The Independent Retailers Confederation

The Heartbeat of Indie Retail: Q2 2026

About the Independent Retailers Confederation (IRC)

The Independent Retailers Confederation (IRC) is a collective of UK trade associations representing independent retailers across multiple sectors. The IRC exists to provide a unified voice for independent retail, sharing evidence from the sector, supporting collaboration between associations, and ensuring that policymakers and stakeholders understand the realities facing the UK's small and independent businesses.

By drawing together insight from across its membership, the IRC helps highlight common challenges, emerging trends, and areas where policy and practical support are most needed.

About this report and research

This report presents findings from the IRC Quarterly Heartbeat Survey for Q2 2026 (April-June 2026), combining quantitative results with qualitative retailer feedback to assess trading performance, confidence, and sector pressures.

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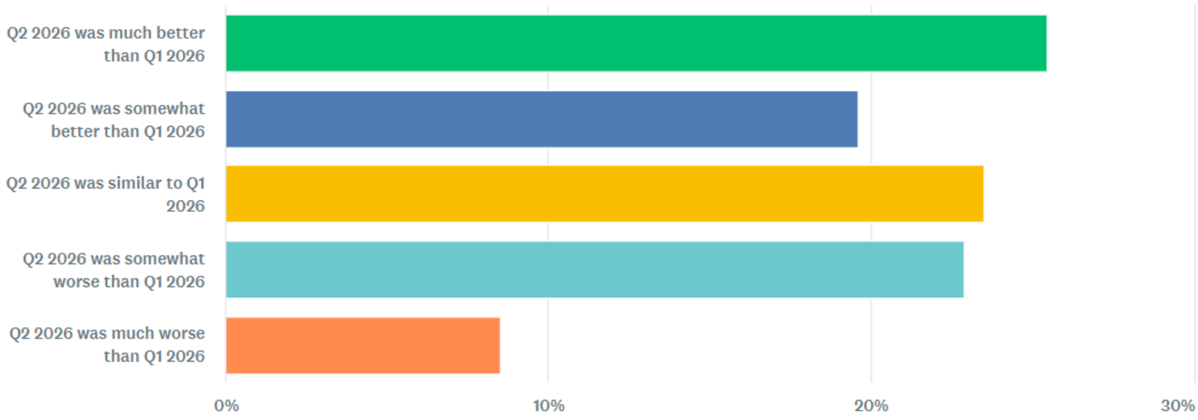
Executive Summary

Independent retailers experienced mixed trading conditions during Q2 2026. While seasonal factors helped some businesses achieve stronger performance than in Q1, many retailers continued to report pressure from weak consumer confidence, rising operating costs and declining footfall. Confidence across the sector remains subdued, with business owners increasingly concerned about profitability rather than turnover. Rising wage costs, National Insurance contributions, business rates and energy costs were frequently cited as major challenges.

Encouragingly, a significant number of respondents reported improved trading linked to tourism, seasonal demand, marketing activity and customer loyalty. However, concerns regarding economic uncertainty, global instability and changing consumer behaviour continue to weigh heavily on the sector.

1. Trading Performance Compared with Previous Quarter



Key Insights

- Q2 results were broadly mixed, with retailers almost evenly split between reporting better, similar and worse trading than Q1. Fortunately, fewer reported much worse trading.
- Seasonal businesses generally reported stronger performance due to better weather (although there are some sectors that suffer when facing hot weather periods), tourism activity, gardening season, weddings and bank holiday trading.
- Businesses reporting weaker performance frequently cited declining footfall, lower customer spending and reduced consumer confidence.

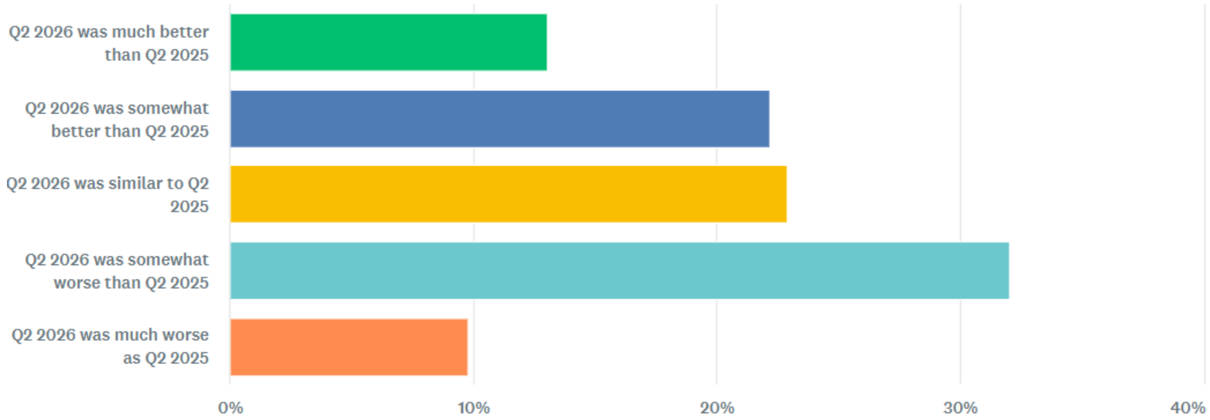
What businesses said:

Many retailers attributed changes in Q2 performance to seasonality, weather and consumer confidence. Businesses in gardening, tourism and seasonal sectors reported stronger trading as warmer weather and holiday activity increased demand. However, a significant number of respondents reported weak footfall, customers spending less and increased caution around discretionary purchases. Several retailers highlighted the impact of the Iran conflict, rising fuel prices, political uncertainty and continuing cost-of-living pressures. Heatwaves produced mixed outcomes, benefiting some sectors while reducing shopping activity in others. Rising business rates, National Insurance increases and operating costs continued to affect profitability across sectors.

Interpretation

Unlike Q1, where trading was broadly weaker than the previous quarter, Q2 demonstrates a more balanced picture. Seasonal opportunities helped offset wider economic pressures, but many retailers reported that customers remain hesitant to spend freely. The survey suggests that improved turnover is not always translating into improved profitability due to higher operating costs.

2. Trading Compared with the Same Period Last Year



Key Insights

- More respondents reported worse year-on-year performance than improved year-on-year performance.
- Reduced footfall and lower discretionary spending were the most common explanations for weaker trading.
- Some businesses delivered strong growth through marketing activity, tourism, product innovation, business expansion and customer loyalty.

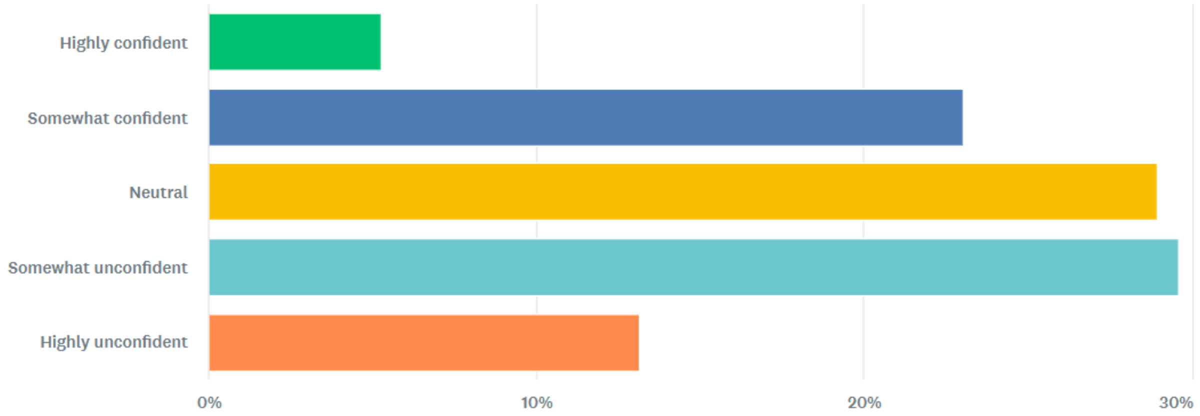
What businesses said:

Compared with Q2 2025, retailers reported a mixed but slightly more negative trading picture. Those experiencing growth often attributed success to marketing campaigns, improved product ranges, tourism & stronger customer engagement. However, many respondents highlighted reduced footfall, lower average transaction values and growing consumer caution. Several businesses reported that turnover had remained stable but profit margins had fallen significantly due to rising operating costs. Weather conditions, political uncertainty, international events and increasing living costs were frequently mentioned as factors affecting customer behaviour. The overall sentiment suggests that maintaining growth has become increasingly difficult without deliberate investment and adaptation.

Interpretation

Year-on-year comparisons reveal a more challenging environment than was evident in Q1. Although examples of strong growth exist, particularly where businesses have invested in marketing or benefited from sector-specific factors, many retailers continue to report soft demand and pressure on spending. The fact that several retailers reported higher turnover but lower profitability underlines the importance of managing rising operating costs.

3. Confidence About Q3 2026



Key Insights

- Confidence for Q3 is centred around neutral and somewhat unconfident responses.
- Rising business costs remain the single most common concern.
- Businesses operating in tourist destinations or with strong customer loyalty tend to report higher confidence levels.

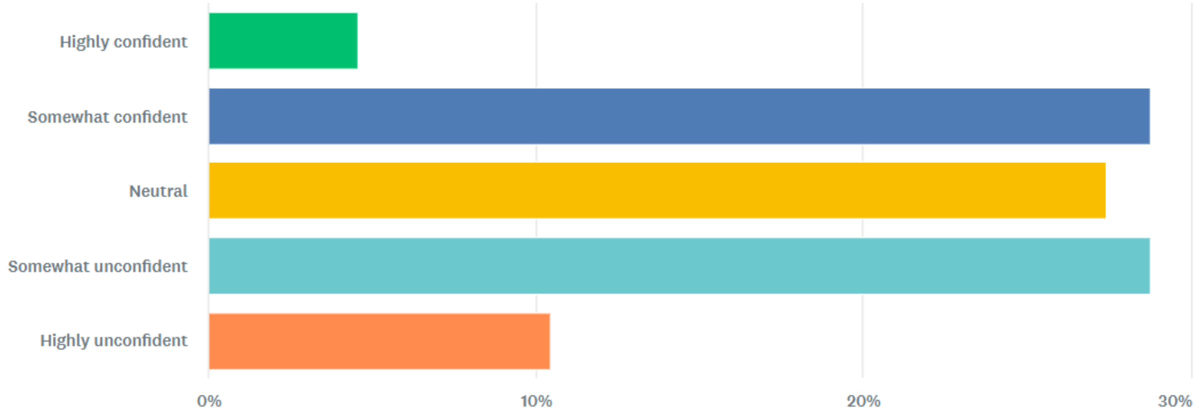
What businesses said:

Retailers generally entered Q3 cautiously, citing uncertainty around consumer spending and the broader economic outlook. Concerns focused heavily on rising wages, National Insurance contributions, business rates, energy costs and weaker footfall. Seasonal businesses expressed concern about the impact of school holidays, extreme weather and reduced visitor numbers. More optimistic respondents highlighted strong customer loyalty, tourism opportunities, new marketing campaigns and planned product launches. Several respondents also reported growing frustration with policy uncertainty and the impact of rising costs on small independent businesses. While some businesses remain confident in their own strategies, confidence in wider market conditions remains fragile.

Interpretation

The findings suggest that retailers are entering Q3 with caution rather than optimism. While few respondents anticipate immediate crisis conditions, many are concerned that ongoing increases in wages, energy costs and business rates will continue to erode profitability. Confidence is also being affected by uncertainty around consumer spending and the wider economy.

4. Confidence About the Remainder of 2026



Key Insights

- Sentiment for the rest of 2026 remains cautious overall.
- Retailers remain concerned about cost inflation, taxation, business rates and political uncertainty.
- Many businesses are looking towards Christmas trading as a key opportunity to improve performance.

What businesses said:

Comments regarding the rest of 2026 reflect both resilience and concern. Retailers continue to worry about wages, energy costs, rents, business rates and staffing challenges. Many respondents expressed concern that increasing regulation and economic uncertainty will place additional pressure on small businesses. Several reported difficulties recruiting staff or maintaining profitability despite stable sales. Optimistic retailers pointed to Christmas trading, tourism, loyal customers and planned investments as reasons for confidence. The overall tone is one of cautious determination rather than optimism, with business owners focused on survival, efficiency and managing costs in an increasingly uncertain trading environment.

Interpretation

Businesses are increasingly focused on long-term sustainability rather than growth. The survey suggests that many retailers expect difficult trading conditions to continue throughout the remainder of the year but remain hopeful that seasonal peaks, particularly Christmas, will provide an opportunity to recover lost ground.

Overall Trends for Q2 2026

Across all survey responses, four major themes emerged:

- **Consumer confidence remains weak**, with many retailers reporting lower spending and less impulse purchasing.
- **Rising costs are now the dominant concern**, particularly wages, National Insurance, business rates and energy.
- **Seasonality and weather continue to significantly influence trading performance**, creating inconsistent results across sectors.
- **Independent retailers remain resilient and adaptable**, but increasingly focus on protecting profitability rather than pursuing growth.

Conclusion

The Q2 2026 findings present a picture of an independent retail sector that remains resilient but under sustained pressure. Seasonal improvements helped many businesses outperform Q1, yet year-on-year comparisons indicate that demand remains fragile and business confidence subdued. Rising operating costs continue to erode profitability, while consumer caution, weak footfall and broader economic uncertainty limit growth opportunities.

Despite these challenges, many retailers continue to invest in customer relationships, marketing activity and operational improvements. The sector remains adaptable and determined, but long-term confidence will depend on improved consumer spending, greater economic stability and relief from mounting cost pressures.

Recommendations for Members:

- Focus on customer retention & loyalty programmes to maximise repeat business
- Prioritise margin protection and regular reviews of pricing and operating costs.
- Use local marketing, events & community engagement to counter declining footfall
- Plan proactively for seasonal fluctuations and changing consumer behaviour
- Explore new revenue streams, partnerships & service offerings to diversify income
- Invest in customer experience and differentiation to compete more effectively against larger retailers and online competitors
- Continue to contribute to future Heartbeat surveys when invited by your trade association. Every response strengthens the evidence base used to represent independent retailers, influence decision-makers, highlight emerging challenges and ensure the voice of independent retail is heard at national level.

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