Macro & Market News

Week 47 2021 – Week ending 26/11/2021

Macro/Economic News

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From NPD Foodservice UK

Macro / Economic News (1)

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- **FTSE opens sharply down in response to Nu variant of Covid-19.** The UK's leading share index fell sharply today (26/11) as global equity markets retreated when the emergence of a new fast-spreading coronavirus variant unnerved investors. The FTSE 100 fell 2.2 per cent in early dealings on the London Stock Exchange and other leading European indices were also heavily in the red. In London, travel and hospitality stocks were the hardest hit this morning. InterContinental Hotels Group and Whitbread, the owner of Premier Inn, both slumped 7 per cent, the heaviest fallers. The World Health Organisation, which is to meet today to assess the new variant, has said it has a "number of worrying mutations in the spike protein". The government moved last night to ban travel from South Africa and five other southern African countries in an attempt to prevent the arrival of the variant in Britain. The UK Health Security Agency believes that the Nu variant is the most worrying they have seen and could be a bigger concern than Delta.
- **The Bank of England is facing mounting pressure to increase interest rates** after a closely followed survey showed that soaring fuel costs and rising wages had pushed up inflation for companies at a record pace. The flash, or preliminary, reading of the IHS Markit/CIPS composite purchasing managers' index for November suggested that costs for businesses in the private sector had risen at their fastest pace since January 1998 and at a similar pace to last month. The composite index, which includes the services and manufacturing sectors, dipped to 57.7 from 57.8 in October, having been forecast to remain unchanged. A reading above 50 indicates expansion. Rising costs were marked in manufacturing. Last week the Office for National Statistics said that input prices in October had risen by 1.1 per cent to 13 per cent, compared with September.
- **The CBI has said that supply constraints are restricting output**. Order books are reported to be at their strongest since the records began being kept in 1977. The CBI says 'intense supply side challenges continue to put pressure on firms' capacity to meet demand. Alongside record order books, stock adequacy was the weakest on record in November and manufacturers are increasingly having to pass on significant cost increases to customers.'
- **Investors gave a positive reception to plans announced yesterday by Land Securities Group** to work more closely with leading retailers in shopping developments in a post-Covid era. The FTSE 100 company owns some of the biggest shopping centres in Britain including Bluewater, Kent; Trinity Leeds; White Rose, Leeds, and Westgate Oxford and its top retail tenants cover H&M, Primark, Boots and Next. Although there has been a steady if not spectacular return of footfall at shopping centres and out-of-town malls as pandemic restrictions have eased, overall footfall last week was down 12.4 per cent from its level over that period in 2019, according to Springboard, the data provider.

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- **Fears of gift shortages over Christmas sparked the strongest monthly rise in retail sales in November since May 1990, according to the CBI**. Retailers reported the strongest sales for the time of year since September 2015 and said they expected the level to remain above seasonal norms to a similar extent next month. The CBI's distributive trades survey, which questioned 125 companies including 51 retailers, found that year-on-year retail sales growth accelerated this month, while internet sales fell for the first time since the survey asked that question in 2001. The results reflected the tightening of Covid-19 restrictions in November 2020, which weighed on overall volumes but pushed up internet sales growth as consumers who were stuck at home went on a digital shopping spree.
- **Shoppers will have a reduced choice of food this Christmas because of problems with supplies,** MPs have been warned. Fresh food deliveries are taking three days to reach shops from ports instead of within 24 hours because of shortages of lorry drivers. The Cold Chain Federation told the Commons' transport select committee that retailers are focusing on what they believe is "achievable" in terms of what can be delivered to stores because of a shortage of drivers, border issues and delays with the movement of shipping containers.
- **Shoppers may struggle to buy their favourite wines and spirits this Christmas because of the shortage of lorry drivers and freight disruption**, industry suppliers have said. Nearly 50 wine and spirit businesses have written to the transport secretary urging him to take "urgent action" to avoid some drinks "disappearing from supermarket shelves". They said that rising costs and supply chain chaos had held up wine and spirit deliveries, with imports taking up to five times longer than a year ago. The Wine and Spirit Trade Association, which organised the letter to Grant Shapps, said businesses that had previously been able to fulfil orders in two or three days were experiencing shipments that took 15 days to process. It added that freight companies had raised prices by an average of 7 per cent because they were paying drivers more to retain them.
- **Britain's crisp shortage has begun to ease but supplies on shelves remain low**, with a quarter of shops still struggling to find stock. Multipack crisps were ranked the lowest in availability, with 29 per cent of stores recorded as either having "none" or "low" according to the Office for National Statistics, which monitored supplies between November 19-22. The data was collected by Kantar Public in the course of 270 shop visits. The 24% total of shops where there were none or few of the products was down on the 33% recorded a week earlier but crisps were still the hardest-to-find product on the shelves.
- **Travel industry recovery lifts Intercontinental Hotels:** Intercontinental Hotels was among this weeks's steepest risers, fuelled by hopes for a sharp rebound in the US travel industry. The broker Jefferies upgraded the hotels operator from "underperform" to "buy" and lifted its price target by £20 to £57.50 as it predicted that Covid-19 vaccines would unlock "pent-up demand" in the leisure sector. It had observed a rise in internet searches for accommodation in the US and UK and that location data from smartphones showed that visitors were returning to north American hotels.

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- **The owner of All Bar One and Browns, Mitchells & Butlers, has warned that cost pressures pose a "major challenge"** across the hospitality sector as it remained in the red for a second year. The company, whose chains also include Harvester, Toby Carvery and O'Neill's, today posted a loss before tax of £42 million in the year to September, having been hit by Covid-related restrictions. The figure was nevertheless an improvement on the £123 million losses a year earlier. Total revenue dropped to £1 billion, compared to £1.5 billion in 2020, and like-for-like sales declined by 9.6 per cent.
- **Sales at Pret A Manger rose above their pre-pandemic levels last week for the first time i**n a sign that the economy has bounced back from the Covid downturn. The food chain's transaction volumes in locations including London's financial districts and regional towns, northern counties and Scotland were higher than they were in the final week of January 2020, according to the weekly Bloomberg Pret Index. Bloomberg, the media company, uses the sandwich chain's transaction volumes in clusters up and down the country to monitor the health of the economy. The rebound in puts Britain well ahead of New York, Philadelphia and Washington, where Pret's shops are trading far below normal levels. Pret has almost 600 stores in 11 countries.
- **Hogo (hassle of going out) hits hospitality industry:** Many people are experiencing Hogo after becoming too used to nights at home watching TV, and are not bothering to turn up to restaurant bookings and other nights out. The restaurant group Gusto Italian said it had 1,000 no-shows last week in its 12 restaurants. UKHospitality said no-shows at pre-paid sporting and music events were around 15 per cent, and 15-20 per cent at restaurants. Some restaurateurs blamed an attitude that had crept in during the pandemic, with customers feeling it is acceptable to drop out at the last minute.
- **Rising wages are putting increased pressure on UK pub & restaurant companies.** Fourth says 'hourly rates of pay across pubs and restaurants have climbed steadily since trading restrictions were lifted in April, and are likely to continue to do so with the introduction of new National Living Wage rates coming into force in April 2022, with the headline rate for over-23s set to be increased by 6.6% from £8.91 to £9.50 per hour.' Fourth says British workers now account for 54% of the hospitality workforce, compared to 47% in October 2019. EU workers make up 31% of the hospitality workforce, compared to 42% in October 2019 and workers from non-EU countries currently make up 15% of the workforce, compared to 11% in October 2019.
- **Better burger brand Five Guys is set to make its first move into the delivery kitchen segment**, with the opening of two trial sites in London,. The business is set to open two sites with Deliveroo Editions in Brent Cross and Dulwich.

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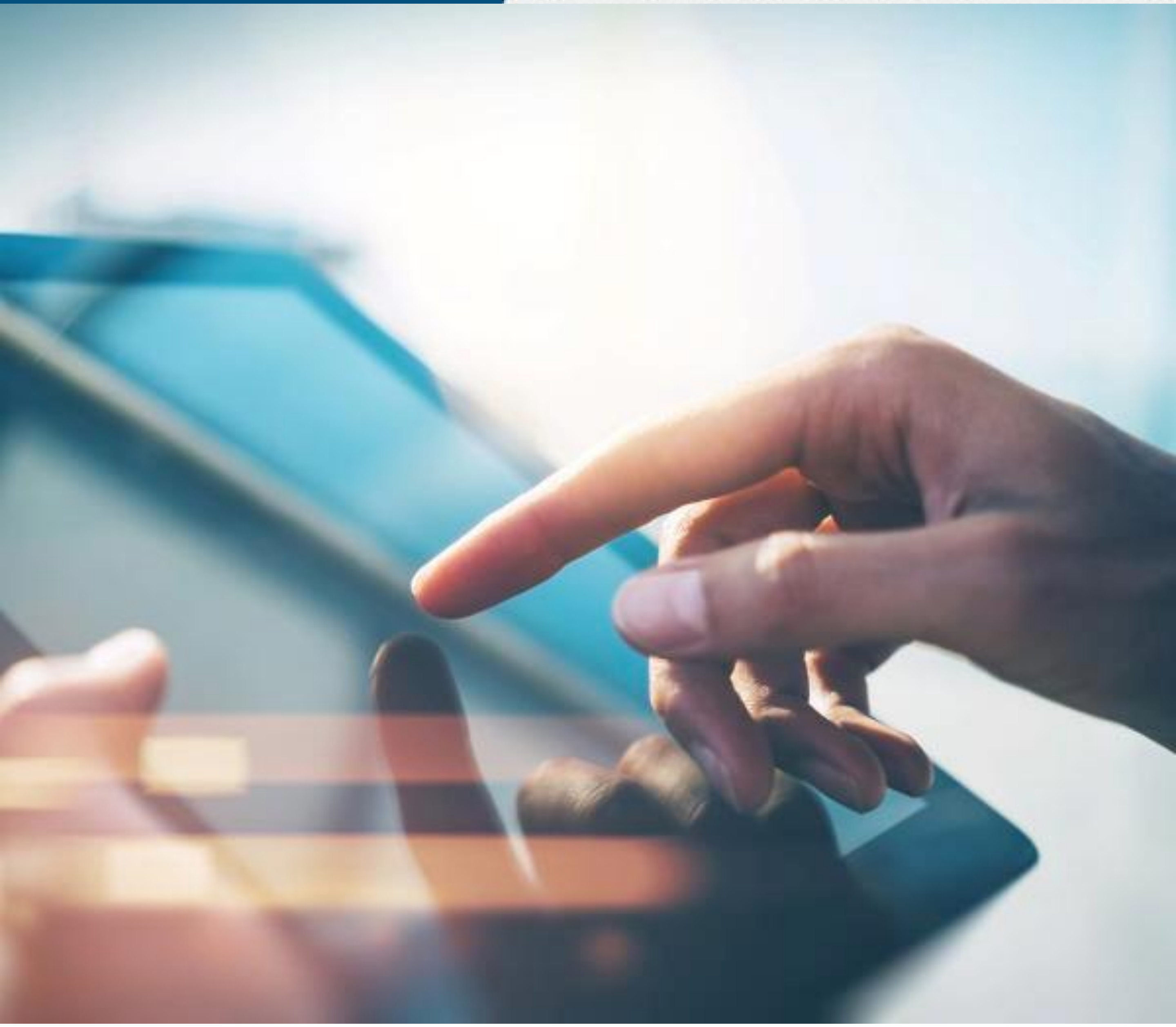
- **The introduction of short-term visas will not solve labour shortages in the food industry, the boss of Lidl has warned,** adding that the retailer was working "harder than ever before" to keep shelves stocked. Christian Härtnagel, chief executive of the German discount retailer's UK business, said that there were labour shortages "in every corner you look at the moment". The supermarket chain is raising wages for its lowest-paid workers, from £9.50 to £10.10 per hour outside London and from £10.85 to £11.30 in the capital from March next year as it battles with rivals to recruit staff.
- **Wendy's, the third-largest quick service restaurant chain in the US, is to up its expansion plans in the UK, after a strong start to its return here.** The FT reported the brand has been buoyed by sales at the sites it has opened since it relaunched in Reading in June. Abigail Pringle, Wendy's chief development officer, said revenues at the restaurants it had opened, were "far more" than the chain had expected at £40,000 a week. As a result, Wendy's will up the pace of its UK growth, Pringle said, with a target of opening 50 locations next year on top of the five restaurants and five delivery-only or "dark" kitchens that it has launched this year. The new openings are an increase from a previous target of ten new outlets in 2022. The sites will be a mixture of dark kitchens, dine-in restaurants and drive-thrus.
- **Hospitality vacancies could reach as high as 163,000 over Christmas as the UK continues to be hit by an employment crisis,** according to new analysis of ONS vacancy data by Stint. It analysed the last 10 years of vacancy data and used a forecasting model to calculate that available jobs this December could be up to 75,000 higher than two years ago. While the number of vacancies in the hospitality industry has been increasing year-on-year, often peaking towards the close of the year, the pandemic has reportedly "exacerbated" this problem, leaving hospitality businesses short staffed over the busy Christmas period.
- **Almost a quarter of a million millennial workers – those aged 25 to 40 – are estimated to have left the industry** between December 2019 and October 2021, according to new research from workforce management app, Deputy. Its report found this has accelerated a trend of replacing these employees with Generation Z workers. The proportion of millennials working in the sector has declined from 49% to 42%, equating to a loss of around 210,000 workers. At the same time, the proportion of workers from Generation Z – those aged under-25 – has risen by 5%, which equates to around 150,000 workers.
- **Rob Papps, group chief executive of Nando's, said the chain suffered "the most challenging year in its history"** as its full-year losses widened to more than £240m, but that it is "well-placed" to rebound. Accounts for the company's financial year to February 2021 show it posted a £241.8m pre-tax loss, following a £99.4m loss the previous year. Revenues fell by 39.3% to £665m, after the group was impacted by covid-related restrictions.



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