



# Macro & Market News

Week 10 2022 – Week ending 11/03/2022



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- **The economy grew by +0.8% in January** compared with a -0.2% fall in December, according to the Office for National Statistics, as the economy bounced back after the effects of the Omicron Covid variant began to ease. But economists warned that the UK could be facing recession due to a sharp rise in living costs exacerbated by fuel price rises sparked by the conflict. UK households were already facing sharply rising costs before Russia's invasion of Ukraine, in part due to soaring energy costs.
- **One of the world's biggest fertiliser companies**, Yara International, has said that the war in Ukraine will deliver a shock to the global supply and cost of food. Yara's boss, Svein Tore Holsether, has warned 'Half the world's population gets food as a result of fertilisers... and if that's removed from the field for some crops, [the yield] will drop by 50%'. Russia produces enormous amounts of nutrients, like potash and phosphate - key ingredients in fertilisers.
- **The cost of filling an average family car with diesel has topped £90 for the first time, as soaring oil prices hit household budgets.** The RAC motoring group said the average price of a litre of diesel rose 3p overnight to a record 165.24p - the biggest daily jump since 2000. The UK gets 8% of its oil imports from Russia, but about 18% of its diesel.



# Market News

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- **Consumer giants including McDonald's, Coca-Cola and Starbucks** have joined the list of firms halting business in Russia due to the invasion of Ukraine. McDonald's will temporarily close all its 850 restaurants in Russia and suspend other operations in the country after Vladimir Putin's invasion of Ukraine. Russia and Ukraine together account for about 9% of group revenues.
- **Gregg's has reported full year numbers** for the 52wks to 1 Jan saying that total sales were up 5.3% at £1.23bn with company managed store LfL sales down 3.3% on 2019 levels. The group says it generated profits of £145.6m in the year (2020: loss £13.7m, 2019: £108.3m profit) and says that diluted earnings were 114.3p against 85.0p in 2019. The group is to pay a full year dividend of 57p (2020: nil, 2019: 11.9p). Gregg's opened 131 new shops in the year (103 net) and it now has 2,181 shops. From this year, the group will target 150 net new shops per year 'with the potential for at least 3,000 shops in the UK over time.' Gregg's says it has a 'plan to extend late opening to 500 shops in year ahead, offering core menu plus hot food trials.'
- **Julian Metcalfe, founder of Itsu**, the healthy Asian food chain, said the company's sales are at last back to 2019 levels and he believes by June "the City will be rocking". Metcalfe said the success of the group's recent regional openings and the backing of Bridgepoint, which acquired 30% of the business from Ambrosia SPV last year, had given the company the confidence to commit to 25 new store openings this year and "also next year and the year after".
- **Domino's Pizza Group** has reported full year numbers for the 52wks to 26 December, saying that system sales were up 11.2% at £1.5bn with underlying PBT up 12.5% at £119.9m and underlying EPS up 11.5% at 20.3p. The company says that debt rose by 16.2% to £200m. The full year dividend is up by 7.7% at 9.8p.
- **Burger King** has launched a new Katsu Curry range that is available for both its classic meat burgers and plant-based options. The fast food chain's new menu puts a twist on its two most popular items, the Whopper and Chicken Royale, which have been launched as the Katsu Chilli Whopper and Katsu Royale in the new range.
- **KFC** has appointed Neil Piper, its current chief people officer, as interim managing director UK & Ireland, after the sudden departure of Paul MacKenzie. Piper has been with the fast-food brand since 2008, and has been its chief people officer since June 2017. Previous to that he was director of HR at KFC Global based in Dallas for two and a half years. Before joining KFC he worked at Mitchells & Butlers for just under four years.

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- Caffe Nero** will open new stores in Stansted and Belfast airports in June, with a further six openings scheduled in the following months. The company – which already operates circa 1,000 stores in ten countries, including 620 in the UK – is also “actively considering more new sites to restart its new store openings programme”. The Stansted airport store, which was won via a tender process and replaces Starbucks, will be located in international departures.
- Black Sheep Coffee**, which has around 50 sites including circa 30 in London, is offering up its entire pipeline to prospective franchisees. The company, which is exploring a launch in the US, opened its first UK franchise site, in Birmingham earlier this year and said it had lined up a further franchisee for west London.
- Pret A Manger’s** sales in stores in London’s suburbs rose sharply last week, as the public transport strike compelled more residents to work from home. According to Bloomberg’s latest Pret Index, sales in the group’s sites outside London’s Zones 1 and 2 climbed 13 percentage points to 129%. Sales also climbed in London’s entertainment and shopping district despite a public transport strike, to reach 98% of their pre-covid level. Pret’s sales are now more than three-quarters (77%) of what they were before the pandemic in London’s City and Canary Wharf financial districts. However, the industrial action is likely to have affected demand for coffee and sandwiches in these districts, where Pret’s transactions fell slightly from a week earlier.
- Honest Burgers**, the Active Partners-backed business, will donate the proceeds from all its restaurants on one evening next week to a Ukraine war relief charity. Next Tuesday (15 March), from 4pm to close, instead of paying their bill as normal, guests at all of Honest’s restaurants in London, Brighton, Bristol, Cambridge, Liverpool, Manchester, Cardiff, Reading and St Albans will be asked to donate what they can for their meal and drinks, with all proceeds going to #CookForUkraine.
- Just Eat** is giving its restaurant partners the option to offer smaller chip portions after finding it’s the most wasted takeaway item. Having undertaken a new study, The Food Waste Race, with environmental charity Hubbub ahead of Food Waste Action Week, Just Eat reported 72% of participants said they had leftover chips from their takeaways.
- Tasty** has updated on full year trading saying revenues in the year were up 44% on the prior year ‘driven by strong sales post re-opening despite weaker trading for the peak December period than anticipated, due to the onset of the Omicron variant.’ The co says that ‘2021 revenue represented 78% of the Company’s 2019 revenues of £44.6m despite fewer operating sites.’ It says ‘adjusted EBITDA is expected to be approximately £8.0m (2020: £2.7m)’ and adds that ‘cash at the year-end was £11.0m.
- Prezzo**, the Cain International-backed restaurant chain, is set to open a debut dark kitchen site, in London. The Karen Jones-chaired business is set to launch a delivery kitchen unit in Brent Cross later this spring. In January, sector peer Azzurri Group launched a delivery kitchen site featuring all its brands – ASK Italian, Coco Di Mama, Pod and Zizzi, with delivery kitchen operator Foodstars at its site in Bethnal Green.



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