

WEEKLY BRIEFING

16 February 2024

ECONOMIC, POLITICAL AND SOCIAL UPDATE

UK economy fell into recession after people cut spending

The UK economy slipped into recession at the end of last year, with a larger-than-expected 0.3% contraction between October and December, following a previous decline of 0.1% between July and September. Questions arise regarding PM Rishi Sunak's pledge to stimulate growth, as for the whole of 2023 the UK economy grew by 0.1%, the weakest annual growth figure since 2009. Contributing factors to the recession include reduced consumer spending, doctors' strikes, and decreased school attendance. Despite wage growth outpacing price rises and lower-than-expected inflation, the economy faces challenges, with forecasts indicating a possible squeeze on public spending to offset increased borrowing costs. Notably, all major sectors, including construction and manufacturing, experienced a slowdown, prompting cautious optimism for economic recovery despite ongoing challenges.

Labour scores double victory over Tories in by-elections

Labour secured victories in two by-elections, Wellingborough and Kingswood, overturning significant Conservative majorities. The swing in Wellingborough was significant, with Labour triumphing by over 6,000 votes. It marked a 28.5% swing, the second-largest from Tories to Labour in post-war by-elections. In Kingswood, Labour's victory with a 2,501-vote lead reflected a 16.4% swing. Labour leader Sir Keir Starmer attributed the wins to the party's transformation and its ability to attract Tory switchers and new supporters. The results mark the Tories' tenth by-election loss this Parliament, posing challenges for Prime Minister Rishi Sunak ahead of the upcoming general election. Although Conservative MP Sir Jacob Rees-Mogg downplayed the Kingswood outcome, pressure is mounting on Sunak. This comes especially after recent economic recession news and Labour's struggles with policy and candidate controversies.

NatWest unveils highest yearly profit for 26 years

NatWest Group has reported its highest yearly profit since just before the 2007 financial crisis, with a pre-tax profit of £6.2bn in 2023, surpassing expectations. Paul Thwaite has been named the new permanent boss, succeeding Dame Alison Rose, who resigned after controversy over discussions regarding Nigel Farage's bank account closure. The bank is preparing for a potential public share sale, as the government, which still owns 35% of the bank, considers reducing its stake. While NatWest's profits surged by 20% from the previous year, it cautioned about economic uncertainties affecting future earnings. The annual report revealed Rose's compensation and announced Richard Haythornthwaite as the new NatWest chair, replacing Sir Howard Davies, who faced criticism earlier this year for claiming that it was not "that difficult" for first-time buyers to get on the property ladder.

TRADE UPDATE

UK Consumers Shift Vacation Plans Amid Rising Costs

According to recent consumer research conducted by Travel Weekly, there is a surge in the number of UK consumers planning overseas vacations this year. The study reveals that three out of five adults (62%) are opting to take their main holiday outside the typical peak season. However, in light of escalating costs, many individuals are adjusting their travel habits. Nearly as many respondents (57%) are aiming to secure cheaper flights for their trips, while half are considering reducing the number of holidays they take (52%) or opting for more affordable accommodation (49%). Additionally, 44% are contemplating shortening their time away. Travel Weekly's findings, released last week, indicate that half of UK adults (51%) and two-thirds of those aged 25-44 plan to vacation abroad this year, with 54% expecting to increase their holiday spending. The research suggests that pricing (48%) will play a significant role in consumers' decision-making processes.

Newmarket Holidays Reports Surge in Long-Haul Bookings for 2024

Newmarket Holidays has observed significant interest in long-haul destinations such as India, Japan, and Borneo during the initial weeks of 2024. The escorted tours specialist notes a remarkable surge in bookings for long-haul trips. This surge is driven by a positive start to the year predominantly fueled by travel agents, resulting in bookings reaching pre-Covid levels. Italy remains a top choice for short-haul vacations, with Milan, Verona, & Lake Garda, and a Venice to Rome option contributing to its enduring popularity.

Heathrow Joins Campaign Urging Restoration of Tax-Free Shopping for International Tourists

Heathrow is throwing its support behind a campaign urging the reinstatement of tax-free shopping for international tourists, ahead of the upcoming spring Budget on March 6. In 2020, Chancellor Rishi Sunak eliminated tax-free shopping for tourists, a move that allowed visitors from outside the EU to reclaim VAT on purchases made in the UK, effectively reducing prices by 20%. Heathrow emphasised the detrimental impact of this decision on domestic growth, asserting that it has deterred international shoppers and damaged the UK's reputation as a competitive destination for spending and conducting business. Collaborating with the British Chambers of Commerce and the Federation of Small Businesses, Heathrow aims to advocate for the reintroduction of an internationally competitive tax-free shopping incentive during the spring Budget.

AIRLINE UPDATE

Vueling - The Spanish budget airline and part of the International Airlines Group along with British Airways, will resume flights from Heathrow in addition to Gatwick. Starting April 7, the carrier will operate services to Barcelona El Prat and Paris Orly from the west London airport. This marks Vueling's return to Heathrow after its last operation in March 2020 with a route to La Coruna in Spain. The introduction of the Paris Orly route at Heathrow is timely, coinciding with the upcoming Olympic Games in France, and Vueling will offer daily flights on this route. Lead-in single fares for both routes from Heathrow start at £30.44.

EasyJet - has prolonged its partnership with flight search engine Skyscanner for an additional three years, encompassing a range of enhanced advertising, merchandising, and data intelligence endeavours across all Skyscanner platforms. This expanded agreement goes beyond distribution, introducing various advanced initiatives, such as innovative inspirational brand and performance advertising formats. These initiatives aim to offer travellers a comprehensive selection of flight-only options and packages through easyJet holidays.

Virgin Atlantic - will enhance its service to Jamaica this summer by introducing two additional flights per week, marking the first time it will provide a daily year-round service. Historically, the airline has maintained a daily service between the UK and Jamaica solely during the winter months, with a reduced frequency of five flights per week during the summer. However, beginning March 31st, it will supplement its existing summer schedule of five weekly flights with Saturday and Sunday flights, thereby ensuring a consistent service of seven flights per week throughout the year.

TOUR OPERATORS, TRAVEL AGENCIES, OTA UPDATE

TUI - Tui UK has announced its expansion into the dynamic packaging sector this summer, forging partnerships with budget airlines Ryanair. In this move, Tui pledges to transparently display Ryanair fares without additional mark-ups and ensure accurate customer contact and payment information are provided to the airline. Dynamic packaging is a pivotal strategy for Tui as it seeks to strengthen its presence in the UK market and narrow the gap with leading competitors like Jet2.com and Jet2holidays.

Jet2holidays - Jet2.com and Jet2CityBreaks are increasing capacity by 30% to offer over 100,000 seats for next winter's Christmas markets. This expansion includes the introduction of seven new routes, marking the inauguration of services from the new Jet2 base at Liverpool John Lennon Airport. The newly added flights will connect Belfast International to Krakow, East Midlands to Vienna, Glasgow to Berlin, Glasgow to Vienna, Liverpool to Krakow, Liverpool to Prague, and Manchester to Berlin. This winter's expansion brings the total number of routes on sale across the Jet2 network to 500, operating from 11 UK airports to seven cities, including Berlin, Budapest, Cologne, Copenhagen, Krakow, Prague, and Vienna.

Runtofly - A newly launched UK-based online travel agent, is touting itself as a provider of affordable last-minute flights. The platform offers seats on flights departing from London airports within 24 hours. Runtofly, initially introduced in 2020, was put on hold during the pandemic but has now resumed operations. Founder Federico Grimaccia has claimed to negotiate competitive prices for available seats close to departure times. Runtofly features fares from over 20 airlines, including easyJet, Jet2, United Airlines, and Delta. However, a comparison by Travel Gossip revealed that Runtofly's easyJet fares were slightly more expensive than those found on easyJet.com.

SOCIAL UPDATE

Instagram is testing carousel posts within Reels

Instagram is experimenting with the option to share carousels within the Reels feed. This development will allow users to share multiple videos or images in a single post, similar to TikTok's feature for still images. This would offer more ways to showcase products and businesses, leveraging Reels' popularity. Some brands are already testing the feature, aiming to enhance storytelling and reach.

Instagram is testing a new limit on hashtags

According to various reports, Instagram is implementing a limit on the number of hashtags users can include in their posts, with a maximum of five per update. Some users are encountering a pop-up notification preventing them from adding more hashtags beyond this limit. This move aligns with Meta's strategy to combat spamming, similar to the restriction on Threads, where only one tag per post is allowed. The goal is to reduce the misuse of popular tags by spammers attempting to boost their visibility in search streams. Brands will need to study the right hashtags for their business and apply specific, targeted tags to each of their posts. Currently, users can use up to 30 hashtags.

MICE UPDATE

Record high rates at UK venues - up 38 per cent since 2019

Customers booking conference venues in the UK are paying historically high rates, according to a new study from BVA BDRC, while demanding value of money. The figures gathered by the VenueVerdict CX report coincided with a recovery in on-site experience. London saw rapid growth in day delegate rates (DDR), with the provinces and the overall UK and Ireland average increasing by almost £5 year on year for 2023. The capital reported DDR of £87.71 for 2023, with the UK and Ireland at £58.50 and the provinces reaching £50.15. The recovery in on-site experience had lagged that of DDR, but was now recovering, with Sales Enquiry Performance also now at record levels. A further area of improvement was proposal response times - critical to ensuring future business - which dipped in Q1 2023 after moving upwards in 2022 and had yet to return to 2019 levels.

LIGHTER NOTE

A second critically endangered gorilla born at London Zoo in a month

A critically endangered western lowland gorilla was born at London Zoo last week, the second to be born at the facility this month. The population has declined by more than 60 percent over the last 25 years largely due to deforestation. Read more [here](#).