Home & Gift Association Economic and Business Conditions Report

Submission to the Genesis Initiative and Bank of England & Home & Gift Association Members

September 2026

Executive Summary

The UK home, gift and stationery sectors remain resilient, innovative and growth-focused despite a challenging and increasingly uncertain trading environment. Businesses continue to invest, develop new products, explore export opportunities and adapt to changing consumer behaviour. However, the overwhelming message from Home & Gift Association members is that the sector is not facing a demand crisis, it is facing a margin and cash-flow crisis.

Recent intelligence from the Agents' Summary of Business Conditions – September 2026, published by the Bank of England on 11 September 2026, describes a "patchy recovery" across the UK economy. Output and confidence have improved in some sectors, particularly business services and manufactured exports, while consumer spending remains subdued and investment intentions are improving only modestly. Average pay settlements now stand at approximately 3.6%, while employment intentions remain broadly flat. This aligns closely with feedback from Home & Gift Association members.

Demand remains present, particularly ahead of the critical Christmas trading period. However, consumers are increasingly price-sensitive, retailers are ordering later, carrying less stock and reducing purchasing commitments. Suppliers therefore face greater uncertainty, reduced visibility of future demand and increased operational risk.

At the same time, businesses are absorbing cumulative cost increases across employment, energy, freight, compliance, warehousing, insurance, banking, packaging and trade activity. Whilst many businesses continue to report stable or growing revenues, those revenues are not translating into stronger profitability.

The sector's primary concerns are:

- Margin erosion
- Cash-flow constraints
- Rising employment costs
- Late payment practices
- Energy and freight volatility
- Export barriers
- Regulatory burden
- Manufacturing competitiveness

The sector remains optimistic about the future, but growth expectations are cautious rather than expansive.

Economic Outlook and Market Conditions

The wider economic picture remains mixed.

According to the Bank of England, confidence and output have improved in some areas of the economy, particularly business services and manufactured exports. Investment intentions have also strengthened modestly. However, consumer-facing sectors continue to experience subdued demand, while there is little expectation of an imminent improvement in household spending.

This two-speed economy is clearly visible within the home, gift and stationery sectors.

Consumer demand has not disappeared, but purchasing behaviour has changed significantly:

- Consumers are increasingly focused on value.
- Retailers are reducing inventory commitments.
- Orders are being placed later.
- Replenishment cycles are shortening.
- Buying decisions are becoming more cautious.

The Christmas trading season remains critically important and is expected to support activity during the final quarter of 2026. However, businesses are finding forecasting increasingly difficult due to shortened lead times and retailer caution.

As a result, suppliers are carrying greater risk whilst operating with less certainty.

Current Trading Conditions

The UK home and gift sector continues to demonstrate resilience despite ongoing pressures.
Many suppliers continue to report healthy product interest, active customer engagement and steady order books. However, increased sales activity is not necessarily leading to improved profitability.

Businesses are increasingly working harder to achieve the same financial return due to rising operational costs across virtually every area of their businesses.

This disconnect between turnover and profitability is becoming one of the defining characteristics of the current trading environment.

Headline revenue should therefore not be viewed as a standalone measure of business health.

Revenue and Activity Outlook: Next Six Months

The outlook is one of cautious stability rather than significant expansion.
Businesses expect activity levels to remain broadly stable over the next six months, supported by:

- Christmas trading
- Product innovation
- Digital channels
- E-commerce growth
- Export opportunities
- Strategic partnerships

The Bank of England reports improving output and confidence in some sectors and stronger manufactured export activity, which provides encouragement for growth-oriented businesses.

However, confidence remains constrained by:

- Consumer spending weakness
- Ongoing cost inflation
- Margin pressure
- Geopolitical uncertainty
- Energy volatility

- Employment costs

Overall, the sector remains optimistic but realistic.

Demand Outlook and Market Opportunities

Whilst demand remains challenging, there are areas of opportunity.

Affordable Gifting and Everyday Luxuries

Consumers continue to seek affordable purchases that provide emotional value and meaningful experiences. Giftware, stationery, home accessories and occasion-led products remain well positioned as lower-cost discretionary purchases.

Retailers Seeking Differentiation

Retailers facing difficult market conditions are increasingly looking for products that:

- Differentiate their offer
- Improve margins
- Create exclusivity
- Attract consumer attention

This creates significant opportunities for innovation-led suppliers.

Export Growth

The Bank of England highlights improved output and confidence amongst manufactured exporters.

This reinforces opportunities for UK home and gift businesses within:

- North America
- Europe
- Australia
- International marketplaces

Strategic Investment

Businesses investing in:

- Artificial Intelligence
- Automation
- Product innovation
- Inventory management
- Customer experience
- E-commerce

are likely to be better positioned when consumer confidence strengthens.

Seasonal Trading

Christmas, gifting occasions and seasonal purchasing cycles will continue to play a disproportionate role in sector performance and remain fundamental to annual profitability.

Cost Pressures and Profitability

The dominant issue facing businesses is the cumulative increase in operating costs.

Industry Champions and our Members report sustained increases across:

- Wages and salaries
- Employer National Insurance contributions
- National Living Wage increases
- Energy costs
- Freight and logistics
- Warehousing
- Raw materials
- Packaging
- Insurance
- Banking fees
- Regulatory compliance
- Trade show participation

In many cases, businesses have limited ability to pass these costs on due to competitive market conditions and retailer resistance to price increases.

Consequently:

- Margins are shrinking.
- Cash generation is reducing.
- Investment capacity is being constrained.
- Growth ambitions are becoming more cautious.

The challenge facing businesses today is fundamentally one of profitability rather than revenue generation.

Cash Flow and Late Payment

Cash flow remains one of the greatest barriers to growth.

Product businesses must often finance:

- Manufacturing
- Stock
- Staffing
- Marketing
- Logistics
- VAT

months before payment is received.

Extended payment terms and late payment practices continue to place disproportionate pressure on SMEs. Many small businesses report effectively acting as a source of working capital for larger organisations due to delayed payments. Marketplace platforms and intermediary payment arrangements can further delay access to earned revenue.

For many members, access to working capital now presents a greater challenge than securing new customers.

Investment, Employment and Wages

Despite economic uncertainty, investment remains a priority.
Members continue investing in:

- Product innovation

- Digital transformation
- Automation
- Artificial Intelligence
- Inventory systems
- E-commerce platforms
- Customer relationship management systems

However, investment criteria have tightened considerably. Businesses increasingly require faster and more measurable returns on investment before committing capital. The Bank of England reports employment intentions remain broadly flat and average wage settlements now stand at approximately 3.6% for 2026.

Members report that rising employment costs are reducing available resources for recruitment, expansion and long-term growth.

Energy Prices and Geopolitical Risks

Geopolitical uncertainty remains a significant concern.

Any sustained increase in oil and fuel prices would affect:

- Manufacturing costs
- Freight rates
- Distribution costs
- Shipping costs
- Consumer inflation

Given the global nature of home and gift supply chains, further disruption could place additional pressure on already constrained margins.

Ceramics Sector and Trade Remedies Authority Review

The UK ceramics sector remains strategically important to the wider home and gift industry.

Ceramics manufacturers continue to face challenges associated with:

- Energy intensity
- Global competition
- Rising production costs

At the same time, retailers and importers rely on imported ceramics to maintain:

- Product availability
- Consumer choice
- Competitive pricing

Future Trade Remedies Authority decisions must carefully balance:

- Fair competition
- Manufacturing protection
- Consumer interests
- Supply chain resilience

- Investment confidence

Greater certainty is required to support future planning and investment decisions.

Policy Recommendations

1. Strengthen Late Payment Legislation

- Introduce a mandatory maximum 30-day payment period for SMEs.
- Strengthen the powers of the Small Business Commissioner.
- Improve transparency around payment performance.

2. Improve Access to Working Capital

- Expand government-backed lending.
- Improve access to invoice finance.
- Increase affordable stock-finance availability.
- Support SME trade finance.

3. Reduce Employment Cost Pressures

- Review the cumulative impact of National Insurance increases.
- Review National Living Wage implementation impacts.
- Introduce targeted SME reliefs where appropriate.

4. Support International Trade and Exports

- Increase support for international exhibition activity.
- Expand practical export programmes.
- Improve export finance availability.
- Simplify customs and VAT requirements.

5. Protect UK Manufacturing

- Maintain trade protections where evidence supports them.
- Provide greater certainty around TRA reviews.
- Develop long-term manufacturing strategies.

6. Address Energy and Compliance Costs

- Review energy support mechanisms.
- Reduce compliance burdens.
- Ensure regulation remains proportionate and competitive.

Recommendations for Members

Whilst policy intervention will be important, businesses can also take practical steps to strengthen resilience.

Prioritise Cash Flow

- Implement rolling 13-week cash flow forecasting.
- Monitor overdue debt weekly.
- Review customer credit exposure.
- Reduce unnecessary inventory holdings.

Protect Margins

- Review profitability by customer and product.
- Focus on profitable growth rather than volume growth.
- Assess pricing strategies regularly.

Strengthen Inventory Control

- Improve forecasting accuracy.
- Reduce obsolete stock.
- Monitor stock turns closely.

Continue Investing in Productivity

Prioritise investment in:

- AI
- Automation
- CRM systems
- Inventory management
- E-commerce
- Digital marketing

Build Stronger Buyer Relationships

- Increase communication with buyers.
- Support retailers with data and insights.
- Focus on long-term partnerships.

Explore Export Growth

- Identify priority international markets.
- Build export partnerships.
- Utilise available support programmes.

Improve Business Resilience

- Assess supply chain risk.
- Review business continuity plans.
- Diversify suppliers and customers.

Engage With Industry Initiatives

Members should actively utilise:

- Buyers Circle
- Industry Champions
- Mentoring programmes
- Export development activities
- Home & Gift Association networking opportunities

Member Action Plan: October 2026 to March 2027

October to November 2026

Financial Health

- Implement rolling 13-week cash flow forecasts
- Review all debtor balances
- Assess stock levels before Christmas
- Identify top ten cash flow risks

Commercial Focus

- Review customer profitability
- Analyse product margins
- Prioritise best-performing categories

Christmas Readiness

- Engage proactively with key buyers
- Finalise forecasts and stock plans
- Maximise seasonal marketing activity

December 2026 to January 2027

Post-Christmas Review

- Analyse sales performance
- Review stock turn and sell-through rates
- Identify strongest-performing products

Margin Improvements

- Review supplier costs and contracts
- Remove low-performing product lines
- Strengthen pricing discipline

Export Development

- Identify target international markets
- Develop export growth plans
- Explore overseas partnerships

February to March 2027

Strategic Growth Planning

- Build a 2027 profitability-focused strategy
- Set cash-flow and margin targets
- Assess workforce requirements

Productivity Investment

- Evaluate AI and automation opportunities
- Upgrade critical systems where justified
- Improve reporting and business intelligence

Market Development

- Participate in Buyers Circle initiatives

- Review trade show activities
- Develop retailer acquisition targets
- Explore new routes to market

Conclusion

The Home & Gift sector enters the final quarter of 2026 with cautious optimism.
Demand remains present and opportunities exist through innovation, exports and strategic investment. However, the broader environment remains challenging. While the Bank of England reports improving confidence and stronger performance in some areas of the economy, consumer spending remains subdued and retail-facing sectors continue to experience pressure.

The biggest challenge facing the sector is not generating demand; it is converting demand into profitable, cash-generative growth.

Key Message

The Home & Gift sector is not facing a demand crisis. It is facing a margin and cash-flow crisis. Businesses remain resilient, entrepreneurial and ambitious. However, rising operating costs, delayed payments, constrained margin growth and ongoing uncertainty are limiting the ability of many SMEs to invest, recruit and expand.

By addressing cash flow, strengthening profitability, supporting exports, improving access to finance and maintaining manufacturing competitiveness, both policymakers and businesses can help unlock the sector's significant growth potential.

Sources

Agents' Summary of Business Conditions – September 2026, Bank of England, published 11 September 2026. Intelligence gathered during the six weeks to mid-August 2026 and considered by the Monetary Policy Committee at its September meeting. [bankofengland.co.uk]

Home & Gift Association member feedback, industry consultations and evidence gathered through discussions with members and the Genesis Initiative during September 2026.