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Monthly Briefing Report

Month ending 30 November 2021

Published 1 December 2021



Introduction

In addition to my [Weekly Briefing Report](#), which remains free of charge, I provide a premium version which includes a subscription to my [Quarterly Briefing Report](#) and [Monthly Briefing Reports](#). You can find details [here](#).

I would value your feedback on topics you would particularly like me to add to my coverage – you can contact me at peter@peterbackmanfs.com or 07785 242809.

Three notions

In this Monthly Briefing Report I want to introduce you to three ideas. They may seem random, but I will attempt to tie them up at the end.

Has the worst passed?

Since the early days of covid – from May 2020 – VistBritain have been asking people in an ongoing survey how they feel about covid. Specifically they are looking for responses to the opposing options: “The worst has passed - things are going to get better from now on” and “The worst is still to come” (they also have a middle option: “Things are going to stay the same”).

They have been asking this question sometimes on a fortnightly basis, sometimes monthly and, in the most recent period, every other month.

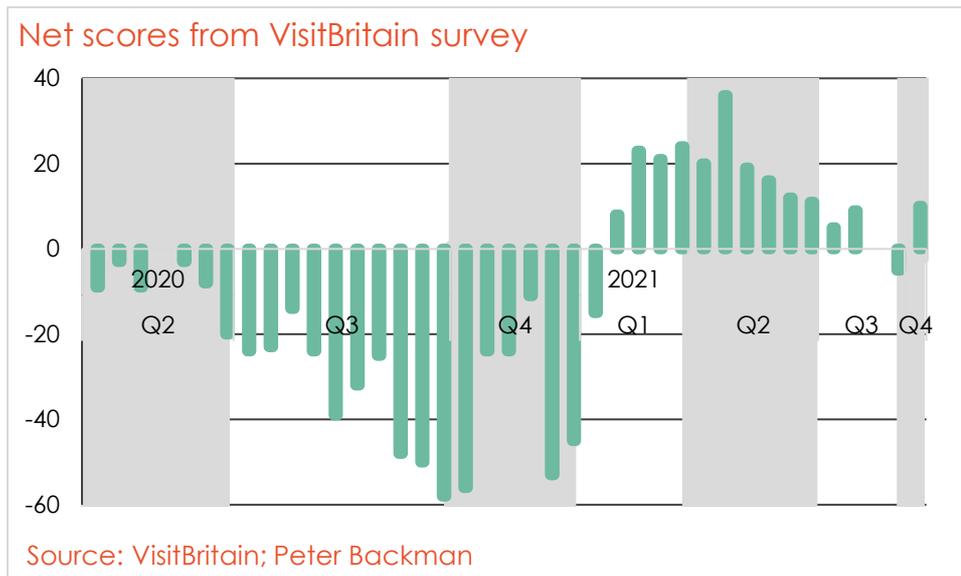
The answers are revealing. In the accompanying chart I have presented them as “net” scores” (the numbers believing “The worst is still to come” minus those saying “The worst is passed”). I’ve done this in an attempt to help to visualise a complicated message.

In looking at the chart, you should note that the periods, over which the question is asked, have changed. For example, VistBritain asked the question every fortnight between May and July 2020 but only monthly in the July to August period in 2021. To make these variable frequencies more obvious I have indicated – by a grey background - the periods covered by questions in each quarter (Q2 2020, Q3 2020 etc). But the conclusions are basically unaffected by these different periodicities.

In looking at the chart, a period where the green columns are below the line is one in which consumers are becoming more “fearful” (on balance, they believe things will get worse), and above the line they are less fearful (they believe things will get better). And finally, I would add that the numbers believing that “Things are going to stay the same” has been fairly stable (at about 40% of all people taking part in the survey from one period to the next) – I haven’t added this information to the chart.

Overall, attitudes have changed quite a bit since the start of covid.

The first period until the end of August 2020 was a period of deepening gloom. Then stability settled in, possibly brought about by summer holidays and (or perhaps, or) a strengthening perception that things really would be getting better.



But it didn't last and by Christmas last year, people were getting much gloomier again – indeed in early December they became as negative as they were at the lowest point in the summer.

Then from the start of this year, consumer outlook brightened substantially (brought about, I suspect, by the advance of the vaccination programme).

This positive view remained until May when it started slowly to slide downhill again. The reasons appear to me to be unclear: this was a time, when the weather was brightening; there was the prospect of summer holidays; the vaccination programme was running full tilt; and the hospitality sector was being woken up again in stages (from mid-March to mid-July) so that people could go out again and enjoy themselves.

In the third quarter (July to August) this year, attitudes wavered a bit and in November (prior to the emergence of the omicron covid variant) they started on an uphill track again – the public was becoming less concerned about the future.

While most of this picture is, as I have tried to summarise, been fairly easy to explain, the performance over the spring (Q2 2021) is unclear: why were attitudes becoming less positive when the overall outlook appeared more propitious? There may be good reasons, but they have, so far, escaped me.

But the slide in May points up the fact that consumers do not always think about the future in what appear to be "rational" or "reasonable" ways. And that makes any forecast particularly fraught at this time

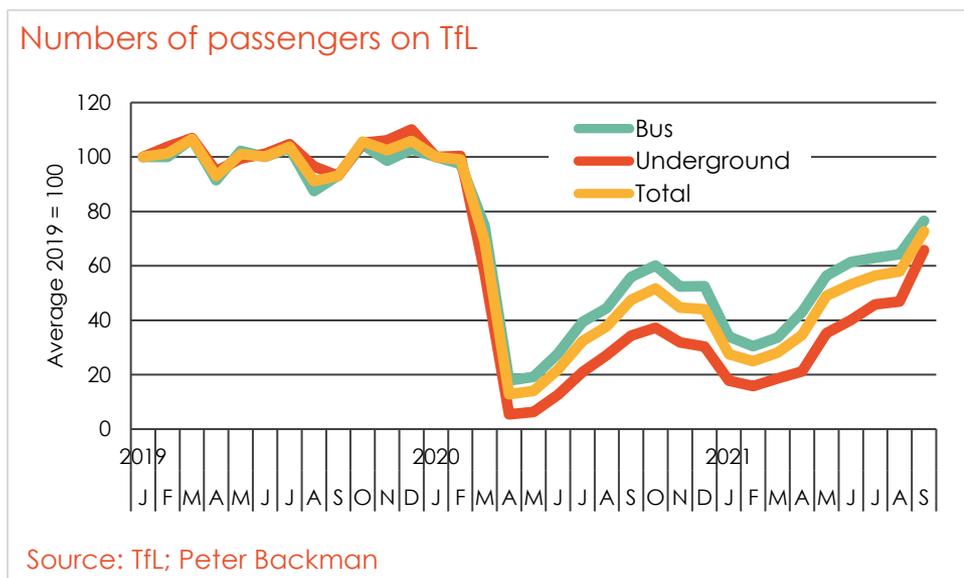
Travelling in London

Transport for London (TfL) produce statistics about the numbers of passenger on the various modes of transport that people take in the capital. I have summarised them on the accompanying chart.

The chart tracks changes since the start of 2019 (a useful base year) – and a reading of 100 is the average for 2019. There was the "crash" in March 2020 seen on innumerable charts produced by many organisations. This was followed by a recovery leading up to the summer of 2020, then a decline until a return to growth in the early months of this year; and a notable jump in September

(when this series stops until new data are released). This pattern is followed very closely by travellers both on buses, and the underground – the types of traveller, and their reasons for travelling, may be different but the results, as I say, are remarkably similar. Nevertheless, journeys

by tube are taking longer to return to “normal” than bus journeys – and I surmise this is due to the thought that tube travellers are more likely to be journeying to work in the City, Canary Wharf and the West End than bus travellers (who perhaps are more likely to be travelling to work in other places, to go shopping or to be travelling to and from seeing friends and family).



includes travelling not only by bus and tube but on other modes too: DLR, London Overground, TfL rail, trams, and the Emirates Airline (the cable car across the Thames by the O2). However, combined, these modes only account for 10% of TfL journeys.

What does this chart tell us apart from the obvious? It is saying that while there has been an increase from the summer peak in September 2020 to the summer peak in September this year – there has been an increase of 41%, or 55 million journeys, in the month. But even so, this September saw 136 million fewer journeys than in the “normal” pre-covid pattern seen in September 2019.

The chart also points up an accelerating rise a couple of months ago – generally, and probably correctly, put down to some return to office working. Future data releases from TfL will help to show the shape and extent of this return but for now I can only speculate. And my speculation is that the speed of return to “normal” will slow down (those who are going to work in central London offices are already quite likely to have started to do so; that means less scope for a substantial change in numbers of tube travellers).

The pre-covid levels of city centre working (and travelling to get there) are going to take a long time to return – if they ever do.

Omicron

If nothing else, covid is teaching us the Greek alphabet (and which alphabet do we use once we reach covid variant zeta?). I’m writing this as omicron is rearing its head – and by the time you read this, the situation may have changed dramatically.

But for now, there are varying levels of concern; nevertheless the “mood music” from government and the scientists is that, while the outcome could be bad, there are reasons not to be too pessimistic: there is an armoury of vaccines and covid treatments; the authorities have almost two

years' experience of the measures necessary; the population at large has been through this before and knows what to expect and how to react. There are messages, notably from the media, that Christmas cancellations are rife; in reality this does not seem to be the case right now. There are definite concerns from within the hospitality industry that cancellations could become a big issue. UKHospitality has said: "There will undoubtedly be an impact as consumers digest the news and take steps to protect themselves."

But some operators, Marston's is one, have not seen cancellations. Other operators have noted that bookings are not being cancelled but are being postponed until the new year (when I suppose the hope is that the situation regarding omicron will be clearer, and hopefully benign). And some operators are reporting reasonably high levels of bookings, even after the revelation about the onset of the micron variant.

Let's hope that's all good enough for hospitality businesses. But it may not be: the public may be less than eager to implement masking, distancing, and other measures; omicron might be deadlier than we think. And if it's not omicron, then what about the next variant? And being really pessimistic, what happens if a totally new virus emerges?

Where does this take us?

Consumer confidence, travelling (in London specifically, but in other cities and around the country, as well), the emergence of omicron – what does it all mean?

This Christmas

- Headwinds, uncertainty, and unknowns
- Omicron causing uncertainty
- Mask mandates – will they be applied to hospitality?
- Growing consumer desire to eat out
- Consumers still conflicted over wisdom of eating out
- Supply shortages
- Rising cost of goods
- Fuel shortages
- Rising energy costs
- Labour shortages
- Increased wages
- Return of inflation

An overarching feature of each of these considerations is the fact that "we've been here before" – we are getting battle hardened. Who, two years ago would have had any idea that we would be able to discuss PCR tests, R rates, furlough, and other like matters? We not only know what they mean by definition, but we have also actually experienced them (or their effects) and know what they mean to us, individually. And with that experience comes some clarity of view – as I say we've become battle hardened.

And in turn, that means we are less frightened by what covid is throwing at us – we have our own individual and collective responses (practical and theoretical).

But just as there are multitudes of people, so there are multitudes of thoughts and reactions. So while we know (or think we know) what reactions to ongoing covid matters may be the correct ones, the

individual reactions add up, and collectively the answers will still not be clear.

So there is still an unknown future that we will have to navigate. And bringing that right into the present, I will remind you of what I said in my last Weekly Briefing Report about this coming Christmas – please refer to the box alongside, which I have modified slightly to bring it up to date, As I noted then: a “good” Christmas is vital to see the foodservice sector over the lean Q1 2022 (it happens every year).

... and for Hospitality?

While I've written this report in a generalised sense, I have also been writing it with one eye on the hospitality sector.

The lessons seem clear to me: things will be different in the coming weeks from what we have seen over the past half year – they will be more uncertain. But despite current stories about cancellations, I am not at all certain that they will add up to something significant. I think ((or at least hope) that Christmas will be better than last year (when, amongst other things, there was still acute uncertainty over lockdowns).

The pressures on corporate finances, that I have noted elsewhere, remain, and will become more acute in the new year.

But I believe there will be a spirit of optimism – more people will believe that covid is past its worst. And business will be following that line too.

I hope I'm right. Season's Greetings

If you want to know any more, or if you have any comments, or concerns, please contact me on 07785 242809 or at peter@peterbackmanfs.com

The remainder of this Monthly Briefing Report contains a very short summary of corporate activity over the medium and long term that has been reported in the past month.

News in the month

Financial & Legal

- British Beer & Pub Association reports beer sales fell -14.2% in 2020

Restaurants

- Rosa's Thai launches range for retail sales including massaman curry paste, Thai red and green curry pastes
- Nando's sales fell -39.3% in the year to February 2021
- Bread Holdings, parent company of Gail's, sales fell -27% in the year to end February 2021

Pubs

- Daniel Thwaites sales for the half year to end September rose 119% versus the prior year
- Shepherd Neame LfL managed sales fell -38% in the five weeks to end June versus 2019; in the four months to end October food rose 6%, wet sales fell -24%, accommodation rose 29%
- Revolution Bars Group turnover fell -64.4% in the year to end June versus 2020
- Mitchells & Butlers LfL sales fell -9.6% in the year to end September 2021, versus 2019; food sales increased 2.5%, drink sales fell -21.6%

Leisure

- Brighton Pier Group sales in the year to end June fell -40.3% versus the prior year

Suppliers

- Matthew Clark / Bibendum to increase prices by 3.5% in November due to supply chain pressures, rising labour costs and fuel prices.
- Britvic revenue increased 6.5% in the year to end September

Around the World

- Compass revenue in the latest year fell -6.3%