WEEKLY BRIEFING REPORT

Week ending 17 December 2023

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A seasonal look at the numbers and my insight

In my first Weekly Briefing Report of this year – published on 3 January – I provided an indication (it wasn't a forecast) of what this year might look like for the foodservice sector.

I based it on a comparison with what had happened 45 years before, drawing attention to the similarities between 1978 and 2022. I recognised at the time, and of course I still do, that this is a very imprecise and quite likely misleading analogy. But it provided some context for my statement that '1979 suggests a plausible picture for 2023 of massive disruption through strikes, higher taxes, high inflation, and government spending cuts'.

As this year draws to its inevitable close how realistic was that picture? There were **strikes** of course; junior doctors went on strike as did nurses and teachers. Distressing and disruptive as these were, it was the rail strikes, which started in February and continued throughout the year, that were the most disruptive for the hospitality sector. They prevented people getting to work (and therefore being unable to have a drink or lunchtime meal as a result) and strikes made it somewhat difficult for some staff to get to their place of work thereby exacerbating the already major difficulties over staffing levels that existed at the start of 2023.

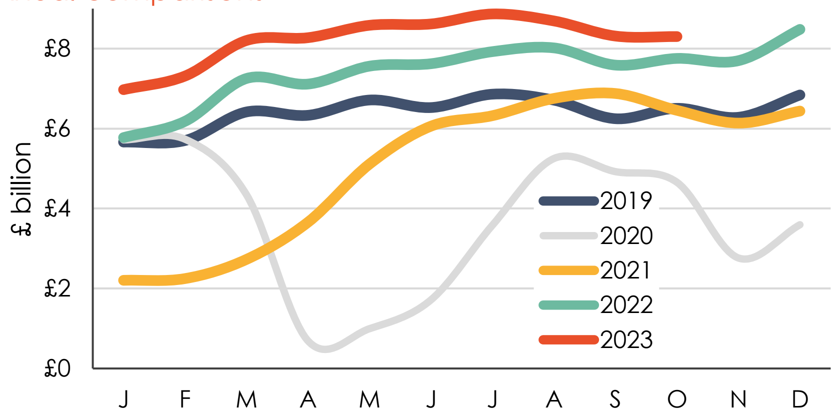
Inflation was high at the start of the year – it started off at just under 9% in January (though down from a peak in October 2022). Since then it is has continued to travel downwards and stood at 4.7% in October 2023. Inflation, it is generally assumed, constrains consumers in their spending, and feeds through into their confidence too. And more specifically, food prices went up during the year. For the foodservice sector, they rose by an average of 15.5% during the year and still stood at about 10% in October, constraining operators and causing them many sourcing problems and pricing issues. Operators increased their menu prices by an average of 10.3% in the year to October and this of course, was yet another increase that consumers faced.

The final factor that I mentioned at the start of the year – **government spending cuts** – were less noticeable during the year (and were the subject of furious political debate). Such cuts of course influence segments of the foodservice market – noticeably health care and education – but not the discretionary sector that includes restaurants and pubs.

There were of course, a host of other pressures and influences on the eating out market not the least of which was **staff shortages**. Unfilled vacancies had peaked in the spring of 2022; by last month they had fallen by 32%, from that peak, to 116,000. While this was a measurable and welcome improvement that enhanced the operational capabilities of restaurants and other operators, vacancies are still 30% higher than in November 2019 – pre-Brexit and pre-covid. So the industry is not necessarily out of the woods yet on the employment front.

So much for the pressures on the sector. What has been **the actual outcome**? Sales in October were £8.3 billion, 7% up on the year and, in the year as a whole, **sales had risen but** only in line with inflation – thus **there was no real growth**. Indeed since 2019, the market has risen by 29%, while food prices, and menu prices, have risen by almost the same amount.

Food & Beverage serving
Anual comparisons



Sources: ONS; Peter Backman

At the same time, the numbers of outlets have fallen, so the impact of static overall sales has actually been a **real increase for those that remain**. This increase has not been shared equally - operators in the wrong places and with the wrong offers have suffered while others, notably in London, have prospered. In the end there has been an increase in business for value-based (primarily but not exclusively lower priced) offers at one end, and premium offers at the other. Operators in the middle, including many independents, have been squeezed.

That's the year as a whole. And now, as we approach **Christmas**, it is appropriate to look forward to 2024. But before we do that, what is Christmas itself looking like? Consumer confidence is up on last year according to GfK but it's still below 2019 levels and even down on the pandemic Christmases of 2020 and 2021 when trading was severely constrained.

So consumer confidence is not a helpful predictor. Forward bookings are though, and on that score many operators have been expecting a good Christmas. Most of this bullishness comes from business bookings in the pub sector and amongst higher end operators, and although mid-priced operators are seeing an improvement on last year, they are not yet seeing a return to 2019 levels. This suggests that Christmas will be the best since 2019 but not back to that year's levels in real, inflation adjusted terms.

As for 2024, there is still a huge element of uncertainty and insecurity ranging from wars and the international geo-political scene, to how consumers will react to significant increases in mortgage costs for those who are going to renew their contracts in 2024. Right now, inflation is falling but so is overall growth in the economy (although some commentators see signs of a resurgence).

My overall view is that 2024 will be better for foodservice than 2023 but the start of the year is likely to be really challenging despite government support via reduced consumer NI payments and selected cost of living payments for about some households The second half of the year may turn out quite well for those business that haven't been consumed by the events of the first half.

And with that happy note may I wish you all the best over the festive season and I look forward to catching up with you again in the new year. I hope it is a good one for you.

The rest of this Weekly Briefing Report is a summary of short-term news in the past week:

News in the past week

Financial & Legal

- ONS reports vacancies in accommodation and food service down -18.9% YoY in November

QSR

- Domino's Pizza report 37% of orders are for collection

Laisure

- Heathrow passenger numbers were 10.2% up in November versus last year
- Manchester Airport passenger numbers were 13.8% up in November versus last year

Around the World

- SSP Group acquired ECG Ventures based in Calgary, Canada

We've just wrapped up a year-end review of the delivery game on **The Delivery Prophets** podcast. From Christmas turkey deliveries to the challenges of making delivery profitable, we've covered it all! It's been quite a journey in less than a year, from starting this podcast to now hitting the top 10 global restaurant podcasts.

And we're excited with the thought of sharing more insights in the new year. In the meantime here's a big shoutout to our fantastic guests who've shared their wisdom, and to all our listeners — your support keeps us going!

Find out more **here**.

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