

Brexit: Over 5,500 restaurants at risk of closing down

Zlata Rodionova , The Independent, Monday 5 December 2016



Thousands of UK restaurants could be at risk of going out of business as the sharp fall in the value of the pound since the Brexit vote raises costs for imported food and threatens to squeeze consumer spending.

Over 5,500 restaurants companies could go bust within the next three years, due to inflationary pressures and stagnating disposable incomes, according to a new research.

Almost half of British food, which includes both restaurants and households, is imported, according to government figures, with 29 per cent coming from the EU.

Restaurant companies have also seen the cost of labour increase. The government raised the National Minimum Wage to £7.20 from £6.70 earlier this year which has put added strain on restaurants already struggling to remain profitable. Both small businesses and larger restaurant companies have been hit as a result.

The Restaurant Group has decided to close 33 restaurants across the UK after a "challenging trading period".

Mike Finch, restructuring partner at Moore Stephens accountancy firm, said: "It's been a tough year for many restaurants in the face of rising costs and fierce competition. It is unrealistic to expect UK restaurant groups to avoid the impact of the fall in the pound by substituting for UK produce – they are going to face a big hit. Restaurants have to make tough decisions and they risk losing business, too little and they lose margin."

This also comes at a time when many consumers are careful with how much money they spend. The pound has fallen by around 16 per cent against the US dollar since Britain voted to leave the European Union in June. This already means that any goods brought in from outside the UK will be more expensive.

Dave Lewis, the chief executive of Tesco, last month, warned its international suppliers against using the plummeting pound as an excuse for illegitimate prices increases.