



# Macro & Market News

Week 8 2023 – Week ending 24/02/2023



# Macro/Economic News

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- **The UK has enjoyed a surprise rebound in consumer confidence this month after the economy avoided an early recession and inflation continued to fall**, a closely watched survey shows. Confidence rose by seven points to -38 on the long-running index by GfK, mainly because of a rise in optimism about the wider economy over the coming year. Inflation is thought to have peaked at 11.1% in October and fell for three consecutive months to reach 10.1% at the start of this year. Output growth surprised economists by stagnating rather than shrinking in the final quarter of last year. Confidence improved on each of the five measures, with the biggest jumps recorded in respondents' perceptions of the wider economy and their personal finances for the next year. The figures rose by 11 points and nine points to -43 and -18, respectively.
- **The ONS reported last week that the headline rate of CPI declined to 10.1% in the year to January, the lowest level since September.** The ONS reported that core inflation, which excludes energy, food, alcohol and tobacco, fell to 5.8% in the year to January from December's 6.3%.
- **The ONS also commented on average earnings** saying that wages including bonuses rose by 5.9% in the year to December, down from 6.4% in the year to November.
- **BBC has been tracking the cost of a small basket of 15 everyday essentials and says that the cost has gone up by £5.34 (or 34%)** - from £15.79 in 2021 to £21.13 in 2023. It says 'official figures suggest overall UK inflation may have peaked at 11.1% in October. But the rate of food price rises is still running at 16.7%'. A standard 500g bag of pasta has increased in price from 50p to 95p.
- **Sales of some fruit and vegetables have been limited by three of the country's largest supermarkets, Asda, Aldi and Morrisons.** It's largely down to bad weather in Europe and Africa, but there is also the smaller impact high electricity prices are having on produce grown in the UK and the Netherlands. Discounter Aldi said it was putting limits of three per customer on sales of peppers, cucumbers and tomatoes. Asda has capped sales of lettuce, salad bags, broccoli, cauliflowers and raspberry punnets to three per customer, along with tomatoes, peppers and cucumbers. And Morrisons has set limits of two on cucumbers, tomatoes, lettuce and peppers.



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- Pret-a-Manger** has said it will stop making smoothies, frappes and milkshakes in another blow to its UK customers and drinks subscribers. The chain had previously received thousands of complaints that not all drinks included in its £25-a-month subscription service were available. Now the blended drinks, which can be more expensive and take longer to make, will be phased out altogether. Pret said they would be replaced by iced drinks by the summer. Blenders were being removed to make way for new ice machines, in what Pret called "the biggest drinks innovation in more than five years". Smoothies and frappes will still be available in select shops until 29 May, it said.
- Krispy Kreme**, which is owned by European investment company JAB Holdings, has confirmed it is to launch its late-night bakery brand Insomnia Cookies into the UK. It is understood that the debut UK site for Insomnia Cookies will open in Manchester. The company has applied to open a site under the Insomnia Cookies brand in the city's Royal Exchange in Cross Street. Insomnia Cookies was founded in 2003 by University of Pennsylvania student Seth Berkowitz. Its stores, which stay open and deliver until 3am, are often situated near college campuses, helping it cater to late-night revellers. It has 231 locations across the US, where it sells cookies, brownies and cold milk.
- Indo-Chinese concept Oodles Chinese** has said it is aiming to open ten new stores in the first quarter of 2023. The franchise brand currently has 36 stores, opening its most recent in December, in Preston. This comes after it said, in September, that it was targeting having 100 sites open by 2025. One of the new stores is understood to be in Glasgow, as the company ramps up its expansion in Scotland.
- Tortilla** is set to open its 84th restaurant on 24 February, located in Greenwich by Cutty Sark. The restaurant will have seats for over 40 people across two floors. The restaurant will be offering 2-for-1 on burritos to celebrate the launch.
- Bill's** reports revenue LfL growth of 20.5% for the year ending 2 January 2022. Total revenue was £74m with adjusted EBITDA of £7.6m, up from £1.5m the year prior. The company closed 12 sites during the period, bringing the.
- Popeyes Louisiana Kitchen**, the US fried chicken quick-service brand, is set to strengthen its pipeline of openings in the capital, with sites lined up in Kilburn and Woolwich. The company, which last week confirmed the locations of the next seven openings in the UK, including its first two drive-thrus, is set to open in Powis Street, Woolwich, and at 122 Kilburn High Road. At the same time, it has applied to open a further drive-thru site on the former Buddies Diner unit in Sixfields, Northampton. Last week, the company, which expects to open 20 sites in the UK this year, confirmed openings in Cambridge, Reading, Cardiff, Plymouth, Richmond, Rotherham and Glasgow's Barrhead, with the latter two set to be drive-thrus. The brand's first restaurant opening of 2023 took place last week, in Cambridge, which will be followed by a site in Reading, on Thursday, 23 February. With 18 locations open, Popeyes UK said the pace of its openings is seeing the chain expand across the UK at a "faster rate than comparators who have also recently landed from across the pond".

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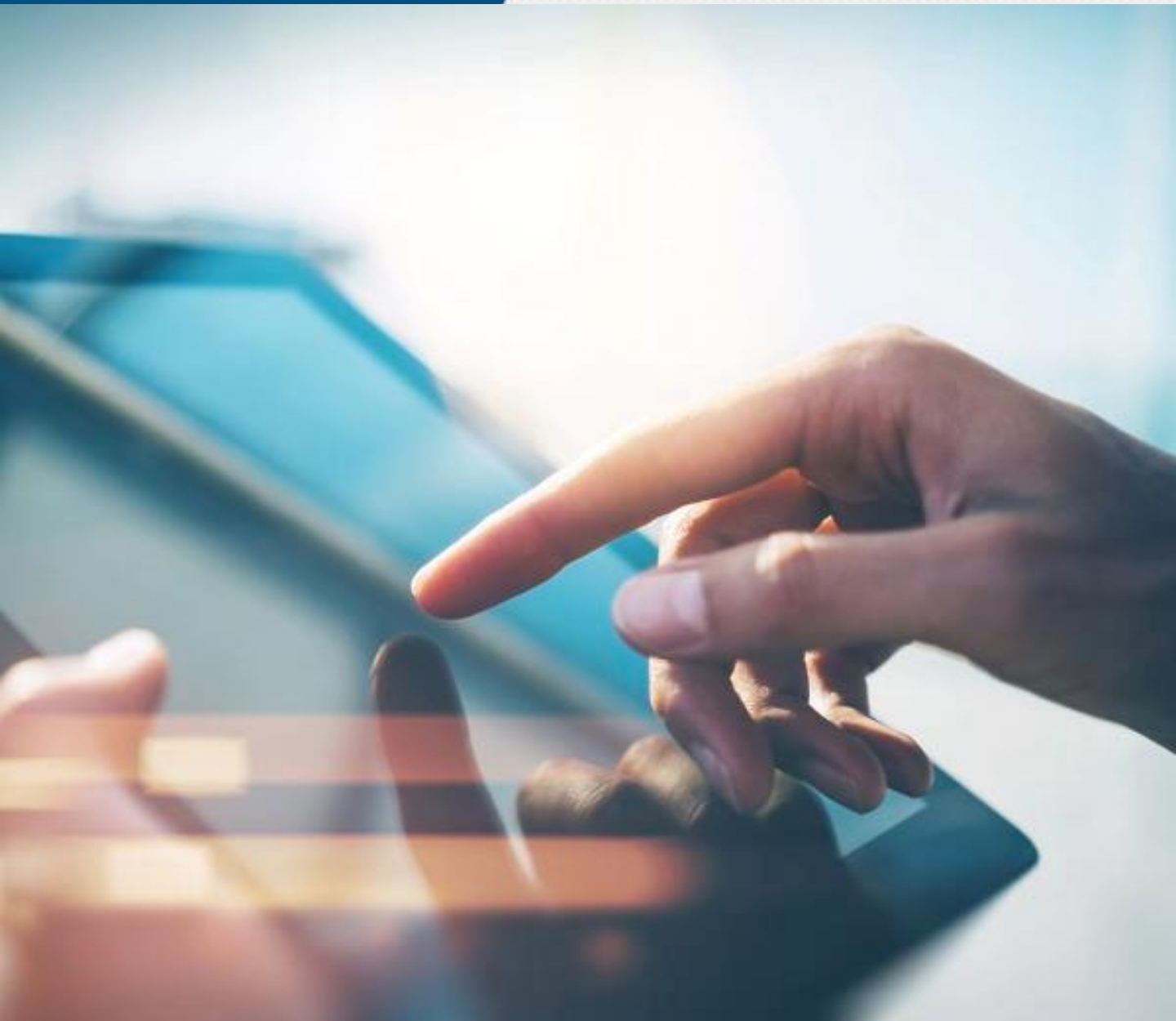
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- Honest Burgers** reported turnover for the year to 26 January 2022 increased 40% to £38,222,326 (2021: £27,322,592), with Ebitda at £1,660,933 (2021: £1,114,682), while pre-tax losses stood at £6,215,972 (2021: £3,185,261). The company said "“We’ve been steadily building momentum since last summer. We were worried this might cool off in January as consumers recover from high activity levels in the lead-in to Christmas, but it has continued through January and into February. We’re currently up 30% in sales versus last year with even stronger transaction growth, as we didn’t take any pricing last year and benefited from VAT this time last year. Clearly this comparison is affected by Omicron last year, but we’re even up on delivery sales. We think the growth is a combination of stronger operations plus a deliberate investment in value, recognising the reality that our customers would be feeling the cost-of-living pressures. Not only did we avoid taking pricing, but we also launched our new entry level burger, the Smashed burger, last October. It’s a fantastic quality product, based on our smashed patty, at a price of £8.50 for a burger and rosemary chips, and is also a slightly lighter eat, which we think makes particular sense as a weekday lunch option. Customers have responded positively, and it immediately hit a significant share of our sales mix and added to the existing growth we were seeing. This growth has obviously been helpful and important, particularly as we face into another wave of cost increases.”"
- Stefano Ispani, owner and operator of Ponti’s Restaurants, and Steven Whibley, former director at Gail’s and Le Pain Quotidien, have launched “new generation of coffee shop” concept, Caffe Italia, and**
- plan further openings. It has opened at 30-23 Westbourne Grove, having partnered with Lavazza to offer its premium La Reserva de Tierra range. There is also a variety of hot chocolate, loose-leaf tea and plant lattes to compliment the coffee menu, alongside Italian specialties such as shakerato, caffe frappes and gelato frappes. Bakery items such as cornetti, tiramisu, organic pane pugliese and piped cannoli are also available, as well as a range of ciabatta, toasted focaccia sandwiches and gelato, while an aperitivo menu is served from 3pm.
- Shares in Cineworld slumped on Wednesday (22 February) after it emerged the cinema chain has yet to receive any firm offers for the whole business.** According to reports, Cineworld’s bankruptcy attorney, Joshua Sussberg, said in a hearing that the company’s outreach to 40 potential buyers had led to “many” offers for the rest-of-world assets, but only “some strategic interest” in the entire company. Sussberg said the group, which owns the Regal cinema chain in the US and Cineworld and Picturehouse in the UK and Ireland, did not receive any all-cash bids, and no bid came anywhere near the \$6bn of secured indebtedness on the company’s balance sheet.
- London urban dessert experience Love Churros** has secured a second overseas franchise partner and is eyeing further foreign expansion. The company, founded in 2015 by former professional footballer Jake Nicholson, has UK locations in Brixton, Shoreditch, Croydon and Lakeside, and last summer opened its first overseas site, in Saudi Arabia. It now has two sites in Riyadh and is set for further expansion across the region.

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- **South London sustainable coffee concept Perks & White** is set to expand into the city centre with an opening in Piccadilly Circus. It will next Tuesday (28 February) open in St James's Market, the brand's first central London shop, offering specialist coffee, sweet pastries and a range of breakfast and lunch options prepared daily on-site. It currently operates two sites within Herne Hill Station, one within Tulse Hill Station and a Sunday-only slot at the City & Country Farmer's Market in Herne Hill.
- **Michael Skipworth, president and chief executive of Wingstop**, has said the brand's UK business is the blueprint for its overseas growth strategy. Talking after the brand's fourth-quarter update, Skipworth said: "The UK business is something we kind of referred to as a textbook deployment of our strategy, where we focus on that little bit more affluent, digitally-savvy consumer. It's also obviously a market where there's a strong delivery business. And so, we've taken that criteria and used that to target which markets we go to and prioritise for growth. So, if you think about our first openings in Toronto or us opening in January in Seoul, South Korea, I think both of those markets really speak for how well they fit that strategy. And it's showing up in the results early on. We're seeing some really strong volumes, which make us feel like there's a similar opportunity in those markets as we have found in the UK. Our Canadian market is already pacing ahead of its development schedule. We opened our Korean market in mid-January and are pleased with the pipeline of sites. Both markets showcase the opportunity for Wingstop brand globally, following our successful playbook from the UK market, where the restaurant count is now 28 and average unit volumes are above \$2m (£1.66m)." Earlier this month, Lemon Pepper Holdings, which is rolling out Wingstop across the UK, reported it saw average weekly sales exceed £1m at the end of 2022. It has also secured its first standalone unit on a retail park – the former Bella Italia at Gallions Reach Retail Park in Beckton, east London.
- **Natural fast food brand Leon** has added two new sites to its London estate, and lined up its first opening in the south west. The EG Group owned business, which operates circa 80 restaurants throughout the UK, as well as in the Netherlands, has opened sites this week in Earls Court (22 February), and Hanover Square (23 February). This follows other recent high-profile London openings including Southbank and Battersea and Brixton. The larger of the two restaurants Hanover Square is 456.7 sqm and hosts a large seating area accommodating 100 covers internally and 16 externally. The Earls Court restaurant flanks the busy entrance to Earls Court Underground Station, catering to commuters and locals alike.



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