Macro & Market News

Week 7 2023 – Week ending 17/2/2023

Macro/Economic News

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From NPD Foodservice UK

Macro / Economic News (1)

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- **Inflation fell for a third consecutive month in January** but remained close to a 40-year high at 10.1 per cent, official figures from the ONS show. It is the latest sign that the pace of price rises across the economy is slowing down — but the figures do not offer much respite to households facing a record squeeze in living standards. The consumer prices index, which is the main measure of inflation, is thought to have peaked at a 41-year high of 11.1 per cent last October, before falling to 10.5 per cent by the end of the year. Economists polled by Reuters had predicted that the index would fall to 10.3 per cent in January.
- **A decline in fuel prices was the main factor driving down the headline inflation figure according to the ONS**, but this was in part offset by food inflation, which remained at a 45-year high as shortages and soaring energy bills pushed up costs for farmers and producers. The price of food and non-alcoholic drinks has risen by nearly 17 per cent in the past year. Inflation in the cost of transport fell for a seventh consecutive month to 3.4 per cent, down from a peak of 15.2 per cent last June. There was also a slight slowdown in price rises at restaurants and cafés. However, the drop was partially offset by price rises in alcohol and tobacco, up month-on-month by 4.6 per cent and 0.8 per cent respectively in January.
- **The value of real wages fell by 2.5 per cent last year, one of the largest declines since records began 20 years ago.** Salaries increased by an average of 6.7 per cent in 2022, figures from the Office for National Statistics showed, but after adjusting for inflation that represented a pay cut in real terms. Those working in the public sector suffered the largest drop in income after receiving average pay increases of only 4.2 per cent, compared with 7.3 per cent in the private sector.
- **An analysis by the ONS showed that more than a quarter, or 28 per cent, of workers had a "hybrid" week**, combining office and home work. Workers in the highest income band — those educated to degree level or above — and those in professional occupations were most likely to report working from home only or hybrid working. Following numerous rail strikes, 40 per cent of workers had spent at least one day at home over the past few months.
- **Millions of households face council tax rises of £100 or more as three quarters of local authorities opt for the maximum permitted increase.** In the latest cost of living pressure, 74 per cent of councils that have announced plans said they would be putting up bills by 5 per cent in the coming weeks. The figures show one of the biggest and most consistent rises in council tax around the country since the current capping system was introduced, with every region of England having average rises of at least 4 per cent.
- **Retail sales volumes rose unexpectedly at the start of the year after January discounts drove a rise in online shopping**, official figures show. Sales volumes beat expectations to rise by 0.5 per cent month-on-month in January after a revised decline of 1.2 per cent in December, according to the ONS. Economists polled by Reuters had predicted a fall of 0.3 per cent. The figures offer hope for economic growth at the start of the year and indicate that the combined effect of the cost of living crisis, rising interest rates and falling real wages has not dented consumption as much as expected. Online shopping now accounts for about a quarter of all sales volumes, up by about 5 per cent since before the pandemic.

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- **Figures released from the Centre for Retail Research have shown that almost 50 shops are closing a day,** however the larger stores are now starting to also exit, including Paperchase, House of Fraser, New Look and TK Maxx. According to British Independent Retail Association, "The recent announcements of store closures by large retailers and hospitality businesses is further indication that the high street is a fragile place for businesses at the moment. Low footfall, train strikes, cost-of-living are all impacting on the high streets, especially in the large city centres and shopping centres. It is not unusual for large businesses to review their estate, close down unprofitable sites and focus on the remaining shops."
- **Banks are reducing their appetite to fund small and medium-sized companies,** according to brokers handling loan applications. Asked by the alternative lender iwoca if high street banks were becoming more cautious, 82 per cent of the brokers said that they were, with 49 per cent saying they had seen more applications rejected in December compared with the previous month. The main reasons given by the banks for the rejections were that the applicants did not have enough months of trading — in 20 per cent of cases — followed by poor credit histories and high existing indebtedness.
- **The ONS said a record number of people moved out of "economic inactivity", which is defined as people not looking for work,** between July and December, as more got jobs. It was driven by people in the 16-24 age group, as well as 50-64-year-olds. One analyst suggested a "great unretirement" trend had emerged, with older people returning to work. The UK's economic inactivity rate had been falling in general since records started in 1971, but then it increased during the Covid pandemic. This increase was partly due to those aged 50 to 64 taking early retirement and illness, as well as inactivity among students.
- **UK rail workers are set to walk out in a fresh series of strikes in March and April in a long-running dispute over pay**. Members of the RMT union from 14 train operators will strike on 16, 18 and 20 March, and 1 April, the start of the Easter school holidays for many. RMT members at Network Rail, responsible for tracks and bridges, will strike on 16 March and then ban overtime work. The union represents 40,000 workers.
- **Commuters are being offered cheaper train tickets on Mondays and Fridays** in a bid to woo workers back into the office full-time. Govia Thameslink Railway (GTR) has cut ticket prices on rush-hour trains on Monday and Friday to incentivise workers to travel to the office every day of the week. It is a response to the trend for employees to work from home on Mondays and Fridays, and travel to the office mid-week.
- **People spent more on holidays last month despite finances being squeezed by surging prices** on a range of everyday items from food to heating bills. Consumer spending rose 10 per cent to £7.34 billion in January, compared with the year before, as significant spikes in energy, supermarket and travel spend helped to bump up essential and discretionary costs, according to Nationwide's latest spending report. Airline travel and holidays were the top two areas propping up the 11 per cent increase in year-on-year discretionary spending, up 68 per cent and 43 per cent, respectively.

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- **A third of a diner's restaurant bill goes towards paying the total cost of energy,** according to new research. The findings by comparison service Uswitch for Business also showed almost one in three (30%) restaurant decision-makers said their venue is operating at a lower capacity than this time last year, with an average capacity of 60%, and almost one in four (22%) have resorted to closing the business during quieter times of the week. One in five (20%) restaurants have had to raise prices to keep up with rising bills.
- **The owner of Heinz ketchup and Philadelphia cream cheese missed Wall Street's expectations for the year** as sustained inflation raised its costs and prompted customers to look carefully at prices. Kraft Heinz posted higher revenue and returned to profit in the last quarter after price rises enabled the American conglomerate to offset elevated costs in its supply chain. Sales volumes dropped 4.8 percentage points in the three months to December 31, however, which it said was driven by supply constraints and shoppers checking prices closely.
- **KitKat maker Nestle has said it will raise its prices again this year, despite an 8.2% increase in 2022.** The world's biggest food company said it would be forced to charge more to cover the increasing cost of ingredients. It refused to say how much prices would climb this year. Nestle's net profits for the year were 9.27bn Swiss francs (£8.34bn), which was much lower than the 11.58 billion francs (£10.42bn) expected by analysts.
- **McDonald's is putting the price of five of its menu items up** as cost of living pressures continue to squeeze struggling households. It said higher food and energy costs mean it will put up its prices from Wednesday. Soaring inflation around the world hasn't dented McDonald's sales, which grew last year by more than 10%. McDonald's added that it was trialling meal deals at 120 outlets in the South East of England called "Saver Meals" – e.g., a cheeseburger, a side order and a drink will cost £3.99.
- **The German-owned supermarket chain Aldi has announced plans to create 6,000 new jobs in the UK this year**. The staff will be recruited for its distribution centres, as well as a number of new stores including in Norwich and Newcastle. Aldi has 990 stores and 40,000 staff in Britain and last year overtook Morrisons to become the UK's fourth-largest supermarket chain. It said it had attracted 1.3 million new customers in the past three months.
- **SSP reports four-month sales of £871m, with revenue tracking above pre-pandemic levels:** SSP Group has reported four-month sales of £871m, with revenue tracking above pre-pandemic levels. In its trading update for the first four months of its financial year, covering the period from 1 October 2022 to 31 January 2023, it reported group sales of £871m, representing a strengthening of performance to 103% of 2019 levels. SSP, one of the world's biggest airport and railway caterers, was able to offset disruption from rail strikes in the UK with strong sales in Europe as air traffic continued to recover from its pandemic-related dip.
- **Wetherspoon customers now face paying almost £7 for a pint** at the pub chain amid soaring inflation. The chain recently increased the cost of its food and drink by around 7.5% as costs continue to rise. Now, inflation reaching up to 11% means pubgoers in some of Wetherspoon's 800 branches could be handing over nearly £7 for a drink.

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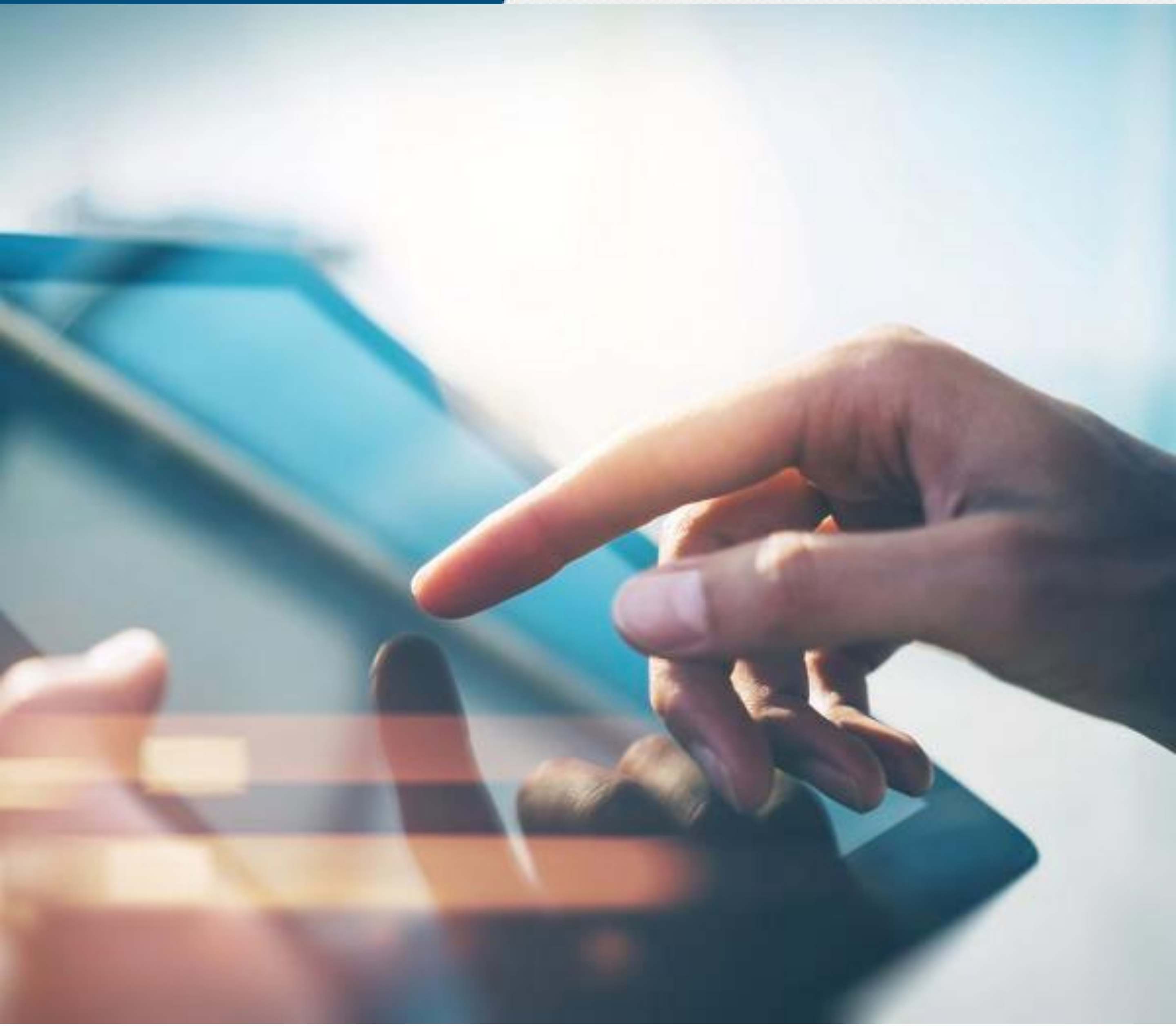
- **The Coca-Cola Company has said its revenue growth in 2022 was boosted by Costa Coffee's post-pandemic recovery in the UK.** The company, which acquired Costa for \$5.4bn (£3.9bn) in 2018, reported full-year 2022 revenue growth of 11% to \$43bn. Sales in the company's coffee segment grew 13% over the year, primarily driven by the strong post-pandemic trading of its circa 2,700-strong UK Costa Coffee business. It reported that its coffee section grew 11% for the quarter and 13% for the year, primarily driven by "cycling the impact of pandemic-related Costa retail store closures in the UK in the prior year and the continued expansion of Costa coffee across markets".
- **Wendy's and Wingstop confirmed for Wood Green:** Landlord Capital & Regional has confirmed it has secured new openings from Wendy's and Wingstop UK in London's Wood Green. Last week, Lemon Pepper Holdings, which is rolling out Wingstop across the UK, reported it saw average weekly sales exceed £1m at the end of 2022, as it secured its first standalone unit on a retail park.
- **Bill's, the Richard Caring-backed restaurant group, confirmed it has closed 12 sites** as it prepares to refinance, and reported turnover was up 20% to £74m.
- **FCB Coffee, which operates at stations across the south east of England, is set to open its tenth site later this month**. Situated in the lower level of Waterloo station, next to the Jubilee Line entrance and Waterloo Road exit, the stand-up coffee kiosk will open on February 24.
- **Morrisons' debt has been sold off at a steep discount** after the supermarket struggled to defend its market share from discounters in the initial stages of the cost-of-living crisis. Banks have offloaded a tranche of the supermarket's debt at 85 cents on the euro to hedge funds in the latest cut-price debt deal since the company was taken private in October 2021. Apollo Global Management was one of a number of hedge funds that bought into a sale covering €500 million worth of debt, according to Bloomberg.
- **Global brewer Heineken reported that its net revenue in the UK was up by almost 20% last year,** thanks to "the partial recovery of the on-trade, premiumisation and pricing". It was helped by the growing popularity of its Birra Moretti brand, which became the country's largest premium beer by value in 2022. Globally, the company forecast operating profits to grow at a mid-high single-digit rate in 2023.
- **Tortilla, the UK's largest fast-casual Mexican restaurant brand, will expand its London presence** with an opening in Greenwich next week. The restaurant in Crescent Arcade, opposite the Cutty Sark, will launch on Friday, 24 February. The venue – the brand's 84th – will seat more than 40 people over two floors, creating 20 jobs.
- **Italian gelato brand Amorino aiming for 50-strong UK estate by 2025** as it escalates franchise expansion plans: Italian gelato brand Amorino is escalating its UK and international franchise expansion having retained food franchise company Seeds Consulting. On the back of its successful post-covid performance in major cities such as London and Leeds, as well as its regional sites like Marlow, the brand is now looking to expand across the UK from 20 to 30 sites by the end of 2023, and 50 by 2025.



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