

Asda Income Tracker

Report: April 2022

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Making Business Sense

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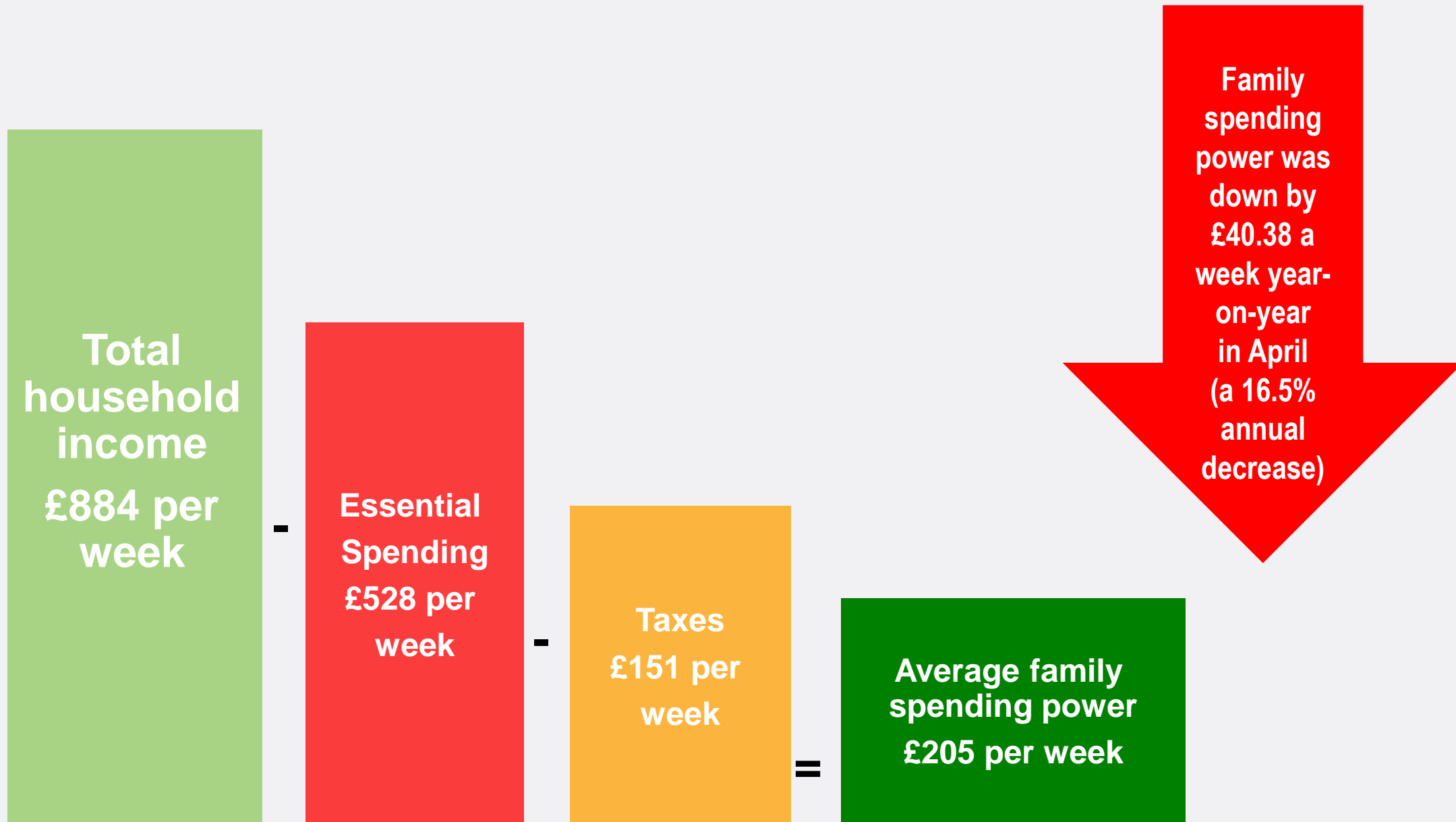
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Asda Income Tracker – Key Figures

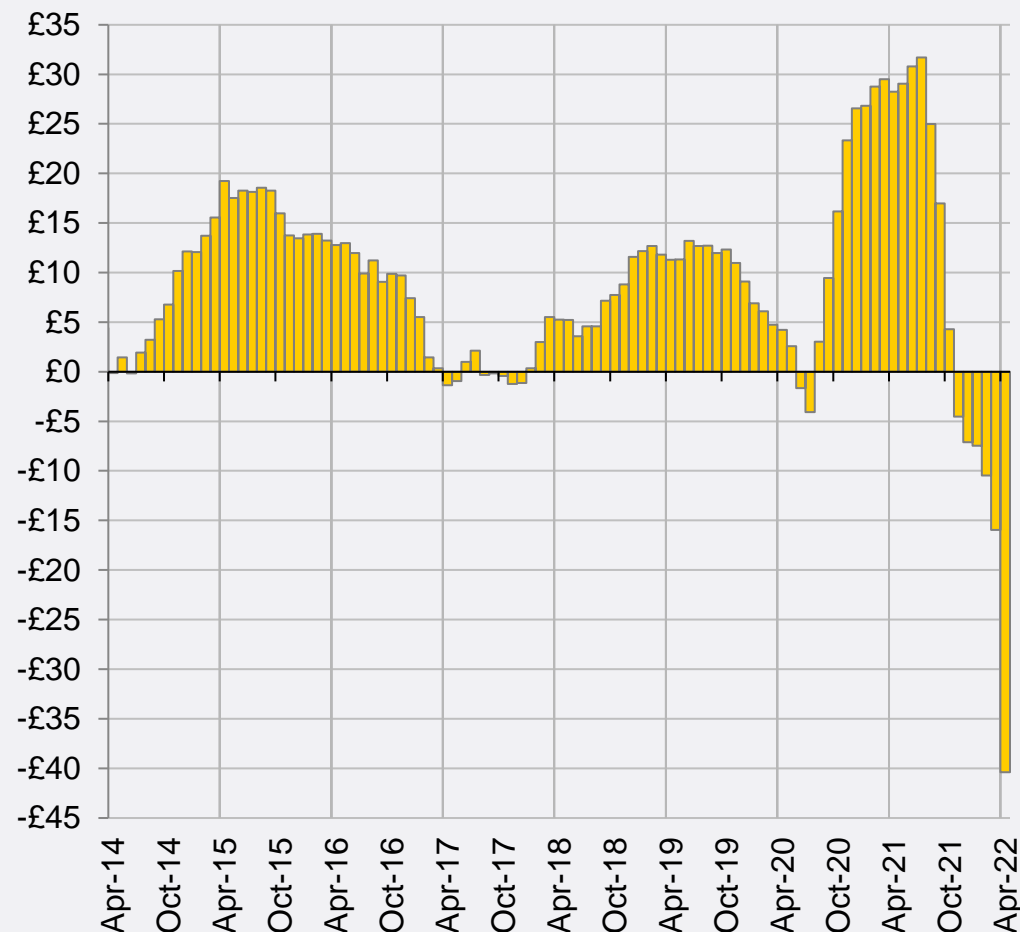


Households' discretionary income falling at record pace

The Asda Income Tracker was £40.38 a week lower in April 2022 than a year before.

- The Asda Income Tracker saw an annual contraction of 16.5% in April. This marks the largest percentage fall in the Income Tracker's history, far surpassing the previous record drop of 7.5%, recorded in September 2011.
- In monetary terms, weekly discretionary incomes were down by £40.38 per week in April 2022, relative to April 2021. This amounts to a new record fall, far outweighing the previous record of £15.95, set in March 2022.
- These stark near-term falls in the Income Tracker highlight the mounting cost pressures faced by UK households, with the cost-of-living crisis bringing unprecedented impacts on living standards.
- April's stark decline was driven largely by two factors. Firstly, the 54% uplift to the Ofgem price cap occurred during the month, putting significant upward pressure on energy bills. Second, the start of the new tax year saw policy changes such as the increased rate of National Insurance Contributions come into place. This has increased households' tax burdens.
- Further changes to NICs will take place from July.

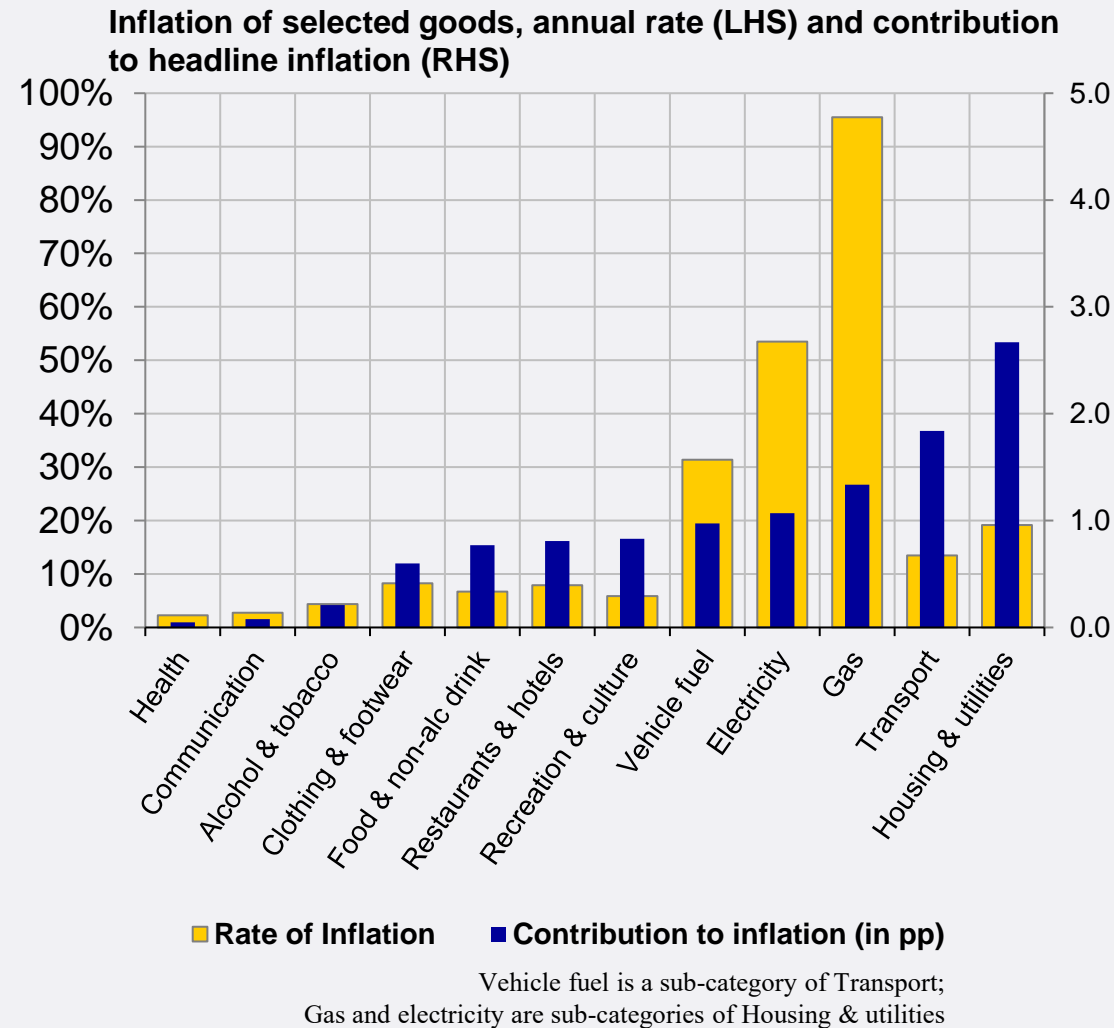
Year-on-year change in Asda Income Tracker, £



CPI inflation reaches high of more than 40 years, Cost of living driven by energy prices

The main factors affecting family costs in March were:

- Annual inflation, as measured by the Consumer Price Index (CPI), accelerated to 9.0% in April. This marked the fastest rate of CPI inflation in more than 40 years.
- Housing & utilities was the most significant contributor to inflation in April. Prices picked up by 19.2% year-on-year. Such inflation reflected the increase to the Ofgem price cap that took place during the month, increasing households' energy bills.
- Looking at individual sources of energy further highlights the impact of the Ofgem price cap. Gas price inflation amounted to 95.5% in April, suggesting that prices nearly doubled year-on-year. Meanwhile, electricity prices were up by 53.5% on the year.
- In addition to these energy price impacts, inflation is becoming increasingly broad natured. Inflation for food and non-alcoholic beverages amounted to 6.7% in April, while the figure for clothing and footwear was 8.3%. Both of these figures are well above historic averages.
- Cebr expects a further acceleration of inflation in May, before a slight slowdown in the summer months.

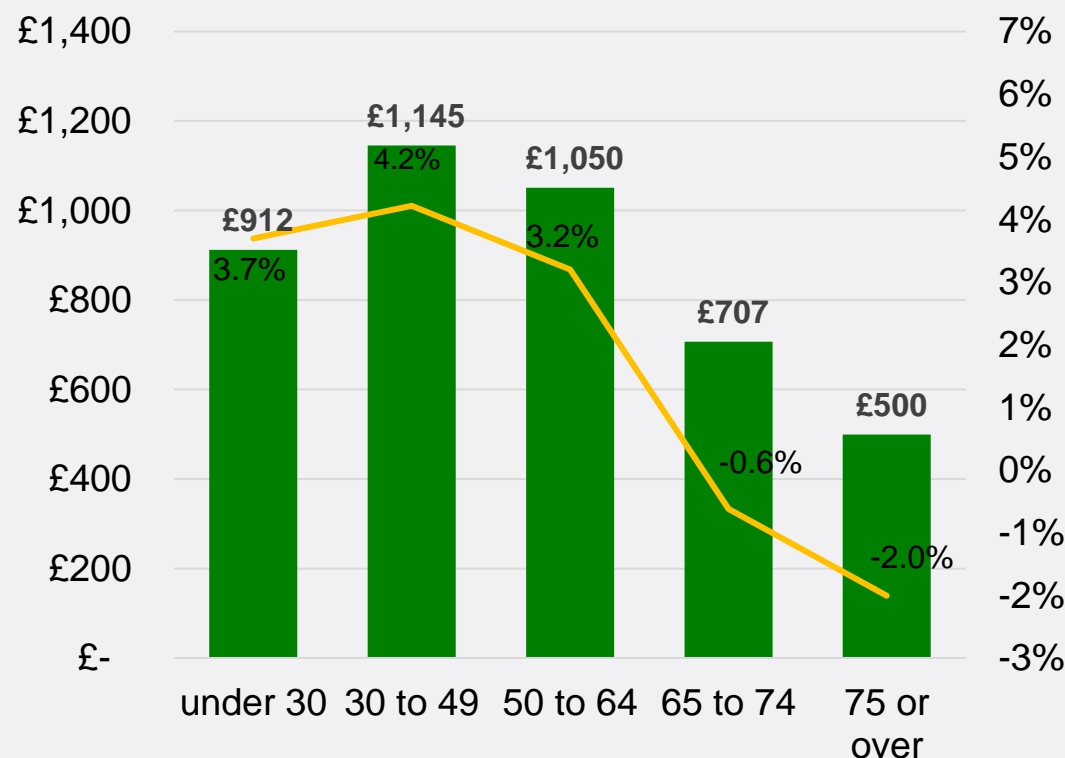


Pension age households witnessing falling gross incomes

Meanwhile, growth has stalled across the board

- Annual growth in gross income was witnessed across the three youngest age categories in April. The fastest growth was seen for those aged 30 to 49, for whom incomes picked up by 4.2% year-on-year. Meanwhile, growth of 3.7% and 3.2% was seen for the under 30s and those aged 50 to 64, respectively.
- Aggregate level wage growth showed strong gains in March 2022, the most recent official reading, with total pay picking up by 9.9% year-on-year. Nevertheless, regular pay growth is much further behind, amounting to just 4.1% in March. This aligns well with Cebr's estimates for income growth for working age households, when bonuses are excluded.
- Pension age households saw their gross incomes fall year-on-year in April. This was most stark for those aged 75 or over, with an annual decline of 2.0%. Such households are not able to benefit from wage growth to the same extent, due to their lower labour market exposure, while they have also not been protected by the triple lock pension this year.
- All groups saw a worse rate of income growth in April than in January, the last edition of this report.

Average weekly gross income by age group, April 2022 (LHS), YoY growth in % (RHS)



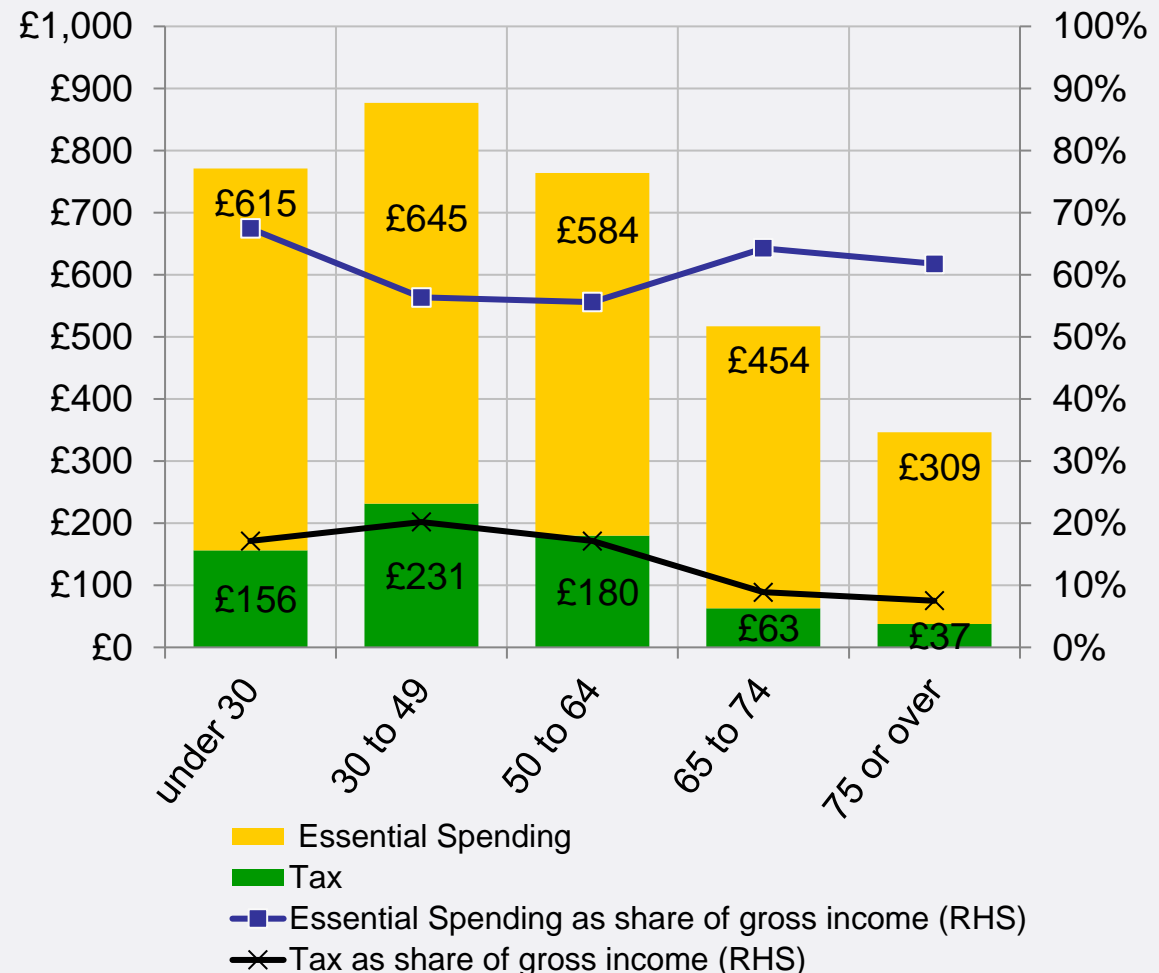
*Age groups determined via age of household representative person / main income earner in household.

Essential spending costs rising faster than inflation for all age groups

Inflation concentrated amongst essential spending categories

- The accelerated rate of inflation, and subsequent impact on the cost of essential spending, has been the main source of downward pressure on the Income Tracker in recent months.
- This inflation has been concentrated amongst essential spending categories. This has been shown by the stark rates of price growth for energy and fuel.
- As such, the price of the basket of essentials modelled for the Income Tracker has increased at a faster rate than the general price level. In April, this was the case for all age categories.
- Essentials have increased at the fastest rate for the under 30s, amounting to 11.2% annual price growth.
- Inflation has hit multi-decade highs in recent months and is expected to accelerate further. These households spend a relatively larger share of their income on housing, fuel and power, some of the categories exhibiting the highest rates of inflation at present.

Average weekly tax burden and essential spending as a share of gross income by age group, April 2022

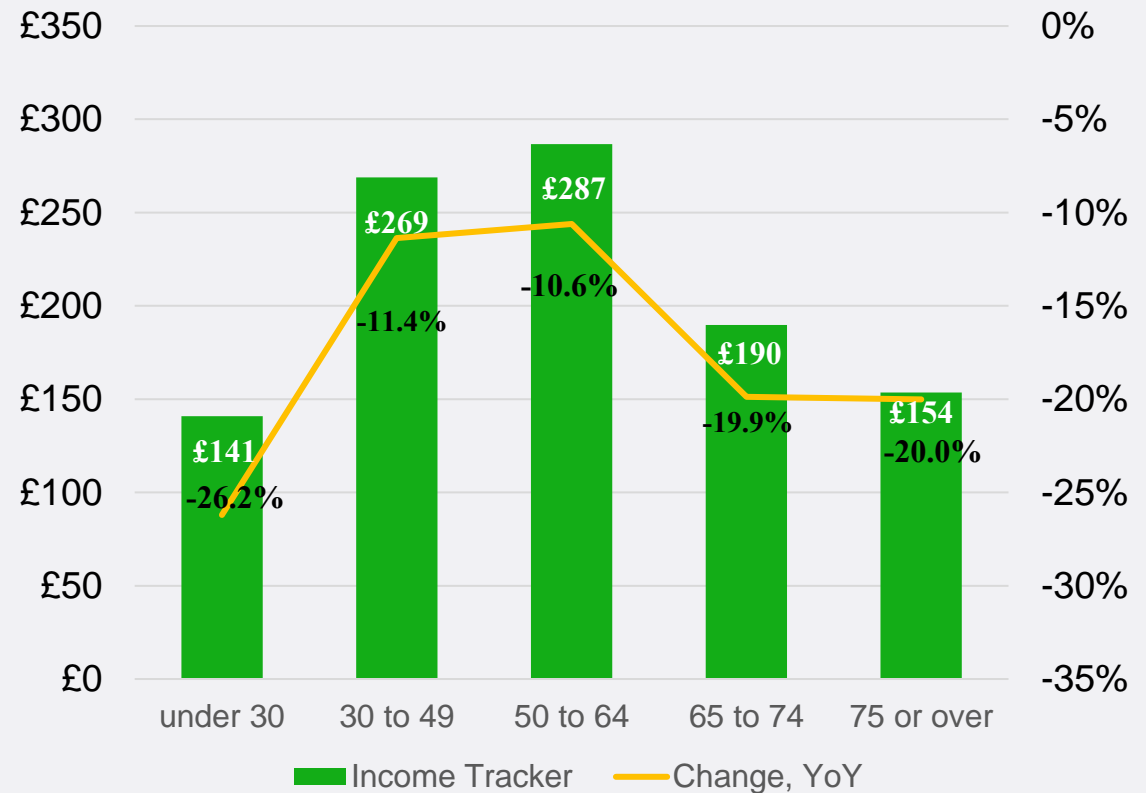


Discretionary incomes weakening for all age groups

Rising cost of living and tax policy changes are impacting households' living standards

- Discretionary incomes for the average UK household fell by 16.5% year-on-year in April.
- Contractions were seen across all age groups. This was most stark amongst those aged 30 and under, amounting to a year-on-year fall of 26.2%. As mentioned on the previous slide, these households are being particularly impacted by inflation due to the structure of their spending.
- The next largest fall was seen for those aged 75 and over, amounting to a 20.0% drop, while those aged 65 to 74 saw a similarly sized fall of 19.9%. These households have seen weaker income growth, due to lower levels of labour market exposure.
- Discretionary incomes have also fallen across the board due to higher tax burdens. The NIC rate increased from 12.0% to 13.25% in April, reducing the value of take-home pay for those in employment.

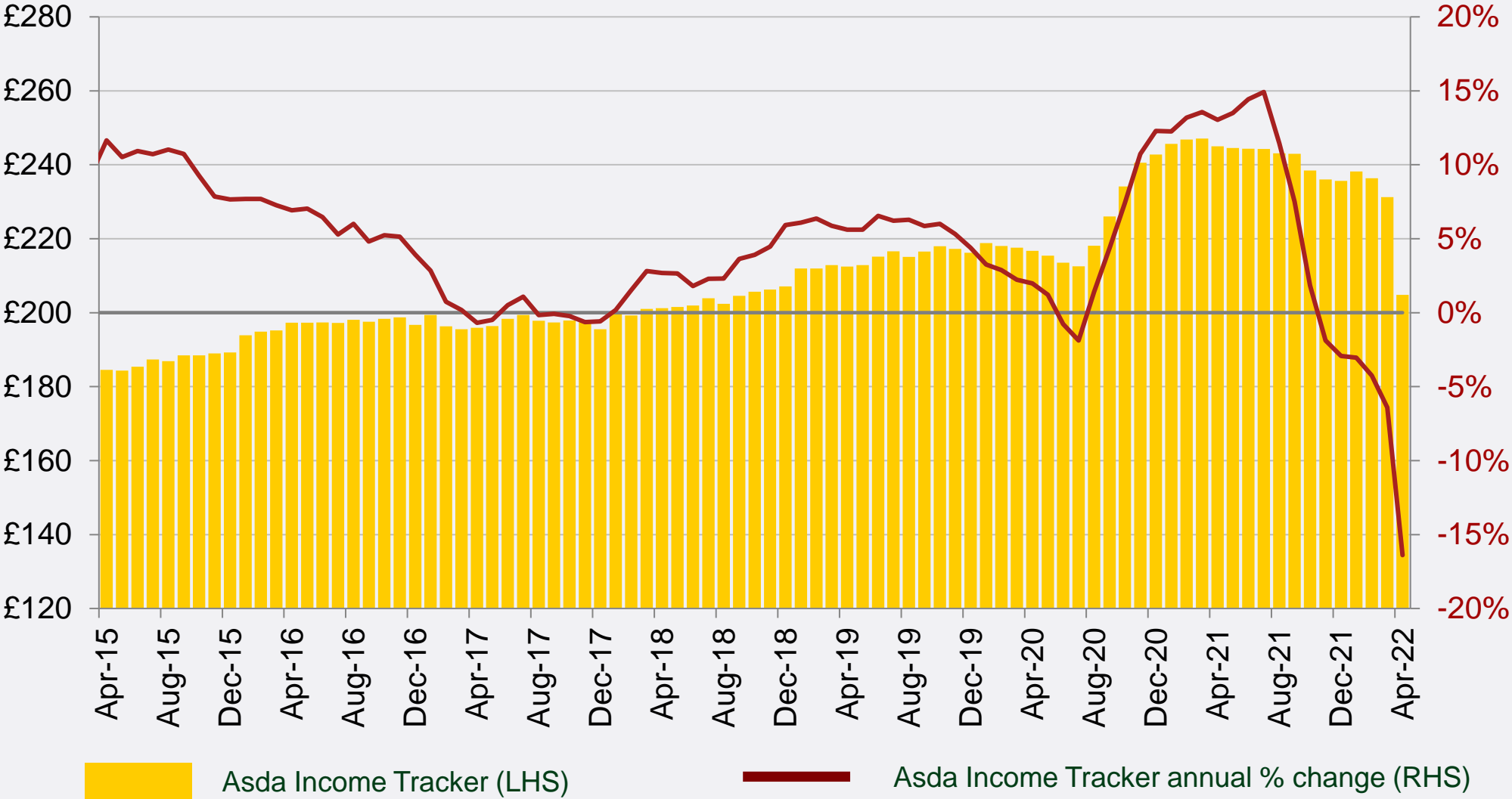
Average weekly discretionary income by age group, April 2022 (LHS), YoY growth in % (RHS)



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	£205
May 2018	£201	May 2019	£213	May 2020	£216	May 2021	£245		
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.

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, May 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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