



# Macro & Market News

Week 43 2022 – Week ending 28/10/2022



# Macro/Economic News

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- **Rishi Sunak**, a former chancellor, became Britain's new prime minister after winning the Conservative Party leadership race to replace Liz Truss. His only competitor, Penny Mordaunt, leader of the House of Commons, withdrew from the contest at the last minute after she failed to gather sufficient backing from fellow MPs; she said Mr Sunak had her "full support". Mr Sunak is Britain's third prime minister in seven weeks.
- **A much-anticipated plan on the UK's tax and spending has been delayed by more than two weeks.** It was due on Monday, but Chancellor Jeremy Hunt said moving it to 17 November would mean it was based on the "most accurate" economic forecasts. Mr Hunt had already scrapped his predecessor's plans for huge tax cuts. This had sparked market turmoil due to fears over how they would be paid for. The move settled investors and lessened the urgency for a new economic plan.
- **The price of pasta, tea, chips and cooking oil has soared**, according to new data, with vegetable oil going up by 65% in a year. Overall, the price of budget food in supermarkets rose by 17% in the year to September, the Office for National Statistics (ONS) said. It comes as inflation is at a 40-year high, with prices up 10.1% in a year.
- **Accountant EY** has reported that companies produced more profit warnings in Q3 this year than in any other Q3 for 20 years. It reports 86 profit warnings coming from London-listed companies in the period, up 34% on the previous quarter. EY says that almost half of the warnings came from retailers.
- **Heathrow Airport** has said it is unlikely to carry as many passengers as it did before the pandemic "for a number of years," with 25% fewer seats to be filled this year than in 2019. Britain's largest airport said it expected to carry between 60 million and 62 million passengers in 2022. The cost-of-living crisis, Ukraine war and impact of Covid had hit demand for international travel, it said. It also warned it needed to recruit 25,000 staff across the airport.
- **Asda Income Tracker** reports that 'average household disposable income fell by £35.44 a week in September – equivalent to £141 per month.' It says that 'soaring energy and housing costs, up 20% year-on-year in September stretch household budgets to the limit.'
- **More office workers have returned to their desks in the City** than at any time since the onset of the pandemic as economic warning signs flash red. The Times reported as bond markets struggled to recover from the government's mini-Budget, more than 75% of workers in the City were at their desks on Thursday, 13 October, according to data compiled by Google, which tracks the movement of some of its users. However, office attendance continues to be lower on Mondays and Fridays as staff opt for hybrid working and go to the office three days a week, Bloomberg reported. In recent months there has been a significant rise in hybrid working and it is now the most common pattern for British office workers. Clarity on hybrid working plays a significant role in attracting workers, with 80% of office staff listing home working as a factor in a new job.



# Market News

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- **McDonald's** has reported its global like-for-like sales rose 9.5% in its third quarter to 30 September 2022 compared with the previous year. Digital systemwide sales in its top six markets were nearly \$7bn for the quarter, representing more than a third of total systemwide sales in those markets.
- **Burger King UK** has said it will scrap single-use lids on drinks to cut down on plastic waste. The company said that the initiative, which launches this week, is predicted to remove 17 million plastic lids from circulation and save more than 30,000kg of plastic every year. It is part of Burger King UK's commitment to end its reliance on single-use plastic by 2025, and builds on the removal of all plastic toys from King Jr Meals in 2019.
- **Shake Shack, the US burger brand**, is to open its 12th UK site as it extends its London footprint. Shake Shack will launch in the former French Connection site in Argyll Street in Soho. Shake Shack operates nine sites in London, one in Cardiff, one in Gatwick airport's North Terminal and one in Lakeside, Essex. It also operates ten delivery kitchen sites.
- **Azzurri Group-owned Zizzi has launched a loyalty scheme.** The Zillionaires' Club rewards customers each time they visit a Zizzi restaurant and also allows them to use click and collect and purchase Zizzi for delivery. The programme is a long-term commitment from Zizzi to its customers "rewarding loyalty, frequency and recency". The launch follows Azzurri Group's recent investments in order and pay platform Speedy and there are plans to deliver even more personalised experiences for customers.
- **Greggs has extended its partnership with Primark** by opening a cafe on the top floor of the department store's London flagship Oxford Street East store. The new cafe follows other recently opened, high-profile Greggs shops in London including Leicester Square, Liverpool Street station and Tottenham Hale station.
- **Wimpy UK** has reported system sales up 14% in the year to end-August. The company, which has 67 UK restaurants, is owned by Famous Brands.
- **Michael Skipworth, president and chief executive of Wingstop**, has said the resilience of the brand is "showcasing itself in a challenging environment in the UK", where it continues to demonstrate strong sales. Lemon Pepper Holdings, which is rolling out Wingstop across the UK, had secured an opening in Newcastle, as it looks to end the year with a 30-strong estate. The company, which recently opened its largest UK site to date here under the US chicken brand, in Manchester's Trafford Centre, has secured a site in the MetroCentre, with an opening planned before the end of the year.
- **Up to 12 pubs a week are closing their doors for good** due to rising costs across their businesses, the British Beer & Pub Association (BBPA) has warned. This has led to the Long Live the Local campaign, supported by 146,000 members of the public and backed by the BBPA, to call on the government to save pubs and breweries in communities across the country from closure ahead of the chancellor's statement on Monday (31 October).

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- Roadside and forecourt operator EG Group has opened a flagship store in Chester city centre for US bakery brand Cinnabon.** Spread over two floors and spanning 1,635 square feet, it is the largest Cinnabon store in the UK. The store can accommodate more than 30 customers dining in, and outdoor seating is also available. As well as Cinnabon's signature cinnamon rolls, customers can also order the newly introduced ice cream brand, Carvel. The menu includes soft serve, sundaes, waffle cones and milkshakes. EG Group now operates 25 Cinnabon stores in the UK. EG Group signed a deal in late-2020 to roll out 150 sites under the US bakery brand over the next 5 years.
- The UK hotel market has recovered at a faster rate than first anticipated since January 2022,** with overall performance nearing or surpassing 2019 levels since May this year, according to a new report by Christie & Co. However, it warned the coming months may prove more challenging for the sector's different stakeholders due to the cost-of-living crisis, weakened GDP, and increasing inflation rates. Regional UK markets such as Edinburgh, Birmingham and Liverpool saw the highest increase in revpar in the first half of 2022, surpassing 2019 levels by 6.9%, 8.5% and 7.5% respectively. In comparison, London has been slower to recover as the capital relies on international markets & business travellers.
- Fast-growing bakery brand Gail's** opened its 100th site on Thursday (27 October), in East Sheen. The opening of the 50-cover outlet sees Gail's continuing its growth in the capital following on from Kensington Arcade and Bermondsey Street. Gail's has also been growing outside London, having launched in Fleet in Hampshire this month, while openings are planned in Gerrards Cross and East Dulwich.
- Whitbread, which operates Premier Inn,** has reported profit before tax of £307.4m in the six months to 1 September, above pre-pandemic levels (£209m in the six months to 29 August 2019) and ahead of expectations. The company stated: "A declining independent sector is increasing our growth potential in the UK and Ireland to 125,000 rooms. In Germany, demand has recovered, we are seeing good trading momentum and are confident in reaching our long-term return on capital target of 10-14%."
- Julian Metcalfe, founder of Itsu,** has said he believes prices in restaurants "are only just beginning to go up" and it will be crunch time for businesses soon. "Restaurant prices are going through the roof," Metcalfe told The Telegraph. "Who is going to buy a panna cotta for 25 quid? Nobody." But he believes diners deserting pubs and restaurants "will come to Itsu," where prices will be a third because "we're much leaner". And Metcalfe sees it as an opportunity to advance an ambitious expansion masterplan. It will begin in a few weeks' time in Paris, when the first of 50 new Itsus will open. In terms of sales, Itsu is now about where it was before the pandemic – but 15% busier from Tuesday to Thursday and 20% down on Mondays and Fridays. Metcalfe said he also wants to make more of the menu plant-based – looking to get it to 50% from 40% today."

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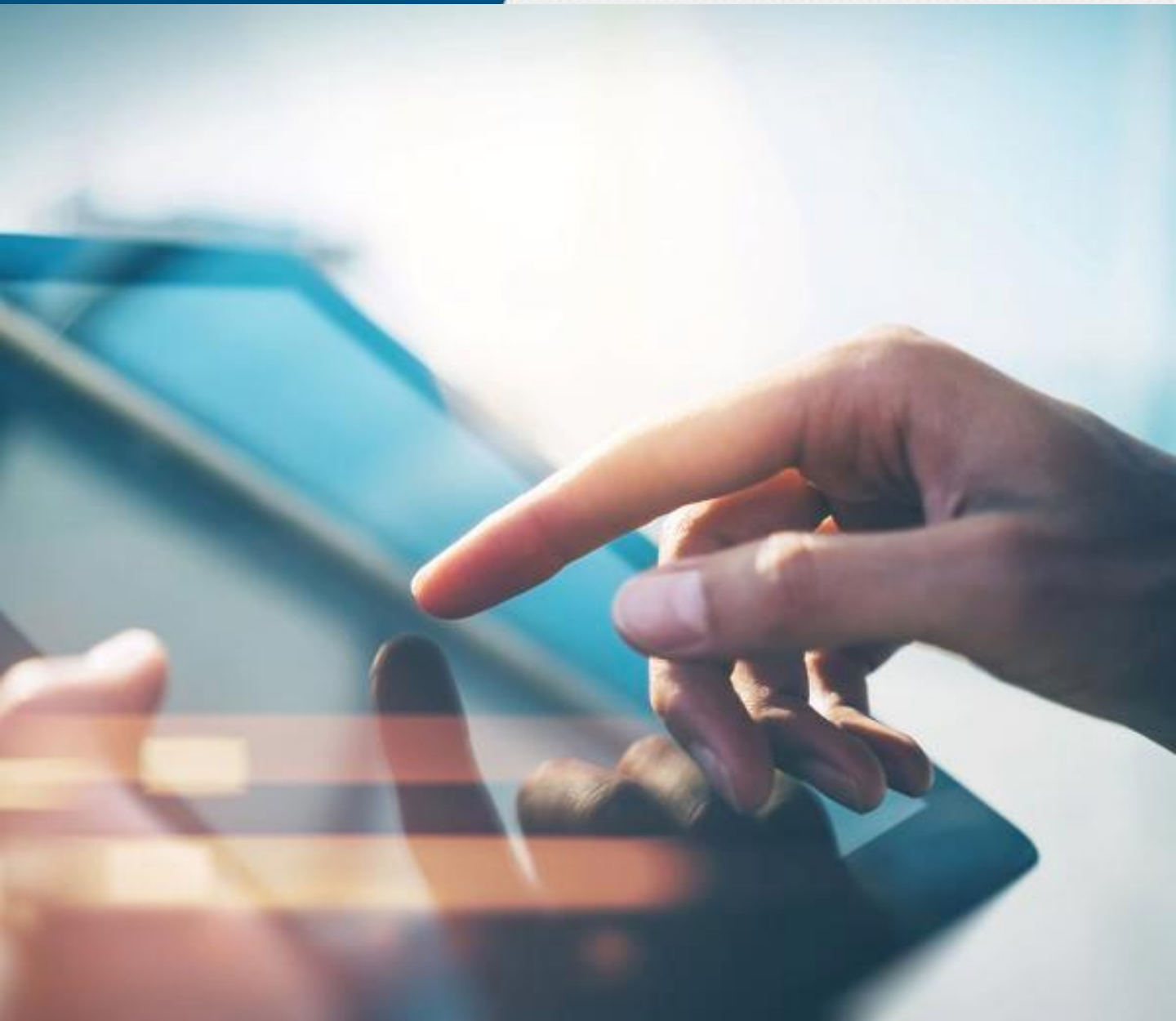
- Yum! Brands is to fully exit Russia after signing a deal to sell its KFC business in the country to Smart Service**, operated by one of the brand's existing franchisees, Konstantin Yurievich Kotov and Andrey Eduardovich Oskolkov. The new owner will be responsible for rebranding the restaurants to non-Yum! concepts and retaining the company's employees. Yum! said after the transaction it will cease having any corporate presence in Russia. The company previously sold Pizza Hut in Russia to a local operator in June, which has started rebranding the locations. Yum, which also owns Taco Bell, said in August it had removed 1,112 KFC units in Russia from its global store count, about 4% of its total locations.
- Marugame Udon** has unveiled plans to open 150 kitchens across Europe by 2027. The roll out will commence with six new UK kitchens that are set to open by spring 2023, including its first out-of-London site, in Reading. Following six openings in the capital, the Japanese brand will add further sites in London — in Bromley, Kensington, Liverpool Street and Waterloo stations, and The Strand. Marugame Udon's expansion will include launching its first regional site in February at The Oracle shopping centre in Reading plus its first sites located in south and west London with kitchens opening in Bromley in mid-November and Kensington in January. The UK growth will also see the brand open branches in transport hubs for the first time, at London Waterloo in late-November and Liverpool Street station in mid-February. A third flagship kitchen will open at The Strand in late-February and will join Liverpool Street and the recently opened Oxford Circus location as one of the largest restaurants in Marugame Udon's UK portfolio.
- Coca-Cola** reported Q3 numbers and raised its forecasts for the full year as it said demand had not fallen in the face of price increases that it had put through. The group's shares rose 2.3% after the announcement. Coke says that average selling prices rose by 12% in Q3.
- Starbucks** has opened its 50th in-store site in partnership with Sainsbury's, as part of plans to open 30 new cafes within the retailer's stores by the end of 2022. Located in the Sainsbury's West Park Farm superstore in Folkestone, the new cafe welcomed its first customers this week.
- Various Eateries** has reported a solid trading performance in 52 weeks ending 2 October, with sales for the year expected to be slightly ahead of market expectations at over £40m. In a year-end trading update, the company said advantageous property opportunities had to be considered in the context of significantly increased build costs. During the period, the group opened four new venues: Coppa Club Putney, Coppa Club Haslemere, Coppa Club Bath and Noci in Islington.
- Costa Coffee**, the Coca-Cola Company-owned chain, has begun its rollout in the US, with an opening of a second site in Atlanta, with a third lined up. In August, the company launched its first physical Costa site at the Coda Tech Square, in midtown Atlanta. It has now opened a second in the city, inside the Goizueta Business School at Emory University. The brand has joined 14 other dining locations at Emory's Atlanta campus, but is the only coffee shop in the business school

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- **Lucky Voice**, the social entertainment brand, has said it plans for a major programme of growth and investment, which will see the five-strong brand double the size of its estate in the next two years. The business currently has venues in Soho, Islington and Holborn in London, as well as Brighton and Dubai. By the end of 2024, the company aims to grow to ten owner-operated venues, including a “significantly expanded presence” in London and new sites in Manchester and Birmingham, along with further franchise development in the Middle East and north Africa.
- **Healthy bowl concept Atis** is set to open a fourth site in London, in Canary Wharf. The business – which was launched by husband-and-wife team Phil Honer and Eleanor Warder, with operations director, Connor Arnette, in Shoreditch in 2019 – is set to open a site in Canada Place next month. The business currently operates sites in Old Street in Shoreditch, Eccleston Yards in Belgravia, and Pembridge Road in Notting Hill. The concept’s build-your-own bowls options include roasted umami aubergine, grilled mushrooms, roasted squash and hot toppings, including blackened chicken thighs and pesto salmon.
- **Simon Mitchell, chief executive of street food collective Kerb**, has said businesses at the group’s Seven Dials Market are facing staff shortages “for every single shift, every single day”. He pointed to an exodus of overseas workers from the country following Brexit and said a domestic labour pool of enthusiastic British workers “does not exist”. Food firms were struggling to hire bartenders and kitchen porters, with just six people turning up to a recent Kerb open day and then “nobody turning up for their first shift”, Mitchell said. A labour shortfall has exacerbated price inflation for diners, as businesses were having to pay “more and more” to entice workers, which was then being passed on to “the price of dishes consumers are buying at the end of the day”, Mitchell added. Independent retailers may be forced to shut shop while “mega global chains” can afford to keep prices competitive, Mitchell warned. He called on the government to relax visa rules for overseas workers, as well as a five or 10% cut to VAT and reform of business rates for hospitality firms. The government should also support the industry’s ambitions to further promote hospitality as a career in schools, he said. He said trading was a two-day week affair in the City and Canary Wharf financial districts. There was “no doubt” London had changed, with Kerb’s market in West India Quay “really struggling” as financial workers are “not back anywhere [to] near the numbers they used to be”, Mitchell said.
- **Contract caterer Sodexo** reported revenue growth ahead of expectations and said that it expected margins in 2023 to be back in line with those of 2019.





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