



The State of Fashion 2026

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EXECUTIVE SUMMARY

When the Rules Change

As fashion executives look ahead to 2026, they are contending with a fundamentally new reality. US tariffs have redrawn trade maps and forced brands and their suppliers to rapidly adjust and adapt. Consumers continue to rethink their spending, seeking value and devoting more of their budgets to other goals, including their own health and wellbeing. The swift onset of AI, meanwhile, means fashion leaders are navigating a rapidly changing technological landscape.

While the ongoing disruptions may feel daunting, they are in fact part of a wider set of longer-term systemic shifts. *The Business of Fashion* and McKinsey have been tracking global economic dislocations, shifting consumer preferences and changes to the fashion system in *The State of Fashion* reports for 10 years now. The publication of our first report in 2016 coincided with the Brexit vote in the UK and the first election of Donald Trump. Since then, we have examined the impact of a once-in-a-generation pandemic, global supply chain upheaval and the industry's track record on sustainability, among many other macro themes.

Whereas in previous years fashion leaders facing the volatility of global affairs were uncertain about what lay ahead, now they seem to have accepted

that constant change is simply the new normal. “Challenging” has overtaken “uncertainty” as the word executives polled in the annual BoF-McKinsey State of Fashion Executive Survey used most frequently to describe the industry in 2026, with tariffs cited as the number one hurdle.

Perhaps unsurprisingly, then, many leaders are feeling pessimistic and are not expecting an easy road ahead. This year, 46 percent say they expect conditions to worsen in 2026, compared with 39 percent in last year's survey. By geography, 36 percent view North America as unpromising or very unpromising, double last year's share.

But not everyone is so downbeat. Among those polled, 25 percent believe industry conditions will improve, up from 20 percent in 2025, suggesting some players see pockets of opportunity. Sentiment towards China is finally picking up, even as conditions remain difficult: 28 percent view the market there as unpromising in 2026, down from 41 percent heading into 2025.

The industry's main agenda in 2026 will be adapting to this new environment where trade, consumer behaviour and technology remain in rapid flux. Agile brands that can adapt quickly are likely to emerge as the winners.

Harnessing Artificial Intelligence

With turbulent conditions including volatile input costs, supply chain disruptions and slow growth straining fashion's economic model, AI is shifting from a competitive edge to a business necessity. Companies are reshaping workforces accordingly, with some existing jobs becoming more AI-centric, enabling roles to shift towards higher-value creative and analytical tasks.

To harness this technological change, companies must redesign their processes and compete for AI talent — looking beyond the fashion ecosystem to find it — while protecting the essential creativity that makes fashion tick. Business leaders must shift their focus from small pilots and experiments that can only deliver incremental change towards a more fundamental reassessment of how their organisations work. And while still nascent, agentic AI is reshaping how people work and collaborate, so fashion companies will need to figure out how they can harness this emerging technology too.

AI is also transforming how people shop. Customers are turning to large language models to search for products, compare offerings and receive tailored recommendations. Some are already using AI as style and wardrobe consultants, seeking advice on what to buy and where to buy it, making



fashion brands' presence in AI chatbot responses the new SEO. These dynamics will only grow more pronounced as agentic commerce accelerates in the second half of the decade.

New Customer Priorities, New Competitors

Fostering customer loyalty is emerging as an important frontline in the battle for customers, with more than half of executives citing retention strategies as a key theme shaping the industry in 2026.

To retain — and attract — customers, brands will need to give them what they want, and increasingly that means offering value. While luxury players raised prices without corresponding improvements in product quality or creativity, design-led brands in the mid-market elevated their products and store experiences. Now, the mid-market is the fastest-growing segment, replacing luxury as fashion's main value creator.

Jewellery has also thrived as fashion brands hiked prices faster. Strong volume demand in jewellery is expected through 2028, driven by consumers' desire for lasting investments and self-expression alongside a rise in self-gifting among both men and women. Meanwhile, smart eyewear that blends fashion and technology has become the fastest-

growing accessory category, with further product launches expected in 2026.

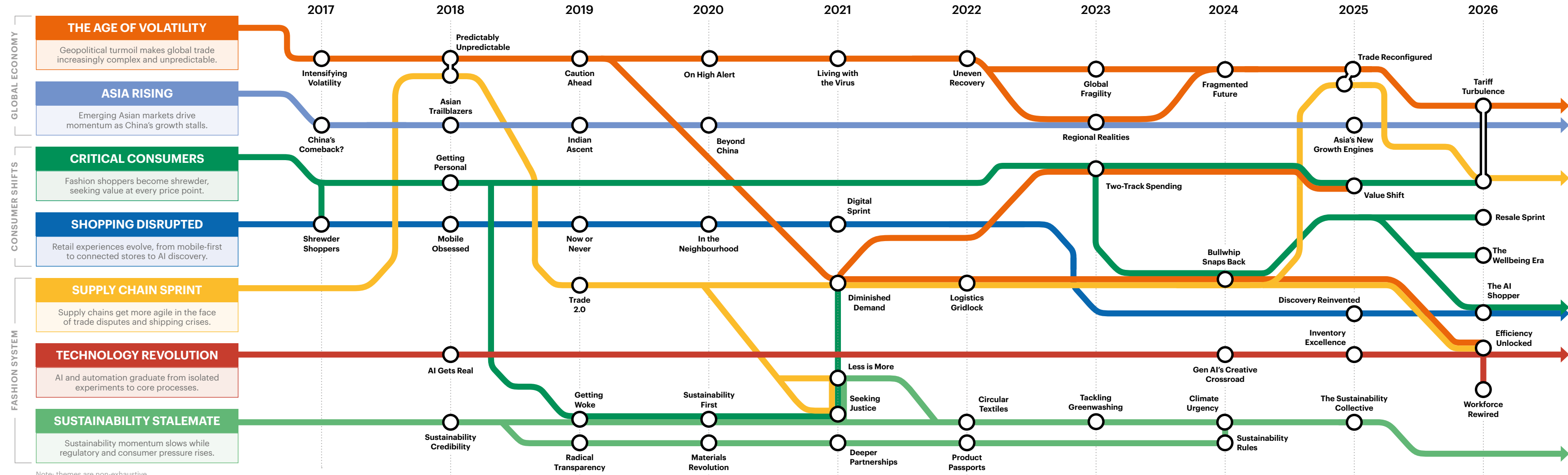
To revive growth, luxury is now embarking on a period of reinvention as several of the largest luxury houses welcomed new creative directors in the year through September 2025. But it may not be enough. High prices remain a significant hurdle for aspirational customers, and anyway, more and more would-be luxury shoppers are focusing on their personal wellness: body, mind and health — a trend we first called out in 2017.

In the end, 2026 will inevitably be yet another year of dislocation for fashion companies. In a flat market, only those companies that capture the hearts and minds of customers will manage to grow and gain market share.

Are you ready?

“The Business of Fashion and McKinsey have been tracking global economic dislocations, shifting consumer preferences and changes to the fashion system in The State of Fashion reports for 10 years now.”

10 Years of The State of Fashion



Note: themes are non-exhaustive

Industry Outlook

A Difficult Road Ahead



Executives brace for challenges as concerns over consumer confidence remain

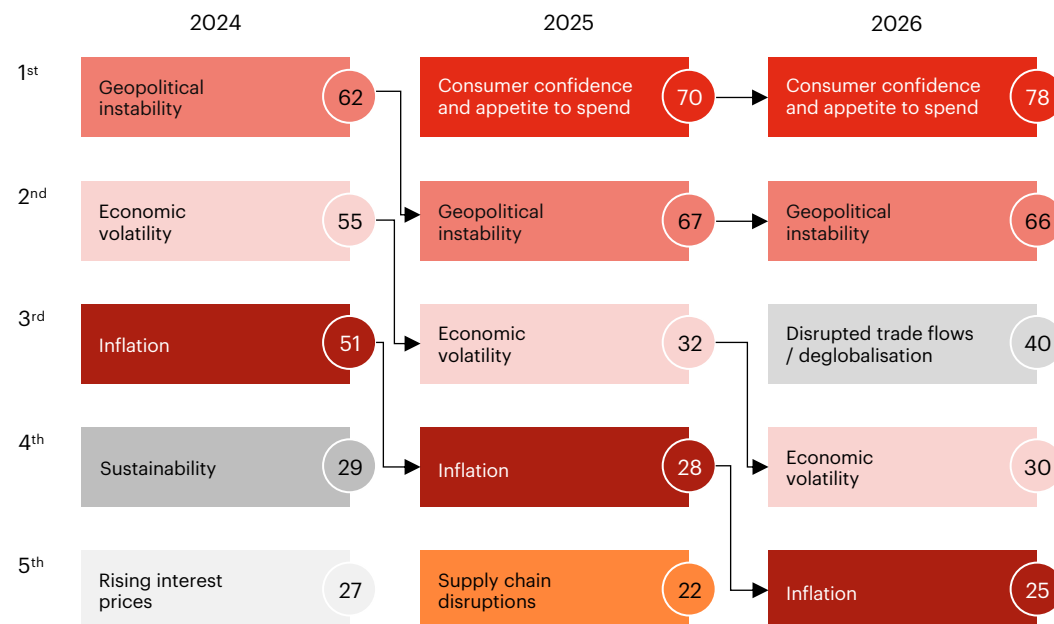
Looking ahead to 2026, the word most frequently used to describe expected conditions in the fashion industry is “challenging,” surpassing “uncertainty” which was most common in 2024 and 2025.^{1,2,3}

As a result, the industry outlook for 2026 remains generally downbeat. Forty-six percent of executives expect industry conditions to worsen, an increase of 8 percentage points (%points) over the previous year. However, expectations have also become more polarised, as 25 percent also foresee industry conditions improving — a 5%point increase.^{1,2}

Overall, the key reasons for concern remain broadly consistent with last year — nearly eight in 10 executives cite consumer confidence and appetite to spend as the top risk to industry growth.¹ This is closely tied to geopolitical instability, with broader macroeconomic conditions continuing to make consumer behaviour more unpredictable.

More so than in previous years, disrupted trade flows and deglobalisation are weighing heavily on executives as they look ahead to 2026. Forty percent of leaders cite this as one of their top three risks (up 25%points from last year),^{1,2} largely driven by new tariffs that are reshaping supply chains and raising input costs.

Question: What aspects of the global economy do you expect will be the greatest risks to growth in the fashion industry in [year]? Select three, %



Source: BoF-McKinsey State of Fashion Executive Survey 2024, 2025 and 2026

Industry growth is expected to remain low as macroeconomic uncertainty persists

McKinsey's Fashion Growth Forecasts predict the global fashion industry will once again post low single-digit growth in 2026.⁴ Heightened macroeconomic volatility is expected to continue to weigh on sentiment and drive value-conscious consumer behaviour. Consumer sentiment has been especially challenged in the US in 2025. In April, the consumer confidence index hit its lowest level since May 2020 amid tariff announcements,⁵ with overall US industry growth expected to fall short of last year's forecast for 2025.⁶

The luxury segment is projected to see modest improvements across markets after a difficult 2025, supported by a flurry of creative resets fashion leaders hope will inject excitement into the industry.⁷

Fashion retail sales year-on-year growth by geography and segment,
%



a. Excludes domestic unbranded and branded jewellery

b. Mainland China (excl. Hong Kong and Taiwan)

Note: Growth rate forecasts are calculated on actuals converted to USD on fixed 2024 exchange rates

Source: McKinsey Fashion Growth Forecasts 2026

Luxury is expected to improve modestly, while the fashion segment maintains low single digit growth

| Fashion growth drivers | | 2026E market growth ^a | Luxury growth drivers ^a | 2026E market growth ^a |
|---|---|----------------------------------|---|----------------------------------|
| Europe | | +1-2% | | +1-3% |
| 2026E GDP growth ⁸ +1.4% | <ul style="list-style-type: none">GDP growth is expected to remain steady in 2026,⁸ underpinned by a resilient labour market with stable unemployment rates.⁹Disposable incomes are expected to grow slightly faster than 2025,¹⁰ with inflation easing from 3.3 percent to 2.5 percent.⁸Consumers are expected to remain cautious, with over 60 percent of consumers planning to trade down in Q4 2025.¹¹ | | <ul style="list-style-type: none">Duty-free spending is expected to grow in key markets (up more than 3%points in France, Italy and Spain)¹⁷ after 2025 spend was dampened by the US dollar's decline against the euro.¹⁸Domestic demand remains strong, with brands like Hermès, Richemont and LVMH reporting strong sales from local shoppers in H1 2025.^{19 20 21} | |
| US | | +1-3% | | +2-4% |
| 2026E GDP growth ⁸ +2.1% | <ul style="list-style-type: none">The first full year of tariffs is set to intensify price pressures relative to 2025, with rising prices the top concern for US consumers.¹²After a slowdown in GDP growth and an almost-four-year unemployment high in August 2025,¹³ GDP growth is set to stay low in 2026.⁸ Uncertainty remains around further Fed rate cuts.Consumer sentiment is still cautious, with confidence down by 3.6%points in September 2025 and ongoing uncertainty expected to weigh on sentiment into 2026.¹⁴ | | <ul style="list-style-type: none">Equity market momentum continues to fuel wealth creation. The number of ultra-high-net-worth (UHNW) Americans rose 6.5 percent in H1 2025, following a 21 percent surge in 2024.²²While economic volatility and high prices curbed 2025 spend from aspirational buyers,²³ creative resets could reignite demand.Brands are investing in the US luxury market, with retail square footage rising 65 percent in H1 2025, compared with a decline the year prior, reflecting efforts to restore growth.²⁴ | |
| China^b | | +1-3% | | +2-4% |
| 2026E GDP growth ⁸ +4.2% | <ul style="list-style-type: none">GDP growth is projected to slow in 2026,⁸ with disposable income growth also expected to fall below 2024 and 2025 levels.¹⁰With the real estate market still weighing on sentiment, consumer confidence remains subdued and saving rates elevated.¹⁵Category performance is mixed: Sportswear sales are up 9 percent in 2025¹⁶ driven by casualisation and focus on health and wellbeing, while the wider apparel market remains muted. | | <ul style="list-style-type: none">Domestic spend is set to rise modestly as affluent households^c are expected to grow 6 percent through 2027,²⁵ while growth in outbound travel to key markets is expected to slow.²⁶UHNW consumer net intent to spend on luxury fashion in 2026 is 34 percent in China versus 27 percent on average in markets.²⁷Movements in the real estate or equity market remain an important factor influencing outcomes. | |

a. Excludes domestic unbranded and branded jewellery

b. Mainland China (excl. Hong Kong and Taiwan)

c. Affluent households defined as annual household income above 180,000 RMB (2025 price)

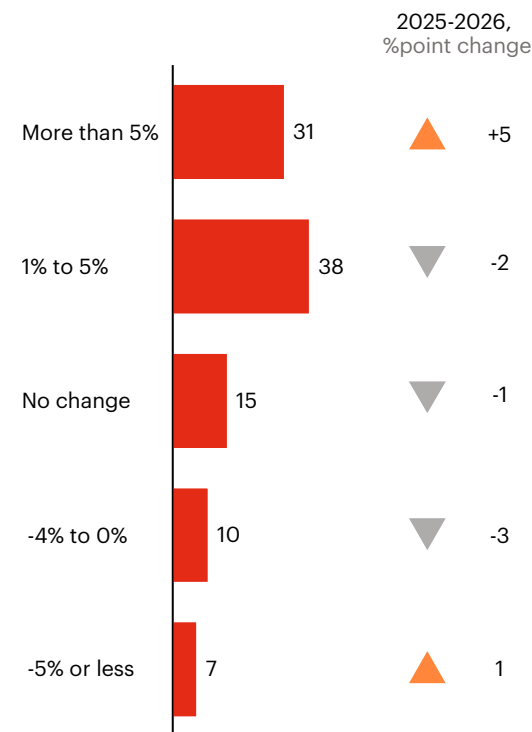
Fashion executives expect to increase prices more than last year

In 2026, nearly three-quarters of executives expect to raise prices — a 19%point increase from 2025.¹² In the fashion segment, 26 percent plan to increase prices by more than 5 percent, compared with 18 percent in the luxury segment, where growth has largely been price-driven in recent years.¹ Regionally, North American executives expect to increase prices the most, with 45 percent planning to raise them by more than 5 percent in an effort to offset tariff-driven input cost increases.¹

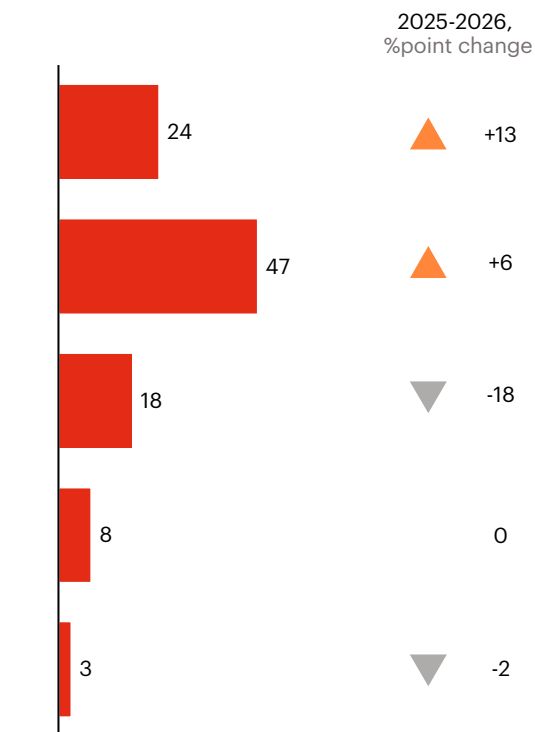
Reflecting this, nearly one-quarter of executives in North America anticipate their cost of goods sold (COGS) will increase by more than 9 percent.¹ Expectations of cost increases remain elevated across regions: Excluding North America, 11 percent of executives anticipate COGS to increase by more than 9 percent, compared to just 3 percent in 2025.¹²

As these pressures persist, executives are focussing more on efficiency. In 2026, 69 percent plan to prioritise sales growth over cost improvements, down from 73 percent in the previous year.¹² While top-line growth remains a key focus, the growing emphasis on cost management underscores recognition of higher costs and the need to improve productivity to protect margins.

Question: How much do you expect your like-for-like retail sales **volumes** on average across all products/categories to change next year, if at all?
%



Question: How much do you expect to increase / decrease your retail sales **prices** on average across all products/categories next year, if at all?
%



Source: BoF-McKinsey State of Fashion Executive Survey 2025 and 2026

Leaders say AI and digital tools will present the biggest opportunity for the industry in 2026

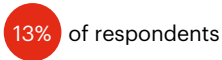
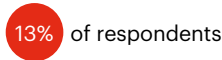
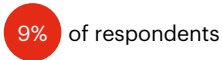
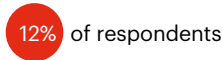
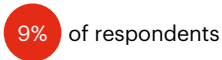
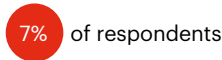
Using AI to manage cost pressures and future-proof growth: Executives identify scaling AI and related digital capabilities as the single biggest opportunity for 2026.¹ To date, most applications have focused on siloed tasks such as copywriting, image generation and customer service. However, leaders are now looking to integrate AI across their businesses. The fashion industry has historically trailed other sectors in adopting AI,²⁸ highlighting the need for the right organisational structure and skills to capture the full potential of AI-driven innovation.

Keeping differentiation front of mind: Executives continue to emphasise the need for a distinctive value proposition rooted in creativity and innovation.¹ Given concerns around the unpredictability of consumer behaviour, this reflects an imperative for brands to differentiate to drive relevance.

Integrating sustainability into the business model: Executives are once again looking to sustainable practices as an opportunity to improve operations and meet consumer expectations. Circular approaches, including resale, were highlighted as areas where executives see potential to create value.¹











Navigating economic uncertainty: Executives no longer consider improved economic conditions in key markets among their top opportunities. Instead, leaders are focussing on building greater resilience through improving their own business operations and differentiating their offerings.


Question: What do you think will be the single biggest opportunity for the fashion industry in [year]?

| | 2025 | 2026 |
|-----------------|--|---|
| 1 st | Differentiation in business strategy through brand positioning and product newness  | AI, digital and technology-related capability development and integration into operations  |
| 2 nd | Expanding use cases of AI and new features  | Differentiation in business strategy through brand positioning and product newness  |
| 3 rd | Improving economics (e.g. lower inflation, higher disposable income) in select regions (e.g. US, India)  | Strengthening sustainability credentials with circular business models and broader environmental initiatives  |

Source: BoF-McKinsey State of Fashion Executive Survey 2025 and 2026

The State of Fashion 2026


| GLOBAL ECONOMY | | | CONSUMER SHIFTS | | | FASHION SYSTEM | | | |
|--|---|---|--|---|--|--|--|--|--|
| 01. Tariff Turbulence US tariffs are reshaping global trade as higher duties push up costs across the value chain, heavily impacting fashion. Brands are making price changes, shifting sourcing and improving efficiency in a bid to counteract the impact. Larger suppliers are pursuing footprint optimisation, digitisation and automation, while smaller players face mounting pressure. Agility will be the defining factor enabling brands and suppliers to maintain their competitive edge. | 02. Workforce Rewired Technology is changing workforces globally. Artificial intelligence investments are set to drive productivity, meaning some existing positions will become AI-centric and new roles will emerge. Fashion leaders must prioritise upskilling their workforces and acquiring new talent to stay competitive. Strong change management will be critical to capture AI's full potential. | 03. The AI Shopper Artificial intelligence is already disrupting how consumers discover fashion. In the years ahead, autonomous AI shopping agents may even act on their behalf, completing tasks from monitoring prices to buying products. To ensure their products are visible — and favoured by — AI models, brands must rethink their digital marketing and e-commerce infrastructure, where semantically rich data and API-accessible content will be critical to success. | 04. Jewellery Sparkles With unit sales growth outpacing all other fashion categories, jewellery's bright moment is set to continue into 2026. Having defied the broader luxury slowdown, the category will keep reaping the rewards of a growing customer base with a desire for long-lasting investments, self-expression and treating themselves. As jewellery cements its role as accessories centrepiece, fashion players will seek to capture their share of the category's outsized growth. | 05. Smart Frames Style-conscious devices equipped with multi-modal AI are set to redefine the wearables landscape in 2026, with smart eyewear emerging as a leading format. Major players already have product launches scheduled, reflecting strong market momentum. With the category projected to exceed \$30 billion by 2030, brands have a timely opportunity to partner with technology leaders to unlock high-value consumer use cases and accelerate adoption. | 06. The Wellbeing Era Wellbeing is becoming central to how consumers live, spend and define themselves. As they tire of attention-grabbing content, they are drawn to brands that reflect their shifting identities and offer them emotional connections. Fashion brands are responding by entering wellbeing-adjacent “third spaces,” but further opportunity lies in integrating these shifting priorities more holistically across the brand universe. | 07. Efficiency Unlocked In a challenging fashion market, companies must become more efficient to drive growth. Old advantages like scale and low-cost sourcing are no longer sufficient to sustain a healthy economic model. By taking advantage of new technology, businesses can improve productivity to reduce costs, unlocking resources to invest in differentiators that enable growth. | 08. Resale Sprint Customers are spending more on secondhand fashion in the search for value as prices continue to rise in the primary market. Marketplaces have made shopping secondhand mainstream, but brands must now define resale strategies of their own. While operational hurdles remain, the lure of untapped revenue will make resale an increasingly attractive way to bolster business models and brand perception. | 09. The Elevation Game From the value segment up to affordable luxury, fashion brands are moving upmarket. Some want to differentiate from ultra-low-cost competitors, while others aim to capture the former high-end shopper squeezed out by luxury prices. With margins under pressure and competition intensifying in 2026, these elevation strategies will gain new urgency. Product quality and standout experiences could help brands upgrade their positioning. | 10. Luxury Recalibrated The luxury slowdown is prompting a phase of strategic renewal. Brands are reducing their reliance on price-led growth and refocusing on creativity and craftsmanship to rebuild client trust. This recalibration calls for brands to balance the needs of distinct customer segments and integrate product, storytelling and client experience into a cohesive expression of brand value. |
|  76% 76 percent of fashion executives say trade disruptions and rising duties will impact the industry in 2026 |  ~1/3 By 2030, around one third of employee time across industries could be automated by generative AI and other technologies in Europe and the US |  53% 53 percent of US consumers who used AI for search in Q2 2025 also used it to help them shop |  4x Jewellery unit sales are expected to grow 4.1 percent annually between 2025 and 2028 – four times the rate of clothing |  +9% Wearables are set to grow 9 percent annually to 2028, with smart glasses gaining traction amid several new product launches |  84% 84 percent of US consumers say wellness is a top or important priority in their day-to-day lives in 2024, rising to 94 percent in China |  2nd Fashion executives say changing margin, cost and cash strategies will be the second most-important theme to shape the industry in 2026 |  2-3x The secondhand fashion and luxury market is set to grow two to three times faster than the first-hand market through to 2027 |  15-25% Value brands such as Bershka and H&M reduced the SKUs in their lowest price tiers in the UK by 15 to 25 percent between 2023 and 2025 |  No. 1 The top reported attribute that ultra-high-net-worth customers say epitomises luxury is “expertise and quality” |

**76%**

76 percent of fashion executives say trade disruptions and rising duties will impact the industry in 2026

**~1/3**

By 2030, around one third of employee time across industries could be automated by generative AI and other technologies in Europe and the US

**53%**

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**4x**

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84 percent of US consumers say wellness is a top or important priority in their day-to-day lives in 2024, rising to 94 percent in China

**2nd**

Fashion executives say changing margin, cost and cash strategies will be the second most-important theme to shape the industry in 2026

**2-3x**

The secondhand fashion and luxury market is set to grow two to three times faster than the first-hand market through to 2027

**15-25%**

Value brands such as Bershka and H&M reduced the SKUs in their lowest price tiers in the UK by 15 to 25 percent between 2023 and 2025

**No. 1**

The top reported attribute that ultra-high-net-worth customers say epitomises luxury is "expertise and quality"