

Industry trends

Consumer durables / retail

Advanced markets show signs of recovery in consumer spending

Global overview

Growth continues, but credit risk among retailers of consumer durables remains elevated.

In 2023 sales of global consumer durables were impacted by ongoing inflationary pressures. High interest rates also weighed on household real incomes and consumer confidence across most of the world. However, consumer confidence in the eurozone and the US has rebounded since the end of last year, supported by higher wages, lower inflation, and increased employment opportunities.

We expect consumer durables sales in advanced markets to rebound further in H2 of 2024 and to accelerate in 2025. That said, growth in the Asia Pacific region will continue next year, but cool down somewhat compared to 2024 (see chart overleaf), mainly due to lower demand in China.

On a global level, downside risks remain, such as tumbling stock markets, increasing unemployment and volatile commodity prices. All this could rein in household spending.

The credit risk of consumer durables retailers in advanced markets remains elevated, with smaller players especially vulnerable to defaults and insolvency. The sector operates in a fiercely competitive environment with thin margins. These are being further squeezed by more frequent markdowns, as consumers seek discounts year-round. At the same time online retailers are increasing their market share, putting pressure on bricks and mortar operators. According to the International Trade Association, consumer goods sold online account for about 22% of total global retail sales in 2024.

Industry performance forecast

Europe		Asia and Oceania		Americas	
Austria	Netherlands	Australia	Phillipines	Brazil	Excellent The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend. Good The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend. Fair The credit risk situation in the sector is average / business performance in the sector is stable. Poor The credit risk in the sector is relatively high / business performance in the sector is below its long-term trend. Bleak The credit risk in the sector is poor / business performance in the sector is weak compared to its long-term trend.
Belgium	Poland	China	Singapore	Canada	
Czech Republic	Portugal	Hong Kong	South Korea	Mexico	
Denmark	Slovakia	India	Taiwan	USA	
France	Spain	Indonesia	Thailand		
Germany	Sweden	Japan	UAE		
Hungary	Switzerland	Malaysia	Vietnam		
Ireland	Turkey	New Zealand			
Italy	UK				

Industry trends

Consumer durables / retail

Consumer durables: Global key figures	2022	2023	2024*	2025*
Production	3.1	-0.2	3.2	2.5
Gross output (sales) (real, USD)	3.6	1.4	3.4	2.4
Investment (real, USD)	15.0	6.0	4.5	3.7
Gross operating surplus (profits)	0.0	0.2	4.6	3.9

Year-on-year, % change /*forecast
Source: Oxford Economics

Consumer durables: Gross output (sales) per region	2022	2023	2024*	2025*
Asia Pacific	3.6	3.2	5.5	2.5
EU and UK	5.5	-2.8	0.6	2.6
North America	0.6	-1.0	-0.2	1.9
South America	-5.0	-0.5	-2.7	1.6

Year-on-year, % change /*forecast
Source: Oxford Economics

Strengths and growth drivers

Emerging markets growth. Urbanisation and the number of middle-income families is growing, driving demand for consumer durables in the coming years. This, together with increasing internet penetration and digitalisation, will make many emerging markets attractive for retail investment.

New technologies. Retailers can leverage AR/VR technology to create immersive shopping experiences and chatbots for conversational commerce, enriching the brand-consumer relationship through one-to-one interactions. Conversing with consumers at scale makes chatbots a strategic medium for customer engagement.

Sustainability. Sales of eco-friendly recycled and refurbished goods provide an increasing business opportunity for retailers. Higher consumer acceptance is likely to result in increased competitiveness for retailers.

Constraints and downside risks

Elastic demand. Compared to essentials like food, demand for consumer durables is more closely aligned to incomes, prices and economic cycle volatility.

Margin issues. In many markets, retail profit margins are structurally thin and under pressure. In a fiercely competitive environment, the bargaining power of online retailers is increasing, and their price transparency is adding pressure to margins along the whole value chain.

Higher input costs. Retailers in many markets are facing higher costs for logistics, labour and energy.

Business realignment. Brick-and-mortar retailers need to expand their online business, enhance their digital capabilities and possibly offer additional services if they are to survive in today's digital world. However, this requires major investment and the willingness to change; a difficult task amid tight profit margins, especially for smaller retailers.



Consumer durables / retail outlook Americas

Consumer durables gross output (sales)	2022	2023	2024*	2025*
Brazil	-11.4	-0.3	-2.3	-2.0
Canada	5.8	-8.8	-3.7	-3.0
Mexico	-4.6	-0.5	0.9	2.6
United States	1.4	-0.2	-0.1	1.7

Year-on-year, % change /*forecast – Source: Oxford Economics

USA

Spending to accelerate in 2025, but retailers are facing headwinds

We expect US consumer durables sales growth to level off in 2024, followed by a 1.7% increase in 2025. Consumer electronics sales will grow 4% in 2024, followed by a 3% decrease next year. Domestic appliances sales are expected to shrink 2.2% this year, but to grow 3.3% in 2025. For the furniture segment, a 2.5% increase is expected in 2025 after a 0.4% decline in 2024. Despite the recent softening of the US labour market we expect US consumers to keep on spending, supported by gradual disinflation and modest wage gains.

Consumer price inflation is forecast to ease to 2.9% in 2024 and 2.5% in 2025, compared to 4.1% in 2023. However, slowing jobs gains, worsening household finances and stubborn inflation are downside risks that potentially could weigh on consumer spending.

For US retailers supply chain and inventory challenges have abated, but they are facing other headwinds. There has been an increase in distressed debt exchanges by retailers recently. High interest rates are another challenge for companies loaded down with debt. Inventories that are not properly managed could lead to lower profit margins and higher credit risk. Bricks-and-mortar retailers continue to lose share to ecommerce. This segment remains vulnerable to bankruptcies due to supply chain and inventory challenges, as well as macroeconomic concerns.

Mexico

Higher consumer confidence after the elections

After contractions in 2022 and 2023, we expect consumer durables sales to increase by 0.9% in 2024 and 2.6% in 2025. Consumer confidence has increased after the June 2024 presidential and general election, reflecting the expectation that the current economic policy will be continued. Remittances remain high, while the recent start to easing of the monetary policy by the Central Bank should support household consumption.



Industry performance forecast	
	Brazil
	Canada
	Mexico
	USA
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Consumer durables / retail outlook Asia Pacific

Consumer durables gross output (sales)	2022	2023	2024*	2025*
China	1.9	6.4	6.4	1.8
India	7.4	-9.2	14.7	5.5
Indonesia	-1.6	3.5	4.0	6.1
Japan	3.2	-0.5	-1.8	1.3

Year-on-year, % change / *forecast – Source: Oxford Economics

China

Sluggish domestic consumption dampens growth

We expect consumer durables sales to increase by 6.4% in 2024. However, this growth is mainly driven by exports, while domestic sales are subdued. Consumer confidence has weakened in the course of this year, mainly due to the ongoing issues in the property sector, where home buyers are confronted with negative wealth effects due to price pressures.

The deflationary environment and higher unemployment (in particular among younger people) additionally put a brake on consumer spending. That said, Chinese consumer durables consumption still cannot be called subdued by the standards of other major economies.

While exports have relieved some pressure on manufacturers, allowing them to ship excess supply, we expect that this momentum may not last. Higher tariffs on Chinese exports to the US after the presidential elections in November are a downside risk. We expect Chinese consumer durables sales in 2025 to slow down to 1.8% year-on-year, with consumer electronics and furniture sales growing 2.1% each, while domestic appliances sales are forecast to level off.

Japan

Wage increases drive a rebound in 2025

We expect consumer durables sales in Japan to decrease 1.8% in 2024, followed by a 1.3% rebound in 2025. Private consumption should pick up in the coming months, partly driven by a whopping 5.6% pay increase agreed in the “shunto” spring wage negotiations. However, in the long-run the ageing and declining population size will mean weaker consumption prospects.

India

Ongoing growth and good long-term prospects

Sales of consumer durables are predicted to rebound by 14.6% in 2024, after a 9.2% decline last year. The recovery is driven by higher sales of domestic appliances and furniture (up 12% and 20% respectively). Consumer durables growth is forecast to continue in 2025, by 5.5%.

Over the coming years, households are expected to shift their spending focus more towards services, including travel and leisure, rather than physical goods. That said, the long-term outlook for consumer durables remains positive due to increasing household purchasing power and a growing middle class.



Industry performance forecast

Australia

China

Hong Kong

India

Indonesia

Japan

Malaysia

New Zealand

Philippines

Singapore

South Korea

Taiwan

Thailand

UAE

Vietnam

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Consumer durables / retail outlook Europe

Consumer durables gross output (sales)	2022	2023	2024*	2025*
France	3.6	1.2	0.9	0.4
Germany	1.4	-2.7	-0.7	2.7
Italy	7.5	-2.5	-2.9	2.6
United Kingdom	-4.0	-2.2	-0.2	0.8

Year-on-year, % change /*forecast – Source: Oxford Economics

Industry performance forecast	
	Austria
	Belgium
	Czech Republic
	Denmark
	France
	Germany
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	Portugal
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	Sweden
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	Turkey
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European Union

Consumer durables sales growth to accelerate in 2025

After a 2.9% contraction in 2023, consumer durables sales in the region are forecast to rebound modestly by 0.6% in 2024. Predictions for a gradual recovery in the sector this year are primarily based on a return to growth in real incomes, driven by both solid nominal income growth and easing inflation.

Still tighter monetary policies are holding back higher consumer spending, and household savings in the eurozone have stabilised above pre-pandemic levels. We expect consumer durables growth in the European Union to accelerate to 2.8% in 2025, given a more benign inflationary environment and monetary easing. Consumer electronics and furniture sales are forecast to increase by 2.3% each, while the domestic appliances segment should grow by 5.5%.

France

Political uncertainty impacts consumer sentiment

We expect French consumer durables sales growth to slow down in 2024 and 2025, to 0.9% and 0.4% respectively. Consumers are cautious about spending, although real household income has started to rise and wage increases are outpacing inflation.

Household confidence has not improved since the beginning of this year and is likely to be further dented by the ongoing political uncertainty after the June/July legislative election. This has increased the risk that the savings rate will stabilise at a higher level than before the pandemic.

Germany

Sector performance remains subdued for the time being

After a 2.7% contraction in 2023, consumer durables sales in Germany are expected to decrease again this year, by 0.7%. Despite robust wage growth, household consumption recovery has not yet materialised. High interest rates and a softening labour market, with gradually rising unemployment, could trigger further spending restraint in the coming months.

At the same time input costs for retailers remain high and credit is expensive. The credit risk of retailers has increased as a result. At least consumer durables sales are forecast to rebound by 2.7% next year.

United Kingdom

A modest growth outlook

After contractions in 2022 (-4%) and 2023 (-2.2%), we expect consumer durables sales in the UK to level off in 2024 and to grow by only 0.8% in 2025. Although pay growth has slowed, it has remained well above inflation, supporting household spending.

However, retailers struggle with the lack of a comprehensive demand recovery and higher costs. Smaller players suffer most in a shrinking market, as many are unable to access more favourable pricing and payment terms.



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