Consumer goods and retail outlook 2025

India on the rise, China under pressure

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Consumer goods and retail outlook 2025

Retail sales will pick up in 2025, but regulatory roadblocks and low consumer confidence will weigh on markets.

- **Globally retail volumes will expand by 2.2%, helped by disinflation, but consumer sentiment will take time to recover from several years of high inflation.**
- **Amid trade tensions and an economic slowdown, China will no longer be the star of the show in Asia. Its retail market will be outpaced by that of India, albeit from a smaller base.**
- **Regulatory roadblocks, such as a crackdown on de minimis exemptions to trade tariffs, will add to the worries of online retailers, especially in China.**
- **Expenditure on furniture and white goods will rise only slowly as housing markets falter in developed countries; spending growth for leisure, entertainment and tourism will be stronger.**

Disinflation will boost retail volumes

We expect global retail sales to expand by 2.2% in real (or volume) terms in 2025, the fastest rate since 2021. This recovery will be underpinned by slowing inflation, which we forecast will reach its lowest level since 2020. With household savings in most countries remaining below pre-pandemic levels, however, consumer confidence will be slow to recover.

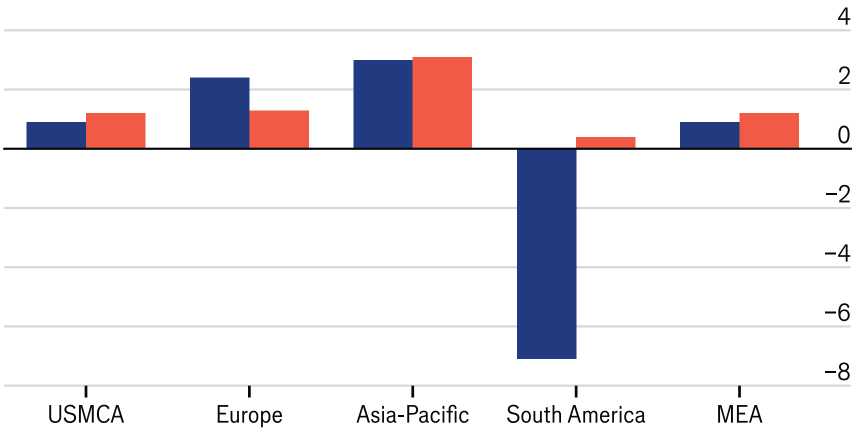
For businesses, slower demand from price-sensitive consumers has checked their pricing powers. In last year's report, we accurately forecast that physical stores and discount retailers would fare better, following a difficult pandemic, but persistently high inflation has prompted low-income households in major markets to cut back on spending, affecting sales for discounters and quick-service restaurants. For example, in March 2024 Dollar Tree, a US discount chain, announced plans to cut 1,000 stores in the US in 2024-25, and in the second quarter McDonalds, a US fast-food chain, reported its first decline in global sales since 2020.

The retail growth landscape will vary significantly according to region. Asian and the Gulf countries are expected to outpace other regions in retail volume growth, driven by large, young consumer bases with rising incomes, urbanisation and a surge in online shopping.

Asia will lead global retail sales growth, and South America will rebound in 2025

Retail sales volume growth rate, %

2024
2025



Source: EIU.

While Chinese retail slows, India offers a silver lining

Real growth in retail sales in Asia will outpace that of other regions, but the star of the show will not be China. The world's second-largest consumer market is expected to grow by nearly 4% year on year in real terms in 2025—the slowest rate since 2022, and markedly so compared with the historical trend (averaging 7% in 2015-19). Income shocks from the prolonged lockdowns, a property market downturn, job market weakness and an ageing population have all contributed to lasting pessimism in the market.

Meanwhile, we expect growth to average about 5% year on year in India (down from 5.3% in 2015-19). For businesses, the opportunities will be twofold. At the lower end of the market, fast-moving consumer goods makers such as PepsiCo and P&G (US) are banking on increased spending by the country's sizeable rural population (65% of the total) to offset some of the slowdown in China. Recent economic data suggest a strong propensity among this population to spend on packaged goods, cosmetics, toiletries and household goods.

Higher up the spectrum, with a steady increase in the number of high-income consumers, the number of households with net financial wealth above US$1m is on track to more than double from the 2021 level to exceed 234,000 in 2025.

More of these consumers are also travelling internationally, and they now constitute key tourist groups for international hospitality and retail businesses, amid a slower revival in outbound travel in China.

A global crackdown on imported low-value goods is under way

New duties and thresholds are being rolled out mainly by markets with strong trade ties with China

Country	Action on imported goods	Implementation
Turkey	De minimis reduced from €150 (US$166) to €30 for online goods, customs tax rate raised to 60% for non-EU countries	August 2024
US	Removing textiles, apparel and footwear (among other items) from the US$800 de minimis exemption	Likely to be passed end-2024
Indonesia	Proposed duties of 100-200% on imports of clothing, ceramics and footwear	Proposed in 2024, no set date at present
Thailand	7% VAT on imported low-value goods (less than THB1,500, or US$41)	To be in force between July and December 2024
Malaysia	10% tax on most imported low-value goods sold online	January 2024
Mexico	Raised tariffs on imported apparel and footwear from countries with which it has no free trade agreements, including China	April 2024-April 2026
EU	Proposed scrapping the €150 de minims threshold	Proposed in 2024, no set date at present
South Africa	Introduced VAT on all imported clothing items	September 2024
Brazil	20% tax on cross-border purchases up to US$50	July 2024

Source: Official data from respective countries; EIU.

A crackdown on *de minimis* exemptions will strain trade

Online retail will not escape the slowdown in 2025—we expect it to grow in line with overall retail markets, meaning that its share of sales will remain steady at 16%. Regulatory crackdowns around the world will be another setback, particularly those aimed at two Chinese online sellers, Shein and Temu; both retailers have rapidly expanded their global market share with their low prices since the pandemic, but are now under attack from regulators.

In line with our forecasts, in late September the Biden administration in the US proposed an executive action to curb "unfair competition" from Chinese retailers that would leverage the de minimis loophole. The new rules, which are likely to be implemented in 2025, will exclude apparel and other products (mainly sold by Shein and Temu) from the tariff exemption, increasing their prices for US consumers. The number of de minimis shipments in the US has surged from 637m in 2020 to 1bn in 2023.

The US's move will have implications for cross-border online shopping, accelerating a global shift towards restricting low-value imports. Several economies have already taken action to protect domestic players, which is likely to lead to increased costs of cross-border online sales, when consumers are already spending cautiously. This will weigh on sales of Chinese retailers and pose logistical challenges for others; for example Nike has suspended cross-border online sales to Turkey because of the import duty revisions. As well as slowing online sales growth, these regulatory moves may encourage offline sales in the medium term, as the absence of the tax incentive may persuade many non-Chinese brands to increase their inventory and physical presence in foreign markets.

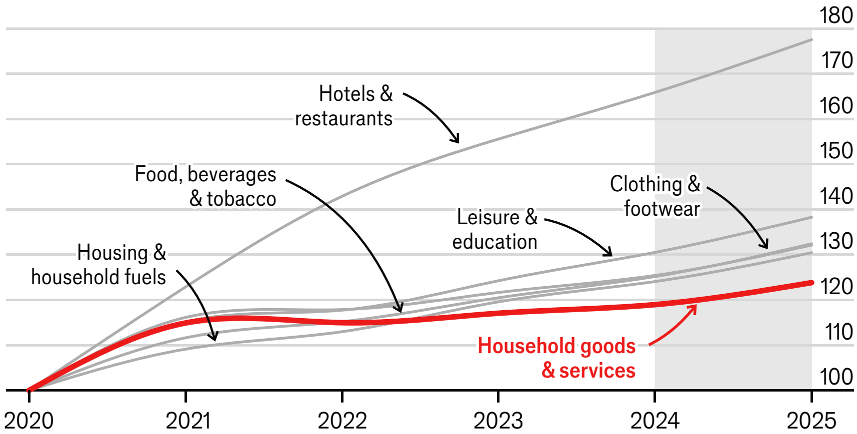
Housing unaffordability will hurt sales of furniture and whitegoods

Trends across consumer spending categories will continue to evolve in 2025. Among the main categories, household goods and services will continue to show the slowest growth. Housing prices started rising during the pandemic as people moved away from cities, and remain high across most of the developed world, fuelled partly by immigration and tourism. Even if affordability improves in 2025, it will take a while for sales to pick up. In countries such as Canada and Australia, housing stocks are at record lows, despite government efforts to encourage house-building.

With home sales being a major driver of consumer expenditure on household goods, including furniture and white goods, we expect spending on these items to be subdued in 2025. Inflation-struck consumers are likely to prioritise spending on essentials, as well as leisure and entertainment activities, over other discretionary goods such as clothing. Spending on consumer services such as travel, recreation and culture activities have fared well in the past year, and will continue to do so into 2025.

Consumer spending on household goods & furniture will be sluggish

Global consumer spending in US$, 2020=100



Source: EIU.

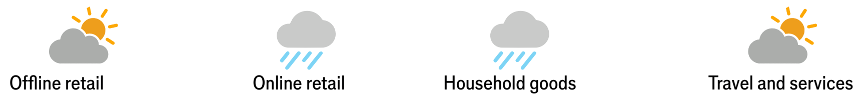
What to watch

Junk food: Several countries will take steps to reduce junk food consumption in 2025 in an effort to address rising obesity rates. The UK plans to ban television advertisements for junk food before 9 pm, and on online ads for products that have high fat, sugar and salt content from October 1st 2025. Norway is expected to announce a similar ban, which would come into effect in 2025. Other governments will introduce taxes to discourage consumption while also increasing tax revenue. Slovakia will impose a sugar tax from January, and Vietnam is expected to pass a regulation to tax soft drinks that contain more than 5g of sugar per 100 ml.

EU travel rules: After much delay, the European Travel Information and Authorisation System (ETIAS) will come into effect from mid-2025. After that date travellers from non-EU countries that do not currently require a visa to enter the EU will have to apply for travel authorisation before entry. The authorisation, which will cost €7 for those who are not exempt, will apply to around 1.4bn tourists a year from countries including the UK, Australia and the US.

Green trade crackdown: New regulations will affect global trade. Low carbon technology from China will face higher tariffs and other trade barriers when exporting to the US and EU during 2025. Companies trading with the EU will also have to prepare for implementation of other supply-chain regulations from 2026. The EU Deforestation Regulation (EUDR), which has been delayed by a year until December 2025, will require exporters of some agricultural products to verify the land they have used was not acquired through deforestation. At the end of the year, the EU Carbon Border Adjustment Mechanism (CBAM) will end its transition period with duties levied on the carbon content of six energy-intensive industrial products from January 2026.

EIU's weather forecast for consumer goods businesses in 2025



US election: the impact on consumer goods and retailing

Trump: Regardless of the outcome of November's presidential election, trade restrictions with China will be tightened. However, a victory for Donald Trump, the Republican candidate and former president, would result in more wide-ranging trade barriers for China, as well as allied countries. Mr Trump's plans to impose a blanket tariff of 10% on all US imports would be inflationary for US consumers, considering that food and other low-value consumer goods account for over a third of the US's total goods imports. Such blanket tariffs would not only affect Chinese businesses, but also other major trading partners and US allies, including European luxury businesses, French winemakers and Scottish whisky distilleries. Mr Trump's efforts to curb immigration will also tighten labour markets and probably raise wages, especially in retail, hospitality and agriculture, which tend to hire more foreign-born workers.

Harris: The vice-president and Democrat candidate, Kamala Harris, is expected to maintain existing tariffs on China and put further restrictions selectively on strategic sectors. She is also likely to uphold the Inflation Reduction Act, which encourages green technology and smart farming initiatives. Her platform has a strong focus on the middle class; she plans to put in place cost-of-living controls and boost affordability of housing by building 3m homes and offering financial support to first-time home buyers. This would boost consumer spending on household goods and furniture, a category that is closely tied to home sales, and would manage overall inflation and consumers' purchasing power. However, her ability to pass this proposal through what is likely to be a divided Congress remains to be seen. A similar fate may await her plans to crack down on grocery prices, another thorn in the side of the American consumer.

Meet the EIU team

Barsali Bhattacharyya

Deputy Director, Industry

Find out more

With over a decade of experience, Barsali is an industry expert and a frequent speaker on geopolitical and macroeconomic trends and their implications on consumers and businesses. Leveraging EIU's quantitative and qualitative forecasts, she helps clients identify opportunities and challenges relevant to their sectors.

Barsali is Deputy Director of Industry Research, leading a global in shaping EIU's in-house views on global topics concerning a range of businesses. She is the lead analyst for the consumer and retail sector and the Global Liveability Index.

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Ana Nicholls

Director of industry analysis

Find out more

Ana oversees The Economist Intelligence Unit's industry subscription services in London, managing websites, reports, data and forecasts across six industry sectors and acting as lead analyst for our healthcare and automotive analysis. Ana also works closely with clients in those two sectors, particularly on projects related to value-based health and healthcare policymaking.

Ana is an experienced analyst who has previously spent time specialising in global economic and business development as well as analysis of healthcare policy. She has a particular interest in the transition countries of Eastern Europe.

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