



Macro and Market News

Week 48 2023 – Week ending 01/12/2023

1 DECEMBER 2023





Macro/Economic News

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- **House prices edged up 0.2% last month amid "encouraging signs" that mortgage rates are starting to come down**, the Nationwide has said. The building society said financial markets estimated interest rates had peaked and would start to come down, easing affordability pressures. But its chief economist warned it would be unrealistic to expect a big drop in borrowing costs in the near future. Interest rates set by the Bank of England are at a 15-year high of 5.25%.
- **Falling inflation and speculation that interest rates have peaked have boosted business confidence back to levels not seen since before the onset of the energy crisis caused by the war in Ukraine**, according to research by Lloyds Bank. The Times reports that an index compiled monthly by the bank, tracking optimism among British companies, climbed by three points to a net balance of 42% this month – the highest level since February 2022, which was when Russia invaded Ukraine and fuelled inflation by causing energy prices to rise. Sentiment among businesses has been bolstered by confidence in their own trading prospects, which rose by four points month-on-month to a net balance of 48%, the highest reading since December 2017, Lloyds said. Executives are also becoming more positive about the health of the wider economy, with a gauge of economic optimism rising by three points to a net 37%. This confidence is feeding through into recruitment plans for the coming year, with a measure of hiring intentions compiled by Lloyds reaching its highest level for 18 months.
- **The Bank of England's Monthly Decision Maker Panel, which interviews company finance chiefs across the country, suggests that bosses believe price inflation in general will decline next year but wage growth will stick around current levels, stoking fears that inflation will ultimately stay higher for longer than expected and that interest rates are likely to do the same.** General inflation is still expected to be around 4.4% in the coming year with wage growth sticking above 5.0%.
- **UK rail workers represented by the RMT union have accepted a pay deal including 5% raises and a redundancy guarantee ending over a year of strikes before Christmas**, though train drivers plan December walkouts. The RMT said its campaign showed sustained action gets results and will continue vigorously defending members, while operators warned of passenger disruption ahead but progress reaching agreements with 3 of 4 rail unions.
- **Inflation across the eurozone has fallen sharply to 2.4%.** Falling energy prices and less upward pressure on food helped bring numbers down.



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- Pret A Manger is to take its estate of roadside sites past the 40-mark in the first quarter of 2024, with four new openings with Moto.** The company currently operates 36 roadside sites with the likes of Moto, Welcome Break and Motor Fuel Group. The four new openings with Moto will be at Hilton Park, Knutsford, Reading and Cobham services. Last year, Pret said its new Moto sites were taking 25% more in sales than its usual locations, beating all expectations.
- Nando's has said it will continue to expand with new UK restaurants, despite the uncertain economic backdrop putting pressure on consumer spending.** The company said it plans to open 14 new sites in the UK in its current financial year to the end of February 2024, with ten of these already opened. It came as the restaurant chain's business, excluding South Africa, revealed it returned to profit for the first time since the pandemic in its latest set of full-year accounts to 26 February 2023. The company swung to a £17m operating profit for the year, compared with a £1.2m operating loss a year earlier. It said sales jumped by almost a fifth to £1.27bn for the year, up from £1.06bn a year earlier.
- Cook Coffee, the Esquires-brand owner, has reported a 22% increase in same store sales across its UK estate to NZ\$17.8m (£8.65m) compared to last year** and by 58% compared to 2019 pre-covid trading as it said its development in suburban areas and smaller market towns rather than the larger cities gained further momentum. Profit from continuing operations for UK and Ireland stood at \$800,000, up 40% on H1 FY23 of \$600,000. The company said that its pipeline of store openings was "robust and underpinned by strong consumer demand". It said it has entered into an agreement to establish a Regional Developer (RD) in the UK for the Southwest, South Wales and West Midlands.
- Mitchells & Butlers (M&B), the All Bar One, Toby Carvery and Harvester owner, has reported a 9.1% increase in like-for-like sales for the 53 weeks ended 30 September 2023,** with growth for all brands, supported by volume growth in both food and drink. Total revenue for the period was £2.503bn (FY 2022: £2.208bn), with operating profit of £98m (FY 2022 £124m), and a pre-tax loss of £13m (FY 2022 £8m). The company said that adjusted operating profit increased by 17.6% (52-weeks, net of government support), while cost headwinds were starting to abate. Like-for-like sales for the period increased by 9.1%, comprising an increase in like-for-like food sales of 8.6% and an increase in like-for-like drink sales of 9.9%. Excluding the impact of reduced rates of VAT in the first half of FY 2022, like-for-like sales growth across the period was 11.3%. Since the period end, the company said it was further encouraged by like-for-like sales growth of 7.2%.

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- Jamie Oliver has returned to the UK restaurant scene with the opening of Jamie Oliver Catherine Street in London's Covent Garden.** It is the chef's first domestic site since the collapse into administration of his restaurant empire in 2019 – since when his portfolio has been restricted to a collection of franchised restaurants overseas. Head chef Chris Shaill previously worked alongside Oliver for eight years at Barbecoa, while pastry chef Emma Jackson joins from Soho Farmhouse and Petersham Nurseries. Championing independent producers and suppliers, the menu features main dishes such as a sharing dish of roast Sutton Hoo chicken with stroganoff sauce, shoestring fries and baked wild mushroom rice; fish stew of day-boat fish, prawns, hand-dived scallops, Dorset clams and Welsh mussels in a shellfish tomato sauce with garlic mayo toast; and venison ragu made from slow-braised Royal Windsor Park fallow deer, with hand-cut pappardelle and Berkswell cheese.
- Food-to-go operator Greggs has partnered with department store Fenwick's for its first fine dining bistro.** Bistro Greggs, a "Parisian-inspired" pop-up within Fenwick's Newcastle department store, will serve an à la carte, multi-course menu of "enhanced interpretations" of Greggs' bakes and sweet treats. Greggs said the cordon bleu menu, created in collaboration with Fenwick's executive chef Mark Reid, would "elevate Bistro Greggs into one of the hottest new restaurant openings this Christmas". The all-day restaurant's menu highlights will include the Greggs festive bake served alongside duck-fat roasties, smoked pancetta, chestnuts and sprouts, while steak bakes will be accompanied by truffled dauphinoise potatoes, green beans and almonds. Guests will also be able to opt for a "high tea" for two of a three-tier sharing brunch, with peach melba and yum yum bites alongside a croissant, pain au chocolat, sausage roll and sausage, bean and cheese melt. The bistro opens tomorrow (Friday, 1 December) and will run through to New Year's Eve, with tables bookable in advance and some tables reserved for walk-ins.
- Birmingham bubble tea franchise Mowchi is set to triple its estate size in 2024 and make its southern debut before Christmas.** The business, founded last year by Syeda Kayanath, brand and marketing director at African restaurant concept Afrikana, made its debut earlier this year in Birmingham's Ladypool Road. Its second site, and first franchise location, followed in September, in Bradford's Great Horton Street. It is now set to come south with an opening in the Lakeside shopping centre in Essex, opening in December. Mowchi will follow this with six further openings in 2024.
- Flat Iron, the Piper-backed affordable steak concept, has added to its openings pipeline for next year by securing a site in London's Hammersmith.** The 13-strong, Tom Byng-led business is to open on the ex-Wing Wing site at 18 The Broadway, after an extensive refurbishment. This week, Flat Iron, which made its regional debut this summer in Cambridge's Market Street, will open in Leeds, on the ex-Byron site in the city's Lands Lane.

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- Jollibee, the Philippines fast food group, has announced robust third quarter 2023 growth for its 12-strong UK business.** The company said it achieved UK growth of 50.5% in systemwide sales and 44.3% in like-for-like sales for the quarter, driven by “significant transaction count growth and higher consumer demand”. Dennis Flores, Jollibee Group president for Europe, the Middle East, Asia and Australia, told Macau Business: “Our strong third quarter results affirm our efforts towards providing great-tasting, craveable, and excellent value-for-money food offerings to UK consumers. We are grateful for the continued patronage of our customers across the UK, with more and more new customers coming in to discover our menu items. We look forward to serving their Jollibee favourites at our restaurants, or via delivery across the country.” The business said strong marketing campaigns for its bestsellers also contributed to “stellar growth”, accompanied by partnerships with major UK aggregators that drove strong delivery sales.
- John Eckbert, chief executive of Five Guys Europe, has said the business plans to open 50 new sites next year.** Eckbert said in 2024, the business would open 20 sites in the UK, ten in France, 16 in Spain and four in Germany.
- Zula, the Istanbul-based burger concept, has partnered with Wagamama founder Alan Yau to launch in the UK.** The concept, which is the brainchild of Üryan Doğmuş and Cihan Kıpçak, is set to launch its first site in the UK next spring after securing a site near Marble Arch. It has acquired a site on Old Quebec Street, just off Oxford Street. Founded in 2017, Zula Burgers has since expanded from one stall at Harbiye to five outlets in Istanbul. The business said that an average of 70,000 people visit Zula every month. It plans to open further sites in the capital.
- Nick Collins, chief executive of café bar operator Loungers, has said the business is “relatively confident about returning to volume growth in the coming months”.** It comes as Loungers reported revenue growth of 22.3% to £149.6m for the 24 weeks ended 1 October 2023, reflecting like-for-like sales growth of 7.7% and the addition of a net 32 new sites. Collins said the business had seen real consistency of performance across its brands (Lounge, Cosy Club and Brightside) and across different parts of the country, and that there was “no hint of any change in consumer behaviour”. He said: “Historically, pre-covid, Loungers’ growth has been more dominated by volume than price. Right now, it’s 6% or 7% of price and volumes are pretty flat. If you look at that performance in the context of how others are doing, we think it is pretty good. We talk a lot about how we represent great value for money and how we continue to evolve and improve. So, as we look at the short to medium term, we’re optimistic and relatively confident about returning to volume growth in the coming months.”
- US sports bar and grill chain Hooters is looking to expand in the UK through the launch of a new franchise offer.** The brand announced plans for 36 new UK locations in 2008, but following the closures of sites in Cardiff and Bristol, only its long-standing Nottingham location and a new one in Liverpool, which opened in 2022, remain. It last year received the go-ahead to open in the former Frankie & Benny’s unit at Salford Quays, Greater Manchester, but the site is yet to open. Hooters has now partnered with Brand Mark Franchising with a view to rolling the brand out into more UK towns and cities

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- Midlands smashed burger franchise Burger Boi has opened its 13th site, at 50 St George's Street in Birmingham city centre.**
This will be followed shortly by further openings in Dudley and in Shoreditch, east London, taking Burger Boi to its stated aim of 15 sites by the end of 2023, "with many more to come in 2024". The new Birmingham location will be operating as a delivery-only kitchen and will exclusively be available via Uber Eats. Burger Boi's longer-term aim is 50 UK sites by 2026, as well as building on its debut overseas site, which is due to open in Toronto late this year or early next year. The business was founded by Surge Bassi in 2020 and launched the following year in Wolverhampton.
- Burger King UK has announced that Lance Batchelor, the former chief executive of Domino's Pizza, will join its board as its new chairman from 1 December 2023,** replacing Martin Robinson, who is stepping down following six years in the role. Batchelor was chief executive of Domino's Pizza Group from 2011 to 2014, where he steered the business' franchisee model, oversaw its digitalisation strategy, and enhanced its customer proposition. Following this, he was chief executive of Saga from 2014 to 2020. Earlier in his career, Batchelor was chief executive of Tesco Mobile from 2007 to 2011 and held leadership positions at companies including Vodafone Group, Amazon.com, and Procter & Gamble. He is currently chair of Ometria, the AI-powered marketing platform, and Appello, the digital health monitoring business. He is also a non-executive director of the Royal Navy.
- Motor Fuel Group (MFG), the UK's largest independent forecourt operator, has opened its first Burger King drive-thru and its third Miss Millie's site.** MFG entered into a franchise deal with Bridgepoint-backed Burger King UK in June 2022 and had opened three sites under the partnership, following its debut at the BP-branded petrol station in New Wolfe in Chester Road in Manchester. It has now opened its first drive-thru under the partnership, at MFG Meads in Arterial Road in Purfleet, Essex. MFG has also now opened its third site under a separate partnership with south west operator Miss Millie's. The fried chicken brand branched out into the garage forecourt sector after striking a deal with MFG in March, followed by openings in Wellington, near Somerset, and in Langney, near Eastbourne.
- Vietnamese street food restaurant group Pho has reported strong underlying profit growth in the year to 19 February 2023, after two covid-impacted years supported with government aid.** The 40-strong TriSpan-backed business opened six sites in the year (following three openings in 2021-22) and saw turnover increase 33.6% to £58.3m (2022: £43.7m). Its pre-tax profit stood at £1.8m (2022: £5.6m) while its Ebitda was £5.8m. The company generated £3.2m Ebitda to February 2020, just before the pandemic hit the UK (2022: £8.2m, which included a number of one-off events though covid including VAT and rates relief).

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