



# The impact of the wider economy on charity finances



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## Overview

- The issue with economic indicators
- Correlation between GDP and charitable giving and looking beyond GDP
- What can we expect from inflation?
- Real life impact
- Looking ahead
- What can you do now?

# Economic indicators

Data used to gauge the health or growth trends of a nation's economy



## Interpreting indicators

- Indicators are only useful if interpreted correctly
- Use context
- Look at historical trends – value over time
- Analyse multiple indicators together
- Understand & recognise data limitations/data gaps





# Global GDP



Is there a correlation between GDP  
and charitable giving?



## Not a simple one...

- Cultural and social factors
- Wealth distribution
- Government's role



# History: UK GDP



Giving and the economy: recessions in the  
1980s, 1990s and early 2000s



## Recession proof

- Giving in the UK appeared to be largely recession proof (Cowley et al, 2011)
- Value of donations grew in times of growth
- Did not fall at the same rate as GDP in periods of recession





## Further analysis

- Total giving was positively correlated
- The boom times caused givers to give more
- ...but the number of donors did not increase



# History: UK GDP



Giving and the economy: the global  
financial crisis



## Research since 2007

- A more negative picture
- The value of donations has steadily declined since 2010 in real terms and as a share of GDP (0.52% in 2024 v 0.62% in 2004)
- Brief recovery during the pandemic 2020



# Is GDP useful?



Primary indicator



## **Incomplete measure**

Distorts priorities and can be considered an incomplete measure of societal progress



## **Ignores the environment**

It ignores the depletion of the natural world



## **Ignores what matters to people**

A wildfire that destroys people's homes is likely to boost GDP due to the efforts to rebuild!





# Can we go 'Beyond GDP'?



Economics to  
improve lives

# **‘GDP is too narrow in its focus on market activity’**

But PBE acknowledge it is easier to  
administer tax on sale of goods than it  
is on the hypothetical value of  
housework or volunteering

John Franklin 7 May 2025



...

What about  
inflation?

...



## The problem with inflation

- Energy prices up
- Everyday goods become more expensive
- Pressure on staff costs
- Decreasing real value of donations – DDs (£20 ave)
- Grant funding affected - consider cost of bidding
- Eats away at reserves

# Economic shocks

Can we trust the indicators?





Summarising  
what history  
has told me...





## Real Life impact

What was the impact of these shocks on the charity sector?

- Charities protected by reserves and grant makers stepping in
- Lockdown donations bucked the trends
- Reserves give time to react





## Real Life impact

What was the impact of these shocks on the charity sector?

- Cumulative impact of shocks, a longer tail
- Government funding
- Changes to individual attitudes to giving

# Looking ahead to 2026

What are we expecting and  
what could throw it off?





## Bank of England outlook (*published 7 Aug 2025*)

	2023	2024	2025	2026
Inflation	4.2	2.5	3.7	2.5
GDP Growth	0.5	1.0	1.3	1.3
Unemployment	3.7	4.5	4.7	5.0
Private Sector Wages	6.2	6.2	3.7	3.3





## UK factors

What are the specific UK factors?

- Decrease in living standards
- Autumn Budget 2025
- Government stability rules



## Global factors and potential shocks

- Grim global economic outlook
- The Trump effect
- Stock market bubble
- Cyber outages
- Geopolitical tensions



# What can you do now?

Active steps to support your charity



## What are your risks?

Assess what global risks you might be particularly exposed to:

- Income for investments or cash deposits
- Receiving or sending funds in foreign currency
- Salary policy
- Profile of donors
- Longer term, fixed fee contracts

The image shows three piggy banks of different sizes and colors (white, blue, pink) on a light green background. A large blue semi-circle is in the bottom left corner. The title 'Budgeting for shocks' is in blue text on the right side of the slide.

## Budgeting for shocks

Building some sensitivity analysis into your budgets:

- What if inflation jumps to 5%?
- What if your donations fall by 10%?
- What if trust funding is delayed?
- Budgeting for costs & contracts – fix supplier, and uplifts in donor

Not about predicting the future but about understanding what levers you have available to pull.





## Honest conversations with donors

Share your story with those who are invested in the journey:

- Impact of inflation on your charity
- £20 donation in 2020 is worth £15.60 in Aug 2025 (based on CPI)
- Might they be willing to derestrict funds?



## Monitor the indicators

- National Institute of Economic and Social Research
- PBE (formerly Pro Bono Economics)
- NCVO
- Charity Aid Foundation



**Stay  
positive!**





## Any questions?

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