

WEEKLY BRIEFING REPORT

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About the Weekly Briefing Report

I write the Weekly Briefing Report to provide an immediate view of the market. I value your feedback and I would particularly appreciate your thoughts on the topics you would like me to add to my coverage – contact me at peter@peterbackmanfs.com

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My insight

I'd like to talk about ABC – abattoirs, brewing and carbon.

Let's take the last of these first. You can hold carbon in your hand – whether it's a diamond or some graphite (the lead in a lead pencil) - carbon is a solid. But like many elements it also shapeshifts. Combine it with oxygen and calcium and it becomes limestone – another solid – or together with oxygen and magnesium it becomes Plaster of Paris – also solid. But combine it solely with oxygen and it becomes carbon dioxide or carbon monoxide – both are gases – or with hydrogen it becomes a wide range of other gases – methane for example, another gas.

Now, I've gone into this chemistry because it explains that when we talk 'carbon' as in the context of global warming, we aren't talking about carbon at all but of the gases – carbon dioxide and methane for example - which are formed when carbon ties up with oxygen or hydrogen. And that means we need to be careful what we're talking about when we talk about the causes of climate change.

And this is where abattoirs and brewing come in. Both of these, essential activities require carbon dioxide. In an abattoir, carbon dioxide is used to power the 'gun' that stuns the animal before its throat is slit. Brewing needs carbon dioxide to provide the fizz and to keep the beer fresh.

But why should we be using carbon dioxide for these important activities? Modern processes have led us to this point. In times past, brewers didn't add carbon dioxide to their brew. And there are other humane ways to kill animals without the use of stun guns that pour carbon dioxide into the atmosphere every time they are used.

You can argue that carbon dioxide is inevitable – it's just a by-product of producing ammonia for producing fertilisers. If that is so then perhaps shouldn't other ways be found to make fertiliser? You can also argue that brewers 'capture' the carbon dioxide that they use and recycle it. But clearly, they don't do enough of that otherwise they wouldn't need any more carbon dioxide.

This issue, important as it is for climate change, has been thrown into relief recently with the closure of plants that manufacture ammonia. Stop making ammonia and you stop making carbon dioxide. Maybe closing ammonia plants is good for the climate.

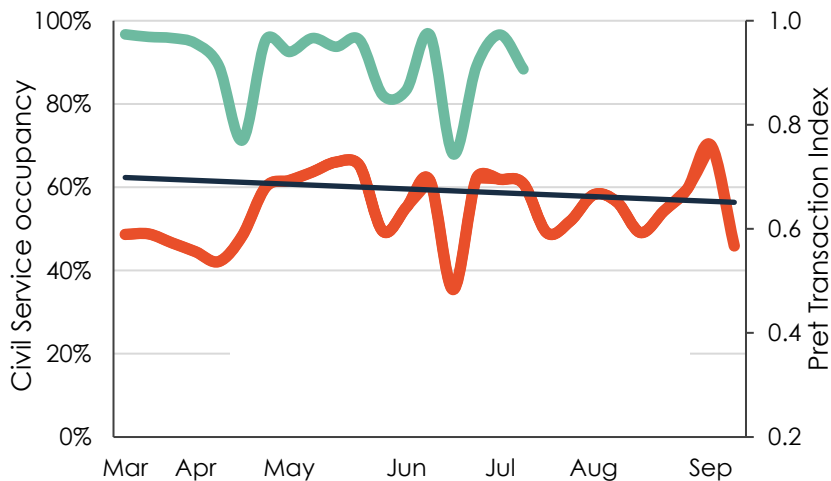
Of course, it means brewers and abattoirs will have to find alternative ways of going about their business, but under the circumstances of climate change is that a bad thing?

The numbers

By common consent, one of the longer lasting impacts of covid is more working from home. The picture is not yet clear as to the extent of this and how long it will last – it's probably some time between not very long and forever.

Since this is a live issue for restaurants, pubs, contract caterers, food to go operators, delivery companies and more, I have already commented on it in my Weekly Briefing Report, and I shall return to it from time to time.

Working / Travelling in London



Sources: Peter Backman; Pret a Manger; ONS

For this week, I want to start with the findings by the Bank of England's agents (they are the people who conduct a major, ongoing investigation of everything that's happening in the economy). Last week they reported that 'volumes of clothing and footwear sales were supported by demand for formal clothes as people returned to office-working'. This suggests that there is an increase in working in the office (and therefore less working from home).

Another useful source has been the Pret Transaction Index. However, Pret has not updated this since 14 July, but the Civil Service (under some political pressure to reveal how extensively its offices are used) has been publishing weekly figures about working from its offices in Westminster.

Comparing the Pret Transaction Index with the Civil Service data shows remarkable similarities for the period in which they overlap. So, I shall assume that the same thing happens in the West End, the City and at London stations (covered by the Pret Transaction Index) and in Westminster (covered by the Civil Service figures). What do the figures tell us?

First, the Civil Service figures suggest that office occupancy in central London averages about 55% of capacity.

Second, the falling Civil Service trendline suggests that working from the office, and therefore (linking the Pret and Civil Service data) lunchtime demand in Central London, has been falling over the last six months

And third, the numbers of people at work, and therefore lunchtime demand, in the week of the Platinum Jubilee fell by -36% compared with the average of the prior three weeks, whereas, on the same metric, business fell -22% in the week following the death of The Queen.

It looks as though some of the formal wear that people have been buying is likely to remain unworn for some time yet.

The rest of this Weekly Briefing Report provides a summary of the news:

News in the past week

Finance & Legal

- Center Parcs partially reversed plans to shut during the funeral of The Queen
- Boston Tea Party, BrewDog, Greggs, McDonald's, Turtle Bay shut during the funeral of The Queen
- Registered company insolvencies in England and Wales increased 43% in August versus 2021
- Avian flu has led to culling of 2.8 million birds in the UK in 2022
- Insolvencies in restaurants, pubs, bars rose 59% in August versus 2021
- The government's Energy Bill Relief Scheme limits energy price rises to businesses to about half planned levels for six months
- Real living wage increased by 10.1% to £10.90 in the UK; increased by 8.1% in London
- Chancellor of the Exchequer reverses planned rise in NI and reduces Income tax from April 2023
- Chancellor of the Exchequer scraps planned increase in Corporation Tax

Restaurants

- Tasty sales grew 85% in the half year to end June versus 2021
- Hostmore sales fell 14% in the ten weeks to mid-August versus 2019
- Comptoir Group sales rose 159% in the first half of 2022 versus 2021

Pubs

- Liberation Group LfL sales rose 6.3% in the quarter end August versus 2021
- Fuller, Smith and Turner LfL sales rose 21% in the six months to mid-September versus 2019; total sales 3% higher than 2019
- City Pub Group sales rose 193% in the first half of 2022 versus 2021

Hotels

- London hotel occupancy in Augusts was -10.5% lower than 2019

Leisure

- XP Factory unaudited turnover in July and August grew 16% versus 2021
- Rileys sales in the first half of 2022 rose 48% versus 2019
- Otherworld sales in August rose 60% versus January
- Blackstone sell Butlins to family buyer
- Ten Entertainment Group sales grew 52.6% in the first half of 2022 versus 2019

Suppliers

- Fever Tree sales grew 6% in the last six months versus 2021

Delivery offers in the week

- Deliveroo: We say 20% off (or more)
- Uber Eats: Free item, this Eat Wednesday
- Uber Eats: 50% off groceries in time for the weekend
- Uber Eats: Free delivery, this Eat Wednesday
- Uber Eats: 40% off your next 5 orders