



Macro and Market News

Week 35 2024 – Week ending 30/08/2024

30 AUGUST 2024





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- The chancellor Rachel Reeves has warned that “public spending is not sustainable”** as she told government departments to make billions of pounds of savings in advance of the budget. The chancellor is setting out detailed savings targets that “really scrape the bone” in Whitehall after Sir Keir Starmer warned of “painful” further spending cuts to come in the autumn. Several departments are understood to have been told to find more than £1 billion in savings each, with others ordered to find hundreds of millions of pounds in a cost-cutting drive that goes well beyond an attempt to fund public sector pay rises.
- Sir Keir Starmer appears to have confirmed government plans to ban smoking in pub and restaurant gardens**, saying smokers place a “huge burden” on the NHS. The prime minister said his government was “going to take decisions in this space” and pointed to the cost to the taxpayer of treating smokers for preventable illnesses. Ministers are considering extending legislation that will ban people under 14 from ever buying cigarettes to include tougher restrictions long favoured by public health - experts. Documents seen by The Sun suggested that it could include a smoking ban in pub and restaurant gardens and terraces, outdoor sports stadiums, children’s parks and pavements near hospitals and universities.
- Lloyds Banking Group’s latest Business Barometer has reported that ‘business confidence remained at eight year high, alongside increasing economic optimism’** in August. It says that services remained resilient, despite a slight dip in numbers. It reports that ‘the Northeast and Scotland reported highest confidence levels with an 8- and 13-point increase respectively.’ The bank says that ‘the result highlighted the continued positivity amongst businesses, with confidence still at the highest level reported since November 2015
- Motorists are being denied the benefit of a 5p cut in fuel duty** and it should be scrapped, the RAC has said. The motoring group said the relief, introduced in 2022 to ease the cost of living crisis, cost the Treasury £2 billion a year but was not being passed onto drivers. It accused fuel retailers of using the money to increase profit margins, which stand at a record high of 13p per litre on average for unleaded and 15p for diesel. Before the pandemic, retailers turned a profit with margins of 8p on both fuels, analysis shows.
- Renters, those with a mortgage and workers have suffered from steeper inflation** compared with those who own their home outright and retirees, highlighting that younger generations have had a tougher cost of living crisis. According to calculations by the Office for National Statistics, private renters and mortgagors experienced inflation rates of 3.2 per cent and 3.7 per cent respectively in the year to June. This compared with an annual inflation rate of 1.3 per cent for outright owner occupiers, the ONS said, adding that retired households also had the lowest inflation rate of any group the statistics agency examined at 1.2 per cent. Workers, in contrast, experienced an inflation rate of 2.9 per cent.
- Amex research has suggested that Gen Z employees** remain amongst the ‘most committed business travellers’ in the UK. Amex says that some 85 per cent of UK corporates are looking to increase or maintain business travel spend over the next 12 months.

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- **Klarna, the buy now, pay later lender, has cut more than 1,000 staff** partly due to artificial intelligence and plans to shed almost twice that number ahead of a stock market flotation. The Stockholm-based financial technology group, wrote off SwKr2.33 billion (£173 million) in bad loans in the first half of 2024 as more shoppers using the popular form of credit defaulted on their borrowings. The company, which has two UK offices in London and Manchester as well as dozens of others across Europe, declined to comment on how many people it employs in the UK, but said the planned headcount reductions would be even across its sites.
- **One-in-five home sellers forced to drop asking price:** Over-optimistic house sellers who end up having to reduce their asking price typically see the property take more than twice as long to sell as those more competitively priced from the outset. The finding comes in analysis from Zoopla, the property website, which said that while all key measures of activity in the housing market are higher than they were at this point last year, it remains a buyers' market. There have been 23 per cent more sales agreed so far in 2024 than in the opening seven months of last year, according to Zoopla, while the number of would-be buyers inquiring with estate agents is up by a fifth.
- **Food allergies have doubled in the space of ten years** in a trend that is puzzling scientists and disproportionately affecting young children, a study has found. Researchers at Imperial College London found that lives were being cut short by an unexplained rise in allergies to foods such as eggs, peanuts and fish. Analysis of data from GP surgeries in England revealed 4 per cent of under-fives had a "probable" food allergy in 2018, up from 1.2 per cent in 2008.
- Across all age groups, the prevalence of food allergies has increased from 0.4 per cent of the population to 1.1 per cent over the same decade. The study, published in the journal *The Lancet Public Health*, warned that despite this surge in allergies, not enough patients are being prescribed life-saving adrenaline auto-injector (AAI) pens, particularly in deprived areas of the country.
- **London-listed banks fall on tax fears:** Investors took fright at reports that the government could raise taxes on UK banks, sending their shares sharply lower. NatWest and Barclays were among the biggest fallers in the FTSE 100, with their shares down 3.3 per cent and 2.7 per cent, respectively, wiping hundreds millions of pounds each from their stock market values. Shares in Lloyds Banking Group, Britain's biggest mortgage lender, dropped as much as 3.3 per cent at one point during a day before paring some of the losses. The spectre of higher taxes on the banking sector was sparked by the prime minister when he said in a speech from Downing Street's rose garden on Tuesday: "There's a budget coming in October and it's going to be painful... Those with the broadest shoulders should bear the heavier burden."
- **Annual house prices have risen for the fifth month in a row** in August, figures from the mortgage lender Nationwide showed. Average prices increased 2.4 per cent year-on-year, the fastest pace since December 2022. Month on month, however, prices dipped unexpectedly by 0.2 per cent. Economists had forecast a 0.2 per cent rise.



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- The beer and pub sector has warned the government that a new tax** on beer bottles “could lead to customers bearing soaring new costs of up to £212m a year”. Industry leaders have written to the secretary of state for the environment, to urge a review of these regulations and to sound the alarm around possible unforeseen consequences for brewers, pubs and customers. The British Beer & Pub Association, Independent Family Brewers of Britain, Campaign for Real Ale and Society of Independent Brewers and Associates said the proposed new fees will add “eye-watering” additional costs that brewers will be expected to bear from next year.
- Meal deals are getting posher as supermarkets take on Pret a Manger**, according to the boss of Britain’s biggest sandwich maker. Dalton Philips, the chief executive of Greencore, which makes sandwiches, soups and ready meals for most of the major supermarkets, told The Telegraph his customers were demanding higher quality sandwiches amid intense competition to lure returning office workers. “You’ve seen this huge improvement in quality – there’s almost been this race,” he said. “You have the specialists out there – Pret would obviously be one – and they’ve for many years been rowing their own boat. I think the [supermarkets] have said ‘no, we’re going to start really investing in quality’.” Greencore makes around 779m sandwiches every year, along with millions of packs of sushi, soups and packaged ready meals.
- London saw 137 restaurants launched in the year to 31 July 2024**, up 6% on last year (129), according to a new survey from Hot Dinners, the London restaurant website, and property agent Robert Irving Burns. The survey found that the rate of closures during the period more than doubled, with 33 shutting in the first half, up from 14 last year. Of the new openings in 2024, almost one fifth (19%) are located in prime central W1 postcodes, encompassing Mayfair and Marylebone, down from 26% last year. Some 26 (19%) of these new openings were in W1, in second place was EC with 14 (10%), and SE1 came third with ten new openings in this six-month period (7%).
- Indian street food brand Mowgli has announced the launch of a new app** to reward loyal guests. The 24-strong company said the app, which is available for free on the iPhone and Android app stores, features a straightforward stamp-based system. It said: “Users can easily create a membership and earn a stamp for each visit when they spend £10 or more. After collecting six stamps, they will receive a £25 voucher code for their next visit. The app also features a refer-a-friend scheme, which gifts free stamps for each qualifying referral.”
- Pernod Ricard has bought a stake in Lewis Hamilton’s non-alcoholic tequila** alternative, Almave. Seven-time Formula One world champion Hamilton co-founded the brand, alongside drinks incubator business Casa Lumbre and investment group Copper, last year. Pernod Ricard did not disclose the size of its investment in the brand.
- Simon Dodd, chief executive of Young’s, has said that he can see the pub operator growing** to up to 350 sites over the next three to five years, as it gears up to launch a loyalty scheme across its bedrooms portfolio. Earlier this year, the 288-strong company acquired the 55-strong City Pub Group business, which Dodd said gave Young’s the ability to look at scale in the likes of East Anglia, Cambridge and Bath.

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- Wingstop, which is being rolled out here by Lemon Pepper Holdings** and is currently seeking new investment, has opened in Crawley for its West Sussex debut. Having earlier this month reached the 50-site landmark in the UK with an opening in Derby, the company has begun the road to its next half century with a launch at Crawley Leisure Park.
- Prezzo, the Cain International-backed Italian dining group**, has said that it returned to profitability in 2023, after the completion of its restructuring plans. The Dean Challenger-led business posted pre-tax profit for the year to 31 December 2023 of £5,484,000 against a loss of £31,558,000 the previous year. Revenue stood at £110,375,000 versus £134,696,000 in 2022, after the group's restructuring saw it close 46 unprofitable sites and significantly reducing central overhead costs in April 2023.
- Heineken's biggest-ever price rises in the UK failed to stop its profit being slashed** during its latest financial year as it battled "economic volatility". City AM reports that the Edinburgh-based division raised its prices in 2023 as it faced "significant inflationary pressure on input costs", reducing consumer spending, higher labour costs and rising energy bills. According to newly-filed results, Heineken UK's pre-tax profit was cut from £165m to £106m in 2023 while its revenue increased from £2.3bn to £2.4bn. The division also makes and sells brands such as Birra Moretti, Desperados, Foster's, Amstel, Inch's, Old Mout and Strongbow as well as Beavertown.
- Sir Tim Martin, founder and chairman of JD Wetherspoon, has defended pre-flight drinking** as he said the pub company removed two-for-one alcohol deals and "shooters" from airport menus "years ago". Sir Tim said Wetherspoons' airport pubs no longer served shots such as Jägerbombs, adding that alcoholic drinks made up just a third of sales at these sites over the past four weeks. He told The Telegraph: "We've had no complaints about our pubs from the airport authorities or airlines that I'm aware of in recent years. Years ago, we stopped selling 'shooters' at airports, as well as 'double-up' offers. Ryanair, in contrast, offers a discount on Irish whiskey if a double is ordered." It comes after Michael O'Leary, group chief executive of Ryanair, called for a two drinks per passenger limit at airport bars to curb drunken disorder on flights.
- Egg & Co, the north west concept, is aiming to grow from four to 40 locations** over the next five years. The business, which currently operates in the likes of Cambridge Street Collective and Kargo Mkt, has begun working with the Paolo Peretti Group (PPG) on its expansion plans, with a focus on food halls and transport hubs.
- Bubbleology, the London bubble tea bar operator, has struck a retail partnership with Ocado** that will see its make-at-home bubble tea kits added to the online supermarket's list of nationwide retailers. The range includes two mixology kits: the Fruit Bubble Tea Mixology Kit with raspberry and passion fruit tea, and strawberry and mango popping boba; and the Milk Bubble Tea Mixology Kit with taro and brown sugar milk flavours instant tapioca pearls – both retailing at £7 each.
- Popeyes UK, the US fried chicken quick service restaurant brand backed here by TDR Capital**, has confirmed that it will open its first restaurant in Northern Ireland, next month (20 September) and said the opening "represents the start of our commitment to the island of Ireland". Based at Lesley Forestside Shopping Centre, the new site will create 90 local jobs.
- The BBC says that fish & chips as a meal has seen the largest percentage increase** of any standard meal over the last five years. It reports that the price of fish & chips has risen by almost 50% over that period whilst the cost of pizzas rose by 'only' 30%. Chip shop owners have been hit by higher energy costs, crop failures and Brexit red tape on fish products.

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