



Macro and Market News

Week 37 2023 – Week ending 15/09/2023

15 SEPTEMBER 2023





Macro/Economic News

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- **UK economy contracts by surprise 0.5% in July:** The UK economy contracted much faster than expected in July, weakened by industrial action, wet weather and higher borrowing costs, official figures showed. Gross domestic product fell 0.5 per cent, a reversal from an increase of 0.5 per cent in June, according to the ONS. City analysts thought GDP would fall 0.2 per cent. Shrinking output was driven by a downturn in the services and industrial sectors, with GDP declining 0.5 per cent and 0.7 per cent respectively. Retail and construction activity was also poor.
- **The Bank of England's rate-setting monetary policy committee (MPC) has lifted the UK's base rate** from a record low of 0.1 per cent in December 2021 to a 15-year high of 5.25 per cent. The policy is designed to make it more attractive to save and more expensive to borrow, which should, in theory, curb spending and bring down inflation. Living costs are rising more slowly, with consumer price index inflation down to 6.8 per cent from a high of 11.1 per cent. Price growth is tipped to cool for the rest of the year.
- **A mounting body of evidence suggests the dampening effects of the Bank of England's 14 successive interest rate rises** on the economy are being felt. Interest rate changes typically take several months to feed through the economy. Other data, such as the purchasing managers' indexes, indicate that UK economic activity was brittle in August too. Numbers this week showed unemployment crept higher to 4.3 per cent and employment fell. So far this year Britain has dodged a widely forecast recession, defined as two quarters of negative growth. Earlier this month the ONS, in a historical upgrade to its GDP estimates, said the economy returned to its pre-pandemic size two years ago, meaning output is 1.5 per cent greater now than before the Covid-19 crisis. It was previously thought to be smaller.
- **Workers' wages outstripped inflation for the first time in more than a year in July**, helping to ease the strain on households hit by an erosion to the value of their pay packets. Official statistics showed that average weekly earnings, when stripping out bonuses, rose by 7.8 per cent in the three months to July, in line with forecasts and matching the highest pace of wage growth recorded in 22 years. The figure surpasses the headline rate of consumer prices inflation recorded in July of 6.8 per cent and is the first time that wage growth has been higher than prices since October 2021. When including bonuses, average earnings rose by 8.5 per cent, above forecasts of 8.2 per cent and a figure that may be used to uprate state pensions if the government commits to its longstanding triple-lock policy later in the year.
- **Professional women have become more likely to work full-time since the pandemic in sectors where hybrid and remote working are now standard practice**, according to research based on analysis of Office for National Statistics microdata. The proportion of women in employment in the UK who work full-time has risen from 56.5% in 2019 to 58.7% this year. But the findings found the increase had been much bigger in sectors where many companies had adopted hybrid work policies, offering some of the strongest evidence yet of benefits flowing from homeworking for individuals and the wider economy.

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- The owner of Poundland has struck a deal to take over up to 71 stores occupied by Wilko**, giving hope to hundreds of workers at its stricken rival who had expected to lose their jobs. Pepco intends to re-brand the Wilko stores “as soon as practical”. It hopes to have them ready in time for the final three months of the year, seen in the retail industry as the all-important “golden quarter”.
- Britain’s manufacturing sector has overtaken France** to reach eighth place in the global rankings, according to an analysis of the latest official figures by Make UK, the industry body. The numbers show that UK factory output was worth \$272 billion in 2021, the most recent year for which worldwide comparisons are available, compared with \$262 billion for France. It is only the third time since 2002 that Britain has been ranked above France and Make UK believes that if the government were to commit to a manufacturing target of 15 per cent of GDP, or \$460 billion, the sector could aim to match the seventh-ranked Italy.
- A faster than expected contraction in the UK economy** and nerves ahead of key US inflation data brought the FTSE 100’s four-day winning streak to a halt. Amid jitters about the US Federal Reserve’s next move on interest rates, the FTSE 100 retreated 26.38 points, or 0.4 per cent, to 7,501.20. The more UK-focused FTSE 250 slipped 90.75 points, or 0.5 per cent, to 18,451.28.
- The value of mortgage balances in arrears has jumped to the highest level in seven years** as rising interest rates pile pressure on household finances. Figures released on Tuesday by the Bank of England showed that arrears balances had risen by 28.8 per cent year-on-year to £16.9 billion in the three months to the end of June, the most since the third quarter of 2016. They now account for 1.02 per cent of all outstanding home loans, up from 0.89 per cent in the first quarter of the year.
- Young people are turning their backs on traditional part-time and Saturday jobs in hospitality and retail** in favour of making a quick buck through their own ventures, a survey suggests. Almost three fifths of the 1,000 Generation Zs polled by GoDaddy, the website and hosting company, said they would pursue their own “side hustle” rather than take part-time salaried work. Almost seven in ten said they thought they could make more money this way, reports The Times.
- Payments made with cash rose for the first time in a decade last year as consumers struggled with rising prices.** But the number is still dwarfed by debit card use, which accounted for half of all payments, its highest ever level. Consumers often say they find it easier to manage their money using cash, reports the BBC. But UK Finance, which compiled the data, said it expected cash use to decline over the coming years, once the current financial squeeze has eased.
- House prices are falling at their fastest rate since 2009**, according to the latest poll of surveyors. A net balance of 68 per cent of property professionals in August reported declining house prices, marking the most negative reading since the financial crisis, according to the Royal Institution of Chartered Surveyors, which cited the impact of high mortgage rates. New buyer inquiries also fell during the month, with a net balance of 47 per cent of professionals reporting a drop, deteriorating from a balance of 45 per cent in July.



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- Wendy's, the third-largest quick service restaurant chain in the US, is to continue its expansion across the UK** after confirming a further six openings for this year. The brand, which made its return to the UK two years ago, will open new sites in Derby, Leeds, Peterborough, Guildford, Cambridge and Middlesbrough over the next few months, creating circa 240 jobs in the process. The business currently operates 30 sites in the UK, through a mixture of restaurants and delivery kitchens.
- Dunkin' targets to double cafe count by 2025:** Dunkin' UK has opened a new flagship location in London, on Wardour Street, in line with its plans to total 40 Dunkin' locations before the end of 2023. The first Dunkin' UK cafe was opened by QFM Group in St Johns, Liverpool in 2016. The operator is targeting to double its cafe count to 60 in the next two years.
- Britain's biggest pub chain is charging drinkers more at the busiest times with "dynamic" surcharges** that make a pint of beer 20p more expensive at the weekend. Stonegate Group is upping the price of a pint when its venues are busiest to help cover the cost of washing glasses, extra staff, supplying plastic cups and putting bouncers on the door, reports The Telegraph. The chain has introduced "dynamic pricing" at some 800 sites across the country, hitting drinkers with higher prices when footfall is high. The firm, which operates over 4,500 licensed businesses, initially brought in additional charges during major sports tournaments like the FIFA World Cup in 2018 and 2022 but has since made them permanent during "peak trading".
- Foodco has opened its 66th Muffin Break in the UK and second in Northern Ireland.** It has opened in Belfast's Castle Court Shopping Centre, joining its other location in the country, at Buttercrane Shopping Centre in Newry, which opened earlier this year. Foodco also operates Jamaica Blue here, and in July opened its largest UK site yet for the coffee concept – and 20th overall – in Belfast's Corn Exchange.
- Greggs chief executive Roisin Currie is among 44 bosses to have written to Jeremy Hunt,** urging him to avoid a £400m business rates hike that they say risks undermining the fight against inflation. The letter, coordinated by the British Retail Consortium, asks for rates to be frozen and said firms had been battling to contain price rises despite costs soaring over the past 18 months. Business rates normally go up in April, using the previous September's inflation rate, but have been frozen for three years since the pandemic. The BRC letter said that, based on inflation this month remaining higher than 6%, a hike next spring would add more than £400m to business rates bills.
- JD Wetherspoon has made its student pricing, which comprises discounts across 30 drinks and 30 food items,** available to all of its guests. Until Wednesday, 11 October, products and categories at the group's pubs will receive further discounts.
- US fast food brand Chick-fil-A has targeted 2025 for a relaunch in the UK** and is aiming for five sites within the first two years. Propel revealed in August that Chick-fil-A had begun reaching out to landlords and seeking to secure sites as it gears up to make a return to the UK market. The company, which has more than 2,800 restaurants in the US, Canada and Puerto Rico, is understood to have retained property firm Newmark Group, which acquired Harper Dennis Hobbs in 2019, to help it with its expansion in the UK.

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- Delivery platforms Deliveroo, Uber Eats and Just Eat have signed a charter with the Transport for London** authority which pledges to make the companies' motorcycle couriers and other road users safer in the capital. Reuters reports that the voluntary charter comprises ten road safety principles such as legal requirements for riding and working in Britain, riding safely and realistic delivery schedules.
- Four charged over Patisserie Valerie collapse:** Four people have been charged in connection with the collapse of Patisserie Valerie in 2018. The SFO opened a full investigation into the conduct, codenamed "Operation Venom", in October 2018. This came two days after the company abruptly suspended trading, closing 70 stores and causing the loss of more than 900 jobs across the country when its debts were revealed. The SFO has charged all four suspects with conspiring to inflate the cash in Patisserie Holdings' balance sheets and annual reports from 2015 to 2018, including by providing false documentation to the company's auditors. During this time, the company also reported holding £28m in accounts, yet concealed £10m in debts from its investors and creditors. Meanwhile the chain is set to reopen two restaurants before the end of October, a report by The Sun revealed. According to the report, Patisserie Valerie will be reopening more cafes over the next few months as part of its reinvestment in its estates.
- Luxury hot chocolate shop concept Knoop**s plans to reach the 20-site mark by the end of next March, which will include new openings in Guildford and Edinburgh. Earlier this week, Knoop opened its latest site, and 13th overall, in Bath's Old Bond Street. It is also lining up an opening at the former Blackstocks fish and chips shop at 33 Northgate in Chester.
- The Restaurant Group (TRG) has agreed the sale of its Leisure division to the Big Table Group for £1.** The group said it has entered into an agreement for the sale of the business, comprising of 75 trading sites and associated restaurant and management team employees, to the operator of Las Iguanas, Café Rouge, Banana Tree and Bella Italia. As part of the transaction, TRG said it will pay a cash contribution of £7.5m, and the transaction is expected to complete early in the fourth quarter of 2023.
- YO! Sushi UK Ltd has reported its FY numbers for the period ended 27 November 2022** to Companies House. Revenue increased significantly by 53.8% YoY to £84.7m as the hospitality sector reopened post restrictions. Gross profit rose by 64.0% to £35.1m
- Almost a fifth of pub-goers now check a pub's green credentials before a pint or bite to eat**, while also taking into account food waste levels and recycling rates, according to new research by Heineken UK. According to the research, almost half (48%) of Generation Z and Millennials would be more inclined to visit a pub if it was "eco-friendly" and took part in sustainable initiatives, and nearly half want more information about carbon footprints on menus, with 41% saying it would influence their order.
- Global coffee chain Starbucks has announced that Howard Schultz**, the company's founder, and former chairman and chief executive, has stepped down from its board of directors as part of a planned transition. Schultz previously stepped down as chief executive in March.
- UKHospitality has called for a cap on any visitor levy introduced in Scotland.** It said proposed plans, like Edinburgh's, to impose a visitor levy of up to 7% will hit consumers in the pocket. Responding to the local government, housing and planning committee's consultation on the Visitor Levy (Scotland) Bill, UKHospitality Scotland said a cap would mitigate the impact a levy would have on Scotland's appeal as a leading visitor destination.

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About Circana

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