



# Macro & Market News

Week 2 2023 – Week ending 13/1/2023



# Macro/Economic News

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- **The UK economy grew in November**, helped by a boost from the World Cup, official figures show. GDP rose by 0.1%. The Office for National Statistics (ONS) said pubs and restaurants contributed to growth as people went out to watch World Cup games. However, in the three months to November, the economy shrank by 0.3%. The UK economy had been widely expected to contract in November. But the services sector, which includes a wide range of industries from hospitality to accountancy, was the biggest driver of growth that month.
- **Rail strikes:** Hopes of a breakthrough to end the RMT rail union's crippling strikes were growing last night after ministers climbed down over demands for guardless trains. Train bosses discussed a new offer, including a pay increase of at least 9% over two years to workers for 14 train firms, up from 8%. The union was told that ministers were willing to scrap demands for more driver-only operated trains as part of a deal.
- **The World Bank has said the global economy is "perilously close to falling into recession."** It is looking for global growth of just 1.7% in calendar 2023 having forecast 3.0% as recently as last June. The 1.7% growth figure would be the lowest since 1991.
- **Single-use items like plastic cutlery, plates and trays are set to be banned in England**, the government has confirmed. There is no time scale attached to the announcement.
- **Barclaycard** has updated on (its view of) consumer spending in December saying that 'festive gatherings and holiday bookings boost hospitality and travel in December, while utility bills continue to impact finances.' spending on utilities climbed 40.6 per cent, as the drop in temperature led more households to increase their heating.' The increased cost of gas and electricity (vs same month last year) will also have been a major factor. Barclaycard says 'holiday bookings for the year ahead boosted travel, while Christmas parties and the FIFA World Cup lifted takings at pubs, bars & clubs.
- **Retail sales jumped by 6.9% in December but were driven by higher prices rather than people buying more**, figures show. There was also a "healthy" rise in like-for-like sales from last December, according to the British Retail Consortium and accountancy firm KPMG. Mindful of rising household bills, shoppers invested in energy-saving products and warm clothing. But the overall sales rise "is largely due to goods costing more", said KPMG.
- **Heathrow reports the highest level of festive passengers for three years**, with more than 5.9 million passengers travelling in December, up 90% YoY. The airport said it oversaw a 'smooth and efficient' service despite a strike by Border Force officers. New York JFK was the London airport's busiest route. Luton airport recorded its busiest Christmas Day ever last year. Some 12,000 departing passengers used the airport on the day.
- **The London hotel market** saw average daily rate and revpar above pre-pandemic levels for an eighth consecutive month in December, according to data from STR. Average daily rate stood at £206.87, up 31% on the 2019 comparable, while revpar was £158.89, an increase of 25.1% on pre-pandemic levels. Occupancy stood at 76.8%, which like the rest of the year remained below the 2019 comparable (down 4.5%).
- **The US Labour Dept has said that US inflation fell from 7.1% in the year to November to 6.5%** in the 12 months to December. The figure was in line with expectations.



# Market News

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# Market News (1)

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- UK Hospitality has said the lower level of energy support from April, announced by the government this week, will cost sector businesses a further £4.5bn.** Under the new scheme, which will run until March 2024, firms will get a discount on wholesale prices rather than their costs being capped as under the current one. Heavy energy-using sectors such as manufacturers will get a larger discount than others, but firms paying under a certain price for their energy wholesale will not get support.
- Tesco and Marks & Spencer both saw strong trading over Christmas as higher prices boosted their sales.** Tesco said like-for-like sales at its UK stores rose by 5.3% while M&S's grew by 7.2%. The UK's largest supermarket said there had been strong demand for its budget items though shoppers had also been treating themselves to Tesco's Finest range. Meanwhile, M&S said it had performed well across food, clothing and home.
- Subway has retained advisers to explore a sale of the circa 37,000-strong business.** According to the Wall Street Journal, the process, which is in the early stages, is expected to attract potential corporate buyers and private-equity firms, and could value Subway at more than \$10bn (£8.2bn). The brand's circa 21,000 US locations generated \$9.4bn in sales in 2021, up 13% from the year prior as the chain recovered from the pandemic and operational improvements boosted sales. The company had about 37,000 stores around the world as of 2021 and was the biggest restaurant chain by US locations.
- KFC UK & Ireland** saw a 27.7% year-on-year sales growth in the year to 26 December 2021, as turnover reached £292,915,000 (2020: £225,901). During 2021, the business said it built on the growth seen in the second half of 2020 with a variety of sales channels – delivery, drive thru, takeaway and dining in – allowing flex for customers to access KFC in line with government's covid-19 guidance. The company said it saw year-on-year sales growth of existing restaurants of 27.7%, which came through rolling closures in 2020 due to covid-19, the
- continued growth of delivery aggregator sales and the reduction in the VAT rate for the hospitality sector. Turnover for the year comprised company stores sales of £152,792,000, franchise royalties and fees £117,940,000, and rendering of services £22,183,000. It said operating profits increased year-on-year to £120.3m (2020: £50.7m), impacting on the operating profit margin also increasing to 41%.
- The Big Table Group**, the operator of Las Iguanas, Banana Tree, Bella Italia and Café Rouge, has launched the trial of a new pasta delivery brand called Super Nonna. With the tagline Pasta! Pronto!, the new concept is described as delivering “huge flavours, generous portions and honest ingredients, all with an extra helping of Nonna magic and love”. The brand is currently being trialled out of five of sites, the Bella Italias in Old Brompton Rd, South Kensington; Abbeywood Retail Park, Bristol; Wolverhampton; the Las Iguanas in York; and a delivery kitchen in the centre of Birmingham. The delivery concept, which is available through Uber Eats, Just Eat and Deliveroo, offers pasta dishes like creamy carbonara, Nonna's famous meatballs, simply Bolognese and a chicken Kyiv special, with prices ranging from £7.25 to £9.50. There is also a selection of specials including Mac & Cheese (£9.25), Feta Pasta (£8.75), sides, desserts and drinks.
- London based healthy food and juice brand Crushh, which post-Christmas appointed advisors to review its options, is set to enter into administration.** The company, which operates 12 sites across London and the south east as well as having a range of its products stocked in the likes of WHSmith and Sainsbury's, has filed a notice in the courts of its intention to appoint administrators.
- Pure, the healthy food-to-go brand, reports that its sales doubled in 2022 to £20m.** However, the company said its recovery from Covid had been ‘long, slow and unpredictable’. During the period, Pure made an operating loss of £2.7m and a loss after tax was £3.4m, down from a loss of £4.9m the year prior.

# Market News (2)

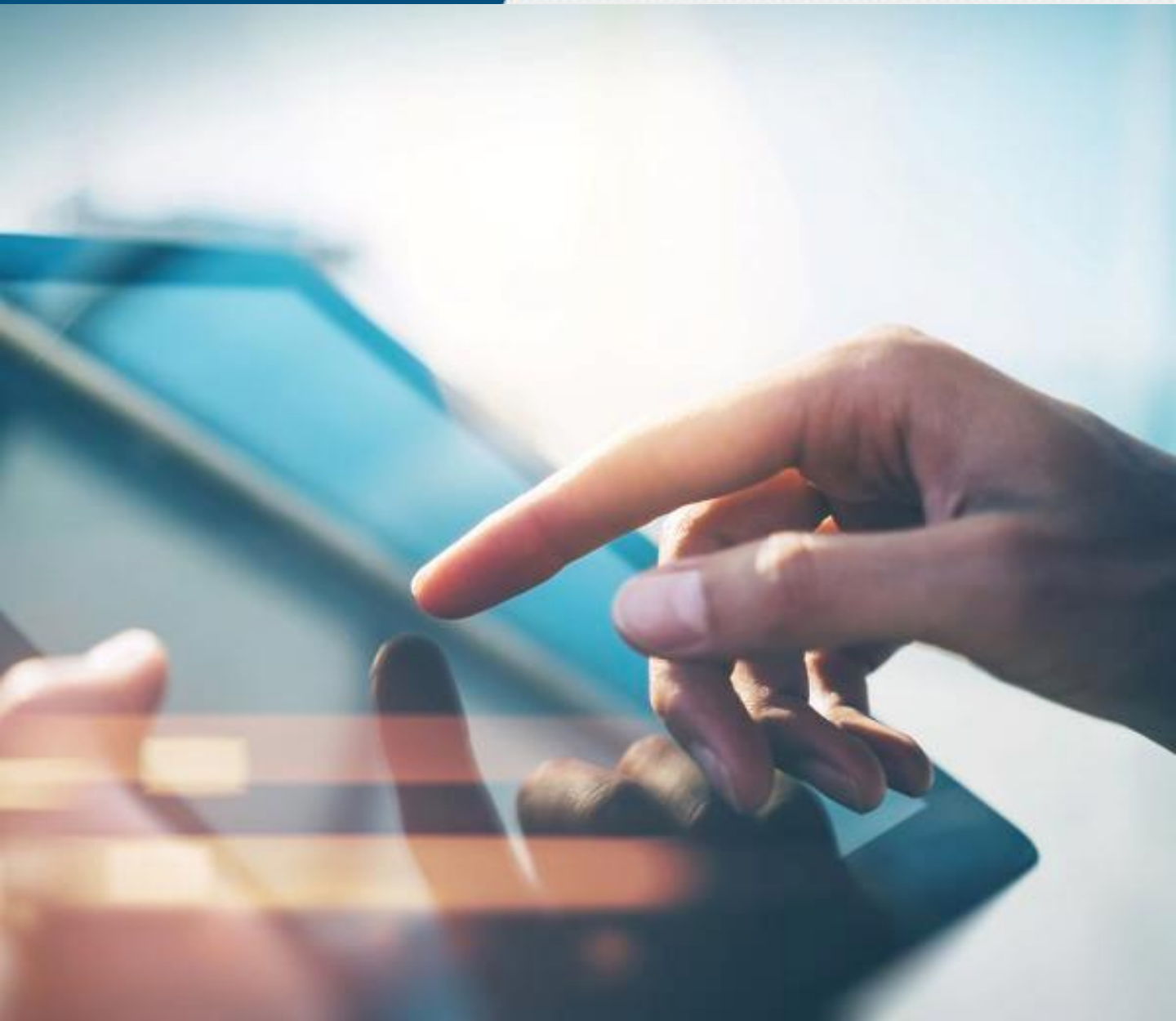
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- Tortilla, the UK's largest fast-casual Mexican restaurant brand**, has reported UK like-for-like revenue growth of 16.0% on FY19 and a FY22 performance in line with market expectations. Group revenue increased 20% to £57.7m (FY21: £48.1m; FY20: £26.8m) while FY22 UK like-for-like revenue increased 16.4% versus FY19. This growth was driven by a net increase of 18 sites in FY22, taking the group total to 82 at the year end.
- Fridays has relaunched its loyalty scheme**, with the 'Stripes Programme' being set up "to reward customers for their individuality". Stripes members can now earn loyalty points in the form of 'Stripes' from a variety of always-on offers, as well as membership benefits throughout the year. Stripes can now be earned on all menu items and Fridays customers can redeem up to £150 worth of free food and drink in a year. Customers can earn one 'Stripe' for every £1 spent on all menu items and all Fridays "favourites" are available from 25 stripes.
- Almost half of Byron's restaurants are to close in the burger chain's latest restructure.** Sky News reported close to ten of Byron's 21 remaining sites will shut permanently as part of a pre-pack administration engineered by Calveton, its owner.
- Pret A Manger**, the JAB Holdings-backed business, is to launch a 'coffee savings calculator', which it said has been designed to help customers see how much they could save by signing up to the brand's coffee subscription scheme. The company said: "To assess whether Pret's subscription is good value for money for them, customers can use the calculator and simply enter how many lattes, flat whites or other barista made drinks they typically have a day, week or month to see how much they would save if they were to sign up to the Pret Coffee Subscription."
- Mitchells & Butlers (M&B)**, the All Bar One, Toby Carvery and Harvester operator, has reported that continued strong trading over the festive season increased its like-for-like sales in the 15 weeks to 7 January 2023 to 10.4%, with total sales growth of 13.3%, versus the prior year. During this period, food like-for-like sales increased 6.4%, with drink sales up 15.5%. For the five weeks to 7 January, like-for-like sales were up 19%, with food sales up 15.8% and drinks sales up 23.4%. Total sales for this period, excluding VAT benefit, were up 23.9%. For the ten weeks to 3 December 2022, like-for-like sales were up 6.5%, with food sales up 1.9% and drink sales up 12.1%. Total sales for this period, excluding VAT benefit, were up 11.1%.
- Premier Inn owner Whitbread** has reported positive trading momentum in the third quarter of FY23 driven by a strong performance in the UK, with accommodation sales ahead of pre-pandemic levels. In the UK, accommodation sales were 24% ahead of the third quarter of FY22 and 37% ahead of the third quarter of FY20, driven by a combination of increased occupancy, higher average room rate and estate growth, with a strong performance across both London and the regions. Food and beverage sales were 8% ahead of the third quarter of FY22, and while it remained 4% behind the third quarter of FY20, the company has launched a series of initiatives to help increase sales.
- Shake Shack will open its 12th UK site**, in London's Oxford Street this month. The outlet will launch on Friday, 27 January and will be the first Shake Shack with a vertically orientated kitchen. It will offer the brand's classic menu, including the signature ShackBurger, crinkle-cut fries and hand-spun shakes in addition to special menu items exclusive to the Oxford Street site. Shake Shack operates eight 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 and is also set to open a restaurant in London's Soho, in the former French Connection premises in Argyll Street. Shake Shack has reported it will open 65 to 70 restaurants this year globally. It is focusing in particular on drive thru sites.

# Market News (3)

## Week 2 2023 – Week ending 13/1/2023

- **Floozie**, the all-vegan stuffed cookie concept founded by Kimberly Lin in 2020, is aiming for 180 stores worldwide by 2027, including 35 in the UK. The concept, which is backed by Game Changers Investments, was founded in 2020 by Lin, who earned her stripes working in some of the best kitchens in London including Claridge's, Corinthia and Dominique Ansel. In November last year, Floozie, which launched in London's Covent Garden in December 2020 before expanding to Dubai, revealed plans to expand internationally and in the UK under a franchise model. It opened a second London site, a pop-up near Harrods, in January last year. In a five-year forecast in its new franchise prospectus, Floozie said it aims to grow to 19 stores worldwide in 2023, then to 180 by the end of 2027.
- **Jollibee**, the Philippines fast food group, is looking to consolidate its 12-strong UK estate, after placing a third of it on the market. Jollibee, which made its UK debut in 2018, has offered to the market four of its sites, including those in Edinburgh, Glasgow and Liverpool. The business opened five sites in the UK in 2022, and the same number the year before. In 2021, Jollibee, which operates about 1,200 sites worldwide, said it planned to be in "every major city in the UK". It said it would invest £30m to open 50 sites in Britain by 2025 and expects to invest almost £1m per site. In its latest accounts, it reported its UK turnover increased to £11,029,351 for the year ending 31 December 2021, compared with £3,853,159 the year before. Pre-tax losses were up to £4,012,151 from £2,001,138 the previous year.



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Seton Leung  
seton.leung@npd.com  
Head of UK Foodservice