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Yellow News...

As Chancellor dishes up help for hospitality ...

Britain faces a hard road back, warn businesses

by **Tom Witherow**

BUSINESS leaders warned there was a 'long hard road back to full economic health' as investors gave a muted response to Rishi Sunak's latest Covid-19 rescue package.

Bosses welcomed a string of measures from the Chancellor to kick-start the economy, including VAT cuts for the hospitality sector and £500m of restaurant discounts to coax families out of lockdown.

Travel and leisure businesses, such as hotels, cinemas, theme parks and zoos, will also benefit from the VAT cut, which provides a £4.1bn taxpayer-funded boost to the economy.

But industry chiefs said the measures were not a quick fix, and investors struck a sceptical tone.

A range of hospitality, travel and leisure stocks made significant gains as the Chancellor announced a temporary cut in VAT from 20pc to 5pc.

But in the afternoon a sell-off left most of the major listed

firms down for the day.

Shares in the Restaurant Group – which owns the Wagamama chain where the Chancellor volunteered after making his summer statement to the House of Commons (*pictured*) – leapt 13pc during the speech, but dropped back to close 4pc down at 55.9p.

Similarly, Greggs, whose take-away sausage rolls benefit from the cut in VAT and the discount deal, saw its shares rise 1.1pc during the speech, before closing down 1.9pc at 1589p.

Whitbread, which owns Premier Inn, rose before dropping back to 2262p – 1.8pc down compared to Tuesday's close.

The Institute of Directors said that Sunak, 40, had shown a capacity to 'adapt as the situation moves' but warned Britain faced a 'long hard road back to full economic health'.

Kate Nicholls, the boss of UK Hospitality, said: 'This [package] doesn't mean we are out of the woods. There are still significant challenges ahead.'

Andrew Kenny, managing director of Just Eat, said: 'We are now at a significant turning point. There is no doubt that restaurants are facing an uncertain future with significant challenges ahead.'

Under the 'Eat Out to Help Out' scheme, customers will also get a state-funded half-price discount, up to £10 per person, if they buy a meal or hot takeaway

food between Mondays and Wednesdays in August.

But some businesses, such as sandwich shops and pubs that do not serve food, will miss out as VAT on alcohol and cold takeaways will remain unchanged.

The Chancellor was praised for riding to the rescue of the hospitality and travel sectors, which have been left stricken by the 15-week coronavirus shutdown.

Jane Pendlebury, the boss of the Hospitality Professionals Association, said: 'The latest measures are a huge relief.'

'The reduction will provide

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businesses operating on wafer thin margins with some essential breathing space, helping them to recover and rebuild.'

The British Beer & Pub Association 'warmly welcomed' the package of support but said it was only a 'first step on a long road to recovery'.

Pub stocks failed to benefit from the Chancellor's announcement as investors judged that a 15p cut in VAT on food would not be enough to turn their fortunes around.

Marston's shares fell by 5pc to 49.6p, while Wetherspoon, which

has 875 outlets and serves food, fell back 3.1pc, or 31.5p, to 975.5p.

Nevertheless Wetherspoon chairman Tim Martin said he was 'extremely grateful', and the boss of brewer Fuller Smith and Turner, Simon Emeny, said the measures would 'provide the stimulus we need to get customers back into pubs and the wider hospitality sector'.

Industry sources said that customers may be disappointed as cash-strapped companies keep prices high to boost their margins.

