



Macro and Market News

Week 16 2023 – Week ending 21/04/2023

21ST APRIL 2023





Macro/Economic News

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Circana Foodservice UK

Macro/Economic News (1)

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- UK inflation stays above 10%:** The Bank of England is on course to raise interest rates again next month, according to economists and investors, after inflation failed to come down as much as expected in March. The Office for National Statistics (ONS) has said the cost of food and drink rose by an average of 19.2% in the year to March, the highest level since the late 1970s. Official data showed that annual consumer price inflation fell to 10.1 per cent last month, higher than the 9.9 per cent forecast by economists. The inflation reading shows that for the second consecutive month price pressures have proven more stubborn than expected, posing a headache for rate-setters at the Bank's monetary policy committee who have forecast a sharp drop in inflation this year.
- Price rises are accelerating at the biggest supermarkets, with bread and cheese soaring by up to 80 per cent over the past year,** research from the consumer group Which? has found. Food inflation increased to 17.2 per cent on average in the year to March, up from 16.5 per cent in the year to February. This month it found that cheese products had some of the largest price rises over the past year, jumping by an average of 28.3 per cent. The price of sliced white bread also rose well above inflation, with the cost of a loaf jumping by 22.8 per cent on average. Which? found that the cost of the supermarkets' budget ranges was accelerating quicker than that their standard and premium ranges.
- British workers suffered another fall in real wages in February,** official data from the ONS showed, as the number of long-term sick hit a fresh record. The figure went from 407,000 to 414,000 in the three months to February. Despite the uptick in long-term sickness, the overall economic inactivity rate fell again in the three months to February, caused primarily by students entering the labour market. The ONS said the inactivity rate stood at 21.1 per cent, a 0.4 percentage point drop in the three months to February.
- The ONS said that annual wage growth, excluding bonuses, was 6.6 per cent in the three months to February,** increasing from the 6.5 per cent recorded at the start of the year but still below the double-digit rate of inflation. Average weekly pay including bonuses rose 5.9 per cent. Workers' real income squeeze worsened in February, when inflation accelerated unexpectedly to 10.4 per cent on the back of rocketing food prices.
- The UK employment rate was just a fraction higher at 75.8 per cent** in the three months to the end of February, remaining below pre-pandemic levels. The ONS said the unemployment rate ticked up from 3.7 per cent to 3.8 per cent but remained close to historic lows despite a slowing economy and rising interest rates.
- Retail sales volumes fell by more than expected last month after poor weather kept shoppers at home,** official figures show. Sales volumes fell by 0.9 per cent in March, with heavy losses recorded across department stores, clothing shops and garden centres, according to the ONS. City economists had predicted a 0.5 per cent drop in March following a higher-than-expected 1.1 per cent rise in February, which took sales back to pre-pandemic levels. Despite the March decline, strong sales in January and February contributed to the firstly quarterly rise in sales volumes since summer 2021 in the first quarter of the year. Last month was the sixth wettest March since records began in 1836, according to the Met Office.

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- The hit to the economy from strikes is lower than originally feared**, the Centre for Economics and Business Research have said. The CEBR claims that the impact of industrial action on GDP between June last year and the end of April is estimated to be £1.4 billion, or £127 million per month. The forecaster had previously estimated the strikes were costing the economy £188 million per month between June and mid-February. The new lower figure represents 0.06 per cent of annual GDP. The research found that the cost of strikes for this month will be £40 million – notably smaller than February which caused £229 million of damage, and March, which saw a £163 million reduction in GDP.
- Workers in their thirties and forties are heading for uncomfortable retirements** as the wealth of today's pensioners breeds complacency in government, the Institute for Fiscal Studies has warned. Nine in ten workers are saving less than needed for a decent standard of living in retirement as final salary pensions disappear from the private sector and people struggle to contribute enough, the think tank finds. Middle earners are worst affected but even most of the richest fifth are skimping on their retirement savings while pensions have "collapsed" among the self-employed, a report finds.
- Confidence among British businesses has returned to positive territory for the first time in a year**, according to new survey data of British industry carried out by the Institute of Chartered Accountants in England and Wales. In the survey, business sentiment rose to a measure of 2.5 in the first quarter of the year, recovering from a reading of -23.4 at the end of last year. The level remains below a historic average but is the first positive reading since the first quarter of last year. Household and business surveys have recovered from the lows endured after Russia's invasion of Ukraine as energy prices have declined and people are more confident about their prospects. The institute's survey found that businesses expected their producer prices inflation had peaked. Profit margins were up by 4.3 per cent over the past year in the private sector.
- The number of company collapses has risen sharply, with businesses toppled by high energy prices**, the end of government handouts and tighter credit conditions. The number of insolvencies jumped by 37.7 per cent month-on-month to a total of 2,457 in March, 16 per cent higher than the 2,120 in the same month in the previous year, according to data from the Insolvency Service. Paperchase, Made.com and Joules have been some of the high-profile consumer businesses that buckled as they faced higher costs.
- Soaring rents are pushing people into home ownership** and are preventing the housing market from collapsing, one of Britain's biggest estate agents, M Winkworth, has claimed. Although affordability has become stretched by the rapid increase in mortgage rates over the past six months, Winkworth said demand was being propped up by renters looking to get on to the property ladder and escape their spiralling bills. Residential rents in March were 4.9 per cent higher than they were 12 months earlier.

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- The number of corporate insolvencies in the England and Wales food production sector nearly tripled** to 173 in the year to February, from 64 in the previous period, according to government figures released on Tuesday. The sector's increase was the biggest among major industries and much larger than the 43% rise recorded across the whole economy. Meanwhile, insolvencies in the beverage manufacturing sector jumped 136% to 66 in the same period, reports the Financial Times. An unusually low number of insolvencies during the pandemic, when businesses received billions in government support, as well as the relatively small number of companies in the food and drink sector, have contributed to the outsized recent rise.
- The restaurant chain Wahaca has removed steak from its menu in an effort to cut carbon emissions.** Thomasina Miers, who won the BBC's MasterChef in 2005, launched the restaurant to provide British diners with an authentic Mexican experience but has now decided to ditch a staple ingredient of the country's cuisine. It is the latest in a series of moves the business has made in its bid to go green. Wahaca has said the success of its carbon labelling scheme has seen it make significant changes to its menu, which is now 50% veg-based.
- Just Eat Takeaway has stepped up the recruitment of skilled technical staff in Britain** despite laying off 1,700 delivery drivers last month amid a downturn in orders. Jitse Groen, Just Eat's chief executive, said: "We are net adding employees in the UK. In some areas, we're actually adding staff – a lot of tech staff – in London and Bristol, as well as a new call centre in Sunderland." Just Eat was unable to say how many new technology roles had been created, but it noted there had been more than 70 vacancies for positions including engineers and developers.
- Food-to-go operator Greggs is preparing for a court battle against its ban on selling late-night food** at its flagship Leicester Square store. Greggs was refused permission to trade hot food 24 hours a day after police argued the extended opening times could lead to a wave of "crime and disorder". The company is currently locked in "mediation talks" with Westminster Council, but a three-day court hearing has now been scheduled for 16-18 May, where Greggs will appeal the decision not to allow it to serve hot food after 11pm.
- Pret A Manger has announced its biggest menu launch in four years** with the unveiling of its new spring range. Among the new dishes are several salads including Korean-style chilli chicken, Mexican-style chipotle chickpea, Vietnamese-style prawn and a new Greek salad inspired by Pret's popular US menu item. Vegan and vegetarian options include a Korean-style sticky mushroom salad and a chickpea, avocado and egg bowl.
- Subway's sale process is proceeding as planned, with more than ten potential suitors doing due diligence.** Sources at the company told the Wall Street Journal a sale decision could come in May. In February, Subway confirmed earlier reports that it was putting itself up for sale. It hired JP Morgan Chase as an adviser in the sale process, and officials said they would not be making any further public comment until the process was completed.

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- **Bookings were up 14% over the Easter bank holiday weekend compared with 2022**, according to new research by hospitality technology provider, Zonal. Brunch proved a big winner, with bookings up 98% on 2022. Across the four-day period, Easter Sunday lunch was the most popular booking among consumers, while Friday and Saturday saw the most dinner bookings. Easter Monday, despite having the fewest number of bookings across the four days, did have the highest increase in bookings (23%) compared with last year.
- **Popeyes Louisiana Kitchen, the US fried chicken quick-service brand, has announced the launch of a further four sites** in London – meaning it is now available across every corner of the city. The latest additions to the line-up are new in-line restaurants in Richmond, Woolwich and Kilburn, following the opening of its latest delivery kitchen over in Wood Green.
- **Street food cafe franchise Chaiiwala is “conservatively” looking at 500 stores** in the UK on top of its current 85-strong estate, including more drive-thru locations. Simon Hooper, international business director of Chaiiwala, said the UK side of the company has already got “250 new stores on an opening schedule”.
- **Just under half (49%) of sector operators view recruiting the right people as the biggest opportunity to drive growth** for their businesses over the next year, just ahead of marketing and communications (48%), according to a new exclusive survey by Propel and KAM. The survey also showed 43% believed new openings would be the biggest opportunity to drive growth, followed by differentiating from the competition (40%), loyalty schemes (25%), targeted promotions (22%), technology-driven customer service (13%) and the acquisition of other companies (11%).
- **Busaba, the Thai chain founded by Alan Yau, is to enter the breakfast market with a trial at three sites this summer.** The 11-strong business, which last month opened in the Lakeside Shopping Centre, Essex, will begin the pilot with launches into two central London sites – Westfield London and Westfield Stratford, and also at its flagship Kingston restaurant in early June – before opening up to the wider group.
- **Canadian quick service restaurant brand Tim Hortons is set to open a site in Chesterfield.** SK Group, which is leading the rollout of the brand in the UK, is looking to launch at Alma Leisure Park in the premises previously occupied by The Restaurant Group-owned brand Frankie & Benny’s.
- **Holland & Barrett owner LetterOne is in talks about a last-minute rescue bid for struggling organic supermarket chain, Planet Organic.** The Russian-linked investment group is among a handful of suitors who remain interested in buying parts of Planet Organic, which is on the brink of collapse.
- **Cake Box, the specialist retailer of fresh cream cakes, said its sales recovered in the second half** after the business “showed resilience during a difficult first half”. In its full year trading update for the 12 months ended 31 March 2023, the group said it expects to report revenue for the year up circa 5% year-on-year (FY 2022: £33.0m), with adjusted profit before tax in line with market expectations.

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For more information

Email Circana contactus@circana.com, or one of the UK Foodservice account representatives below:

Seton Leung

Head of UK Foodservice

seton.leung@npd.com

07795 430967

Gareth Nash

Commercial Lead

gareth.nash@npd.com

07503 629227

Sergey Chekmarev

Client Director

sergey.chekmarev@npd.com

07741 658042

Peter Linden

Senior Client Manager

peter.linden@npd.com

07901 106568

About Circana

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