



Macro and Market News

Week 20 2024 – Week ending 17/05/2024

17 MAY 2024





Macro/Economic News

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- **The BBC reports that recent ONS growth numbers**, if sustained, 'show an economy returning to a normal rate of growth. The UK is now growing joint fastest in the G7, equal with Canada and outpacing France, Germany, Italy, Japan and the United States.'
- **The ONS reports that the UK labour market continues to cool.** UKHospitality comments, saying 'there were 107,000 vacancies in hospitality in the quarter to April 2024, according to the Office for National Statistics. This is 15% higher than pre-pandemic levels of 93,000.' It adds that 'wages paid in the sector increased by 9.5% in March 2024, driven in part by ongoing wage inflation, the sector's focus on recruitment and retention, and some businesses implementing April wage increases early'.
- **The ONS also reports that unemployment rose by 166,000 between the final three months of 2023 and the first three months of 2024.** This took the unemployment rate up from 3.8% to 4.3%. The ONS said real pay is rising at its fastest rate in more than two years despite a cooling of the labour market.
- **CBRE updates on its view for the UK economy saying that 'the headline inflation rate will continue down towards the Bank's 2% target rate.** However, the trajectory will not be smooth'. It says 'while it will likely first reach 2% in the summer, it may oscillate around this level for the remainder of the year before stabilising at the target in early 2025'.
- **Wages in the UK have experienced their fastest growth in 16 years over the past 12 months according to the Resolution Foundation**, outpacing inflation and providing relief for workers. Real earnings increased by c2% in the year to February, however, this growth comes amid a productivity crisis, with output per worker declining, posing challenges for businesses and potentially leading to inflationary pressures and prolonged higher interest rates.
- **Stansted Airport achieved a record April, exceeding pre-pandemic levels by over 90,000 passengers, totaling 2.48 million travellers.** Managing director Gareth Powell attributed the success to operational efficiency and a robust route network, ensuring smooth passenger experiences with 98% passing through security in 15 minutes or less.
- **Business parks have been left deserted as companies seek out the hustle and bustle of city centres in an effort to keep their staff happy.** The Times reports that Britain's biggest such parks are generally much emptier than traditional office blocks in towns and cities, according to figures from CoStar, a property analytics group. Some, including Maxim Park just outside Glasgow and Stockley Park near Heathrow airport west of London, are almost half-empty. On average 9.1% of all office space throughout the UK is vacant. Of the 11 parks studied by CoStar, all have higher vacancy rates than that.



Market News

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- Greggs has reported 7.4% like-for-like sales growth in the first 19 weeks of 2024 to £693m (2023: £609m) in its company managed shops – driven by delivery, evening trade and increased use of its app.** Its new over-ice drinks range, currently available in 300 shops, is performing well and will be rolled out to up to 700 shops in the coming months. Pizza boxes have been in strong growth and hot food continues to perform well, with its Southern Fried Chicken Goujons and Southern Fried Potato Wedges proving popular. The company will also continue to extend its range of healthier choices, introducing the vegetarian Pesto and Mozzarella Pasta and Feta and Tomato Pasta, alongside its award-winning vegan Sweet Potato Bhaji and Rice salad bowl. During the period, Greggs opened 64 new shops, including 15 with franchise partners. Recent shop openings have included sites at Embankment underground station, four shops with Tesco and three with Sainsbury's, the latter including two petrol filling station locations. It has also closed 37 shops (including 23 relocations), giving a total of 2,500 shops trading at 12 May (comprising 1,986 company-managed shops and 514 franchised units). The pipeline for the remainder of the year is strong, including a number of further opportunities with supermarket groups, and Greggs remains confident in achieving 140-160 net openings for the full year.

- Lemon Pepper Holdings, the company behind the rollout of Wingstop in the UK, is on track to surpass the 50-site mark this summer, after adding a second site in Leeds to its opening pipeline.** Lemon Pepper Holdings, which launched the brand in the UK in 2018, has secured a site in the White Rose shopping centre in Leeds, for an opening in August.

- Wimpy is targeting expansion in the north, Midlands and Scotland in the UK, and is open to more non-high street formats.** The Famous Brands-owned burger brand currently has 63 locations in the UK – only five of which are in or above the Midlands.
- Pizza Hut has announced that it is entering the burger market.** The pizza brand described its new Cheeseburger Melt menu addition in the US as a parmesan-crust thin crust melt folded and loaded with beef, applewood-smoked bacon, onions, mozzarella and cheddar, served with burger sauce on the side. Notably, the new menu item ditches the bun in favour of a crispy, thin crust. "Pizza Hut has cracked the code for what a cheeseburger should be: portable, crunchy, and oozing with cheese," the company said.
- Halal fast food company Chicken Cottage has targeted reaching 100 stores globally by 2027 as it expands in North Africa.** Founded in London in 1994, Chicken Cottage now has 66 stores spread across the UK, Africa and south Asia (including 53 here), with its latest UK site opening last week in Hemel Hempstead. A large part of its focus is also on international expansion, and in the past fortnight Chicken Cottage has opened two stores in Kenya – in Maralal and Nairobi. The business initially signed a partnership covering Kenya, Rwanda, Tanzania and Uganda in 2022 with Express Kitchen – a sister company to Hass Petroleum Group, which operates more than 150 petrol station across ten countries on the continent.

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- Buns from Home, the independent London bakery brand, will open its 16th site next week, which will be swiftly followed by at least four more.** Earlier this year, the business grew its estate by 25% with three openings in the space of four weeks – in Marylebone, Hammersmith and Victoria. That rapid expansion is set to continue in the coming months, starting next week, according to chief executive Shereen Ritchie. “Our new home, number 16, in Charing Cross Road is coming along nicely, and it’s going to be a show stopper,” she posted to social media. “This time next week it will be open. Time flies when you’re baking over the world! To be shortly followed by Bond Street tube station, Holborn, Moorgate and More London Place. From six homes to 21 homes in just over a year, not bad, but the current pipeline suggests we can do better.”
- Fast-growing Gail's Bakery is to open its first in-store bakery counter with supermarket company Waitrose.** The new 280 square-foot site will open at the Waitrose store in London’s Canary Wharf on Thursday, 6 June. Customers will also be able to buy the Gail’s range through click and collect, as well as home and office delivery services. Waitrose first partnered with Gail’s in November 2022 to launch three bakery concessions as part of a limited trial. After strong sales, the concessions were rolled out to 64 Waitrose stores in April 2023, leading to sales of Gail’s baked goods in Waitrose rising 35% annually. It is understood that the Canary Wharf location alone makes up almost 5% of total Gail’s sales at Waitrose. The supermarket said the tie-up with Gail’s is part of the company’s “wider strategy to invest in stores through upgrades, refurbishments and new openings”.
- Pizza Pilgrims, the pizzeria brand, has reported record results and laid out plans to expand into Scotland and Wales.** In the year to 25 June 2023, revenue at Pizza Pilgrims increased by 37% to £28.7m (2022: £21.0m) and pre-tax profit more than doubled to £0.7m (2022: £0.3m). Ebitda before exceptional items was £2.4m (2022: £1.1m). It said that demand was particularly strong at its sites in Carnaby Street, Victoria and Waterloo in London, as well as Cambridge and Leeds in the regions. Two new sites have opened to date in Queen’s Park, London and Leeds since the company’s June year end. Pizza Pilgrims said it typically opens six new sites each year which are “opportunistically selected in busy urban centres, characteristically located in buildings with charm and character”.
- The Nero Group, owner of Caffè Nero, has announced the launch of its “Aroma by The Nero Roasting Company” wholesale brand.** The company said it had set up Aroma to allow selected partners to tap into its high-quality specialty coffee beans and vast experience in buying, roasting and blending coffee from the group’s roastery. It said: “Aroma will provide very high-quality coffee to those who wish to tap into specialty coffee maker Caffè Nero’s extensive coffee expertise located at The Nero Roasting Company. Businesses and consumers now have a choice to buy high quality coffee from the Nero Roasting Company.”

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- McDonald's is working on plans for a \$5 (£3.98) value meal in its US sites to help offset an increasingly challenging environment for consumers.** CNBC reported that the \$5 meal could include four items: a McChicken or McDouble, four-piece chicken nuggets, fries and a drink. The potential new offering comes at a time when low-income consumers are beginning to pull back on spending, particularly at fast-food brands. McDonald's recently reported a mixed first quarter, with US like-for-like sales slightly missing expectations. Higher prices helped grow average transaction value, but some consumers pulled back as a result of the steeper costs.
- Wendy's, the third-largest quick service restaurant brand in the US, opened its debut site in the north east on Thursday (16 May).** The company's franchise partner, Square Burgers, is launching the restaurant in the ex-Thomas the Baker unit in Captain Cook Square. Wendy's made its UK return in the summer of 2021 and has since grown to 36 sites – including ten from franchisees GH Burgers, Square Burgers, Blank Table and JRK Restaurants. Square Burgers is also understood to be planning to open a site on the former Viet Cafe unit in Grainger Street, in Newcastle. Earlier this month, Wendy's chief financial officer Gunther Plosch said the company expects to see up to UK 50 restaurants by the end of the year, and that it is making progress in profitability here. The group also reaffirmed its belief that the UK has a long-term potential for up to 400 Wendy's restaurants.
- Marston's has reported a 7.3% increase in like-for-like sales in the 26 weeks ended 30 March 2024 compared with last year, "outperforming the broader market", and said trading since the half year end has been "encouraging".** The company said like-for-like sales in its managed and franchised pubs were up 4% since the half year end last year, but excluding the impact of the additional May bank holiday last year, like-for-like sales increased 5.3%.
- Fulham Shore – the operator of the Franco Manca and The Real Greek brands – has reported turnover increased 20.8% to a record £99.9m for the year ending 26 March 2023 compared with £82.7m the year before – the first full year before it was taken private.** The company, which operates 96 company-owned restaurants in the UK, 70 under Franco Manca and 26 under The Real Greek, made a pre-tax loss of £4.8m compared with a profit of £3.9m the previous year. Headline Ebitda stood at £18.5m (2022: £20.3m) and adjusted headline Ebitda was £9.5m excluding IFRS 16 (2022: £12.4m).

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