

Asda Income Tracker

Report: September 2021

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Making Business Sense

Centre for Economics and
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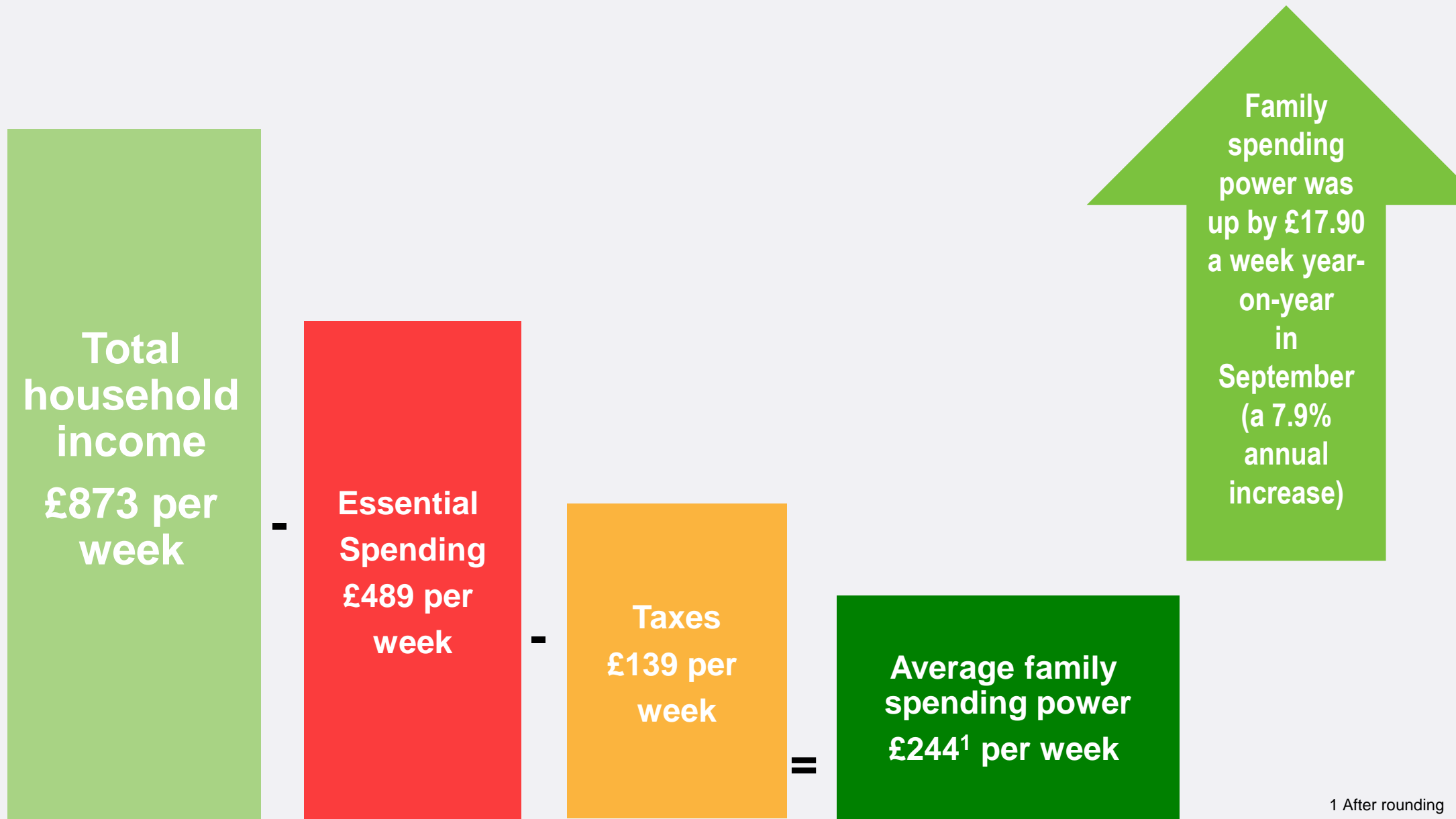
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Asda Income Tracker – Key Figures



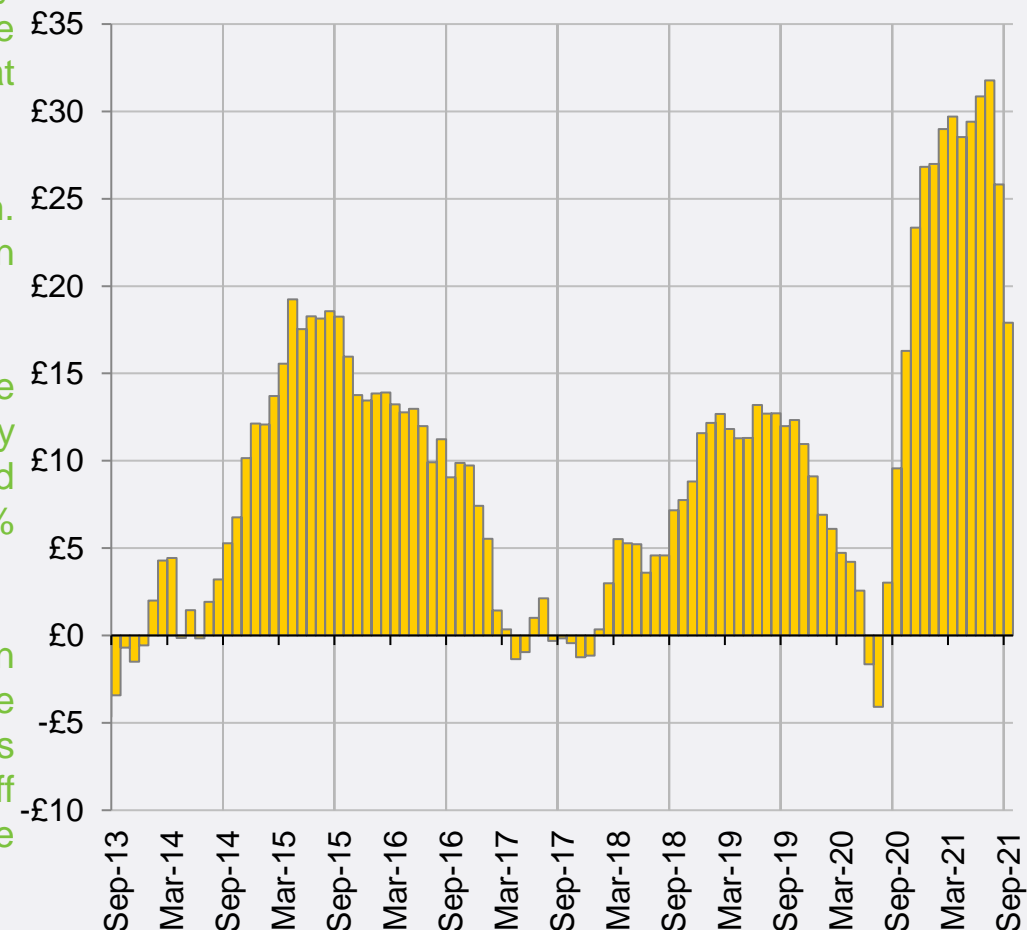
Income Tracker growth slows for second month in a row

Income Tracker Trends

The Asda Income Tracker was £17.90 a week higher in September 2021 than a year before.

- There was a 7.9% annual increase in households' discretionary income in September. Though this marks a second consecutive month of slowdown in annual growth, the Income Tracker shows that discretionary income remains at a high level.
- Base effects were also a factor behind the slowdown in growth. September 2020 saw an increase in the Income Tracker amidst an uptick in average wages.
- Wage growth remains elevated, putting upward pressure on the Income Tracker. The latest figures showed annual growth in total pay of 7.2% in the three months to August. This did mark a second consecutive period of slowdown, however, with a record high of 8.8% being seen in the three months to June.
- Despite the strength in the Income Tracker at present, there remain some downside risks which could make decline more likely over the coming months. The recent reversal of the Universal Credit uplift is set to have a particular impact on the incomes of the worst-off households, while the planned hike in national insurance contributions will reduce take home pay for many employees.
- In addition, the cost of essential spending is expected to increase over the coming months, with price pressures being widespread across the economy.

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

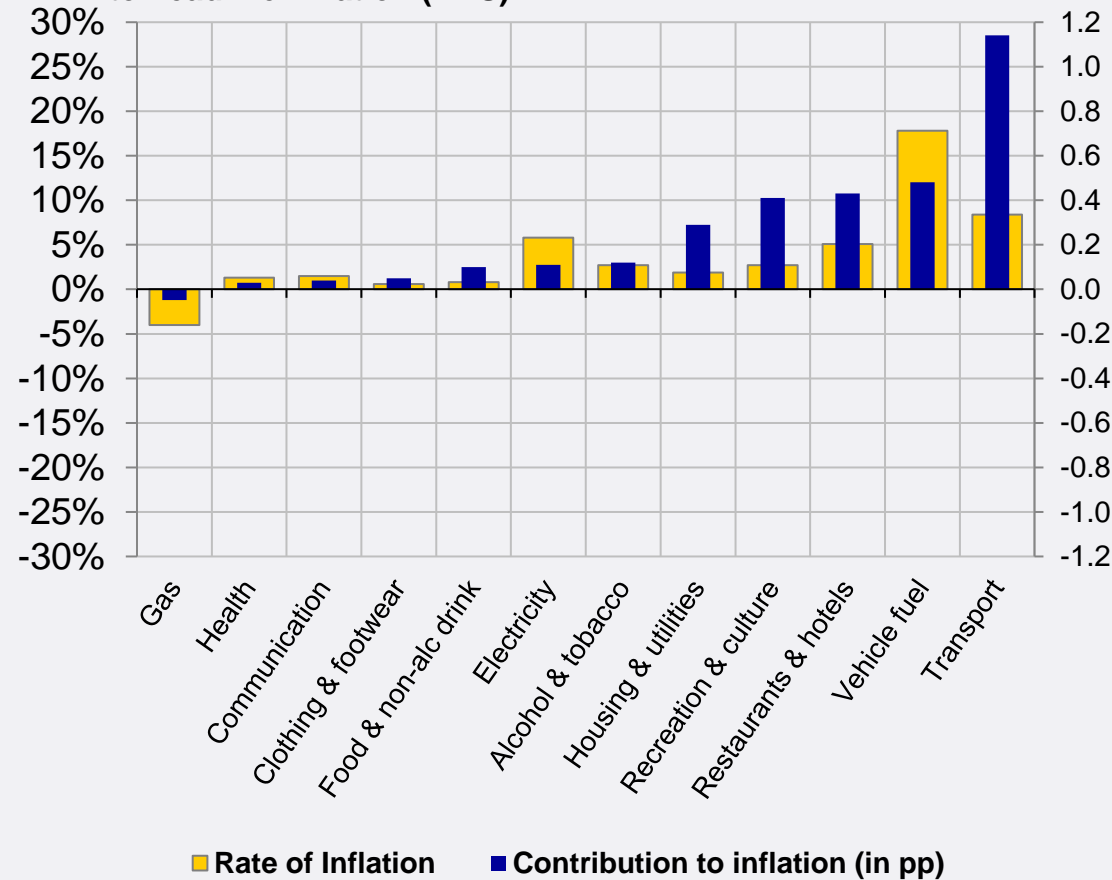


CPI inflation remains elevated despite slight fallback in September

The main factors affecting family costs in September were:

- Annual inflation, as measured by the Consumer Price Index (CPI), fell by 0.1 percentage points in September, reaching 3.1%.
- September's fall in inflation was largely attributed to the removal of base effects. August's high inflation rate had partially reflected the Eat Out To Help Out scheme, which had reduced restaurant meal prices during the same month of 2020.
- Despite the month-on-month drop, the inflation rate remains considerably above the Bank of England's 2.0% target.
- Global supply chain issues are contributing to the currently elevated rate of inflation, putting pressure on producer input prices which is subsequently being passed on to consumers.
- The transport category was the main contributor to inflation in September, accounting for 1.1 percentage points of the headline rate of 3.1%. Within the category, there remain particularly high rates of price growth in vehicle fuels, reflecting the recent increase in oil prices. Vehicle fuel prices were up by 17.8% annually in September.

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



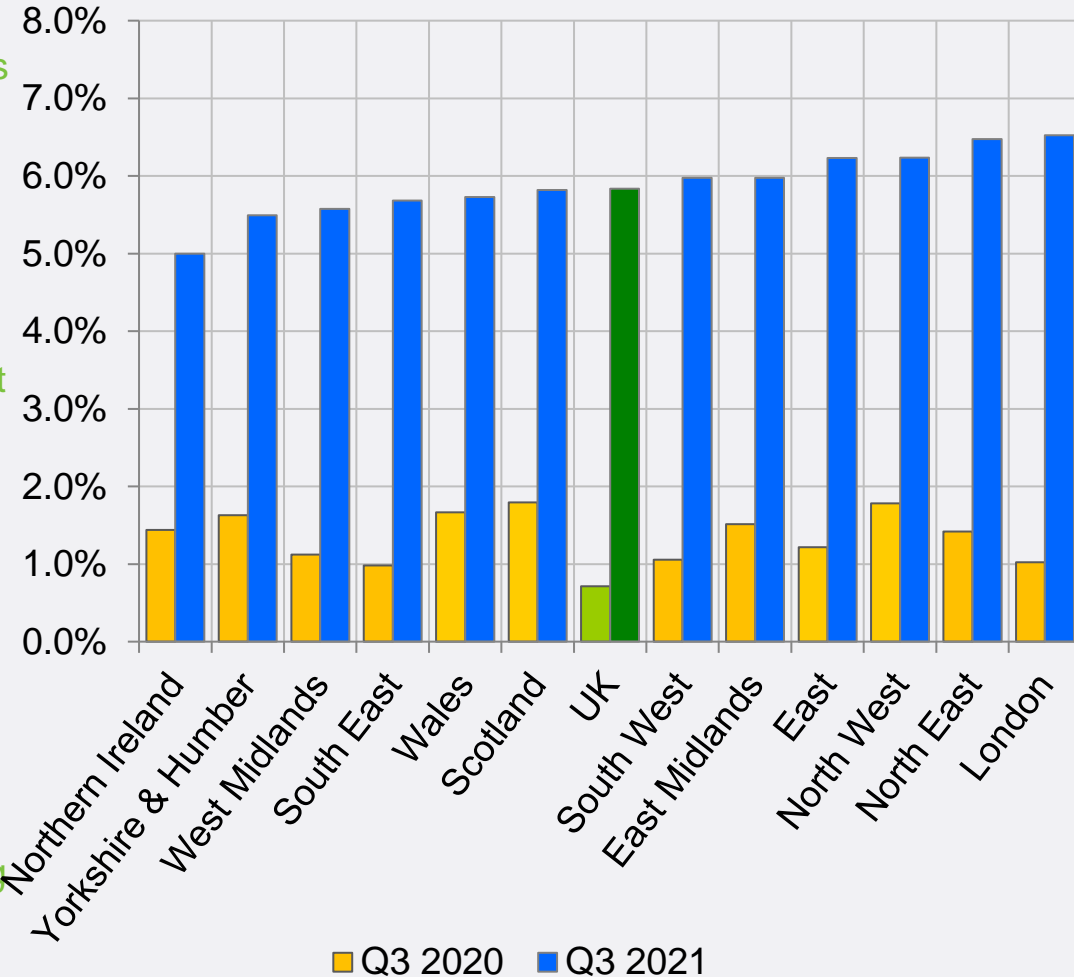
Vehicle fuel is a sub-category of Transport;
Gas and electricity are sub-categories of Housing & utilities

Gross income growth down on series high witnessed in Q2

UK-wide annual gross income growth stood at 5.8% in Q3 2021

- Annual growth in gross incomes saw a fall in Q3, reaching 5.8%. This follows growth of 6.0% in Q2. This figure represented a series high.
- 5.8% represents strong income growth performance, however. This is highlighted when considering pre-pandemic rates of gross income growth, which averaged just 3.1% across 2018 and 2019.
- Gross income growth rates in Q3 2021 stood above the equivalent figures for Q3 2020 across all regions of the UK. Wage growth rates in Q3 2020 were particularly low as wages had only just recovered from their initial dip at the onset of the pandemic.
- Northern Ireland exhibited the lowest rate of annual gross income growth in Q3, while London experienced the highest rate. These relative rankings can be explained by labour market composition. Northern Ireland sees the highest share of workers employed in the public sector of all regions, while London sees the highest share employed in the private sector. The private sector has seen particularly high rates of pay growth in recent months, outweighing the growth rates for the public sector in each month since April.

Regional gross income, annual change to quarter indicated

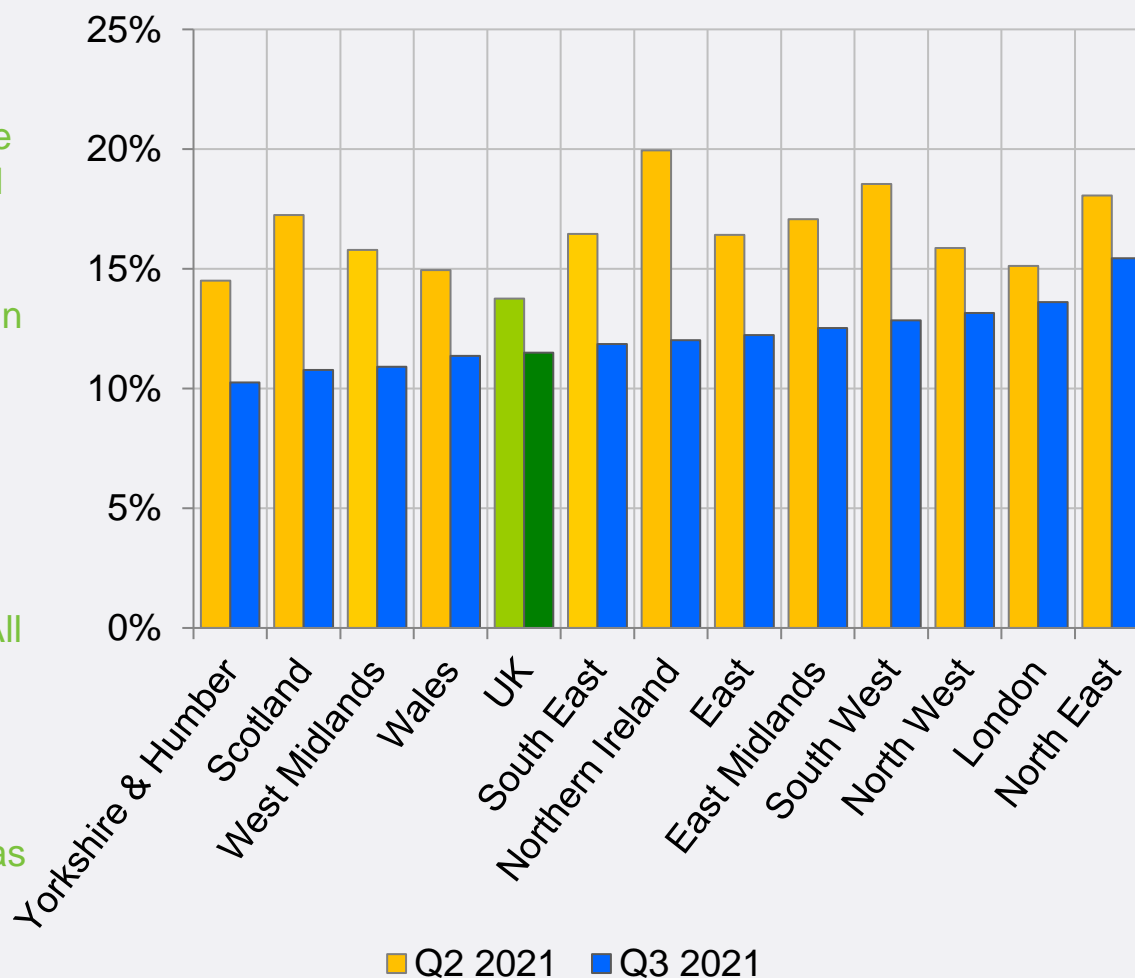


Quarterly UK-wide Income Tracker growth slows for first time in over a year

Quarterly Income Tracker growth down from high of 13.8% in Q2

- Annual growth in the Asda Income Tracker slowed for the first time since Q2 2020. Nevertheless, growth of 11.5% was still recorded. This marks the third-fastest growth rate in twelve years, only being exceeded by those seen in Q1 and Q2 2021.
- When comparing regions, the fastest annual growth rate in Q3 was seen in the North East, where discretionary incomes picked up by 15.4%.
- One factor behind this high rate of growth has been the improving labour market. The North East saw the largest change in the unemployment rate between Q3 2021 and Q3 2020, amounting to a drop of 1.3 percentage points. All else equal, having more individuals in employment puts upward pressure on discretionary incomes, since market wages exceed the value of social security benefits.
- At the other end of the scale, the lowest rate of growth was seen in Yorkshire and the Humber. This still amounted to an annual increase of 10.3%, however.

Asda Income Trackers by region, annual % change to quarter indicated

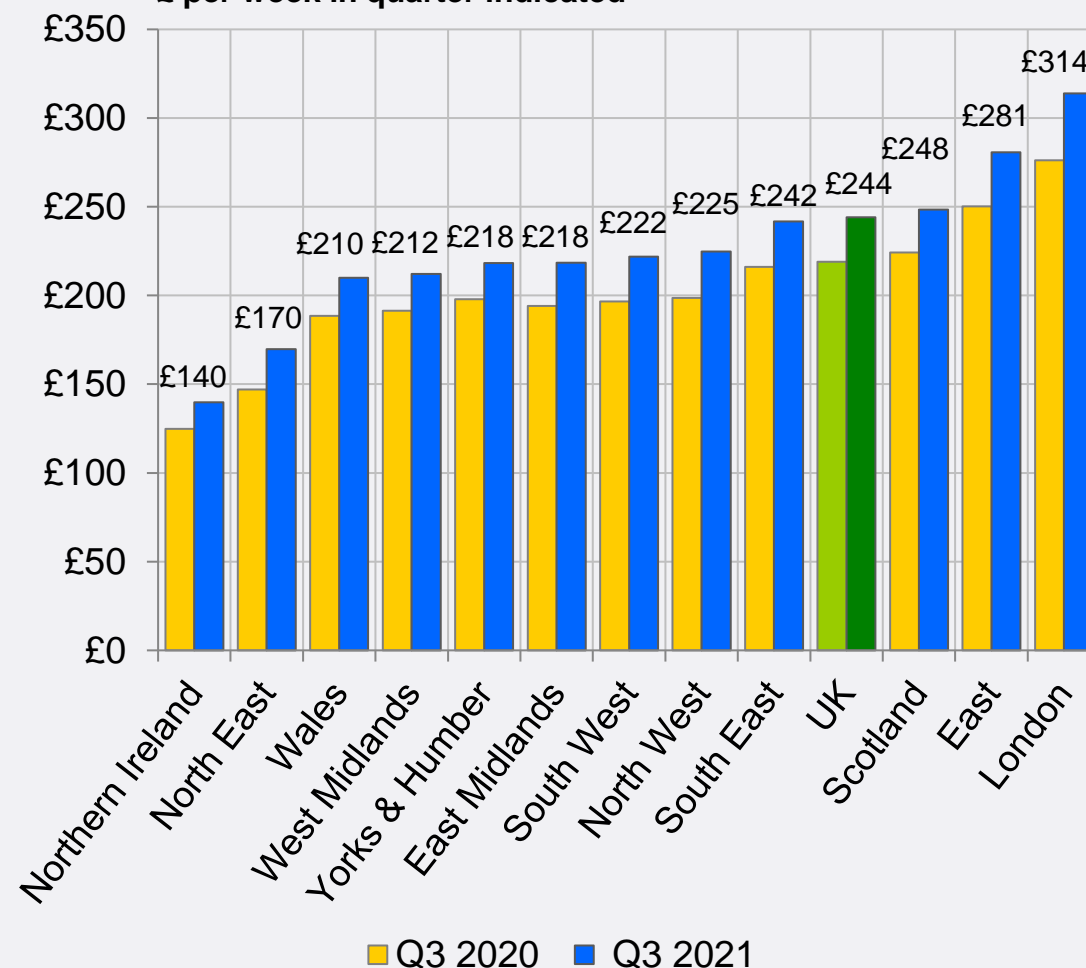


Discretionary incomes remain elevated across all regions

UK-wide family spending power averaged £244 in the second quarter of 2021

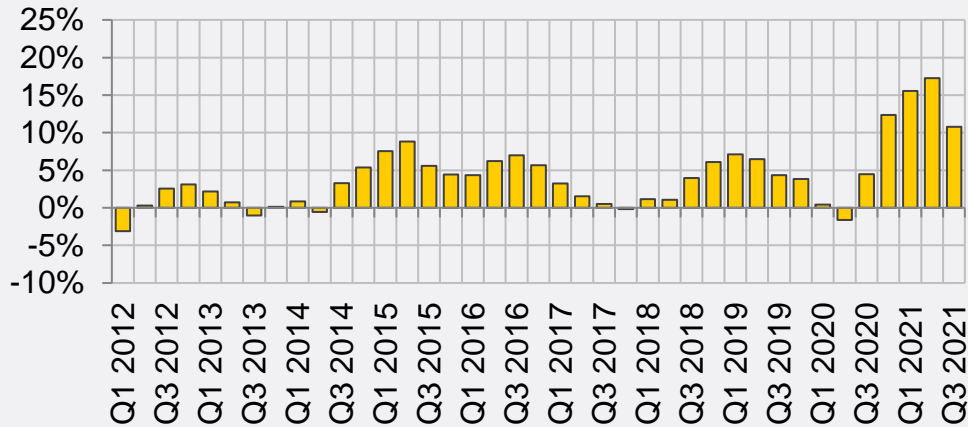
- Annual increases in the Income Tracker were seen across all regions in Q3 2021. The absolute increase was most stark in London, amounting to an increase of £37.60 per week. Average household discretionary income in the capital has now exceeded £300 for each of the past three quarters.
- The smallest increase was seen in Northern Ireland, amounting to an additional £15.00 per week per household, on average.
- The future trajectory for discretionary incomes is uncertain, though emerging evidence points to the downside. The rate of consumer price inflation is expected to accelerate over the coming months, leading to increased costs of essentials. This is set to be driven by general supply chain pressures, as well as market specific measures, such as the recent uplift to the Ofgem energy price cap.
- The unwinding of labour market composition and base effects could also lead to a further slowdown in wage growth, which would adversely impact discretionary incomes.

Average household discretionary income by region, £ per week in quarter indicated

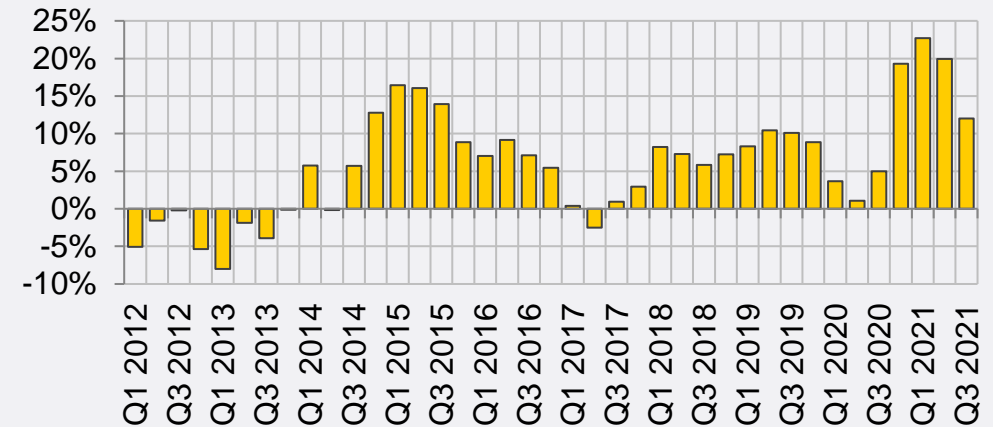


Focus on Scotland and Northern Ireland

Annual % change in discretionary incomes, Scotland



Annual % change in discretionary incomes, Northern Ireland



- The Income Tracker for Scotland witnessed an annual increase of 10.8% in Q3 2021. This marks a slowdown on the growth rate of 17.2% witnessed in Q2.
- Despite this slowdown, it should be noted that discretionary income growth remains elevated in Scotland. There have only been four occasions in the history of the series that annual gross income growth has exceeded 10.0%, all of which have occurred in the last year.
- There is scope for further gains in the Income Tracker for Scotland. Scotland is one of only two regions for which the number of payrolled employees remains below pre-pandemic levels. As this number recovers, upward pressure on average incomes will be expected.
- The Income Tracker for Northern Ireland witnessed annual growth of 12.0% in Q3 2021.
- Meanwhile, annual growth in gross earnings stood at 5.0% in Q3. This was the weakest rate of growth of all regions. The country's labour market is characterised by high prevalence of public sector employment, where wage growth rates have been slower in recent months.
- Given that the discretionary income of the average Northern Irish household is lower than that of any other region, households in the country could see their living standards particularly impacted by higher rates of price growth in essential goods. Such inflation is expected to accelerate over the coming months.

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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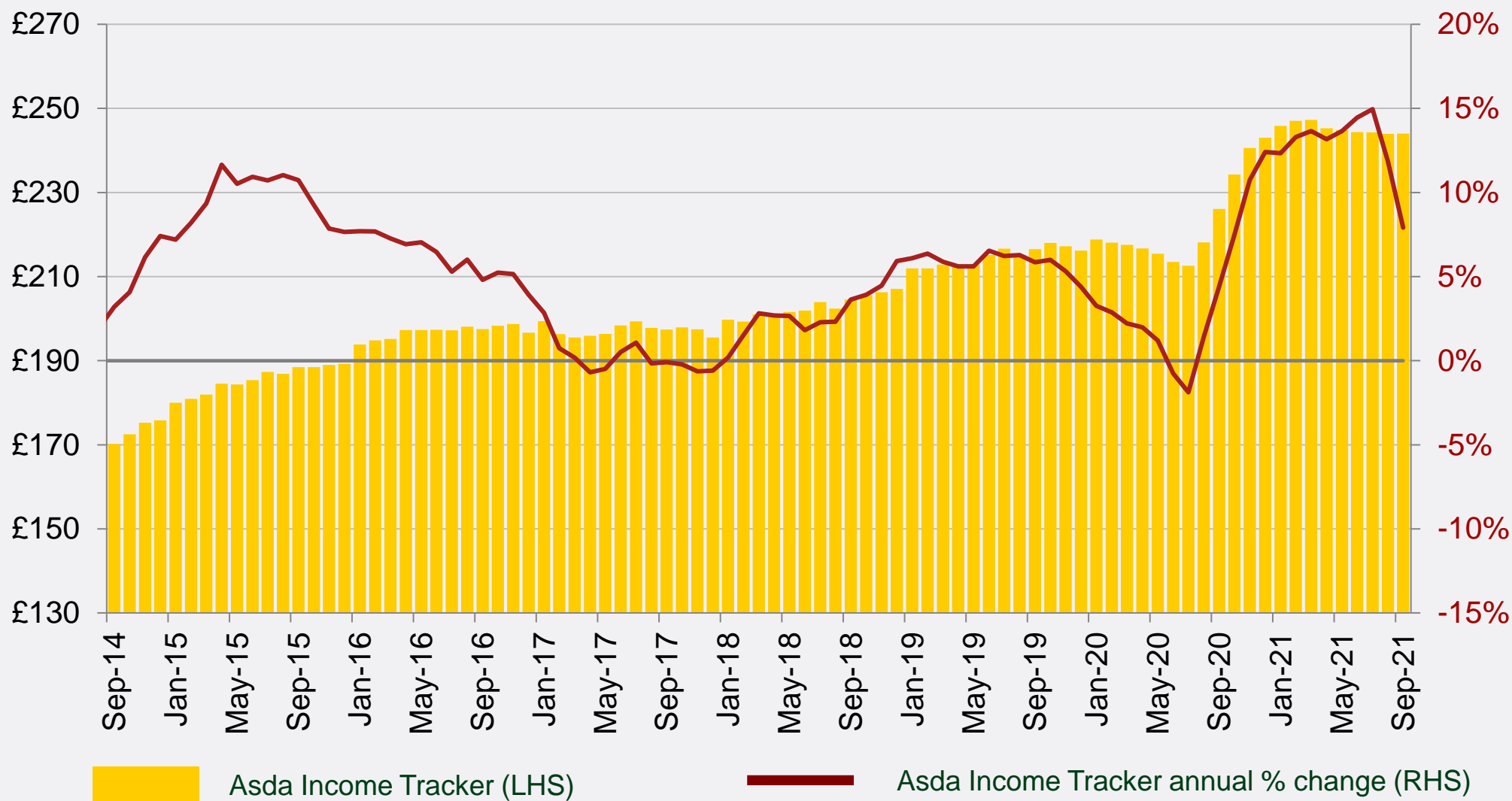
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Appendix

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	£199	February 2019	£212	February 2020	£218	February 2021	£247
March 2017	£196	March 2018	£201	March 2019	£213	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	£202	May 2019	£213	May 2020	£215	May 2021	£245
June 2017	£198	June 2018	£202	June 2019	£215	June 2020	£214	June 2021	£244
July 2017	£199	July 2018	£204	July 2019	£217	July 2020	£213	July 2021	£244
August 2017	£198	August 2018	£202	August 2019	£215	August 2020	£218	August 2021	£244
September 2017	£197	September 2018	£205	September 2019	£217	September 2020	£226	September 2021	£244
October 2017	£198	October 2018	£206	October 2019	£218	October 2020	£234		
November 2017	£197	November 2018	£206	November 2019	£217	November 2020	£241		
December 2017	£196	December 2018	£207	December 2019	£216	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, October 2021