

# Asda Income Tracker

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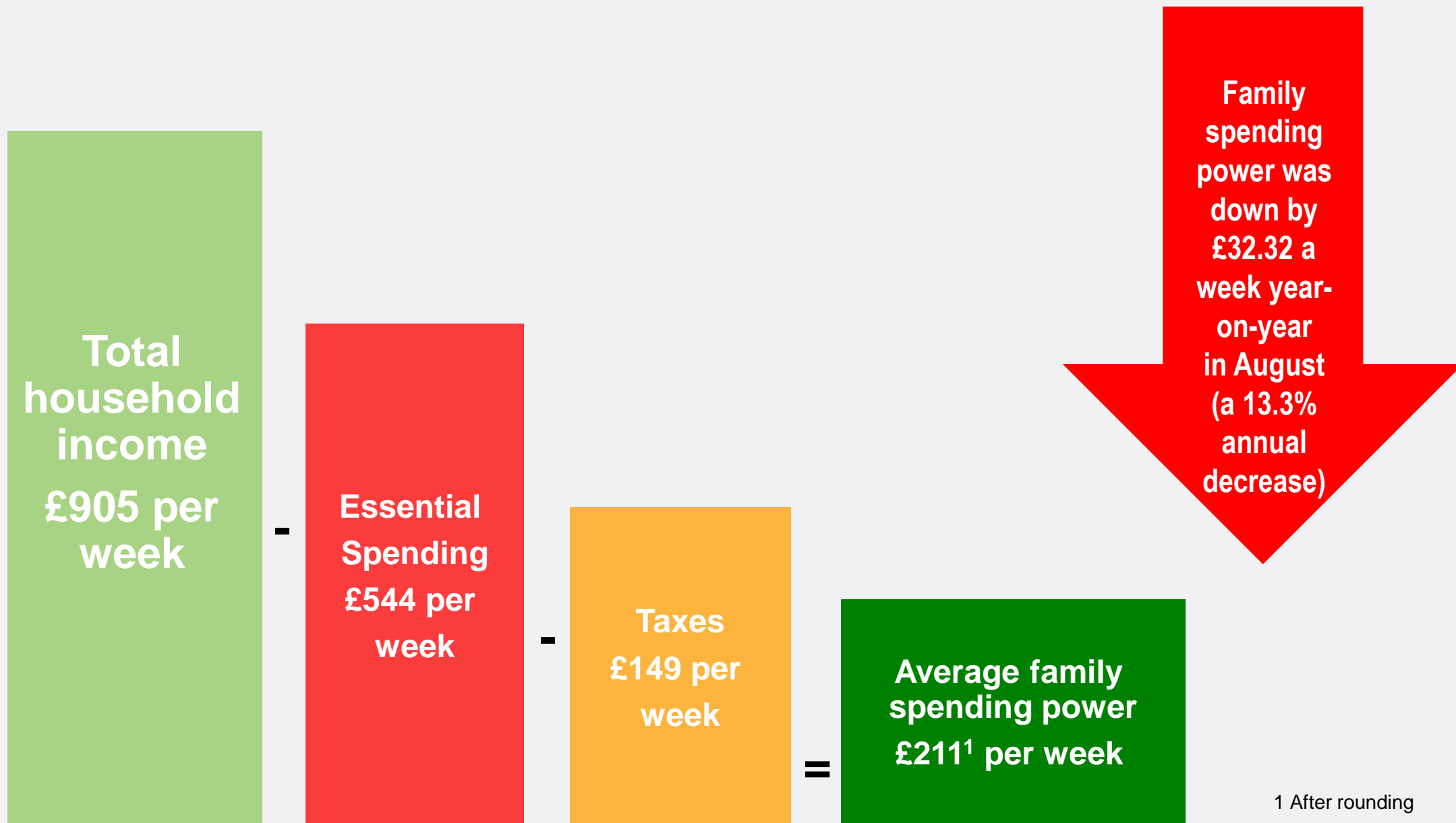
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# Asda Income Tracker – Key Figures



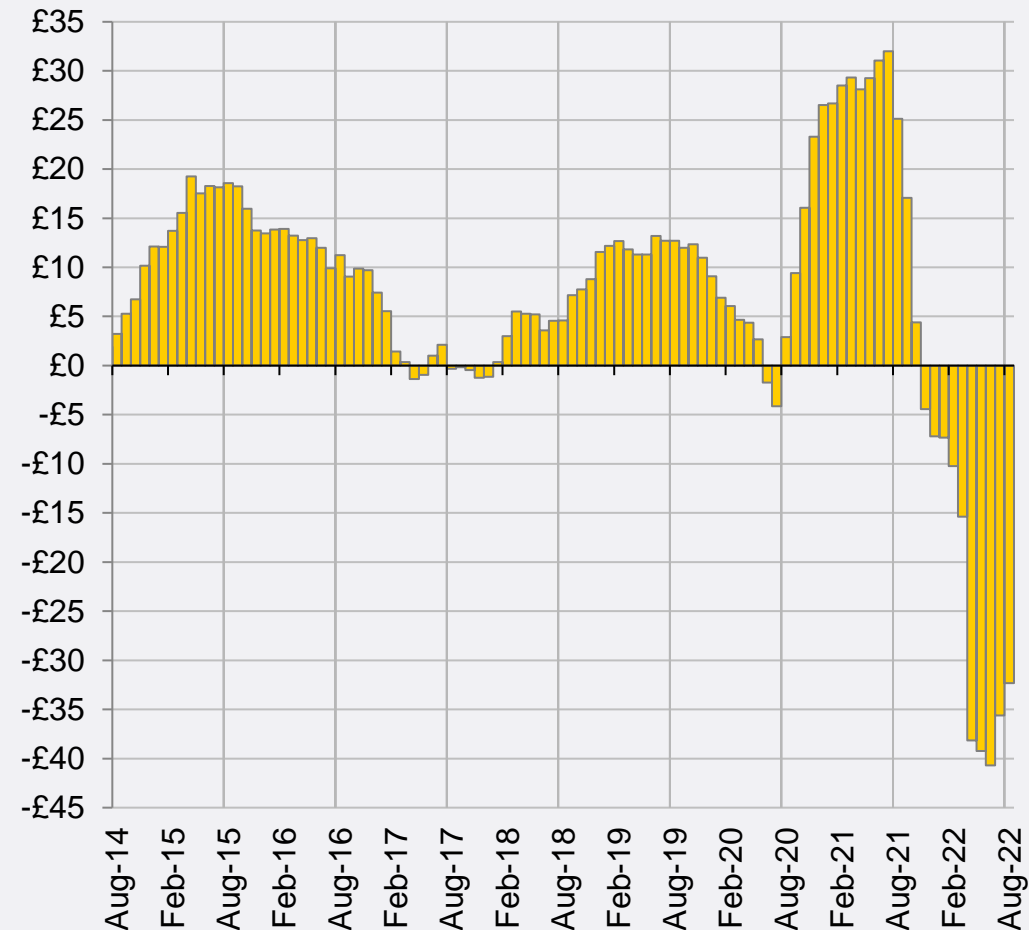
<sup>1</sup> After rounding

# Income Tracker picks up for second consecutive month

The Asda Income Tracker was £32.32 a week lower in August 2022 than a year before.

- The Asda Income Tracker saw an annual contraction of 13.3% in August. This marks a second consecutive month in which the size of the annual contraction has narrowed, following a record fall of record 16.6% drop in June and a fall of 14.6% in July.
- Households are still facing considerable pressure, however, with their discretionary income being £32.32 weaker year-on-year.
- On a monthly basis, the Income Tracker picked up by £1.94 per week, marking a second consecutive month of improvement. This was driven by stronger income growth.
- Recent support measures outlined by the Government will go some way to protecting household incomes this winter. Notably the freeze to the energy price cap will limit the rate of inflation. Having previously forecasted a peak inflation rate of nearly 15%, Cebr now expects this to be around five percentage points lower as a result of the policy.
- Despite the price cap freeze, energy bills will still be nearly double their level last winter. As such, households will face pressure on their essential spending basket, weakening their spending power considerably on an annual basis.

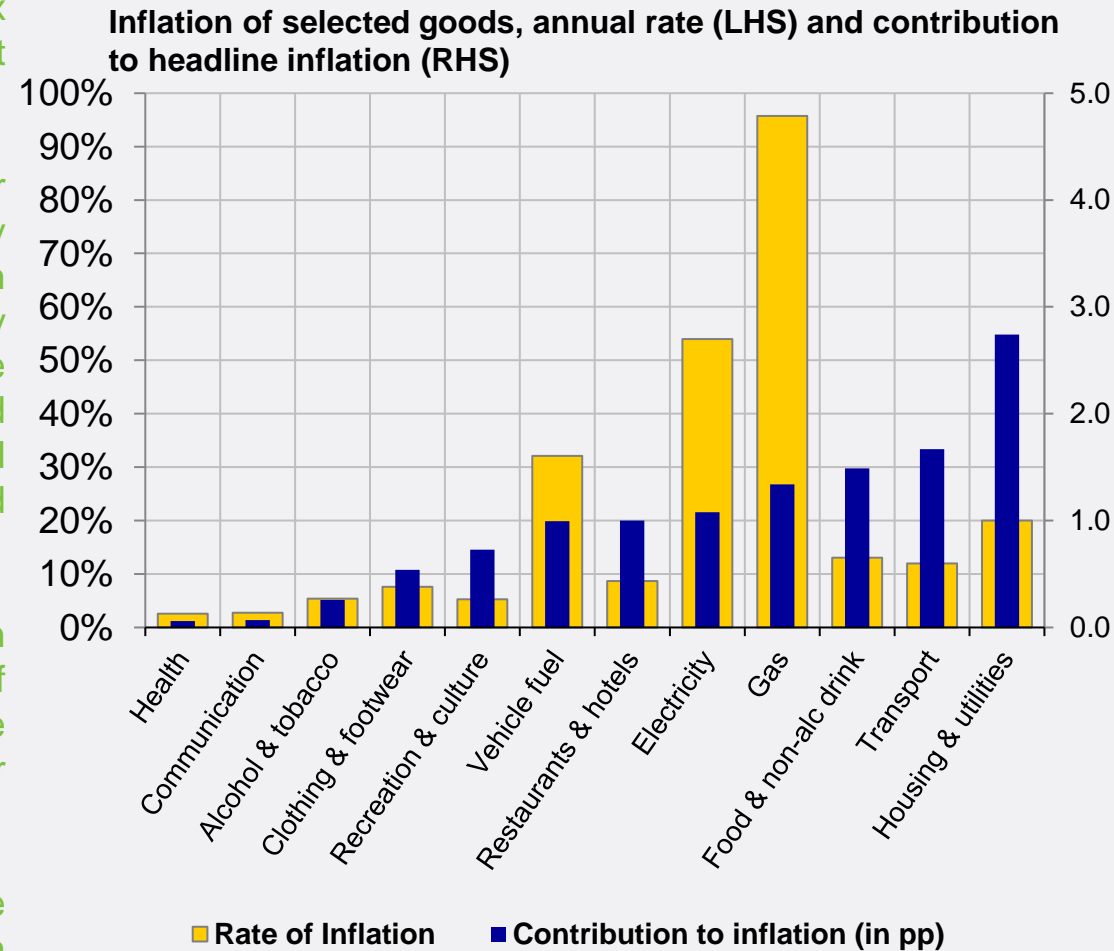
Year-on-year change in Asda Income Tracker, £



# CPI inflation slows for the first time in ten months

The main factors affecting family costs in August were:

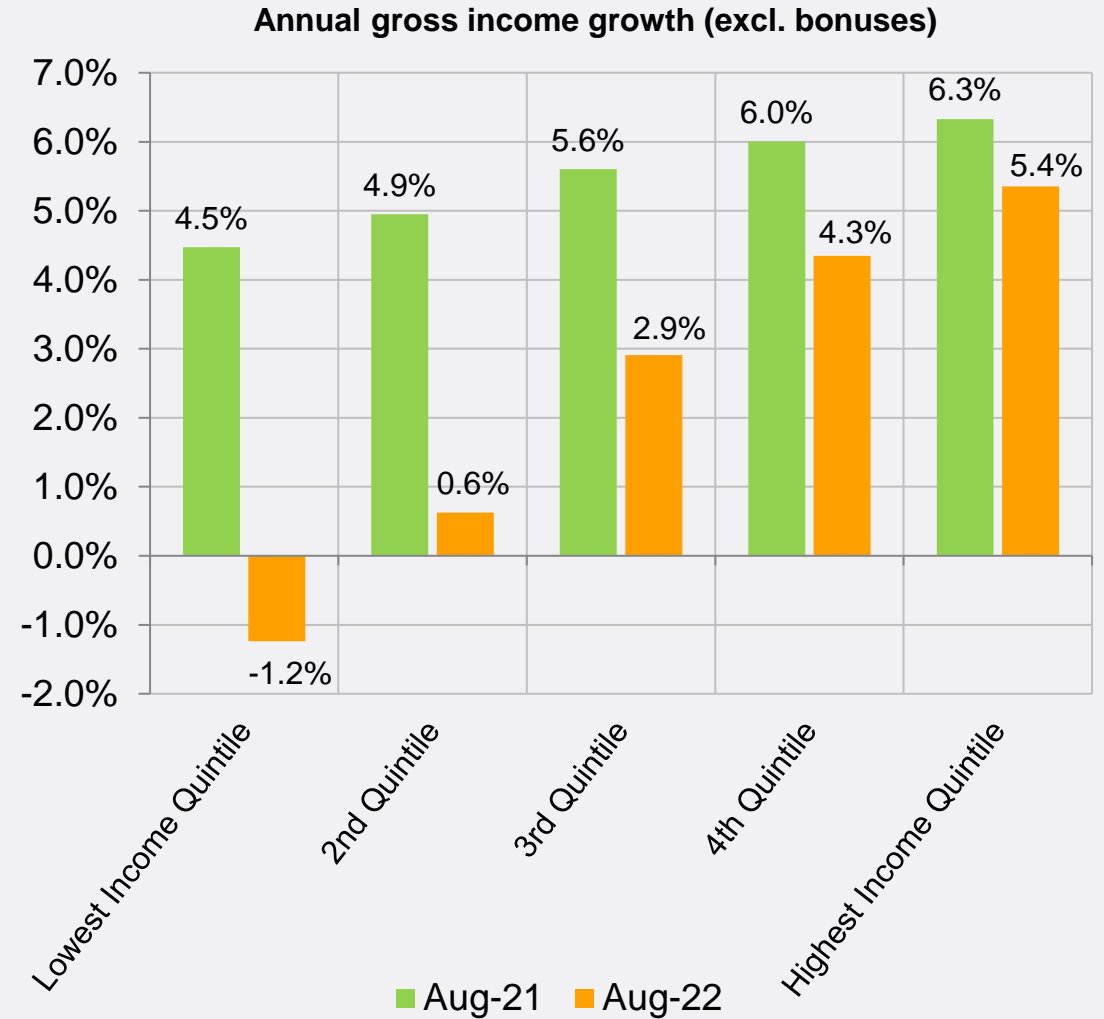
- Annual inflation, as measured by the Consumer Price Index (CPI), slowed to 9.9% in August. This marked the first deceleration of the inflation rate since September 2021.
- Housing and utilities remained the most significant contributor to inflation in August. Prices in this category picked up by 20.0% year-on-year. Energy prices remain key drivers, with gas prices up 95.7% annually and electricity prices up by 54.0%, reflecting the currently elevated Ofgem price cap. The cap will increase again in October, putting further upward pressure on prices, although it will then be frozen at this level for two years. This will limit the peak rate of inflation that had previously been forecasted.
- Transport was the main contributor to the monthly slowdown in the inflation rate. Price growth in this category hit a high of 14.9% in June, but has since eased for two consecutive months, reaching 12.0% in August. Price growth for motor fuels saw particularly sharp slowdowns.
- Despite the slowdown in the headline inflation rate, it should be noted that both services price growth and core inflation, which strips out more volatile consumption categories, accelerated in August.



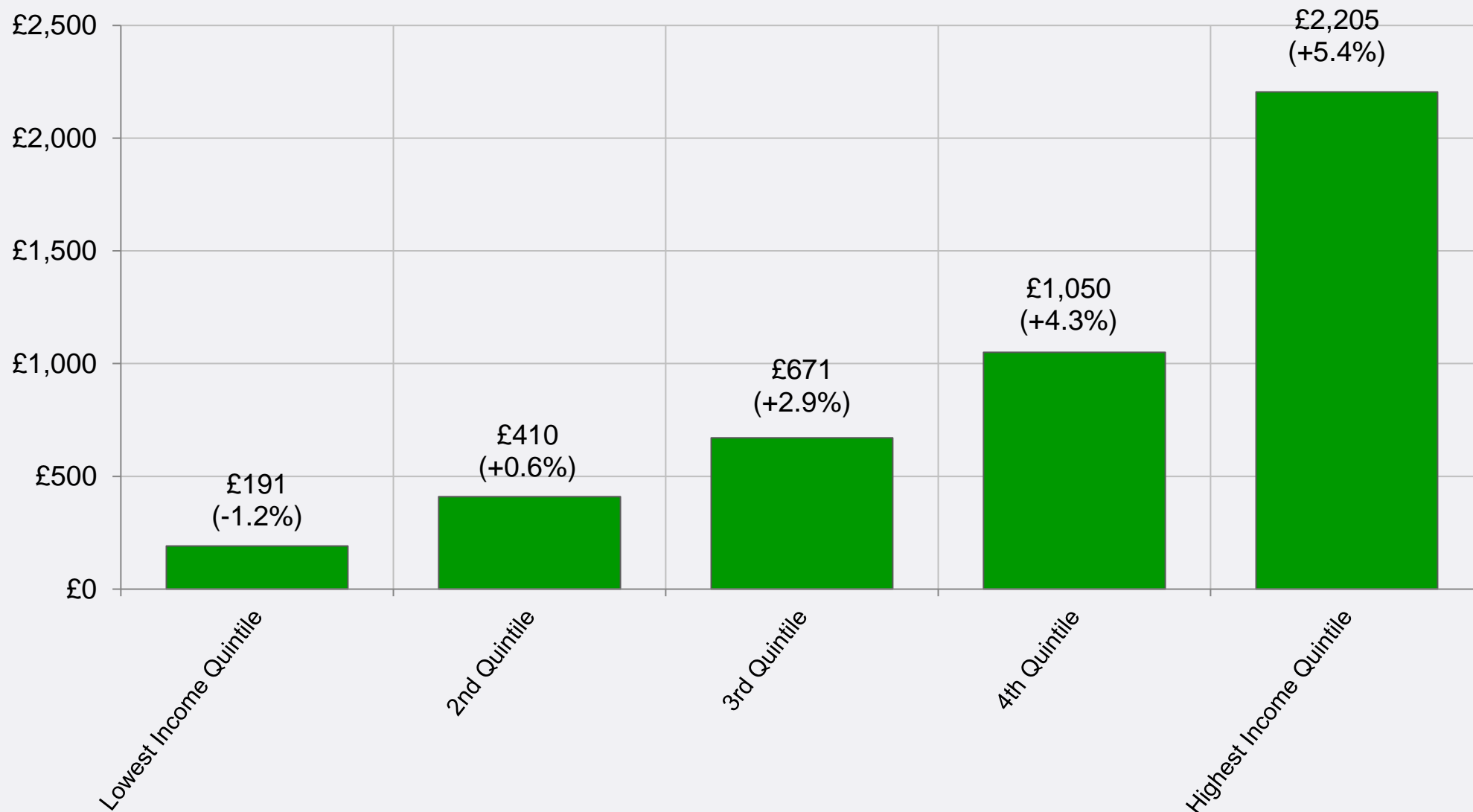
Vehicle fuel is a sub-category of Transport;  
Gas and electricity are sub-categories of Housing & utilities

# Higher earners witnessing faster income growth at present

- The graph to the right compares the annual gross income growth rates for different household income groups for August 2021 and August 2022. Gross income includes all income from various sources, including wages, self-employment, investment, pensions, and social security.
- Gross income growth has been strong in recent months, driven by above average wage growth. As such, the top 80% of households are seeing annual improvements in their income.
- We observe a positive relationship between income quintile and gross income growth, with higher quintiles seeing their incomes pick up at a faster pace. This can be explained by varying rates of labour market exposure, with the highest quintiles being more likely to be in work.
- The highest 20% of earners saw their incomes pick up by 5.4% in August. At the other end of the scale, the lowest income quintile saw a gross income contraction of 1.2% in August.
- All quintiles saw their income growth slow down relative to August 2021, however.



## Gross weekly income excluding bonuses by income quintile, August 2022, annual growth rates in brackets

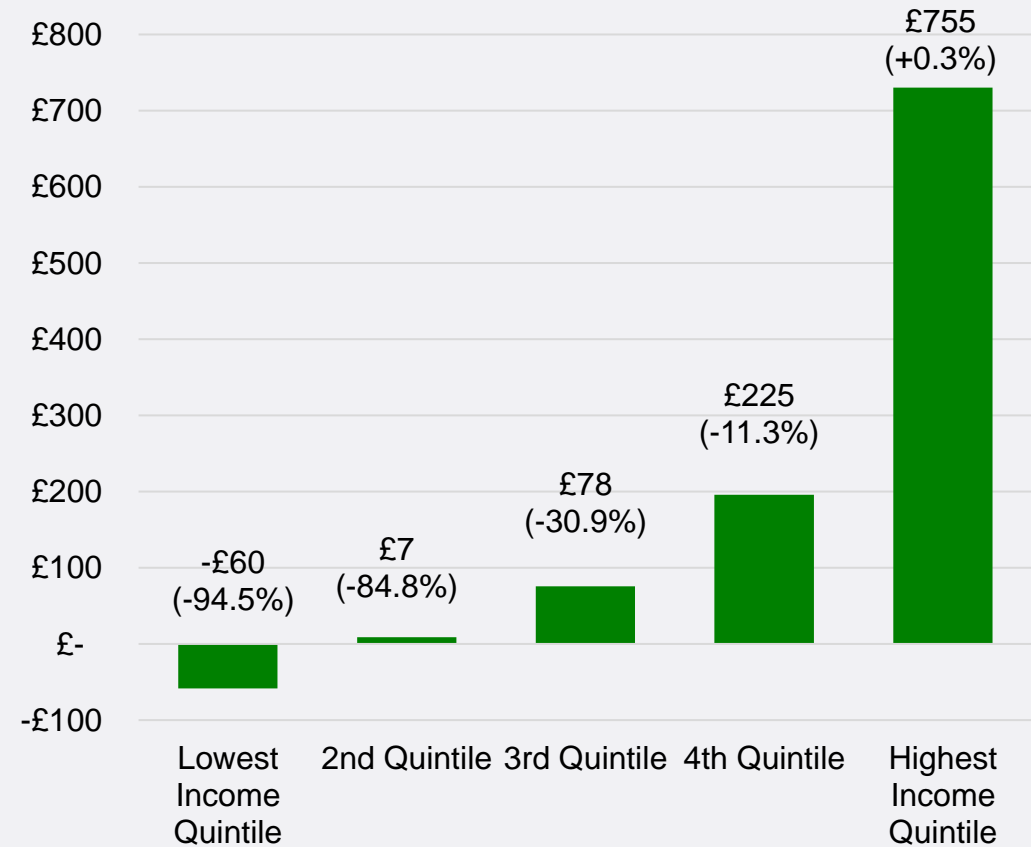


# Highest earners saw return to discretionary income growth in August

Bottom 80% of households witnessing falling spending power, however

- Despite the reasonably strong wage growth being seen at present, most household quintiles saw annual falls in discretionary income in August.
- Only the highest income quintile saw discretionary income growth, amounting to an uptick of 0.3%. This put an end to four consecutive months in which all quintiles had witnessed annual contractions.
- The poorest households are taking the largest proportional hit. Households in the first quintile saw their discretionary incomes fall by 94.5% in August. Though a stark annual fall, this is of smaller magnitude than those witnessed in recent months, having witnessed contractions in excess of 100% in each month from April to July.
- Meanwhile, households in the second quintile saw discretionary income of £7 per week in August, a fall of 84.8% on the year. These households have seen their discretionary incomes verge on negative territory as a result of the ongoing cost-of-living crisis. However, two consecutive months of improvement have been seen since a near-term low of just £5 per week in June.

**Average weekly discretionary income by household income group, August 2022, YoY growth in brackets**



# 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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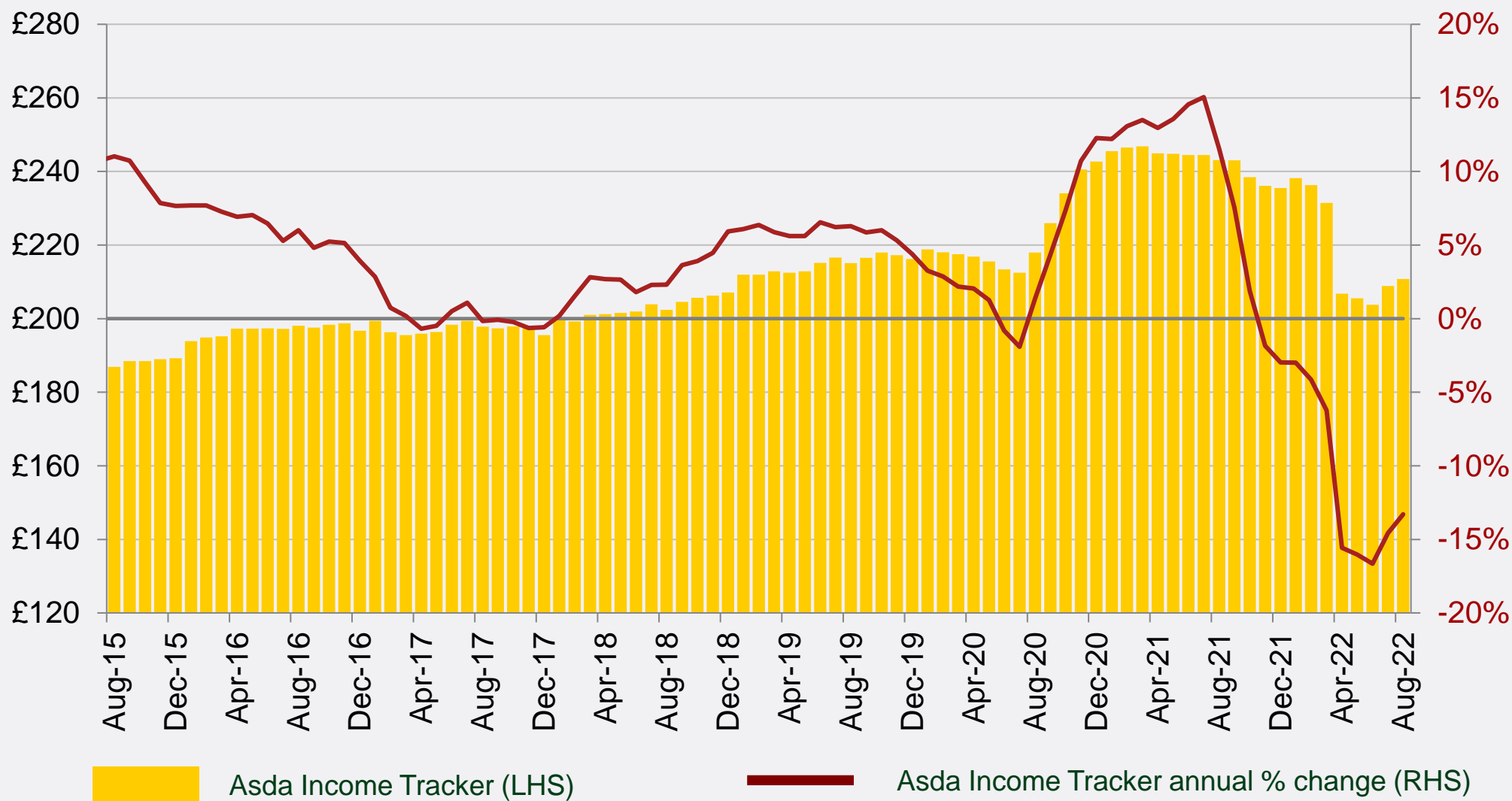
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# Appendix

# 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 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	£206
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	£209
August 2018	£202	August 2019	£215	August 2020	£219	August 2021	£243	August 2022	£211
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		
<b>2018 Average</b>	<b>£203</b>	<b>2019 Average</b>	<b>£215</b>	<b>2020 Average</b>	<b>£223</b>	<b>2021 Average</b>	<b>£243</b>	<b>2022 Average</b>	

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, September 2022**