

Asda Income Tracker

Report: May 2022

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Making Business Sense

Centre for Economics and
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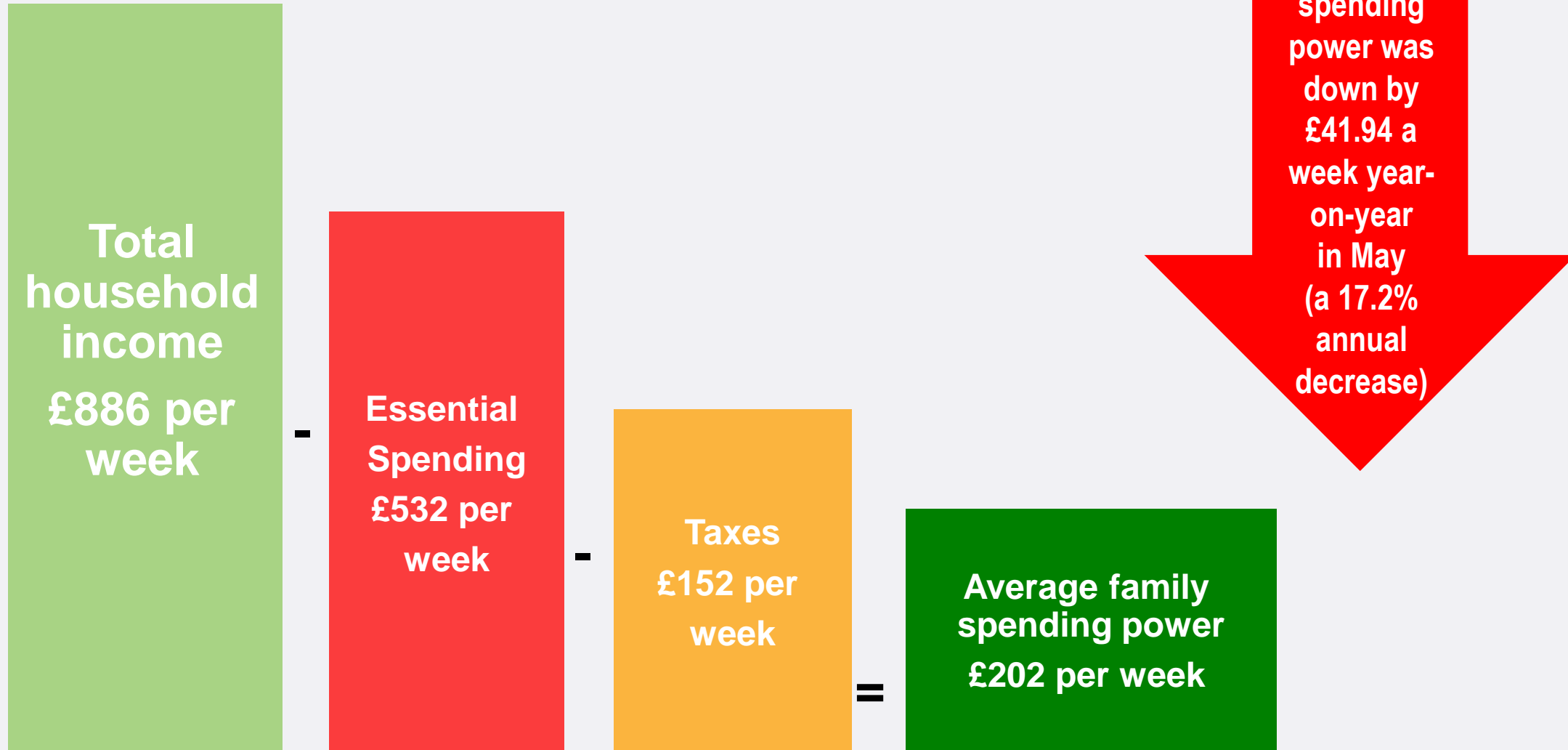
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Asda Income Tracker – Key Figures



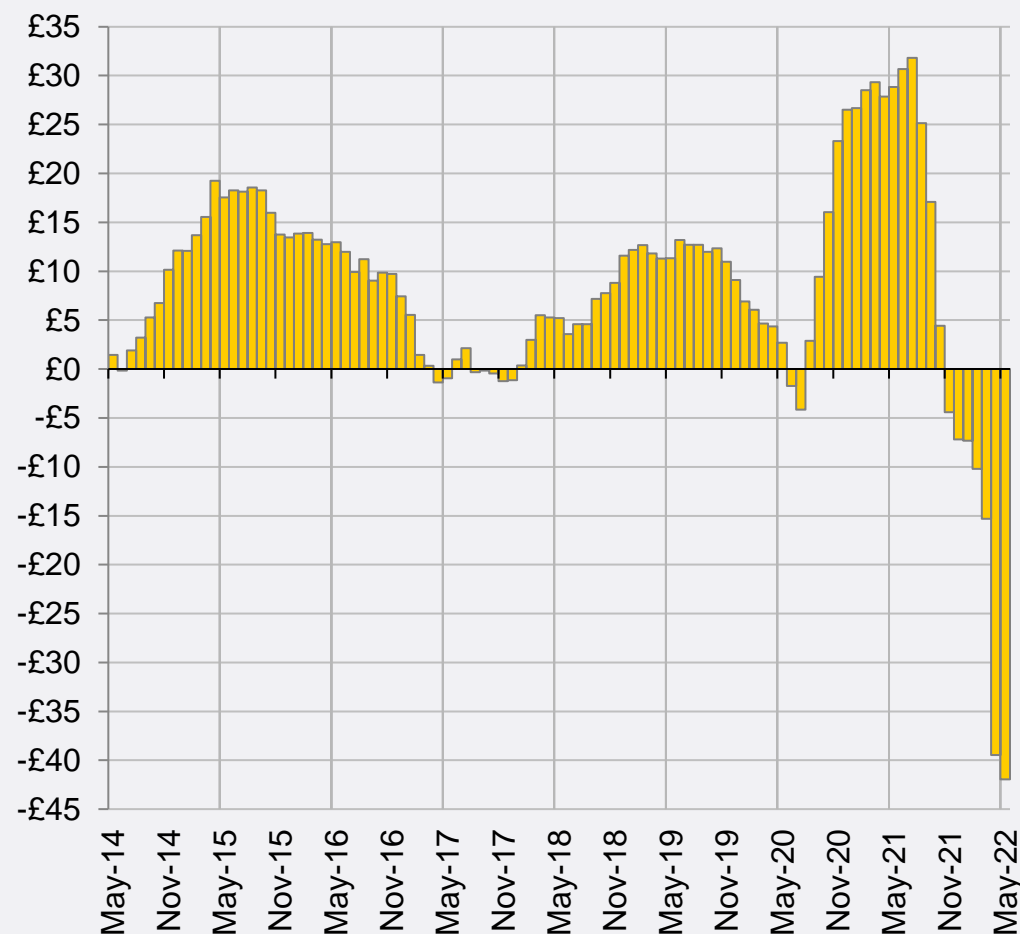
Households' discretionary income worsens further amidst rising inflation

Income Tracker Trends

The Asda Income Tracker was £41.94 a week lower in May 2022 than a year before.

- The Asda Income Tracker saw an annual contraction of 17.2% in May. This marks the largest percentage decrease in the Income Tracker's history, outweighing the previous record fall of 16.1% set just last month. For comparison, the record fall prior to April 2022 was just 7.5%, recorded in September 2011.
- This percentage fall translates to a drop of £41.94 in monetary terms. Once more this a record fall, outweighing the previous record of £39.46, set in the previous month.
- These near-term falls once again highlight the significant cost-of-living pressures faced by UK households. Amidst mounting inflation and a shortfall in income growth, household spending power is weakening significantly.
- The UK economy is on a weak footing. A recession is now expected in 2022, partially driven by the ongoing cost-of-living crisis. Meanwhile, a second inflationary spike is anticipated in Q4, with this set to be even larger than that being witnessed at present.
- As such, even weaker Income Tracker positions are expected later this year.

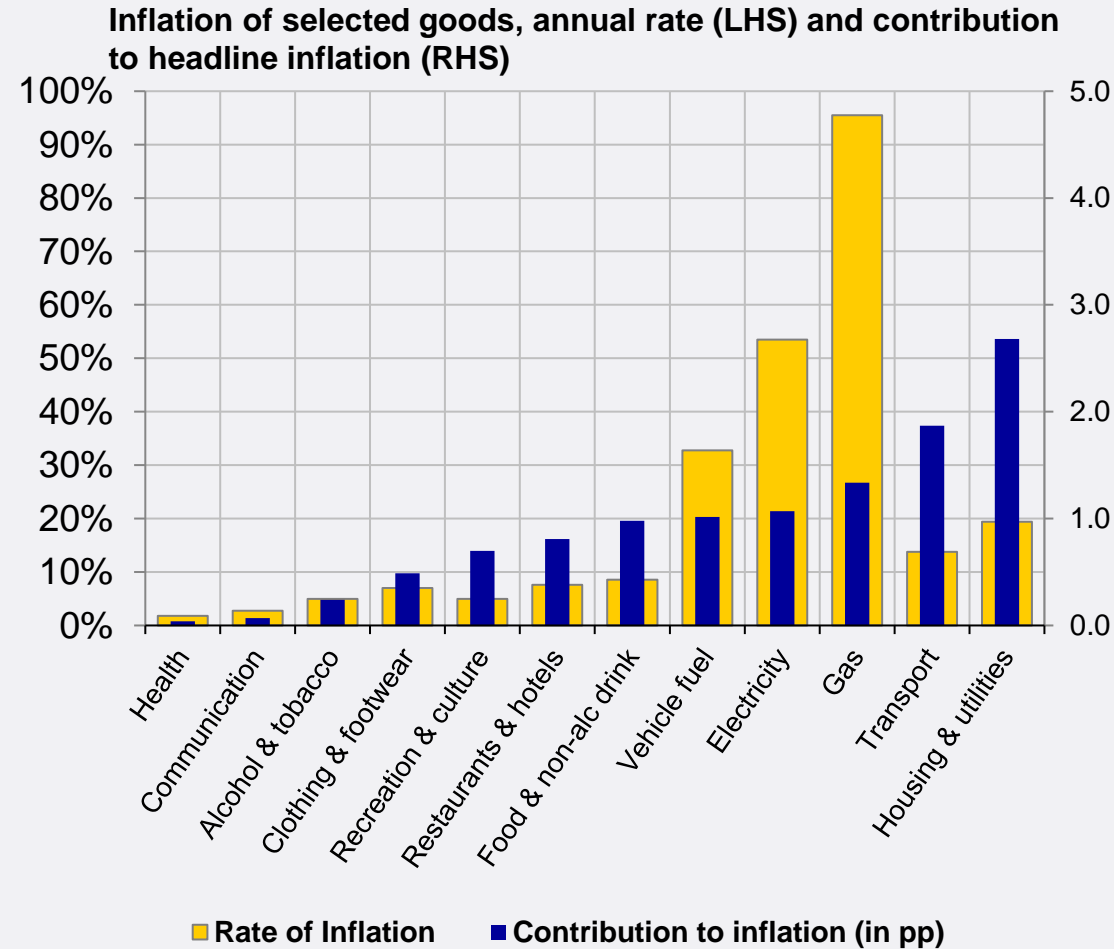
Year-on-year change in Asda Income Tracker, £



CPI inflation accelerates further with stark price increases across a range of categories

The main factors affecting family costs in May were:

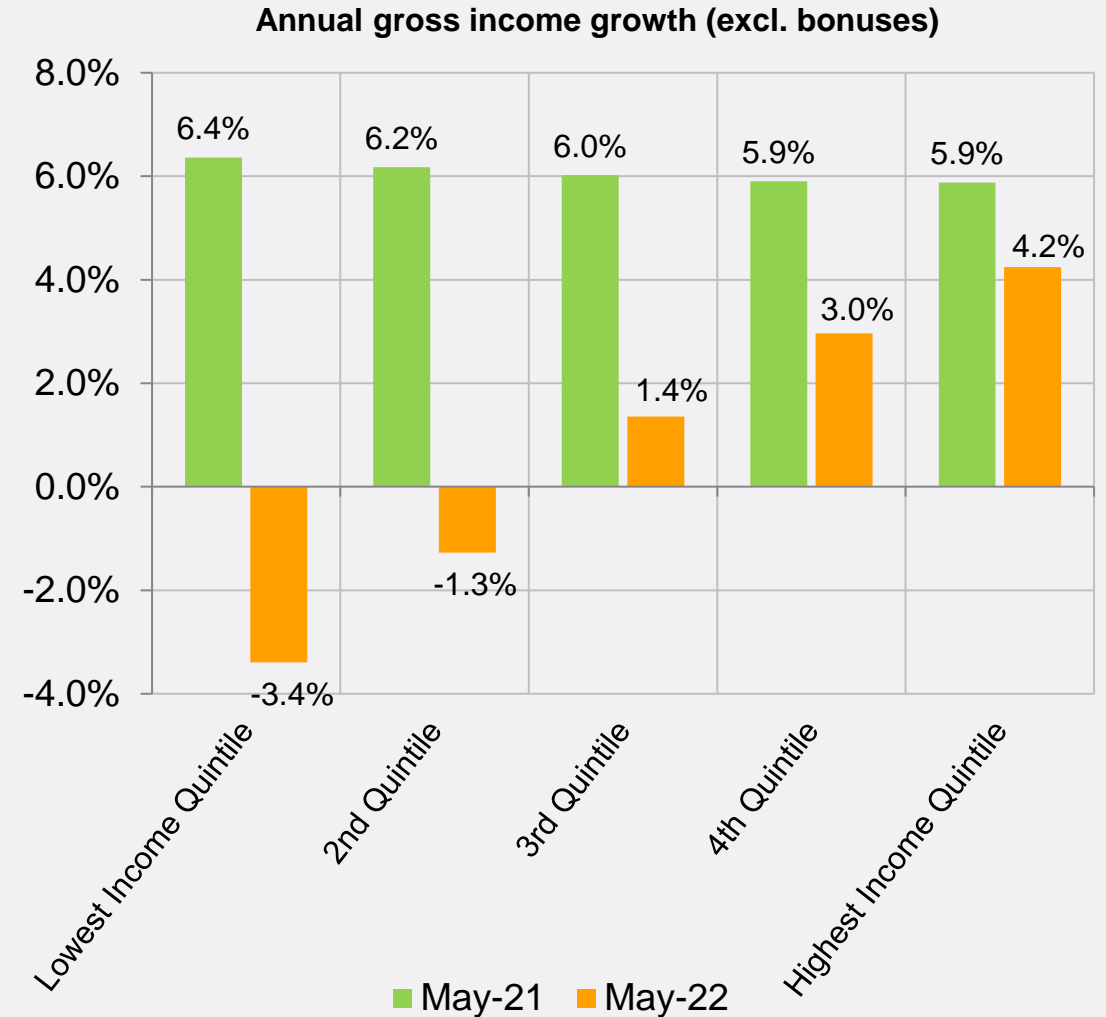
- Annual inflation, as measured by the Consumer Price Index (CPI), accelerated to 9.1% in May. This marked the fastest rate of CPI inflation in more than 40 years and followed inflation of 9.0% in April. The inflation rate has now accelerated for eight consecutive months.
- Housing & utilities was once again the most significant contributor to inflation in May. Prices picked up by 19.4% year-on-year. This stark price cap reflects the Ofgem price cap, which increased in April.
- Inflation is becoming increasingly broad in nature. Month-on-month inflation rates in excess of 1.0% were seen across several consumption categories, including food and non-alcoholic beverages, clothing and footwear, and furniture and household equipment.
- Cebr expects inflation to slow in June and over Q3. However, a second inflationary spike is forecasted for October, when the Ofgem price cap is set to be elevated once more. CPI inflation is set to average 10.1% over Q4, marking an even more severe inflationary spike than that being witnessed at present.



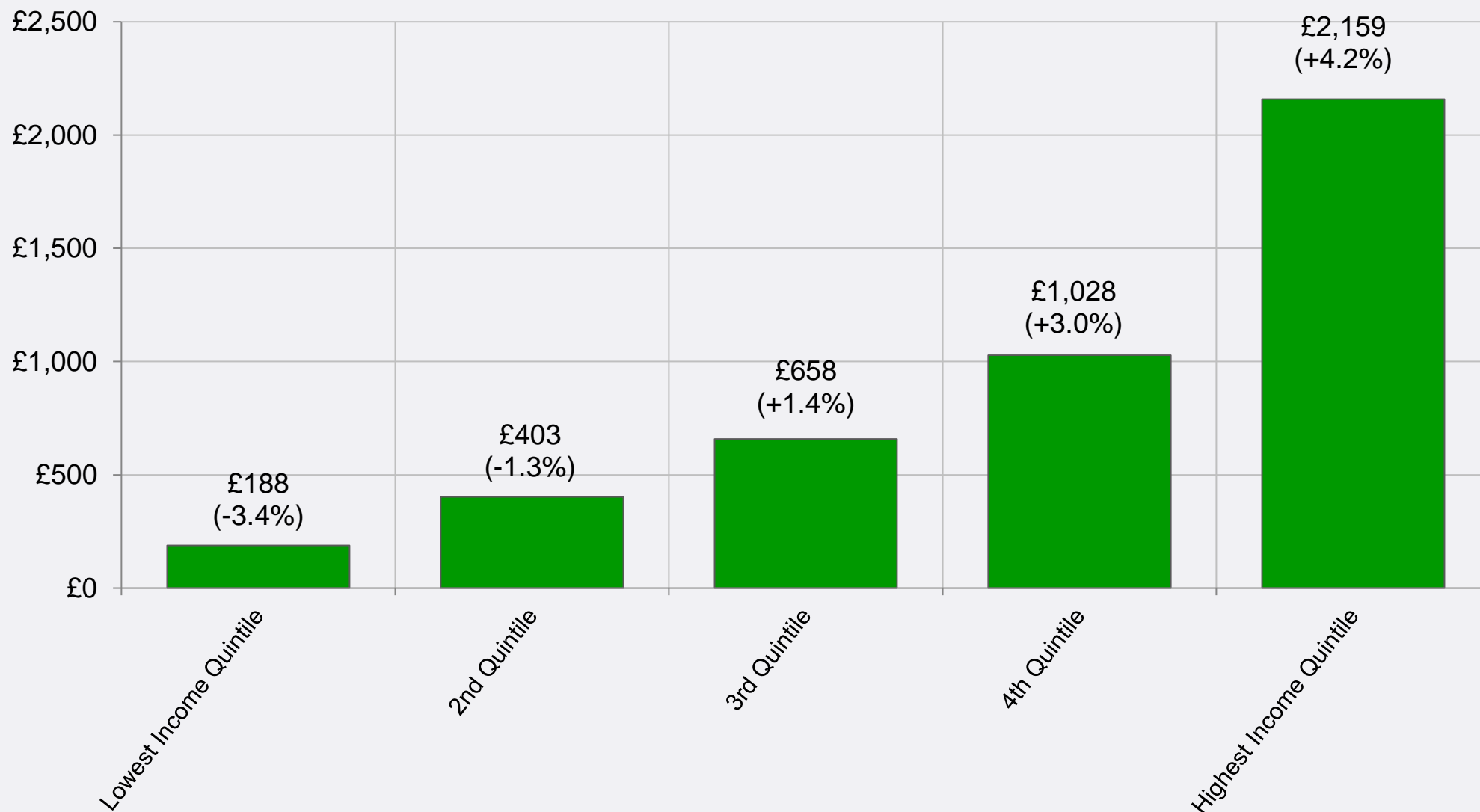
Vehicle fuel is a sub-category of Transport;
Gas and electricity are sub-categories of Housing & utilities

Bottom 40% of households continue to see income falls

- The graph to the right compares the annual gross income growth rates for different household income groups for May 2021 and May 2022. Gross income includes all income from various sources, including wages, self-employment, investment, pensions, and social security.
- Annual gross income contractions were witnessed amongst the bottom 40% of households. This had also been the case in February, the last edition of this report focusing on income quintiles. The fall was most stark amongst those in the lowest income quintile, amounting to a 3.4% drop.
- A key driver of falling incomes for the lowest earners has been the withdrawal of the Universal Credit uplift, which had provided households with additional income during the pandemic period.
- Income growth is slower than a year ago for all household quintiles. Income growth in early 2021 was being supported by a range of statistical and base effects.
- Though Cebr expects relatively strong wage growth in 2022, this is set to fall short of inflation.



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

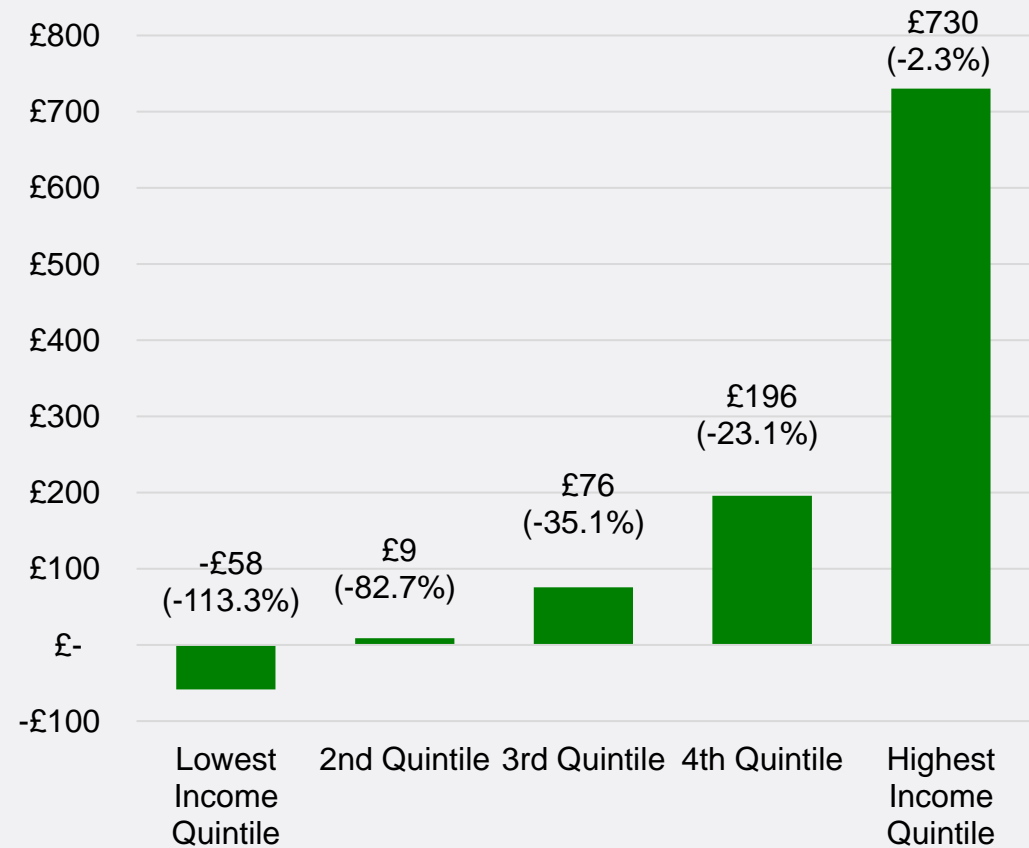


Discretionary incomes falling for all household income quintiles

Spending power decreased across the board in May

- An annual contraction in discretionary income was seen amongst all household quintiles in May. This has now been the case for two consecutive months.
- In relative terms, the poorest fifth of households have been the hardest hit. Discretionary incomes amongst this group have fallen by more than 100% year-on-year. These households have negative discretionary income, meaning that their post-tax income does not cover the cost of essential spending. The situation of these households has worsened due to the withdrawal of the Universal Credit uplift, as well as the concentration of inflation in essential spending categories.
- Households in the second quintile also saw a stark fall, with discretionary incomes being 82.7% lower than this time a year ago.
- At the other end of the scale, households in the highest income quintile displayed the most resilience, but their discretionary incomes still fell by 2.3%. The greater resilience can be explained by their higher labour market exposure, meaning these households are more likely to benefit from the strong wage growth at present.

Average weekly discretionary income by household income group, May 2022, 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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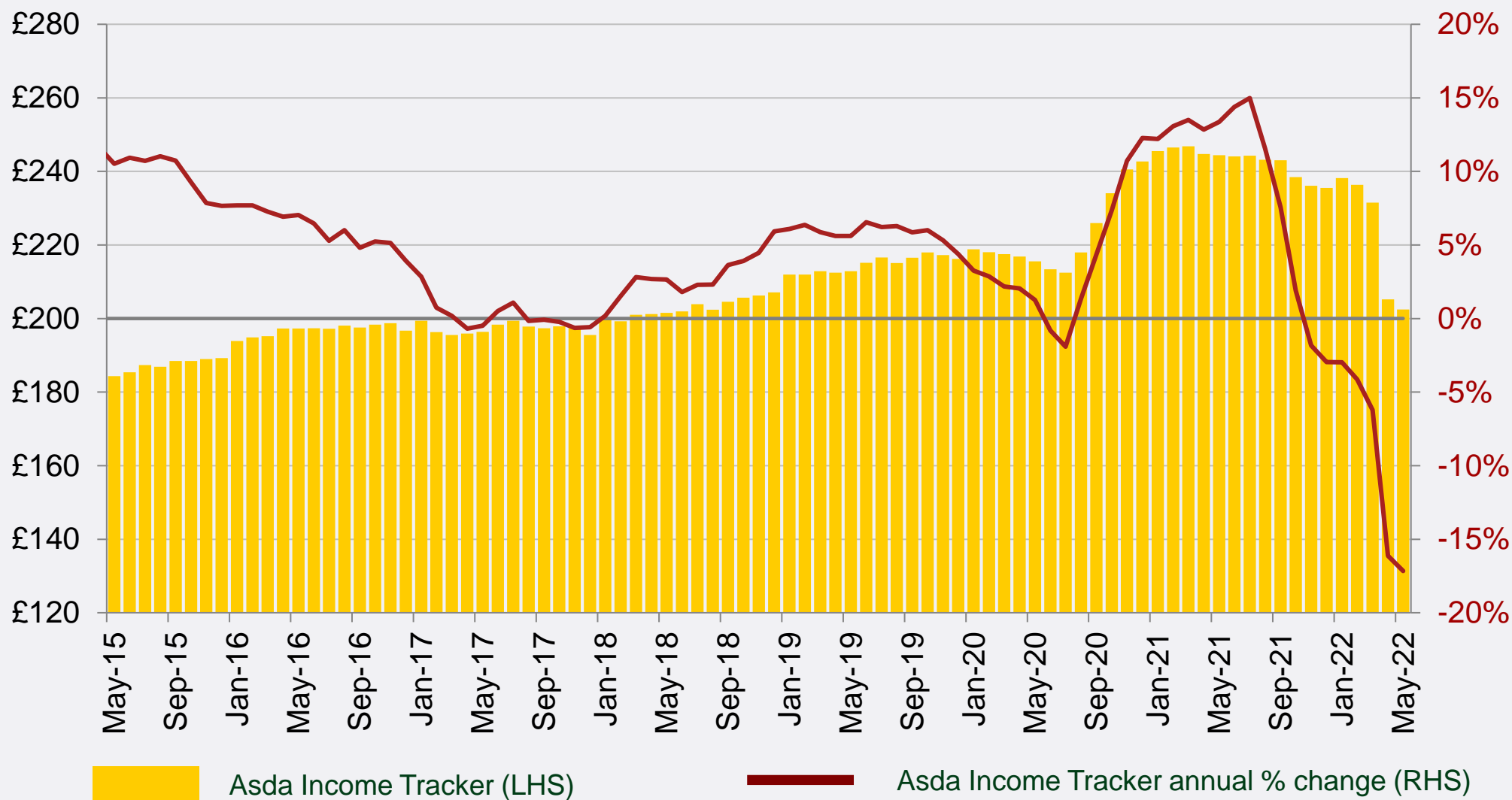
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Appendix

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 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	£205
May 2018	£201	May 2019	£213	May 2020	£216	May 2021	£245	May 2022	£202
June 2018	£202	June 2019	£215	June 2020	£214	June 2021	£244		
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.

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London, June 2022