

IGD Economics

Viewpoint Quarterly

What to plan for in 2026

December 2025



In this report

Our “Viewpoint” is shaped by our deep industry knowledge, informed by multiple data sources.

2026 is expected to be another tough year for the food industry. Businesses will focus on restoring margins and volumes amid weak economic growth and continued pressure on household incomes from inflation and higher taxes. Policy changes affecting the food system advanced in 2025 and are likely to accelerate in 2026. Meanwhile, geopolitical tensions and other risks could disrupt supply chains for food, energy, and other essential goods.

As you plan for the year ahead, we share our predictions for the economy, consumers, and government policy—viewed through the lens of the food system. We also highlight key factors that could influence these forecasts and outline potential implications for your business

Our experts track and monitor multiple sources of information. Combined with our knowledge of the industry, and interviews with key industry experts, this shapes our “Viewpoint”.

We provide this analysis as part of IGD’s Social Impact activity, because it supports businesses with better planning and decision-making, to the benefit of the consumers we serve and society as a whole.

We continue to monitor closely the longer-term impact of global events, price inflation, government policy and other major themes, keeping you up to date in future issues of this series.

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Key 2026 predictions



Economic outlook

- **Persistent food inflation:** IGD forecasts retail food inflation will decline slowly from an average of about 4.3% in 2025 to 3.8% in 2026 and 3.3% in 2027.
- **Growth challenge:** Productivity and economic growth in 2026 are both expected to be lower than in previous OBR forecasts (productivity at 0.7% vs 0.9%, growth at 1.4% vs 1.9%).
- **Margin recovery focus:** The food sector will need to prioritise margin and volume amid low economic growth and ongoing cost pressures. There may be some room to develop more premium sales as shoppers avoid eating out.
- **Continued supply chain risks:** Climate change, geopolitics and other threats may continue to impact supply chains for food, energy, and other vital commodities.



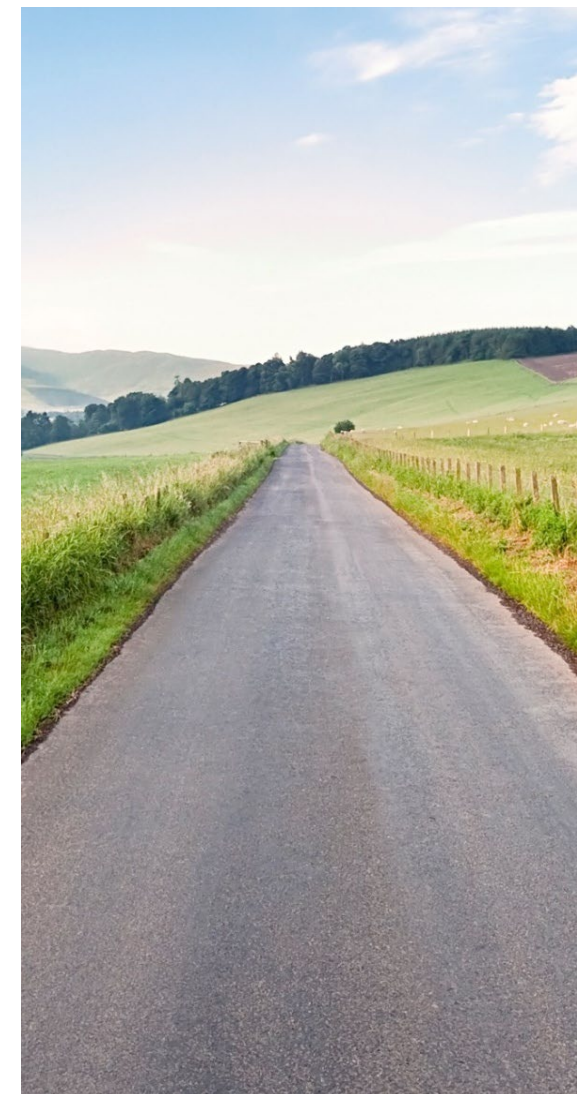
Consumer outlook

- **Taxation and inflation impact:** Inflation will still have the biggest impact on consumer sentiment, but higher taxes will add further pressure to household incomes in 2026.
- **Flatlining incomes:** Living standards will remain under pressure, with real household disposable income per person expected to stay below pre-pandemic levels.
- **Muted confidence:** Shopper confidence is expected to remain fragile, with more consumers planning to cut back on food and grocery and away from home spending in 2026.
- **Selective trade-up:** Despite caution, there will be pockets of opportunity for retailers as some consumers trade up in certain categories, especially around Christmas.



Government policy outlook

- **NHS and food regulation:** New UK-wide HFSS advertising restrictions will take effect, alongside promotion and location restrictions in Scotland and Wales. Work to implement measures to tackle obesity in the NHS 10 Year Plan will commence.
- **Circular economy focus:** Businesses must prepare for the Deposit Return Scheme and prepare for new policy interventions as a result of the Circular Economy Strategy.
- **Workforce and migration:** New obligations in the Employment Rights Bill begin to take effect, while tighter immigration rules will reduce access to labour and skills.
- **Trade and compliance:** UK businesses face new regulatory requirements as SPS arrangements with the EU shift, alongside new deforestation reporting requirements.



The economy in 2026

The economy in 2026

Our viewpoint

It is hard to raise very much optimism for the UK economy in 2026. Despite this, there are opportunities for food businesses to achieve “good growth”

The major good news story is that inflation seems to be coming under control, but there is no real likelihood of living costs actually falling.

The major force that will deliver higher spending power for UK households will be higher incomes, not lower costs, so the process is likely to be slow.

Lower inflation is not secure or guaranteed – any shock event could mean a fresh price spike for energy, food or anything else.

The tax burden on households – already high – will increase further in 2026 and this is likely to persist for many years. The fiscal challenge is daunting.

The operating environment for food and drink businesses will be very difficult in 2026 and, likely, beyond that. Volume growth will be restricted and profits under pressure.

However, there is a long “to do” list for businesses. They must restore commercial performance and also meet challenging objectives in terms of sustainability, resilience and nutrition.

For example, regulations around the marketing of HFSS foods will increasingly limit business flexibility. At the same time, planning for the roll-out of the new Deposit Return Schemes will create new operational complexity and cost.

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To be fit-for-purpose in the 21st Century, food businesses must achieve not just growth, but “good growth”.

IGD is supporting the industry as it seeks “good growth” – meaning better economic resilience, better environmental sustainability and better health outcomes.

This work must be supported by a future-fit workforce, with the skills to make the system thrive.

James Walton

Chief Economist

The economy in 2026

What to expect

Expect the geopolitical situation to remain unpredictable, so business exposure to shock will continue.

Geopolitical unpredictability

The geopolitical situation remains unstable and unpredictable. Conflict continues in many areas, including Ukraine, Sudan and South East Asia. The Ukraine region is especially important for supply of food and energy commodities. At the time of writing, peace talks are underway in the Russia / Ukraine conflict.

In addition to military clashes, diplomatic tension remains. The worst impacts of tariffs may have been avoided, but tariffs are still stifling global recovery from Covid and damping down growth.

The Office for Responsibility (OBR), in its new [Economic and Fiscal Outlook \(EFO\) report](#), cautioned that persistent global trade uncertainty, including potential tariff escalations from the US, is a key downside risk to the UK's economic outlook.

Diplomatic tension is likely to persist even after conflicts end and this also hampers attempts to co-ordinate activity in other spheres such as addressing climate change.



The economy in 2026

What to expect

Expect growth, globally and in the UK, to remain sluggish

Global growth

Latest forecasts from [IMF](#) suggest that global growth will be sluggish over the short- to mid-term, with risks mostly on the downside.

Forecasts and commentary from [OECD](#) are similar. OECD also points to possible financial risk emerging from the over-valuation of technical stocks.

Both bodies urge governments to focus on structural reform, managing inflation and fiscal sustainability – all of these are challenging long-term projects.

UK growth

Over H2 2025, the UK economy has been characterised by weak growth and persistent inflation, with signs that the labour market is weakening, slowly.

The OBR's latest report provided forecasts which formed the basis for the 2025 Budget.

On the economy, the OBR view is extremely conservative, anticipating growth of 1.4% in 2026, a downgrade from the previous forecast of 1.9%. Growth in the following years is also expected to be weak (especially per-capita), with pressure on household prosperity and flat-lining demand. More of the same, in other words, lasting at least the next 5 years.

A key element of the new EFO report is the assumptions for future productivity, which are more downbeat than in previous versions.

Productivity is a key measure, since it influences the tax revenue that government is likely to raise.

Historically, actual productivity gains have undershot forecasts, with implications for government finances. The revised forecasts correct this, but the challenge for the Treasury is now recognised to be greater.

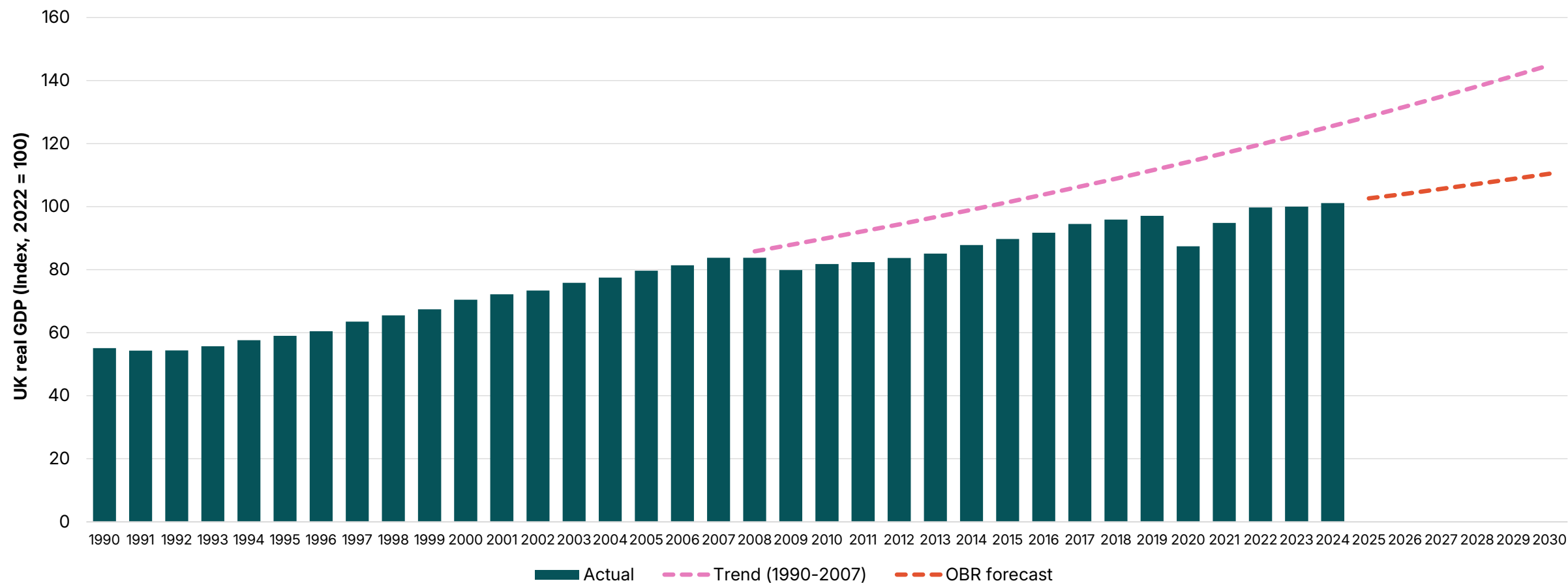
The latest [Bank of England](#) Monetary Policy Report is similarly conservative, forecasting low economic growth and noting the cautious approach of households.

The Bank suggests that households in the UK may have become permanently more cautious as a result of the cost-of-living crisis, preferring saving to needless expenditure. See the [Consumers in 2026 section](#) for more details on flatlining incomes.

The economy in 2026

What to expect

UK real GDP performance, actual, forecast and trend



The economy in 2026

What to expect

Expect food inflation to be persistent, only easing slightly in 2026.

Persistent food inflation

Both OBR and the Bank of England anticipate that all items inflation will return to target levels by 2027.

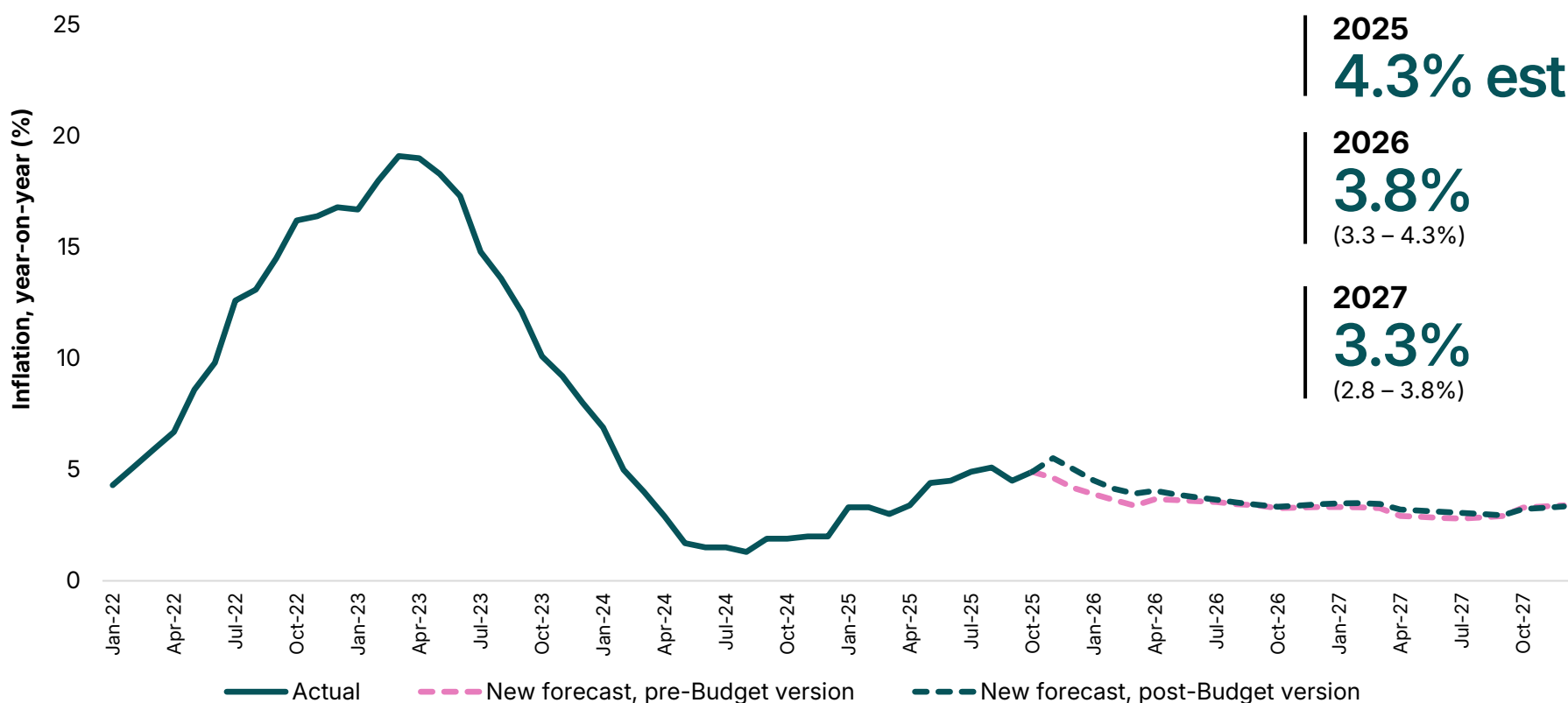
If correct, this will likely mean that interest rates will be reduced, which will be helpful for at least some borrowers and will help to support demand.

IGD has [forecast](#) that food and drink inflation will prove to be persistent, only easing slightly, falling from around 4.3% in 2025 to around 3.8% in 2026 and 3.3% in 2027. This is up from our previous [summer forecast](#).

Around 30-40% of inflation pressure in 2026 will be a result of government policy interventions (especially around labour), with the rest coming from market forces.

Market forces such as rising energy and ingredient costs are partly global, and [other European markets](#) have experienced food price inflation in much the same way as the UK.

UK food and drink inflation, CPI method



The economy in 2026

What to expect

Expect higher business costs to challenge margins

Higher business costs

UK government debt reached its highest level since WWII in 2025, prompting a Budget aimed at closing a significant fiscal gap through new tax measures rather than spending cuts. These changes will drive up operating costs for food businesses.

Key cost pressures include:

- National Living Wage (NLW) for adults will increase from £12.21 to £12.71 per hour, up 4.1%.
- Minimum wages for adults under 21 will also rise sharply.
- Excise duties on beers, wines and spirits will rise in-line with inflation (except for small producers).
- Business rates adjustments, which will increase bills for larger retail sites (although perhaps less than expected) and also for Away From Home outlets.

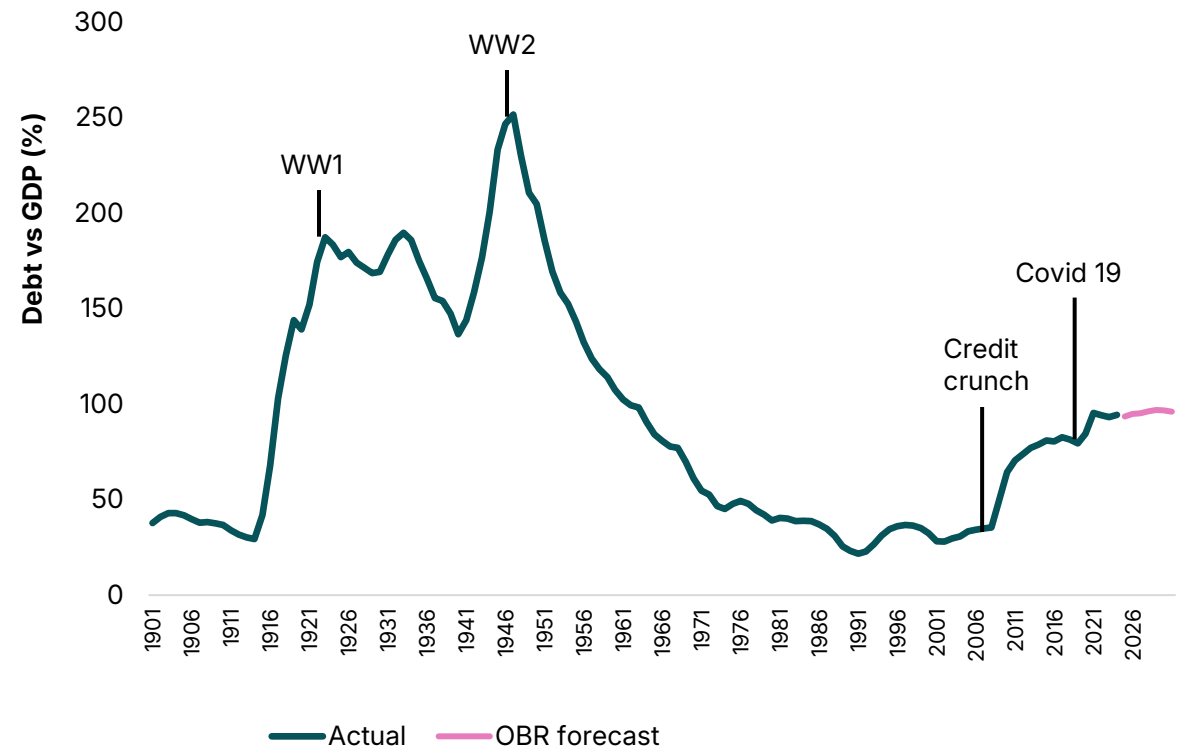
Beyond the Budget, additional costs will arise from policies including:

- Extended Producer Responsibility (EPR).
- Deposit Return Schemes (DRS).
- The Employment Rights Bill.

Together, these measures will significantly increase compliance and labour costs, challenging margins across the sector.

See [Section 4](#) for more details.

UK public sector net debt vs GDP



The economy in 2026

What to watch out

Government fiscal performance

The government has taken hard choices in the Budget, taking significant steps to rebuild its finances.

This is a political risk, since households are being called on to help repay government debt and pay for government running costs.

However, the government must also pay attention to the interests of institutional lenders, who provide credit.

To keep costs under control, they must be assured that they will be repaid. The higher debt rises, the more influence these lenders have.

These investors will be scrutinising performance closely and their view will be reflected in lending rates. Rising rates would signal danger and potentially derail the government's plans.

New supply chain shocks

The UK food system – like the whole economy – remains highly exposed to external shock events, especially through geo-political and climate events.

IGD has conducted extensive research on [supply chain risks](#) and a recent [report](#) quantifies the financial risk presented by climate change to key food commodities, under three scenarios.

Taking prompt action to harden the UK food system against change will be expensive, but this cost would be dwarfed by doing nothing or even by delaying action.

Business rates

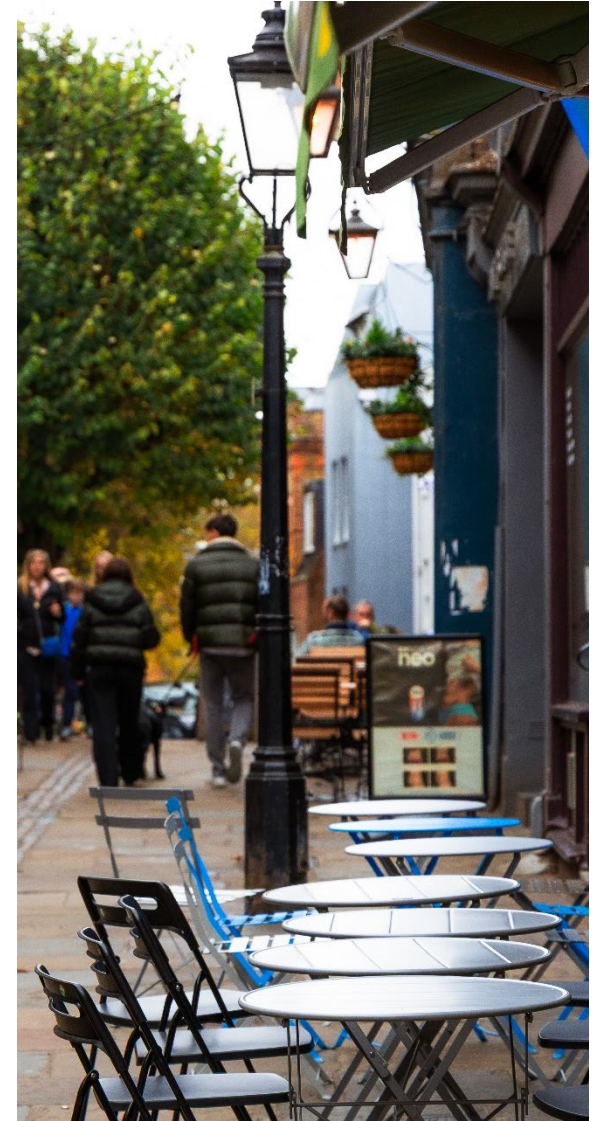
UK town centres evolve constantly, in response to commercial, economic and social pressures. A new pressure taking effect in 2026 will be new rules for business rates.

These are intended to redistribute the burden of business rates, but this will inevitably create winners and losers.

Large format food stores will be more exposed to rates than before, as will large properties further up the supply chain including distribution centres and factories.

Smaller retail establishments will have less exposure, but Away From Home (AFH) and hotel businesses may see rates bills rise significantly.

The exact impact of this is still unclear, but it is likely that the physical landscape of food retail and AFH will continue to evolve.



The economy in 2026

Implications for your business

Food as an outlier

Comparing IGD forecasts for food price inflation with OBR forecasts for general inflation, it is likely that food and drink will become more expensive in 2026, relatively speaking.

This means that food and drink businesses will come under more scrutiny in future by government, media and influencers.

Businesses must be ready to explain why prices continue to rise and be seen to be acting to protect consumer interests.

Weak volumes

Inflation and the economic pressures acting on households are expected to go on limiting volume demand for food in both retail and AFH for many years to come.

This is reflected in [IGD's forecasts for the future of the UK food system](#), which are extremely conservative and anticipate very slow real terms growth.

This will impact business performance across the supply chain and will make businesses more vulnerable to any change in fixed costs such as rising labour costs.

Margin rebuilding

Fierce price competition has helped to protect UK consumers from the worst impacts of cost change in the food supply chain.

However, business profit margins in most parts of the food supply chain have been under severe pressure for many years.

At some point, businesses will need to rebuild margins, but this will not be easy under current conditions.

Margin is not only necessary for rewarding investors – it is a prerequisite for building a better, more resilient supply chain and helping to prevent future inflation shocks.

Need for 'good' growth

There is a strong commercial need for volume growth but there is also a clear social and strategic need.

The size of the UK population is expected to go on growing for years, meaning that more food will be needed in order to preserve national food security.

This might be secured via trade but, with trade flows disrupted and the global climate becoming more unpredictable, there is an argument for expanding domestic production.

Not all growth will be of equal value, however. Expanded food production should ideally match shared objectives around health and climate. In other words, it must be "good growth".

IGD's recent [Viewpoint Special report](#) includes a framework for identifying priority sectors for strategic food system growth. It also suggests policy actions that might unlock this potential.

Consumers in 2026

Consumers in 2026

Our viewpoint

Caution remains the dominant mood as UK consumers enter 2026, with confidence fragile and living standards under sustained pressure.

Despite hopes for improvement, most households expect little improvement in their financial outlook, as the impact of rising taxation overtakes inflation as the main squeeze on disposable income.

Consumers have already made significant cost-cutting adjustments, limiting the scope for further savings. Consumers are bracing for a leaner year, with discretionary spending, especially eating out, under pressure.

Businesses face a dual challenge: maintaining relevance for value-driven consumers while unlocking growth from more resilient segments. The pressure on volumes will persist, but those able to offer both affordability and moments of indulgence may benefit as consumers continue to prioritise essential spending but seek occasional upgrades.

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With fiscal tightening set to continue and external shocks ever-present, confidence is expected to remain muted as household incomes flatline. Staying attuned to consumer sentiment will be important, even in a relatively static environment, as success will depend on adapting to persistent economic headwinds and constrained spending power.

Michael Freedman

**Head of economic and
consumer insight**

Consumers in 2026

What to expect

Expect consumer confidence to remain muted and fragile. Confidence will be impacted by events and the news agenda, which could lead to fluctuations throughout the year.

Muted confidence

IGD's Shopper Confidence Index remained quite stable in 2025 and reached -1 in November 2025 compared to -2 the year before. The index is based on shoppers' future plans.

Financial confidence has also remained relatively stable. 30% of consumers in November 2025 expect to be worse off in the year ahead compared to 32% in November 2024. However, consumers claimed to be [less financially confident due to the 2025 Budget measures](#).

Differences by income group remain, and unsurprisingly those on the lowest incomes are least financially confident.



Consumers in 2026

What to expect

Expect living standards to remain under pressure in 2026.

Flatlining incomes

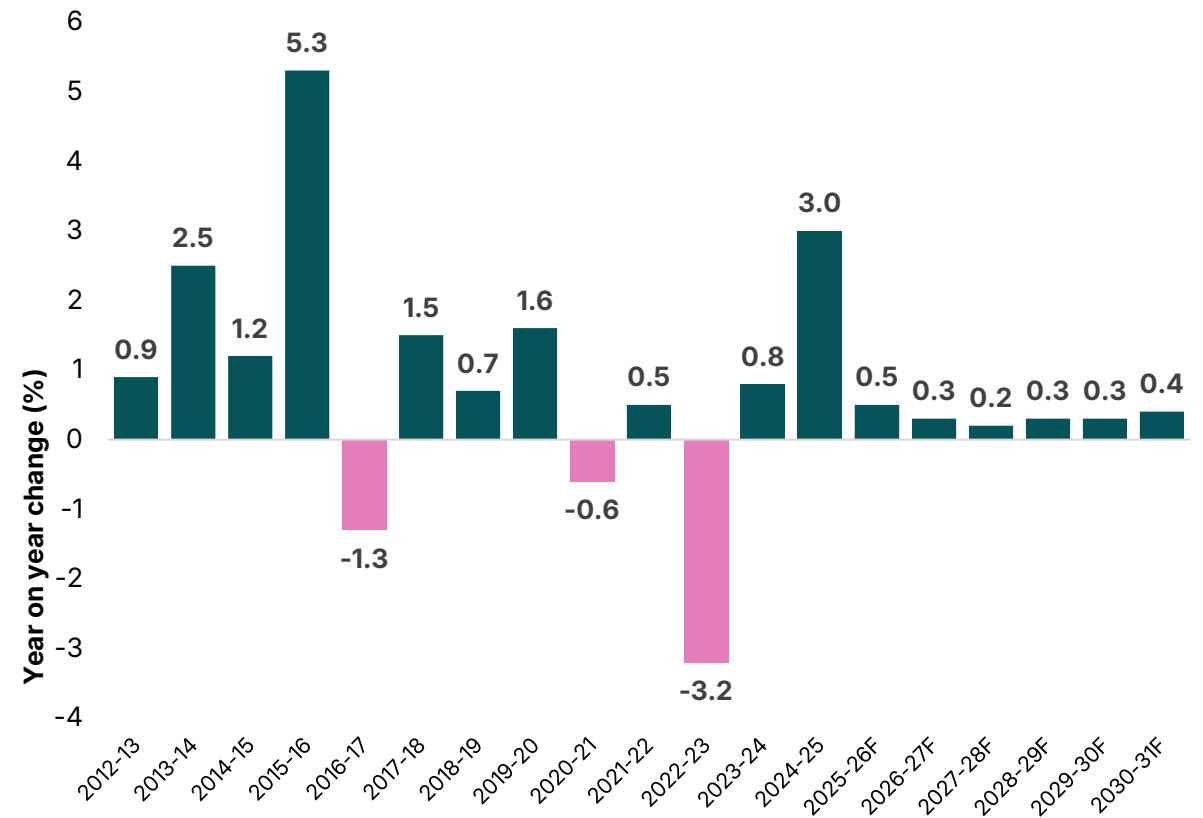
The [OBR](#) predicts living standards, as measured by growth in real household disposable income per person, to fall from 3% in 2024-25 to around ¼ per cent a year over the next few years. This is well below the last decade's average growth of 1% a year.

The National Living Wage will rise by 4% to £12.71 per hour from April 2026, offering a boost to low-income households. However, with income tax thresholds frozen until 2031, wage growth will push more people into higher tax brackets, hitting middle- and higher-income groups hardest.

[The Bank of England](#) anticipates that pay growth is expected to ease further in 2026, reflecting continued disinflation and slack in the labour market.

The central projection shows private sector regular pay growth slowing to around 3% by late 2026, broadly in line with pre-pandemic norms. This is a sharp decline from the 4.9% recorded in mid-2025.

Real household disposable incomes per person



Consumers in 2026

What to expect

Expect the tax burden to increase, with the impact falling most heavily on middle- and higher-income consumers.

Higher tax burden

In the previous Budget, businesses bore the burden of tax increases but in the new Budget the emphasis has shifted to households.

The measures announced are expected to raise around [£26 billion by 2029–30](#), pushing the UK tax burden to 38.3% of GDP by 2030–31 – the highest level on record.

Key tax raising measures include:

- **Freezing of income tax thresholds** extended by three years to 2031.
- **Property and dividend income** - Increase basic and higher tax rate on property, savings and dividend income by two percentage points as well as additional tax rate.
- **“Mansion” tax** – A tax on homes over £2m from 2028/29 and reforms to stamp duty.
- **Electric vehicles:** A new mileage-based charge on battery electric and plug-in hybrid cars from 2028.
- **Cash ISA** limit cut by £8,000 - except for over-65s.

The government’s decision to raise taxation is unsurprising, having been signalled repeatedly, including by the Chancellor in her [speech](#) of 4 November.

Combined with inflation, these measures will squeeze household disposable income, weakening confidence and demand.

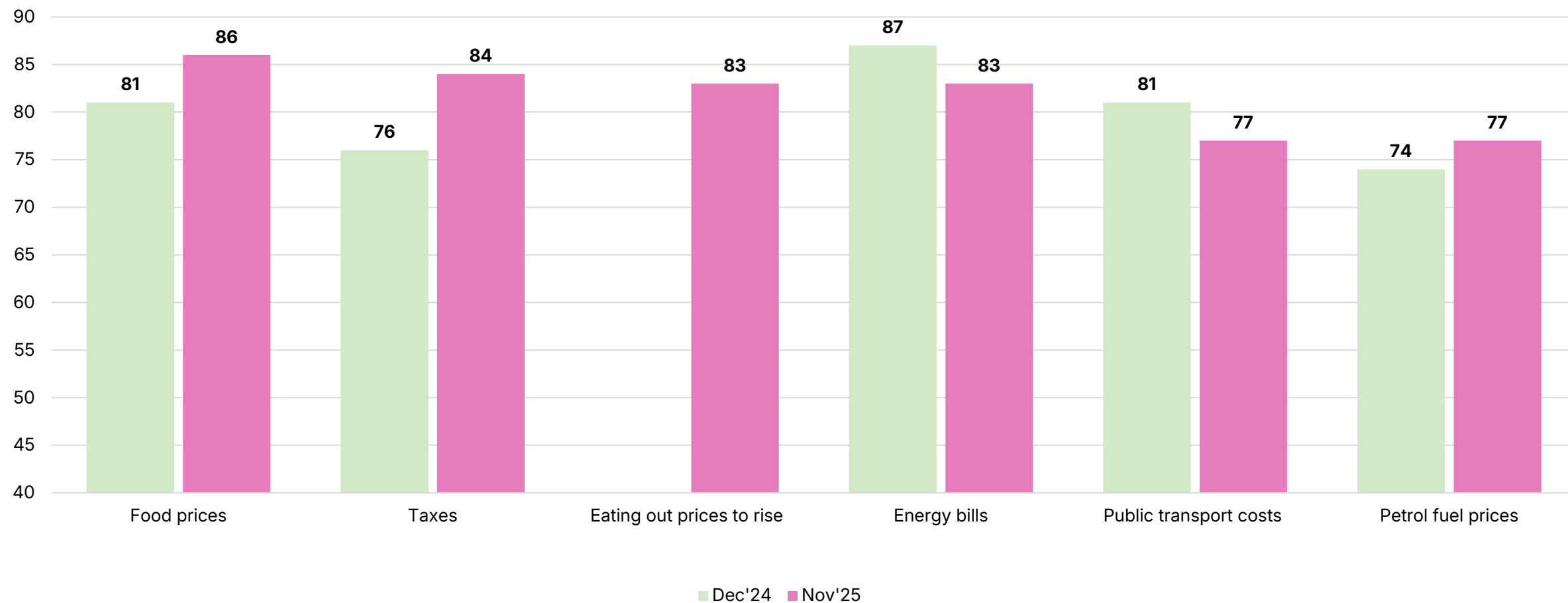
IGD research shows 84% of consumers expect tax bills to rise in 2026, up from 76% last year, suggesting households will tighten budgets and prioritise essentials.



Consumers in 2026

What to expect

% stating expect the following bills to rise



Consumers in 2026

What to expect

Expect the growth in the away from home (AFH) channel in 2026 to be primarily driven by price increases.

The market will remain in a challenging trading environment, reflecting subdued consumer spending and persistent cost saving habits.

Away from home

The increased pressure on margins caused by rising costs will force many operators to increase menu prices. This means that inflation is the primary driver of market value in 2026.

However, there will be pockets of volume growth primarily in the leisure, accommodation, workplace and healthcare sectors. This will be driven by a combination of tourism trade, the popularity of events and experiences and the premiumisation of services provided in contract catered environments.

Subdued consumer spending, driven by stagnant real wage growth, is set to disproportionately impact sectors like full-service restaurants and pubs, which continue to face challenging trading conditions.

IGD research reveals that just under half of consumers plan to cut back away from home spend in 2026. This is little changed to the year before. Use of away from home at Christmas may also be impacted by measures in the 2025 Budget – see our [latest article](#).

However, there are big differences by income brackets, with those on middle and higher incomes more likely to plan to cut back spend in 2026 than those on lower incomes.

Read our [AFH 5-year forecast report](#) for more detailed breakdown and narrative by sector.



Consumers in 2026

What to expect

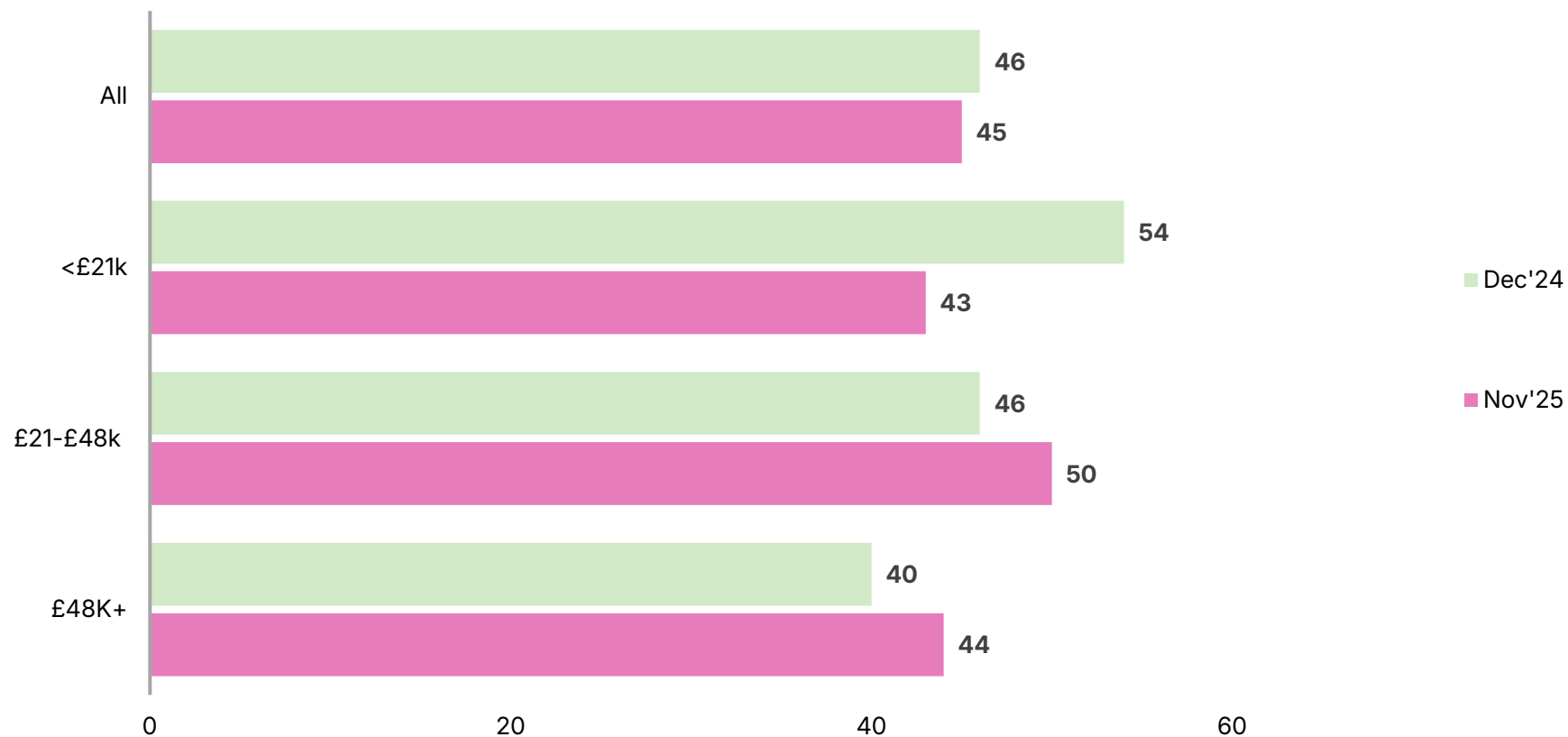
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With rising costs driving up prices, value in 2026 is largely inflation-led. Growth will depend on where demand holds up, especially in sectors tied to tourism, experiences, and essential services.

Consumers have already cut back on their visit frequency, and this shows no signs of abating in the near future.

Nichola Gallagher
Senior Insight Analyst, UK

Planning to reduce Away From Home spend in the next few months (%)



Consumers in 2026

What to expect

Expect grocery volumes to show little or no growth in 2026.

Food and grocery spend

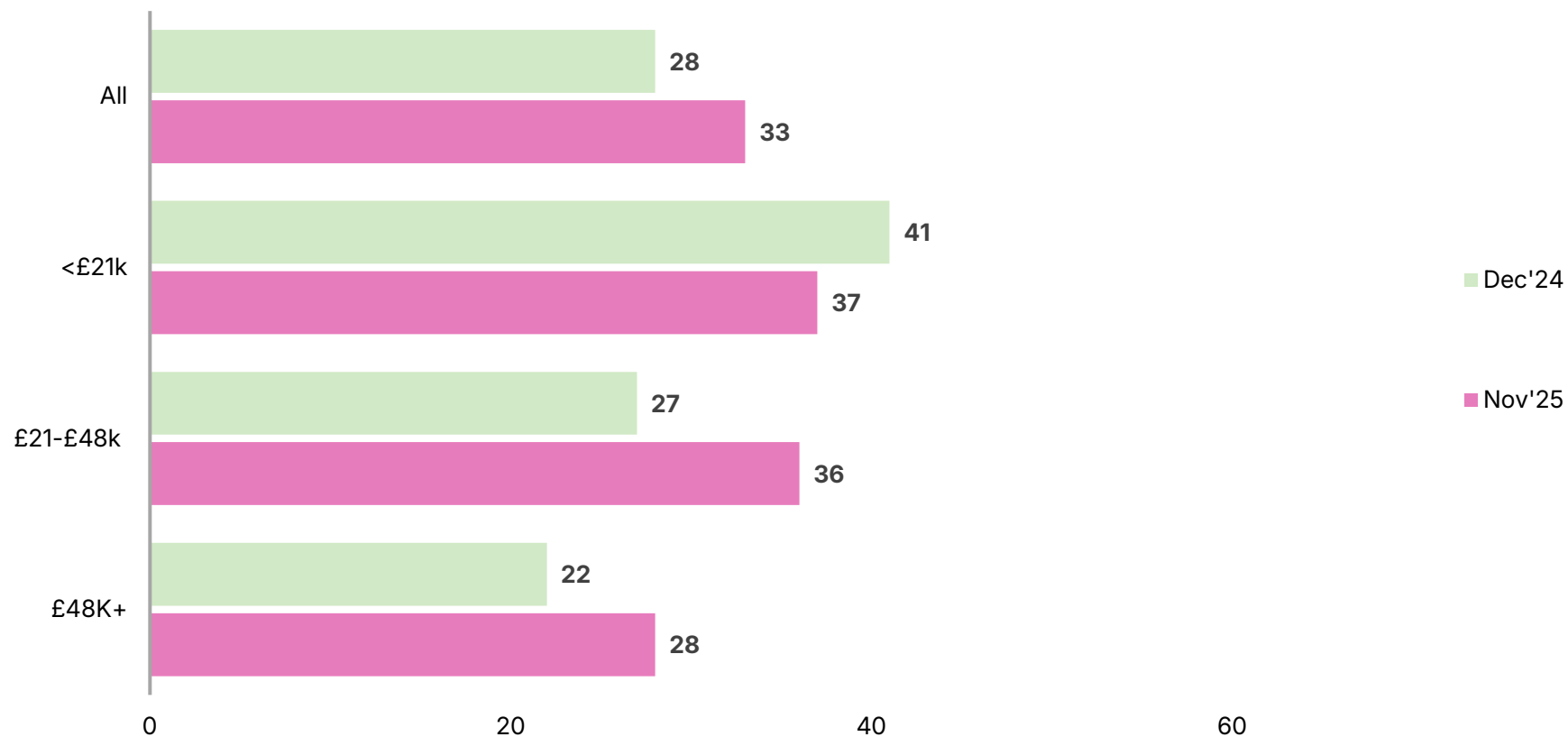
IGD research reveals that more plan to cut back food and grocery spend.

While lower income groups remain most likely to cut back spend, those on middle and higher incomes are now far more likely to plan to cut back spend than a year ago.

- 44% plan to buy fewer food and grocery items in the next few months, up from 41% in December 2024.

This will continue to impact volume performance, with many food businesses struggling to find much growth. IGD does not [anticipate](#) volume recovery any time soon. That applies to both retail and Away From Home.

Planning to reduce food and grocery spend in the next few months (%)



Consumers in 2026

What to watch out for

Energy and fuel bills

Energy costs remain a concern, with volatility in global markets and ongoing geopolitical tensions potentially impacting household bills.

Petrol and transport costs are expected to stay elevated, with 83% of consumers anticipating higher energy bills and 77% expecting increased fuel costs.

Any further rises could prompt households to tighten budgets, especially as government support remains limited.

Labour market

The labour market outlook remains uncertain, with pay growth expected to slow and unemployment forecast to rise modestly.

Lower-income households face the greatest squeeze, and any deterioration in employment or working hours could further reduce spending power.

Taxes and benefits

The tax burden is set to increase further driven by measures introduced in the 2025 Budget.

IGD research shows 84% of consumers expect their tax bills to rise in 2026, disproportionately impacting middle- and higher-income groups.

While some benefits may increase, inflation and frozen tax thresholds mean little real-term improvement for many households.

Interest rates

Interest rates are forecast to ease only gradually, with the Bank of England projecting pay growth to slow and inflation to remain above target for much of 2026.

Higher rates continue to affect those with mortgages and renters, limiting discretionary spending and increasing financial pressure.

Confidence and behaviour

Confidence remains fragile, vulnerable to economic news and global events.

Essential spending will be prioritised, but selective trade-up around, especially around seasonal occasions offers opportunities for food retailers.

Further strain on household finances could accelerate switching from away from home to food retail.



Consumers in 2026

Implications for your business

Plan for prolonged weak demand

Given the economic outlook - flatlining incomes, higher taxes, and persistent inflation - businesses should plan for continued weak demand growth across both grocery and foodservice. Rather than frequently changing product ranges or chasing small, short-lived opportunities, focus on operational efficiency, cost control, and protecting core business. Investments should be targeted and justified by clear, sustained demand, not by hopes of a rapid rebound.

Learning the lessons from Christmas 2025

Analysing Christmas 2025 consumer behaviour will help businesses meet evolving needs in 2026.

Focus on balancing value and premium, supporting budgeting with loyalty schemes, and adapting ranges to reflect selective trade-up and cautious spending.

Use festive insights to inform stock, promotions, and messaging, ensuring plans are tailored to current consumer priorities.

Watch for shifts in consumer coping strategies

Consumers have already made significant adjustments to manage higher costs, such as reducing frequency of eating out, and cutting back on grocery spend.

With limited room for further savings, any new economic shocks could trigger sharper reductions in demand.

Businesses should track changes in consumer coping strategies, such as increased use of promotions, increased use of private label ranges, or further reductions in discretionary spend, and be ready to respond quickly with relevant offers or support.



Government policy in 2026

Government policy in 2026

Our viewpoint

2026 will see significant regulatory change - businesses must plan for compliance whilst being prepared for potential political change.

By the end of 2026, we will be halfway through the current Parliament, Donald Trump will be halfway through his second term in office, and the political makeup of the devolved Governments across the UK could have completely changed.

Next year is likely to see an acceleration of the policies the UK Labour Government wishes to see implemented before the next General Election, and for food policy to continue to be shaped by forces both within and outside Government control.

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In 2026 businesses can expect to see the Government's regulatory agenda continue to have a significant impact, particularly in the context of health.

Maeve McCormack
Head of Corporate Affairs

Government policy in 2026

What to expect

Food strategy

The Government will publish its Food Strategy and begin work to implement it. The four outcomes which it hopes to achieve through the Food Strategy are good growth, sustainable and resilient supply, vibrant food cultures and healthier and more affordable food. The new Secretary of State and Food Minister have made clear that growth and affordability are their priorities, so watch this space for greater action on these areas in 2026.

Growth agenda

Economically, the Government will continue to seek to deliver a growth agenda. It will want to be able to demonstrate that 'working people' are seeing the benefits of tough decisions made in the last two years.

As the next General Election approaches, expect to see more 'retail offers' to voters to make them feel that they have more money to spend. After two tough budgets, the Chancellor will be looking for opportunities to make sure consumers feel they have more money in their pockets, but her ability to do this is likely to be constrained by whether or not the economy is growing sufficiently.

Health policy

For any businesses which have not already voluntarily complied with the HFSS advertising restrictions, the ban on pre-watershed and online advertising applies from January. In Wales and Scotland, similar location restrictions to those already in place in England will be rolled out, alongside a ban on HFSS multibuys.

Looking further ahead, the NHS 10 Year Plan, including significant changes for food businesses, will begin to be rolled out.

Early 2026 is likely to involve consultation on how the Government should implement some of its plans to tackle obesity, including what form changes to the Nutrient Profile Model (the system used to 'score' products to determine whether or not they are subject to restrictions or not) will take.

It will also work with the Food Strategy Advisory Board to begin to set out what mandatory sales reporting should look like.



Government policy in 2026

What to expect

Circular economy

Consultation will commence on policy proposals from the Circular Economy Strategy. In England, Scotland and Northern Ireland, businesses will need to ramp up their plans to get ready for the rollout of the Deposit Return Scheme, ahead of its 2027 implementation date.

Businesses are still awaiting legislation and guidance from the Welsh Government to help them prepare for the rollout of the Welsh scheme.

2026 represents an opportunity for businesses to have greater input into the operationalisation of the Extended Producer Responsibility scheme, now that it is up and running. Defra will appoint a Producer Responsibility Organisation (PRO) and it is hoped that it will begin to take on new powers which will enable greater industry input to drive improvements which will facilitate better circularity.

Farming profitability

Baroness Minette Batters was commissioned by the Government earlier this year to conduct a review into farming profitability.

She has now concluded it and submitted it to the Government. This is expected to be published in the next couple of weeks, alongside a decision from Defra about which (if any) of her recommendations they are going to implement.

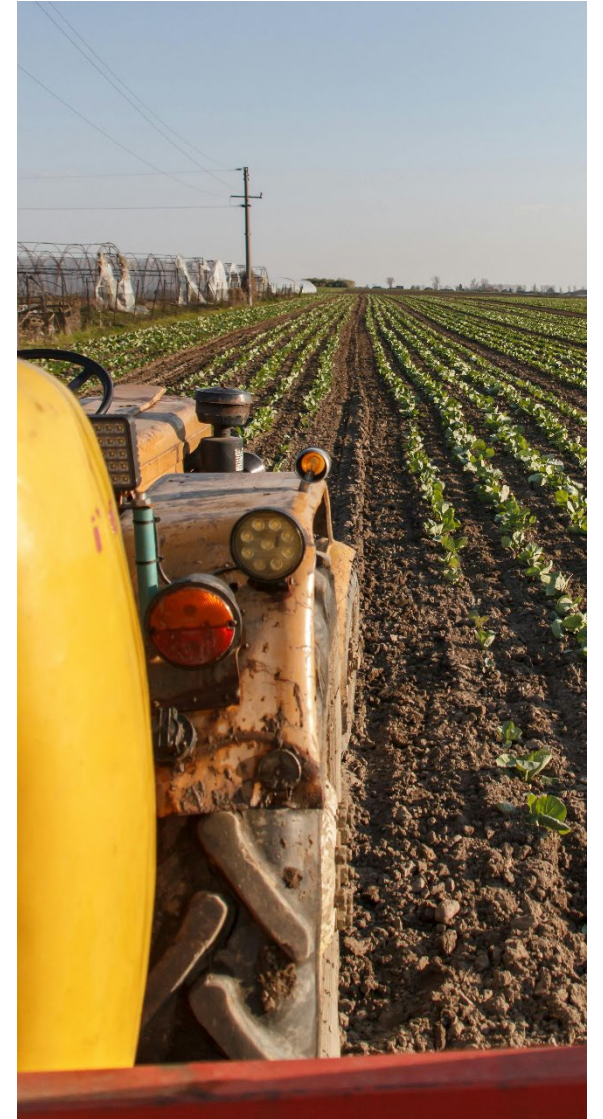
If the Government implements these recommendations, the Review has the potential to boost domestic production in the UK.

Borders and trade

The UK is moving towards a Sanitary and Phytosanitary (SPS) agreement with the EU, the ambition being to reduce routine checks on many goods.

Defra is currently working on a plan to develop all of the secondary legislation necessary to implement potential changes. From a regulatory perspective this is likely to be initially complex and onerous, but over time it is hoped will make trade more straightforward.

Medium-risk fruit and vegetable checks remain suspended until at least January 2027. The Single Trade Window rollout is delayed until 2026, so current systems stay in use. Northern Ireland's Retail Movement Scheme continues under the Windsor Framework with simplified green lane processes.



Government policy in 2026

What to expect

Deforestation reporting

The EU Parliament has now agreed to delay the rollout of the EU Deforestation Regulation (EUDR), to late 2026 for large companies and late 2027 for smaller businesses. These rules will apply to UK businesses that trade with the EU, requiring that commodities like coffee, soy, and wood are proven to be deforestation-free and legally produced. UK exporters will need to provide due diligence statements, including geolocation data of the production sites, to comply.

UK businesses continue to await details of the UK Forest Risk Commodity regulation, which has not yet been published but will aim to achieve similar goals. The delays mean there is an opportunity for alignment with EU legislation, which would reduce reporting complexities for UK businesses.

Employment Rights Bill

The Employment Rights Bill will begin to take effect, which will have greater obligations for businesses. It will have a particular impact on the food industry, given how many people it employs. Some of the tougher provisions, including day one unfair dismissal rights, have now been abandoned by the Government, so it may not be as onerous as initially expected.

Migration and access to skills

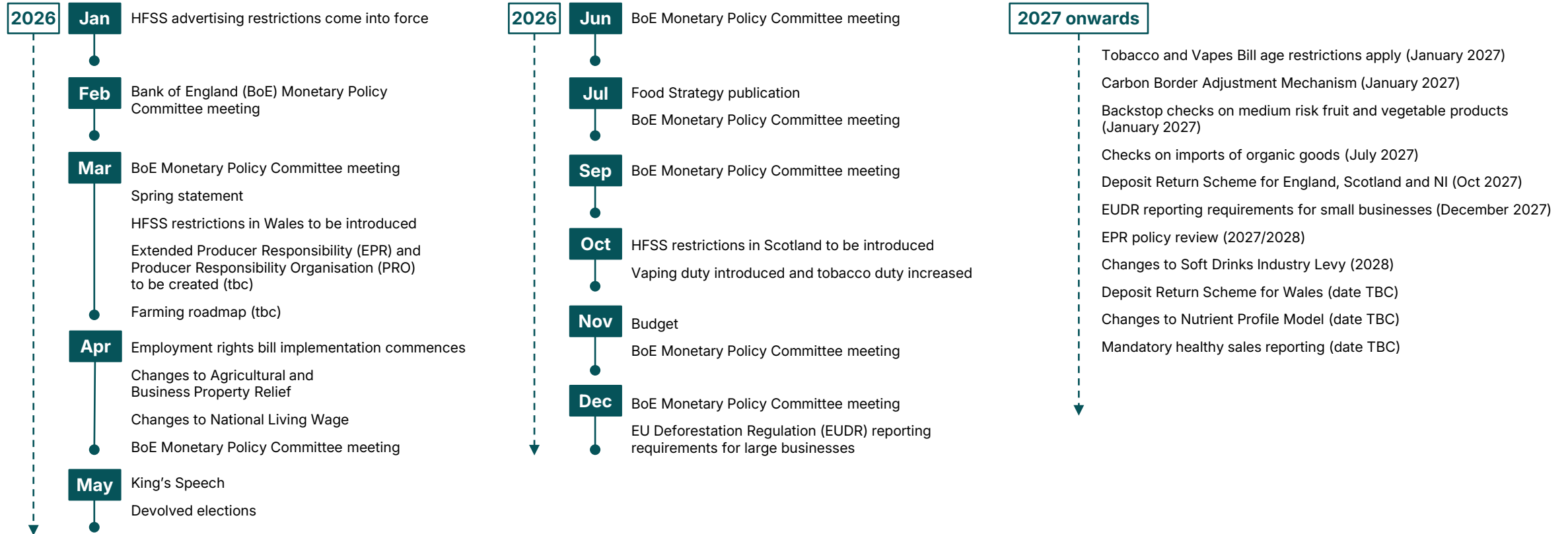
UK immigration policy continues to tighten. From January 2026, Skilled Worker visas require B2 English proficiency and a minimum salary of £41,700, with limited discounts for new entrants and roles on the Immigration Salary List.

The Immigration Skills Charge rises by 32%, increasing costs for employers. Graduate visas shorten to 18 months (non-PhD), and settlement periods extend to 10 years. Digital eVisas replace physical permits, and family accompaniment rules remain restrictive. Seasonal Worker visas stay until 2029, but reliance on automation and domestic recruitment is encouraged.



Government policy in 2026

Regulatory and policy landscape



Government policy in 2026

What to watch out for

Local elections

In May, elections will take place across the devolved administrations and many councils, including every London council. It looks increasingly likely that Labour could lose control of the Welsh Senedd for the first time since its formation, potentially to Reform.

Keir Starmer's party could also suffer local election losses in London to a mix of parties, including the Liberal Democrats and Greens. If Labour loses to both left and right, Starmer could see a leadership challenge, and the future direction of this Government would depend on the winner of any contest.

More practically, changes in Government in Wales or (less likely) Scotland could impact the rollout of policies to restrict where HFSS products can be in stores, and the implementation of a deposit return scheme.



Government policy in 2026

Implications for your business

Need for investment and planning

2026 will be a year of consolidation – consultation on the detail and beginning to implement some policy programmes.

There are big operational implications for the food industry, particularly in the context of health and sustainability initiatives, which will require significant investment and planning.

Key for Government to co-create

It is crucial that the Government shares detailed operational guidance in a timely manner to ensure that businesses are able to deliver the outcomes politicians are seeking.

Co-creation will almost always result in more effective policy.

Devolved elections – plan for change

Food businesses should also keep a close eye on the devolved electoral outcomes as they could impact the changes they will need to make in the coming months and years.



Meet the Team



James Walton

Chief Economist

James equips businesses to anticipate and deal with strategic change

[Contact James](#)



Michael Freedman

**Head of Economic
and Consumer Insights**

Michael delivers expert analysis on the latest economic and consumer trends

[Contact Michael](#)



*Matthew
Stoughton-Harris*

Head of resilience

Matthew supports businesses across the food system to build resilience to threats

[Contact Matthew](#)



Maeve McCormack

Head of Corporate Affairs

Maeve leads policy and regulatory analysis to assess impacts on the food system and works with Corporate Affairs stakeholders.

[Contact Maeve](#)



Harshal Gore

**Director of Economic
& Workforce Programmes**

Harshal is strategically leading the economics and workforce programmes at IGD.

[Contact Harshal](#)



Naomi Kissman

Social Impact Director

Naomi leads the Social Impact team at IGD, working with industry leaders, uniting and inspiring businesses to address economic, social, and environmental challenges that matter to us all.

[Contact Naomi](#)

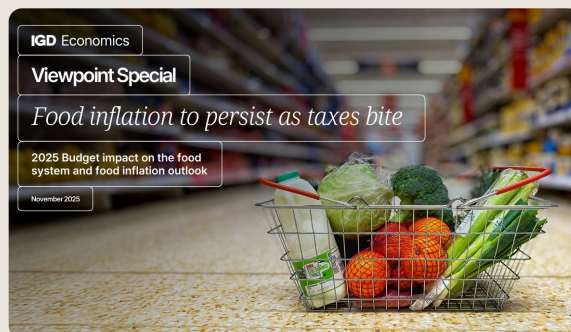


Next steps



Economics bulletin newsletter

Sign up to our economics bulletin newsletter.

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Food inflation and Budget impact

Our analysis of the 2025 Budget impact on the food system and our latest food inflation forecasts.

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Driving growth report

Exploring how targeted opportunities in the food system could boost economic growth while also improving our health, protecting the environment, and making us more resilient.

[See report here](#)

UK vs EU food prices

Understand how UK food prices compare to the EU, and what this means for food businesses and consumers

[Read article here](#)