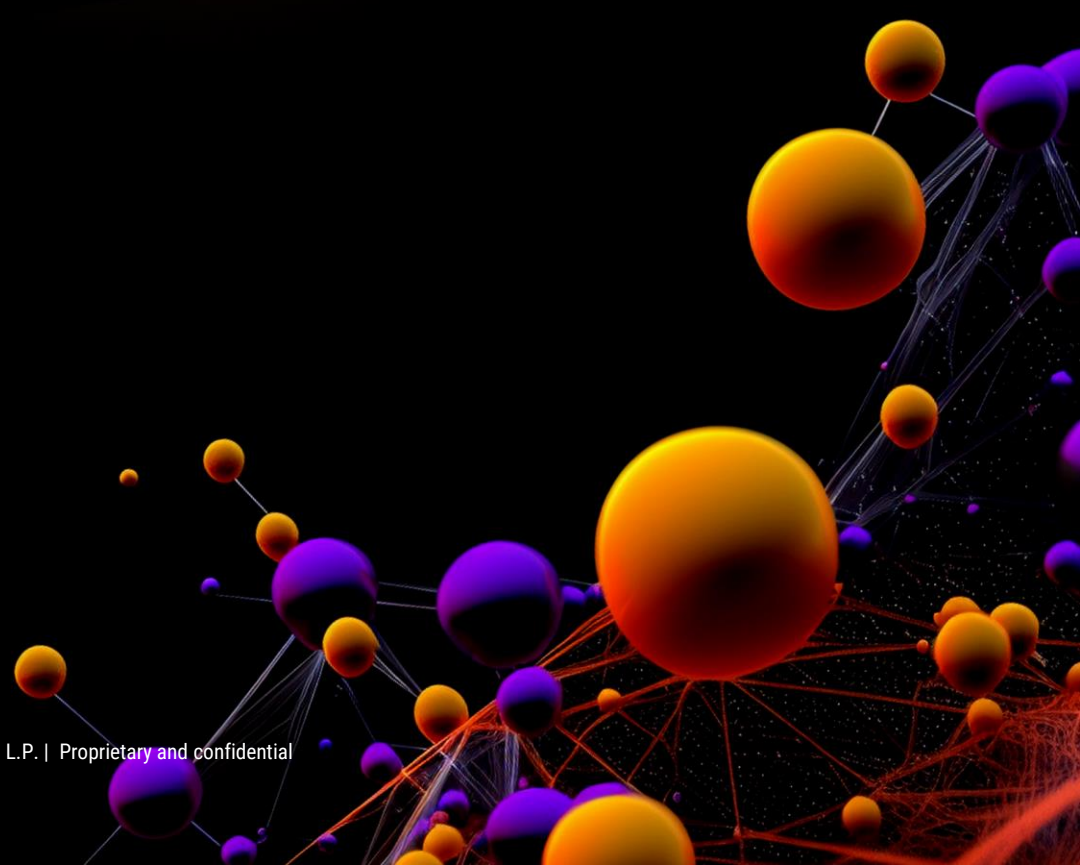




Macro and Market News

Week 19 2023 – Week ending 12/05/2023

12TH MAY 2023





Macro/Economic News

Week 19 2023 – Week ending 12/05/2023

Circana Foodservice UK

Macro/Economic News (1)

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- **UK to avoid recession after sharp fall in energy prices:** The Bank of England has upgraded its forecasts for UK growth by the greatest amount in its history as the drastic fall in energy prices means that the economy will no longer contract over the next three years. In new projections for growth and inflation the Bank said that gross domestic product would be 2.25 percentage points higher than expected over the next three years, compared with projections made in February. The revision is the largest in the monetary policy committee's 26-year history and compares with warnings about the longest recession in half a century made last autumn. The outlook has shifted dramatically after global wholesale gas prices have fallen back below their pre-Ukraine war levels and household spending has been boosted by government support measures and still low levels of unemployment.
- **Bank of England raises interest rates to highest level since 2008:** Mortgage borrowers face yet another increase in their monthly bills after a twelfth consecutive interest rate rise by the Bank of England, which has pushed the cost of borrowing up to 4.5 per cent. The rise in the central bank's interest rate from 4.25 per cent will hit millions of borrowers whose fixed-rate mortgages come up for renewal this year and immediately increase monthly repayments for about a million borrowers on variable rate mortgages. The base rate of interest has not been as high as 4.5 per cent since October 2008.
- **Forecast of two-year wait before Bank's inflation target is met:** Inflation will not return to the Bank of England's 2 per cent target until late 2025, according to a new forecast which warns that interest rates risk being "higher for longer". The National Institute of Economic and Social Research, one of the country's oldest independent think tanks, expects the current double-digit rate of inflation to fall to 5.4 per cent by the end of the year, falling short of the government's aim to halve the headline rate of consumer price growth this year. The think tank's forecast is also above the 3.9 per cent inflation rate the Bank expected for the end of the year in its last projections made in February. The institute said inflation would only fall to the Bank's 2 per cent target in the third quarter of 2025. That makes it more pessimistic than the Bank and the Office for Budget Responsibility, who think price growth will fall rapidly in the coming months.
- **Two transport unions launch a new wave of rail strikes this week** in a long-running dispute with the train operators and government. Drivers' union Aslef will bring large parts of the network to a standstill when its members stage a one-day strike on Friday (12 May), before the RMT union walks out for 24 hours on Saturday (13 May). The strikes will be the first nationwide walkouts since early February and have dashed hopes for an imminent deal to end a bitter dispute that has dragged on for almost a year.
- **Consumer confidence has started to rebound from record lows** during the winter and confidence among business leaders is following suit, albeit from a low base. The optimism index from accountancy firm BDO climbed back to 98.22 in April, and although that remains shy of the 106.75 recorded this time a year ago, it marks the highest reading since last August. Any score above 95 is considered positive. BDO said optimism had been boosted by "stronger-than-expected consumer activity", as well as a strong showing from the services sector, which encompasses retail, financial and leisure companies.

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Macro/Economic News (2)

Week 19 2023 – Week ending 12/05/2023

- About 1.6 million households and businesses were paid a total of almost £11 million** under a scheme that rewarded them for cutting their power usage at peak times last winter. National Grid, the company responsible for keeping the nation's lights on, said the energy savings under the "demand flexibility service" were equivalent to the amount of electricity needed to supply about 10 million homes for an hour. It launched the scheme amid fears that Britain could be at risk of blackouts after Russia curtailed gas supplies to Europe. Households were rewarded for switching the time at which they carried out energy-intensive activities such as using the washing machine to avoid peak periods, typically early evenings.
- Far fewer than the expected number of company bosses have signed up for Rishi Sunak's taxpayer-subsidised management training scheme**, official figures have showed. Some 5,395 directors of small and medium-sized companies from across the UK had enrolled in Sunak's "Help to Grow" scheme by the end of February, according to the Department for Business and Trade. Only 3,340 had completed the 12-week course in that time. Sunak had hoped that 30,000 business leaders would take part during the three years of the £520 million scheme, which he launched in August 2021. The taxpayer covers 90 per cent of the cost of the training, which is provided by business schools.
- The government must reinstate housebuilding targets and rethink proposed reforms to the rental market if it is to improve the supply of houses**, the Royal Institution of Chartered Surveyors (RICS) has said. Demand for rental homes has surged as a dearth of properties available to buy, combined with rising house prices and mortgage rates, has put owning a home out of reach for many. The majority of lettings agents surveyed by the RICS – a net balance of 40 per cent – have seen demand from would-be tenants increase over the past three months. A similar number reported a fall in the number of new instructions received from landlords, while the vast majority expect rents to continue to rise over summer.
- The number of people hired for full-time jobs contracted at the fastest rate in over two years in April**, while temporary recruits continued to rise as firms hedged against economic uncertainty. Temporary placements grew at their fastest rate in seven months, according to the latest monthly poll by the Recruitment and Employment Confederation (REC) and KPMG, the professional services firm. Meanwhile, the supply of candidates who said they were looking for new jobs improved for the second month in a row, the survey found. The latest rise was partly because some workers were made redundant, while others were seeking higher-paid roles as inflation eroded the value of their earnings.
- Pret and Netflix subscriptions will help Generation Rent get mortgages:** A new tie up between Leeds Building Society and the credit reference agency Experian will allow extra evidence of a prospective borrower's financial history to be factored into mortgage lending decisions. The partnership means that the previous 12 months of an applicant's regular debit payments, such as council tax and subscriptions to digital entertainment services, will help improve their credit score. The idea is that these payments show that the prospective borrower can handle monthly payments. Leeds said that, during testing, 7.5 per cent of mortgage applicants would have gained an improvement in their credit rating by using the new system, called Experian Boost.

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Market News

Week 19 2023 – Week ending 12/05/2023

Market News (1)

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- Supermarkets have told ministers that food prices have peaked and will start falling significantly in the coming months.** The Treasury held a call with leading supermarkets after Andrew Bailey, governor of the Bank of England, blamed the “very big underlying shock” for stubbornly high inflation. After the Bank raised interest rates for the 12th consecutive time, ministers are concerned food price inflation has proved more “sticky” despite falling energy prices. The Liberal Democrats have called for an investigation by the Competition and Markets Authority. Although the government does not accept that supermarkets are profiteering, it is urging them to help people more. Number 10 is said to be so concerned that it looked into France’s policy of capping the price of staple foods, although the approach will not be adopted.
- UK Hospitality chief executive Kate Nicholls said the Coronation weekend was one of two halves,** with visitors focused on London and the Coronation itself for the first half, whereas the second was about communities and a “more normal bank holiday”. She said: “We’ve seen higher levels of footfall than we would normally expect at this time of year as a result of Coronation activities. In total, it could be worth an additional £350m worth of sales.” Businesses in London fared best, she said, with hotel occupancy in the centre of the capital running at 95% on the Friday and Saturday nights. However, she added that having three bank holidays in May would be testing for most household finances in the current climate. “There is a finite amount of spending money that people have, so while you’ll get an uplift on one or maybe two of them, it’s unlikely you’ll get it sustained across the whole of the month,” she added.
- City Pub Group executive chairman Clive**
- Watson has said a strong Sunday** stopped the Coronation weekend being a washout for his pubs. The group, which operates 43 pubs across the UK, said that after an “anaemic” Saturday, Sunday sales had been “really, really strong”. Extended pub opening hours had been expected to provide a £104m boost to the sector, according to the Centre for Economics and Business Research. “Saturday was a washout – the weather was awful and that was reflected in very anaemic sales,” Watson told the BBC. “But Sunday was really, really strong. Despite street parties, we were 82% up on this time last year.” He also said the first bank holiday in May had been the chain’s “best weekend we’d ever had”, with £800,000 turnover.
- Barclays data shows pub & bar transactions up 26.7% YoY over the Coronation weekend** as venues benefitted from the longer opening hours. The figures are also comparing this year’s bank holiday weekend against last year’s regular weekend.
- US franchise coffee concept Raining Berries has said it has identified more than 250 potential UK locations.** The company, which was founded in 2018 by Bimal Bhojani, is aiming to open its first UK site in 2023 and sees 20-40 openings here over the next two to three years as its entry into Europe.
- Gordon Ramsay Restaurants has launched its Street Burger brand** out of Reef’s site in London’s Kentish Town, for delivery or pick up. The business currently operates 11 Street Burger sites, having recently added the concept to its Bread Street Kitchen site in Ealing. The site has recently been rebranded from Bread Street Café to Bread Street Kitchen & Bar, and features a “Street Pizza X Street Burger collaboration”.

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Market News (2)

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- JD Wetherspoon has said it is gearing up to a record year, as a strong third quarter was driven by a best ever Easter and busiest Saturday ever.** In its Q3 trading update for the 13-week period up to 30 April 2023, the company said like-for-like sales increased by 9.1% in the 13 weeks to 30 April 2023 compared to the same period in the last full financial year before the pandemic, which ended on 28 July 2019. Year-to-date sales increased by 6.4% compared to the same year. Sales in Easter week were the highest-ever for the company, and sales in the current financial year are likely to be a record. Compared to FY22, like-for-like sales increased by 12.2% in the third quarter and by 12.7% year-to-date.
- Compass Group has announced a £750 million share buyback on the back of strong trading,** doubling the amount returned to shareholders since May last year. Its chief executive said that Compass was raising its guidance for full-year operating profit growth “toward 30 per cent” on a constant currency basis, up from “above 20 per cent” previously. It also upped its guidance for organic revenue growth from 15 per cent to about 18 per cent, and predicted an underlying operating margin of between 6.7 per cent and 6.8 per cent.
- The Restaurant Group (TRG), the owner of Wagamama and Frankie & Benny’s, has launched a new virtual delivery concept,** which comprises “popular bits” from its other delivery brands. Called Street Feud, the new concept is live on Deliveroo and UberEats, with a plan to extend on to Just Eat, and currently available through a handful of Frankie & Benny’s sites. Described as a “one-stop shop to order various brands and cuisines together”, Street Feud’s menu includes items from the delivery brands such as BirdBox, Stacks, Bao Now, BoneJam and Puddo.
- Food-to-go operator Greggs has opened its first airport site** in partnership with UK-based transport hub foodservice specialist SSP Group. The outlet at Cardiff airport is on the first floor before the security check point.
- Jamie Oliver’s new UK restaurant will be a more ‘premium’ venture** than Jamie’s Italian according to CEO of the Jamie Oliver Group Kevin Styles. He did not confirm whether the concept would be spun out into a chain but said the launch was part of a five-year plan for the business.
- Manchester airport has unveiled plans for almost 30 new eateries and retail units** in its remodelled and upgraded Terminal Two. The extended departure lounge, part of the airport’s £1.3bn transformation programme, will feature a food market alongside a high street-style shopping area with a champagne bar and premium brands, cafes and a brasserie. Each outlet within The Avenue shopping zone will open on to airfield views.
- Better burger brand Fat Hippo will open its next site in London’s Soho next month,** opening on the former Las Banderas site in Wardour Street. It will be the second London site and 17th in total for the business, which was founded in 2010.
- Bluewater shopping centre in Kent has put forward plans to convert ten shops into leisure facilities, restaurants and bars.** The proposals, which have been submitted to Dartford Borough Council, will see the conversion of ten units in the Upper Mall level of the Rose Gallery and the Winter Garden, to the east side of the centre.

Circana Foodservice UK

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,

SnapMyEats

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

Circana is the leading advisor on the complexity of consumer behavior. Through unparalleled technology, advanced analytics, cross-industry data and deep expertise, we provide clarity that helps almost 7,000 of the world's leading brands and retailers take action and unlock business growth. We understand more about the complete consumer, the complete store, and the complete wallet so our clients can go beyond the data to apply insights, ignite innovation, meet consumer demand, and outpace the competition.

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