

Home Decor Market

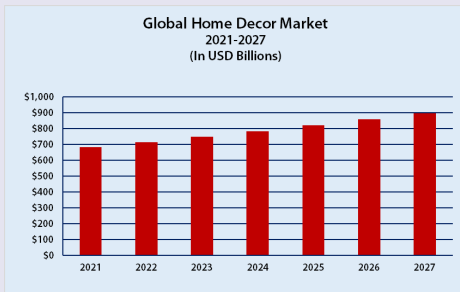


Fig 1. Global home décor market



The rising awareness among individuals about the benefits of using eco-friendly materials is encouraging leading market players to expand their product portfolios.



Global Outlook

According to a report by Imarc Group, the global home decor market size reached a value of US\$ 682 billion in 2021. Looking forward, the market is expected to reach US\$ 898.3 billion by 2027, exhibiting at a growth rate (CAGR) of 4.8% during 2022-2027.

The increasing construction, remodeling, and renovating activities in residential and commercial spaces currently represent one of the key factors positively influencing the market. The shifting population from rural to urban areas and the increasing expenditure capacity of individuals are catalyzing the demand for home decor items across the globe. Apart from this, a considerable rise in the trade activities of decorative products is creating a positive market outlook. Moreover, the rising internet penetration and shifting consumer reliance on smartphones is increasing the sales of home decor products through online platforms.

The rising awareness among individuals about the benefits of using eco-friendly materials is encouraging leading market players to expand their product portfolios. They are focusing on strategic collaborations with interior designers to provide consumers with customized home decor items, which is anticipated to propel market growth in the coming years.

However, volatility in raw materials prices could hamper the market during the forecast period



Regional Analysis

Region wise, North America leads the home décor market, owing to the highly evolved retail structure of the region. In addition, surge in adoption of global home decor products due to aggressive advertising and celebrity brand endorsement boosts the growth of the market. Moreover, the increase in expenditure of consumers on home decor products coupled with improvement in living standard adds to the popularity of home decor products in this region. However, Asia-Pacific is expected to grow with the highest CAGR throughout the forecast period, owing to rapid improvements in retail infrastructure and an upsurge in disposable income of consumers in the region.

According to Statista, revenue in the European home décor segment amounted to US\$37.11 billion in 2022. The market is expected to grow annually by 3.05% (CAGR 2023-2027). In relation to total population figures, per person revenues of US\$43.69 will be generated in 2023.



Application Insights

According to a report by Grand View Research, the indoor application segment dominates the market with a share of around 90.0%. Indoor application pertains to indoor living spaces such as bedroom, living room, bathroom, kitchen, and other covered areas inside a house. Shifting trends towards creative and innovative furnishings as well as furniture has influenced the consumers to invest in these products. Increasing preference for compact products in the house has driven the market of foldable furniture, which provides ease of storage and convenience.

The outdoor application segment is projected to expand at a CAGR of over 5.0% in the coming years owing to the increasing influence of western culture lifestyle. Increasing preference for outdoor seating of residential homes is driving the segment. Consumer inclination towards open space seating with fresh air and floral surroundings that provide a feeling of close to nature and

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growing preference for such surroundings among the majority of the urban consumers are the key driving factors. The rise in the urban population has helped increase the popularity of outdoor home décor. These urban consumers to relish their outdoor experience are largely investing in outdoor décor products such as furniture for outdoor seating, wooden or grassy floorings, and decorative lightings.



Furniture is the Largest Product Segment

Furniture is currently the largest product segment accounting for over 45.0% share of the overall revenue. Increasing preference for wooden furniture on account of premium quality and looks has fueled the segment growth. Besides, the influence of western culture plays an important role in increasing the adoption of modular kitchen and wardrobes.

Shifting trends towards the adoption of eco-friendly products has increased the application of the products in different locations of the house such as bedroom, bathroom, outdoor, and indoor. Various raw materials used in the manufacturing of furniture such as metal, plastic, glass, and leather, in combination with pinewood as an alternative, have gained traction in the market. Moreover, the increasing popularity of multifunctional furniture owing to its greater convenience is boosting the growth of furniture in the market.

Textiles are expected to register a revenue based CAGR of over 6.0% till 2025. Home textile products include products such as bed linen, curtains, kitchen linen, bathroom linen, floor covering, and upholstery. The application of these products has increased in the market owing to increasing inclination towards hygiene and safety as well as maintenance of a homely environment. Moreover, the increasing adoption of oversized beds and mattresses is expected to supplement the growth of the segment.



Specialist Stores Segment

In distribution channels, the specialist stores segment has the highest market share and is expected to grow at a CAGR of 3.7% in the coming years. Many different products and related items are available at the home decor-focused specialist store outlets. The specialist shops offer specialised solutions to offices, apartments, and corporate customers. Additionally, specialist shops provide higher quality customer care and expert advice when assisting customers in selecting home décor items for various uses, including kitchens, bedrooms and outdoor furniture. Consumers prefer to research and weigh options available in the stores and the accessories that work with them. Specialist stores are therefore expected to see an increase in demand in the future.



Online Home Décor Market

According to a report by Technavio, the online home decor market share is expected to increase by USD 58.99 billion from 2021 to 2026, at a CAGR of 8.92%.

One of the key factors driving growth in the online home decor market is the rise in online spending and smartphone penetration. Online shopping through smart devices has gained popularity over the years because of the high penetration of Internet services, improved economic growth, and the up-gradation of purchase and delivery options with the emergence of m-commerce. The growing demand for eco-friendly home decor items is another factor supporting the online home decor market share growth. The rising environmental concerns and the stringent government regulations for monitoring the use of non-recyclable items are compelling brand owners to adopt eco-friendly products. The increasing consciousness of a healthy environment has increased the demand for eco-friendly furniture and other furnishings.

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-Economic Impact of Coronavirus-

The Covid-19 pandemic has created the biggest global crisis in generations, sending shock waves through health systems, economies, and societies around the world. Faced with an unprecedented situation, governments are focused on bringing the pandemic under control and reviving their economies.

Consumer Demand

According to a report by Fitch Solutions, global consumer spending growth year-on-year has slowed down significantly in 2022. Households and consumers are facing a myriad of risks, ranging from weak real income growth, high inflation and rising interest rates. The risks associated with Covid-19 have greatly reduced globally, with the exception of countries still pursuing 'zero-Covid-19' policies, such as China, where lockdowns and restrictions are weighing both on global consumer demand, through weakness in the Chinese consumer market, and on global supply chains.

The Russia-Ukraine war, lockdowns in China and disruptions to supply chains in 2022 have led Fitch Solutions to revise down its real household spending figures globally. Previously, Fitch had forecast global household spending to expand by a real rate of 6.8% (in USD terms) over 2022. The forecast now is real household spending to grow by 5.7%.

Inflation Remains High

As per IMF's latest World Economic Outlook, since 2021, inflation has risen faster and more persistently than expected. In 2022, inflation in advanced economies reached its highest rate since 1982. Despite a slight decline in the consumer price index in July and August, US inflation reached one of its highest levels in about 40 years, with prices in August 8.3 percent higher than those one year earlier. Euro area saw inflation reach 10 percent in September, while the UK saw annual inflation of 9.9 percent. Emerging market and developing economies are estimated to have seen inflation of 10.1 percent in the second quarter of 2022 and face a peak inflation rate of 11.0 percent in the third quarter: the highest rate since 1999.

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The reverberations of last year's strong demand recovery and a continued rebalancing of demand toward services such as travel have driven up inflation. Although futures prices have fallen, the delayed pass-through of past drive inflation is higher in the short term. . In Europe, a significant impact from war-related energy shocks compound these

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effects, whereas in Asia, a more moderate impact on food prices is helping to keep inflation from rising as much as elsewhere.

UK Economic Forecast

High levels of inflation will persist longer in Britain than in almost all other advanced economies, the IMF warned in its latest World Economic Outlook update. UK inflation will also be the highest in the G7 at the end of 2023, while in the 19-member eurozone, only Slovakia would have a higher inflation rate by the end of 2023.

In its Global Financial Stability Report, IMF also noted that financial markets had taken a dim view of Britain's inflation prospects, with futures markets predicting there was a 70 per cent chance of UK inflation averaging more than 3 per cent a year during the next five years.

In the United Kingdom, a significant slowdown is projected. Growth is forecast at 3.6 percent in 2022 and 0.3 percent in 2023 as high inflation reduces purchasing power and tighter monetary policy takes a toll on consumer spending and business investment.

Global Economic Forecast

According to the IMF's latest World Economic Outlook update, the global economy is experiencing a number of turbulent challenges. Inflation higher than seen in several decades, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Normalization of monetary and fiscal policies that delivered unprecedented support during the pandemic is cooling demand as policymakers aim to lower inflation back to target. But a growing share of economies are in a growth slowdown or outright contraction. The global economy's future health rests critically on the successful calibration of monetary policy, the course of the war in Ukraine, and the possibility of further pandemic-related supply-side disruptions, for example, in China where increases in food and energy prices from global commodity markets to consumer prices may continue to grow.

Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic and reflects significant slowdowns for the largest economies: a US GDP contraction in the first half of 2022, a euro area contraction in the second half of 2022, and prolonged COVID-19 outbreaks and lockdowns in China with a growing property sector crisis. About a third of the world economy faces two consecutive quarters of negative growth. Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023 and to 4.1 percent by 2024. Upside inflation surprises have been most widespread among advanced economies, with greater variability in emerging market and developing economies

Risks to the outlook remain unusually large and to the downside. Monetary policy could miscalculate the right stance to reduce inflation. Policy paths in the largest economies could continue to diverge, leading to further US dollar appreciation and cross-border tensions. More energy and food price shocks might cause inflation to persist for longer. Global tightening in financing conditions could trigger widespread emerging market debt distress. Halting gas supplies by Russia could depress output in Europe. A resurgence of COVID-19 or new global health scares might further stunt growth. A worsening of China's property sector crisis could spill over to the domestic banking sector and weigh heavily on the country's growth, with negative cross-border effects. And geopolitical fragmentation could impede trade and capital flows, further hindering climate policy cooperation. The balance of risks is tilted firmly to the

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downside, with about a 25 percent chance of one-year-ahead global growth falling below 2.0 percent—in the 10th percentile of global growth outturns since 1970.

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