



# Macro & Market News

Week 44 2022 – Week ending 4/11/2022



# Macro/Economic News

Week 44 2022 – Week ending 4/11/2022

# Macro / Economic News

## Week 44 2022 – Week ending 4/11/2022

- **The Bank of England has delivered its biggest interest rate rise in more than three decades** as it warned of the longest recession on record. The economic downturn, which is thought to have started this summer, will last until mid-2024, according to the central bank. It will be the longest recession since the First World War but it will not be as deep as the downturn that followed the financial crisis of 2008. Interest rates have risen by 0.75 percentage points to 3 per cent in the biggest single rate rise since 1989 as the central bank battles double-digit inflation. Officials said the looming recession would be longer than expected because of the impact of the recent sell-off of UK assets on the cost of government borrowing. Investors' forecasts for yields on government bonds, which are taken as a measure of the cost of public borrowing, have risen for the next few years.
- **House prices are set to fall by an average of 10 per cent next year** as the number of sales slumps by almost 200,000 to a level not seen since 2011, Savills has predicted. Property prices are expected to fall most in London, where 12.5 per cent will be wiped off values, and in the southeast and east of England, where they will fall by 11 per cent, the estate agency said.
- **Activity in Britain's dominant services sector contracted last month for the first time since the start of the third Covid-19 lockdown in January last year**, according to a closely watched survey. The sector, which accounts for 80 per cent of the economy from banks to retailers, tourism, hairdressers, restaurants and estate agents, warned of shrinking demand and greater risk aversion among customers because of heightened political and economic uncertainty. Companies also faced higher costs as a result of rising energy bills and wage pressures as they struggled to fill vacancies and retain staff. The S&P Global UK services purchasing managers' index (PMI) fell to 48.8 in October, below the 50 threshold for growth, where the index was in September. The reading was better than an initial "flash" reading of 47.5 but it is still the biggest contraction in business activity since January 2021.
- **Gas prices in Europe will fall by as much as 30 per cent by early next year** before rising sharply next summer, analysts at Goldman Sachs have predicted. The investment bank expects Dutch TTF gas prices to decline to €85 per megawatt-hour in the first quarter, down from present levels of about €125 for the European benchmark month-ahead contract. Prices hit more than €300 in August as Russia moved to cut pipeline flows to Germany, raising fears of supply shortages this winter. However, an influx of liquefied natural gas and low demand amid unusually warm weather have enabled European countries to fill storage facilities to about 95 per cent of capacity, easing concerns and leading to a sharp drop in prices in the past two months.
- **The governor of the Bank of England has warned that UK bond markets are still suffering** from financial stress and vanishing liquidity caused by the turmoil unleashed by the mini-budget, despite a recent fall in yields. After raising interest rates by the largest amount in more than 30 years yesterday, Andrew Bailey said that the UK was still paying a "premium" in the form of higher borrowing costs caused by the lasting impact of Kwasi Kwarteng's fiscal statement. The Bank's nine-strong rate-setting committee warned that bond markets remained "febrile".

# Macro / Economic News

## Week 44 2022 – Week ending 4/11/2022

- **It has never been more expensive to occupy an office**, according to Lambert Smith Hampton, with heating, security, cleaning and even lavatory roll much dearer than a year ago. Typically, changes in rent are the most influential factor in determining overall occupancy costs, but they are now “almost insignificant”, given the sharp rise in other outlays. The latest Total Office Cost Survey shows that the average cost of renting and maintaining an office is, on average, 13 per cent higher than it was last year. That marks the steepest annual rise since the property consultancy started its survey 25 years ago.
- **Britain’s work-from-home boom has passed its peak**, according to new data that reveals bosses are ditching remote job adverts and hauling employees back into the office. The Telegraph reports the jobs site LinkedIn said remote adverts declined for a fifth straight month in September as power shifts back to employers. Fewer than 12% of adverts were for fully remote working in September as hiring begins to cool, compared to a peak of 16% in January.
- **Two of the biggest landlords in London’s West End have said that visitor numbers and leasing are continuing to improve** in the theatre district. Capital & Counties, which owns Covent Garden, and Shaftesbury, its neighbour, enjoyed a “strong” summer of trading. Between April and September, Shaftesbury signed £15.8 million of new commercial lettings and £6.2 million of residential lettings, while Capco agreed £3 million of new leases between July and October at rents 6.2 per cent above what bosses had expected. Now that travel restrictions have been eased, tourists are returning.
- **More than a third of sector businesses (35%) are reducing their opening hours** to mitigate the impacts of the economic crisis, according to new research by hospitality specialist Haysmacintyre. Its October 2022 Hospitality Snapshot Survey also showed 37% are reducing the services offered, including menu variety, while 23% are making greater use of technology, such as mobile payments or ordering systems as they look to alleviate cost and labour pressures. More than four fifths (81%) have introduced price increases. Two in five businesses (40%) reported energy costs as their most significant challenge for the next six months, whereas 28% identified staff recruitment as their greatest hurdle to overcome.
- **Beef and pork prices are still climbing but the cost of British lamb has begun to ease**, analysis by catering butcher Birtwistles has shown. Cattle prices trended upwards in October with the average price for all prime cattle averaged 436.9p/kg, an increase of 3.1p compared with the previous four-week period. Prices remain at historical highs, sitting 27.1p above the prices recorded this time last year. Beef production is expected to decline by 0.6% for the remainder of 2022.
- **Almost all home workers (98%) have said they would be interested in “work from the pub packages”**, including unlimited hot drinks and a light bite, according to research from Heineken-owned Star Pubs & Bars. More than half of those surveyed (55%) said they would be open to working from a pub, irrespective of packages, and of these, 45% would consider doing so as frequently as once a week, and 65% at least a few times a month.



# Market News

Week 44 2022 – Week ending 4/11/2022

# Market News (1)

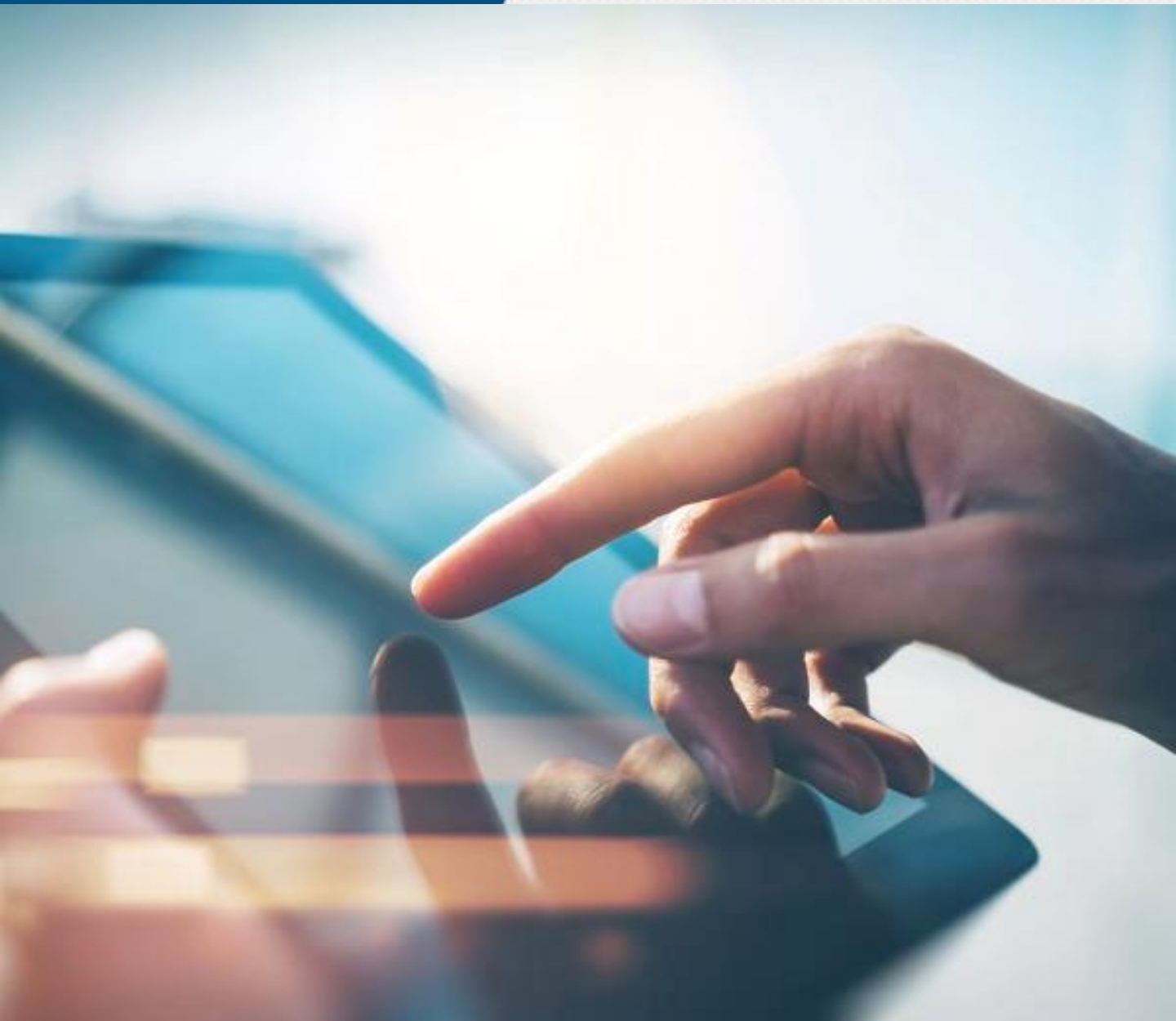
## Week 44 2022 – Week ending 4/11/2022

- J Sainsbury's has said that it is well placed for the crucial festive trading period** despite reporting a slide in first-half profits as Britain's inflation-fuelled cost of living crisis mounts. Underlying pre-tax profits in the 28 weeks to September 17 were down 8 per cent at £340 million from £371 million a year earlier, the company said. They fell despite a 4.4 per cent year-on-year increase in sales to £16.4 billion during the period.
- Food inflation hits high of 11.6% as shop prices jump:** Shop prices are rising faster than ever, which is likely to deepen concern among households struggling with the worst cost of living crisis for decades. Average shop prices in October were 6.6 per cent higher than in the same month a year ago, the latest data from the British Retail Consortium shows, surpassing the record of 5.7 per cent set in September. Compared with October 2021, food prices in shops were, on average, 11.6 per cent higher last month. That represented an increase on the 10.6 per cent annual rate of food inflation in September. Fresh food prices are climbing particularly fast. In September, prices of fresh food had increased by, on average, 12.1 per cent compared with the same month last year. Ambient foods are also rising in price more quickly than ever before. Over the past year, prices of such products have risen by 9.4 per cent, compared with 12.1 per cent in September.
- Hospitality sales were down in October for the second consecutive month,** according to data from S4labour, the people, productivity and payroll system. Compared with the same period in 2021, sales were down 7.1% after a 6.9% fall in September, despite a better trading week over half term of minus 1.5%. Weak food sales were the biggest contributor to this total, falling 9.0%. London fared better, with a decline of only 0.9%, albeit up against weak trading in 2021.
- KFC UK system sales down 7% as they fall for second successive quarter: Yum!** Brands has reported KFC system sales in the UK fell 7% for the third quarter ended 30 September 2022 compared with the previous year – the second quarter in a row there has been a decline. In the year to date, KFC UK system sales are down 3%. The UK, which accounts for 8% of KFC's system sales worldwide, was the only market to see a fall in sales. Meanwhile, Pizza Hut system sales in Europe, including the UK, were down 3% – the continent accounting for 8% of Pizza Hut's system sales globally.
- Frankie & Benny's, owned by The Restaurant Group, has launched a series of new menu additions,** alongside a limited time only 30% discount. The new dishes include creamy chicken and nduja pasta, black 'n' blue burger, chicken and halloumi burger, lemon pepper salmon and a Mediterranean grain salad, plus a collaboration with vegan burger brand Biff's for the Smashed Biff's Wing Stacker Burger.
- Starbucks yesterday reported Q4 and full year 2022 numbers** to 2 October saying that Q4 revenues rose by 3% with same store sales up 7%. There was an 8% increase in 'average ticket' suggesting that the stores saw a small volume decline.

# Market News (2)

Week 44 2022 – Week ending 4/11/2022

- **One in three nightclubs are set to shut** by the end of 2022 as the rate of closure accelerates, according to new research. Figures by CGA Vanilla show there were 1,446 UK nightclubs in December 2019. That fell to 1,191 in December 2021 and was at 1,068 in September this year.
- **Consumers want more guidance and information** from hospitality brands to make more environmentally friendly menu choices, according to new research by Foodprint. The survey, which gauged the attitudes of 2,000 respondents, assessed consumer attitudes and views relating to eating and drinking out and found that British consumers actively want to make more sustainable choices and want more transparency from restaurants, pubs and bars on its menus to demonstrate this.
- **Wellington Pub Co, the UK's largest free-of-tie pub estate with more than 700 tenanted sites, saw revenue climb 40%** in the year to 31 March 2022, as it returned to pre-pandemic levels. It posted turnover of £27.776m in the year to 31 March 2022 (2021: £19.775m), with operating profit for the year of £50.8m (2021: £13.1m), including revaluation gains of £30m (2021: £2.1m). Pre-tax profit for the year stood at £45m (2021: £4m).
- **Wm Morrison Supermarkets has said that it will close 132 lossmaking McColl's** convenience stores that it bought this year, putting about 1,300 jobs at risk. The chain was rescued from insolvency in May by Morrisons, which beat the owners of Asda — the Issa brothers and TDR Capital, the private equity firm — to seal the deal. Morrisons agreed to pay the convenience stores' lenders, which were owed about £160 million, upfront.
- **Better burger brand Five Guys has launched a partnership with Just Eat** as it expands its delivery channel. Following a rapid rollout, 137 restaurants across the country are now live on the Just Eat platform, with free delivery on orders more than £20. The partnership comes amidst a period of rapid growth for Just Eat. The food delivery app works with more than 68,000 partners across the UK and Ireland.
- **The workforce management platform Fourth has reported that 'more staff are leaving jobs in hospitality now** than at any time since the start of the pandemic.' It says that '8.3% of the workforce left the sector between August and September. That's the highest percentage of leavers since 15.6% of people left their roles in March 2020...' Fourth says 'the rate is being driven by employees leaving jobs in pubs (10.8%) and restaurants (9.8%), with quick serve restaurants (8.1%) and hotels (6.5%) seeing a slightly slower rate of departure.' Nonetheless, more people are employed in the industry than was the case a year ago.
- **Pret A Manger launched its Christmas menu for 2022**, including several brand-new items. Among the new additions are a festive falafel and squash, beet wellington baguette, Christmas brunch rye roll, hot roast macaroni cheese, creamy mushroom macaroni cheese, Boxing Day toastie and chocolate orange mini loaf. Also returning are past favourites like the Christmas lunch sandwich, brie and cranberry baguette and pigs in blanket hot roll.
- **Caffè Nero has launched its brand-new Christmas range** featuring the Vegan Festive Feast, Cinnamon Swirl Latte and Chocolate Hazelnut Chouxnut among others.



### About The NPD Group, Inc.

NPD offers data, industry expertise, and prescriptive analytics to help our clients grow their businesses in a changing world. Over 2,000 companies worldwide rely on us to help them measure, predict, and improve performance across all channels, including brick-and-mortar and e-commerce. We have offices in 27 cities worldwide, with operations spanning the Americas, Europe, and APAC. Practice areas include apparel, appliances, automotive, beauty, books, B2B technology, consumer technology, e-commerce, fashion accessories, food consumption, foodservice, footwear, home, juvenile products, media entertainment, mobile, office supplies, retail, sports, toys, video games, and watches.

For more information, visit [npd.com](https://www.npd.com).

**For more details on NPD's Foodservice service in the UK contact:**

Seton Leung  
seton.leung@npd.com  
Head of UK Foodservice