



Macro & Market News

Week 21 2021 – Week ending 28/05/2021



Macro/Economic News

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- **Boris Johnson** has said there is nothing in the data to suggest England cannot go ahead with its final stage of lifting lockdown on 21 June, but that the final decision will not now be made until 14 June. Step four would see all legal limits on social contact removed, nightclubs would reopen, and restrictions on large events and performances would be lifted.
- **Government borrowing** hit £31.7bn in April, official data shows, which was lower than the same month last year as parts of the economy reopened. The Office for National Statistics said borrowing was £15.6bn lower than April last year, when the UK entered its first full month of Covid lockdown. The figure was the second highest for April since records began. However, borrowing was lower than official forecasts. The Office for Budget Responsibility, the fiscal watchdog, had predicted borrowing would reach £39bn last month.
- **Shoppers** staged a cautious return to the High Street last week as lockdown curbs eased further, but numbers were still far below pre-pandemic levels. Footfall across all UK shopping destinations was up just 1.1% week-on-week, analyst Springboard said. However, it remained 28.7% lower than for the same period in 2019.
- **Retail sales** jumped 9.2% in April, the Office for National Statistics (ONS) said, with sales of clothing soaring by nearly 70% compared with March. Sales overall were more than 10% higher than pre-pandemic levels, although online sales dipped.
- **Marks & Spencer** has said it plans to close another 30 shops over the next 10 years as part of its turnaround plan. M&S has already closed or relocated 59 main stores, as well as cutting 7,000 jobs across stores and management. The chain has reported big losses for last year as the pandemic took its toll on clothing sales. But food sales were up thanks to its Ocado tie-up, contributing to "a resilient financial performance in a year of disruption".
- **Flash PMI's** for May point to a further recovery in the UK economy, consistent with GDP rising sharply in the second quarter. Markit says 'the rate of expansion was the fastest since the UK Composite Output Index began in January 1998, reflecting strong contributions from both manufacturing and services activity.'
- **UK tourism** is set for a slow recovery from the pandemic, with spending by holidaymakers this year expected to be just half the level of 2019. Forecasts by the VisitBritain agency indicate that domestic tourism will be worth £51.4bn in 2021, down from £91.6bn two years ago. Its forecast for spending by foreign tourists in the UK is £6.2bn, less than a quarter of the £28.4bn in 2019.



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Market News (1)

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- **Pub and restaurant bosses** are pushing ministers to introduce a “coronavirus recovery visa” to persuade foreign workers to return, as they resort to increasingly desperate measures to attract staff, according to the Times. It says ‘bosses are offering generous perks to tempt workers. Steak chain Hawksmoor, which has eight restaurants in the UK, has offered employees up to £2,000 if they recruit friends. Caravan, the London restaurant chain, last week emailed customers to offer a £100 gift card if they successfully recommend staff.’
- **In Northern Ireland**, hospitality venues opened for indoor dining on Monday 24th May.
- **McDonald’s** has seen animal rights protesters blockade four distribution centres across the UK. They are calling on the company to commit to becoming fully plant-based by 2025.
- **KFC** has said it sees potential to triple in size and is predicting “buckets of growth” in the long term. KFC said 90% of its growth in the past five years has been from overseas markets, with 70% of growth coming from outside the US and China. Much of the unit growth has also been in emerging markets such as India. KFC said it plans to almost triple in size from 25,292 sites to 75,000, with a new store opening every five hours in 2021. Over the past two quarters alone, the company has opened 700 units. KFC said digital sales have increased by \$5bn and make up 43% of transactions, up from about 20% before 2020. The company has made \$3bn of digital sales already in 2021. KFC’s first plant-based protein, Beyond Fried Chicken, was first tested in July 2020 in select California markets and now the company is “actively rolling out” the product to eight markets globally.
- **Wagamama** is to extend its delivery kitchen estate in London, with two further sites in Walthamstow and Forest Hill, the latter of which launches next week. They will join the brand’s existing delivery kitchens in the capital in Balham, Peckham, Hackney and Bow. Wagamama also operates a delivery kitchen in Leeds. In April, TRG said the five Wagamama delivery kitchens currently in operation generated £225,000 average outlet Ebitda with over 75% return on invested capital. It said that given this track record, the company’s long-term ambitions for the brand include significant measured roll-out potential to expand both in the UK to a targeted circa 180 to 200 restaurants (from 144 today) and circa 20 to 30 delivery kitchens. TRG said: “Wagamama (for the circa 130 sites open in this period) traded at circa 85% of comparable 2019 sales levels, representing a circa 15% outperformance of the market reflecting ongoing strong delivery volumes and good trading from outdoor space in many locations.”

Market News (2)

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- **Leon** has launched a Fairtrade certified and organic coffee range in an exclusive partnership with Sainsbury's. The coffee, which is available in Blonde Roast (200g ground), with notes of smooth caramel and hints of citrus, and Dark Roast (200g whole bean and ground) can be found in 493 Sainsbury's branches. The triple-certified coffee is Fairtrade, which guarantees a fairer price for farmers, and is also organic. The Blonde and Dark Roast coffee joins the growing Leon grocery range, which already includes sauces, plant-rich dips and restaurant dishes. Leon is also launching a coffee-through-the-letterbox service next month, with twin packs of 200g bags across beans and ground for the cost of £12, including postage and packing. A restaurant coffee subscription is also available and priced at £15 per month.
- **TGI Friday** is set to IPO later this year with a potential value of around £275 million says its private equity owner Electra plc.
- **Admiral Taverns** is reportedly interested in buying rival Hawthorn Leisure, which has been put up for sale by its current owner, property group NewRiver and comprises just under 700 pubs. NewRiver could IPO if it is not bought outright.
- **YO!** has announced a new trial agreement to supply pre-packaged YO! Food-to-Go products to 390 Tesco stores. The new agreement will see YO! Food-to-Go products available in Tesco front-of-store fridges from late May. YO! already operates 52 YO! kiosks in Tesco under the YO! brand and 37 kiosks in Asda, under the Panko brand. Meanwhile, YO! Food-to-Go pre-packaged sushi is already available in 600 Sainsbury's stores, 160 Co-op stores, 100 David Lloyd Leisure Clubs, and a trial partnership is also under way with WHSmith. The group's Taiko brand is also available in Waitrose.
- **Krispy Kreme UK** has reported turnover fell 23.5% to £71.9m for the year ending 3 January 2021, compared with £94.1m the previous year. Adjusted Ebitda dropped to £6.9m, compared with £14.9m the year before. At the end of the period, the company operated 116 retail locations across the UK having closed nine sites and opened two new ones. In 2021, the company will continue to expand its presence with plans to open shops in quality, high-profile locations, expand with its DFD partners, invest in digitally enhanced cabinets and further expand reach and sales via digital channels.
- **The Oakman Group** has reported a total loss of £13.9m for its year ending June 2020. Prior to the enforced closure of the business the company had been trading well with like-for-like sales growth of +4% and total sales growth of 13%. The Oakman Group is on course to make a substantial Ebitda profit in 2020/21. Sales in the first week after reopening indoors were very strong with like-for-like sales +38.5% and total sales +71.4% versus the same week two years ago. The group will have opened eight new sites by the end of June bringing the total number of sites to 35.



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