



Macro and Market News

Week 19 2024 – Week ending 10/05/2024

10 MAY 2024





Macro/Economic News

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- The UK economy returned to growth after a short-lived recession**, with gross domestic product expanding at the fastest pace in two years at the start of 2024. Official data showed that the economy grew by 0.6 per cent in the first quarter of the year, beating economists' forecasts of 0.4 per cent and reversing the 0.3 per cent contraction at the end of 2023. It was the fastest growth since the first quarter of 2022, when Russia's invasion of Ukraine in late February caused a global energy crisis. The figures confirm that the UK formally exited a shallow recession at the start of the year, helped along by falling inflation, rising household disposable incomes and growing consumer and business confidence. Monthly growth in March was 0.4 per cent, the ONS said, following on from a 0.2 per cent expansion in February and 0.3 per cent in January.
- Traders have ramped up their bets on a UK interest rate cut in June**, after the Bank of England signalled it was ready to lower borrowing costs for the first time in four years next month. Financial markets are placing a 56 per cent probability of a 0.25 per cent cut to the base rate on June 20, far earlier than the September projection made at the start of the week. The repricing came after the Bank's monetary policy committee voted by 7-2 to keep rates unchanged on Thursday and Andrew Bailey, the governor, said he was "optimistic things are moving in the right direction" on inflation. The pound briefly dipped against the dollar after the decision, and UK government bond yields rose in anticipation of lower interest rates, which have been kept at an 18-year high of 5.25 per cent for the past nine months.
- The number of workers available to take up new roles rose sharply over the last month** while businesses scaled back demand for staff, a dynamic that the Bank of England has stressed as necessary before it cuts interest rates. KPMG and the Recruitment and Employment Confederation's candidate availability index rose to 60.4 in April from 60.2 in the previous month, well above the 50-point threshold that separates growth from contraction. The reading means that the pool of available labour for businesses to hire increased rapidly in April, a trend that has now played out for 14 straight months. Available candidates for part-time work also strengthened over the last month, rising at the quickest pace since December 2020.
- The London Stock Exchange has said its pipeline of initial public offerings** was "building up" before a shake-up to UK listing rules. The Financial Conduct Authority is revamping the UK's listing rules in an attempt to make London a more attractive place for initial public offerings (IPOs). The new rules, which are due to be issued in a number of weeks, are aimed at easing red tape and speeding up listings.
- Optimism among Britain's small businesses climbed to its highest level** outside of the pandemic-affected period since 2018, according to a survey. The Federation of Small Businesses' confidence index leapt by over 20 points to 5.5 points in the first quarter of this year, up from -15 points in the final quarter of last year. It is the first time that the FSB has recorded a figure over zero since 2018 outside of Covid-19 affected periods. The figure illustrates that a rebound in economic conditions from the shallow recession of last year lifted optimism among small businesses in the first quarter of this year.

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- The housing market's recovery is "stuttering slightly" as mortgage rates edge back up**, although estate agents think the recent hiccup will be short-lived. In each of the opening three months of the year, a small majority of agents polled by the Royal Institution of Chartered Surveyors (RICS) reported a pick-up in inquiries from prospective buyers, who had been encouraged by the drop in mortgage rates over winter. However, in the most recent survey, more agents than not said they had fielded fewer emails and phone calls from would-be buyers in April. The property markets in London and the south of England had seen a particular "loss of impetus", the institution said.
- Rightmove has suggested that fewer Londoners** are searching for homes in the countryside as numbers have returned to pre-Covid levels. Rightmove reports 'we can see a resurgence in London back to pre-pandemic levels, and a general increase in the popularity of cities among buyers.'
- Employers are cutting back hours and hiring less** to cope with the rise in the national living wage, the boss of one of Britain's biggest recruiters has said. James Reed, chief executive of Reed, said April's 9.8% increase in minimum wage was already being reflected in hiring patterns. The national living wage rose from £10.42 to £11.44 last month, while workers under the age of 21 and apprentices were given even larger boosts in relative terms.
- Thousands of international travellers who used to visit the UK for VAT-free shopping have turned to luxury retailers in Paris and Milan** after the British government scrapped the tax incentive in 2021. New research has found that 162,000 visitors from non-EU countries sought VAT refunds in the UK in 2019. Now 20 per cent of those tourists are claiming tax rebates in EU countries which still have shopping schemes. The 34,000 tourists who have swapped the UK for continental Europe to carry out tax-free shopping also increased their spending to an average of €3,800 in 2023, up from €2,900 in 2019, according to figures from Global Blue, first published by Bloomberg.
- New restaurants, offices, schools and hospitals in England** will be required to have separate male and female toilets, in a move ministers said will combat growing concerns about "privacy and dignity" in gender-neutral facilities. According to ministers, 81% agreed with the intention for separate single-sex toilet facilities in a consultation on the proposals, while 82% also agreed with the intention to provide "universal" toilets – a self-contained, and a fully enclosed toilet room with a wash hand basin for individual use – where space allows. The government said the new requirements will mean people of all genders have access to facilities, either through a separate single-gender space or a "universal" toilet.



Market News

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- James Watt, the founder and chief executive of BrewDog, is stepping down** following a turbulent period in charge of one of the country's most successful and controversial homegrown brands. The entrepreneur is handing over leadership of BrewDog after 17 years, but will continue to advise on strategy and maintain a stake of 21 per cent. Watt worked with his schoolfriend to launch BrewDog from a in 2007 and built the business into a multinational brand with around 2,300 employees. The company makes some of the country's most popular beers including Punk IPA, Lost Lager and Elvis Juice, and operates 129 bars.

- Annual profits at JD Wetherspoon are expected to beat the expectations of City analysts and shareholders**, with sales at its pubs holding up well despite the cost of living crunch. The pubs chain said pints of Guinness and real ales are selling particularly well, while its new menu, which includes a ramen noodle bowl and a shawarma chicken wrap, has made a "promising start". Like-for-like sales, which excludes the impact of new or closed pubs, rose 5.2 per cent between the end of January and the end of April compared with the same three months in 2023 despite an extra bank holiday in this period. In this financial year, which runs until the end of July, like-for-like sales are up 8.3 per cent. Total sales are 6.5 per cent above where they were this time a year ago; a bigger increase than most industry analysts had expected.

- Uber has been hit by the cost of legal battles**, reporting an operating income that was little more than a quarter of that expected by Wall Street. The ride-hailing business said it made \$172 million in the first quarter of the year, far short of the \$600 million which analysts had forecast but an improvement on last year,

when it made a loss of \$262 million. In the three months to the end of March the company had legal, tax and regulatory costs of \$527 million, up from \$250 million the year before. Uber said its revenue growth was also "negatively hit" by changes to its business model. It rose 15 per cent to \$10.1 billion, from \$8.8 billion the year before, while the total value of bookings made through the platform rose 20 per cent on the year to \$37.7 billion, slightly less than expected. The shares closed down 5.7 per cent, or \$4, at \$66.43 in New York last night, valuing the company at \$138.3 billion.

- Pubs will be able to extend their opening hours to 1am if England or Scotland make it to the Euro 2024 semi-finals** this summer – a move that has been hailed as "essential" by the sector. Venues will be allowed to stay open for an extra two hours on match days if either or both teams reach the last four or the final, the government said. Most pubs shut by 11pm but ministers can make an order to relax licensing hours to mark occasions of "exceptional national significance". Home secretary James Cleverly said the move will "allow friends, families and communities to come together for longer to watch their nation hopefully bring it home".

- Health and leisure business David Lloyd** is to spend £500m opening 15 new clubs over the next three to four years and opening 50 new spa resorts over the next six years. Chairman Glenn Earlam has said that despite the cost-of-living crisis, members were happy to pay £100-a-month or more on David Lloyd membership. "Our business has done particularly well post-covid," he said. "People are willing to prioritise health, fitness and wellness in a post-covid world relatively more than they were beforehand."

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- Closures in Britain's hospitality sector slowed from eight sites a day in 2023 to four a day in the first quarter of 2024**, the latest Hospitality Market Monitor from AlixPartners reveals. The findings indicate a 0.4% decline in total numbers between the start of January and the end of March – the third smallest quarter-on-quarter drop since the start of the covid-19 pandemic. The current total of 98,745 hospitality venues (pubs, bars, restaurants, hotels and other forms of licensed premises) means the market is down by 2.5% year-on-year, meaning one in 40 venues has shut in the past 12 months.
- Britons are going out less than they did before the pandemic** and average spending on hospitality has dropped by a fifth over five years, according to research by MoneySavingSuperMarket. In 2019, people went out an average of seven nights a month but this has recovered to only five nights a month this year. Residents of Manchester are the most sociable, going out seven times a month on average – the same as before the pandemic – but Londoners now go out only five nights a month, down from seven in 2019. Residents of Plymouth venture out only once a month. The research shows that going out has fallen or remained the same across every one of the 17 cities surveyed except for Newcastle and Belfast, where residents are going out more.
- Gordon Ramsay is betting on the continuing return of City workers** to the office after announcing plans for the UK's highest restaurant and bar at 22 Bishopsgate, London. The announcement of the 25,000 sq ft space, which will include an Asian-inspired Lucky Cat eatery, came as the TV chef revealed that revenues at his restaurant empire are set to pass £100 million this year. Accounts for the 12 months to August show that turnover at Gordon Ramsay Restaurants jumped by 21 per cent to £95.6 million, with underlying earnings reaching a record £8.3 million, up from £6.2 million the year before. It created 290 jobs during the year.
- Korean street food concept Bunsik, part of Maguro Group**, will make its west London debut next week with the launch of its sixth site, in Kensington. Bunsik will open at 198-200 Earl's Court Road on Thursday, 16 May.
- Lemon Pepper Holdings, the company behind the rollout of Wingstop in the UK**, has opened a new site for the US brand, in the Merry Hill shopping centre in the West Midlands. The 2,650 square-foot unit on the upper mall of the centre is Wingstop UK's 45th UK site and offers 70 covers.
- Popeyes UK, the US fried chicken quick service restaurant brand** backed here by TDR Capital, made its debut in Leeds this week with the opening of a delivery kitchen site. The brand will be available for delivery throughout Leeds city centre via ordering directly through the Popeyes website, on Uber Eats or Just Eat. The business plans to double its estate in 2024, opening more than 30 new locations by the end of the year.
- Bella Italia, the Big Table Group-owned brand**, has launched a new **£7.99** lunchtime deal across a select number of its 70 sites. The company said that the offer of any one pasta or pizza for £7.99 is valid between restaurant opening and 4pm on Mondays to Thursdays inclusive.

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