



Macro and Market News

Week 28 2024 – Week ending 12/07/2024

12 JULY 2024





Macro/Economic News

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- **The UK economy grew faster than expected in May helped by a strong performance from retailers and the construction industry.** The economy expanded by 0.4%, rebounding from zero growth in April when wet weather put off shoppers and slowed down building projects. Construction grew at the fastest rate in almost a year in May, with house building and infrastructure projects boosting the industry, the Office for National Statistics (ONS) said. Analysts said the new figures, together with recent comments from Bank of England policymakers, meant the decision on whether interest rates will be cut next month was on a "knife-edge". May's growth figure was double what was expected. Liz McKeown, of the ONS, said that many retailers and wholesalers "had a good month, with both bouncing back from a weak April". The services sector, which dominates the UK economy and covers businesses such as hairdressers and hospitality, grew by 0.3% in May, while the construction sector jumped by 1.9%.
 - **Accountant UHY Hacker Young has reported that insolvencies of pub and bar companies are running at +30% or so on last year due to a number of factors including the cost of living crisis.** It says that 'with money tight for many households, current alcohol prices means more people are choosing to drink at home instead of going out. The pub and bar industry has struggled for a long time but the past two years have been particularly difficult.
- **UK Hospitality has welcomed the new chancellor's plans to reform the "antiquated" planning system, saying such a move is desperately needed.** Rachel Reeves said her first move will be to reform the National Planning Policy Framework, consulting on a new growth-focused approach to the planning system before the end of the month. UK Hospitality said it has consistently called for a faster, streamlined approach to planning, to drive business expansion and growth. "It was encouraging to hear from the chancellor that the government intends to put growth at the centre of the planning system," said chief executive Kate Nicholls. "Planning approvals are in freefall, with the level of applications decided within statutory time limits falling every year since 2013. Too many hospitality businesses with ambitions to expand and grow are held back and frustrated by the current system. Planning reform is desperately needed, to unlock business ambitions and develop local infrastructure. The two go hand-in-hand, with many hospitality businesses often finding recruitment challenging due to the lack of housing available, particularly in rural areas. Putting growth as a central aim of the planning system can allow hospitality businesses to create new jobs, drive economic growth and contribute to the regeneration and renewal of our towns and cities."

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- **Jonathan Haskel, a member of the Bank's Monetary Policy Committee (MPC) which sets the UK's main interest rate, said he "would rather hold rates" at 5.25% until there is more certainty that inflation pressures had "subsided sustainably".** Interest rates have been kept at a 16-year high in an attempt to slow consumer prices rising, but higher rates have pushed up the cost of borrowing, including for mortgages. The Bank previously appeared to hint that rates could be cut in August after official figures showed inflation – which measures the pace of price rises – had slowed to 2%, which is in line with its target. That, in turn, has led to some lenders dropping their mortgage rates slightly. Financial markets have currently priced in a roughly 60% chance that rates will be cut next month for the first time since 2020.
- **Heathrow has reported June passenger numbers saying a total of 7.4 million people used the London hub last month.** The month featured the group's busiest ever day, 30 June, when 268,000 passengers used the airport.



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- PizzaExpress is to trail a new Pod format with retailer Tesco**, with the Paul MacKenzie-led business saying it was working on early-stage concepts to get “our proper pizza to the planet, both here in the UK and around the world”. The first trial site under the new format – which is set to be smaller and more geared to the fast-casual market – will open later this summer at the Tesco Extra site in Bursledon, Southampton. It will be launching into a space the pizza chain knows well. Last year, PizzaExpress’ retail range was worth £110m in retail sales value. It comes four and a half years since PizzaExpress closed its spin-off concept, Za, after just nine months of trading. Za opened on London’s Fenchurch Street in March 2019, offering pizza by-the-slice as well as sandwiches, salads and desserts. PizzaExpress said at the time that it remained “committed” to the format and said it hoped relaunch it in a site “more suited to Za” in 2020. Earlier this year, the company made its airport debut with the opening of a site in partnership with Airport Retail Enterprises in London Gatwick’s South Terminal. It is the only PizzaExpress in the UK serving a breakfast menu, alongside its traditional pizzas and classic Italian dishes, opening from 3.30am to 11pm daily.
- Tossed, the healthy eating brand owned and led by Neil Sebba and Angelina Harrison**, expects to be profitable this year for the first time since it was placed in to administration in 2020 after recording a £500,000 loss last year. In an interview with The Guardian, the 13-strong company said that revenues are expected to hit more than £9m up from £7.4m last year. Sebba also has his eyes on branching outside the central London lunch trade. He said: “Our initial plan was to capture the core central London market and get the best locations we could. We’re now looking at other opportunities and types of location, whether it is travel, tourism or food courts.”
- Buttermilk fried chicken restaurant concept Wingers is looking to expand into the north and Scotland as it targets 20 stores by the end of 2024**, and is also exploring further travel hub opportunities. The brand, set up during the pandemic by brothers Amran and Dylan Sunner and their dad Bill, has grown to 11 sites after opening five new franchise locations this year.
- SSP, the operator of food and beverage outlets in travel locations worldwide, has opened what it said it is the UK’s busiest Starbucks site, at Heathrow airport**. At 252 square feet, the store, in the airside departures area of Terminal 5, has 50 seats and nine coffee machines. The store features two separate counters and offers Starbucks’ summer menu, which launched last week and includes the new iced white mocha with strawberry cream cold foam and the iced white chocolate pistachio oat shaken espresso.
- Popeyes UK, the US fried chicken quick service restaurant brand backed here by TDR Capital, has opened its landmark 50th UK site since launching in the UK in November 2021**. The location, in Glasgow’s Sauchiehall Street, is also the brand’s 17th opening this year and is the first Popeyes in the UK to stay open until midnight every day from opening day.
- Birmingham Indian street food concept Karak Chaii has opened its fourth store of 2024, with four more in build**. Karak Chaii has opened at 5 Royal George Buildings in Rugby, for its 18th site overall. Other openings this year have included launches in Coventry and Birmingham.

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- Midlands better burger business Phat Buns is set to open in Mansfield for its 15th site.**
 Founded in 2019, Phat Buns is owned by Hussein Sacranie and Ahtesham Moosa, who have grown it to 13 locations – with sites in Liverpool and Wolverhampton in the pipeline.
- Britvic has announced that it has agreed terms with Carlsberg UK Holdings whereby the latter will acquire the company under a scheme of arrangement.** The 'Acquisition values the entire issued and to be issued ordinary share capital of Britvic at approximately £3.3 billion on a fully diluted basis and an implied enterprise value of approximately £4.1 billion' and is to be struck at 1,315 pence for each Britvic Share.
- Burgerism, the fast-growing, North West smash burger concept, has reported a 16% increase in like-for-like sales for the six months to the end of June 2024 versus the same period last year.** It has said it is "being actively approached by large mall/retail park operators" and continues to consider the idea of a quick service restaurant (QSR) format. The company, which opened its sixth site in April, in Denton, Greater Manchester, said its top line revenue for the first half of the year was at record levels, and up 23% year-on-year in the last 12 months. It said both its openings this year – Denton and a site in Liverpool opened in the second quarter – reached profitability in month one. The company said FY24 store Ebitda is on track to come in well in excess of the £1m milestone, reflecting a more than 50% increase on FY23.
- Marston's has announced that it is to sell (subject to shareholder approval) the 40% of the Carlsberg Marston's Beer Company that it does not already own to Carlsberg for £206m.** This will leave MARS as a 'focused pub business...with a strong position in the UK market and significant opportunities for further growth.'
- Japanese premium restaurant group Sticks'n'Sushi, in which McWin, the backer of Gail's and Big Mamma Group, acquired a majority stake earlier this year,** is to further add to its presence in London with an opening in Islington. The company, which currently operates 13 sites in the UK – 11 in London, plus sites in Cambridge and Oxford – has secured the former Neighbourhood site in Upper Street for an opening this September. It will mark Sticks'n'Sushi's first venture into north London and is part of its growth strategy to extend its reach into the capital's residential neighbourhoods, following the opening of Richmond in May.
- Wendy's has signed two new development agreements with franchisees in the Republic of Ireland and Romania.** It said these franchisees plan to support the brand's expansion goals to develop hundreds of restaurants across Europe over the next decade, beginning in 2025. The company said it is also actively recruiting well-established franchisee candidates in European markets to help expand its restaurant footprint across the continent. Wendy's re-entered the UK in 2021, which it said serves as the foothold for growth across Europe. The company expects to see up to 50 restaurants in the market by year-end and said it was in a great position to continue growing the brand in the UK to 400 restaurants over time. Wendy's continues to expand its brand presence across the UK, alongside its franchisees, including in the north, with a restaurant opening in Liverpool this summer.

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- JD Wetherspoon has said its like-for-like sales have increased by 5.8% in the ten weeks to 7 July 2024, compared to the same period last year, while year-to-date like-for-like sales have increased by 7.7%.** In a trading update, the company said it has signed a new four-year £840m banking agreement “on attractive terms” and estimates its net debt will be approximately £670m at the financial year end. In the year-to-date, the company has opened two pubs and sold or surrendered to the landlord 26. Most of the disposals were smaller and older pubs, or where the company has a second pub in reasonably close proximity. There was a net cash inflow of £8.7m from the disposals. Ten trading pubs remain on the market or are under offer, and the company currently has a trading estate of 801 pubs.
- Krispy Kreme has said it is planning to open more UK stores and expand its delivery offering as it reported record turnover.** Revenue for Krispy Kreme UK grew 1% to £119,751,000 for the year ending 31 December 2023 compared with a restated £118,551,000 the year before. Adjusted Ebitda was down to £15,982,000 from £16,814,000, mainly due to the increase in labour costs. This represented 13.4% of sales (2022: 14.2%). Pre-tax profit was up to £6,128,000 from £5,150,000 the previous year. Gross margin was 53.0% (2022 restated: 53.6%).
- SSP, the operator of food and beverage outlets in travel locations worldwide, has reported that the second half of its financial year has started well,** with the positive momentum in the first half continuing into the third quarter. It said that group sales in the third quarter – the three months to 30 June 2024 – were up 16% on last year, on a constant currency basis, with like-for-like sales growth of 6%.
- The price of coffee is set to remain “very high” and is unlikely to drop until the middle of next year amid intense pressure on supply chains, the Italian coffee company Lavazza has said.** “We have never seen such a spike in price as the trend right now,” said Giuseppe Lavazza, who chairs the company. He admitted that he had been wrong to predict last year that prices would begin to fall this year. On Monday, prices reached \$4,300 (£3,356) a tonne. “The coffee supply chain is dramatically under pressure,” he said in comments reported by the Financial Times. “Coffee prices are not going down... [they’re] going to stay very high.” Worsening harvest conditions in its major production areas of Brazil, Vietnam and Colombia, and shipping disruption caused by the Middle East conflict have exacerbated inflationary pressures, helping prices reach 15-year highs, he said. For UK consumers, this has meant the price of a 1kg bag of beans rising by 15% in a year, and Giuseppe Lavazza said this could increase by 20% to 25% over the coming year. A flat white at the company’s site off Regent Street in central London now costs £3.50 to take away or £5.50 to drink in, reflecting current costs.
- Bristol operator Sandwich Sandwich will launch a second London location this year and confirmed its debut site in the capital will open next week.** The company, which operates three sites in Bristol, will open 1 Gresham Street on Thursday, 18 July, with delivery available exclusively on Uber Eats. Sandwich Sandwich, which was founded in 2012 and is operated by father-and-son duo Nicholas and Joshua Kleiner, previously said it plans to launch locations both across the UK and internationally, including ten in London over the next two to three years.

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- Fatto a Mano, the independent pizza concept founded in Brighton in 2015 by Rupert Davidson and Dav Sahota, has secured new investment, including from Middleton Enterprises.** Middleton Enterprises, which provides growth capital to established and profitable small and medium-sized business and is also current backer of quick service sushi roll concept SushiDog, said its investment would help the current five-strong Fatto a Mano grow its “commitment to Neapolitan pizza”, including in London. The company made its bricks-and-mortar debut in London with the opening of Fatto a Mano Pizza & Beer in King’s Cross. It followed this up with opening Fatto a Mano Pizzeria at 30 St Martins Lane, Covent Garden, at the end of last year. The business operates two pizzerias in Brighton and one in Hove.
- JD Wetherspoon chair Sir Tim Martin has said margins are “better” and the business does not expect to make any further increases on food and drink this year because inflation has abated.** However, Wetherspoon is paying £164m extra on labour costs due to the higher living wage, £38m more on repairs due to more expensive material costs and £16m on debt costs because of higher interest rates. Wetherspoon will open a number of new sites in the next few months, including at Waterloo and Fulham Broadway stations in London, and Marlow in Buckinghamshire, while this year, the company has opened its first site at a holiday park, in partnership with Haven, and a pub at London Waterloo.
- Moto, the motorway services operator, is set to develop two new sites and 33 trading units, as it reported a rise in turnover.** Last year, Moto’s turnover exceeded £1bn for the first time, and in the year to 27 December 2023, it grew further from £1,058,407,000 to £1,067,526,000. Of this, £456,122,000 was non-fuel turnover (2022: £404,768,000). Pre-tax profit dropped from £39,424,000 in 2022 to £36,866,000.
- Wagamama, The Restaurant Group-owned brand, is to launch its first brunch menu into 22 of its sites across the UK, from next Wednesday (17 July).** Brunch will be served at the selected Wagamama sites from 8.30am to 11.30am, with the brand opening to customers earlier than before. The company said highlights will include a chicken katsu waffle and a series of “morning baos” filled with a choice of bacon, sausage, vegan bacon or vegan sausage. The menu will also include sides such as Japanese-style corn fritters and bang bang hash browns. There will also be açai bowls, Wagamama’s version of French toast and smashed croissants.
- Five Guys is set to ramp up its drive-thru estate in the UK, with a target of opening up to ten sites under the format by the end of 2026.** The circa 170-strong business opened its first drive-thru in the UK, in August 2021, in Middlesbrough’s Teesside retail park. It opened a second drive-thru last year at Barton Mills, near Bury St Edmunds. The company recently secured a further drive-thru site at the Liverpool Shopping Park in Edge Lane. Five Guys has also lined up drive-thru openings at the car park of the Showcase Cinema in Winnersh, near Reading; at the Kingswood Leisure Park development in Hull; and on the former Frankie & Benny’s at the Leamington Shopping Park. At the same time, it has also lined up restaurant openings in the former Debenhams site in Winchester, and Fife Leisure Park in Dunfermline.

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