



Macro & Market News

Week 19 2022 – Week ending 13/05/2022



Macro/Economic News

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Macro / Economic News (1)

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- **The economy shrank in March as households cut spending and the cost of living rose to levels last seen in the 1950s.** Gross domestic product (GDP) fell by 0.1 per cent in March compared with the previous month after Russia's invasion of Ukraine in late February caused a spike in the price of oil and gas and pushed consumer prices up even further. Economists had predicted that output would remain flat. Growth in the first three months of the year reached 0.8 per cent because of a rebound in activity in January after the lifting of Omicron restriction, down from growth of 1.3 per cent in the final quarter of last year. The economy flatlined in February, after its 0.1 per cent growth estimate was revised down to zero.
- **The contraction in March was driven by a 2.8 per cent drop in retail and car sales,** which dragged down output in the services sector. There was a 15 per cent fall in the sales of motor vehicles as low consumer confidence put buyers off big ticket items. Activity at restaurants and hotels rose by 0.3 per cent in March, compared with a rise of 8.6 per cent in February. Growth in the arts and entertainment sector also slowed, with output up by 1 per cent compared with a rise of 8.4 per cent in February.
- **The squeeze on consumers became even tighter in April** with the rise in energy bills and the higher cost of food and other commodities because of the war in Ukraine. "The squeeze could lead to a modest fall in GDP as early as the second quarter of this year," the chief economist at KPMG said. "Annual growth in 2022 is expected to reach 3.7 per cent, however this figure is flattered by weak economic performance during 2021."
- **Britain is facing a unique problem with inflation because it is coming from all angles,** a former Bank of England rate-setter has said. Kristin Forbes said that the UK faces the highest rate of inflation among the world's biggest economies because it is facing pressure from all of the main sources of price rises. The country has experienced an increase in the price of goods across the board, a weakening of the value of the pound, an incredibly tight labour market, recent experiences of high inflation and high expectations for future inflation, she told the House of Commons Treasury committee. "The UK hits every box, they have inflationary pressure coming from all six areas," she said. Other economies don't have that pressure coming from all six areas."
- **The Bank of England will have to continue to raise interest rates to control inflation despite sluggish growth,** a senior Bank of England official said. A member of the central bank's monetary policy committee (MPC) said that dealing with the surge in prices was tricky in light of the gloomy outlook for growth, which had been lower than expected in the first quarter of the year. Output rose by 0.8 per cent, buoyed by a strong start to the year after the lifting of Omicron restrictions. The economy shrank by 0.1 per cent in March after flatlining in February as households started to hold back on spending in the light of rising living costs.

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- **The cost of living squeeze will leave 1.5 million households struggling to pay food and energy bills**, according to the National Institute of Economic and Social Research (Niesr). The think tank's latest forecasts showed that it expected the economy to dip into recession at the end of the year with the poorest in society bearing the brunt of inflationary pressure on incomes. The deputy director for macroeconomics at the institute said that the Bank should have tightened policy "quite dramatically over the course of 2021 when actually it wasn't". "They should have communicated better what they were doing," he said.
- **Wholesale gas prices for next-day delivery in Britain have tumbled to pre-energy crisis lows** that are a fifth of the price in Europe because of an unprecedented glut of liquefied natural gas. Demand for gas in Britain has dropped with warmer weather and there is not enough pipeline capacity to transport all the gas that has arrived in the country to mainland Europe where it is needed, analysts say. Europe is seeking liquefied natural gas to replace piped supplies from Russia and fill up storage facilities before winter but does not have enough terminals to import all its needs.
- **Europe's biggest travel group has warned holidaymakers not to expect cut-price last-minute deals** as rising prices presaged a return to "significantly positive" profits. With bookings this summer at 85 per cent of 2019 levels, the Anglo-German company Tui Group predicted a strong summer, claiming it was "on the right path and finding its way back to its former strength". It said that holidaymakers across its key markets of the UK, Germany and Benelux were not being put off by the war in Ukraine, with only trading in the Nordics and Poland being subdued.
- **European stocks fell sharply as investors continued to fret over the impact of soaring inflation** and aggressive central bank tightening on an already fragile economy. London led the decline, with the FTSE 100, home to the UK's biggest listed companies, dropping 146.23 points, or 2 per cent, to a two-month low of 7,201.43 in early trading on the back of weak UK economic data. Stock markets in Milan, Frankfurt and Paris were also down by close to 2 per cent in morning trading.
- **Small businesses are struggling to turn a profit amid rising prices and supply chain disruption**, according to research by Bibby Financial Services. The Times reported just under two in five small and medium-sized enterprises (SMEs) said they were "just about breaking even" with the environment causing "friction and fragility" for business owners.



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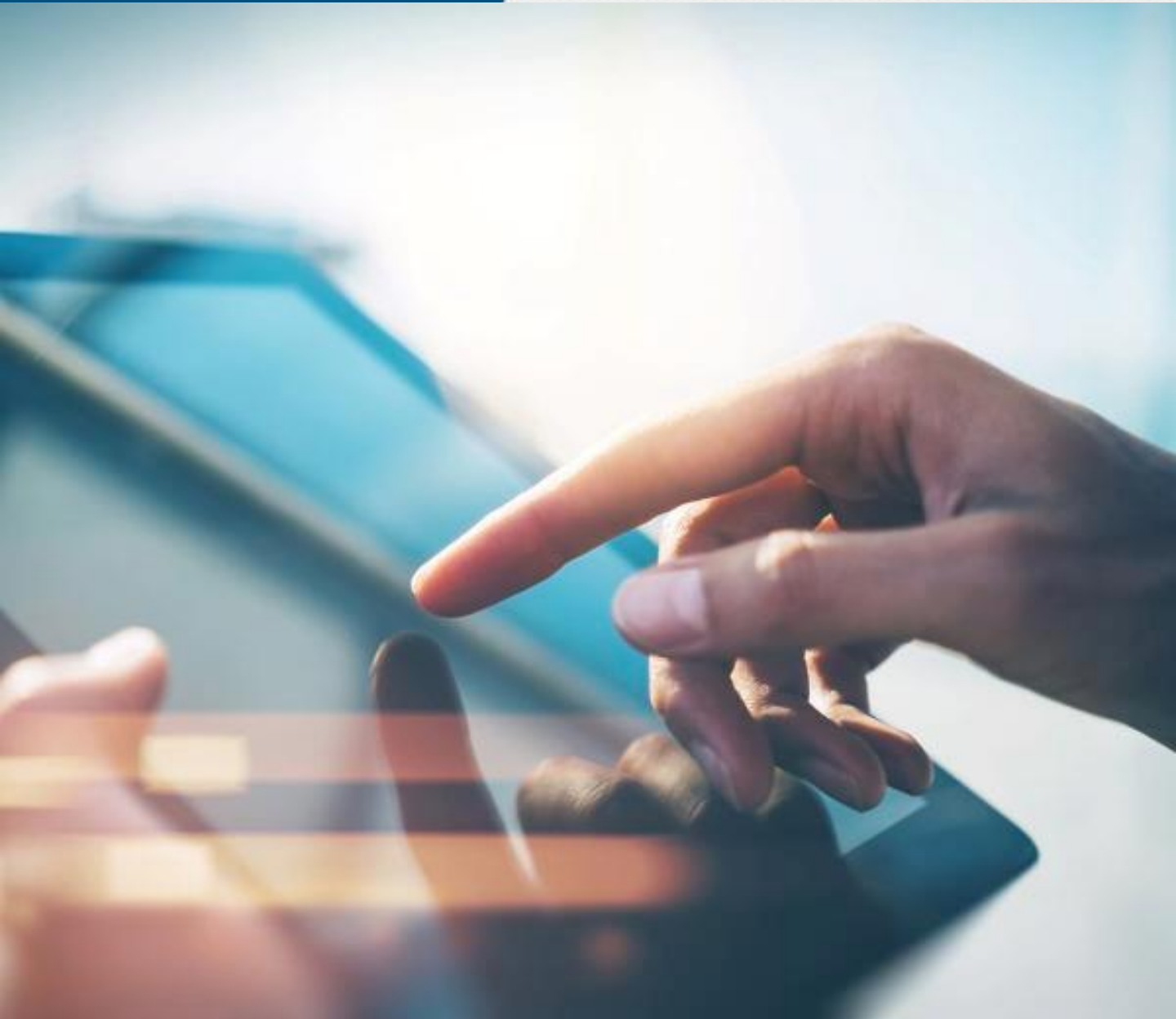
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- **Compass Group, the world's biggest caterer, completed a recovery from the pandemic yesterday as it ended the first half of the year by matching its pre-Covid revenues.** The FTSE 100 catering group, which described the performance as “a major milestone”, also reported record new business wins of £2.5 billion over the past 12 months and its highest-ever contract retention rate of 95.8 per cent. One of the keys was the recovery in its business and industry sector, which had struggled as lockdowns kept office workers at home. It said that clients were offering free food and events to entice people back to the office.
- **GMB Union and Deliveroo have signed a union recognition deal that will cover the company's more than 90,000 self-employed riders.** The voluntary partnership agreement will see GMB have rights to collective bargaining on pay and consultation rights on benefits and other issues, including riders' health, safety and wellbeing. GMB will also be able to represent individual riders who are GMB members in disputes, giving them a stronger voice.
- **Popeyes UK is opening its second restaurant in Essex** with the new Romford site set to open on Saturday 11 June 2022, seating up to 72 guests. The Romford restaurant marks the brand's third site in the country, following the announcement of a Chelmsford location and the launch of its first UK site in Stratford last year
- **Amazon is set to scale back its 'over saturated' delivery network** while cutting back on the number of service partners this year. The company invested heavily into its delivery network over the course of the pandemic as it attempted to capitalise on an increased consumer demand.
- **Coca Cola HBC has reported Q1 numbers** saying that it has turned in a 'strong performance despite [a] turbulent environment.' It says that Q1 organic growth was 24.2% with organic revenue growth excluding Russia and Ukraine at plus 25.9%. It says it is seeing 'ongoing strength in the Emerging segment despite tough comparatives.'
- **Morrisons has acquired McColl's, the insolvent convenience store chain,** in a deal that takes on all 16,000 staff, 1,100 shops and rescues its two pension schemes. Britain's fourth largest supermarket group won a bid battle with EG Group, the petrol station operator whose shareholders own Asda. It agreed to pay the lenders, who are owed about £160 million, upfront.
- **Prince Charles read the Queen's speech in parliament. UK Hospitality CEO Kate Nicholls comments** 'the measures in today's speech will do little to bring immediate relief to the pains that hospitality businesses are feeling in the short term...Making pavement licences permanent is a really positive move...'

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- **Blank Street Coffee, the fast-growing, New York-based chain**, has hired Ignacio Llado, formerly of the Singapore-based Flash Coffee, as managing director to oversee its UK expansion. Blank Street will launch in the UK next month and earlier this year, said it plans to make London its “second-biggest city”. The first UK location for the business is set for Fitzrovia, near University College London.
- **Costa Coffee has launched a new events partnership** which saw it offer its signature range at last weekend’s British Masters golf at The Belfrey. The partnership will now expand into various other sporting events, including the British Grand Prix at Silverstone, BMW PGA Championship at Wentworth and multiple rugby union fixtures at Twickenham. The collaboration is one of the first to bring a major high street coffee chain into an events setting.
- **KFC and meat alternative brand Quorn are to roll out meat-free, fast-food products** into the brand’s sites across “multiple” European countries this year. Building on the launch of the KFC Vegan Burger in the UK, Quorn said it is working with KFC to develop a range of meat-free menu options, including veggie wraps and big buckets, which will initially launch in Germany and then roll out into several thousand KFC restaurants around Europe. The KFC Original Recipe Vegan Burger made with Quorn was a huge success in the UK and Ireland where stocks were sold out within four days in the initial 2019 trial, with the item returning as a permanent addition this January due to popular demand.
- **Just Eat expands grocery offering as it extends Central England Co-op partnership:** Just Eat has extended its partnership with Central England Co-op in order to meet demand. The deal initially began with ten of the retailer’s food stores in February, but the decision has been made to extend to more sites following the success of the first phase.
- **Foodomnia, the north west-based business which builds digitally native food concepts for the delivery food market**, is planning to launch a fundraise to fuel significant growth for its Burgerism concept, with a vision to “become the Domino’s for burgers and expand right across the UK”. Burgerism launched in April 2018, a delivery-only burger concept based in a warehouse in Salford aiming to offer customers “the best off-premises burger in your neighbourhood”.
- **Retail Food Group-owned American coffee house chain Gloria Jean’s has opened its ninth UK site**, with more openings in the pipeline. The franchise chain has launched in Banbury in the Oxfordshire town’s Castle Quay Shopping Centre. It has opened in a unit that formerly housed Druckers Vienna Patisserie, which closed in January 2019.
- **Wendy’s UK achieved ‘solid results’ in its Q1 to 3 April**, with the dark kitchens it had opened in the UK through its partnership with Reef Kitchens being some of its best performing units. The global fast-food chain currently has 60 units open with Reef, in the UK, Canada and the US, and is looking to grow these further in all markets.



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