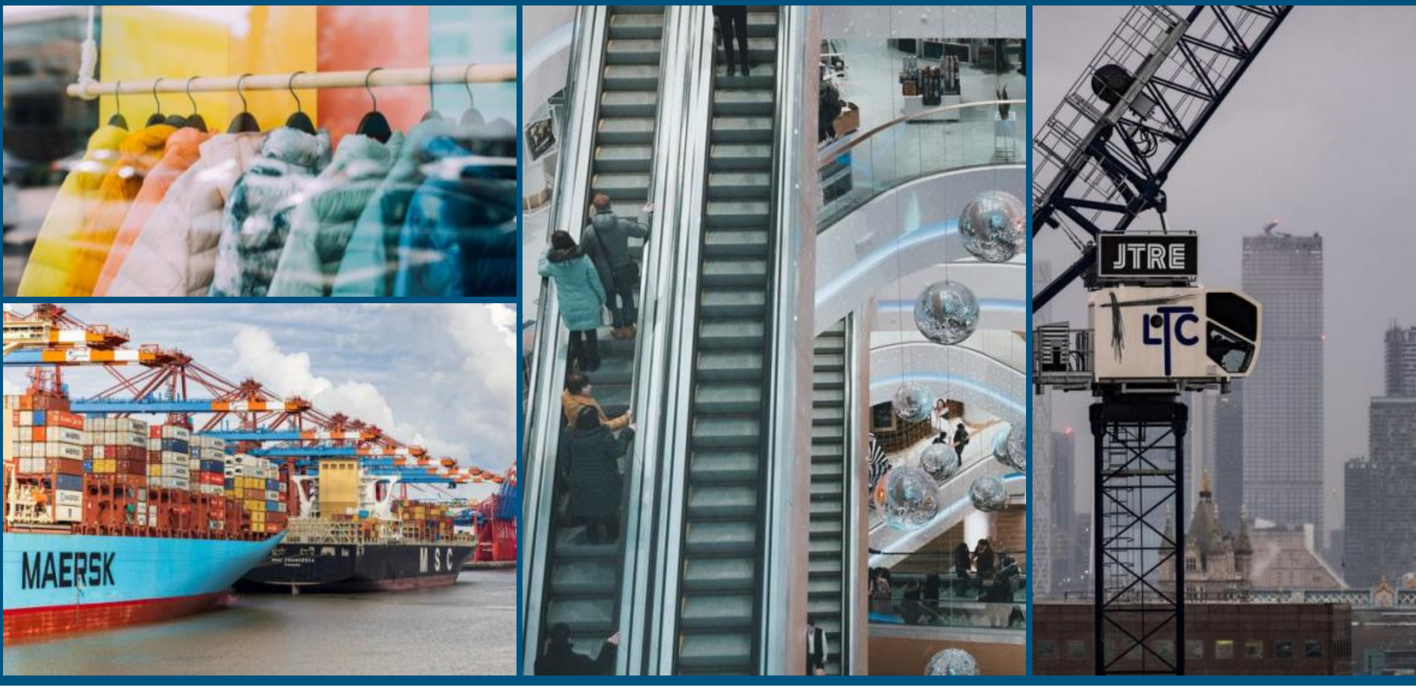
Macro & Market News

Week 23 2021 – Week ending 11/06/2021



Macro/Economic News

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Macro / Economic News (1)

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- **Hospitality slowest sector to regain pre-pandemic levels.** In a report published by the British Chambers of Commerce, the BCC said that the economy would return to its pre-Covid-19 size by the first quarter of next year but warned that the hospitality sector would not recover until the second quarter of 2023 – taking over a year longer to recover to its pre-pandemic size than the wider economy. The BCC said manufacturing, which has weathered the lockdowns better than services, would recover to its pre-crisis size by the end of this year. It is less optimistic than the Bank of England, which expects the economy to recover by the final quarter of this year, after growing by 7.25 per cent, its fastest since the Second World War. The BCC said that the economy would expand by 6.8 per cent this year, assuming the government sticks to its road map for reopening the economy.
- **Britain's roadmap for easing lockdown could be delayed by a fortnight** with cabinet ministers increasingly pessimistic after a "downbeat" briefing from Chris Whitty and Sir Patrick Vallance. The delay would enable all over-50s to be fully vaccinated and leave sufficient time for jabs to take effect before restrictions are lifted. Whitty, the chief medical officer for England, and Vallance, the chief scientific adviser, on Monday June 7th gave a briefing to ministers on the latest data that was described as "fairly grim".
- **Boris Johnson will lift the 30-person limit on weddings** even if the easing of other lockdown restrictions is delayed beyond June 21. Ministers are expected to bring weddings into line with funerals, for which the 30-person limit was scrapped last month. The rules will also be relaxed for other events such as bar mitzvahs and christenings.
- **Advice to wear facemasks in enclosed public spaces will remain after June 21,** senior government sources said as polling showed people back a cautious approach to reopening. A YouGov survey found that the public narrowly support allowing groups of more than six people to meet indoors but there is a resistance to a further relaxation of the rules. Nearly three quarters of all voters believe it should remain mandatory for people to wear face coverings in shops and public transport while 55 per cent support limits on sporting and entertainment venues.
- **Vaccine rollout is driving increasing demand for summer holidays** with almost half of Brits planning a staycation, according to a new study from TripAdvisor. In the UK, 44% of Brits plan on taking a summer holiday somewhere in the UK and 26% plan on taking a summer holiday abroad. Among vaccinated UK travellers surveyed, 30% said they feel more confident to dine indoors, as a result of receiving the vaccine.
- **Small businesses will spend £23 billion on making premises Covid safe**, according to research by Hitachi Capital, the financial services company. The financial hit of the pandemic is expected to linger because of the extra money that firms will need to spend on infection-control measures, a survey of 1,500 small business owners found. Office risk assessments, signs, sanitising products, professional cleaning and air filtering systems are forecast to cost small business about £4,850 each on average this year, the equivalent of just under £23 billion in total.

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- **Part-time employment** has fallen to its lowest level since 2010 and for women since 2009. As a share of all employment, part-time work is now at its lowest since 1993, having declined from 26 per cent to 24 per cent. About half of all workers on fewer than 35 hours a week were furloughed during the first lockdown or had their hours cut, compared with only one in three full-time workers. More importantly, they have not been returning to their "normal hours" as quickly as full-time workers. An analysis by Timewise, and the Institute for Employment Studies found that although vacancies were rising, only 8 per cent of vacancies were offering part-time work.
- **The government's £20 million Brexit support fund** for SMEs is in danger of missing its target to support at least 10,000 traders because businesses are being asked to jump through too many hoops. Fewer than 3,000 applications for the £2,000 grants have been received by HM Revenue & Customs since March, totalling £4.3 million. Yet more than 12,000 firms have indicated interest in applying for funding. Michael Gove, the Cabinet Office minister, launched the scheme in February, saying that the government accepted that businesses needed support to "adjust" to the new import controls, which will be fully introduced on July 1.
- **Public transport activity increases**: The lifting of coronavirus restrictions led to more people using public transport this week but the recent hiring spree started to tail off, a report suggests. In a sign of economic recovery, the number of people using trains, buses and other forms of public transport climbed to 118 per cent of its pre-crisis levels. The findings add to evidence that the economy is enjoying a surge of activity now that restrictions are being lifted. Economic activity is now at 94 per cent of its pre-pandemic level, according to real-time data from Jefferies, the investment bank. This is down from 96 per cent the previous week but Jefferies said that this reflected a period of unusually warm weather and a shorter working week, which depressed energy consumption.
- **Staff still on furlough falls to 7% of workforce**: The number of Britons on furlough has fallen to its lowest level since the coronavirus job retention scheme began. The equivalent of 1.8 million people, were on the support in the final two weeks of last month, according to survey data from the Office for National Statistics. Five million workers were furloughed when the scheme was launched in March last year. The latest ONS figure is the lowest since they were first published the following June. It is also below the lowest count recorded in the official HM Revenue & Customs dataset, of 2.5 million last October. The ONS estimates are a month ahead of the official HMRC payroll-based data and suggest that use of the scheme has fallen dramatically since the economy started to reopen after the third lockdown this year.

Market News

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From NPD Foodservice UK

Market News (1)

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- **The hospitality and retail industries** are urging the government to tackle the £5 billion of rent debt owed to landlords “as a matter of urgency”. Each sector has estimated that its total amount outstanding in arrears and other dues is about £2.5 billion and they are warning of widespread business failures without some form of resolution. Kate Nicholls, chief executive of UK Hospitality said that one in five hospitality businesses were warning that without a resolution, there would be a wave of insolvencies and site closures.
- **SSP Group**, the transport catering group behind the Ritazza and Upper Crust brands reported signs of a trading improvement but cautioned that it did not expect to return to pre-pandemic levels until 2024. SSP said that sales for this month were down 70 per cent on 2019 levels. This was an improvement on the 78 per cent fall reported in the second quarter, reflecting better trading in Britain and the US. The number of sites open had increased from 32 per cent to 40 per cent. SSP, once part of Compass Group, operates 2,700 outlets at 180 airports and 300 railway stations in 35 countries. It operates its own brands such as Upper Crust and Camden Food Co as well as franchises including Burger King and Starbucks. In the half year to the end of March SSP reported a 78.8 per cent fall in revenues to £256.7 million, with like-for-like sales down 79 per cent. This was attributed to “material reductions” in passenger numbers in airports and railway stations.
- **Nestlé**, the largest food company, acknowledged in an executive presentation that more than 60% of its mainstream food and drink products did not meet a “recognized definition of health” and “some of our categories and products will never be ‘healthy’ no matter how much we renovate.”
- **The percentage of pub and bar owners** with “high confidence” in their premises surviving the next three months passed 20 per cent last month for the first time since November according to the ONS. In October only 6 per cent of landlords had “high confidence” of surviving the following three months, although by February this had fallen to barely 1 per cent. The figures suggest that in the past month confidence has bounced back, with 24 per cent of pub and bar owners maintaining “high confidence” over their short-term survival chances, probably thanks to the unveiling of the government’s “road map” out of the pandemic and the reopening of the hospitality sector. However, that percentage is still far below the wider economy, with 43.8 per cent of all other businesses declaring that their confidence is high.

Market News (2)

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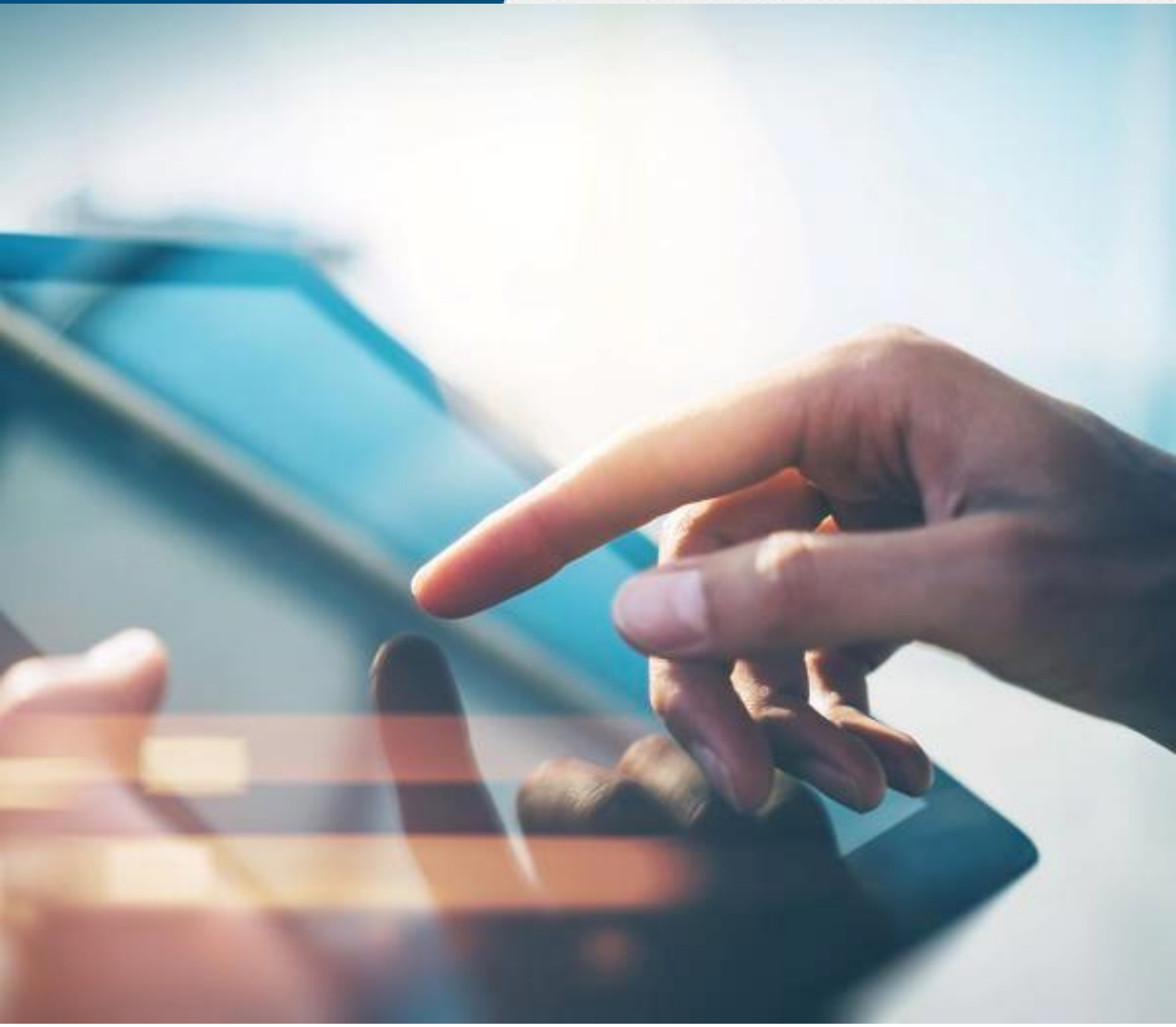
- **Retail investors revel in Wendy's**: Shares in Wendy's, the American fast-food franchise that dates back to 1969, jumped by 25.9 per cent, or $5.93, to finish at $28.87. Wendy's opened a restaurant on in Reading, U.K. in late May, an event that marked the company's return to a country it had left just more than two decades ago. It also marks the company's renewed commitment to international growth.
- **More than 70 per cent of Morrisons** shareholders have rebelled against a bonus award for the supermarket's chief executive in one of the biggest revolts on record. Several investor advisory firms including ISS and the Investment Association had recommended that shareholders vote against Morrisons' remuneration report after taking issue with the supermarket's decision to strip out the Covid-19 costs when making its directors' bonus calculations. Shareholders took issue with these "adjustments" and 70.12 per cent voted against the pay resolution.
- **UK and European investors have shunned Deliveroo**: with data showing that just four out of 18,000 mutual funds in the continent have invested in the food-delivery company since its London IPO.
- **Greggs and Pret marshal forces for the lunch war:** Greggs and Pret A Manger are battling it out for the dwindling number of customers seeking a quick bite. Both have sought to adapt with online sales and concessions, and both are eyeing each other's territory *(FT Weekend, Sat/Sun 6 June 2021).* Greggs was cushioned by a wider distribution of stores whereas Pret with its London focus, fared worse and now plans to open stores in the north.
- **Private clubs in London dig deep after Covid storm** *(FT Weekend, Sat/Sun 6 June 2021).* The Conduit's Mayfair venue is finalizing renovations on a leased building in Covent Garden, due to open by August. The club was a new entrant to London's "club land" when it opened in 2018. It has teased back its 3000 members this week before opening its catering, meeting and workspaces to a clientele that has adopted a hybrid lifestyle split between the city and out-of-town homes. Of the 103 members clubs in London before the pandemic, seven, including The Conduit have closed. Many traditional clubs have survived by giving members Zoom wine tastings, talks and home food deliveries.



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