Asda Income Tracker

Report: September 2022

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Making Business Sense

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Asda Income Tracker – Key Figures

Total household income

£905 per week

-

Essential Spending

£548 per week

-

Taxes

£150 per week

=

Average family spending power

£208 per week

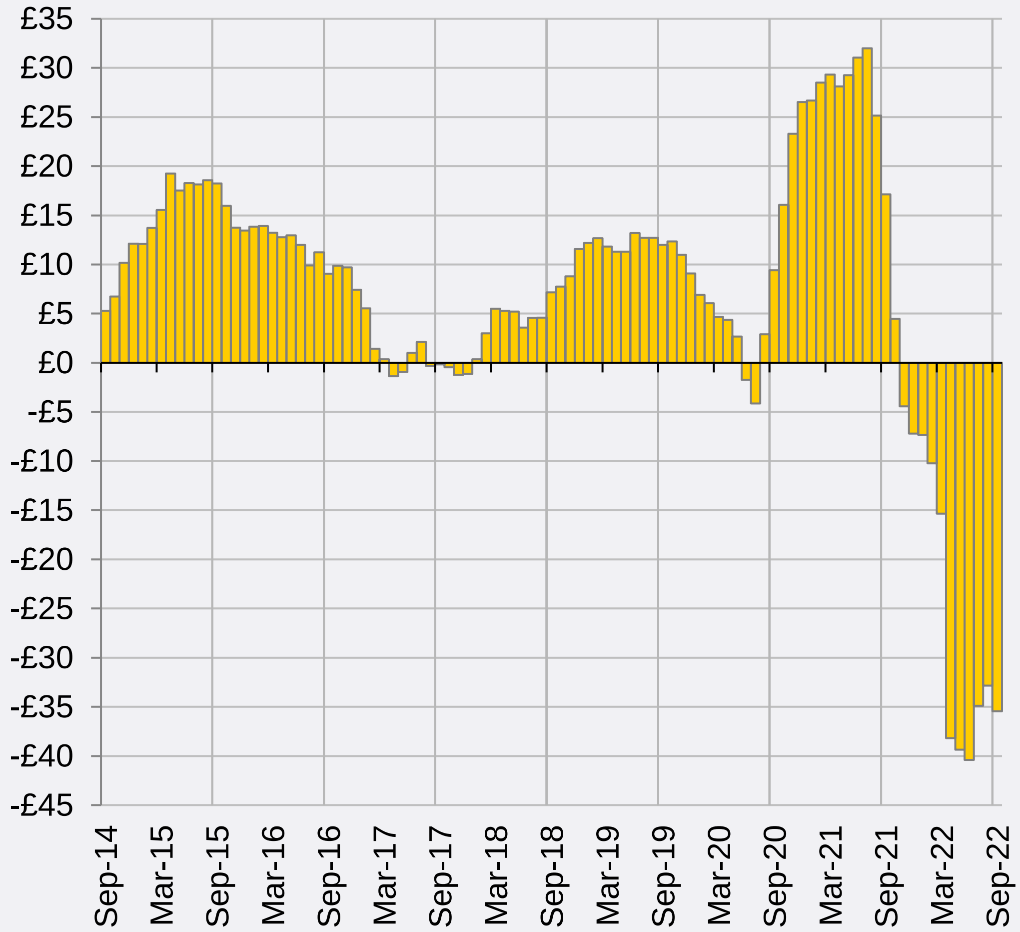
Family spending power was down by £35.44 a week year-on-year in September (a 14.6% annual decrease)

Income Tracker falls on monthly basis for first time since June

The Asda Income Tracker was £35.44 a week lower in September 2022 than a year before.

- The Asda Income Tracker saw an annual contraction of 14.6% in September. This is the largest annual contraction since June, having fallen by 14.3% and 13.5% in July and August, respectively.
- On a monthly basis, the Income Tracker fell by £2.66, reaching £208 per week last month.
- September's fall came as inflation returned to double-digit figures, reaching 10.1% in September on the Consumer Price Index measure, up from 9.9% in August.
- The Income Tracker is set to fall further in October, when Cebr expects inflation to accelerate once more. The energy price cap for the average household increased at the beginning of this month, contributing to an expected spike in price growth.
- In the longer term, the outlook for the Income Tracker will be highly dependent on the Government's response to energy prices. It was announced this week that the Energy Price Guarantee, which had previously been committed to for two years, would instead be reviewed from April 2023.

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



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Price growth accelerates with food price inflation becoming increasingly prominent

The main factors affecting family costs in September were:

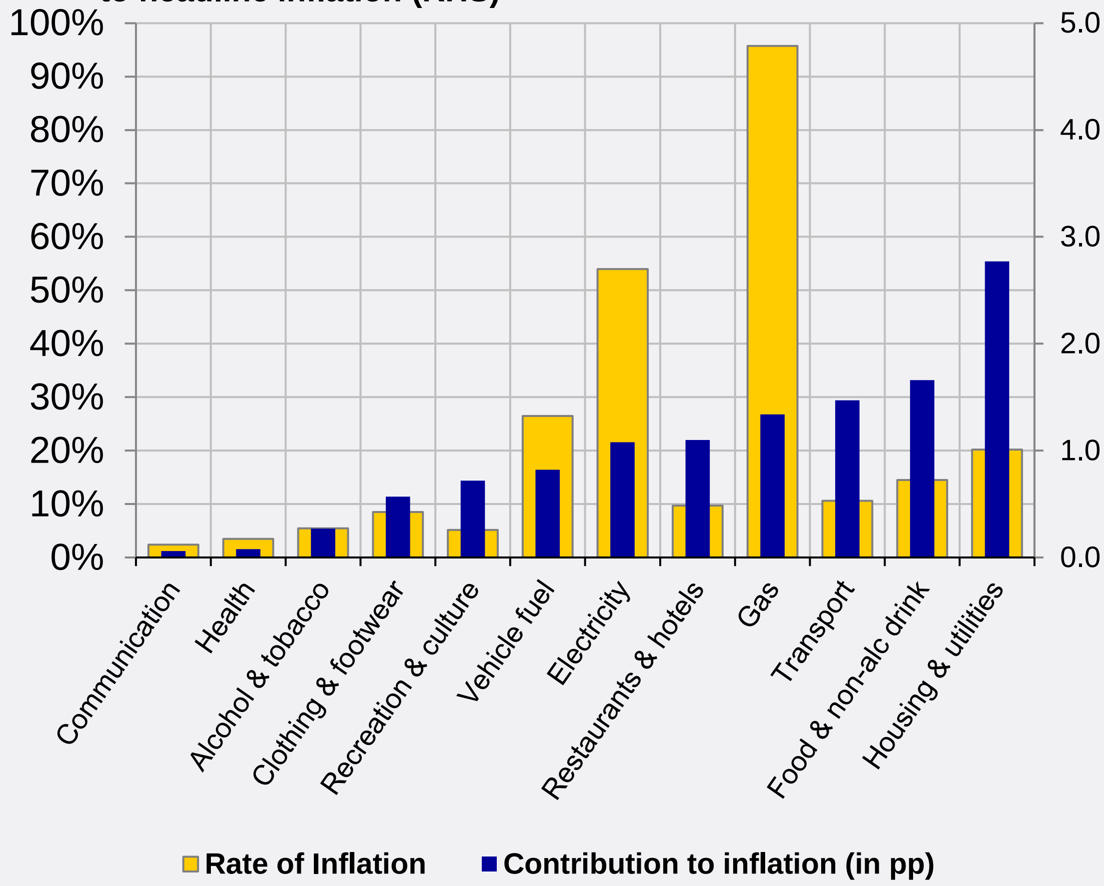
- Annual inflation, as measured by the Consumer Price Index (CPI), accelerated to 10.1% in September. This followed price growth of 9.9% in September, a month which saw the first deceleration of inflation in over a year.

- Housing and utilities was again the most significant contributor to inflation in September. Prices in this category picked up by 20.2% year-on-year. Energy prices remain key drivers, with gas prices up 95.7% annually and electricity prices up by 54.0%.

- Food and non-alcoholic drinks are now the second largest contributor to inflation. Prices in this category picked up by 14.5% annually in September, a monthly increase of 1.4 percentage points. This, alongside the acceleration in inflation for restaurants and hotels to 9.7%, provides evidence of the increasingly broad-based nature of inflation.

- Cebr expects inflation to peak in October, when the energy price cap set to increase by 26.8%. It will remain at this level for several months as a result of the Government’s Energy Price Guarantee. It was announced this week that this would be reviewed from April 2023, however, which could have implications for inflation.

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



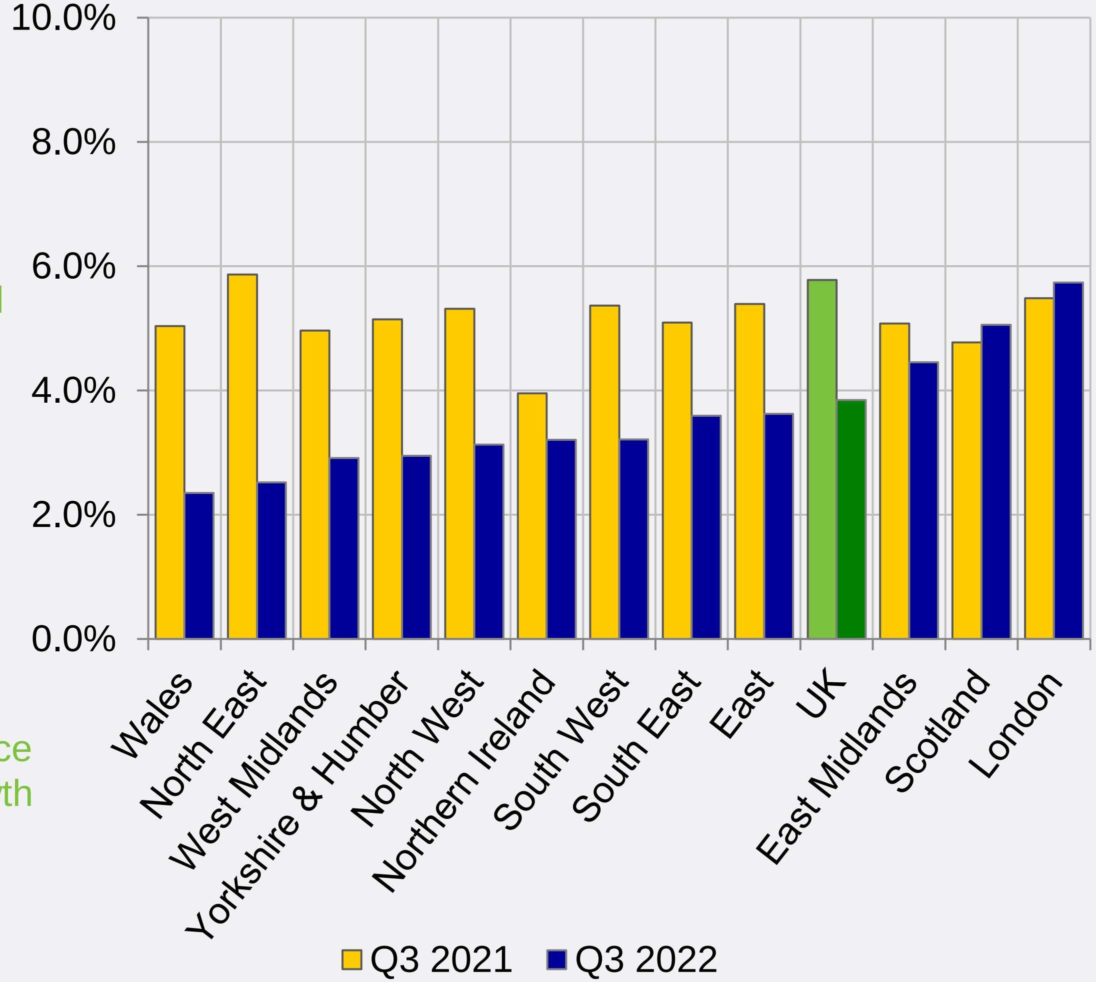
Vehicle fuel is a sub-category of Transport;
Gas and electricity are sub-categories of Housing & utilities

Gross income growth accelerates for average UK household on quarterly basis

UK-wide annual gross income growth stood at 3.8% in Q3 2022

- UK-wide gross income growth picked up in Q3, reaching 3.8%. This put an end to four consecutive quarters of slowdown.
- Income growth was down on an annual basis, however, having stood at 5.8% in Q3 2021.
- The annual fall was observed across most regions. Scotland and London were the only regions to see an acceleration in gross income growth relative to Q3 2021. These were also the two regions witnessing the fastest gross income growth in Q3 2022.
- London has seen the strongest gross income growth of all regions, amounting to 5.7% annually in Q3. The capital last saw faster gross income growth in Q2 2021.
- London’s strong income growth can be explained by its labour market composition. The capital has a large finance and insurance sector, as well as a large retail and hospitality sector. Wage growth has been above average in these industries recently, driven by staff shortages.

Regional gross income, annual change to quarter indicated



Contraction in discretionary income remains near record levels in Q3

UK-wide Income Tracker exhibited a contraction of 14.1% in Q3 2022

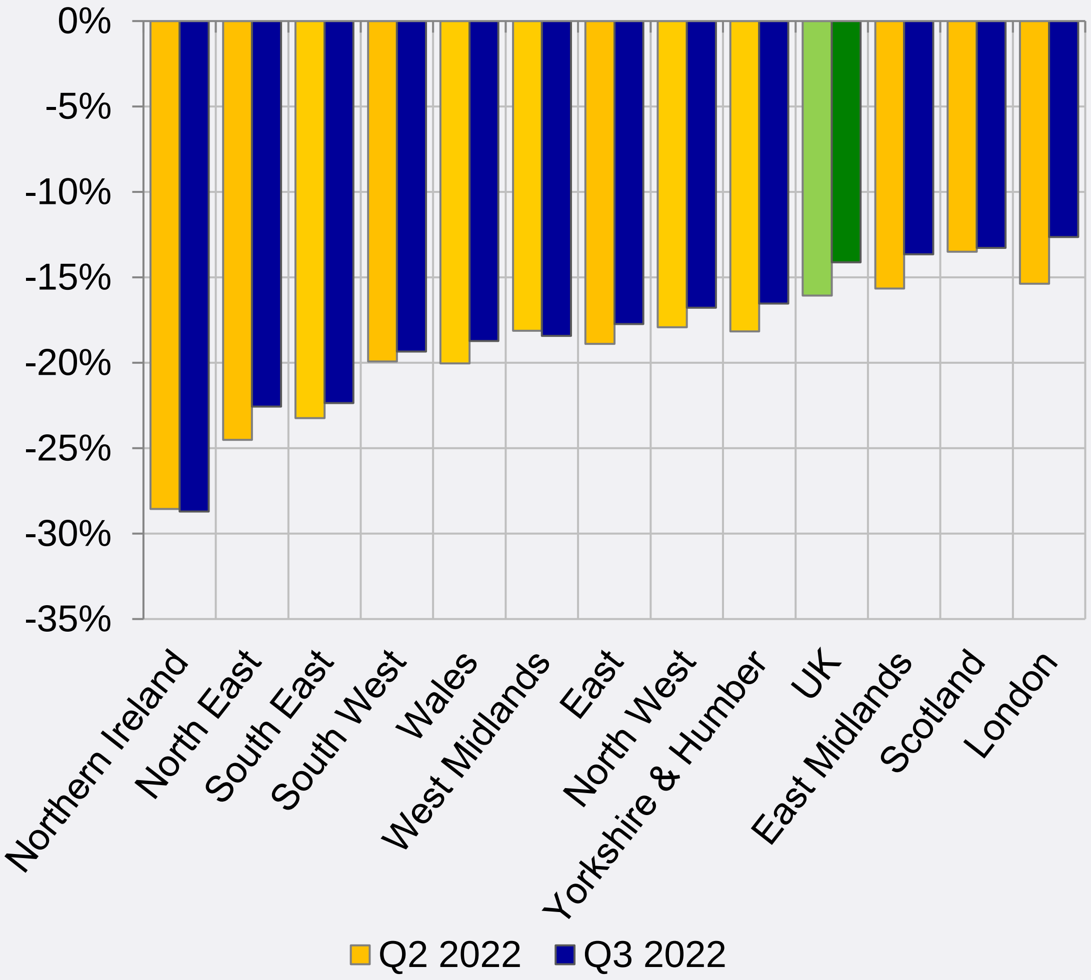
- The quarterly Asda Income Tracker saw a fourth consecutive annual contraction in Q3 2022, which amounted to a 14.1% fall for the UK as a whole. Though this is an improvement on the 16.1% fall seen in Q2, this still amounts to the second-largest annual drop on record.

- A unanimous fall in discretionary income was seen across the UK's regions and nations. This has now been the case for two consecutive quarters.

- In relative terms, the falls were largest in Northern Ireland and the North East, amounting to annual contractions of 28.7% and 22.6%, respectively.

- These regions are more likely to be impacted by the effect of the Universal Credit withdrawal, due to having a disproportionate number of social security claimants. Having been withdrawn from October 2021, this factor will fall out of the base calculation in the next edition of this report. Northern Ireland and the North East also have higher shares of lower paid jobs.

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

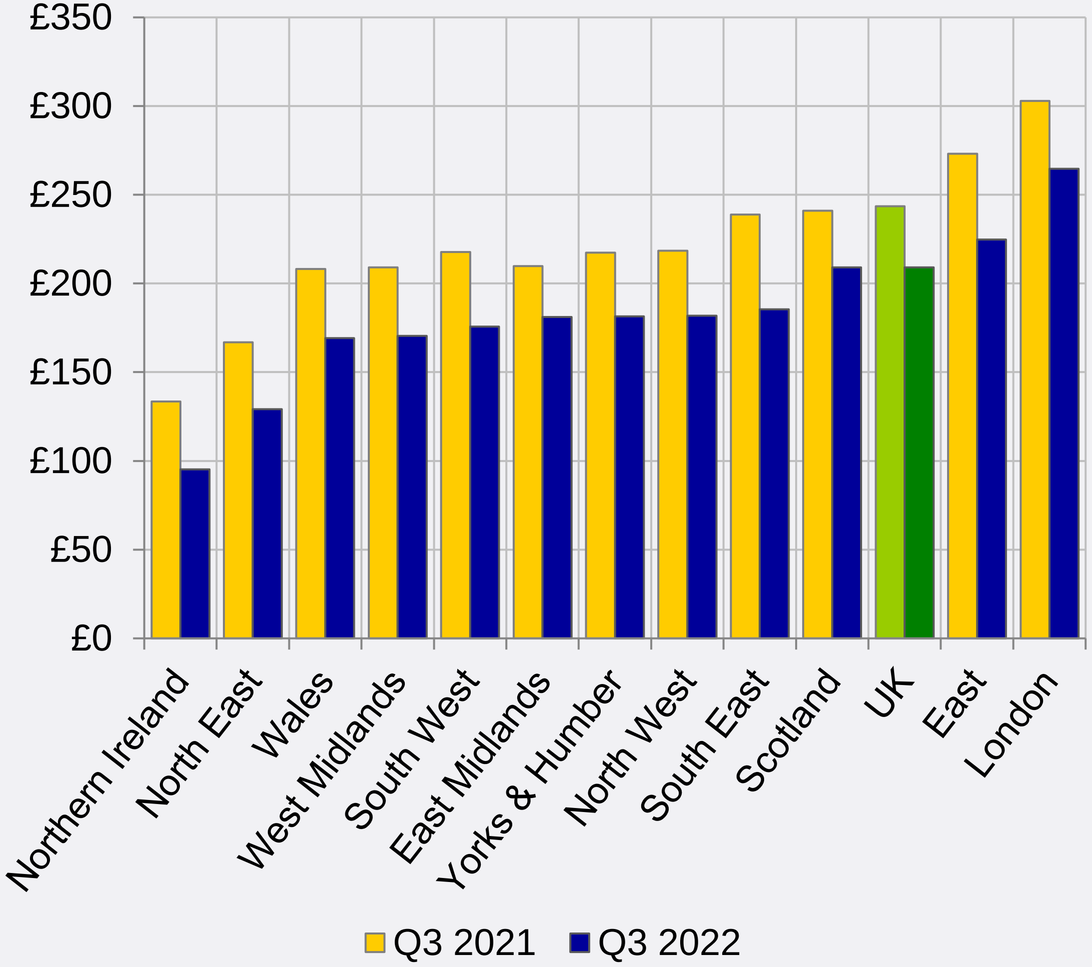


Income Tracker improves on a quarterly basis, but annual shortfall still evident

UK-wide weekly family spending power averaged £209 in Q3 2022

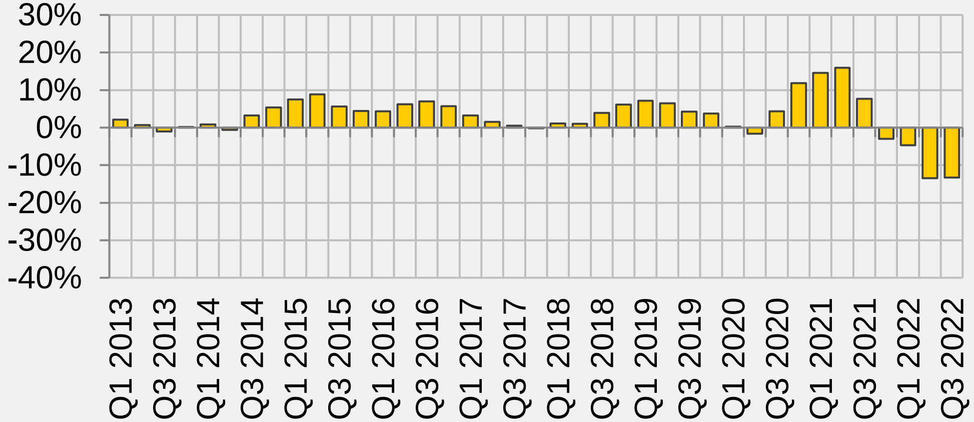
- The spending power of the average UK household fell by £34.39 per week in Q3 2022, compared to the same quarter of 2021.
- There was an uptick on a quarterly basis, however. Discretionary income in Q3 averaged £209 per week, up from £205 in Q2.
- This quarterly improvement can be explained by two main factors: faster income growth and changing tax policies. On the latter point, National Insurance changes from July meant that households took home a greater proportion of their pay.
- In absolute terms, households in the South East saw the largest annual fall in the Income Tracker, seeing discretionary income down by more than £53 per week annually. This region is currently suffering from below average wage growth.
- The East Midlands showed the most resilience, though these households still saw an annual fall of £29 per week.

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



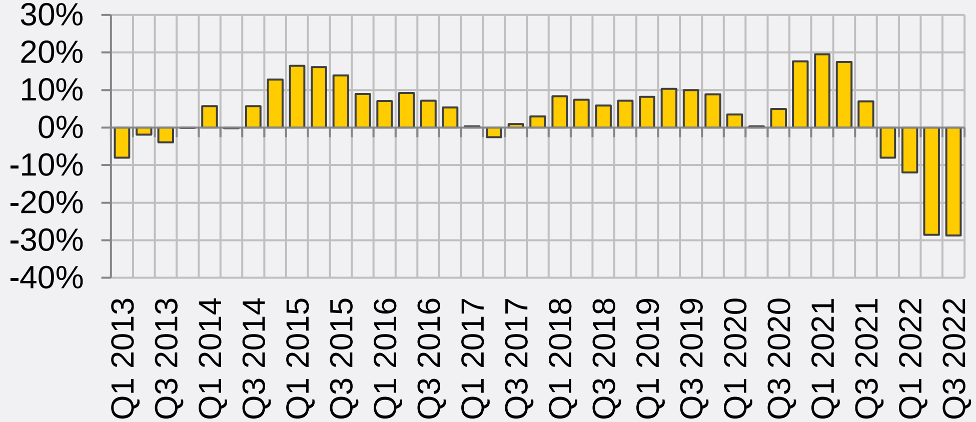
Focus on Scotland and Northern Ireland

Annual % change in discretionary incomes, Scotland



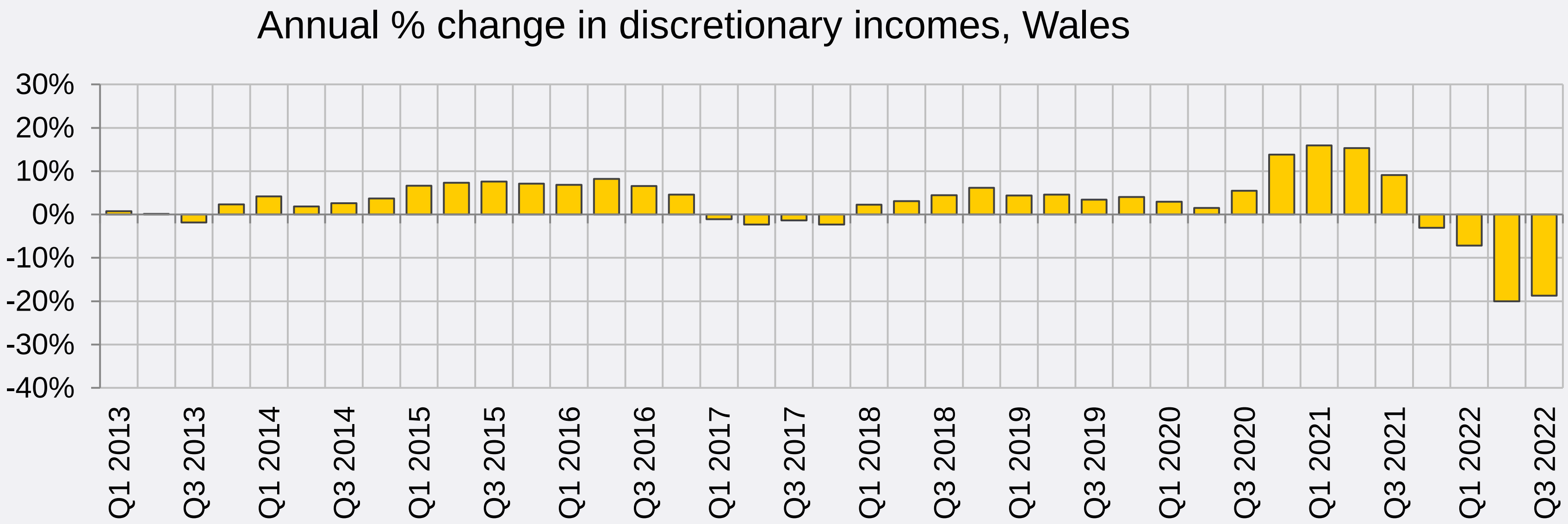
- The Income Tracker for Scotland witnessed an annual contraction of 13.3% in Q3. This followed a fall of 13.5% in Q2, the largest drop for Scottish households since the inception of the Income Tracker.
- Scotland's position has largely mirrored UK-wide averages, seeing a smaller fall in Q3 than in Q2. Scotland was slightly more resilient than the UK-wide average, however, with discretionary incomes across the country as a whole falling by 14.1% in the third quarter.
- Scotland's outlook is set to weaken in 2023, however. At the aggregate level, Cebr expects Scottish output to grow by just 0.1% next year. This will come as a result of falling discretionary incomes, which are weakening spending power, and are expected to reduce consumer activity in Scotland.

Annual % change in discretionary incomes, Northern Ireland



- The Income Tracker for Northern Ireland witnessed an annual contraction of 28.7% in Q3. This is the largest annual fall of any region in the history of the Income Tracker.
- Following a fall of 28.5% in Q2, Northern Ireland was one of only two regions to witness a larger annual drop in Q3 than in Q2, alongside the West Midlands.
- Northern Ireland has been particularly exposed to energy price pressures in recent months, as the Ofgem energy price cap does not apply there.

Focus on Wales



- The Income Tracker for Wales fell by 18.7% annually in Q3. This followed a drop of 20.7% in Q2, the largest for Wales since the inception of the Income Tracker.
- Wales' drop in discretionary income was worse than the UK-wide average. One factor behind this was weak gross income growth, which was the slowest of any region in Q3, amounting to just 2.4% annually.
- Weak gross income growth in Wales can be partially explained by its labour market composition. One of Wales' main industries is manufacturing, which has seen the slowest wage growth of all major sectors in recent months.
- For instance, in the three months to August, manufacturing incomes picked up by just 4.4% annually. This compares to wage growth of 6.0% for the labour market as a whole.

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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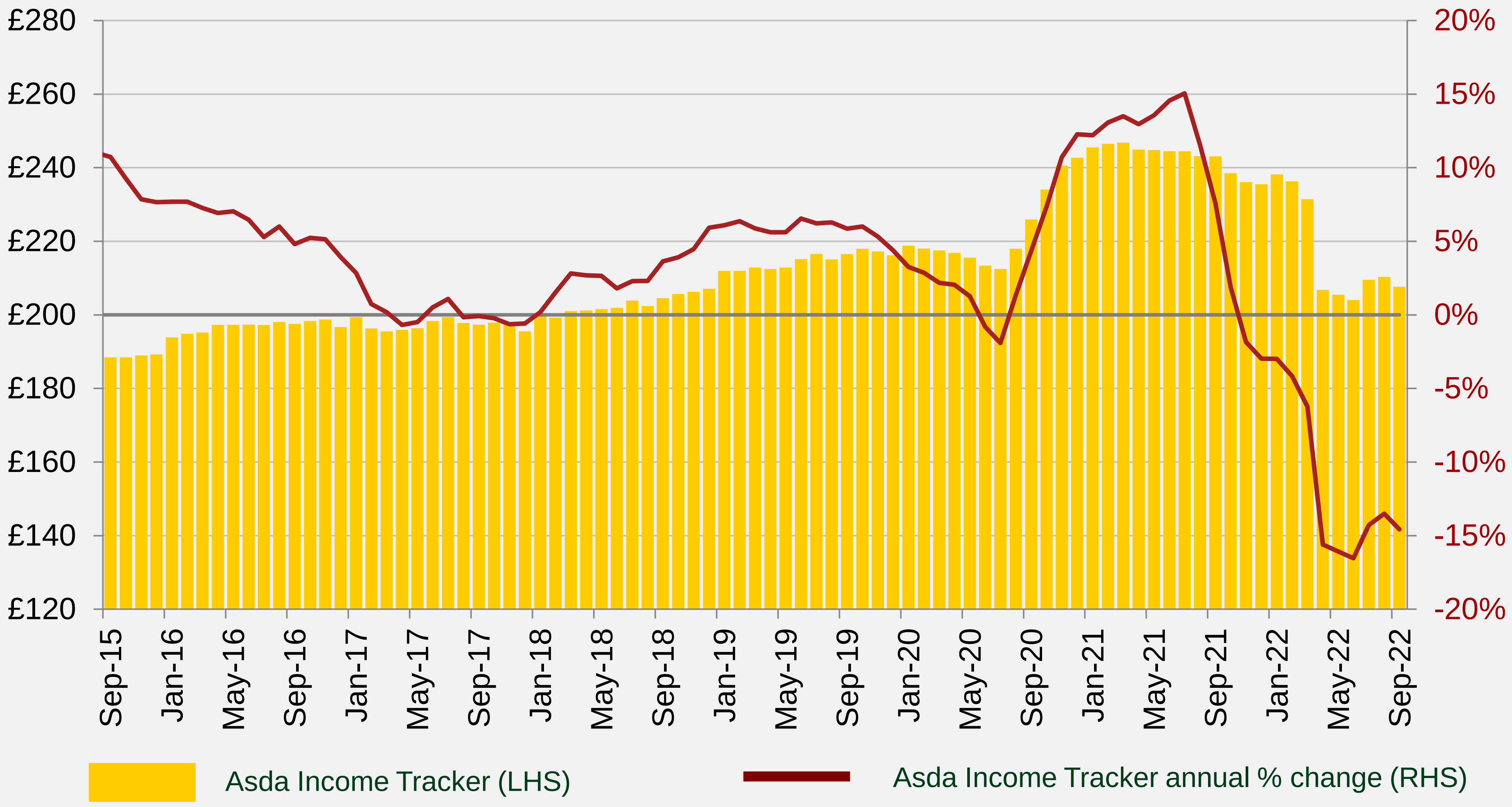
Appendix

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	£207
May 2018	£201	May 2019	£213	May 2020	£216	May 2021	£245	May 2022	£205
June 2018	£202	June 2019	£215	June 2020	£214	June 2021	£244	June 2022	£204
July 2018	£204	July 2019	£217	July 2020	£213	July 2021	£244	July 2022	£210
August 2018	£202	August 2019	£215	August 2020	£219	August 2021	£243	August 2022	£210
September 2018	£204	September 2019	£216	September 2020	£227	September 2021	£243	September 2022	£208
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.

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London, October 2022

