BRC RETAIL OUTLOOK

JULY 2026

SURVEY FINDINGS

74% of CFOs are pessimistic about the next 12 months

60% of CFOs said that the labour market and inflation are top concerns

Heightening regulatory burdens in relation to employment are causing retailers to respond by increasing productivity, investing more in automation and reducing headcount

FORECASTS

Our forecast (informed by CFOs) projects sales growth will slow for both food and non-food

Inflation will rise, driven by non-food exiting deflation, and food inflation picking back up following the Iran conflict

Volumes for food are likely to continue falling, while for non-food they are likely to be flat or falling

CFO SENTIMENT INCREASINGLY PESSIMISTIC

CFOs were asked about their sentiment towards industry trading conditions over the next 12 months.

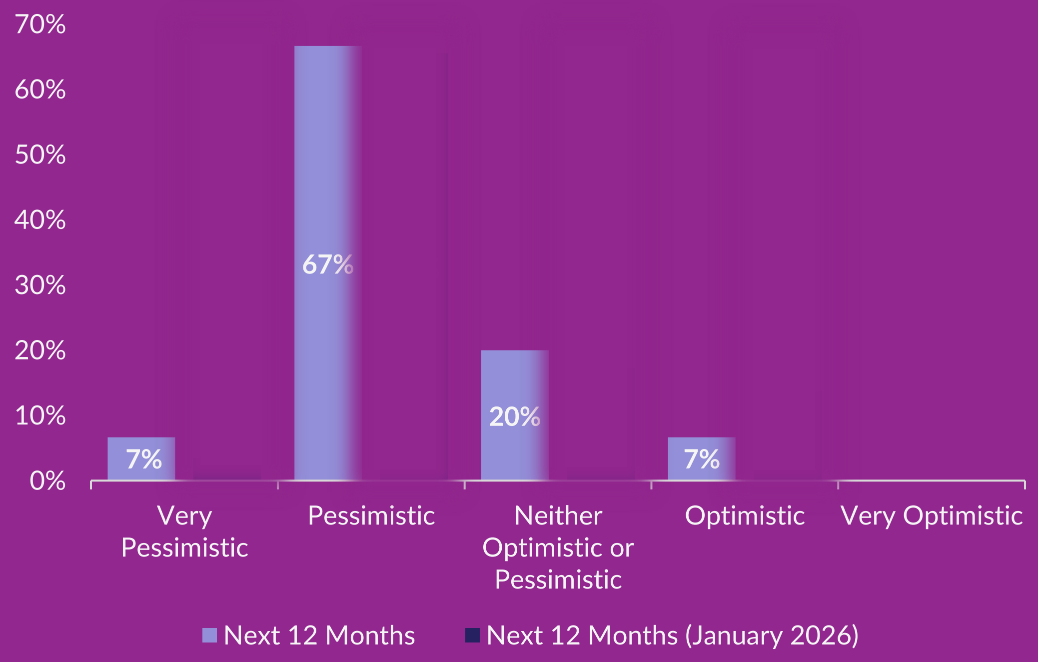
67% of CFOs report being pessimistic about trading conditions over the year ahead, which is slightly up from 66% when asked in July 2025.

7% of respondents did, however, say they were *very* pessimistic about the next 12 months, which is up from 3% of respondents reporting this last time.

Conversely, only 7% of CFOs were optimistic or very optimistic for the year ahead. This compares to 14% when asked the same question in January.

A greater number of respondents were indifferent as well as very pessimistic.

Describe your sentiment towards trading conditions in the retail industry over the next 12 months (% of respondents).



LABOUR MARKET a top CONCERN FOR CFOs

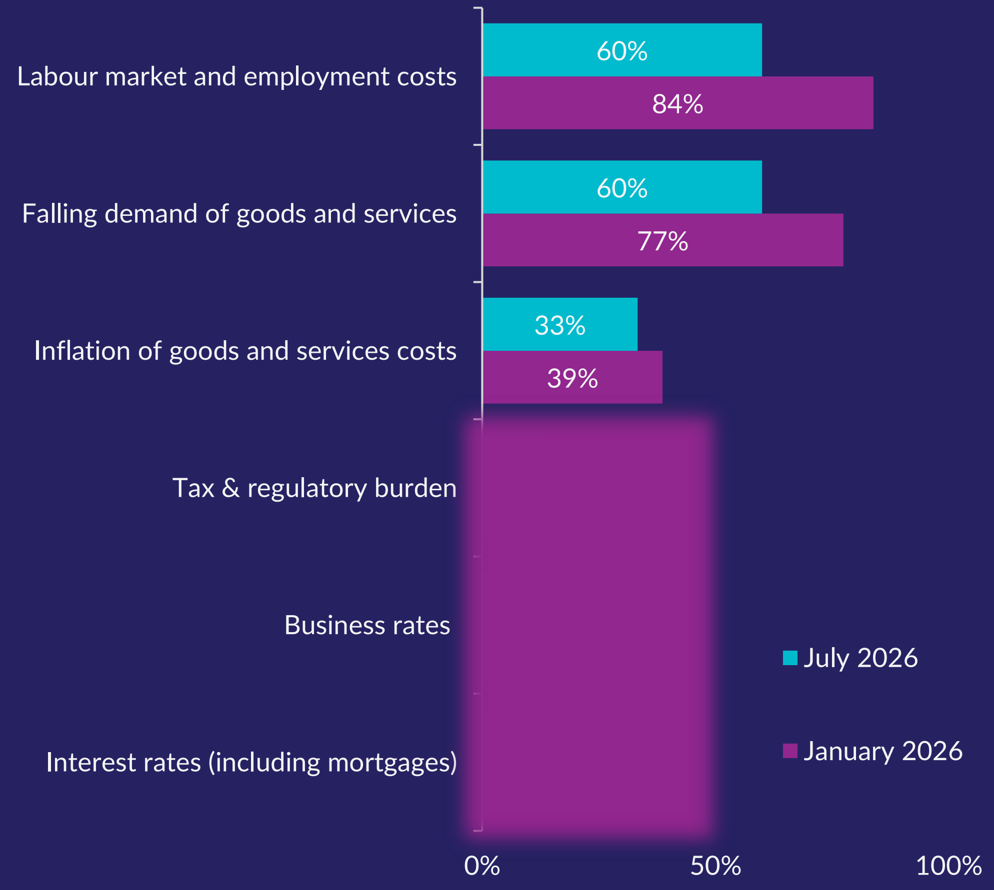
We also asked CFOs to rank their top 3 concerns over the upcoming 12 months. 64% of respondents indicated a top concern was surrounding the labour market and employment costs as well as falling demand of goods and services, along with inflation.

Following the conflict in the Middle East and subsequent sharp rise in the price of energy, alongside a rise in other input costs such as shipping, inflation is a much bigger concern amongst CFOs.

Additionally, with labour cost burdens remaining persistently high, a youth unemployment crisis deepening, and the implementation of the Employment Rights Act (ERA) on the horizon, it is no surprise that this concern ranks highest.

Taxes and the regulatory burden ranked fourth highest but stepped back as a top concern when compared to January 2026.

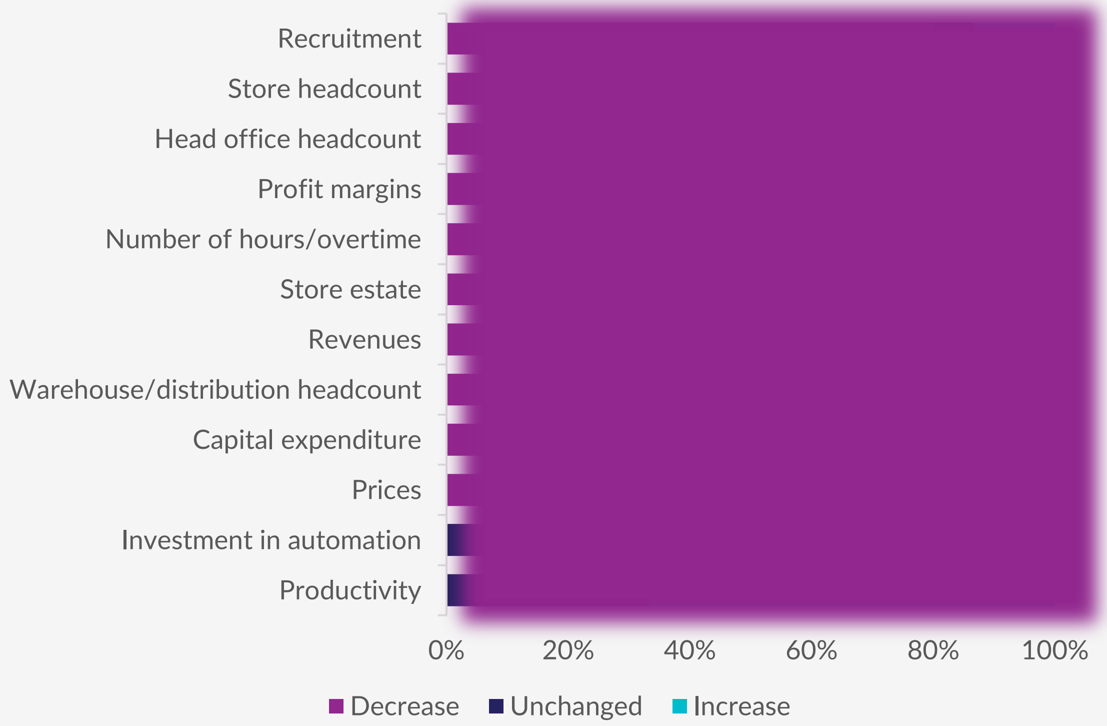
Rank the top concerns for your business over the next 12 months (% of respondents).



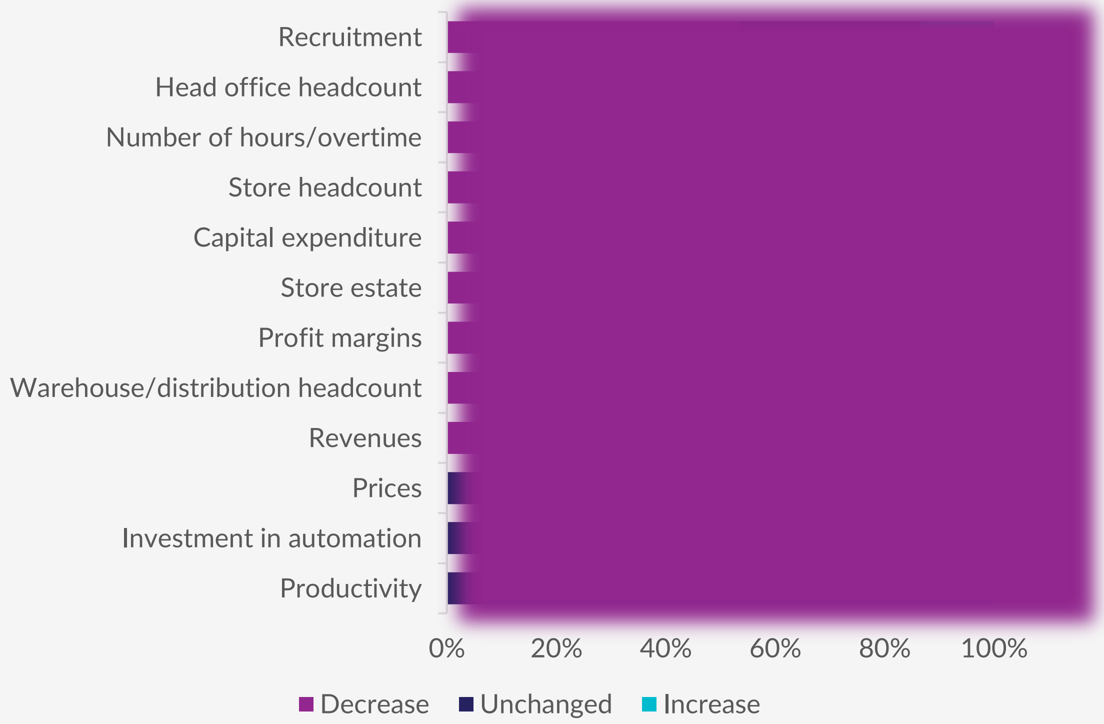
RETAILERS REACT TO HIGHER COSTS OF EMPLOYMENT

In response to heightening labour costs, CFOs are responding by decreasing recruitment, raising prices, driving productivity higher and investing in automation. The vast majority of the expected headcount reduction is expected to take place in head-offices, whereas the biggest reduction over the past year took place in stores. A reduction in hours is also a popular business action.

What actions has your business *taken* in the last 6 months (% of respondents)?



What actions does your business *intend to take* in the next 6 months (% of respondents)?

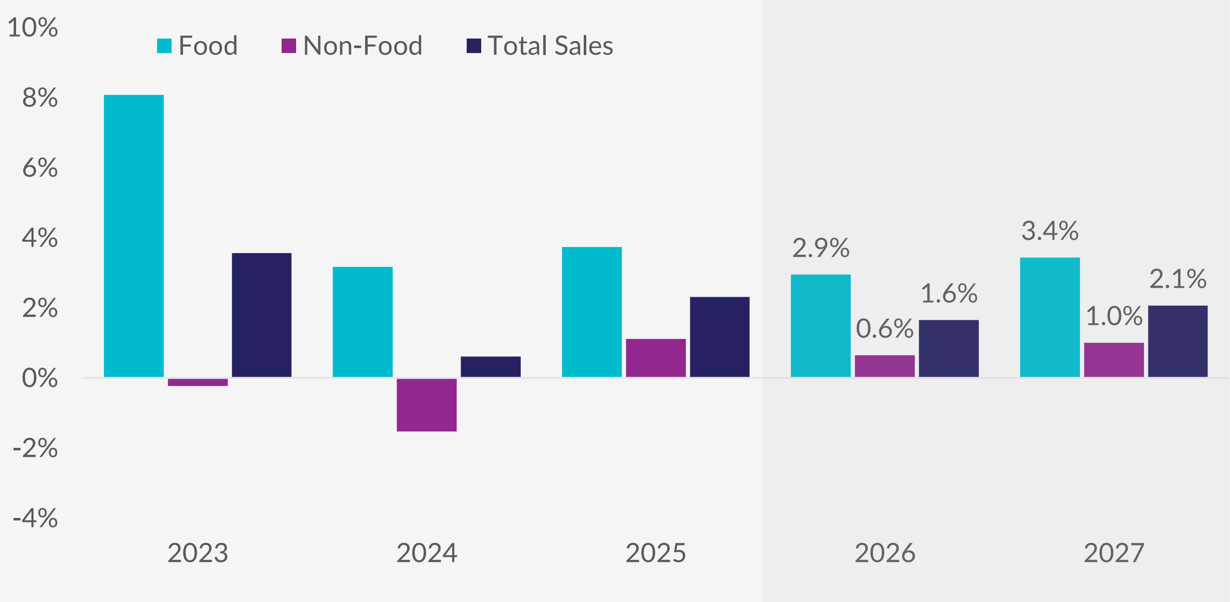


SALES GROWTH FORECAST REDUCED TO 1.6%

The BRC's forecast (informed by CFO sentiment) for total retail sales in 2026 has been downgraded to 1.6% growth, with growth of 2.1% now forecast in 2027 (BRC – KPMG Retail Sales Monitor). The acceleration between 26/27 is not necessarily a sign of strengthening demand, however. It is primarily compositional, with food value growth reaccelerating as inflation returns while non-food growth remains subdued across the forecast horizon.

- Food sales grew by 3.7% in 2025, following a 3.2% increase in 2024. Growth in recent years has been driven by high food inflation lifting nominal sales, and that dynamic is set to reassert itself, with growth of 2.9% forecast in 2026 and 3.4% in 2027. Higher energy and freight costs feed directly into grocery input prices, so the value uplift is expected to arrive with volumes falling. Food nonetheless remains the more resilient channel, capturing a higher share of essential household spending.

- Non-Food sales grew by 1.1% in 2025, recovering from a -1.5% contraction in 2024. As the majority of discretionary purchases sit within non-food, the channel absorbs the squeeze first when household budgets tighten. Growth is now forecast at just 0.6% in 2026 and 1.0% in 2027, a marked downgrade. Higher energy bills and pump prices are absorbing a rising share of income, and with interest rates no longer expected to fall, the anticipated real income tailwind has not materialised.



Retail Sales Forecast – 2026 & 2027

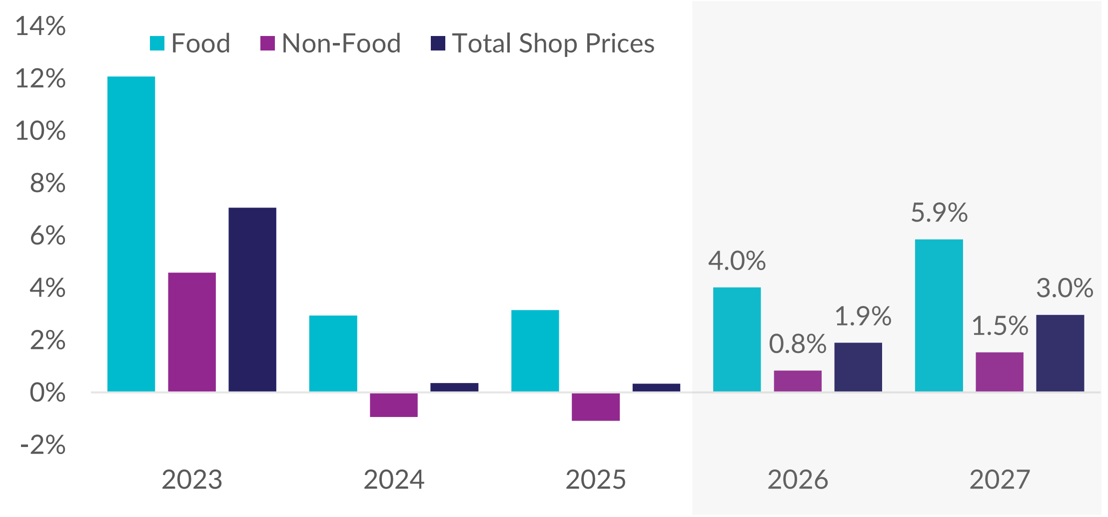
(Last forecast in parentheses)	Actual				Forecasts	
Year-on-year growth	2022	2023	2024	2025	2026	2027
Food	3.3%	8.1%	3.2%	3.7%	2.9% *(2.2%)*	3.4% *(2.0%)*
Non-Food	2.9%	-0.2%	-1.5%	1.1%	0.6% *(1.6%)*	1.0% *(1.7%)*
Total	3.1%	3.6%	0.6%	2.3%	1.6% *(1.8%)*	2.1% *(1.8%)*

SHOP PRICE INFLATION TO PICK UP

- Food prices are forecast to grow by 4.0% in 2026, following a 3.1% increase in 2025. Retailers face a sharply deteriorating cost picture, with energy, freight and fertiliser prices all rising and shipping routes disrupted due to the conflict in the Middle East. These pressures sit on top of the employer cost increases following the Budget, which grocers are still absorbing. By 2027, food inflation is expected to climb further to 5.9% as the full pass-through of higher wholesale gas and oil prices reaches the shelves.

- Non-Food prices are forecast to rise by 0.8% in 2026, ending the deflationary trend of -1.1% in 2025 and -0.9% in 2024. Goods deflation has now fully unwound, and rising energy, transport and imported input costs are pushing prices into positive territory. Thereafter, Non-Food inflation is projected to reach 1.5% in 2027. Competitive intensity will continue to limit how much retailers can recover, but margin absorption will be challenging for retailers, many of whom have embarked upon intensified promotional strategies over the past couple of years.

The BRC's forecast (informed by CFO sentiment) for overall Shop Prices is 1.9% growth in 2026, followed by growth of 3.0% in 2027 (BRC – NIQ Shop Price Monitor). Prices accelerate through the horizon as energy-driven input costs work through supply chains, with the pressure building rather than fading next year.



Shop Price Inflation Forecast – 2026 & 2027

(Last forecast in parentheses)	Actual				Forecast	
Year-on-year growth	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Food	7.4%	12.1%	2.9%	3.1%	**4.0%** *(3.7%)*	**5.9%** *(1.6%)*
Non-Food	2.8%	4.6%	-0.9%	-1.1%	**0.8%** *(0.2%)*	**1.5%** *(0.0%)*
Total Shop Prices	4.3%	7.1%	0.4%	0.3%	**1.9%** *(1.4%)*	**3.0%** *(0.5%)*

METHODOLOGY

We surveyed Chief Financial Officers (CFOs) and Finance Directors (FDs) of members, to understand perspectives on the Autumn Budget impact on their business, their sentiment toward trading conditions, and views on sales and prices in 2026 and 2027.

The BRC produced an econometric forecast for retail sales and prices using public data (e.g. GDP, employment, sentiment). We presented them to the CFOs and asked them for their estimates on the same. This allowed us to recalibrate our estimates to provide a finalised forecast.

The British Retail Consortium created these econometric models to help predict future food as well as non-food sales. Utilising regularly published figures via the BRC-KPMG Retail Sales Monitor (RSM) and BRC-NIQ Shop Price Index (SPM), the set of models deploys various historical economic relationships to provide forecasted projections of the future trajectory of retail sales. Our models utilise a range of indicators of economic activity, such as GDP, household disposable income, employment trends, consumer confidence, interest rates, and shopping channel mix.

An uncertain backdrop implies strong risks to the BRC's central projections. The heightened geopolitical risks mentioned imply that there is a wider confidence interval around our projections.

APPENDIX

For any queries relating to this publication, please contact us at market.intel@brc.org.uk.

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