Macro & Market News

Week 27 2021 – Week ending 09/07/2021

Macro/Economic News

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From NPD Foodservice UK

Macro / Economic News (1)

Week 27 2021 – Week ending 9/7/2021

- **Boris Johnson hailed the "huge wall of immunity" provided by the Covid-19 vaccination programme as he announced his intention to lift all remaining restrictions in two weeks** (*The Times*, July 06, 2021). The prime minister set out plans to scrap social distancing rules, make masks voluntary, lift the work from home order and end limits on visits to care homes. The summer holidays were a "firebreak" against the virus, he said, adding that there would be a change in England on July 19 from "universal government diktat to relying on people's personal responsibility".
- **The chancellor will need to find at least £10 billion more a year to meet the lingering costs of the pandemic,** the government's spending watchdog has warned. Clearing hospital backlogs, maintaining Test and Trace and a vaccination programme, catch-up funding for schools and making up lost rail fare income will add "around £10 billion a year on average in the next three years", the Office for Budget Responsibility said. The shortfall is equivalent to adding 2p to income tax.
- **The services sector expanded at a near record pace last month** but businesses were hit with mounting costs that added to the inflationary pressure already building in the economy, a closely watched survey suggests. The IHS Markit/CIPS purchasing managers' index for the sector came in at 62.4, down slightly from 62.9 in May but well above the 50 mark that signals growth. The reading also exceeded an earlier flash reading of 61.7. New orders, employment and business confidence continued to grow at a robust pace as businesses benefited from a surge in demand that was released as lockdown restrictions were eased. Companies are struggling to meet the extra demand, however, and are battling staff shortages, rising raw material costs and higher transportation fees.
- **The number of workers on furlough is at the lowest level** since the scheme began, according to the Office for National Statistics. Five per cent of the workforce, or 1.3 million people, were on the support in the second half of last month. This was down from 6 per cent at the start of the month and considerably smaller than last summer's peak of 33 per cent. Use of the scheme has fallen dramatically since the economy started to reopen after the third lockdown this year. Businesses have started to expand hiring again to cope with a surge in demand, including in hard-hit sectors such as hospitality, meaning the end of the scheme will not unleash a feared wave of job losses.
- **Fully vaccinated people and children will not have to quarantine** if they come into contact with an infected person from August 16. The health secretary said that vaccines allowed a "risk-based approach" to scrapping isolation rules. He is facing calls from hospitality businesses to change the rules sooner. They fear a summer ruined by disruption as cases head towards 100,000 a day, but he said that he was "more comfortable" waiting until almost all adults have had an opportunity for a second dose.

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- **Footfall across high streets in the UK** may never reach pre-pandemic levels, ministers have warned. Minister for regional growth and local government, Luke Hall, said Covid-19 had been the "largest, most synchronised shot to the economy, our social lives and the high street in living memory" and a full recovery could be impossible. The BRC-LDC Vacancy Monitor found that more than one in seven shops were vacant across UK high streets by April.
- **The pandemic cost 22 million jobs in advanced economies** last year and labour markets have recovered so far only half those losses. Younger workers and the low-skilled have borne the brunt of lockdowns in the developed world and the jobs market will take until the end of next year to return to pre-pandemic levels, according to the OECD. Although western economies are enjoying robust recoveries, there was a lag between economic growth and job creation. In the UK, the employment rate is expected to return to pre-pandemic levels by the end of 2023, but not before joblessness rises as the furlough scheme closes at the end of September.
- **Britain's productivity improved in the first twelve months of the pandemic** as lockdowns forced labour-intensive industries to close and higher-value jobs to be shifted online. Official figures showed that output per hour, a key measure of productivity, grew 0.9 per cent in the year to March and is now 0.5 per cent higher than at the end of 2019, the Office for National Statistics said. It was the fastest annual growth in productivity since the second quarter of 2018, excluding one Covid-19 related anomaly. The figures offer some hope that the pandemic has not permanently damaged the UK's underlying economic potential. Productivity growth is key to raising living standards, as only by producing more with the same resource can wages increase faster than prices.
- **Airlines reported a five-fold rise in bookings** for foreign travel after the government approved quarantine-free holidays in amber countries from July 19. Demand for seats soared after confirmation that fully vaccinated adults can travel to 140 destinations on the amber list without isolating on their return to England. Holidaymakers have been told to expect long queues when checking in for their flight home.
- **Markets hit amid rising fears over recovery**: London shares were caught up in a global market sell-off amid worries that the post-pandemic economic recovery is starting to fizzle out. The spread of the Delta Covid variant has reined in investors' reopening optimism, which reached its peak over spring when the vaccination rollout was in full swing. The FTSE 100, home to London's biggest listed companies, closed down 120.36 points, or 1.7 per cent, at 7,030.66, its biggest daily fall since June 18. The FTSE 250, which is more UK-biased, endured its worst day in two months as it dived 317.52 points, or 1.4 per cent, to 22,652.72.

Market News

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- **Freedom Day: Last orders for social distancing gives pubs and restaurants a £400m boost** Almost £400 million was added to the value of the sector in the run-up to the prime minister's confirmation that most remaining lockdown measures in England will end. These include the mandatory wearing of masks, while pubgoers will be allowed to order at the bar again, although the biggest plus for hospitality will be the removal of the one-metre-plus rule. The UK-biased FTSE 250 closed at its highest level on record, surpassing its previous best which it hit at the beginning of last month. One of the biggest risers was JD Wetherspoon, whose shares jumped by 39p, or 3.2 per cent, to £12.73. Also up was Mitchells & Butlers, which operates the Harvester, Miller & Carter and All Bar One brands. Its share price rose by 10p, or 3.5 per cent, to 300p, representing an increase of 75 per cent over the past 12 months.
- **The explosion of growth in online food shopping during the pandemic has led to Ocado** striking a new technology deal with Spain's Auchan while losses have narrowed. The online grocer turned technology group reported that its retail arm, which is a joint venture with Marks & Spencer, had grown sales by 19.8 per cent to £1.4 billion during the 25 weeks to May 30. While this is a slowdown on the 40 per cent sales growth it had experienced for most of last year, Ocado's chief executive said that the shift to online shopping was permanent and basket sizes were still bigger than before the pandemic. Ocado's basket sizes have shrunk a little to around £138 as restaurants, pubs and cafés have reopened meaning people are not eating all their meals at home.
- **The proposed £6.3 billion takeover of Morrisons** faces opposition in the City after leading shareholders raised concerns about the private equity-led deal amid expectations of a bidding war. Legal & General Investment Management has called on Morrisons to give investors more information about its vast property estate. The supermarket chain's 85 per cent freehold ownership of its properties is thought to be a key to its appeal to the three private equity firms that are circling it.
- **Pret A Manger's Christmas sandwich** has returned this July for a limited time, aiming to "bring some festive cheer" to customers. The chain will donate 50p for every Christmas sandwich sold to The Pret Foundation. Available in Pret shops nationwide from 6 July until the first week of August and via Deliveroo, Uber Eats and Just Eat, the chain is celebrating the launch with a new video featuring Slade lead singer Noddy Holder heralding the return of the sandwich.
- **Greggs has started rolling out its new Vegan Ham and Cheeze Baguette** across the UK after an earlier trial. The baguette contains Quorn ham and Violife cheese and is priced at £2.95 cold and £3.20 if heated. Greggs' first vegan sausage roll was cited by the bakery giant for its significant contributions to its profits in 2019.

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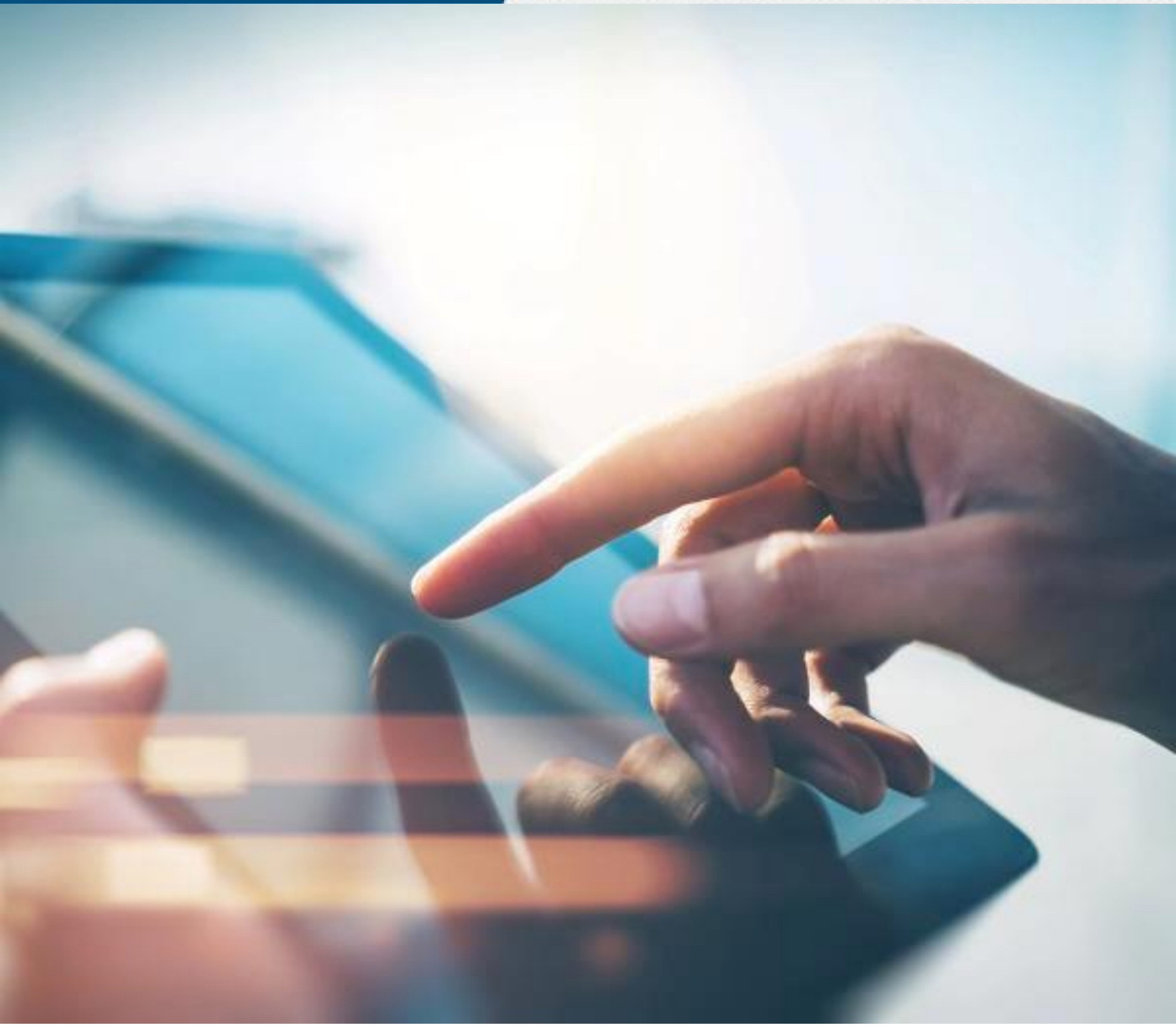
- **JD Wetherspoon:** the group revealed that two-year like-for-like sales from 17 May to 4 July were down 14.6%. While the decline up until June 10, before the tournament Euro 2020 started, was 8.1 per cent, since the tournament the decline has accelerated to 20.8 per cent. As of this week, 850 Wetherspoon pubs were open out of a total of 860. Meanwhile employees have threatened to print thousands of beer mats demanding extra bank holiday pay. As many as 4,000 Wetherspoon workers have joined a campaign for additional pay for working on bank holidays, with one declaring: "The company makes a lot more profit on bank holidays, and the staff work harder for zero recognition." The campaign is being spearheaded by Organise.
- **Sainsbury's** has brushed off speculation that the supermarket will be the next target for buyout firms as the head has boosted profit expectations and highlighted the grocer's recent share price improvement. Sainsbury's recorded a 1.6 per cent like-for-like sales rise during the 16 weeks to June 26, beating expectations. As a result, the supermarket group said that it was boosting profit guidance to £660 million, up from its earlier forecast in April of £620 million and significantly better than the £586 million recorded last year.
- **Deliveroo has announced plans** to hire 400 new 'high-skilled' tech workers over the next year as it banks on its "best-in-class technology" to drive growth. The delivery giant is creating hundreds of new roles including software engineers, product managers, users researchers and data scientists amid a major push to ensure its logistics algorithms remain at the forefront of the industry. Deliveroo will task its new recruits with improving its rapidly expanding on-demand grocery delivery arm, expanding its signature service and growing its delivery-only 'Editions' kitchens business. Meanwhile, Deliveroo saw its gross transaction value spike 76% year-on-year to £1.74bn for Q2 FY21. The group's UK and Ireland operations were the largest contributors, with GTV growing 87% year-on-year to £921m for the three months ended 30 June 2021.
- **Carluccio's has diversified to grab-and-go,** by trialling a vending machine in a Budgens store in Abingdon, Oxfordshire. The new unit is equipped with a food-to-go cabinet and self-service coffee, not dissimilar to those operated by Costa in service stations.



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