



Inflation Surge in Home and Garden: Passing Costs Forward (Gaps by Sector)

December 2022

INTRODUCTION

Scope

This is one of three linked reports published Q4 2022 on inflation surge in home and garden

Key findings across the “inflation surge” reports in home and garden

The many layers of global inflation

Commodity impact: Inflationary cost pressure varies with exposure to different materials

Assumptions and calculations driving the home and garden inflation projection tool

2022 home and garden inflation trends to 8% overall, but material cost pressure drives 14%

SECTORS PASSING MOST MATERIAL COSTS FORWARD

Furniture inflation trends to 10% overall in 2022, with material cost pressure driving 13%

Floor coverings inflation trends to 9% overall in 2022, this is fully aligned with material costs

Textiles inflation trends to 5% overall in 2022, with residual material cost pressure driving 6%

SECTORS ABSORBING SOME OF THEIR COST INCREASES

Tools inflation trends to 10% overall in 2022, with residual material cost pressure driving 19%

Paint inflation trends to 6% overall in 2022, with residual material cost pressure driving 18%

Cookware inflation trends to 8% in 2022, with residual material cost pressure driving 14%

Mattress inflation trends to 3% in 2022, with residual material cost pressure driving 9%

Garden equipment inflation trends to 8% in 2022, with material cost pressure driving 19%

WHAT AFFECTS THE CHOICE TO PASS COSTS FORWARD?

It is not about severity: The two extremes experienced the same overall material cost rises

Visibility of early spikes could be a factor; some sectors started 2021 with costs below 2020

How early in the crisis brands could see how bad this was going to get is also a factor

The clearest indicator: Decision makers felt their business was vulnerable going into H2 2021

KEY FINDINGS

The cost pass-through rate in furniture is healthier than in bedroom textile products

There are evident 2022 issues in passing cost forward in home improvement and gardening

Homewares is mixed for passing on costs with products exposed to metal prices faring worst

Deconstructing inflation drivers for home and garden

CONCLUSION AND RECOMMENDATIONS

There is a strong and painful lesson about passing cost through when you have the chance

Defeated by success - the impact of booming versus declining demand on margin missions

Understanding the context for price negotiations has rarely mattered more than it does now

This report looks at passing cost forward; it is one of three lenses for inflation surge in 2022

The scope of the home and garden inflation projection tool and ongoing intentions

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For more information on this report, further enquiries can be directed via this link www.euromonitor.com/inflation-surge-in-home-and-garden-passing-costs-forward-gaps-by-sector/report.