



Macro and Market News

Week 13 2023 – Week ending 31/3/2023

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Macro/Economic News

Week 13 2023 – Week ending 31/03/2023

Circana Foodservice UK

Macro/Economic News (1)

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- The UK economy performed better than expected at the end of last year after a small upgrade to growth figures in December.** The Office for National Statistics (ONS) said that fourth-quarter growth was updated from an initial estimate of 0 per cent to 0.1 per cent in the three months to December. The figure means that the UK managed to avoid falling into a technical recession at the end of 2022, following a 0.1 per cent contraction in the previous quarter. The head of economic statistics at the ONS said the slight revision was due to output levels in telecoms, construction and manufacturing “faring better than initially thought in the latest quarter”. The Bank of England revised up its forecast for the economy this month, saying that a recession was now unlikely, but growth is expected to remain weak by historical standards, bouncing between 0 per cent and 1 per cent for most of the year. The UK is the only economy in the G7 to remain below its pre-pandemic size, a milestone it is expected to hit only in 2024.
- Food prices inflation has risen by 15 per cent in a year,** causing prices in Britain’s shops to climb faster than ever before. Average shop prices are now 8.9 per cent higher than they were at this time a year ago, the highest rate of annual inflation that the British Retail Consortium, which collects the data, has recorded. It marks an acceleration from the 8.4 per cent noted in February. Consumer prices inflation jumped unexpectedly to 10.4 per cent in February on the back of surging food prices, but it is still projected to drop to nearly 4 per cent by the end of the year as last year’s energy price rises drop out of the annual inflation calculation.
- UK Hospitality has said the suggestion from the Bank of England governor Andrew Bailey** that businesses should not raise prices above the rate of inflation, when they are facing energy, food and drink costs far above the current 10% inflation rate, is “impossible if we’re to have a viable sector left”. The trade body said sector businesses are already facing unprecedented cost pressures, with energy bills double what they were last year and food price input inflation of more than 20%. Businesses face another catastrophic hit this week when energy support is significantly reduced, which hospitality businesses expect to cause an 82% rise in bills.
- Business confidence has risen to its highest level in ten months** as companies become increasingly optimistic about filling staff shortages, according to the latest Lloyds Bank business barometer. An easing of wage demands from last year’s highs boosted optimism among business leaders that they will be able to recruit staff, according to the survey of 1,200 companies with an annual turnover of more than £250,000. Optimism about the economy rose by 11 points to 23 per cent in the latest poll, while trading prospects recorded a four-point increase to 52 per cent. Wage expectations rose in March, with 26 per cent of businesses expecting to increase pay by 3 per cent or more. The share of businesses that expect pay growth of 2 per cent or more rose for the second month in a row to 45 per cent.

Macro/Economic News (2)

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- **Families will have to wait five years for their spending power to recover to pre-pandemic levels**, the head of the Treasury watchdog has warned. Richard Hughes, chairman of the Office for Budget Responsibility, told the BBC that incomes would start to recover in the next three to four years. But he added that it would take longer to bounce back to levels seen before the onset of covid-19. Hughes claimed that Brexit had contributed to the UK's struggles, saying it had caused economic damage on the same magnitude as the pandemic and the recent surge in energy prices. He estimated Britain's overall output has reduced by "around 4% compared to had we remained in the EU".
- **Tourists visiting Manchester will have to pay a daily fee as part of a new "city visitor charge"**. Authorities in the city will implement the new charge from Saturday (1 April), charging visitors staying in city-centre hotels or rental apartments per room for each night of stay. The hope is the daily charge of £1 will not deter travellers from visiting the city and instead raise some £3m a year to help build local infrastructure. It comes amid a major expansion of Manchester's hospitality sector, which will see nearly 6,000 hotel rooms added over the coming years.
- **The government has introduced a bill in parliament to overhaul the business rates system** in favour of more frequent revaluations. In a statement, it said the measures being put forward will review and reform business rates in England, making them fairer and more responsive to changes in the market. The Non-Domestic Rating Bill will introduce legislation to ensure valuations take place every three years instead of the current five, and that will mean those with falling values will see their bills drop sooner. The bill will also provide new business rates improvement relief, so businesses making qualifying building improvements will not face higher business rates bills for 12 months.
- **Plans to boost domestic tourism by introducing a rail pass for British staycationers have been axed**. The idea was initially heralded by the government as a way to help struggling businesses get back on their feet as the final covid restrictions were being lifted in the summer of 2021, but extensive consultations since have found the plan would not be commercially viable, reports The Guardian. Hospitality and tourism groups said they were disappointed by the move, while Labour said the "shambolic" state of the railways was harming interconnectivity.
- **Mortgage approvals rose for the first time since August in a sign that the "worst is in the past"**, Bank of England figures show. The number of mortgages approved for house purchases beat economists' expectations to reach 43,500 in February, up from 39,600 in January. However, the level of mortgage borrowing remained about 35 per cent lower than pre-pandemic levels as the rising cost of borrowing coupled with the cost of living crisis fed into caution among consumers.



Market News

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- UberEats is removing some of the virtual restaurants on its app “to help weed out low-quality listings”** as it introduces new standards. While some of the virtual restaurants are independently run, others belong to larger companies that franchise out their brand to a chain of individual operators. But since some of these ghost kitchens are often run by the same company – and sometimes out of the same location – that can lead to repetitive listings, where one restaurant may have different branding but the same exact menu.
- Itsu, the healthy Asian food chain, has launched its first hot menu site as it looks to “challenge the McDonald’s of this world”.** The company launched the new restaurant concept this week after converting its existing site in Regent’s Place, near Warren Street underground station in London. The 96-cover site focuses entirely on steamed hot food rather than sushi boxes. The decision to launch the first Itsu with an exclusively hot menu has been inspired by “consumer demand for nutritious, affordable fresh food” according to founder Julian Metcalfe.
- Deliveroo has expanded its rapid delivery grocery service, Deliveroo HOP, in London.** Two new delivery-only grocery sites have opened, in partnership with Waitrose in Acton and Morrisons in Norbury, and bring the total number of London HOP sites to 11, with Deliveroo HOP available right across London. The Acton site is the second delivery-only HOP site in partnership with Waitrose, following its first in Bermondsey, and has more than 1,300 products available. Norbury’s HOP site has in excess of 1,600 products available.
- The chief executive of Tortilla, the UK’s largest fast-casual Mexican restaurant brand, has said central London is “almost back to where it was pre-covid”** with average weekly sales currently up 15% versus FY19. Speaking after the business reported record revenue of £57.7m for the year ending 1 January 2023, Richard Morris said the sales performance in central London justified the group’s £2.75m acquisition of rival Chilango last May, and believed there was more growth to come over the next few months.
- Caribbean restaurant brand Turtle Bay has launched a new menu with 42% of plant-based dishes.** The menu, curated by executive chef Collin Brown, includes an elevation of four Turtle Bay classics, plus an introduction of 12 new dishes and two “beach board” sharing platters. Plant-based dishes include the Island Brunch Bowl, featuring scrambled ackee, sauteed callaloo, curried chickpeas, sweet fried plantain, tomatoes and a fire-grilled roti.
- German Doner Kebab (GDK), owned by Hero Brands, has appointed two executives from Domino’s as it forges ahead with its expansion plans.** Simon Wallis joins as chief executive after 13 years at Domino’s Pizza Group, where he most recently held the position of chief transformation officer. Robin Caley, following eight years at Domino’s Pizza Group where he was the chief executive of both Germany and Norway and group business development director, takes on the role of chief development officer.

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Market News (2)

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- Quarterly sales at Morrisons returned to growth for the first time in two years after the company invested in promotions** to appeal to shoppers amid the surge in the cost of living. The supermarket chain reported a 0.1 per cent rise in like-for-like sales, excluding fuel and VAT, in the 13 weeks to the end of January, while total revenues rose by 3.4 per cent to £4.7 billion. It marks the first growth in sales for the group, which was bought by Clayton, Dubilier & Rice, private equity firm, in 2021, since the three months to January 2021. The rise is primarily thanks to the higher prices of goods rather than a rise in sales volumes.
- Chopstix Group, the UK's largest Asian quick service restaurant (QSR) group,** plans to open 30 new stores this year, creating almost 1,000 new jobs in the process. The company also reported its system sales are forecast to surpass £65m by the end of FY23 (23 April 2023), an increase of more than 40% against FY22. Revenue is projected to rise even further in FY24, expecting system sales to surpass £90m over its next financial year.
- Wendy's is set to open three new restaurants** in Lincoln, Wisbech, and Colchester, its second drive-thru location, in the coming months. Following its launch in 2021, Wendy's has opened 30 UK locations since returning here in 2021 – including 13 brick-and-mortar restaurants - with plans to reach 45 by the end of the year. Starting on Monday, 3 April, it will also be offering a limited-edition new Biggie Meal Deal: a spicy chicken sandwich, small fries, small drink and four-piece classic chicken nuggets for £7.99 at participating restaurants. Wendy's is also available for delivery in Manchester, Birmingham and Greater London.
- Birmingham Indian street food concept Karak Chai is on course to grow to 25 sites by the end of 2023.** The company's 15th site is due to open early next month, in Southall, west London. This will be followed by site number 16, in Bolton, Greater Manchester, by the end of April.
- London pizza concept Crust Bros is opening two sites in the capital next month.** The company will launch its fourth restaurant, at Boxpark Shoreditch, on Tuesday, 11 April, followed by its fifth, at Incipio Group's The Prince in West Brompton, on Friday, 21 April.
- Premium casual dining restaurant group Gusto Italian launches its new spring/summer menu this month** after undertaking consumer research to better understand evolving dining trends among its customer base. The study of Gusto Italian guests has shown a continued rise in consumers seeking meat-free menu items and mindful drinking options when eating out.
- US coffee shop concept Roasting Plant Coffee has secured \$7m (£5.7m) of new funding,** as it looks to open 345 new sites over the next five years in the UK and across the Pond. First developed by US entrepreneur Mike Caswell in 2007, the brand currently operates five sites in London and five in the US.
- Natural fast food brand Leon has opened its first restaurant in the south west, in Bath.** Located in Stall Street, the outlet is weighted towards grab-and-go, with the venue "digital-first" with kiosks for digital ordering and payment.

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Market News (3)

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- Starbucks has been told it will need to go further than opening 100 new UK stores and spending £30m** doing up existing cafes to recapture momentum. One of outgoing chief executive Howard Schultz's final acts during his latest spell in charge was to redouble Starbucks' commitment to Britain. Executives were last year considering a sale of the division after rising costs ate into its profits. UK profits dropped by a fifth to £10.4m, driven by more expensive coffee beans and higher wages for staff. This despite inflation-busting price rises: the price of a Starbucks flat white rose by more than 12% and faster than rivals such as Pret and Costa, according to figures from UCC Coffee.
- The average pub will need to increase turnover by at least 11% just to breakeven** as energy support ends, the British Beer & Pub Association has warned. It comes as the trade body again called for the need for energy suppliers to renegotiate "sky-high" contracts for businesses, especially with energy prices, on average, lower now than they were in March 2022.
- Lemon Pepper Holdings, which is rolling out Wingstop across the UK, is set to launch a site in Chelmsford, Essex**, as it eyes double-figure openings in 2023. The restaurant, which will be located at Gray's Brewery Yard, 5 Springfield Road, is scheduled to open in late May or early June.
- Miss Millie's Fried Chicken** has struck a deal to branch out into the garage forecourt sector. It has entered into a franchise partnership with Motor Fuel Group (MFG), the UK's largest independent forecourt operator. The deal will see Miss Millie's on the forecourt of petrol stations across the UK for the first time, with the first of the stores set to open in May, in Somerset, as it looks to become a nationally recognised brand over the coming years.
- Just Eat for Business** has reported a surge in demand for its flexible office catering, as businesses continue to seek "to create a collaborative and productive workforce". The business said it had seen an order growth of 56% in the last year, driven by workers heading back into the office. It found 87% of business leaders "believe that developing the right workplace model is important or very important to their organisations success" – and are striving to achieve this through one avenue of workplace catering.
- KellyDeli, owner of international sushi franchise Sushi Daily**, has launched a multi-concept food market in partnership with Tesco. Called Kelly's Market, the scheme will launch in at the Tesco store in Wokingham, Berkshire, on Wednesday (29 March), with a further nine set to open in Tesco stores across the UK in 2023.
- The owners of Asda are racing to complete a merger of the supermarket chain and their UK petrol stations** as part of efforts to cut their forecourts empire's debt burden. The Issa brothers and their private equity backers at TDR Capital, who jointly own both businesses, aim to combine Asda and EG Group's UK division by the end of April. The deal, said to be worth £12bn, would probably be structured as a takeover of EG UK by Asda and result in more debt being heaped on to the supermarket's balance sheet, reports The Sunday Times.

For more information

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About Circana

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