

ASDA

Asda Income Tracker

Report: April 2023



Making Business Sense

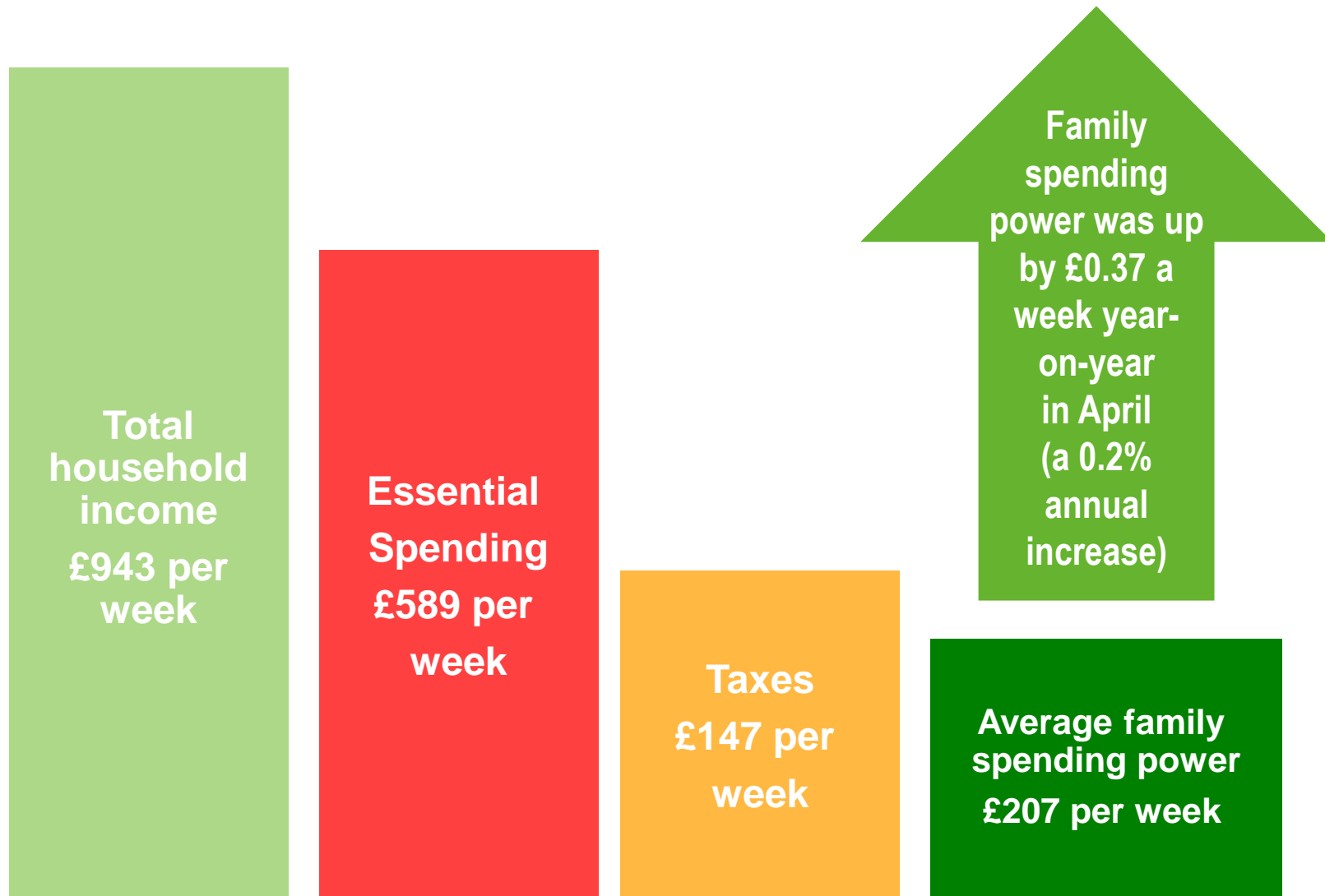
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Asda Income Tracker - Key Figures

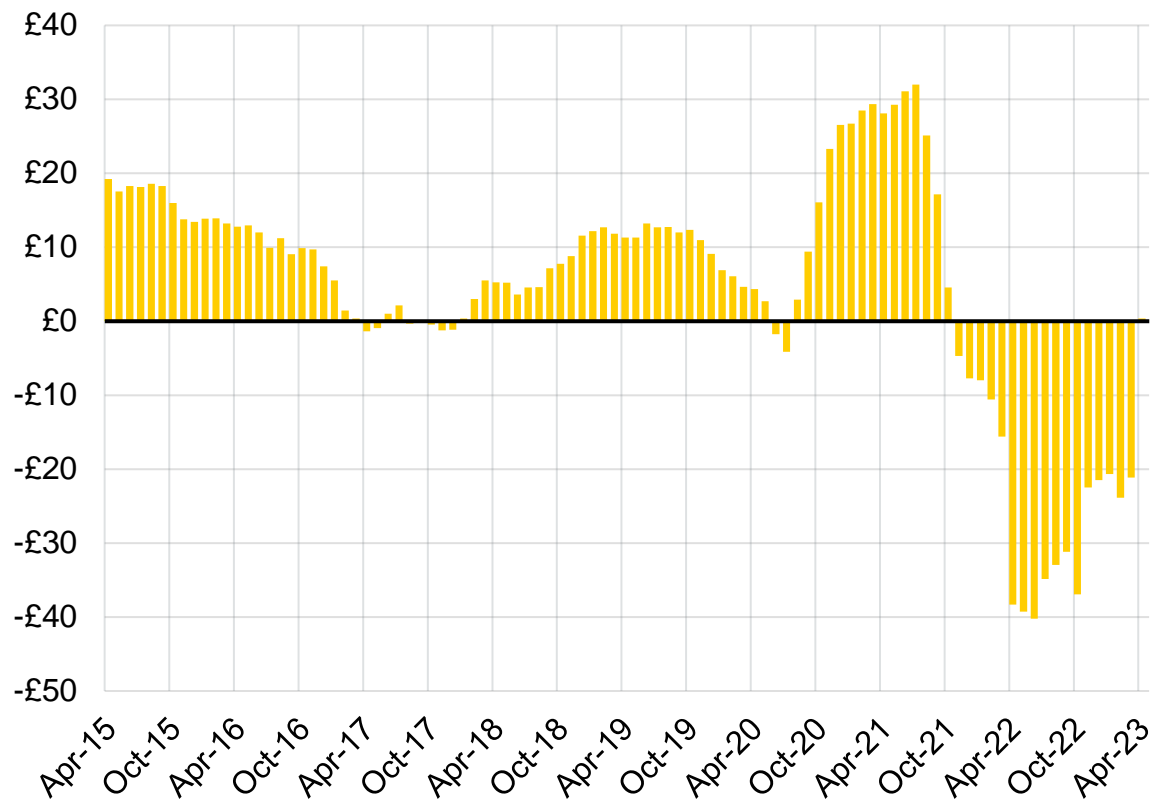


Income Tracker returns to annual growth for first time since October 2021

The Asda Income Tracker was £0.37 a week higher in April 2023 than a year before

- The Asda Income Tracker saw annual growth of 0.2% in April. This marked the first period of annual growth since October 2021, putting an end to seventeen consecutive months of annual contractions.
- The annual growth was supported by base effects, given that energy-driven inflation began to take hold around this time a year ago.
- The return to growth should not be taken as evidence of the end of the cost-of-living crisis. On a month-on-month basis, household spending power fell in April, reaching £207 per week, down from £210 per week in March.
- This was driven by continually elevated inflation, which remains concentrated in essential spending categories such as food and energy.
- Recently implemented policy changes, such as the uprating of social security benefits and increases to the National Living Wage, boosted gross household incomes but were insufficient to prevent a monthly decline in the Income Tracker in April.

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

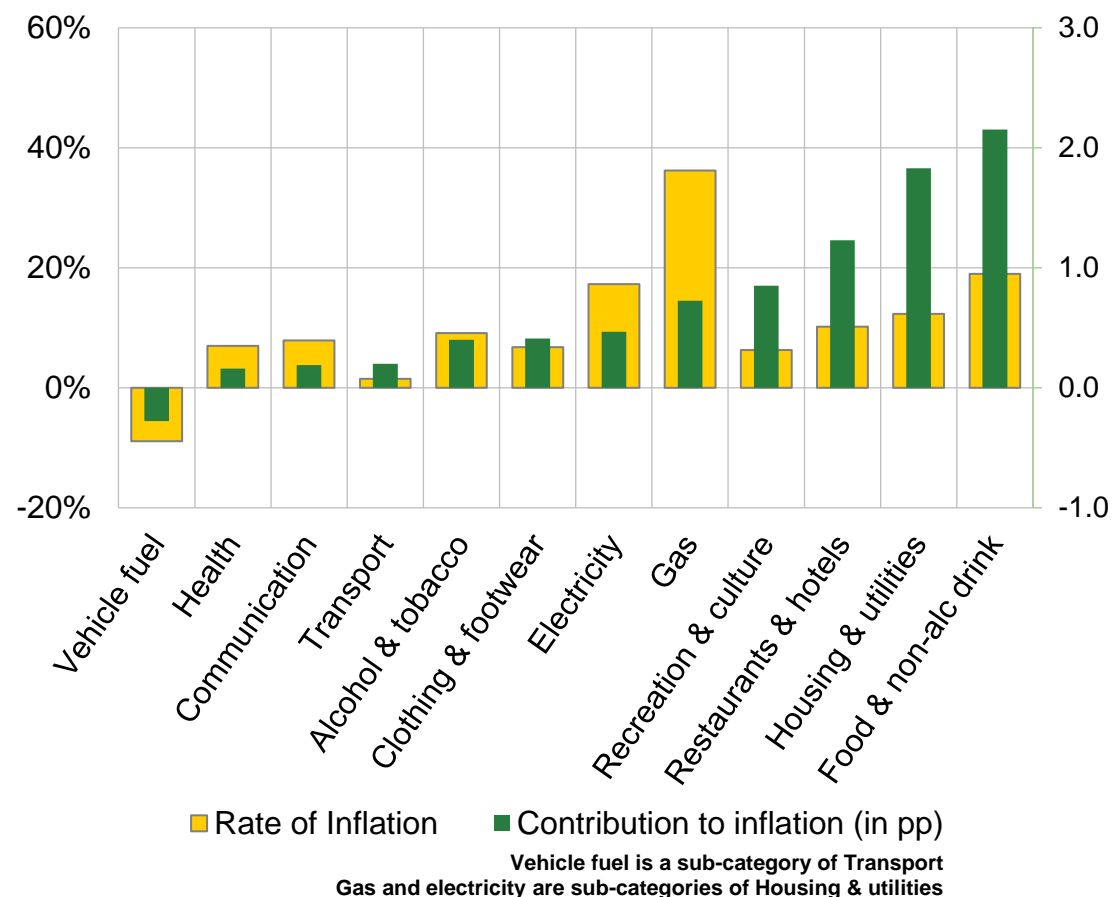


Inflation falls below 10% for the first time since August 2022

The main factors affecting family costs in April were:

- Annual inflation, as measured by the Consumer Prices Index (CPI), slowed to 8.7% in April.
- Being down by 1.4 percentage points relative to March's value, this marked the largest monthly fall in the inflation rate since April 1992. It was also the first time that inflation has fallen below 10% since August 2022.
- Despite the significant slowdown, inflation remains firmly elevated above historic levels, being more than four times the target rate.
- The housing and utilities category was the main contributor to the slowdown in April. Annual price growth for the category was 12.3% in April, down from 26.1% in March. Within this category, particularly stark slowdowns in price growth were witnessed for electricity and gas, reflecting a base effect from April 2022 and recent falls in wholesale energy prices.
- The core inflation rate accelerated in April, reaching 6.8%. This is a cause for concern, as it suggests that inflation is becoming even more deeply embedded across the wider economy. It raises the likelihood of a further interest rate hike from the Bank of England next month.
- Cebr expects inflation to decelerate gradually over the course of 2023, though remain around 4.0% by year end.

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

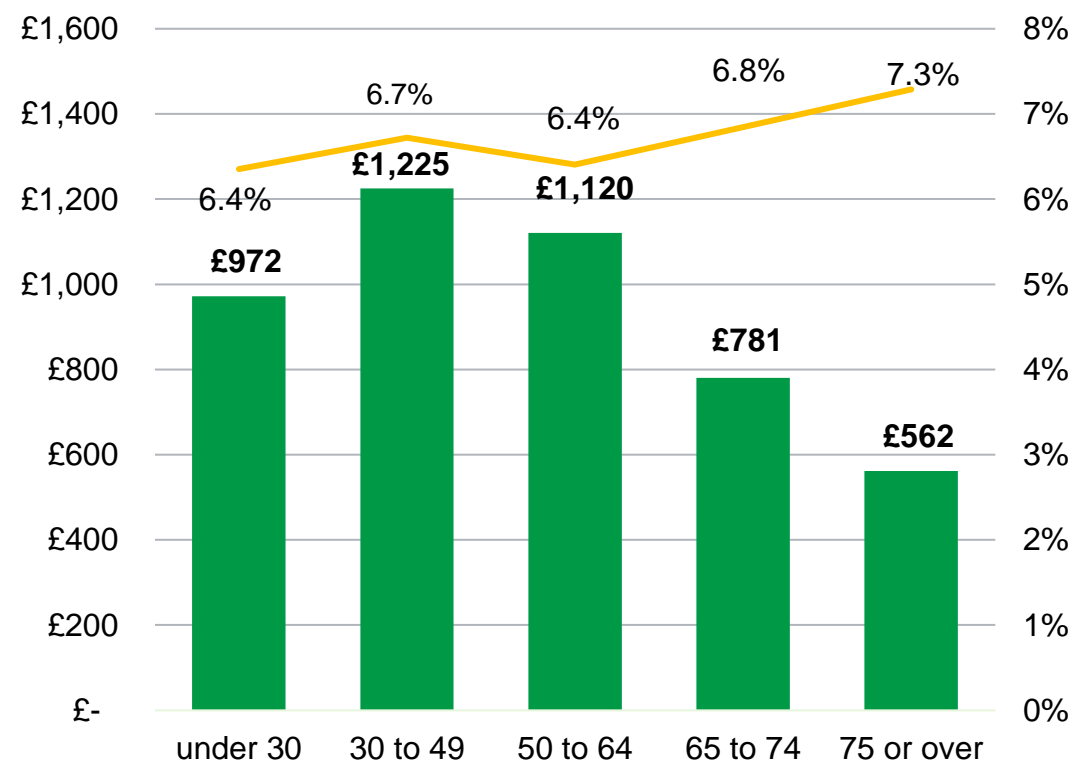


Fastest gross income growth seen for those aged 75 or over in April

Pension age households supported by return of the triple lock

- Annual growth in gross income was witnessed across all age categories in April.
- The fastest growth was seen for those aged 75 or over, for whom average gross incomes picked up by 7.3% on the year. This marked the fastest rate of gross income growth for this group since February 2010.
- These households were closely followed by those aged 65 to 75, where average annual gross income growth of 6.8% was witnessed.
- The strong income growth for these households reflects the recently implemented uplift to the state pension, which increased by 10.1% in April in line with the triple lock policy.
- Working age households all experienced strong gross income growth in April, with each age group witnessing a rate of at least 6.4%. These households are being supported by a continually tight labour market. Policy changes, such as the uplift to the National Living Wage, have also had an impact here.

Average weekly gross income by age group, April 2023
(LHS), YoY growth in % (RHS)

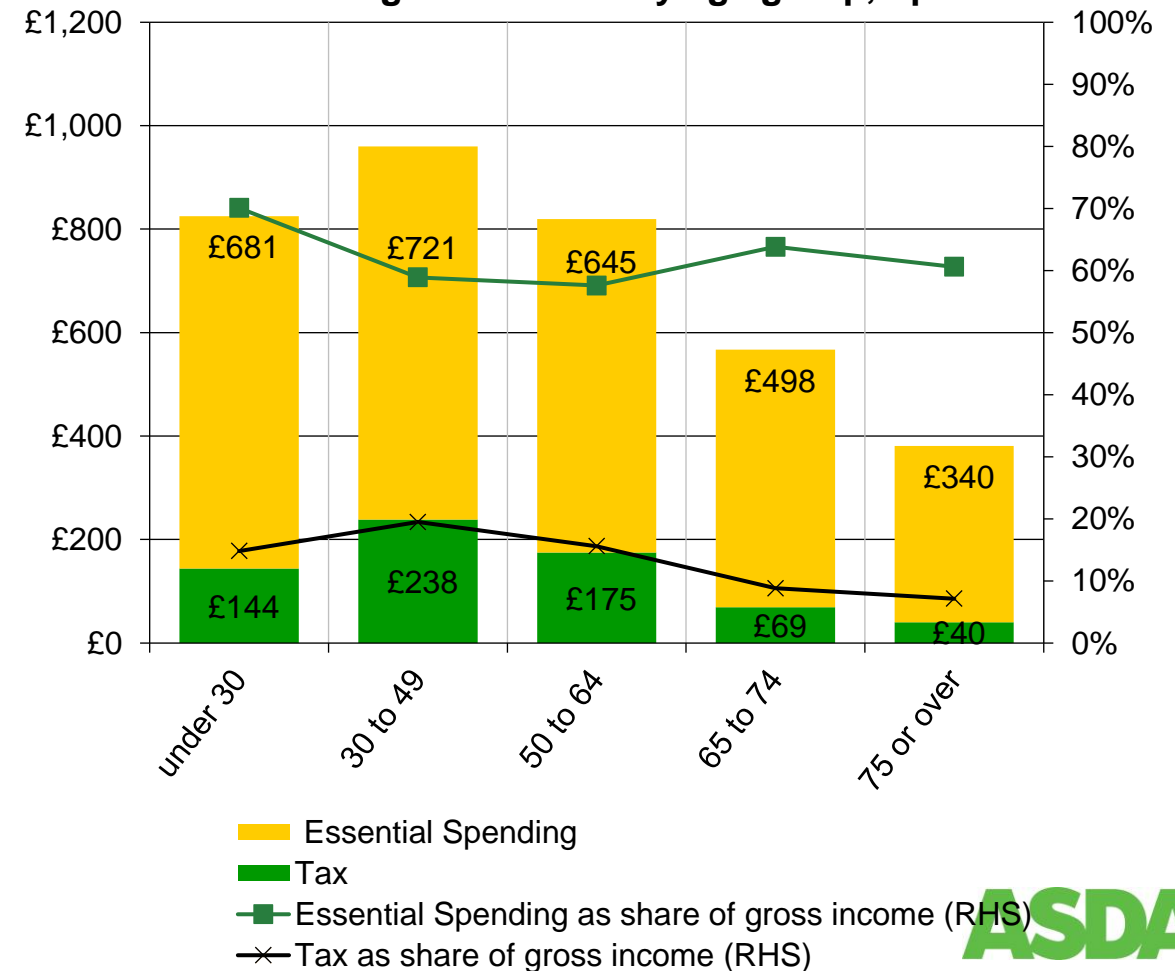


Households aged 30 to 49 witnessing fastest growth in the cost of essentials

Price rises amongst essentials remain above the headline inflation rate

- The basket of essentials modelled by the Income Tracker cost £589 in April. This was up by 11.4% on the year, exceeding the headline rate of inflation. However, the rate of growth has slowed from the 13.3% witnessed in March.
- Growth in the cost of essentials was fastest amongst those aged 30 to 49, being up by 11.8% on the year. The rate was slowest amongst those aged 65 to 74, though this still amounted to an annual increase of 9.6%.
- The divergence in growth in the cost of essentials reflects differing spending structures amongst households. For instance, those aged 30 to 49 spend relatively more on food, a category where inflation remains well above average.
- In absolute terms, those aged 30 to 49 also spend the most. Amongst other factors, this reflects the fact that these households are more likely to contain children. On average, households in this category spent £721 per week on essentials in April, the highest value on record for any age demographic.

Average weekly tax burden and essential spending as a share of gross income by age group, April 2023

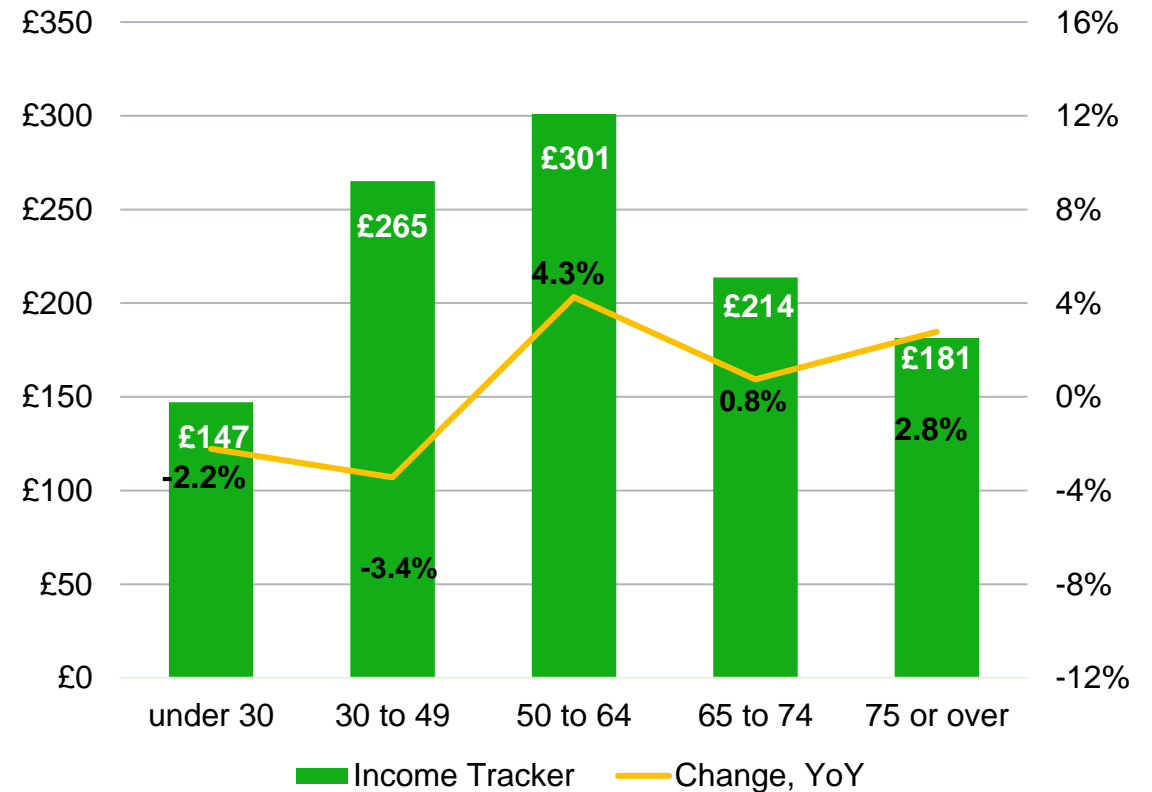


Older age groups returned to discretionary income growth in April

Younger households experiencing continued shortfall, however

- The three oldest age groups returned to annual growth in discretionary income in April. Growth was strongest amongst those aged 50 to 64, at 4.3%. These households are benefitting from high nominal wage growth to a large extent.
- The improvements to gross income for pension age households, supported by the recent uplift to the state pension, facilitated growth in discretionary income in April.
- Households aged 49 or under continue to see falling discretionary income. This was most stark amongst those aged 30 to 49, for whom spending power was down by 3.4% on the year. These households are witnessing the highest rate of growth in the cost of essentials.
- With inflation expected to subside over the course of 2023, younger households are set to join their older counterparts with a return to discretionary income growth later in the year.

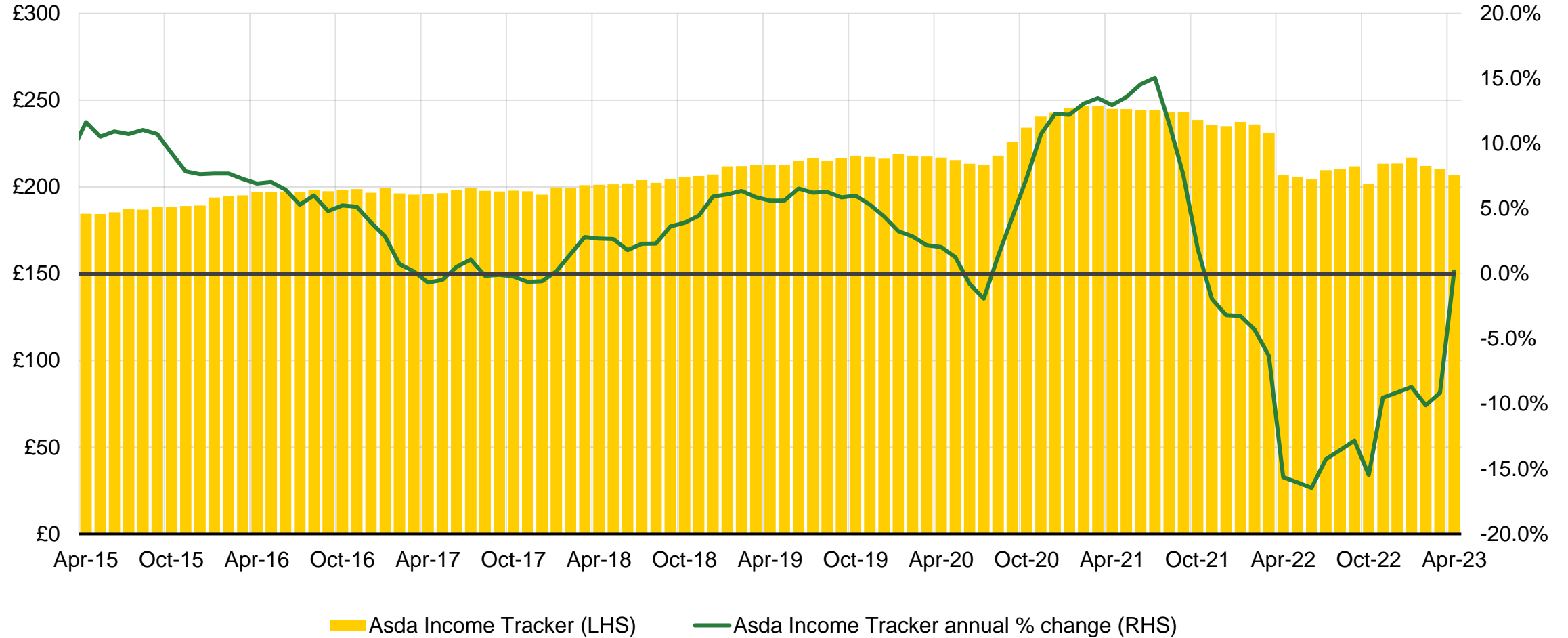
Average weekly discretionary income by age group, April 2023 (LHS), YoY growth in % (RHS)



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	£238	January 2023	£217
February 2019	£212	February 2020	£218	February 2021	£247	February 2022	£236	February 2023	£212
March 2019	£213	March 2020	£217	March 2021	£247	March 2022	£231	March 2023	£210
April 2019	£212	April 2020	£217	April 2021	£245	April 2022	£207	April 2023	£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	£214		
2019 Average	£215	2020 Average	£223	2021 Average	£243	2022 Average	£215	2023 Average	£212

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. The main contributors to this report are Cebr economists Kay Neufeld and Sam Miley.

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London, May 2023

