

ASDA

Asda Income Tracker

Report: February 2023



Making Business Sense

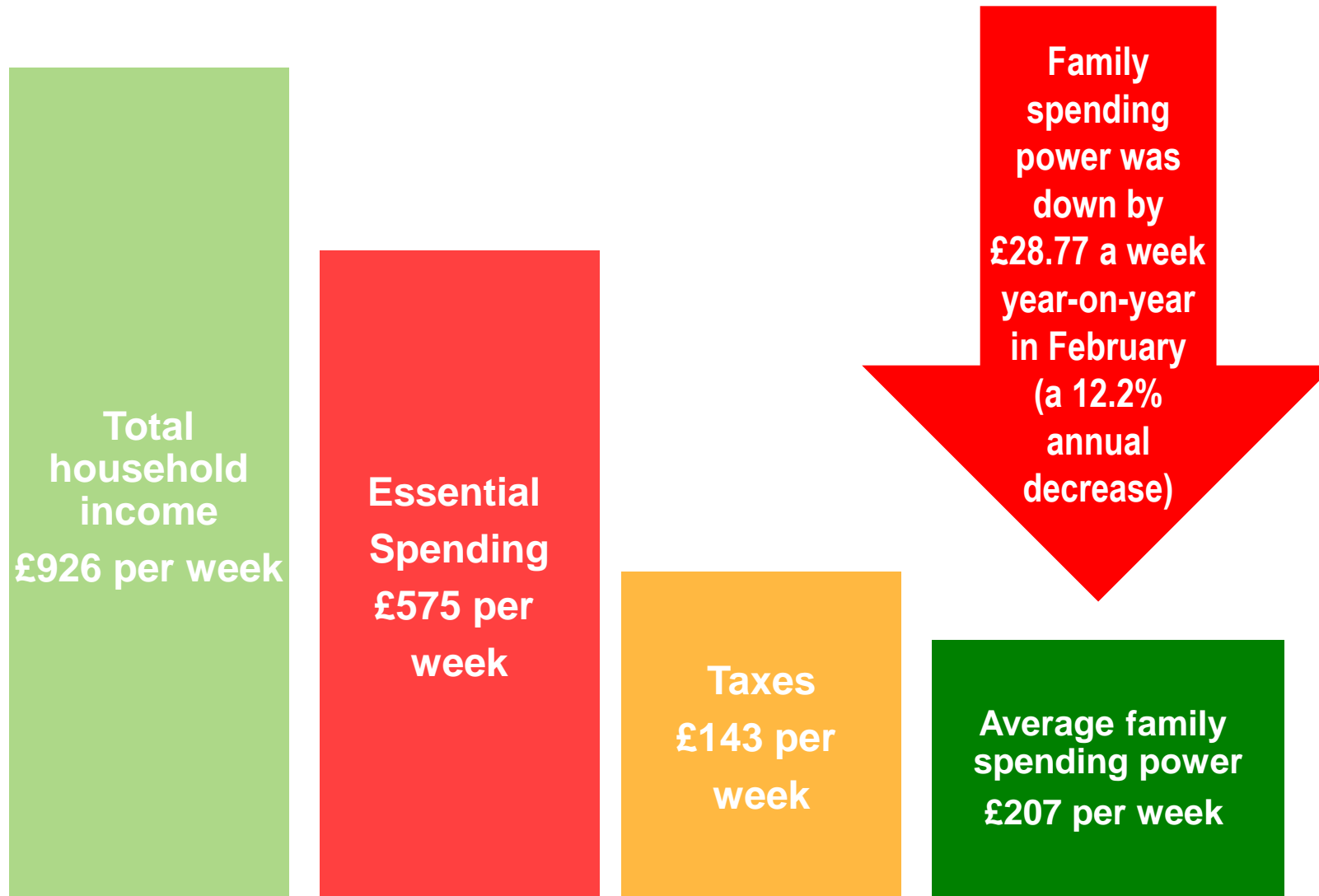
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Asda Income Tracker - Key Figures

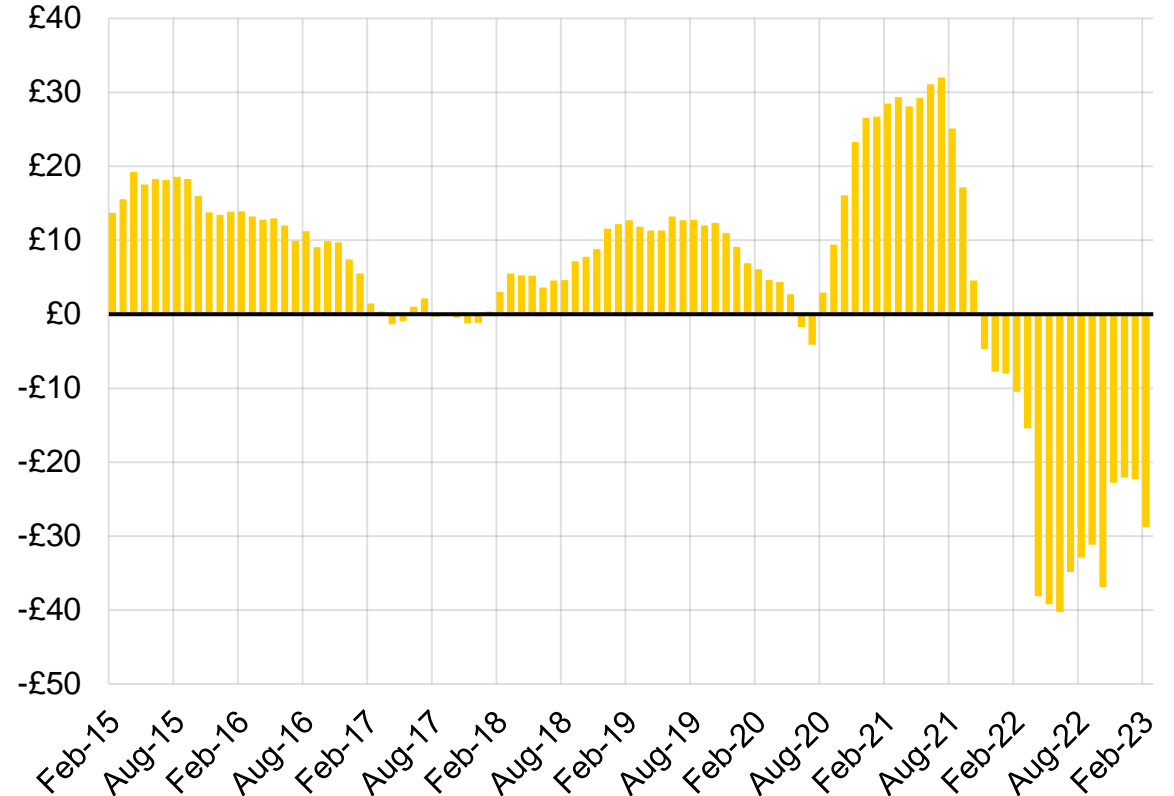


Income Tracker falls on monthly basis amidst surprise acceleration in inflation

The Asda Income Tracker was £28.77 a week lower in February 2023 than a year before

- The Income Tracker fell on a monthly basis, reaching £207 per week in February, down from £215 in January. A lower Income Tracker value was last seen in October 2022, when the average household had a discretionary income of £202 per week.
- The monthly deterioration was mostly driven by an acceleration in annual inflation. Indeed, the cost of the basket of essentials monitored by the Income Tracker rose by £7 in February, marking a return to the general upwards trend seen in this measure over the last twelve months.
- The Income Tracker remains down on an annual basis, amounting to a 12.2% fall in February. This represents the largest annual fall since the 15.5% drop in October 2022.
- While annual inflation had shown signs of having peaked, following three consecutive months of disinflation in the headline measure, the latest data in February showed annual inflation accelerating once again. This continues to weigh on spending power, with price increases exceeding growth in household incomes.

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

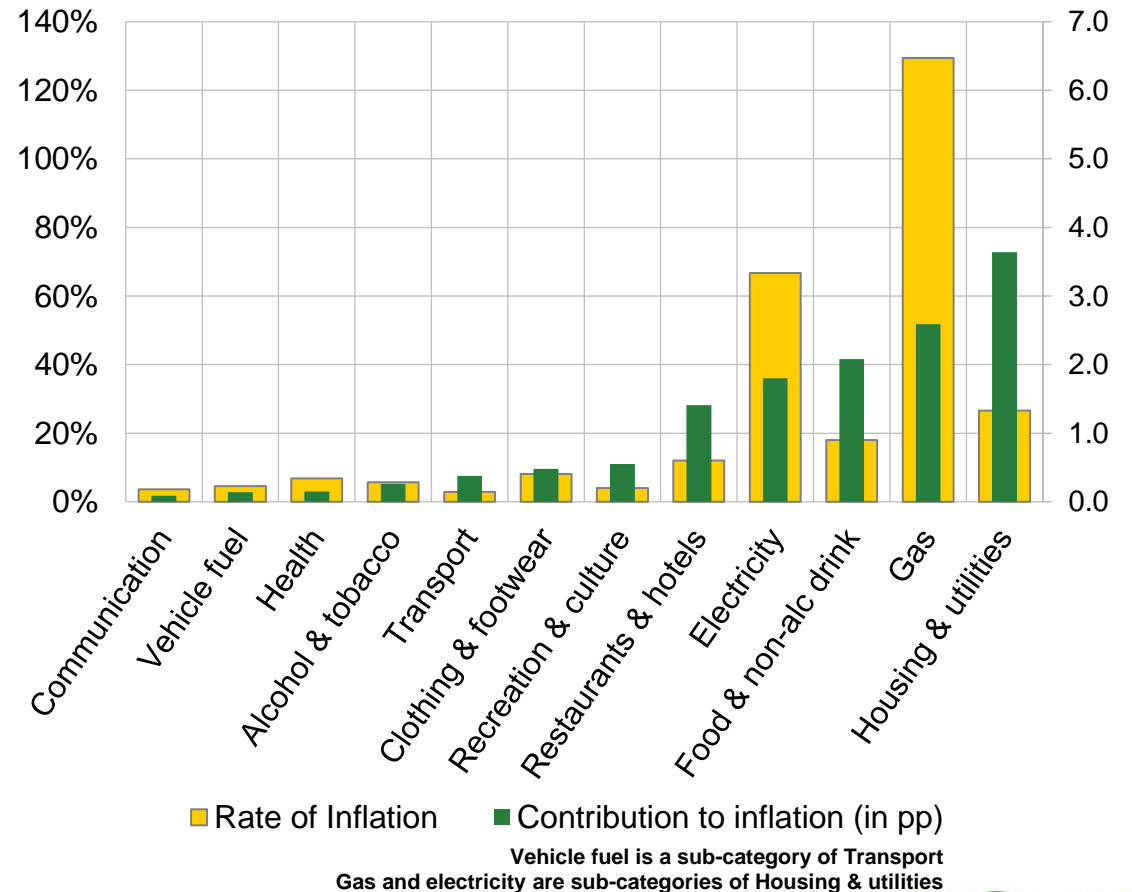


Inflation surprises to the upside, driven by soaring food prices

The main factors affecting family costs in February were:

- Annual inflation, as measured by the Consumer Prices Index (CPI), edged up to 10.4% in January. This marked a departure from the deceleration seen in the three months prior, from October's rate of 11.1%, which had represented a high for more than 40 years.
- Though the acceleration in annual inflation continues to be dominated by the initial shock of high energy prices, it is evident that price pressure has become more broad-based.
- Food and non-alcoholic beverages were a key contributor to the uptick in inflation in February, with price growth in this category amounting to 18.0%, up from 16.7% seen in January and representing an over 45-year high. Particular upward pressure came from the vegetable subcategory, coming at a time when supermarkets were experiencing shortages of salad items and vegetables.
- Core inflation rose to 6.2% in February, having stood at 5.8% in January.
- Other categories that saw monthly accelerations include the restaurants and hotels, and clothing and footwear categories, with the two categories seeing annual inflation of 12.1% and 8.1%, respectively.

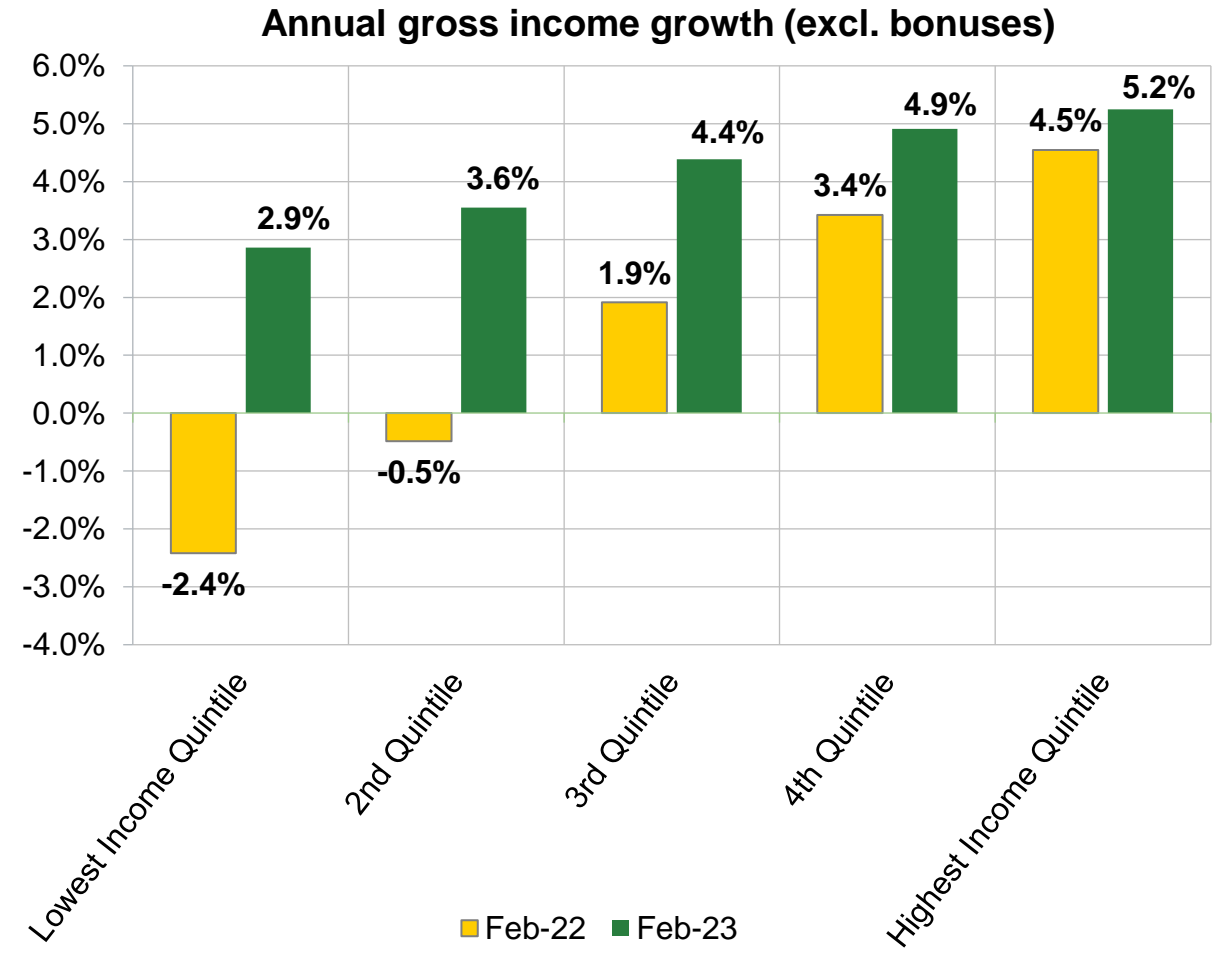
Inflation of selected goods, annual rate (LHS) and contribution to headline inflation (RHS)



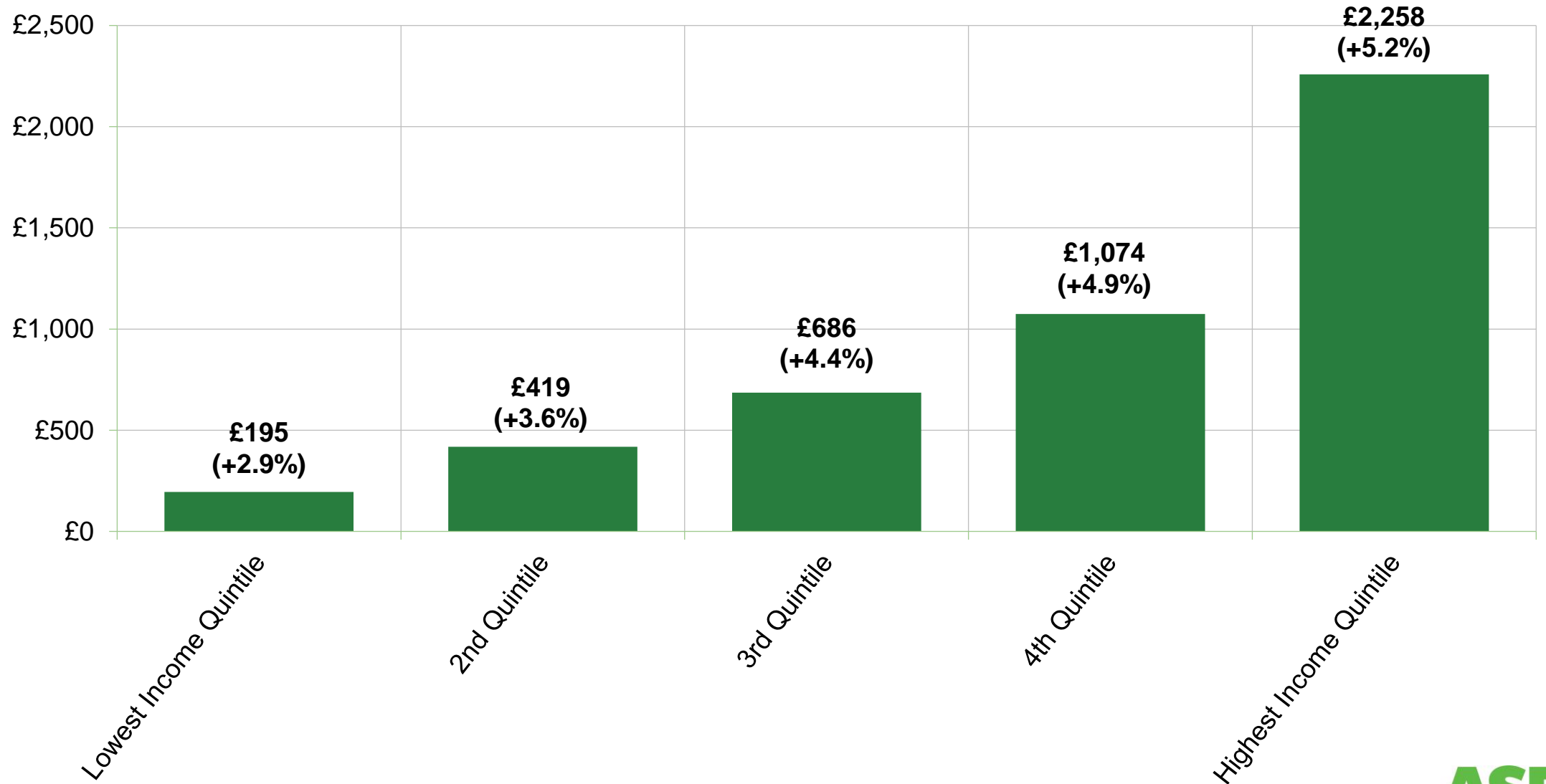
All income quintiles see annual growth in gross income amidst high nominal wage growth

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 February 2022 and February 2023. 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 February, with this trend having prevailed since October 2022. In the months prior to October, annual gross income growth had been confined to the top 80% of households. Additionally, in the months prior to July 2022, such growth was further restricted to the top 60% 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, February 2023, annual growth rates in brackets

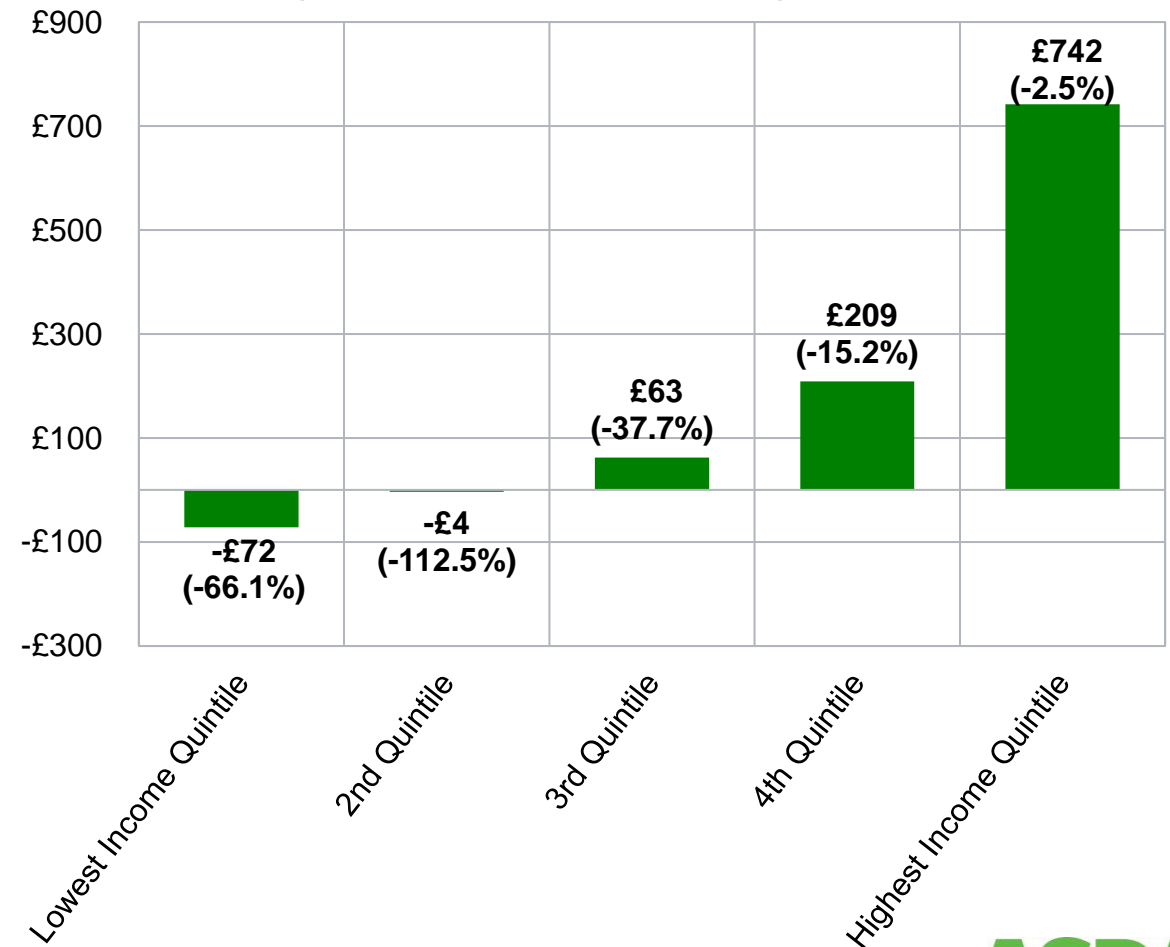


Second quintile households return to negative discretionary income territory

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, due to elevated inflation.
- The fall in spending power has been most stark for those in the second quintile. Relative to February 2022, these households have seen their discretionary income fall by 112.5%, falling from £30 per week to -£4 per week. This figure has been subject to volatility in recent months, with the headline figure for discretionary income for second quintile households alternating between positive and negative over the last five months.
- Meanwhile, households in the first income quintile also witnessed a considerable decline. Spending power for this demographic was -£72 per week in February, a fall of 66.1% year-on-year.
- Looking ahead, these households will be supported by various policy measures in 2023, including the extension of the £2,500 Energy Price Guarantee until June. Nonetheless, with other support measures, including the Energy Bills Support Scheme ending after March, discretionary income, especially for the lowest-earning households, is set to fall further in the coming months.

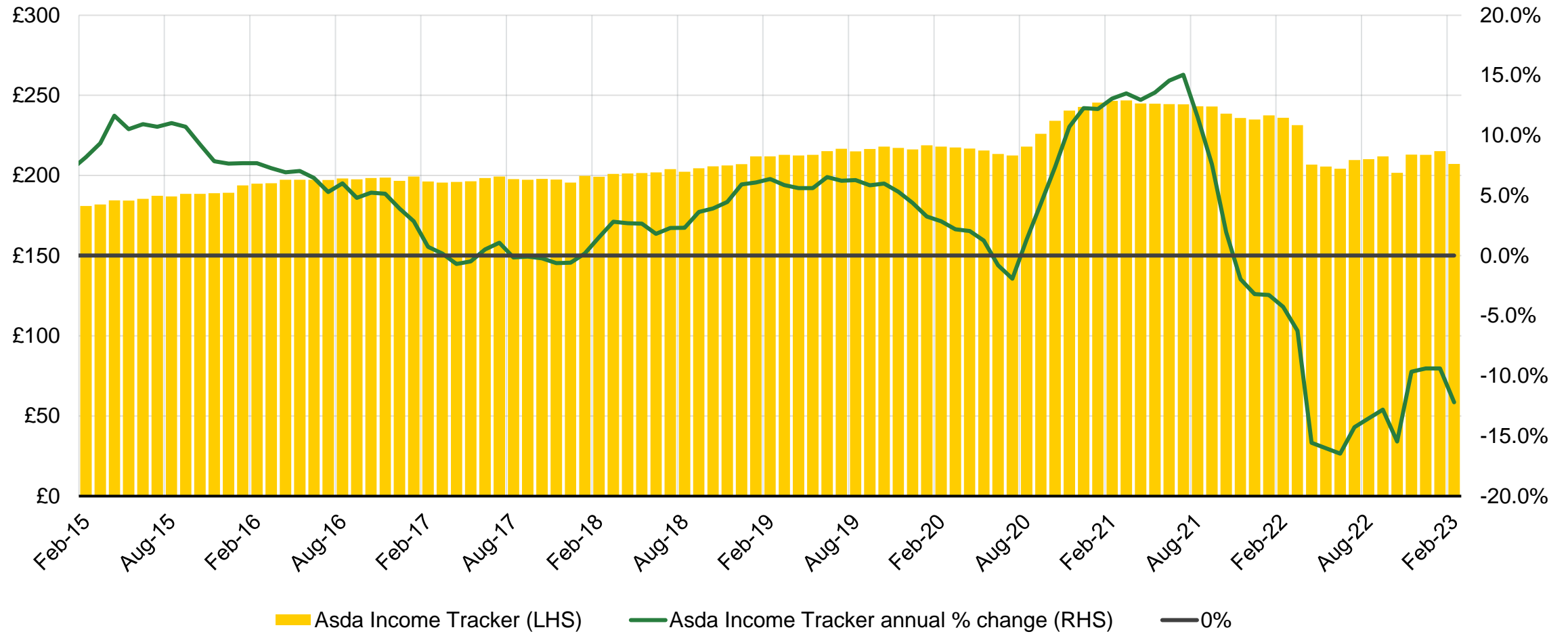
Average weekly discretionary income by household income group, February 2023, YoY growth in brackets



Appendix

Monthly Asda Income Tracker

Asda Income Tracker and year-on-year change (excluding bonuses)



Monthly Asda Income Tracker

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 2019	£212	January 2020	£219	January 2021	£246	January 2022	£237	January 2023	£215
February 2019	£212	February 2020	£218	February 2021	£247	February 2022	£236	February 2023	£207
March 2019	£213	March 2020	£217	March 2021	£247	March 2022	£231		
April 2019	£212	April 2020	£217	April 2021	£245	April 2022	£207		
May 2019	£213	May 2020	£216	May 2021	£245	May 2022	£206		
June 2019	£215	June 2020	£213	June 2021	£244	June 2022	£204		
July 2019	£217	July 2020	£212	July 2021	£244	July 2022	£210		
August 2019	£215	August 2020	£218	August 2021	£243	August 2022	£210		
September 2019	£217	September 2020	£226	September 2021	£243	September 2022	£212		
October 2019	£218	October 2020	£234	October 2021	£239	October 2022	£202		
November 2019	£217	November 2020	£241	November 2021	£236	November 2022	£213		
December 2019	£216	December 2020	£243	December 2021	£235	December 2022	£213		
2019 Average	£215	2020 Average	£223	2021 Average	£243	2022 Average	£215	2023 Average	£211

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.

The following 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 recreational goods and services.



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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.

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London, March 2023

