Macro and Market News

Week 11 2024 – Week ending 15/03/2024

15 MARCH 2024

Macro/Economic News

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Circana Foodservice UK

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- **The economy is likely to have moved out of recession already,** with official figures revealing that gross domestic product expanded by 0.2 per cent in January. The ONS said the economy had returned to growth at the beginning of this year thanks to a revival in activity in the services and construction sectors. The 0.2 per cent growth rate was in line with City analysts' expectations. An expansion in GDP raises the chances that the economy has powered away from recession, making it one of the shortest downturns in the past century. Output contracted by 0.1 per cent and 0.3 per cent in the third and final quarters of last year, respectively, meaning that the country met the technical recession definition of two consecutive quarters of negative growth. GDP dropped by 0.1 per cent in December.

- **Youth inactivity rates have reached record levels as worse mental health pushes more people out of work**. As official figures showed a rise in employment and slowing wage growth, concern again focused on the fifth of working adults who are not in work or looking for jobs. The Office for National Statistics reported on Tuesday that overall economic inactivity figures are barely changed at 9.3 million while the number for long-term sickness is over 2.7 million, fractionally down on a record 2.8 million. However, the figures for the three months to January highlighted increasing numbers of young people not working because of poor health.

- **Arrears levels among mortgage borrowers have worsened** as homeowners coming off fixed-rate deals are forced to remortgage on far less favourable terms, according to new data. Borrowers are in arrears on £20.3 billion worth of mortgages, an increase of 9.2 per cent on the previous quarter and 50.3 per cent higher than a year earlier, according to Bank of England data. The proportion of the total loan balances with arrears, relative to all outstanding mortgage balances, increased from 1.12 per cent to 1.23 per cent, which is the highest for eight years.

- **The governor of the Bank of England Andrew Bailey told an audience that the UK jobs market was running close to full employment** despite an increase in borrowing costs, which is traditionally meant to drive up the jobless rate to help reduce inflation. "I wish we knew more exactly what our unemployment number was in the UK … but the fact is, that whichever way, it looks like we are at, or near, full employment," Bailey said. His comments came as the Office for National Statistics said the unemployment rate rose from 3.8 per cent to 3.9 per cent in January, defying forecasts for no change, but still close to a historic low.

- **The energy watchdog Ofgem has said it is "very concerned" that struggling households will be unable to manage future energy price shocks.** Given the cost of recovering bad debts and the high number of consumers who are locked into debt repayment plans, Ofgem fears that this could have dangerous consequences for the retail energy sector. The regulator has issued a "call for input", asking for the views of consumers and those in the energy sector on affordability and debt in the energy market. The consultation will be open until May 13.

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- **The number of ethnic minority chief executives at FTSE 100 companies has risen** from seven to a dozen in a year, but smaller companies have more to do to hit diversity targets, according to the latest snapshot of race in the boardroom. The annual Parker Review found “good progress” by listed companies in making their boards and senior management ranks more ethnically diverse, but it said that the pace of change needed to accelerate at FTSE 250 companies.

- **Heathrow Airport experienced its busiest February on record**, with 5.8 million passengers travelling through the hub, up 11.6% YoY.

- **More than a fifth of adults in the UK are deemed not to be actively looking for work,** official figures suggest. The UK’s economic inactivity rate was 21.8% between November and January, marginally higher than a year earlier. It means 9.2 million people aged between 16 and 64 in the UK are not in work nor looking for a job, reports the BBC. The total figure is more than 700,000 higher than before the coronavirus pandemic, amidst concerns over worker shortages affecting the UK economy. The figure also showed that wage rises slowed again, although pay is still outpacing inflation.

- **Operating income at Supermarket Income Reit has jumped by 18 per cent to £45 million** thanks to an increase in rent collected by the company. The property investor said that as a result of contract uplifts and some acquisitions it had raised the rent it collected to £104.7 million in the six months to the end of 2024, up by 10 per cent from the same period last year. The real estate investment trust, which owns 55 supermarkets, receives 77 per cent of its income from Tesco and Sainsbury’s and is focused predominantly on the larger stores on the edge of towns that are also used for click-and-collect or online deliveries.

- **The owner of John Lewis and Waitrose has scrapped its annual bonus for the third time** in four years despite swinging back into the black and pledging to open more shops. The John Lewis Partnership made a profit before bonuses, tax and exceptional items of £42 million in the year to January 27. It reported a pre-tax profit of £56 million, compared with a loss of £234 million in 2022. The figure of $42 million, achieved through better sales growth and improvements in margins and productivity, is still a fraction of the £300 million-plus profits regularly reported less than a decade ago. Its total sales rose by 1 per cent to £12.4 billion as shopper numbers grew by a million to 22.6 million, while revenue increased by 2 per cent to £10.8 billion. Sales at Waitrose, the supermarkets chain, rose by 5 per cent to £7.7 billion, but department store sales fell by 4 per cent to £4.8 billion amid weaker demand for home and technology.

- **Estate agents are wary that mortgage rates may start to rise again** and threaten the nascent recovery in the housing market. While last year was tough, there have been signs in recent weeks that would-be buyers are starting to return to the market as mortgage rates have retreated. However, agents are “somewhat cautious” about the near-term outlook, according to the latest survey from the Royal Institution of Chartered Surveyors.

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- **The parent company of Wm Morrison has reported an annual loss of more than £1 billion** due in part to high debt finance costs. The supermarket chain, which is based in Bradford, West Yorkshire, was a public company for 54 years before it was bought by Clayton Dubilier & Rice, the US private equity firm, in 2021 for £10 billion including debt. The chain saw pre-tax losses rise to £1.1 billion in the year to October 29 compared with £1.5 billion in 2022. According to the latest accounts filed at Companies House for the retailer's holding company Market Topco, the loss included interest on external debt, interest on lease liabilities and a number of non-cash items. Revenue in the period, including fuel, was £18.4 billion against £18.7 billion previously.

- **Andrew Rennie, chief executive of Domino's, has said the business sees the lunch daypart as a key opportunity** for growth as it gears up to offer new £4 lunchtime deals. It comes after Domino's upgraded its growth targets for the UK and Ireland, targeting to have in excess of 2,000 stores by 2033, as it reported a 5.7% increase in like-for-like system sales in the year to 31 December 2023. Rennie said: "We haven't really gone after this daypart before and it's an underutilised part of our business. The franchisees are fully supportive, and I think will really help us take more market share."

- **Legal & General is backing a shareholder campaign to force Nestlé** into a vote in April on reducing the proportion of foods it sells that are considered unhealthy. The dispute pitches Britain's biggest investment institution against the world's biggest food company and partly turns on Nestlé's decision to categorise coffee as nutritious. Legal & General, which manages £1.1 trillion of assets, has backed a resolution calling for Nestlé to set a target to increase its sales of more nutritious products. The resolution also has the support of Candriam and La Française, the American and French asset managers.

- **Bagel Factory, which is owned by Cremonini Group**, one of the largest European food operators, has revealed it is set to open eight sites in 2024 and remains on track with its plan to have a 38-strong estate before the end of 2025. The openings by the company, which operates 24 sites in the UK – 18 of which are company owned – include further sites in London – in Westminster and at Baker Street station.

- **Canadian pancake brand Fluffy Fluffy is set to open in Bristol for its sixth UK site**. Fluffy Fluffy will open at 8 Park Street in the city on Saturday, 23 March, adding to its sites in Reading, Liverpool, Leicester, Manchester and Leeds.

- **Travelodge has announced it has begun the roll out of its new restaurant concept, 85 Bar Café.** The circa 600-strong business said that as part of a multimillion-pound investment, and in conjunction with the company's most significant brand transformation to date, the introduction of 85 Bar Café is in response to consumer research to gain further insight into the needs of the modern traveller. It said: "85 Bar Café… is an overhaul of the pre-existing Bar Café and offers a welcoming, stylish and comfy space for eating, drinking and unwinding (or a quiet spot for working) while also maintaining Travelodge's quality offering at great value prices."

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- **Luxury hot chocolate shop concept Knoops has opened its first store in Scotland.** Knoops plans to reach 20 sites by the end of March as it works towards an eventual target of 120 stores here and 3,000 globally by 2030. It is set to open a further Edinburgh location this month.
- **Yard Sale Pizza, the restaurant and delivery business** that has sector investor Paul Campbell as non-executive director, will open its 12th site in the capital next month, in Tufnell Park. Last October, the Johnnie Tate-led business said it saw potential to grow to in excess of 150 locations across the UK.
- **US coffee chain Blank Street Coffee is gearing up to launch in Birmingham**. Last December, the company, which made its UK debut in summer 2022 and currently has 27 stores in London, opened on the former Caffe Nero site in Manchester's Piccadilly Gardens. A second site in Manchester is set to follow on the ex-EAT site in the city's Cross Street. It is also thought that Cardiff is on the company's radar for future openings.
- **The Big Table Group, the Las Iguanas, Bella Italia and Café Rouge operator, has confirmed its Banana Tree brand** will open in Portsmouth this month. The company is converting its Café Rouge site at Gunwharf Quays to what will be the 20th Banana Tree restaurant.
- **UK Managing Director of Krispy Kreme, Jamie Dunning, has outlined the brand's plans for responsible growth**, highlighting opportunities in various missions and day parts. Krispy Kreme operates 140 corporately owned UK stores and has 1783 points of access through partnerships. Dunning emphasised the brand's aim to become more relevant across different occasions, leveraging its association with office treats and birthday celebrations.
- **Loungers has announced that it has opened its 216th Lounge**, the Pineto Lounge, in Bracknell. It reports that the site is its 255th overall.
- **Yolé, the world's first no-sugar ice cream and frozen yogurt brand,** has hired a new UK head of franchise ahead of an "ambitious expansion plan" here. Founded in 2014 in Spain, Yolé has since expanded to more than 80 stores in 15 countries. It made its UK debut in November 2021, in London's Chinatown, and now has five sites across the capital plus one in the Lakeside shopping centre in Essex.
- **Pret A Manger has said it is updating how Club Pret subscribers access their QR codes** as the brand continues to "invest in our digital offer for customers". At present, customers can use their "Club Pret" account with a QR code that can be added to services such as Apple Pay and Google Wallet. However, users can take a screenshot or picture of this QR code to share with others. Pret told customers this week they will now need to log in to its app to access a QR code from Monday (18 March).
- **Italian gelato brand Amorino is set to open its furthest north site yet for its 30th UK location**. It has secured a site at 39 Parliament Street in York, in the former Naked Deli unit that closed in January 2023, less than a year after opening. Amorino currently has 27 UK stores open – the majority of which are in London – with sites in Bracknell's Lexicon Centre and at 38 Hampstead High Street in north London set to open shortly.

Circana Foodservice UK

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About Circana

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