



UK Furniture & Flooring

Monthly

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Furniture & Flooring

2.9%

Furniture & Flooring retail sales edged up by 2.9% year-on-year in March, according to Retail Economics

UK Retail Sales

6.0%

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

Furniture & Flooring Prices

6.6%

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

Average Weekly Sales

£247m

Average weekly sales for Furniture & Flooring were £247m in March, according to Retail Economics

Furniture & Flooring Forecast

X.X%

Retail Economics forecasts Furniture & Flooring sales to edge up just X.X% in 2023, following a 4.6% rise in 2022



Sales volumes remain in deep decline

- Furniture & Flooring sales increased 2.9% YoY in March, according to the Retail Economics Retail Sales Index.
- Retail Economics estimates Furniture & Flooring inflation was in the region of 10.4% 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 Furniture, Lighting category fell 2.7% YoY (non-seasonally adjusted), while sales volumes in the wider Household Goods category fell by 7.6% YoY in March.

Furniture sales values edge up as inflation soars

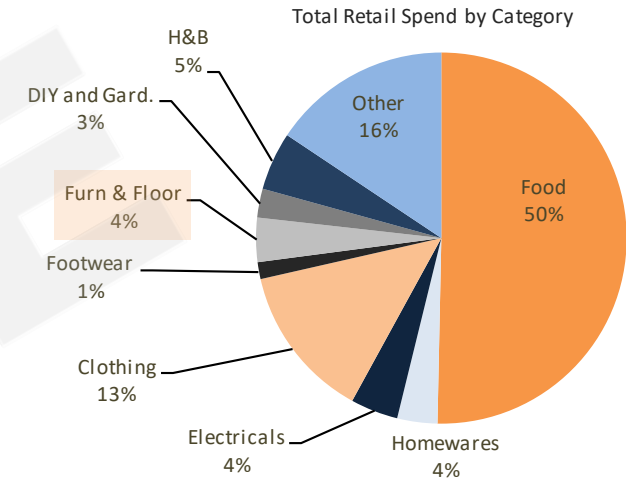
Sector Growth Rankings	Mar-23	3 month avg.	6 month avg.	12 month avg.
Food	11.0%	9.9%	8.8%	6.3%
Footwear	7.8%	7.9%	7.5%	9.6%
Clothing	5.4%	5.3%	4.4%	6.8%
Health and Beauty	5.2%	5.8%	5.4%	4.3%
Furn & Floor	2.9%	2.6%	2.6%	-0.7%
Homewares	-0.8%	-1.4%	-1.0%	-2.7%
Electricals	-1.8%	-2.6%	-2.8%	-3.1%
DIY and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

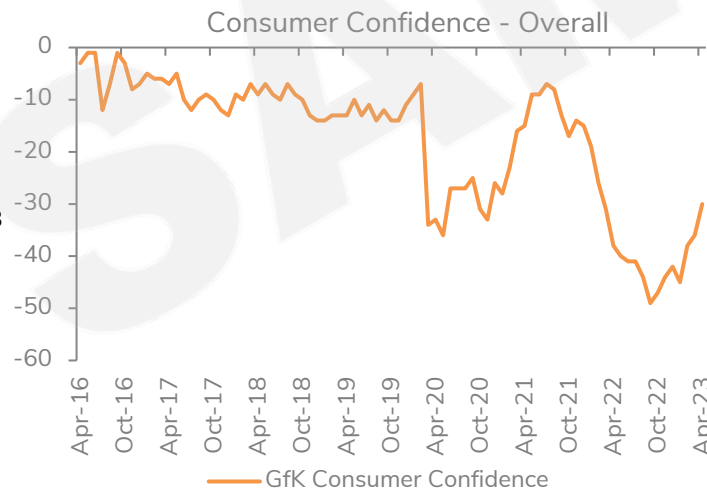
Furniture & Flooring accounts for 4% of total retail sales



Source: Retail Economics

Consumer confidence on the rise

- Consumer confidence increased two points to -36 in March, and a further six points to -30 in April (GfK).
- The GfK Major Purchase Index increased four points to -33 in March and another five points to -28 in April.
- However, both measures remain firmly in negative territory, and the impact of changes to consumer confidence on spending typically lags by around three to six months, pointing to weak demand for Furniture & Flooring products in the near term.



Source: GfK

2023 Forecasts

- Retail Economics forecasts Furniture & Flooring sales to reach growth of X.X% YoY in 2023.
- Taking into account high single-digit inflation levels across the category, this implies a significant fall in sales volumes of c.X.X% in 2023.
- Low consumer confidence as the economy verges on recession, coupled with higher interest rates, will weigh on households' ability to splash out on big ticket items.

2022: -10.1%

Source: Retail Economics

Furniture & Flooring – Retail Economics Index: March 2023

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- Retail Economics estimates Furniture & Flooring inflation was in the region of 10.4% 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 Furniture, Lighting category fell 2.7% YoY (non-seasonally adjusted), while sales volumes in the wider Household Goods category fell by 7.6% YoY in March.
- Barclaycard data shows spend growth and transactions at furniture stores fell 5.2% and 5.4% YoY respectively in the month.

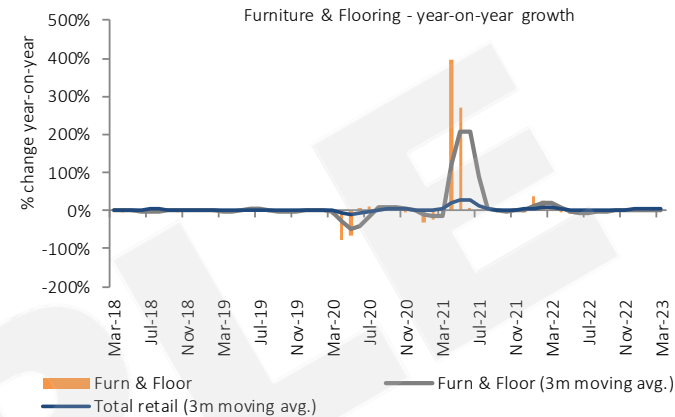
Macroeconomic challenges remain

- Widespread recessionary behaviour continued to curb Furniture & Flooring sales in March.
- 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.
- Food inflation surged to 19.1%, up from 18.0% in February, putting further downward pressure on discretionary incomes and discouraging the purchase of larger household goods.
- Consumer confidence nonetheless increased two points to -36 in March, and a further six points to -30 in April (GfK). The GfK Major Purchase Index increased four points to -33 in March and another five points to -28 in April.

- These rises have been driven by robust wage growth and extended government energy bill support, as well as growing optimism at the prospect of inflation easing by the end of the year.
- However, both measures remain firmly in negative territory, and the impact of changes to consumer confidence on spending typically lags by around three to six months, pointing to weak demand for Furniture & Flooring products in the near-term.

Housing market stabilising

- Housing market activity showed further signs of stabilising in March, driven primarily by the easing of mortgage rates and strong wage growth.
- The annual rate of house price growth was 1.6%, the weakest recorded since October 2019, while the monthly rate of growth increased 0.8% in the month (Halifax).
- Indicators for buyer enquiries, agreed sales and new instructions all eased in the month, but remained in negative territory.
- 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).
- Some households have adopted an 'improve not move' mentality, choosing to update home environments as an alternative to moving.
- On the other hand, demand for rental properties continues to increase, but is being constrained by dwindling supply, with a net balance of +59% of respondents foreseeing rental prices increasing – putting pressure on budgets for furnishings among tenants.



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

Furniture and Flooring	Annual % growth	Avg. weekly spend (£m)
Oct-22	2.5%	£302
Nov-22	2.7%	£298
Dec-22	2.6%	£268
Jan-23	2.2%	£261
Feb-23	2.6%	£269
Mar-23	2.9%	£247

Source: Retail Economics: Retail Sales Series – value, non-seasonally adjusted

Furniture & Flooring Year-on-year

2.9%

Furniture & Flooring sales increased by 2.9% YoY in March

Household Goods Shop Prices Year-on-year

6.6%

Shop price inflation among Household Goods stores jumped 6.6% year-on-year in March (ONS)

Widespread recessionary behaviour continued to curb Furniture & Flooring sales in March.

Consumers seek value

- Multichannel and budget retailers continued to outperform in March, as cash-strapped consumers sought value and familiarity when making furniture and flooring purchases, largely resembling the recessionary behaviours of previous months.
- Topps Tiles and Bensons for Beds both saw robust sales increases in Q1 2023 as a result.
- Profitability pressures that stung retailers in Q4 2022 due to a combination of price investment, soaring energy costs and supply chain challenges are beginning to ease.

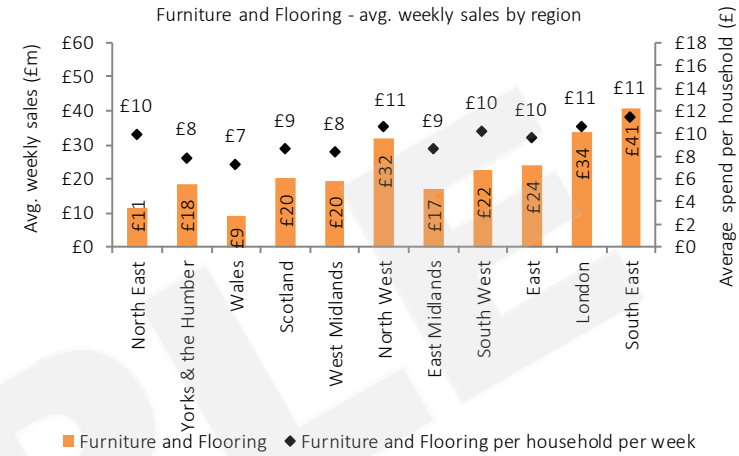
Omnichannel strategy pays off

- While current macroeconomic conditions have encouraged a return to in-store shopping, a strong omnichannel strategy remains an important prerequisite for long-term outperformance.
- Furniture & Flooring is by nature a 'store-first' sector, but younger and more affluent buyers are increasingly on the look-out for a compelling omnichannel offering.
- Indeed, Bensons for Beds, which acquired online pureplay Eve Sleep in Q4 2022, saw digital sales increase 32% YoY in the first quarter to March.
- Similarly, Topps Tiles attributed its 9.5% sales increase in the 26 weeks to 1 April in part to its acquisition of online retailer Pro Tiler Tools, with total online sales worth £10.1m compared to £1.1m in the previous year.

Brighter outlook

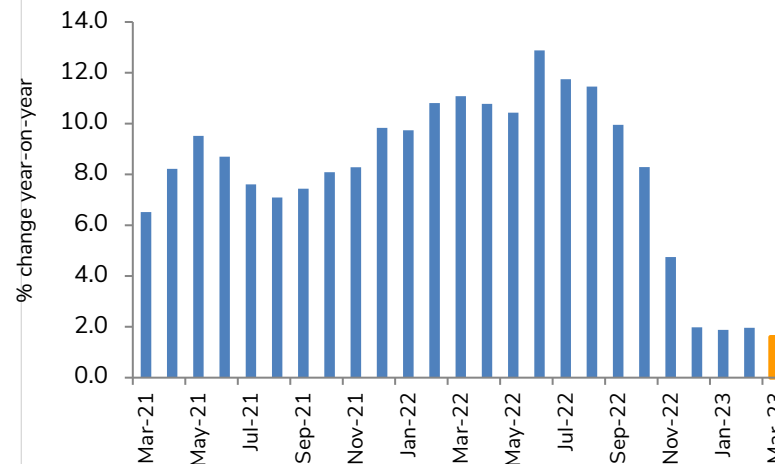
- The Bank of England expects a sharp fall in inflation over the course of the year as wholesale energy prices fall and the government help with energy bills is extended.

- Interest rates nonetheless rose to 4.25% in March and inflation remains higher than economists' predictions. Stronger than expected wage growth increases the likelihood of further interest rate rises.
- However, the long-term outlook for the housing market, is significantly less pessimistic than in previous months.
- While borrowing costs remain significantly higher than the last ten years, Bank of England data reveals mortgage approvals in March increased for the first time in six months.
- According to RICS, the net balance for sales expectations for the year ahead was positive for the first time since March 2022 (+1%), while a net balance of -24% was recorded for price expectations over the same period, the highest reading since September 2022.
- If the housing market continues to stabilise, demand for Furniture & Flooring products could pick up as the year progresses, though recessionary behaviours will remain entrenched in the near-term.
- Indeed, 28.2% of consumers plan to cut almost all spending on Furniture & flooring in 2023, according to Retail Economics and NatWest.
- After a tough start to the year, retailers will also be in a position to benefit from easing macroeconomic pressures. Topps Tiles expects gross margin percentages to increase in the second half of the year as supply chain pressures recede and operational costs ease.
- However, as recessionary pressures wane, retailers will need to become all the more nimble in their expansion of omnichannel and sustainability strategies.



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

House prices show signs of stabilising



Source: Halifax House Price Index

Average Weekly Sales

£247m

Average weekly spend on Furniture & Flooring in the UK in March

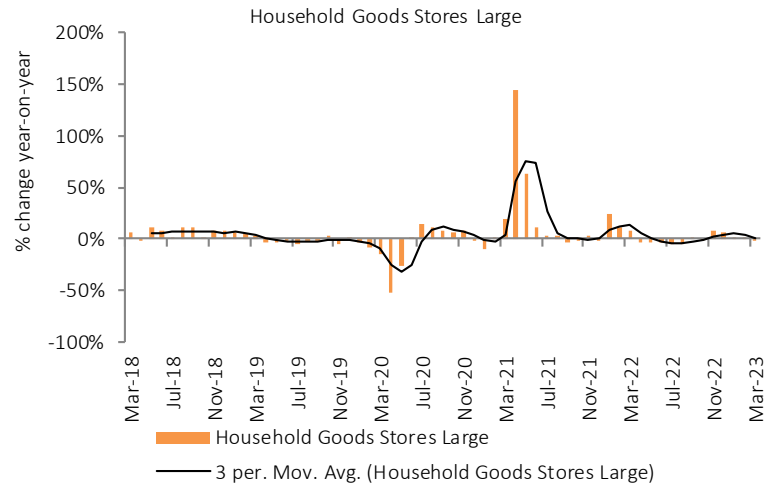
South East

£41m

Average weekly spend on Furniture & Flooring in the South East in March

Furniture & Flooring is by nature a 'store-first' sector, but younger and more affluent buyers are increasingly on the look-out for an omnichannel offer.

By Sub-Sector – Office for National Statistics



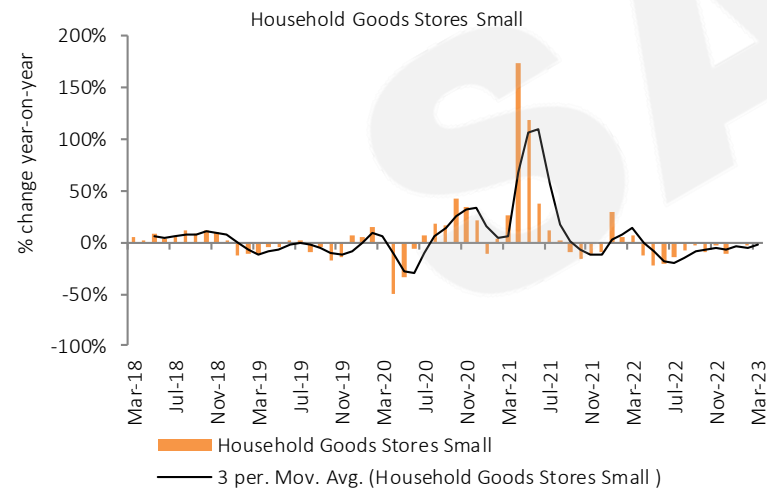
Household Goods: Large retailers	Annual % growth
Oct-22	-0.8%
Nov-22	7.8%
Dec-22	6.5%
Jan-23	1.9%
Feb-23	0.9%
Mar-23	-1.6%



Large Household Goods Retailers

-1.6%

Decrease of sales of household goods at large retailers 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%

Decrease of sales of household goods at small retailers in March (ONS)

Source: ONS

Furniture & Flooring Outlook

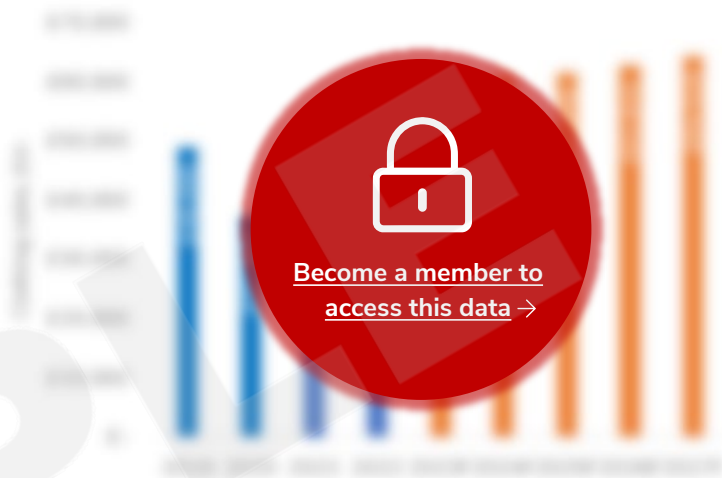
- Retail Economics forecasts Furniture & Flooring sales to record virtually flat growth of X.X% YoY in 2023, with sales stalling at just under £XX.Xbn. This follows 4.6% growth in 2022.
- Taking into account high single-digit inflation levels across the category, this implies a significant fall in sales volumes of c.X.X% in 2023.
- Low consumer confidence as the economy verges on recession, coupled with higher interest rates, will weigh on households' ability to splash out on big ticket items such as Furniture & Flooring.
- With Furniture & Flooring demand intrinsically tied to the housing market, residential transactions are cooling as mortgage rates rise and economic uncertainty grows.
- The recent tough trading environment for furniture retailers is reflected with the likes of Made.com, Snug and Eve Sleep all collapsing into administration in 2022
- Retail Economics forecasts Online Furniture & Flooring sales to rise by X.X% YoY in 2023, with the online penetration rate projected at XX.X% of total sales.
- Retailers have taken great strides to improve their online offering since the pandemic, but many shoppers remain hesitant to buy big-ticket furniture items online without the sensory experience and personal in-store customer service.
- Retail Economics forecasts Furniture & Flooring sales to grow by a five-year compound annual growth rate (CAGR) of X.X% through to 2027, with annual sales reaching £XX.Xbn by the end of this period.

Retail Economics Furniture & Flooring Forecasts



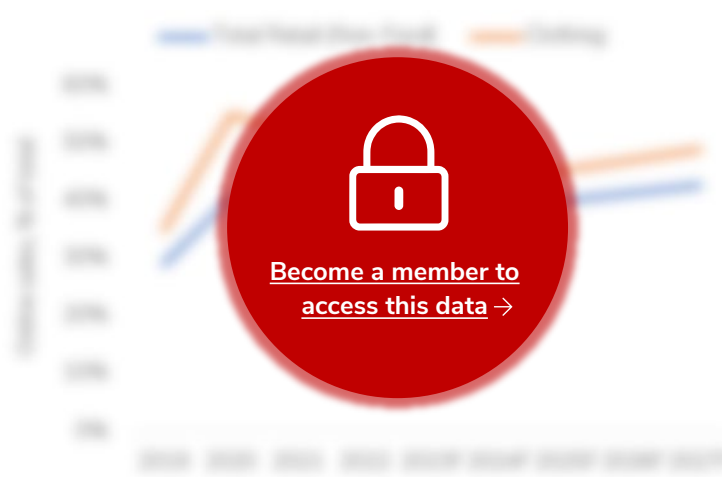
Forecasts updated quarterly. Last update: February 2023

£XXbn of Furniture & Flooring sales forecast over 2023



Source: Retail Economics

Online to account for XX% of Furniture & Flooring sales in 2023



Source: Retail Economics

Furniture & Flooring 2023 Forecast

X.X%

Retail Economics forecasts Furniture & Flooring sales to record growth of X.X% YoY in 2023

Online Furniture & Flooring 2023 Forecast

X.X%

Retail Economics forecasts Online Furniture & Flooring sales to rise by X.X% YoY in 2023

Low consumer confidence as the economy enters a recession, coupled with elevated mortgage rates, will weigh on households' ability to splash out on big purchases.

Latest developments

- **Topps Tiles** saw sales increase 9.5% to £130.5m in the 26 weeks to 1 April. The retailer attributed £9m of the growth in sales to the acquisition of Pro Tiler Tools and the launch of Tile Warehouse in 2022. Online sales increased to £10.1m in the period up from £1.1m in the previous year.
- **Ikea** increased the size of its fleet of drones to 100 across 16 location in Belgium, Croatia, Slovenia, Germany, Italy, the Netherlands and Switzerland. The technology was developed through a partnership between IKEA franchising partner Ingka and Zurich-bases startup Verity and is intended to improve employee well-being and reduce operational costs.
- **Dreams** invested £2m into opening a new £260,000 sq ft warehouse in Willenhall. This will be the retailer's largest distribution centre out of its network of 18 sites across the country and will reduce delivery mileage by 150,000 YoY.
- **Bensons for Beds** achieved a 9% surge in sales in the first quarter to March. The company's digital sales also improved with a 32% YoY increase, thanks to investment in its omnichannel capability. The retailer aims to expand its reach and achieve a total of 200 locations and recently opened new stores in Erdington and Peterborough, and will be returning to Speke's New Mersey Retail Park this month.
- **Ikea** is investing £4.5m to install almost 200 charging points for electric delivery vehicles across the country, with 53 of them offering rapid charging. The points will be located at Ikea stores, with the first ones set to be installed in Cardiff.

Total Furniture & Flooring Market

£XX.Xbn

Retail Economics forecasts Furniture & Flooring sales to total £XX.Xbn in 2023

Living Room Furniture

42.5%

Living room furniture accounts for 42.5% of the Furniture & Flooring market

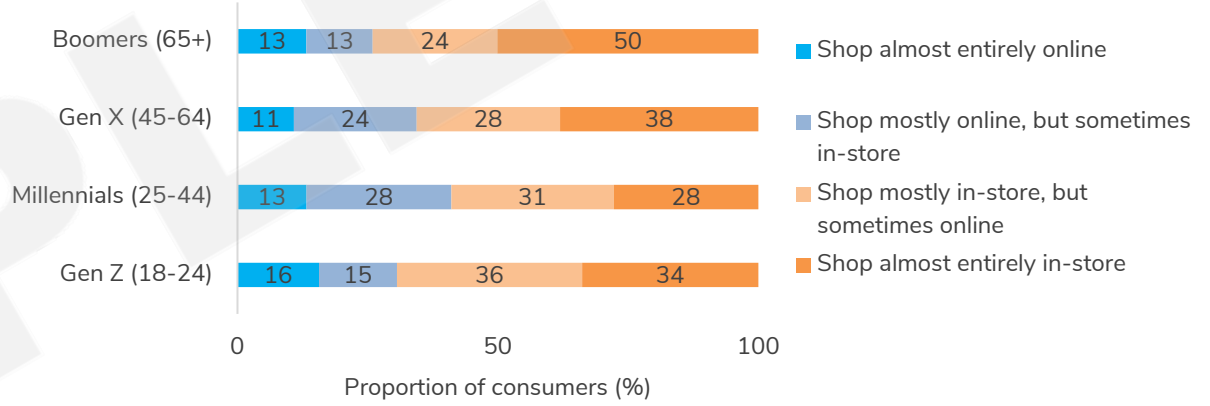
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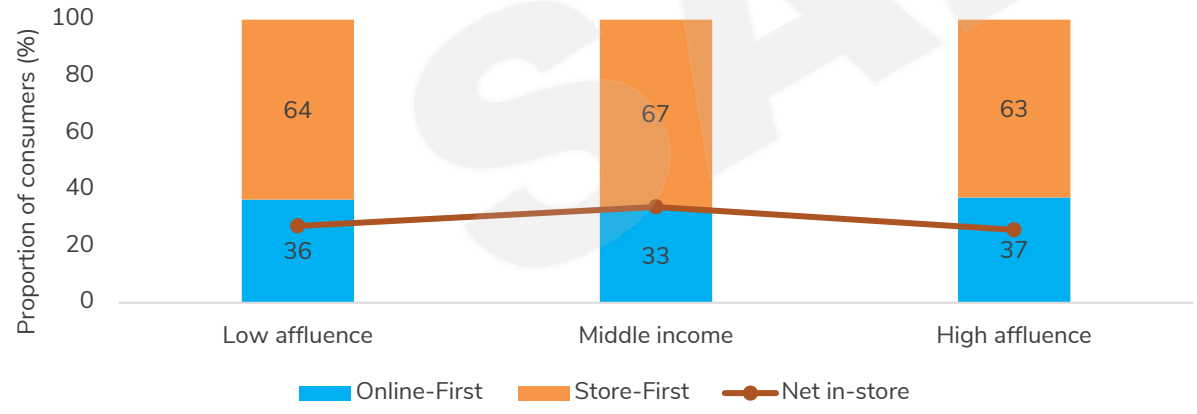
Three quarters (74%) of Boomers prefer to shop in-store for Furniture & Flooring, compared to only 59% of Millennials.



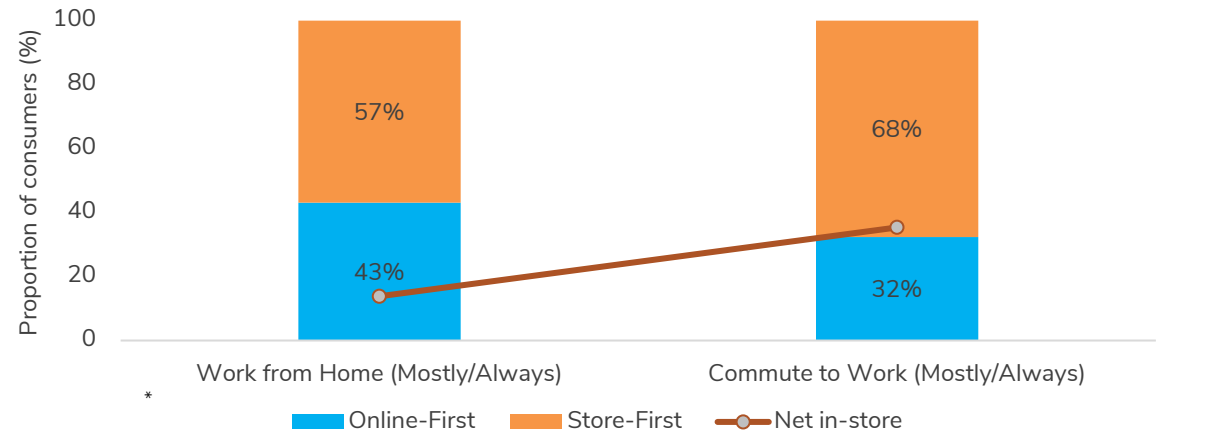
Age: Younger generations more open to shopping online for furniture



Income: Preference for physical furniture shopping across all incomes



Work location: Net 35% of commuters prefer in-store – more than double WFH consumers



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

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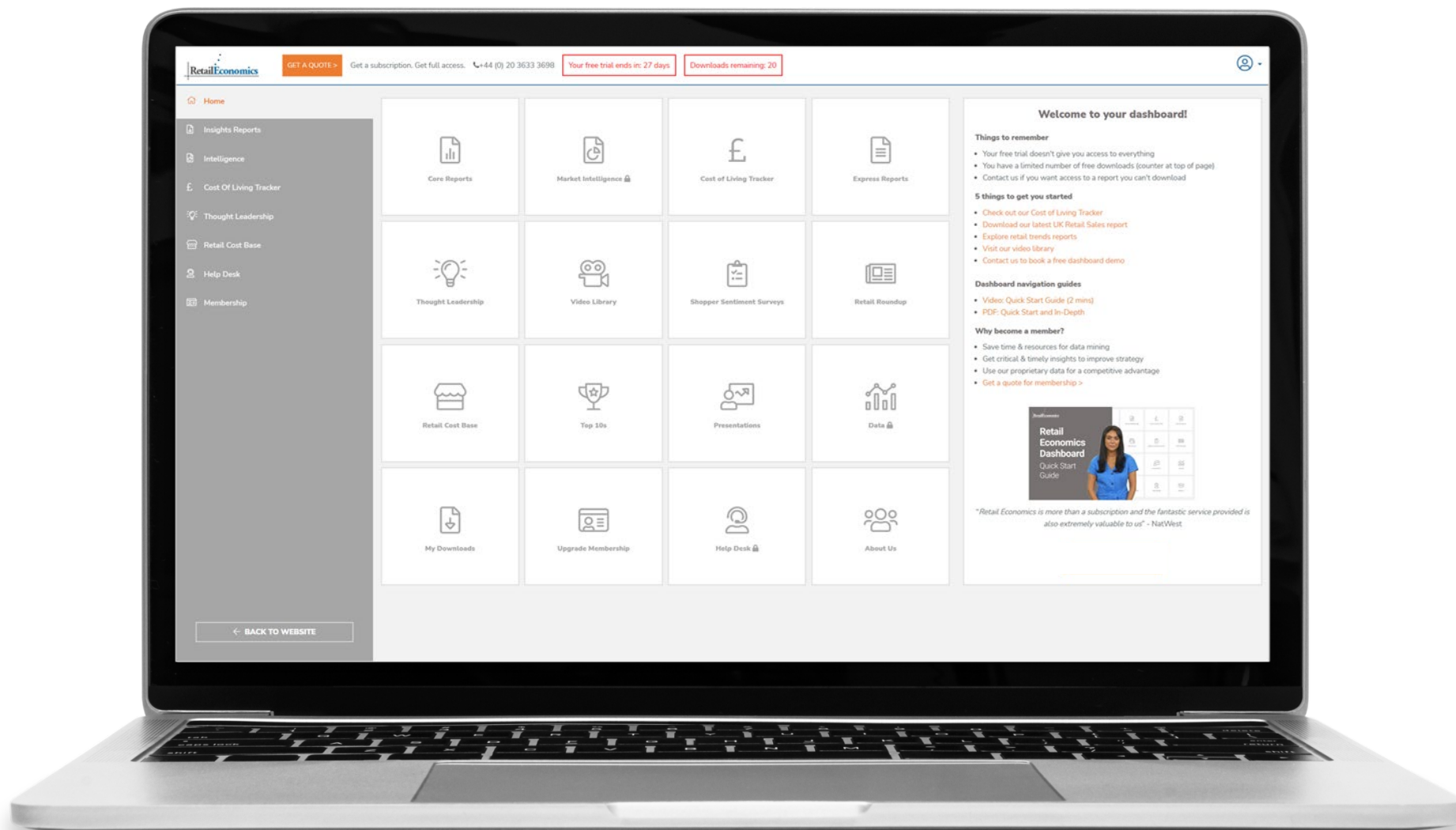
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About

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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