

ASDA

Asda Income Tracker

Report: March 2023



Making Business Sense

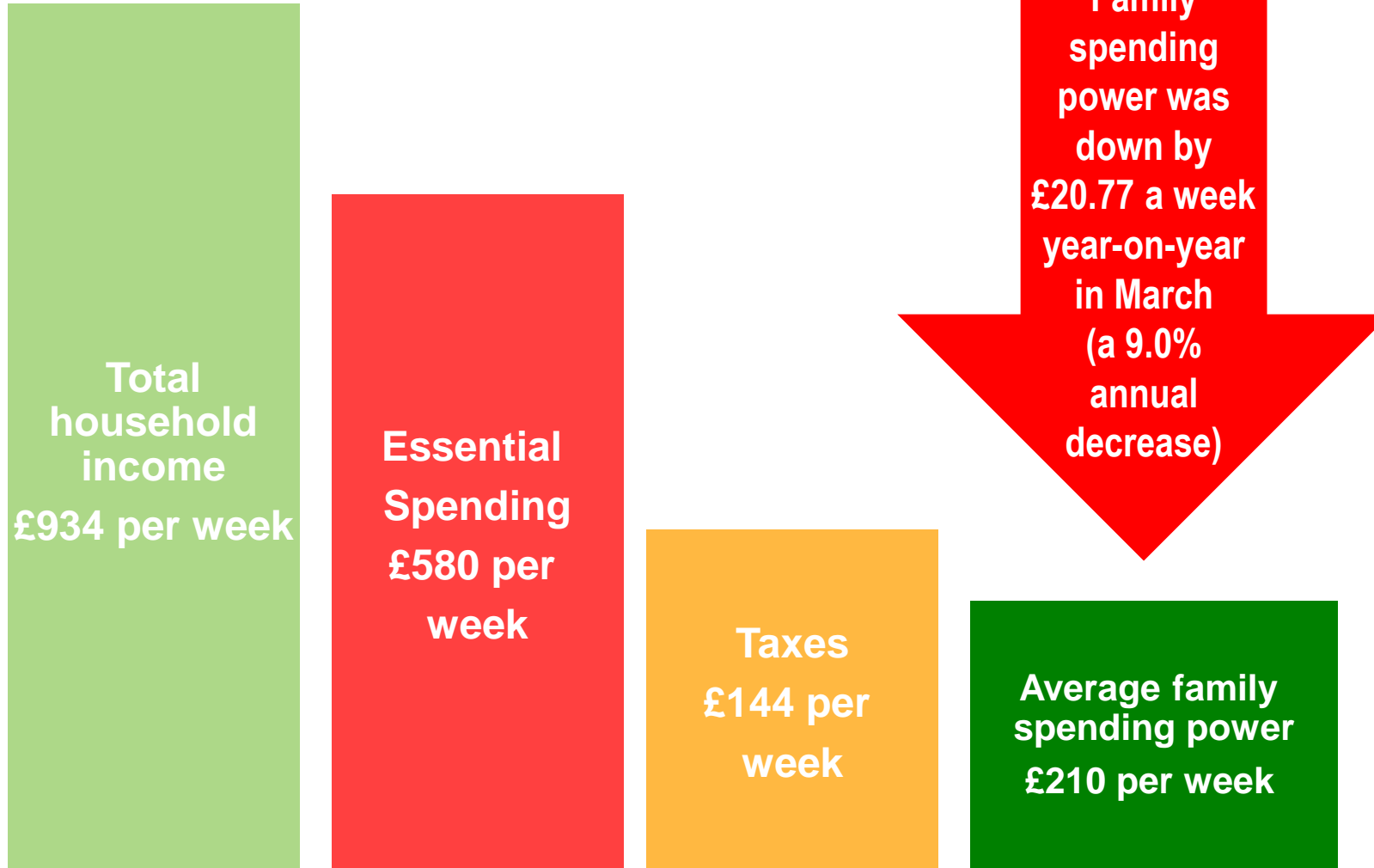
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Asda Income Tracker - Key Figures

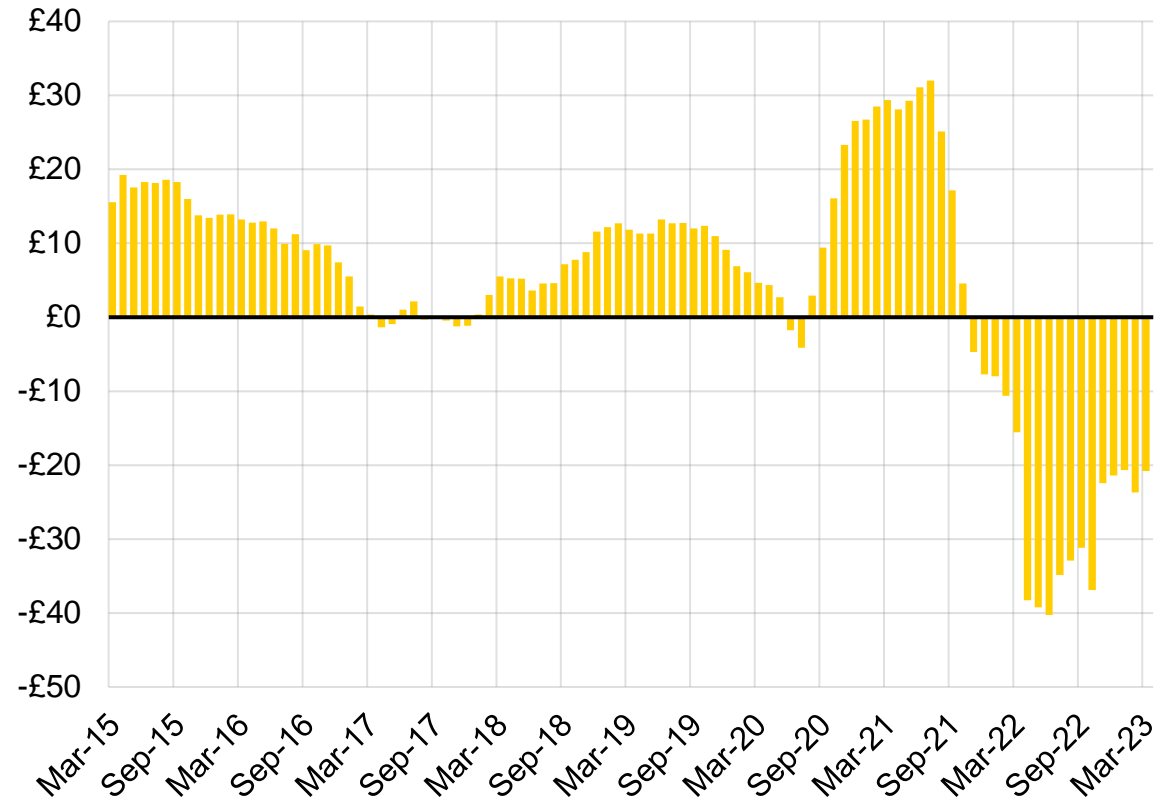


Income Tracker down on the month as increases in cost of essentials outweigh earnings growth

The Asda Income Tracker was £20.77 a week lower in March 2023 than a year before

- The Asda Income Tracker saw an annual fall of 9.0% in March, representing a seventeenth consecutive month of annual contractions. The magnitude of March's fall was slightly smaller than that of February, however, when discretionary incomes were down by 10.0% on the year. It was also smaller than many of the falls witnessed in 2022.
- The Income Tracker stood at £210 per week in March, down slightly on February's reading of £212. The monthly fall was driven by continued increases in the cost of essentials, which are outstripping improvements in earnings.
- The collective price of the basket of goods monitored by the Income Tracker rose by 13.3% in the year to March, exceeding the headline rate of inflation by 3.2 percentage points.
- Future Income Tracker readings will be supported by policy changes that have come into place since April to boost household incomes. These include the return of the triple lock pension, the uprating to social security benefits, and the increase to the National Living Wage.

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

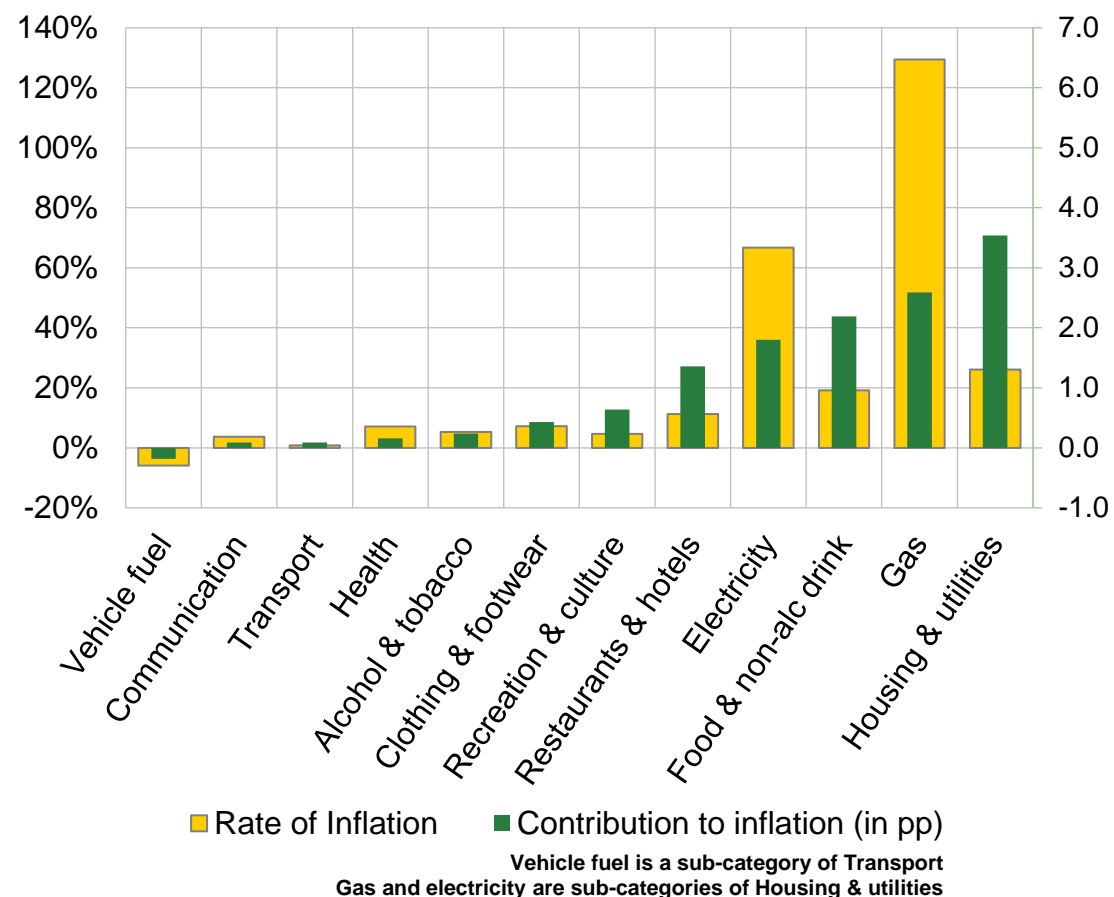


Inflation remains in double digit territory despite slowdown in March

The main factors affecting family costs in March were:

- Annual inflation, as measured by the Consumer Prices Index (CPI), slowed to 10.1% in March. This was down on February's rate of 10.4%.
- Inflation remains historically elevated, being more than five times the target rate. Price growth has stood in double digit territory for seven consecutive months.
- Transport was the main contributor to the slowdown in inflation in March. Price growth in this category has now decelerated for nine consecutive months, reaching just 0.8% in March. This trend has been driven by falling motor fuel prices.
- Inflation remains stubborn in other consumption categories. In the case of food and non-alcoholic beverages, inflation accelerated once more in March, reaching 19.2%, a high of more than 45 years.
- Core inflation remained stagnant on the month, at 6.2% in March. This is only slightly down on the record high of 6.5% recorded in September and October last year.
- Cebr expects inflation to decelerate gradually over the course of 2023, though remain in excess of 4.0% by year end.

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

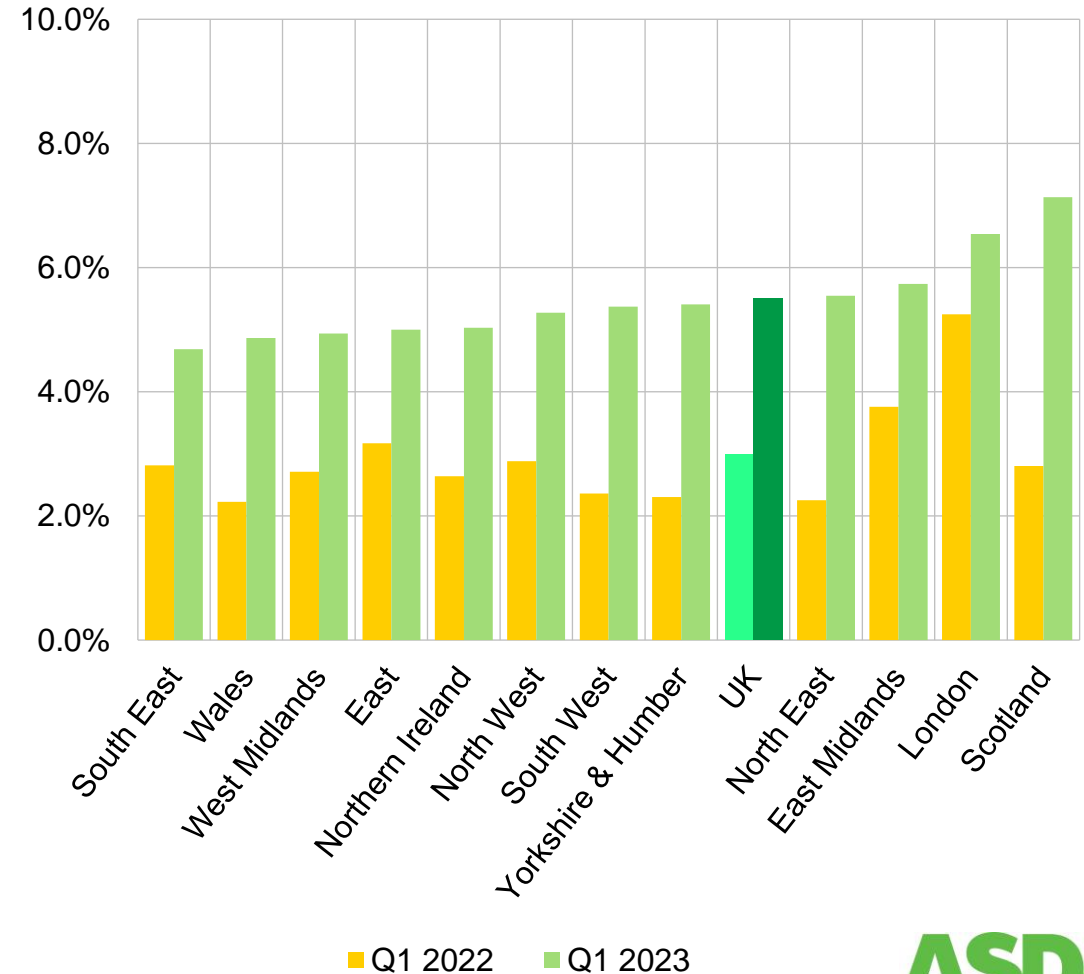


Aggregate gross income growth accelerates to fastest rate since Q3 2021

UK-wide annual gross income growth stood at 5.5% in Q1 2023

- The UK-wide gross income growth accelerated in Q1, reaching 5.5%. This marked a third consecutive quarter of acceleration. Gross income growth was last stronger in Q3 2021.
- The quarterly acceleration in gross income growth was seen for most regions, with London and the South East being exceptions.
- All regions saw faster gross income growth in Q1 2023 compared to the same quarter of 2022. The change was largest in Scotland, where gross incomes grew by 7.1% in the year to Q1 2023, compared to just 2.8% growth in the year to Q1 2022.
- Scotland was also the region with the fastest gross income growth in Q1 2023. At the other end of the scale, incomes picked up by a more moderate 4.7% in the South East.
- Gross income growth has been supported by the ongoing environment of elevated inflation. This has encouraged workers to bargain for stronger wage rises, in an attempt to limit the adverse effect of inflation on their living standards. The continually tight labour market has also supported workers in this regard.

Regional gross income, annual change to quarter indicated

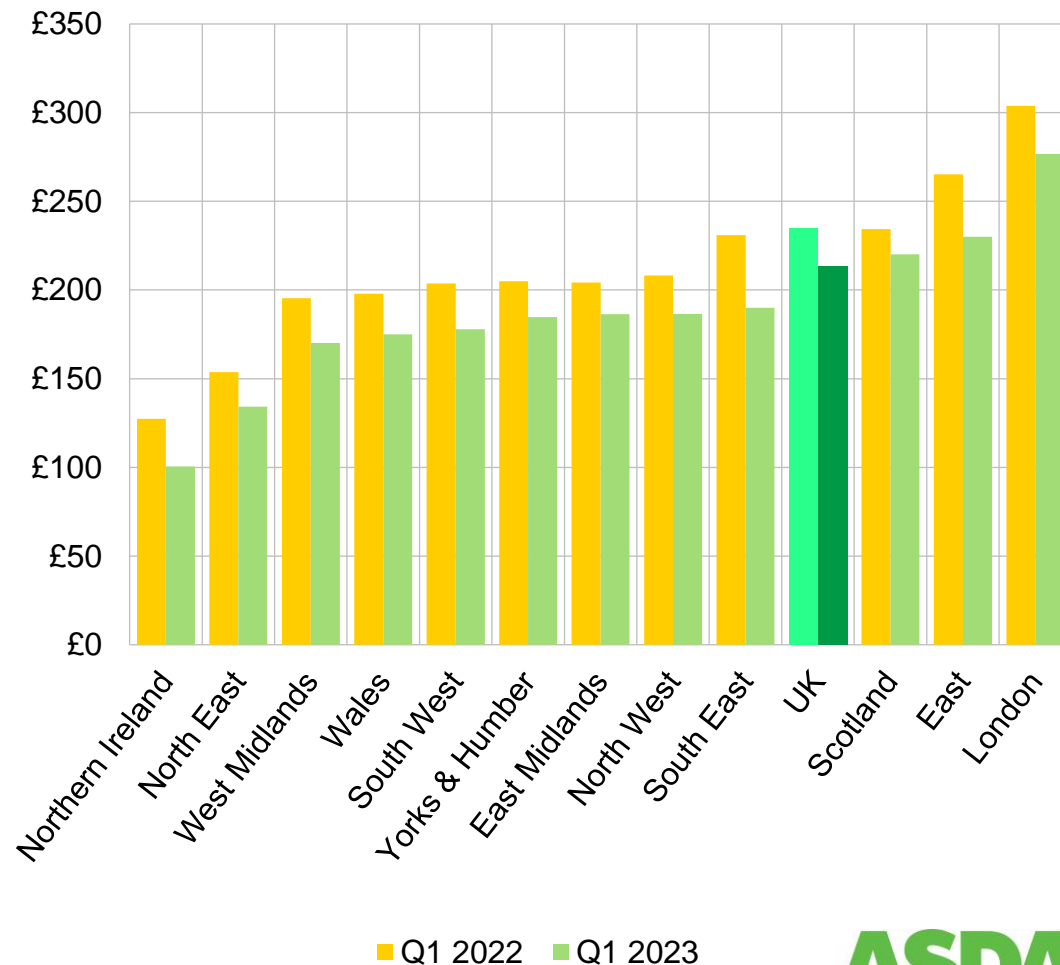


Households in the South East witness the largest absolute falls in discretionary income compared to Q1 of last year

UK-wide weekly family spending power averaged £213 in Q1 2023

- The Asda Income Tracker averaged £213 per week across Q1. This was up on the previous quarter's average of £210, but firmly down on the same period of 2022, when the average household had £235 per week in discretionary income.
- The annual comparison highlights the impact of the cost-of-living crisis. The shortfall in household disposable income is even more stark when considering a longer-term comparison. For instance, relative to Q1 2021, when discretionary incomes hit their peak, the average household is now £33 worse off per week.
- In absolute terms, the year-on-year decline has been largest in the South East, where the average household saw spending power £41 weaker than in Q1 2022. Scotland is showing the most resilience, though the average household there still experienced an annual decline of £14 per week.
- Looking at the comparison between Q1 2021 and the most recent quarter, the largest fall in spending power was once again seen amongst households in the South East, where weekly discretionary income was down by £58. London households are showing the most resilience on this comparison, with weekly spending power being down by £21.

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

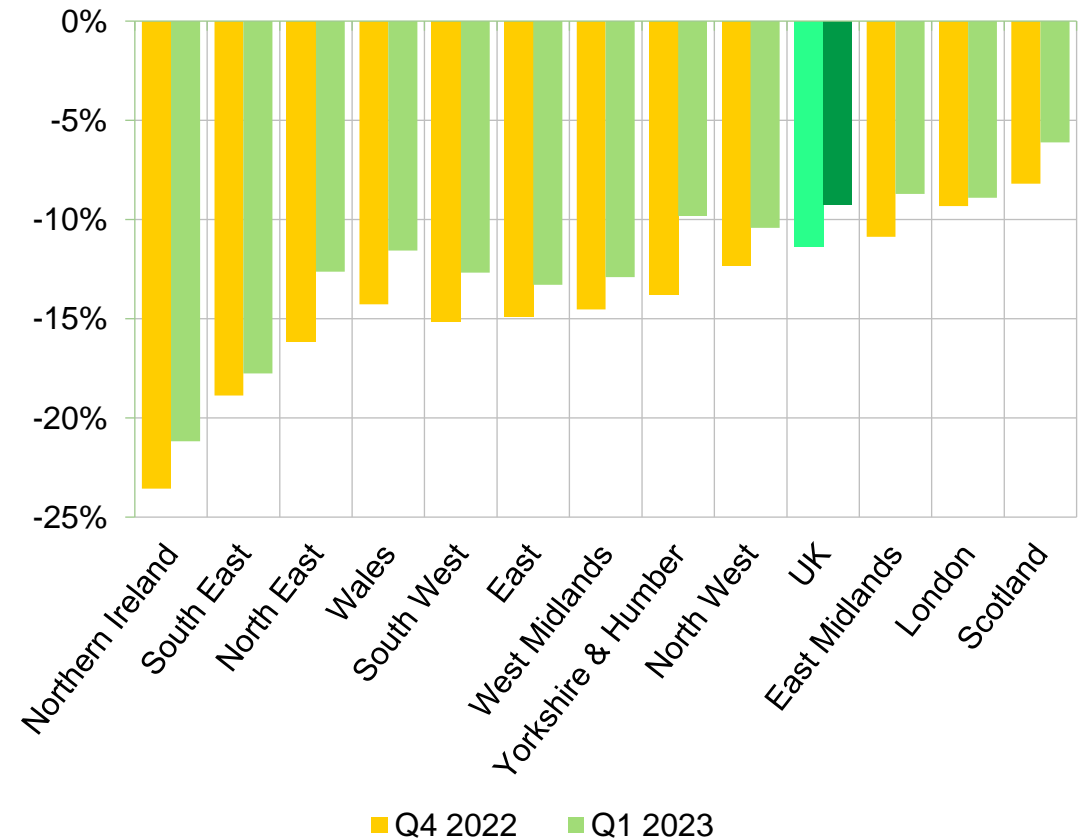


Unanimous decline in discretionary income has now been witnessed for an entire year

UK-wide Income Tracker exhibited a contraction of 9.2% in Q1 2023

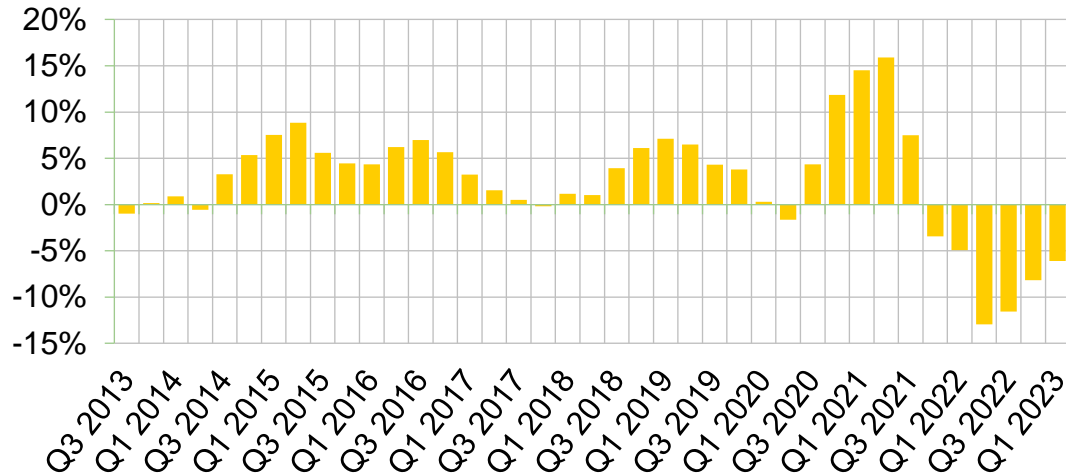
- The Asda Income Tracker declined by 9.2% in Q1 2023. Though this is the sixth consecutive quarter to exhibit an annual contraction, the scale of these falls has narrowed since Q2 2022.
- Despite the strong gross income growth at present, discretionary incomes are falling unanimously. This reflects the fact that prices are rising at a faster rate than post-tax incomes. Unanimous discretionary income falls have been witnessed across regions for an entire year now.
- Northern Ireland was the weakest performer in terms of the annual change in discretionary incomes. This has now been the case for seven consecutive quarters. The scale of the discretionary income fall was smaller in magnitude than those seen for much of 2022, however, amounting to a 21.2% annual drop.
- Scotland is displaying the most resilience at present, being supported by strong gross income growth. Even so, the average Scottish household still saw discretionary incomes 6.1% weaker than was the case in Q1 2022.

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

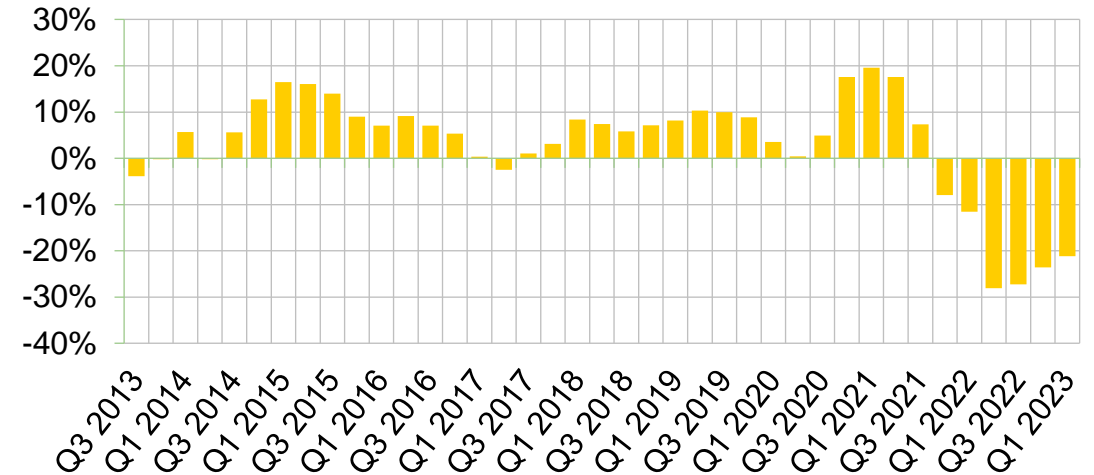


Focus on Scotland and Northern Ireland

Annual % change in discretionary incomes, Scotland



Annual % change in discretionary incomes, Northern Ireland

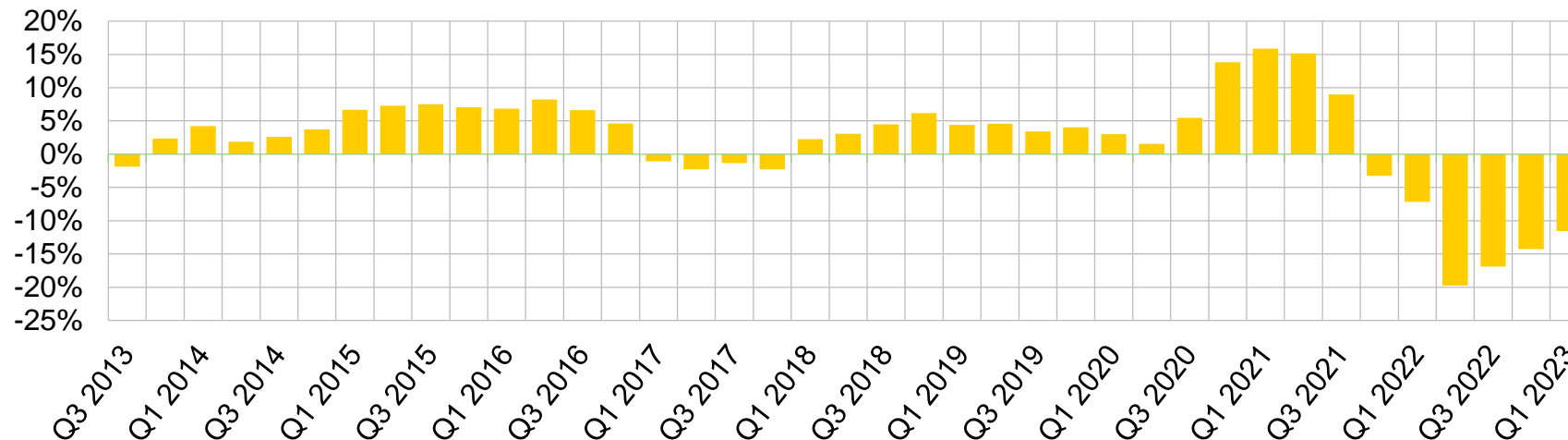


- The Income Tracker shows that weekly discretionary income in Scotland was down by £14 on the year in Q1 2023. This is equivalent to an annual shortfall of £61 across the month.
- In percentage terms, the Income Tracker for Scotland witnessed an annual contraction of 6.1% in Q4. The scale of the fall has narrowed in each quarter since the record drop of 12.9% in Q2 2022.
- In both absolute and percentage terms, Scotland was the most resilient region in Q1. The UK-wide average fall was £22 in monetary terms or 9.2% in percentage terms.
- Scotland's performance has been supported by robust annual gross income growth, which exceeded that of all other regions in Q1.

- The Income Tracker in Northern Ireland fell by £27 per week in Q1, relative to the same quarter of 2022. This is equivalent to a shortfall of £116 across the month.
- In percentage terms, discretionary incomes in Northern Ireland were down by 21.2% in Q1. Though this was the largest fall of any region, it was smaller in magnitude than the drops witnessed in Q2, Q3, and Q4 of 2023.
- Discretionary income in Northern Ireland has shown a mild improvement on a quarterly basis, exceeding £100 per week for the first time since Q1 2022.
- Northern Ireland's strong annual decline in spending power is being driven by weaker gross income growth, being amongst the worst performing regions on this metric in Q1.

Focus on Wales

Annual % change in discretionary incomes, Wales

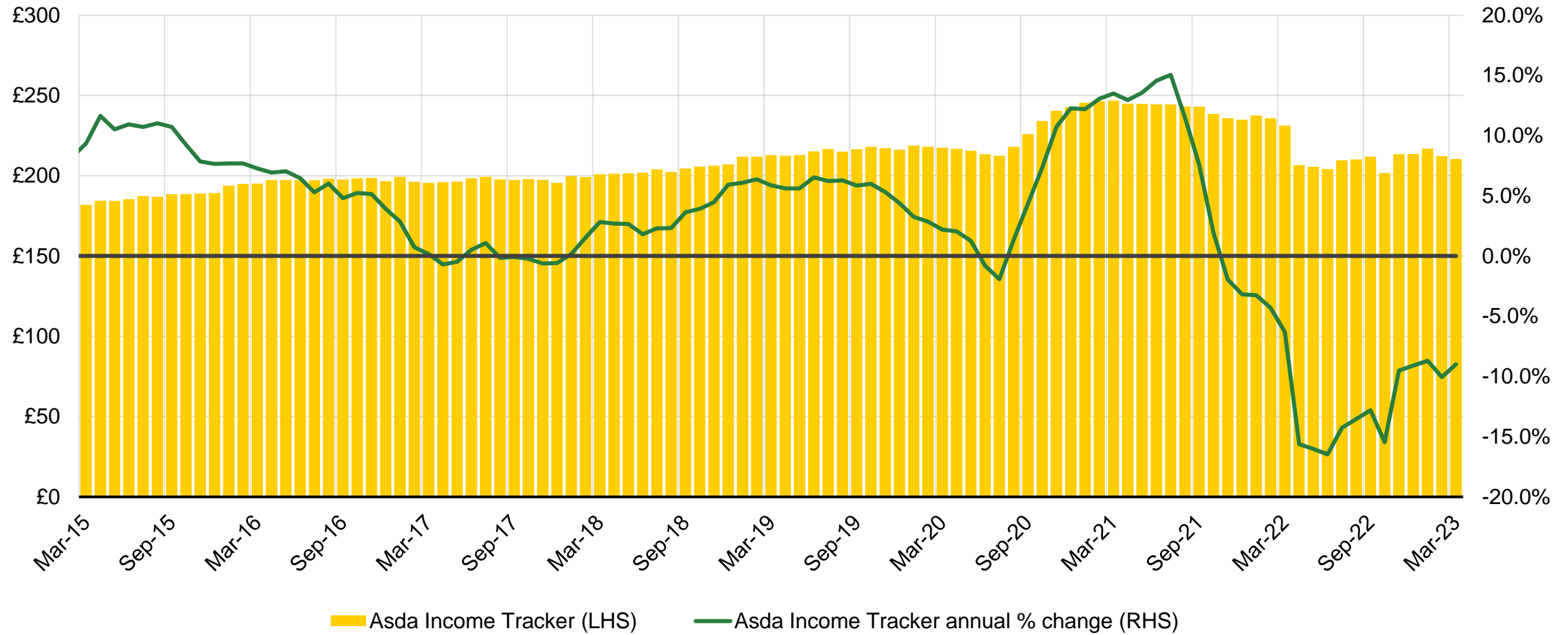


- The Income Tracker in Wales was down by £23 per week year-on-year in Q1. This is equivalent to a shortfall of £111 across the month.
- In percentage terms, discretionary incomes in Wales were down by 11.6% year-on-year in Q1.
- Wales' discretionary income performance in Q1 was worse than the UK-wide average. Weak gross income growth remains a key factor behind this, with only the South East recording slower annual improvement in income than Wales.
- The average household in Wales had discretionary income of £175 in Q1. Though this is up on the values recorded across much of 2022, Welsh households are facing a significant shortfall compared to the period before the cost-of-living crisis. For instance, in Q1 2021, the average household in Wales had weekly discretionary income of £213.

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		
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	£213

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, April 2023

