

Asda Income Tracker

Report: October 2021

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Making Business Sense

Centre for Economics and
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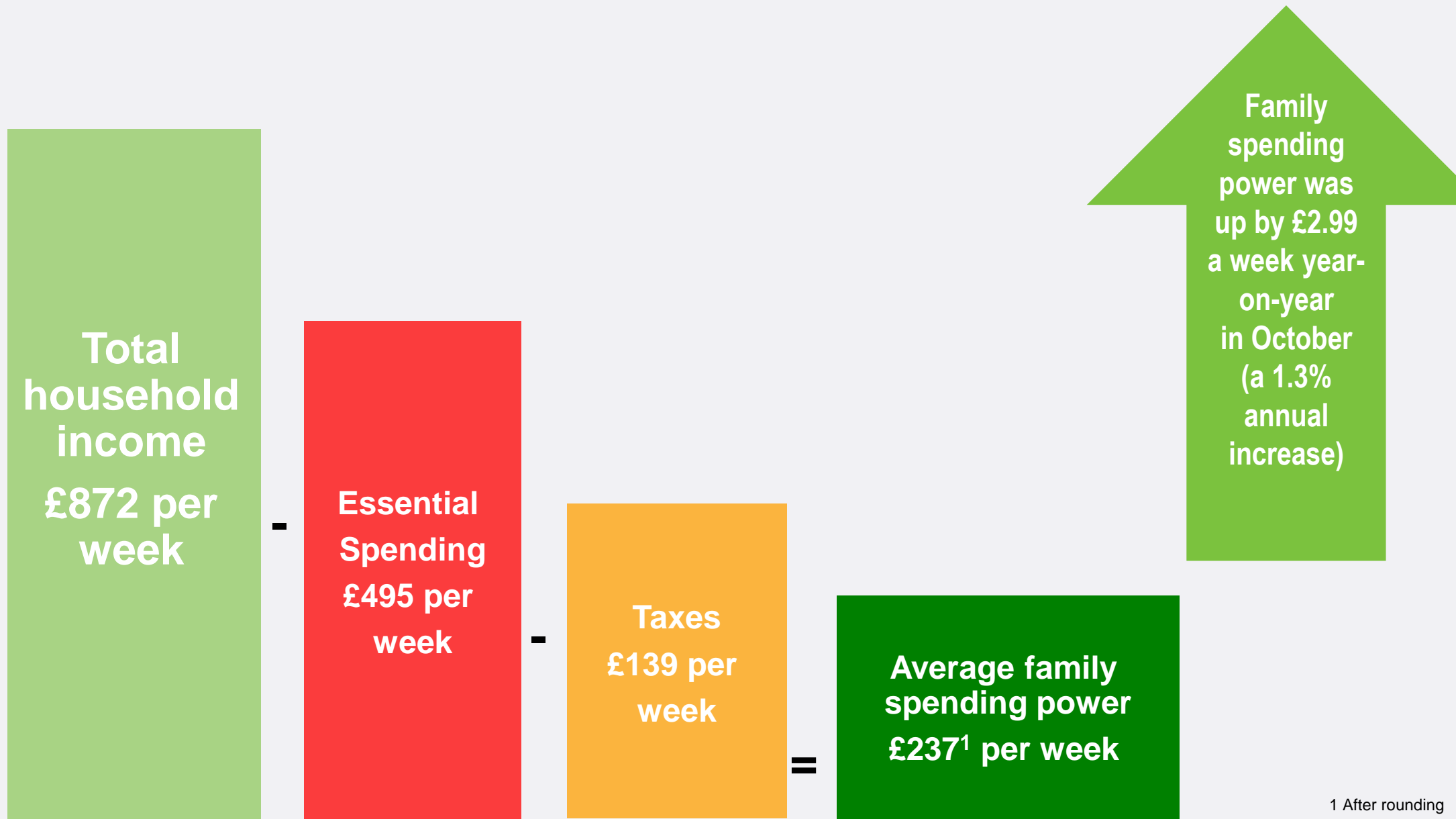
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Asda Income Tracker – Key Figures



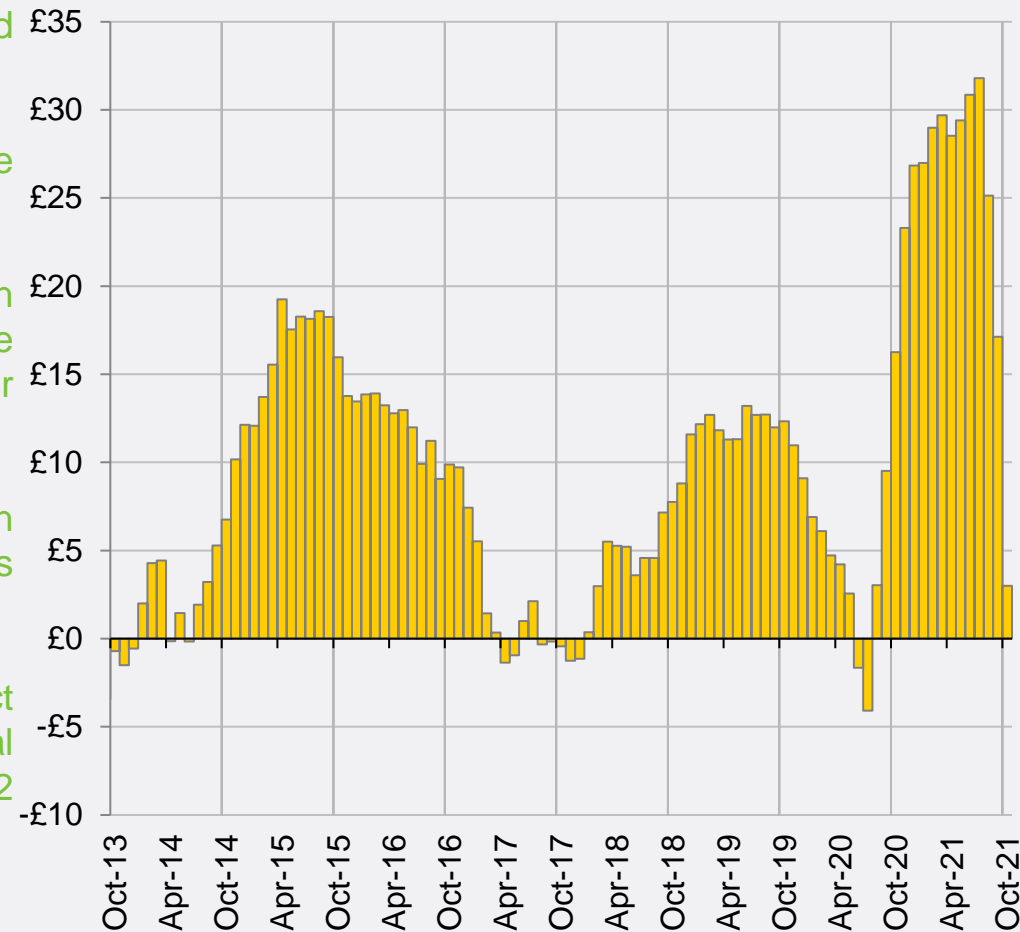
1 After rounding

Income Tracker growth slows to 14-month low Income Tracker Trends

The Asda Income Tracker was £2.99 a week higher in October 2021 than a year before.

- Annual growth in the Asda Income Tracker stood at just 1.3% in October. This marks a stark slowdown, after the Tracker exhibited growth rates in excess of 10.0% as recently as August.
- This marks the slowest rate of growth in the Income Tracker since July 2020.
- The slowdown in the rate of Income Tracker growth has been driven by a lower rate of wage growth as well as mounting inflation. These trends are expected to continue looking ahead, putting further pressure on households' incomes
- The withdrawal of the Universal Credit uplift from October also had an adverse impact on discretionary incomes, particularly for households at the lower end of the income distribution.
- Further upcoming policy changes could adversely impact discretionary incomes. One such example is the hike to national insurance contributions, which will be implemented from April 2022 and will reduce many workers' take-home pay.

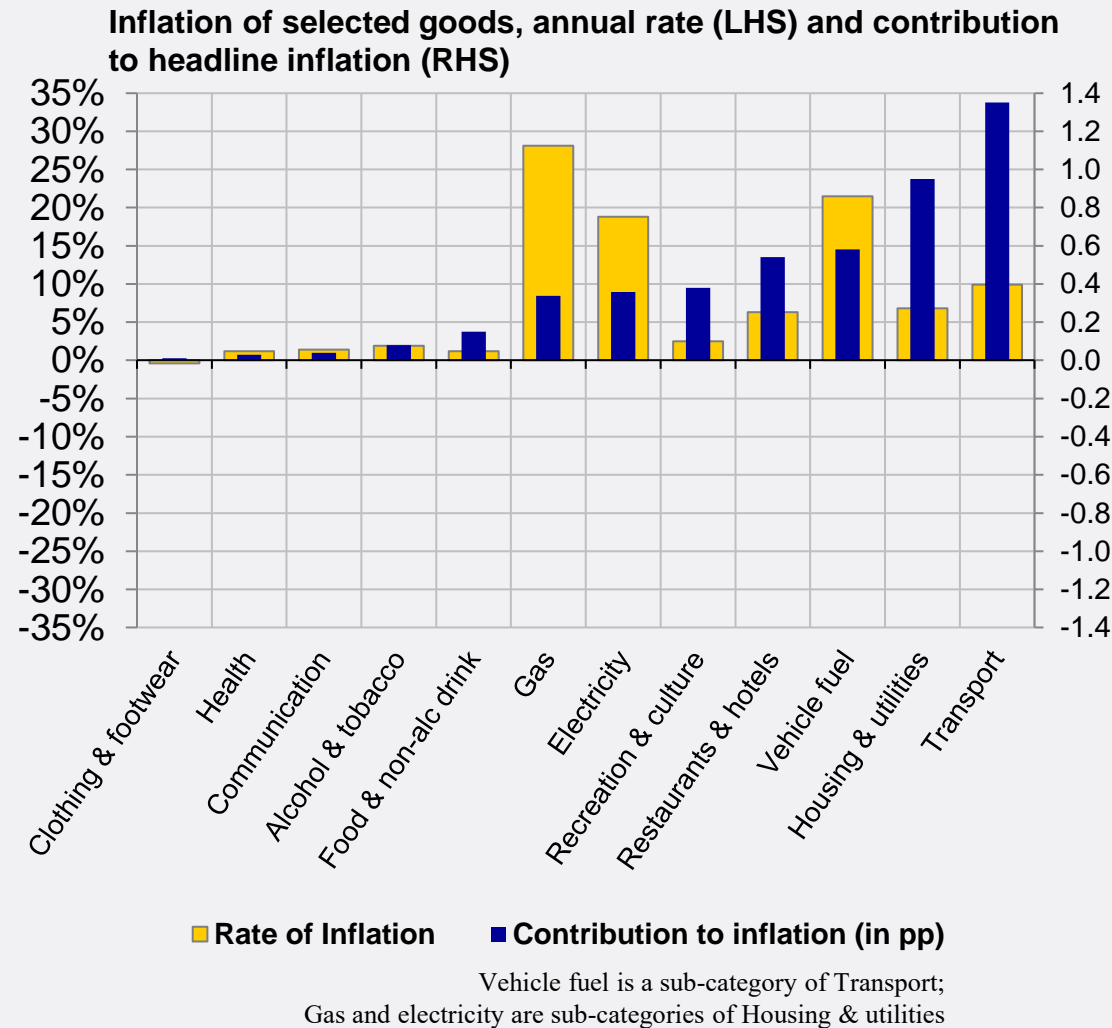
Year-on-year change in Asda Income Tracker, £



CPI inflation reached near ten-year high in October

The main factors affecting family costs in October were:

- Annual inflation, as measured by the Consumer Price Index (CPI), soared to 4.2% in October. This marks an increase of 1.1 percentage points on September's value. Inflation was last higher in 2011.
- October's jump in inflation was driven by transport prices. Within the transport category, a particularly high rate of inflation was seen amongst motor fuels. Petrol and diesel prices were up by 22.5% and 20.5% year-on-year, respectively, in October.
- Utilities are also a major source of price pressure at present, reflecting the increase to the Ofgem price cap. Annual gas price inflation jumped to 28.1% in October, while electricity prices were up by 18.8% year-on-year.
- Cebr expects several interest rate rises in 2022 as a result of mounting inflationary pressures.
- Cebr's forecasts show the annual rate of price growth on the CPI measure peaking at 4.6% in the final months of 2021. The inflation rate is then set to subside slightly into 2022, though will remain above the Bank of England's 2.0% target for the whole year.



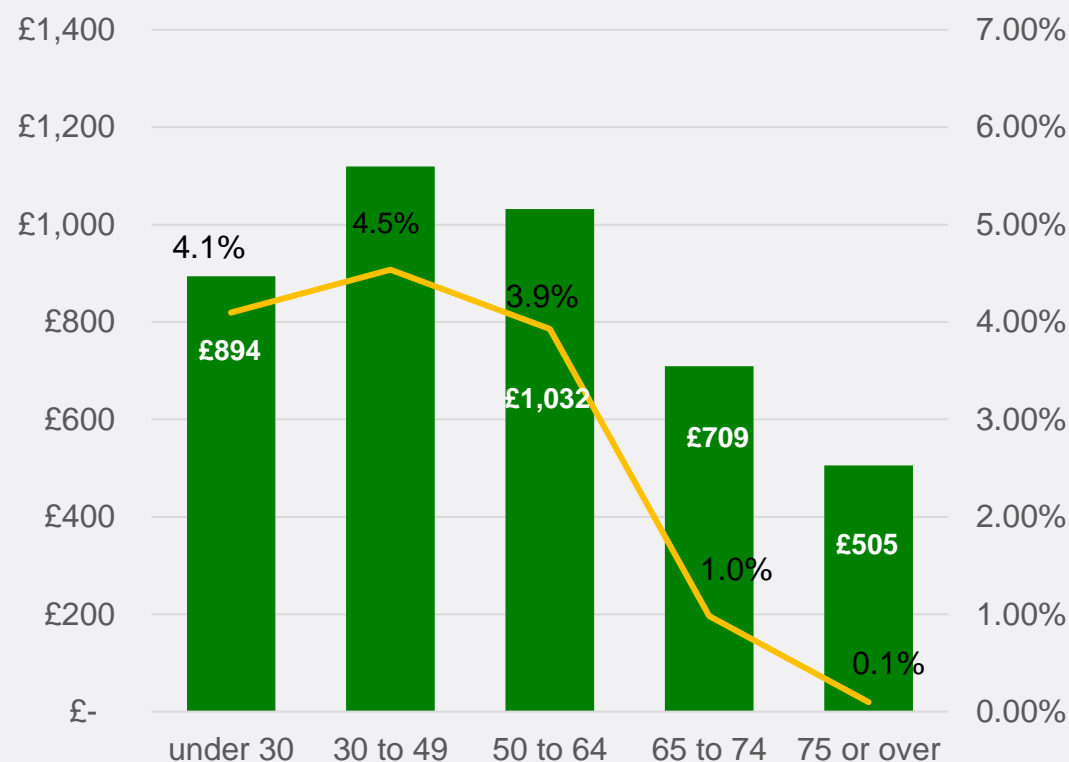
Gross income growth slowed for all age groups in October

Age Groups

Incomes are still picking up across the board, however.

- Annual growth in gross income was witnessed across all age categories in October. The fastest growth rate was seen amongst those aged 30 to 49, as was also the case in the last edition of this report, with gross incomes picking up by 4.5% annually.
- All age groups have witnessed a recent slowdown in the rate of gross income growth, however. This widespread slowdown reflects the overall reduction in wage growth in recent months.
- Gross income growth is slowest amongst older age cohorts, with the 65 to 74 age category witnessing an annual increase of 1.0% in October and the over 75s seeing growth of just 0.1%.
- Gross income growth amongst these age groups could remain below that of younger people going forward, due to the absence of the pension triple lock in the next financial year. The state pension will instead rise by 3.1%, falling short of earnings growth.

Average weekly gross income by age group, October 2021 (LHS), YoY growth in % (RHS)



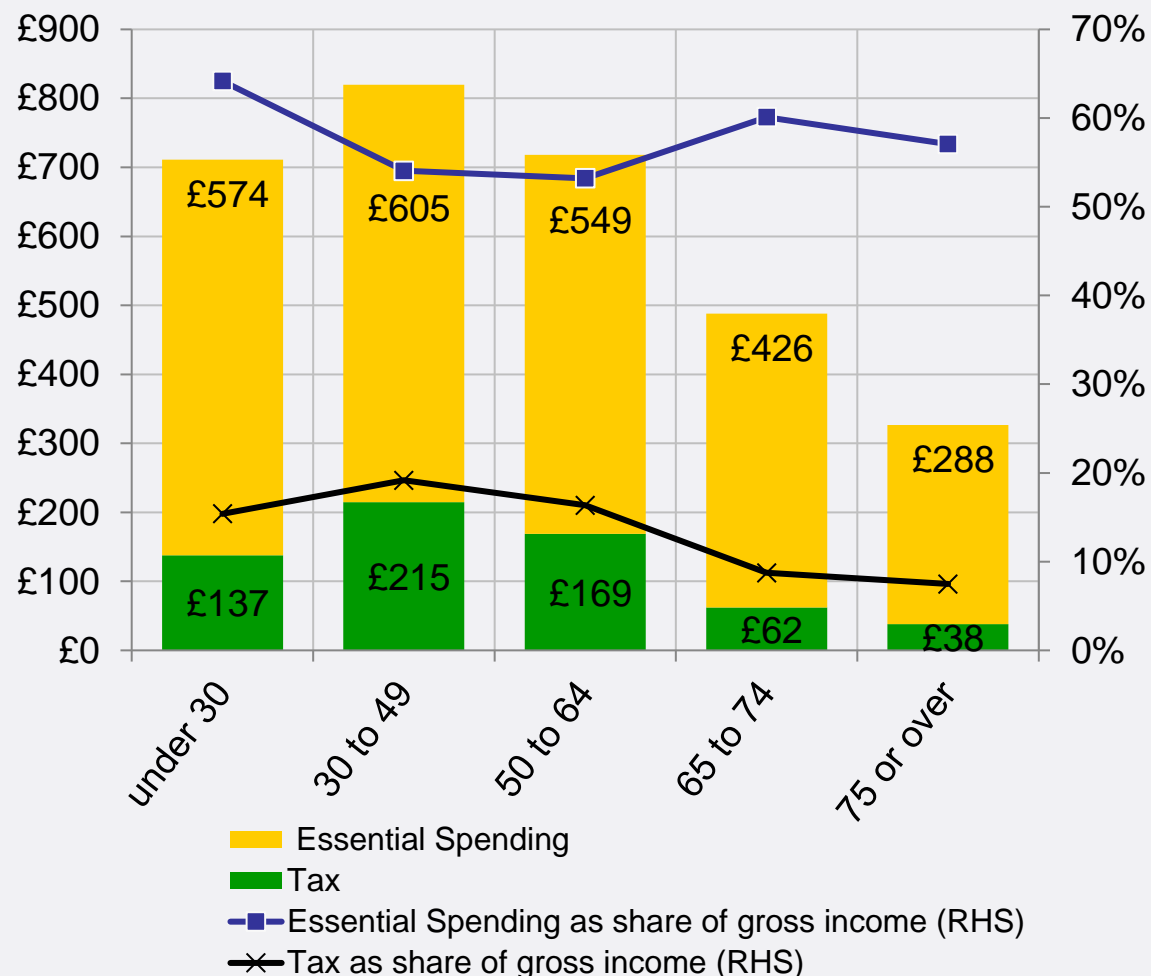
*Age groups determined via age of household representative person / main income earner in household.

Essential spending costs increase at a faster rate than headline inflation once more Age Groups

Divergence in rate of cost increase witnessed amongst age demographics, however.

- A rise in the cost of essential spending has been the main limited growth in the Income Tracker.
- These cost increases mirror the general path of inflation, which has shown an accelerating rate of price growth in recent months.
- However, there is evidence that essential spending is rising at an even faster rate than economy-wide prices. While the CPI measure of inflation exhibited annual growth of 4.2% in October, the basket of goods monitored by the Income Tracker increased by 4.8% year-on-year.
- The cost of essential spending has increased most starkly for the Under 30s, picking up by 5.3% year-on-year in October. This reflects the concentration of the spending, with a large proportion of their budgets being assigned to categories such as housing and transport. These sources of expenditure have seen particularly high inflation rates recently.

Average weekly tax burden and essential spending as a share of gross income by age group, October 2021

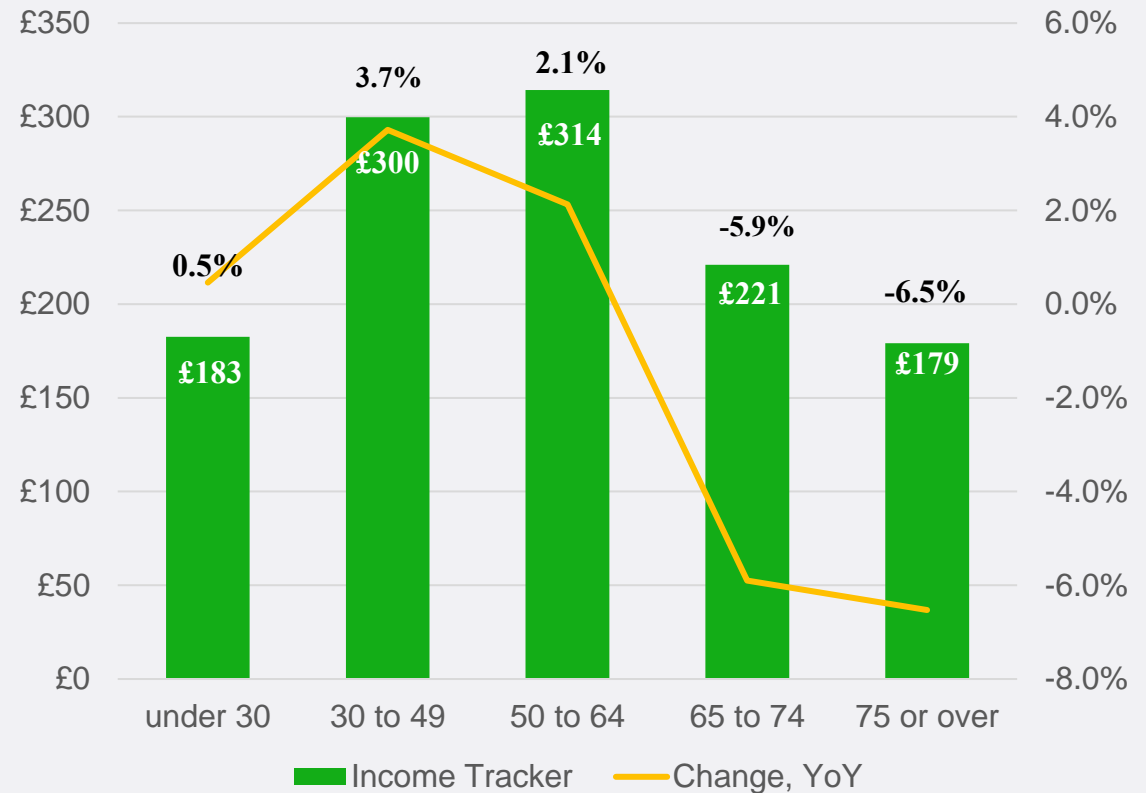


Slowing rate of discretionary income growth seen amongst all age groups

Rising cost of living hitting spending power

- Households aged 65 and over saw an annual decrease in their discretionary income in October.
- This was most stark amongst the over 75s, with discretionary incomes falling by 6.5% year-on-year.
- These age groups have lower rates of labour market participation. As such, they have not benefitted from the environment of high wage growth this year. This strong wage growth is persisting despite a slowdown in recent months.
- Conversely, the exposure of households below 65 to the labour market explains their continued growth in discretionary incomes. This is clearest amongst those aged 30 to 49, with discretionary spending power picking up by 3.7% annually.
- A slowdown in the rate of discretionary income growth has been seen amongst all age groups, however, highlighting the impact of rising cost of living.

Average weekly discretionary income by age group, October 2021 (LHS), YoY growth in % (RHS)



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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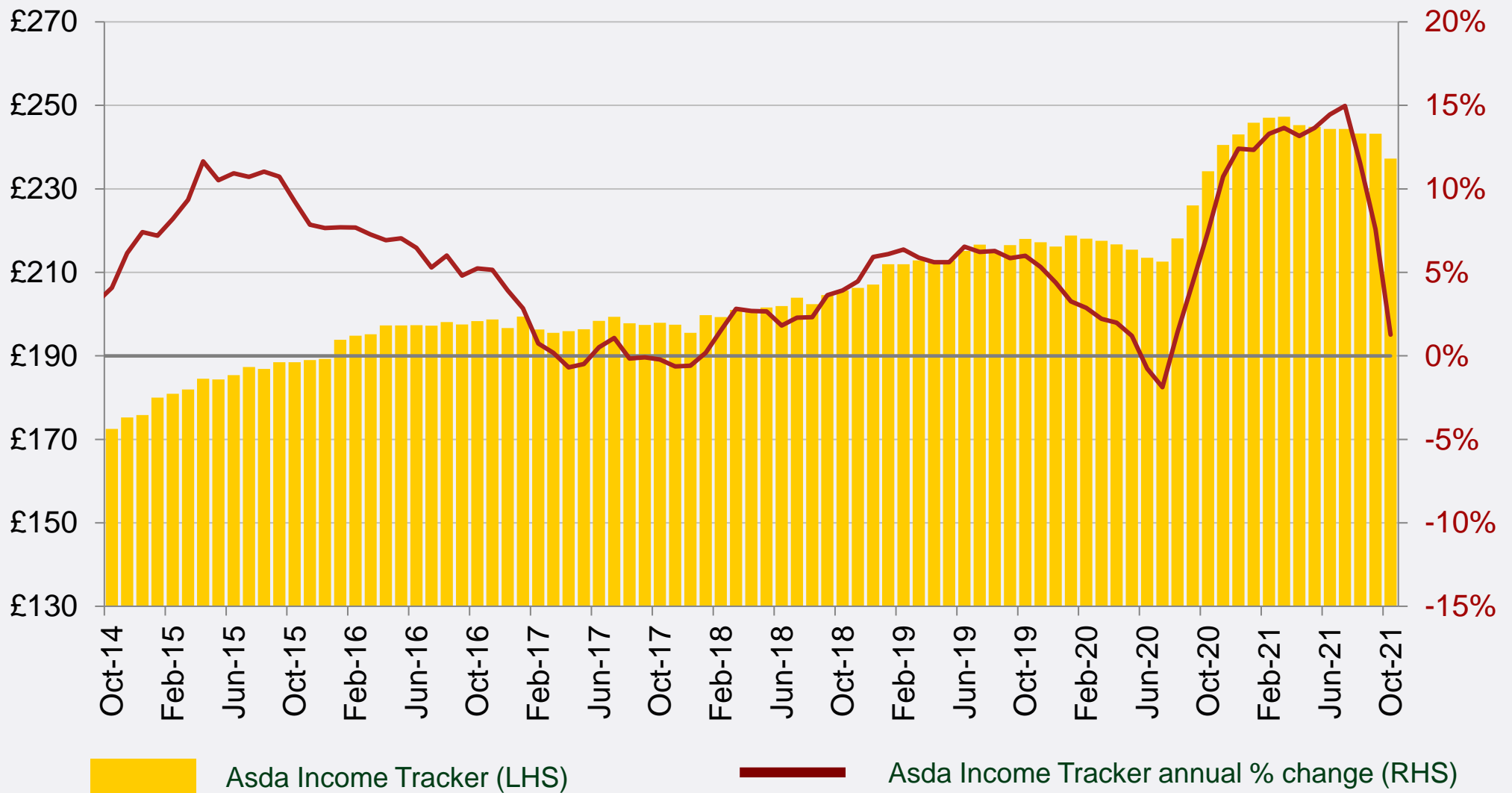
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Appendix

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 2017	£199	January 2018	£200	January 2019	£212	January 2020	£219	January 2021	£246
February 2017	£196	February 2018	£200	February 2019	£212	February 2020	£218	February 2021	£247
March 2017	£196	March 2018	£201	March 2019	£212	March 2020	£218	March 2021	£247
April 2017	£196	April 2018	£201	April 2019	£212	April 2020	£217	April 2021	£245
May 2017	£196	May 2018	£201	May 2019	£213	May 2020	£216	May 2021	£245
June 2017	£198	June 2018	£202	June 2019	£215	June 2020	£214	June 2021	£244
July 2017	£200	July 2018	£204	July 2019	£217	July 2020	£213	July 2021	£244
August 2017	£198	August 2018	£202	August 2019	£215	August 2020	£219	August 2021	£243
September 2017	£197	September 2018	£204	September 2019	£216	September 2020	£227	September 2021	£243
October 2017	£198	October 2018	£205	October 2019	£218	October 2020	£235	October 2021	£237
November 2017	£198	November 2018	£206	November 2019	£218	November 2020	£241		
December 2017	£196	December 2018	£207	December 2019	£217	December 2020	£243		
2017 Average	£197	2018 Average	£203	2019 Average	£215	2020 Average	£223	2021 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, November 2021