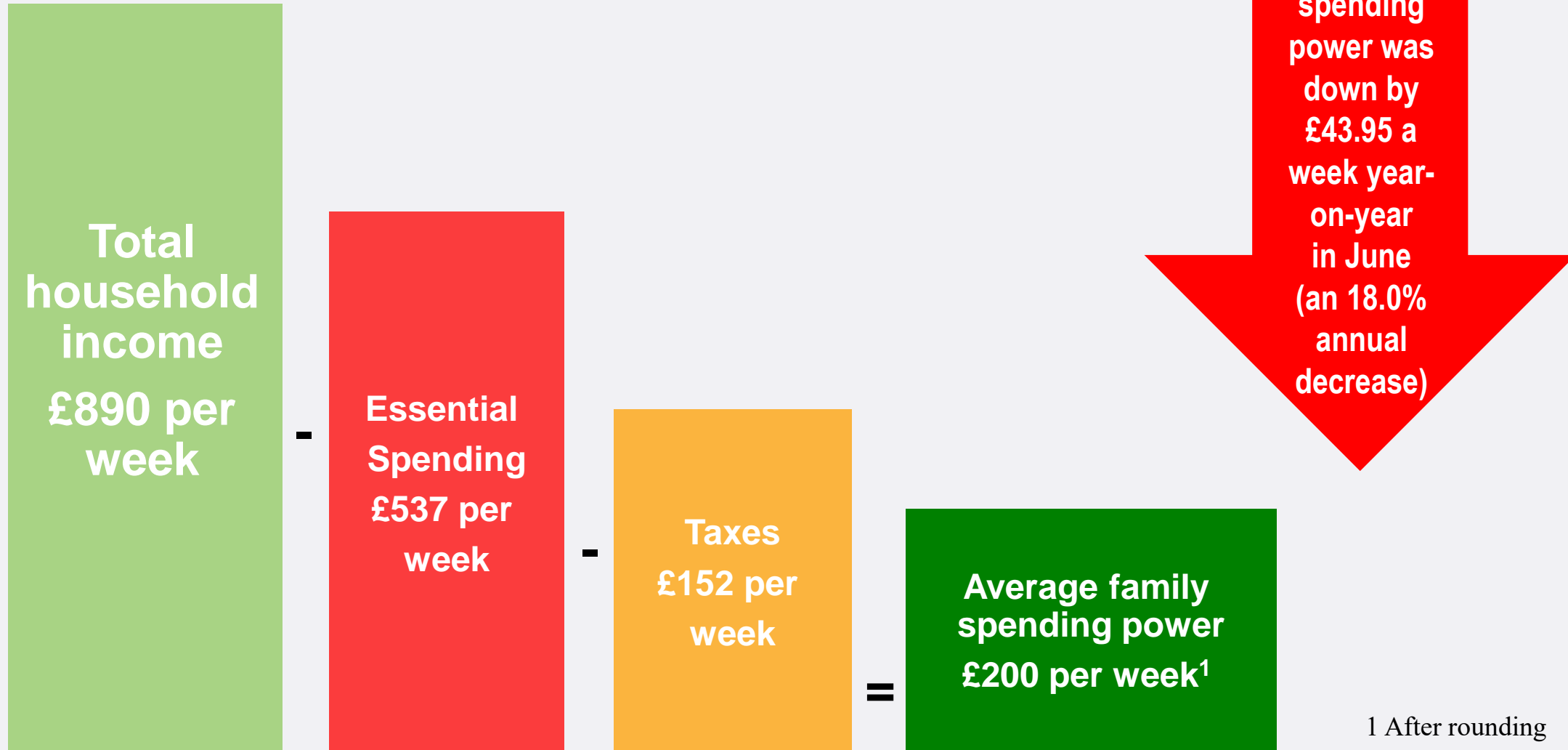
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Asda Income Tracker – Key Figures



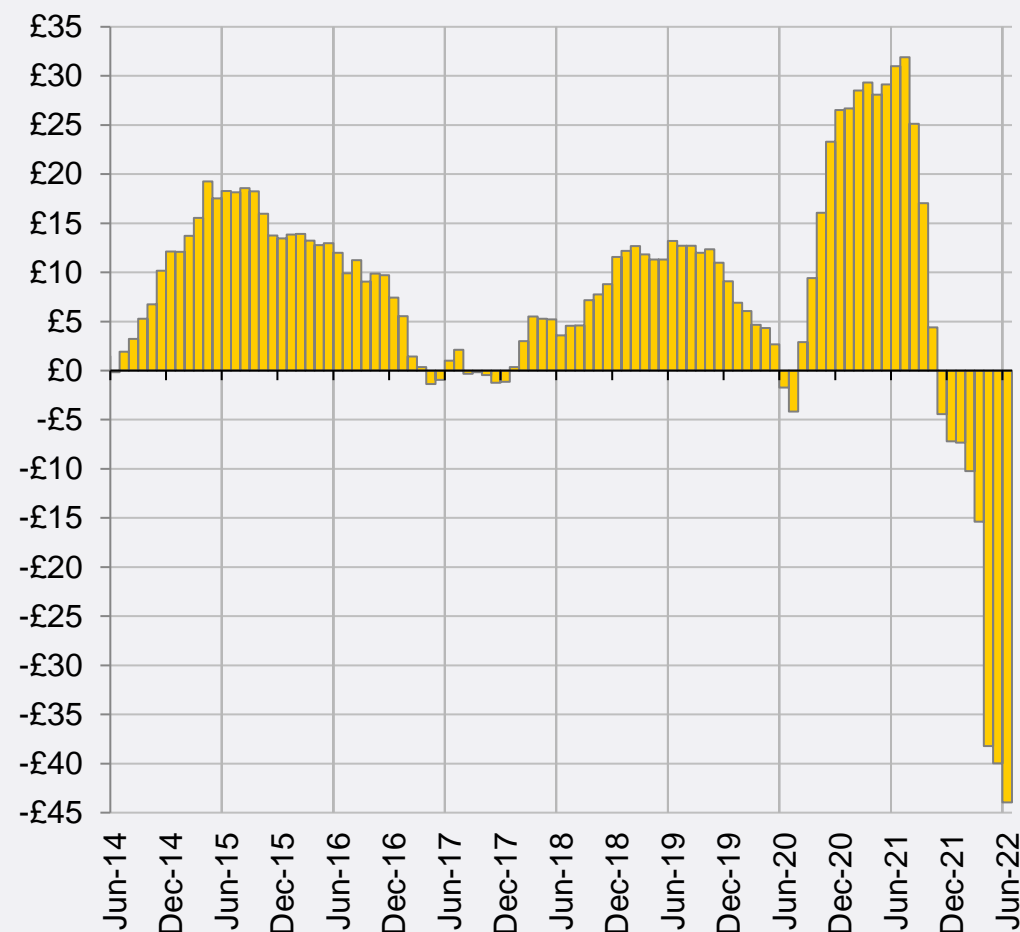
1 After rounding

Income Tracker sees another record fall as household spending power weakens

The Asda Income Tracker was £43.95 a week lower in June 2022 than a year before.

- The Asda Income Tracker saw an annual contraction of 18.0% in June. This marks the largest percentage decrease in the Income Tracker's history, outweighing the previous record fall of 16.3% set just last month, as well as another then-record fall of 15.6% in April. For comparison, the record fall prior to April 2022 was just 7.5%, recorded in September 2011.
- June's percentage fall translates to a drop of £43.95 in monetary terms. Once more this a record fall, outweighing the previous record of £39.97, set in the previous month.
- The cost-of-living crisis has driven these record falls in the Income Tracker, with income growth falling well short of inflation, which has continued to spiral.
- Cebr expects a slight deceleration of the inflation rate over Q3, however, meaning the Income Tracker has likely now hit its near-term trough. Further pressure is anticipated in Q4, however.
- The growth outlook for the UK economy has weakened significantly. The cost-of-living crisis, in addition to other economic headwinds, has raised the prospect of a recession this year.

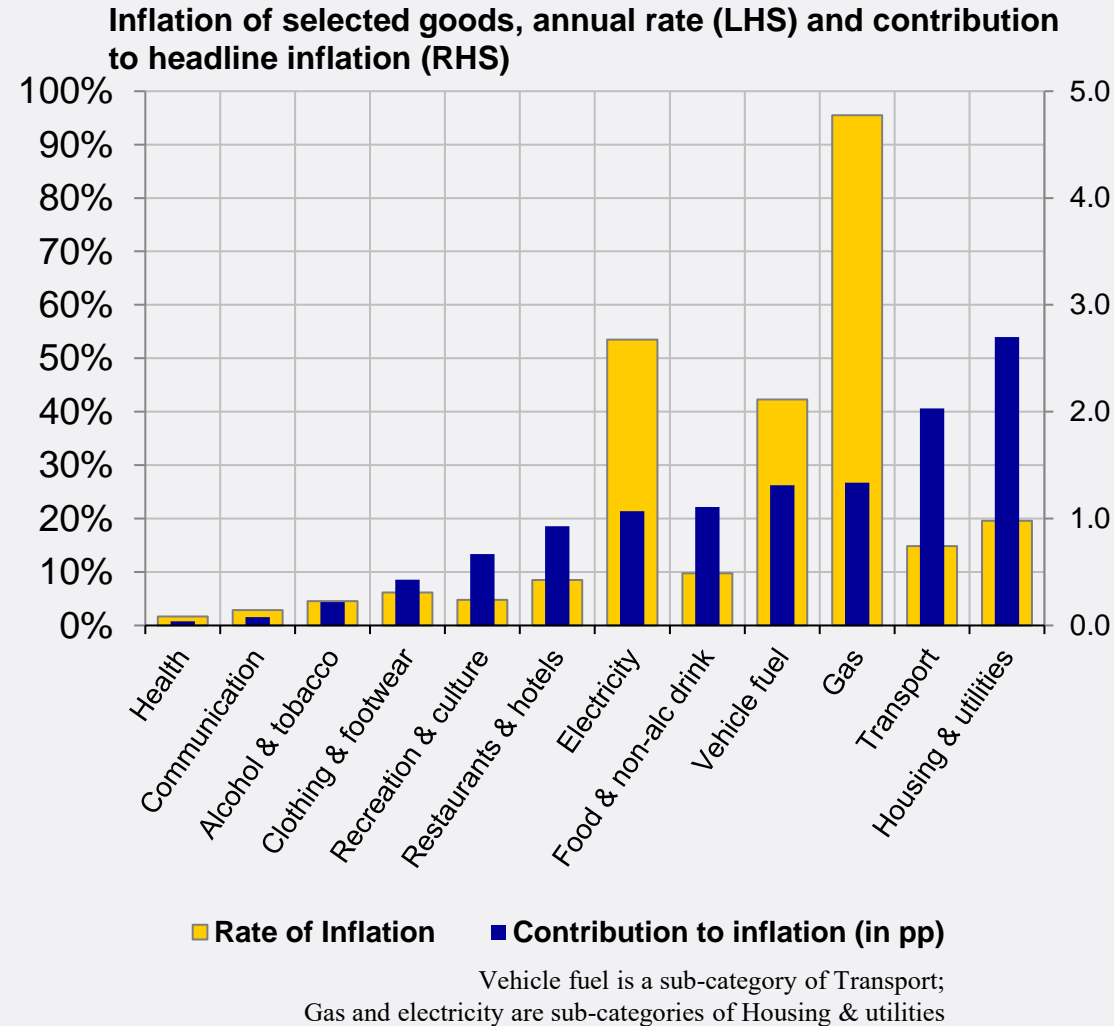
Year-on-year change in Asda Income Tracker, £



CPI inflation accelerates to highest rate since February 1982

The main factors affecting family costs in June were:

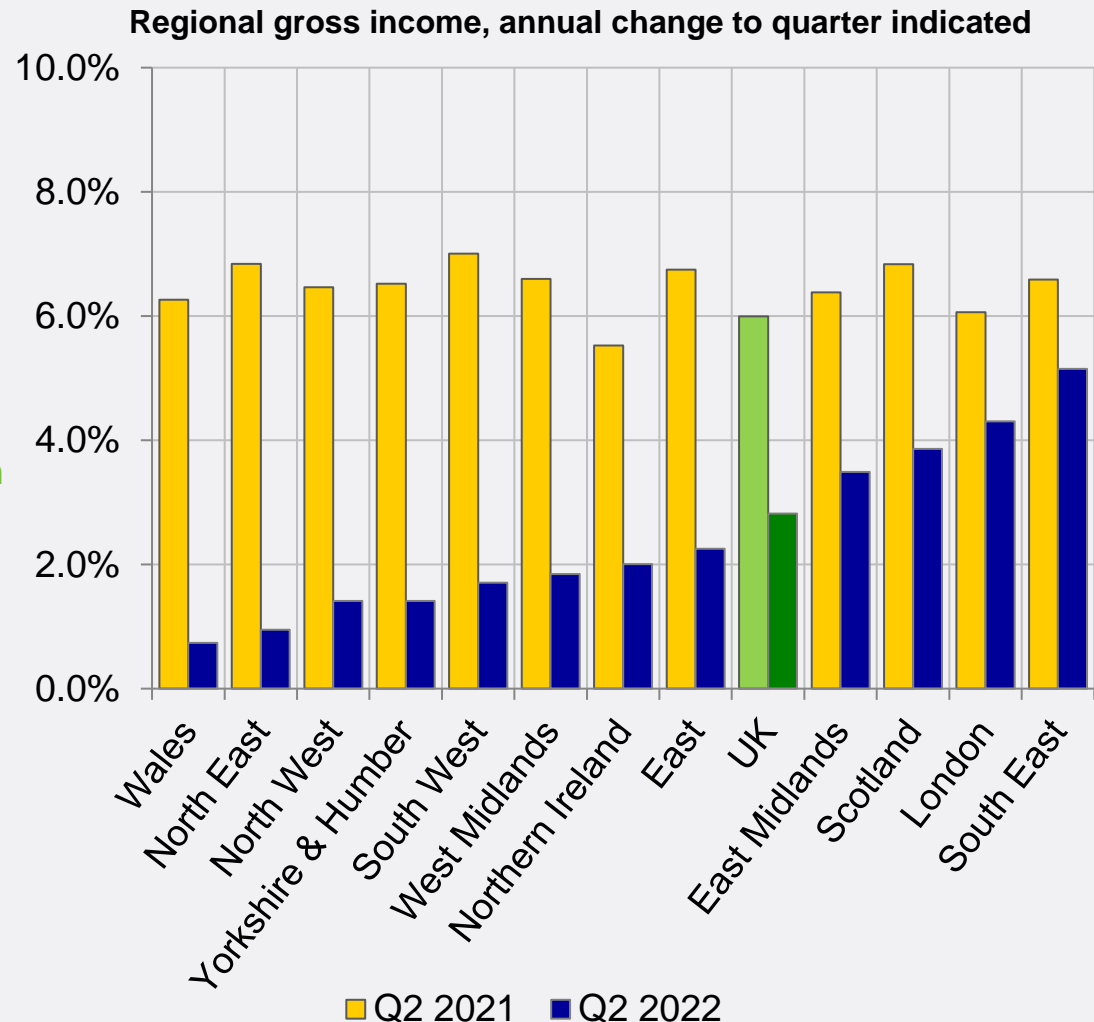
- Annual inflation, as measured by the Consumer Price Index (CPI), accelerated to 9.4% in June. This marked the fastest rate of CPI inflation since February 1982. The inflation rate has now accelerated for nine consecutive months.
- Housing & utilities was once again the most significant contributor to inflation in June. Prices in this category picked up by 19.6% year-on-year, reflecting the elevated Ofgem price cap at present.
- Transport was the next most significant contributor. Prices in this category picked up by 14.9% annually. Much of the growth in the transport category was driven by motor fuels, with petrol and diesel prices picking up by 41.8% and 44.2%, respectively.
- The contribution from food and non-alcoholic beverages has also increased recently. Inflation in this category reached 9.8% in June.
- Inflation is expected to slow slightly in the coming months. Cebr forecasts an average annual CPI rate of 8.9% over Q3. However, a further uptick is expected in Q4, with a peak inflation rate in excess of 11.0% forecasted for October.



UK regions see unanimous slowdown in gross income growth

UK-wide annual gross income growth stood at 2.8% in Q2 2022

- Annual UK-wide growth in gross incomes slowed for a fourth consecutive quarter in Q2 2022, reaching 2.8%. This is down on the near-term high of 6.0% seen in Q2 2021 and marks the slowest rate of gross income growth since Q3 2020.
- All regions saw a slower rate of gross income growth in Q2 2022 than the same quarter of 2021.
- This unanimous trend reflects the general slowdown in wage growth. The latest figures from the ONS showed annual growth in total pay of just 3.9% in May. This is significantly down on the 9.5% growth recorded in the same month of 2021.
- Moreover, the effect from the withdrawal of the Universal Credit uplift, which was supporting low income households across the country this time a year ago, remains in the calculation.
- London and the South East were the most resilient regions in terms of income growth. Both of these regions see high levels of private sector employment, which has seen much faster wage growth than the public sector in recent months.

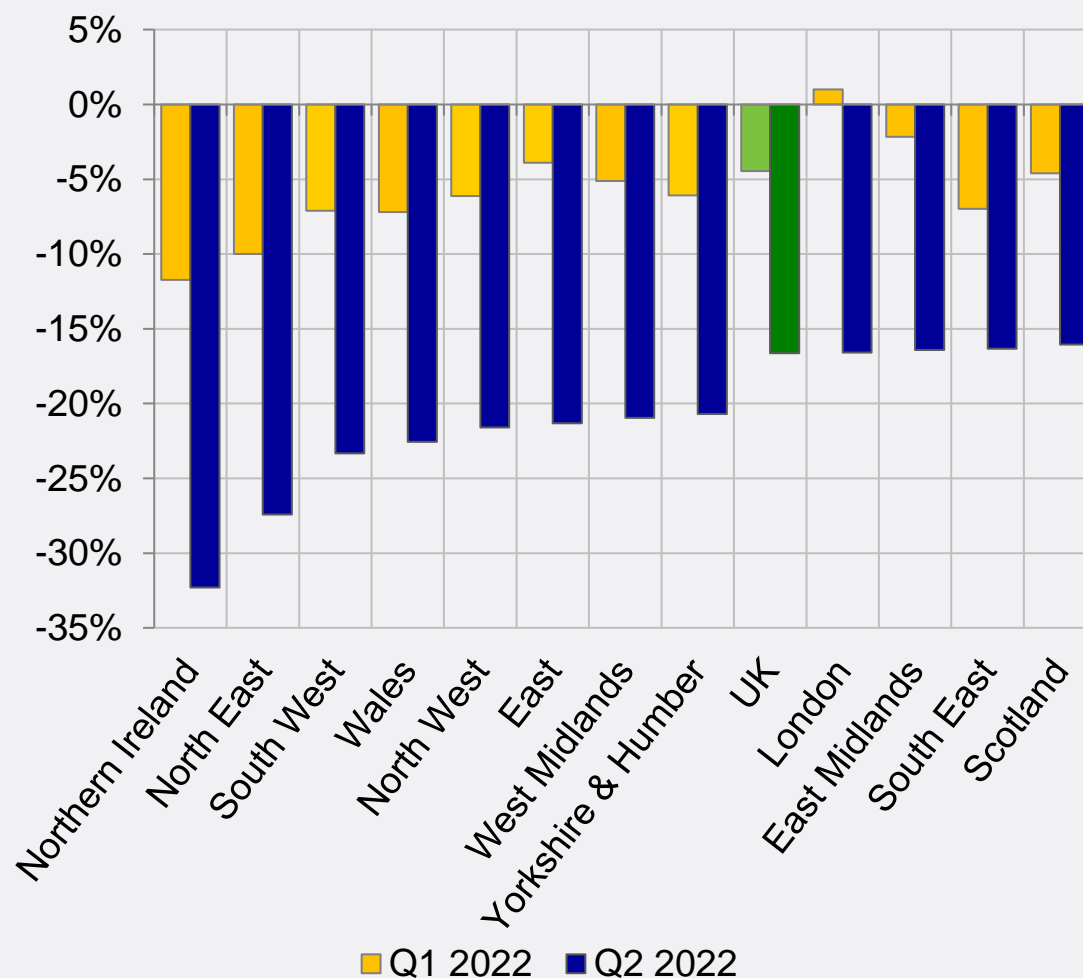


Contraction in discretionary income worsens across all regions in Q2 2022

UK-wide Income Tracker exhibited a contraction of 16.6% in Q2 2022

- The quarterly Asda Income Tracker saw a third consecutive annual contraction in Q2 2022. For the UK as a whole, this amounted to a 16.6% fall, the largest on record.
- A unanimous fall in discretionary income was seen across the UK's regions and nations.
- In relative terms, the falls were largest in Northern Ireland and the North East, amounting to annual contractions of 32.3% and 27.4%, respectively.
- Amongst other factors, these regions are more likely to be impacted by the effect of the Universal Credit withdrawal, due to having a disproportionate number of social security claimants.
- Having been the only region to record annual discretionary income growth in Q1, London has now joined the other regions in witnessing falling household spending power. This highlights how the cost-of-living crisis is impacting households across the board, including those in the wealthiest regions.

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

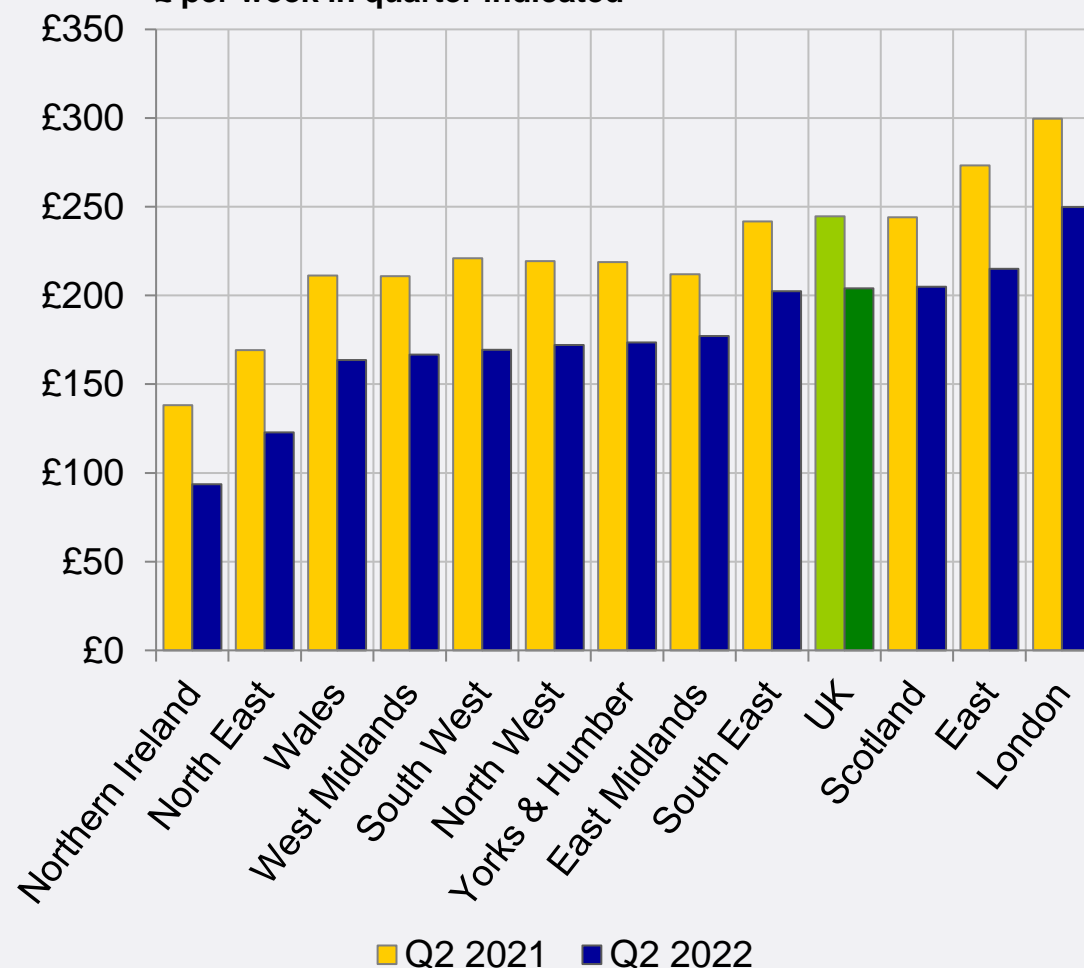


Average household spending power falls back to 2018 levels in Q2

UK-wide weekly family spending power averaged £204 in the second quarter of 2022

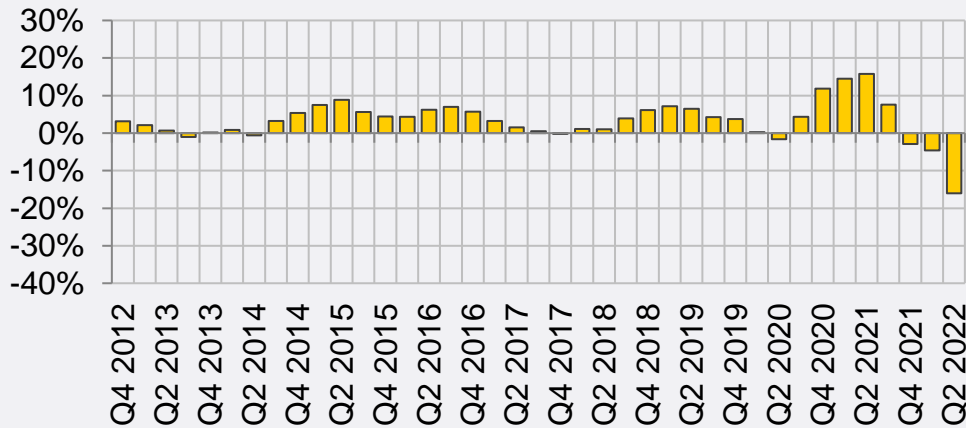
- The spending power of the average UK household fell by £40.71 per week in Q2 2022, compared to the same quarter of 2021.
- At an average of £204 per week, average UK discretionary income is now at its lowest level since Q3 2018.
- In absolute terms, the annual fall was largest in the East of England, amounting to a drop of £58.25 per week. This was followed by the drop of £51.55 seen in the South West.
- Households in London saw their weekly discretionary income fall below £250 for the first time since Q4 2018.
- Meanwhile, households in Northern Ireland saw their weekly discretionary income fall below £100 for the first time since Q2 2017.

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

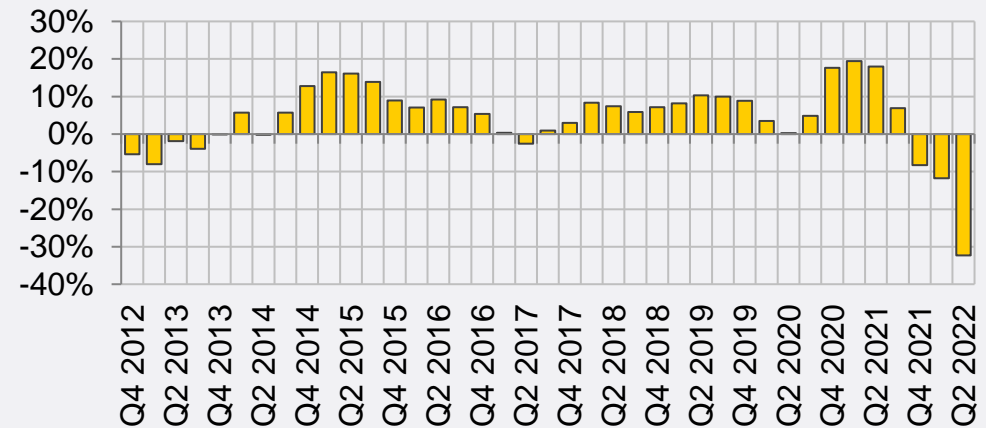


Focus on Scotland and Northern Ireland

Annual % change in discretionary incomes, Scotland



Annual % change in discretionary incomes, Northern Ireland



- The Income Tracker for Scotland witnessed an annual contraction of 16.0% in Q2. This marked the largest fall for Scottish discretionary incomes since the inception of the Income Tracker.
- Scotland has been no exception to the cost-of-living pressures across the country, stemming from mounting inflation and a shortfall in wage growth.
- As was the case in Q1, Scotland’s position in Q2 largely mirrored UK-wide averages. The percentage fall in discretionary income across the UK was just larger in magnitude, at 16.6%. Meanwhile, the average household in Scotland saw discretionary income of £205 per week in Q2, with the UK-wide average falling just short at £204.

- The Income Tracker for Northern Ireland witnessed an annual contraction of 32.3% in Q2. This is the largest annual contraction for any region in the history of the Income Tracker.
- There are several key trends behind this fall. Northern Ireland sees a high share of public sector workers, where wage growth has lagged behind in recent months, meaning income growth has been weaker than average.
- Northern Ireland also has a larger share of social security claimants within the population, meaning the withdrawal of the Universal Credit uplift has had a disproportionate impact.

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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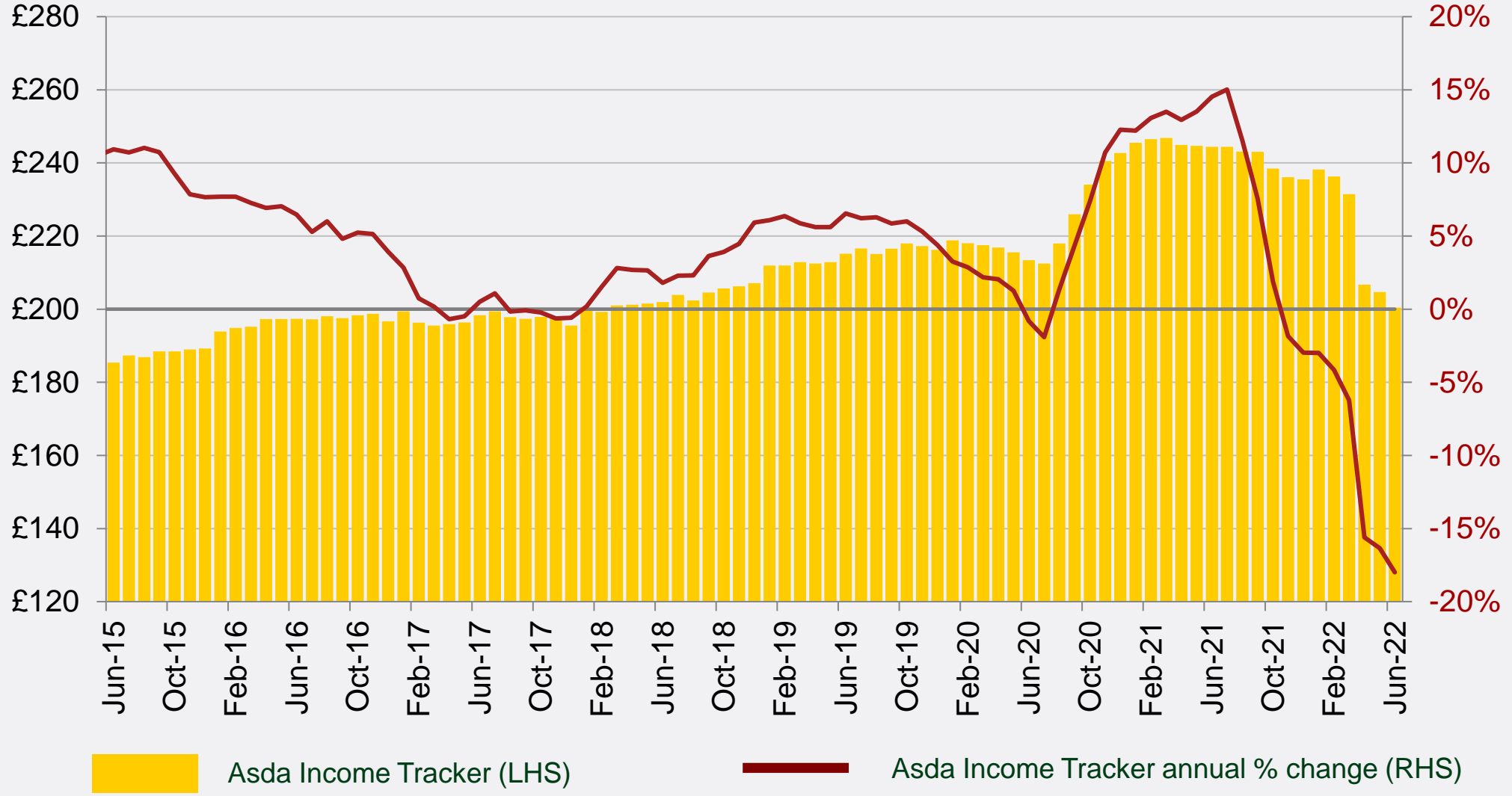
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Appendix

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	£232
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	£205
June 2018	£202	June 2019	£215	June 2020	£214	June 2021	£244	June 2022	£200
July 2018	£204	July 2019	£217	July 2020	£213	July 2021	£244		
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.

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, July 2022