



Macro and Market News

Week 18 2024 – Week ending 03/05/2024

03 MAY 2024





Macro/Economic News

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- The UK economy will see the slowest growth of the largest developed nations next year**, according to forecasts. The Organisation for Economic Co-operation and Development (OECD) predicted that UK gross domestic product - a key measure of economic health - will rise by 1% in 2025. This is below the rest of the G7 nations, which include Canada, France, Germany, Italy, Japan and the US. The OECD, which is a globally recognised think tank, said the UK economy would be “sluggish” this year. The organisation blamed the after-effects of a succession of interest rate rises in the UK for the lethargic performance. It also warned that some elements of inflation remained high and that uncertainty over when the Bank of England might change interest rates might put people off investing. The UK economy is now forecast to expand by 0.4% this year, a downgrade from the OECD's previous projection for 0.7% growth.
- The British Retail Consortium** has reported that shop price inflation has fallen to its lowest level since 2021. CEO Helen Dickinson says prices were ‘showing signs of normalising’ after their recent rises. She says ‘food inflation slowed for the 12th consecutive month as fresh products such as butter, fish and fruits, continued to fall in price due to easing input costs and intense competition between grocers.’ Retail prices ex-food are actually down by 0.6% on a year ago. The BRC says ‘in April, non-food prices fell, especially in clothing and footwear, where retailers ramped up promotions to encourage consumer spend.’
- The CBI** has reported that private sector economic activity ‘fell again in the three months to April’ with a weighted balance of minus 14%, compared with minus 12% in the three months to March.
- Coutts, the bank used by members of the royal family, has been accused of adding to the UK’s problems** by switching almost £2 billion of client money out of the London stock market to invest overseas. The UK allocation in six of the bank’s funds will fall from as much as 40 per cent to as little as 1.9 per cent.
- The EU** has reported that GDP rose year on year in Q1 by 0.4% in the Euro area and by 0.5% in the EU as a whole. It reports that quarter on quarter growth was 0.3% in both the Euro area and the EU. The flash data suggests that any recession has now ended.
- The price of bread, biscuits and beer** could be at risk of rising as a result of months of wet weather in the UK, a report has suggested. Harvests of crops including wheat, barley and oats may fall by more than 17% this year compared to 2023. The Energy & Climate Intelligence Unit (ECIU), which produced the analysis, said that if there is a shortfall in UK crops, food producers may have to import more from overseas, potentially increasing costs.
- House prices** fell in April as potential buyers continued to face pressure on affordability, according to the Nationwide. The UK's biggest building society said that UK house prices were down by 0.4% compared with the previous month. It said the average home cost £261,962, some 4% below the peak in the summer of 2022. The rising cost of borrowing was key to the latest fall in prices, it said. The figures come after a string of lenders raised rates on new fixed-rate mortgage deals in recent days. The increases were prompted by expectations of fewer and slower interest rate cuts by the Bank of England.



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- Yum! Brands has reported KFC system sales in the UK fell 1% for the first quarter** ended 31 March 2024 compared with the previous year. The UK accounts for 6% of KFC's system sales worldwide. On 29 April 2024, Yum! Brands completed the previously announced acquisition of 218 KFC restaurants from EG Group, its largest franchisee in the UK and Ireland, for an undisclosed sum. Globally, KFC like-for-like sales in the quarter were down 2%, with US like-for-like sales falling 7%.
- Subway has been bought by private equity firm Roark Capital** for circa \$9.5bn (£7.52bn) after the deal was cleared by regulators.
- McDonald's has reported Q1 numbers saying that earnings increased 2% to \$2.70 per share** adjusted on 5% revenue growth to \$6.17 billion. LfL sales globally were up by 1.9%.
- Starbucks reported fiscal Q2 numbers saying that consolidated net revenue fell by 2%** to \$8.6bn 'driven by a complex operating environment'. The company reports that 'global comparable store sales declined 4%, driven by a 6% decline in comparable transactions, partially offset by a 2% increase in average ticket.'
- Whitbread is to cut 1,500 jobs as it closes restaurants and expands its hotel business.** It plans to cut its number of branded restaurants by more than 200 in favour of building more hotel rooms. The job cuts, which are subject to consultation, will come from a total UK workforce of 37,000 employees. The group's restaurant brands including Brewers Fayre and Beefeater. The cuts come after Whitbread's pre-tax profit rose 21% to £452m for the year to 29 February. The company reported revenue up 13% at £2.06bn with adjusted EBITDAR of £1.057bn vs £888m (up 19%).
- Coca-Cola Company has reported a 3% decline in unit case volume performance** across its coffee division in the first quarter of 2024, which it said was primarily due to the performance of Costa Coffee in the UK. The company reported its revenue grew 3% year on year to \$11.3bn, ahead of estimates of \$11bn, during the period. Coca-Cola said that price/mix was up 13% as unit case sales only grew 1%, reflecting that growth was driven by higher prices.
- Domino's Pizza Group has reported a slow start to its second quarter "against tough comparatives last year"** after seeing orders fall in the first quarter. LfL sales were down 0.5% in Q1 as a whole with total orders down by 0.8%, although it has returned to 'positive like-for-like sales and total orders across February and March' after a tougher January. On a 2-year basis, DOM reports that Q1 like-for-like sales are up 8.4%. The group opened 14 new stores in Q1 and says it has a 'strong pipeline, with 38 in construction or planning approved.' The company still expects to open over 70 stores in FY24.
- Lemon Pepper Holdings, the company behind the rollout of Wingstop in the UK,** is set to add a site in Ealing, west London, to its 2024 opening pipeline. Last month, the business strengthened its footprint in London by opening its new site in Clapham. The 44-strong business launched in the former Bodeans site at 169 Clapham High Street. Wingstop UK is on track to open 15 sites this year, including further restaurants in London – in Croydon, and its largest site yet, at Westfield Stratford City.

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- Popeyes UK, the US fried chicken quick-service restaurant brand backed here by TDR Capital**, has reached £100m-plus annual sales since its launched here in November 2021. Posting on LinkedIn after the brand opened a drive-thru site at 288-292 Bury New Road, Manchester, Popeyes UK chief executive Tom Crowley wrote: “Manchester drive-thru open. Our second restaurant in this brilliant city, 11th opening of ‘24 and store #47. In just 30 months, the outstanding Popeyes UK team have created a business with +£100m annual sales, a pipeline of ‘top drawer’ new sites including +25 for the year ahead, and we are now achieving our highest product ratings ever!” Last year, parent company Restaurants Brands International said system-wide sales across Popeyes UK reached \$39m (£31.4m) in the year to 30 June 2023. In a presentation on its brands – which include Burger King, Tim Hortons, Popeyes Louisiana Kitchen and Firehouse Subs – the company said Popeyes in the UK had generated those sales from 26 sites, ranking it fifth among its international markets. When it launched in Britain, the business said it was planning 350 UK sites within ten years.
- Greene King Pub Partners, the leased, tenanted and franchise business unit of Greene King**, has opened its 50th Hive Pub – The Robert Kett in Wymondham, Norfolk – less than three years since the launch of the concept. The pub, named after Wymondham’s most famous resident who led the Norfolk rising of 1549 against Edward VI, has been transformed with a £485,000 investment by Greene King. Fittingly for the 50th Hive Pub, The Robert Kett is also due to mark its 50th birthday as the pub was built in 1974.
- The City Pub Group has reported record revenue in year it was acquired by Young’s**. A deal was agreed in November for Young’s to acquire the owner and operator of circa 50 pubs across southern England and Wales, which valued the business at around £162m. In its accounts for the 53-week period to 31 December 2023, the group reported revenue of £74,484,000 compared to £57,793,000 in the 52 weeks to 25 December 2022.
- The SIBA UK Brewery Tracker** has reported a net closure rate of 38 UK breweries so far this year, with all regions either seeing a reduction in the overall number or remaining the same. The data shows the UK total number of active brewers now stands at 1,777.
- Nightcap considers deal for struggling rival Revolution Bars**: The bar operator behind the Blame Gloria and Barrio Familia brands is in exploratory talks with Revolution Bars about a potential takeover of the struggling hospitality group. Nightcap, founded by Sarah Willingham, a former star of the BBC show Dragons’ Den, has a portfolio of 46 bars in the UK. It said it was “assessing a number of options” including making an offer for the business or buying some of its brands or assets.
- Network Rail has announced retail sales reached over £800m** in the past 12 months across its retail portfolio of 19 managed stations in the UK. Over 600,000 square feet of prime retail space is managed by Network Rail within major city centre locations, with footfall climbing above 700 million visits per year.

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