



Macro & Market News

Week 18 2022 – Week ending 06/05/2022



Macro/Economic News

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- **The Bank of England** has warned that the UK economy will shrink this year as it raises interest rates to try to stem the pace of rising prices. Rates rose to 1% from 0.75%, their highest level since 2009 and the fourth consecutive increase since December. Inflation, at its highest for 30 years, is set to breach 10% by the end of the year, with fuel, energy and food costs soaring partly due to the Ukraine war. As a result, people are expected to start reining in their spending which will hit growth.
- **Consumer spending** remained robust in March despite inflation at a 30-year high eroding the value of pay packets. Net consumer credit rose by £1.3bn, above the £1bn average of the previous six months but below the £1.6bn recorded in February, according to the latest data published by the Bank of England. The rise in spending was driven by an £800m rise in borrowing on credit cards.
- **Rapidly rising inflation** has slowed growth in Britain's services sector to its weakest level since the start of the year, and confidence now sits at its lowest level for 18 months, according to a closely watched survey. The sector, which includes retail, hospitality and leisure services, is suffering an unprecedented increase in costs, with prices rising faster than at any time since the S&P Global/CIPS UK services purchasing managers' index (PMI) began in 1996. Many businesses also faced pressure to increase staffing levels in response to rapidly growing business demand as the economy reopened in full after the covid-19 pandemic.
- **Markit** released manufacturing PMI numbers for the UK showing a 'mild growth acceleration' from 55.2 in March to 55.8 in April.
- **The average UK house price** hit a fresh record in April but growth is set to slow this year as inflation and interest rates rise. The Halifax said house prices rose +1.1%, taking the average to £286,079. While it said prices had grown for 10 months in a row - the longest run since 2016 - it said "the headwinds facing the wider economy cannot be ignored". Hikes in the cost of living and higher interest rates will squeeze household budgets, the mortgage lender predicted.
- **Airbnb** is allowing its employees to work from anywhere for as long as they like, without their pay being affected. The move is in contrast to the likes of Google in the US, where staff who work from home may see their pay cut. The BBC reports that 'a London law firm has offered staff the option to work from home permanently, but the convenience comes at a price. The company said it would allow staff to work remotely but pay them 20% less than their current salary.'



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- **Chicken could soon be as expensive as beef** as the cost of bird feed goes up – with fast food restaurants like Nando's and KFC already rising their prices. Ten chicken wings and two sides at peri-peri chicken chain Nando's has risen from £14.95 to £16.00 since November, according to the Sunday Times. This means that a KFC Trilogy Box Meal rose from £7.59 to £7.98, according to the Sun. Marks & Spencer is already retailing organic chicken breasts and organic beef rump steak at £24.15 per kilogram. The price of chicken is rising faster than any other protein because of feeding costs, rising energy prices and wages rise.
- **Greggs** is among a group of companies forging a new coalition to urge chancellor Rishi Sunak to plough ahead with reforms to Britain's decades-old business rates regime. The group, calling itself the Retail Jobs Alliance, has been set up by some of the country's biggest chains, including Tesco, Sainsbury's and Waterstones, and has written to Sunak to demand he "cuts the shops tax".
- **Coca-Cola Great Britain** is launching its first flagship Coca-Cola store in London. Located on Long Acre, Covent Garden, the new retail destination is the first of its kind in Europe, offering a range of limited-edition apparel collections, exclusive designer collaborations, gift items, and unique drinks creations. The London store follows the successful launch of similar ones in the US. Visitors shop for limited-edition collection drops, taste Coca-Cola at the Beverage Bar and add a personalised touch to cans at the customisation centre.
- **Restaurant Brands International**, which owns Burger King & Tim Hortons, has reported Q1 numbers saying that 'we saw a sequential improvement in the contribution of digital sales to overall sales across all brands in their home markets, including Tim Hortons Canada reaching over 36% of systemwide sales.' The company reports 'during the first quarter, Russia had a roughly \$12 million impact on our year-over-year adjusted EBITDA and we anticipate a fairly even impact across the year.' The company reported Q1 net income of \$270 million, or 59 cents a share, from \$271 million, or 58 cents a share, in the same quarter last year. Revenues were \$1.451 billion in the quarter.
- **Yum! Brands** has reported KFC system sales in the UK rose +7% for the first quarter ended 31 March 2022, compared with the previous year. The UK now accounts for 8% of KFC's system sales worldwide following the closure of its Russian operation. Globally, KFC like-for-like sales in the quarter increased +3%, with US like-for-like sales up +1%. System sales worldwide rose +6%, with the lockdowns in China weighing on sales – China is KFC's largest market by system-wide sales, making up 27% of global sales. Operating margin was down four percentage points, and operating profit fell 3% to \$291m.

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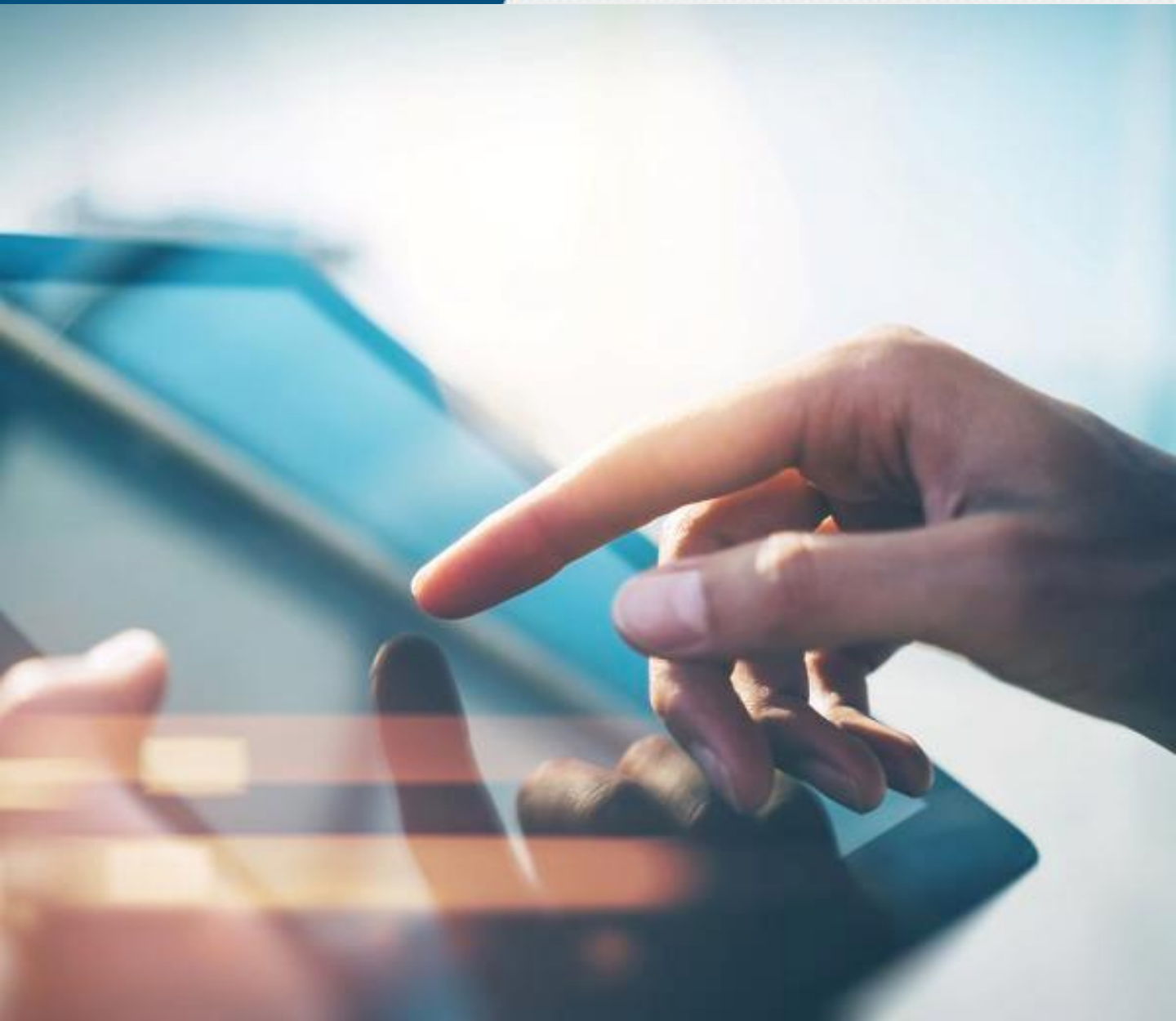
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- **Domino's Pizza Group** has reported "strong" trading in the first quarter with like-for-like system sales, excluding the impact of the increase in VAT and excluding splits, growing +3.9%. Orders grew +5.5% in the quarter despite a strong comparative "reflecting the stimulus to our delivery business last year from lockdown restrictions", the company said. Order count growth in the quarter was driven by the recovery of collections, which grew +45.4%. The company said it continues to expect FY22 underlying Ebitda and earnings per share to be in line with current market expectations.
- **Neat Burger** plans to open 12 sites by the end of this year in the US through a mix of bricks and mortar sites and delivery kitchens. The US will become the main expansion market for the vegan burger brand, taking the lead from the UK. Expansion will also continue in the UK through corporately owned restaurants.
- **Hub Box**, the South West-based burger and barbecue concept, has lined up new openings in Dorchester and Gloucester. The ten-strong brand, which will soon open a site in Plymouth's Royal William Yard scheme, has secured a site in the Old Brewery building in Dorchester.
- **Chopstix** has announced plans to open four new sites by the end of July, as it 'continues a steady programme of growth in 2022.'
- **JD Wetherspoon** has reported like-for-like sales have turned positive in the last two weeks with the company set to "break even" this financial year. The company reported like-for-like sales decreased -4.0% in comparison with the same period in FY19 for the 13 weeks to 24 April 2022. Year-to-date like-for-like sales have decreased -6.2% against 2019 levels.
- **Starbucks** has reported record second-quarter revenue despite a significant decrease in sales in China due to the country's pandemic lockdowns. For the quarter ending 3 April 2022, the company reported revenue of \$7.6bn – in line with analyst expectations – compared with \$6.7bn the previous year. Profits for the quarter were \$674.5m, up from \$659.4m the year before, which was also in line with analyst expectations. Global like-for-like sales were up +7%.

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- **Stonegate Group** has launched a new division aimed at growing an estate of premium food-led pubs. The circa 4,580-strong, Simon Longbottom-led business has traditionally focused on wet-led formats, with a circa 35% or under food mix. But the new format, which has been launched at The Clerk and Well pub in London's Clerkenwell Road, will aim for a more 50/50 drink/food sales mix. The new division will feature unbranded sites but is understood to come under the umbrella of The Chapter Collection internally at Stonegate.
- **London-based Vietnamese street food concept HOP** is to return to the expansion trail after completing a £2.25m fundraise, on the back of the performance of its more QSR-style operating model. The business currently operates two sites in the City after undergoing a restructure last February, which saw it close four of its sites. It has now raised £2.25m from a combination of existing investors and new high-net-worth angel investors, which it will use to fund a two-pronged expansion strategy, aimed at securing sites outside the City in central London, but also in more suburban areas.
- **Wingstop** has said the brand's success in the UK is a "clear demonstration of the power of our international growth strategy". He said the brand in the UK, which is being overseen by Lemon Pepper Holdings, now operates 20 sites with more openings planned for this year.
- **Juice bar brand Smoothie Factory** is to open its first UK and Ireland store, in Belfast's Titanic Quarter. The American franchise has signed a lease agreement to open at ARC Retail. Established in 1996 by US Olympic athlete James Villasana, Smoothie Factory serves products including real fruit smoothies, cold pressed juice, salads, sandwiches, superfood bowls, coffee and gelato. It has more than 120 stores in 20 countries.
- **Fridays**, part of Hostmore, has unveiled a new Tex-Mex range – including quesadillas, tacos and refreshed and rebranded fajitas. The "Fri-jita" options now include steak and cajun spiced chicken, and a plant-based chicken from Meatless Farm. The tacos now come with a choice of blackened salmon, beef, chicken or meatless chicken, while the quesadillas are available with chicken or vegan mushroom and cheese.



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