



UK Homewares

Monthly



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Homewares

-0.8%

Homewares retail sales declined by 0.8% year-on-year in March, according to Retail Economics

Household Goods Prices

6.6%

Shop price inflation among Household Goods stores rose 6.6% year-on-year in March, according to the ONS

Homewares 2023 Forecast

X.X%

Retail Economics forecasts Homewares a X.X% YoY rise in 2023, with sales rising to £XX.Xbn

UK Retail Sales

6.0%

Total retail sales rose by 6.0% year-on-year in March, according to Retail Economics

Average Weekly Sales

£225m

Average weekly sales for Homewares totalled £225m in February, according to Retail Economics



Homewares remain in decline

- Homewares sales fell 0.8% YoY in March, according to the Retail Economics Retail Sales Index.
- Retail Economics estimates Homewares inflation was in the region of 9.4% YoY in March, while ONS data shows the wider Household Goods category faced 6.6% YoY shop price inflation in the month, pointing to a decline in sales volumes.
- ONS data shows sales volumes in the wider Household Goods category fell by 7.6% YoY in March.

Homewares sales in significant volume decline given inflation

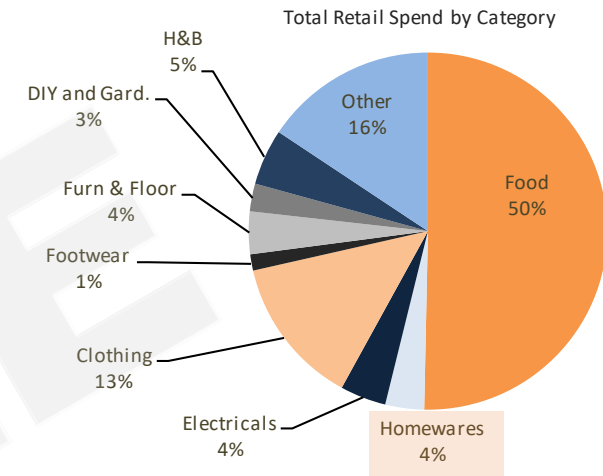
Sector Growth Rankings	Mar-23	3 month avg.	6 month avg.	12 month avg.
Food	11.0%	9.9%	8.8%	6.3%
Footwear	7.8%	7.9%	7.5%	9.6%
Clothing	5.4%	5.3%	4.4%	6.8%
Health and Beauty	5.2%	5.8%	5.4%	4.3%
Furn & Floor	2.9%	2.6%	2.6%	-0.7%
Homewares	-0.8%	-1.4%	-1.0%	-2.7%
Electricals	-1.8%	-2.6%	-2.8%	-3.1%
DIY and Gardening	-3.8%	-2.1%	-3.5%	-5.2%

Source: Retail Economics

Retail market overview

- Retail sales rose by 6.0% YoY in March according to the Retail Economics Retail Sales Index (Fig 1), against an 4.7% rise in the previous year.
- Several factors impacted headline performance in the month, including: adverse local and international weather (discouraging spring sales and impacting fresh food); an earlier Mother's Day this year; and inflation.
- Retail sales volumes have been in decline on an annual basis for 13 consecutive months, as inflation persists (10.1% YoY in March).

Homewares accounts for 4% of total retail sales in March

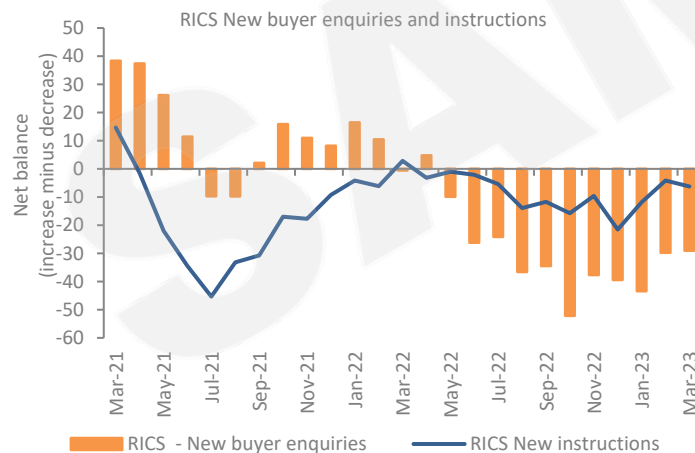


Source: Retail Economics

Signs of stability in housing market

- The annual rate of house price growth was 1.6% in March, the weakest recorded since October 2019, while the monthly rate of growth increased 0.8% in the month (Halifax).
- Inventory levels are still down and while near-term sales expectations eased considerably in March (net balance of -29% compared to -47% in February), they remain pessimistic (RICS).
- Households that decide not to move in the current climate may choose to spruce up their homes with smaller household goods and homewares.

Inventory levels remain low



Source: RICS

2023 Forecasts

- Consumer confidence at near-record lows and the pressure of a recession will weigh on households' ability to spend on non-essential home items.
- Retail Economics forecasts Homewares sales will edge up just X.X% YoY in 2023.
- This marks a significant value decline after inflation is accounted for.
- It comes against a backdrop of plans to cut back on retail non-essentials, with non-food UK retail sales volumes set to fall X.X% YoY in 2023 according to our forecasts.

Weak Homewares spending forecast for 2023

2022: -10%

2023: +X.X%

Source: Retail Economics

Homewares - Retail Economics Index: March 2023

- Homewares sales fell 0.8% YoY in March, according to the Retail Economics Retail Sales Index.
- Retail Economics estimates Homewares inflation was in the region of 9.4% YoY in March, while ONS data shows the wider Households Goods category faced 6.6% YoY shop price inflation in the month, pointing to a decline in sales volumes.
- ONS data shows sales volumes in the wider Household Goods category fell by 7.6% YoY in March.

Tough macroeconomic conditions

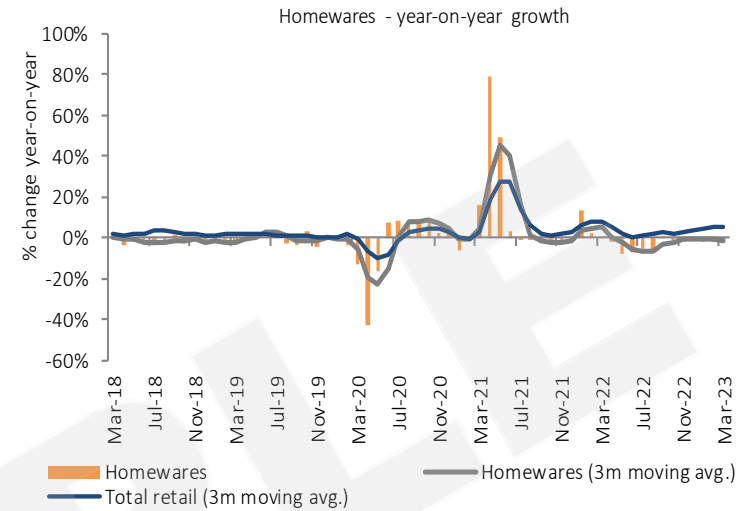
- Headline inflation eased to 10.1% in March from 10.4% in February but remained close to a 40-year high and above the 9.8% forecast by economists.
- While consumers are more likely to purchase smaller household goods than furniture products in tough macroeconomic conditions, the cost of essentials continues to put significant downward pressure on demand for homewares.
- Indeed, food inflation surged to 19.1% in March, up from 18.0% in February.
- In real terms (adjusted for inflation), regular pay and total pay declined 2.3% and 3.0% YoY respectively in the three months to February.
- Consumer confidence nonetheless increased two points to -36 in March, and a further six points to -30 in April (GfK). However, the effects of this on spending are unlikely to be felt for up to six months, pointing to entrenched recessionary behaviours in the near-term.

Signs of stability in housing market

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- Inventory levels are still down and while near-term sales expectations eased considerably in March (net balance of -29% compared to -47% in February), they remain pessimistic (RICS).
- Households that decide not to move in the current climate may choose to spruce up their homes with smaller household goods and homewares.
- High property prices and mortgage rates have additionally pushed up demand for rental properties.
- A study by Zoopla found demand for rentals increased 51% compared to the five-year average in the four weeks to 8 March, while the stock of homes for rent had fallen 33%.
- This could continue to drive demand for low-cost homewares among those able to secure rental properties.

Value giants outperform

- Demand for homewares continues to be focused on products and retailers that maximise perceived value through price and promotions.
- Dunelm saw sale rise 6% YoY in the 13 weeks to 1 April, citing its late winter sale and a positive response to its spring range as reasons for the increase.
- Although online sales remain higher than pre-pandemic levels, consumers still maintain a preference for in-store shopping against a harsh macro backdrop.



Source: Retail Economics: Retail Sales Series – value, non-seasonally adjusted
*Period aligned to ONS trading calendar 26 February – 01 April 2023

Homewares	Annual % growth	Avg. weekly spend (£m)
Oct-22	-1.1%	£239
Nov-22	-1.8%	£222
Dec-22	1.0%	£247
Jan-23	-1.6%	£219
Feb-23	-1.9%	£211
Mar-23	-0.8%	£225

Source: Retail Economics

Homewares Year-on-year growth

-0.8%

Homewares sales declined by 0.8% YoY in March

Three month basis

-1.4%

In the three months to March, Homewares sales declined by 1.4%

Households that decide not to move in the current climate may choose to spruce up their homes with smaller household goods and homewares.

- Indeed, while ProCook saw like-for-like revenue fall 9.4% in the 12 weeks to 2 April, this was primarily driven by a fall in ecommerce revenue, with store revenue remaining broadly flat.

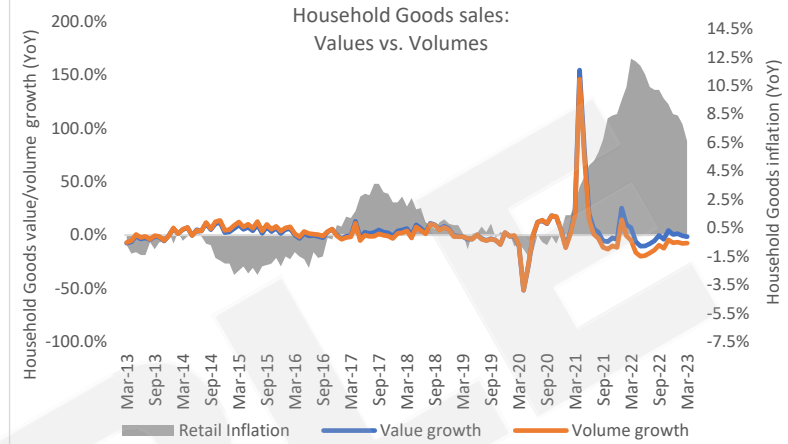
Clothing predators

- Traditional homewares players like Dunelm are now facing increasing competition from large retailers outside the sector such as Next, H&M and Primark, which have expanded their homewares offering either through acquisitions or creating their own ranges.
- Indeed, Primark has doubled the space for homewares in almost 40 of its stores and has seen homewares sales increase by around 25% between 2019 and 2023 (Retail Week).
- Embedding a homewares section into a clothing store can create more opportunities for impulsive purchases, as well as allowing clothing retailers to leverage their social media presence to advertise home products.
- Primark relies on Instagram and TikTok reels to market products, with a post on a window display selling basic towels going viral and increasing sales.
- While Primark has a minimal ecommerce presence, its ability to both engage with and offer value to younger and more tech-savvy consumers of homewares product is something legacy giants like Dunelm will need to keep a close eye on.

Outlook

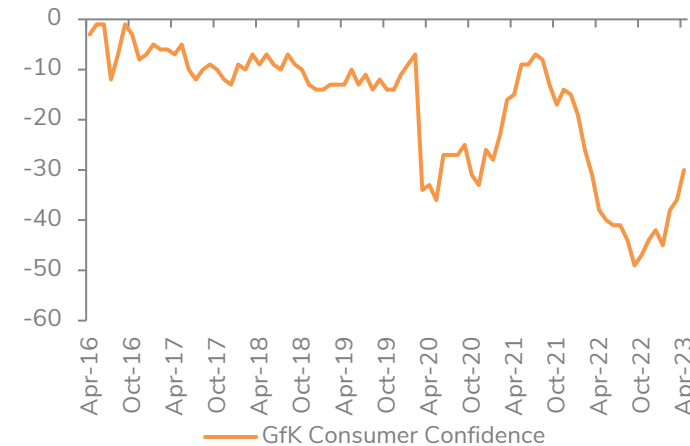
- Despite macroeconomic difficulties, the approach of summer may encourage households to buy new homewares products and smaller household goods that support entertaining at home, even if they hesitate to buy larger furniture products.
- Furthermore, the Bank of England expects a sharp fall in inflation over the course of the year as wholesale energy prices fall.
- The housing market also looks set to stabilise as the year progresses, driven by strong wage growth and relatively lower borrowing costs, which have led to the first increase in mortgage approvals in six months.
- However, recessionary behaviours are likely to remain entrenched in the near-term, as inflation remains close to 40-year highs and real incomes continue to fall.
- Indeed, Retail Economics and NatWest research found over half (56.4% of) consumers expect their personal finances to weaken over 2023.
- Interest rates rose to 4.25% in March, with stronger than expected wage growth increasing the likelihood of further rises.
- Homewares retailers set to outperform in the near-term are those that offer value to cash-strapped consumers, while also keeping up with omnichannel and sustainability megatrends in the long-term.
- Traditional players will also need to consider how they will adapt their value propositions to compete with the homewares wings of large retailers from other sectors.

Fig 1: Inflation remains high



Source: ONS, Retail Economics analysis

Fig 2: Consumer confidence is on the rise but remains negative



Source: GfK

Average Weekly Sales

£225m

Average weekly spend on Homewares in the UK in March

Homewares 2023 Forecast

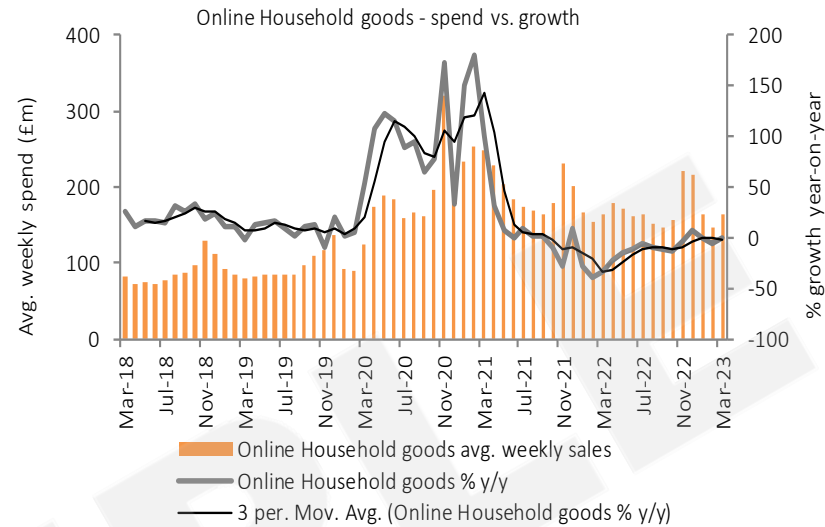
2.1%

Retail Economics forecasts Homewares sales to tick up X.X% YoY in 2023

Despite macroeconomic difficulties, the approach of summer may encourage households to buy new homewares products and smaller household goods, even if they hesitate to buy larger furniture products.

Online Household Goods – Office for National Statistics – March 2023

- Online Household Goods sales growth fell by 0.4% YoY in March, against 33.4% fall a year ago – the best performance this year.
- Energy saving products saw strong demand as consumers remained concerned about future energy price rises.
- Elsewhere, home improvement purchases were said to have supported demand for white goods ahead of the Easter break.
- However, big-ticket items continue to be impacted by cost-of-living pressures with GfK’s major purchases index remaining firmly in negative territory in March albeit improving on the previous month.
- Online sales accounted for 23.0% of overall Household Goods retail sales in March, improving on the previous month and in line with the 22.7% proportion a year ago.
- Average weekly spend was £164m in March, marginally down from the £165m average weekly spend in the same month a year earlier.



Source: ONS, Retail Economics analysis

Online Household Goods	Annual % growth	Avg. weekly spend (£m)
Oct-22	-12.4%	£157
Nov-22	-4.3%	£221
Dec-22	7.3%	£216
Jan-23	-0.5%	£165
Feb-23	-5.6%	£146
Mar-23	-0.4%	£164

Source: ONS – value, non-seasonally adjusted
*Period aligned to ONS trading calendar 26 February – 01 April 2023

ONS Online Household Goods
-0.4%

According to ONS, Online Household Goods sales declined 0.4% in March, YoY

Average Weekly Spend
£164m

The average online weekly spend on Household Goods was £164m in March

Energy saving products saw strong demand as consumers remained concerned about future energy price rises.

By Sub-Sector – Office for National Statistics



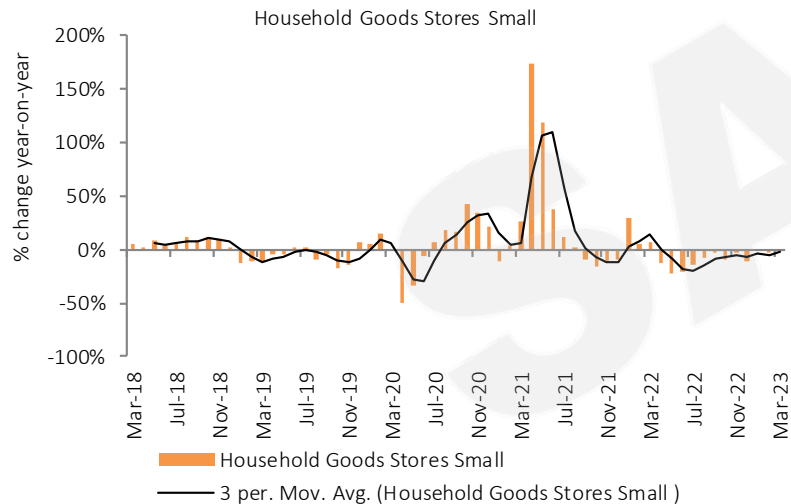
Household Goods: Large retailers	Annual % growth
Oct-22	-0.8%
Nov-22	7.8%
Dec-22	6.5%
Jan-23	1.9%
Feb-23	0.9%
Mar-23	-1.6%



Large Household Goods Retailers

-1.6%

Sales of household goods at large retailers slipped by 1.6% YoY in March (ONS)



Household Goods: Small retailers	Annual % growth
Oct-22	-9.8%
Nov-22	-2.4%
Dec-22	-11.3%
Jan-23	0.0%
Feb-23	-3.7%
Mar-23	-1.5%



Small Household Goods Retailers

-1.5%

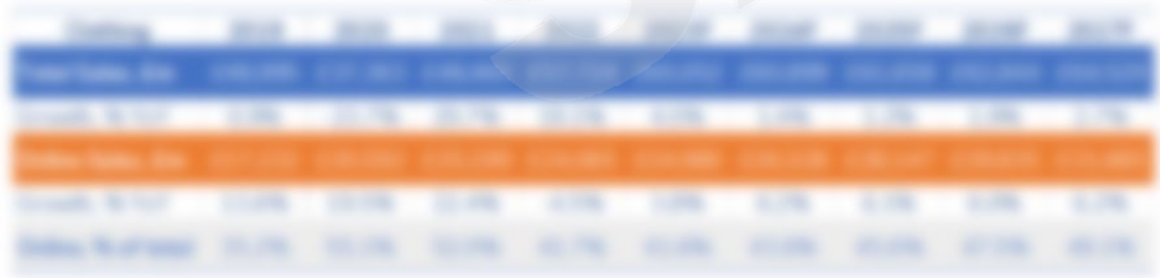
Sales of household goods at small retailers declined by 1.5% YoY in March (ONS)

Source: ONS

Homewares Outlook

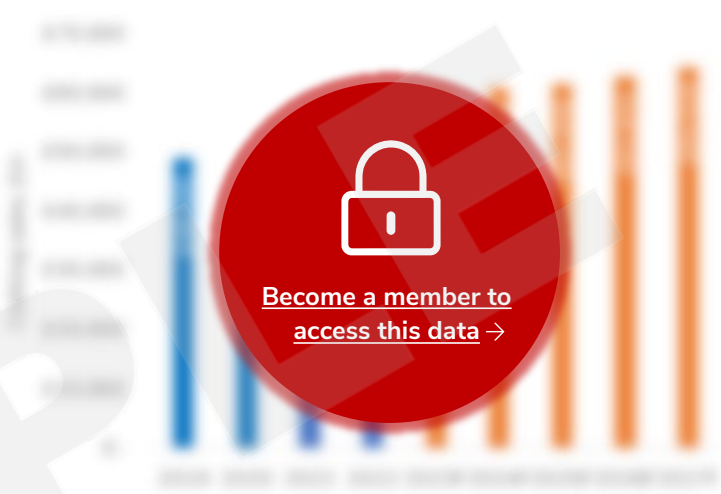
- Retail Economics forecasts Homewares sales to rise by a modest X.X% YoY in 2023, with sales ticking higher to almost £XX.Xbn. This follows a projected decline of 0.3% in 2022.
- Given high inflation, this represents a decline in Homewares sales volume terms over 2023.
- Cost of living pressures and a slowdown in the housing market will drag on sales throughout 2023, but Homewares is still expected to outperform Furniture & Flooring, given lower average transaction values.
- Many will think twice before outlaying on a new sofa or dining table, but smaller, more budget friendly homeware items are less of a priority for consumers to cut back on.
- Weak consumer confidence amid fears of recession will mean retailers will have to work hard and put value for money at the core of their propositions to stimulate demand for discretionary home purchases.
- Consumers have higher expectations of their homes since the pandemic and will continue to find affordable ways to improve living spaces.
- H&M and Primark are among a number of retailers expanding their homeware ranges to diversify their core offerings, sensing opportunities in soft furnishings and home accessories.
- The pandemic markedly impacted the proportion of online sales, and consumers continue to embrace this channel for household items. Retail Economics forecasts online Homewares sales to rise by X.X% YoY in 2023, lifting online penetration to XX.X%.
- Retail Economics forecasts Homewares sales to rise by a five-year compound annual growth rate (CAGR) of X.X% over 2023-2027, reaching annual sales of £XX.Xbn by the end of this period.

Retail Economics Homewares Forecasts



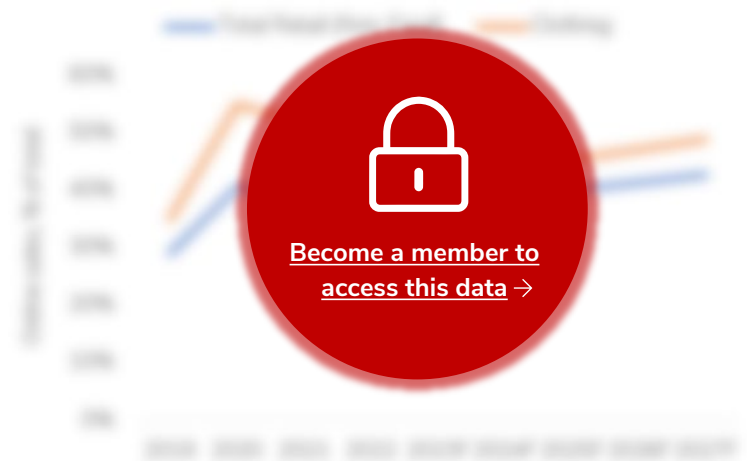
Forecasts updated quarterly. Last update: February 2023

Homewares sales forecast to total £XX.Xbn in 2023



Source: Retail Economics. F = forecast.

Online to account for almost 32% of Homewares sales in 2023



Source: Retail Economics. F = forecast.

Homewares 2023 Forecast

X.X%

Retail Economics forecasts Homewares sales to tick up X.X% YoY in 2023

Online Homewares 2023 Forecast

X.X%

Retail Economics forecasts Online Homewares sales to increase X.X% YoY in 2023

Consumers have higher expectations of their homes since the pandemic and will continue to look for affordable ways to improve living spaces.

Latest developments

- Ingka Centres** has acquired Parisian shopping centre Italie Deux, Italik high-street extension and Apollo office complex from Hammerson. Sustainability is a top priority as they aim for 100% renewable energy by 2030. The shopping centre has a strong mix of retail, leisure. The Apollo complex will provide state-of-the-art office space after refurbishment.
- Pro-cook** recorded a 9.7% YoY drop in revenue to £12.6m in the 12 weeks to 2 April. Like-for-like revenue fell 9.4%, driven by a fall in ecommerce revenue, with store revenue remaining broadly flat. Full-year revenue was £62.3m, in the middle of the expected range, falling 9.9% YoY. Underlying profit before tax for 2023 is expected to break even.
- Dunelm** recorded a 6% YoY rise in total sales to £423m for the 13 weeks to 1 April, citing its winter sale and a positive response to its spring range as reasons for the increase. Both online and in-store sales grew, with digital sales accounting for 36% of the total in the quarter.
- Made.com** auditor EY is being investigated by UK accounting watchdog the Financial Reporting Council (FRC) over its evaluation of the finances of the collapsed retailer.

Total Homewares Market



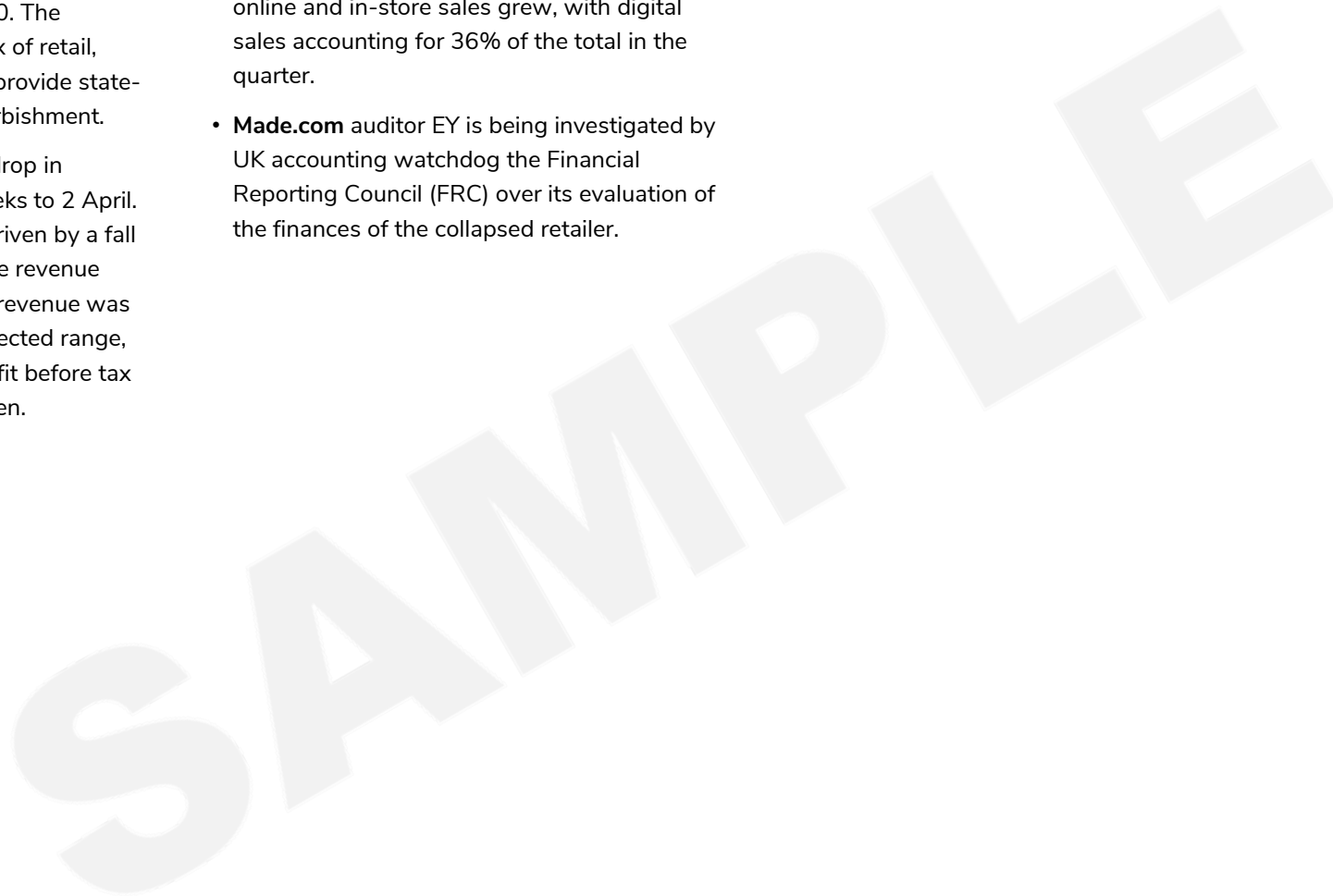
Retail Economics forecasts Homewares sales to reach almost £XX.Xbn in 2023

Household Textiles

27.8%

Household Textiles accounts for 27.8% of the total Homewares market

Ingka Centres has acquired Parisian shopping centre Italie Deux, Italik high-street extension and Apollo office complex from Hammerson. Sustainability is a top priority as they aim for 100% renewable energy by 2030.





Most consumers (64%) are Omnichannel shoppers when buying apparel, regularly switching between online and in-store.

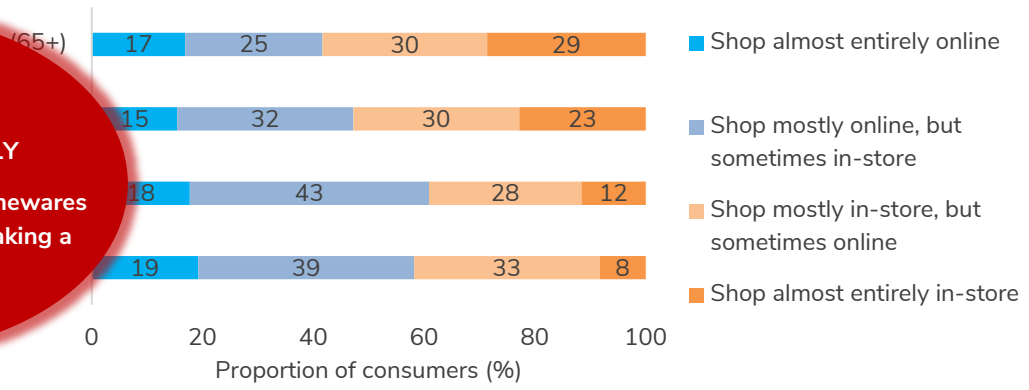
UK Omnichannel Retail 2023
Understanding consumer segmentation for in-store & online market trends

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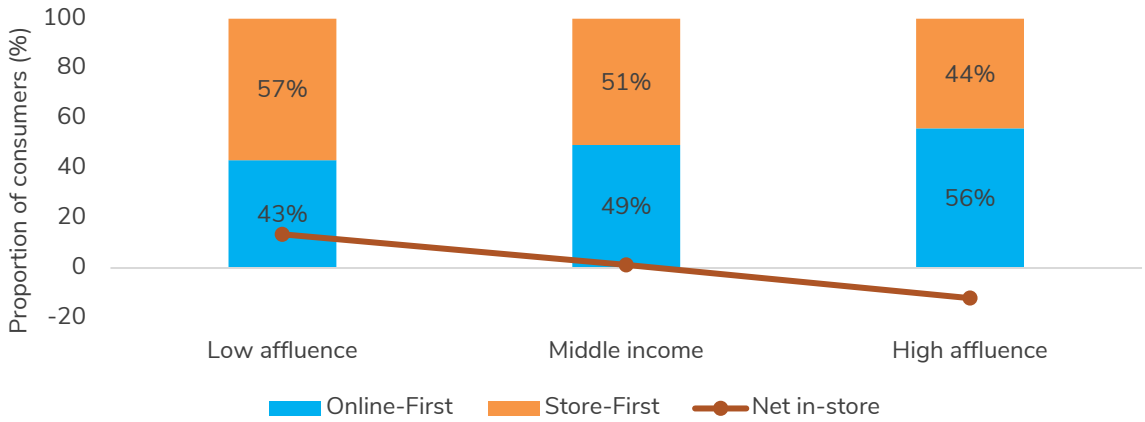


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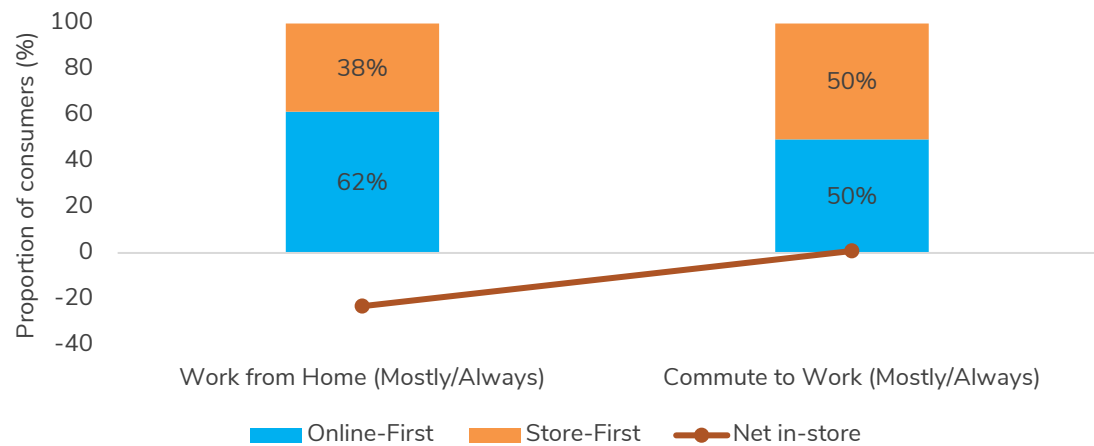
Age: Millennials & Gen Z are online-first, Gen X & Boomers are store-first



Income: Least affluent shop more in-store, Most affluent shop more online



Work location: Even split between online and physical channels for commuters



Source: Retail Economics. N=2000. Net in-store = % of consumers that shop more in-store minus % that shop more online

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↓ Shopper Sentiment



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We're trusted by world class corporations...

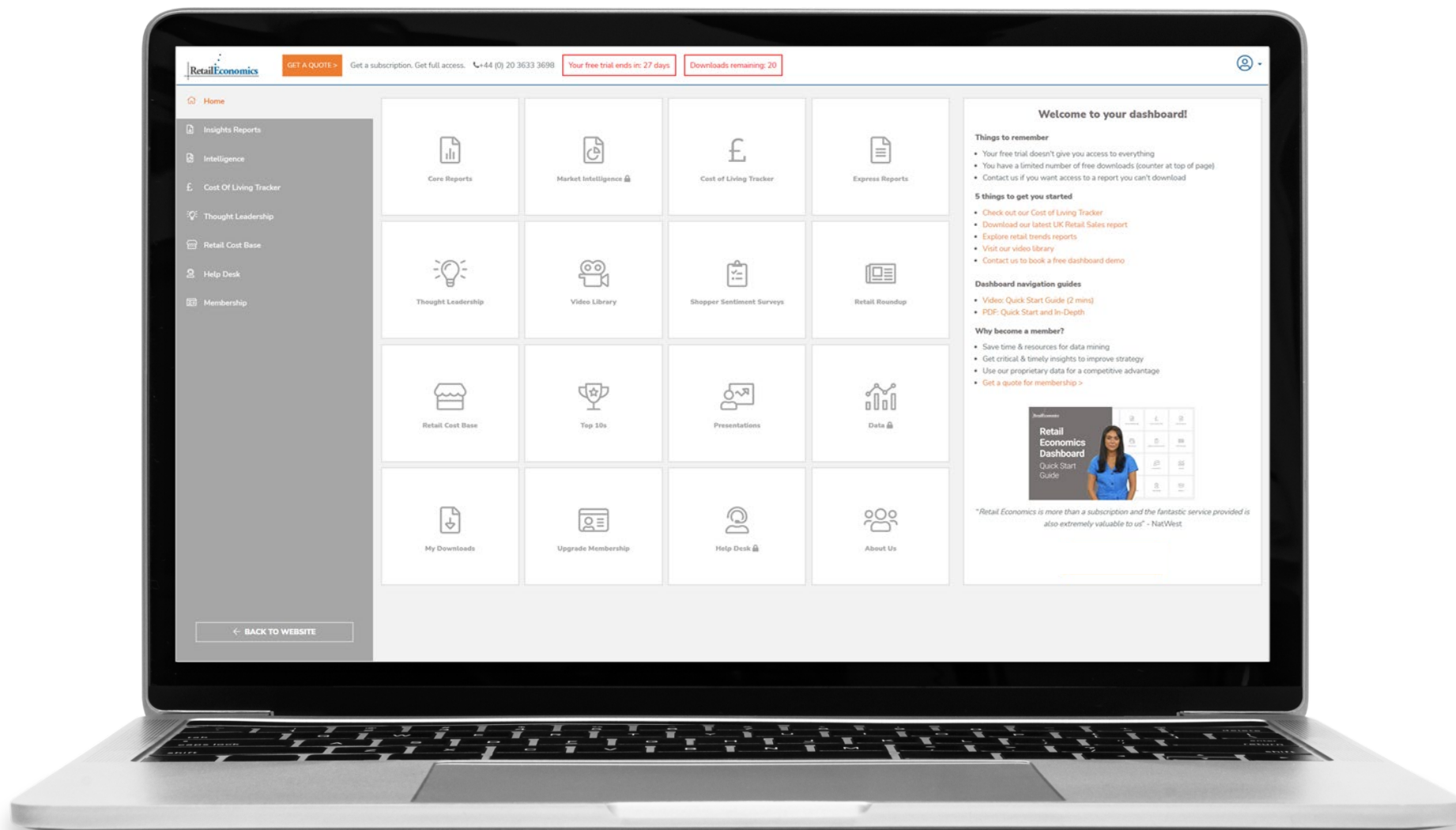
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Monthly overview of all key retail categories with macroeconomic insights in a summary format

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Tracks impact of inflation, earnings growth & discretionary spending on household income groups (monthly)

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About

Retail Economics is an independent economics consultancy focusing on the retail and consumer industry. Our membership service empowers you with a deeper understanding of the key economic drivers within the UK retail industry, giving you a competitive edge needed to make critical business and investment decisions.



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