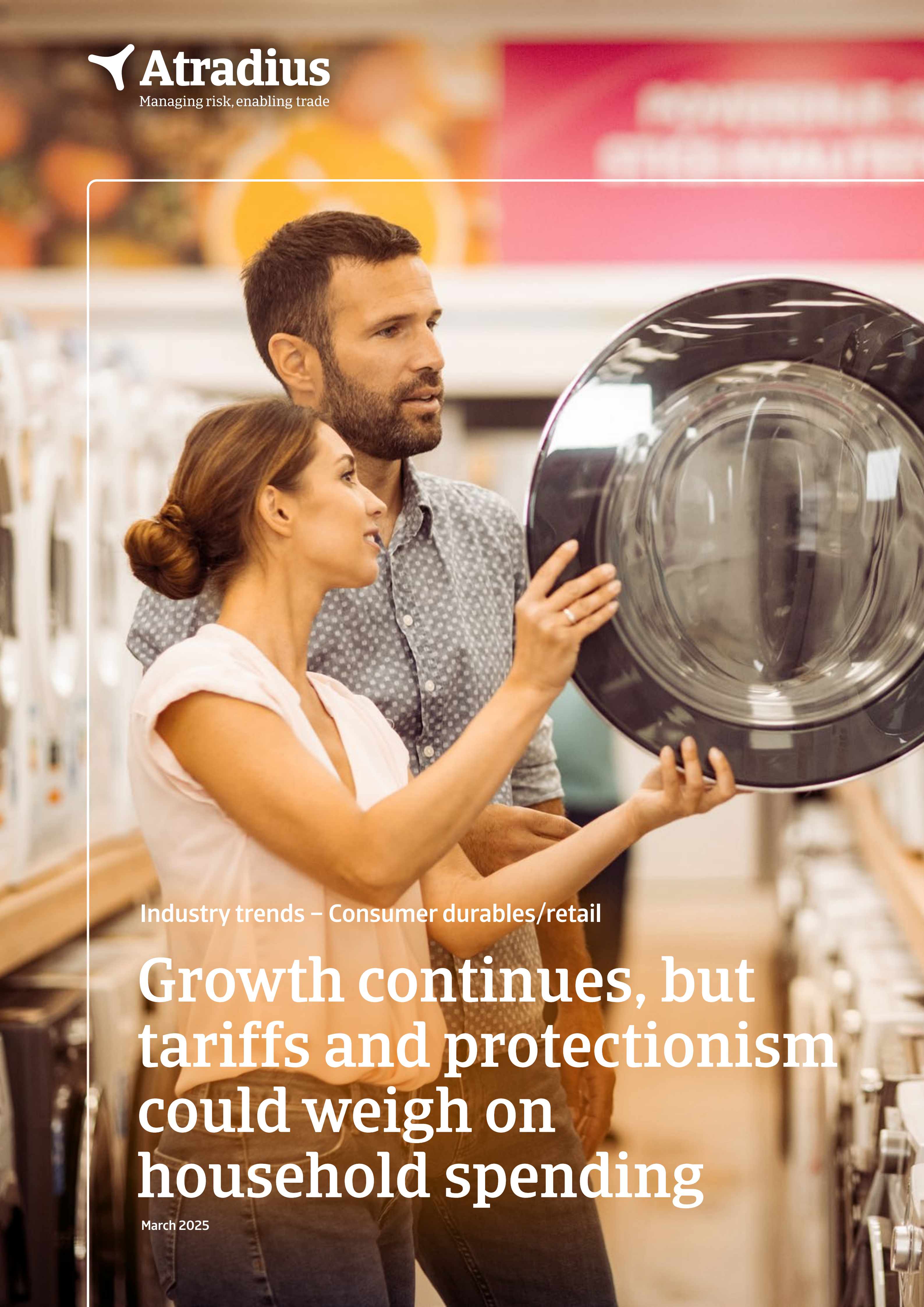
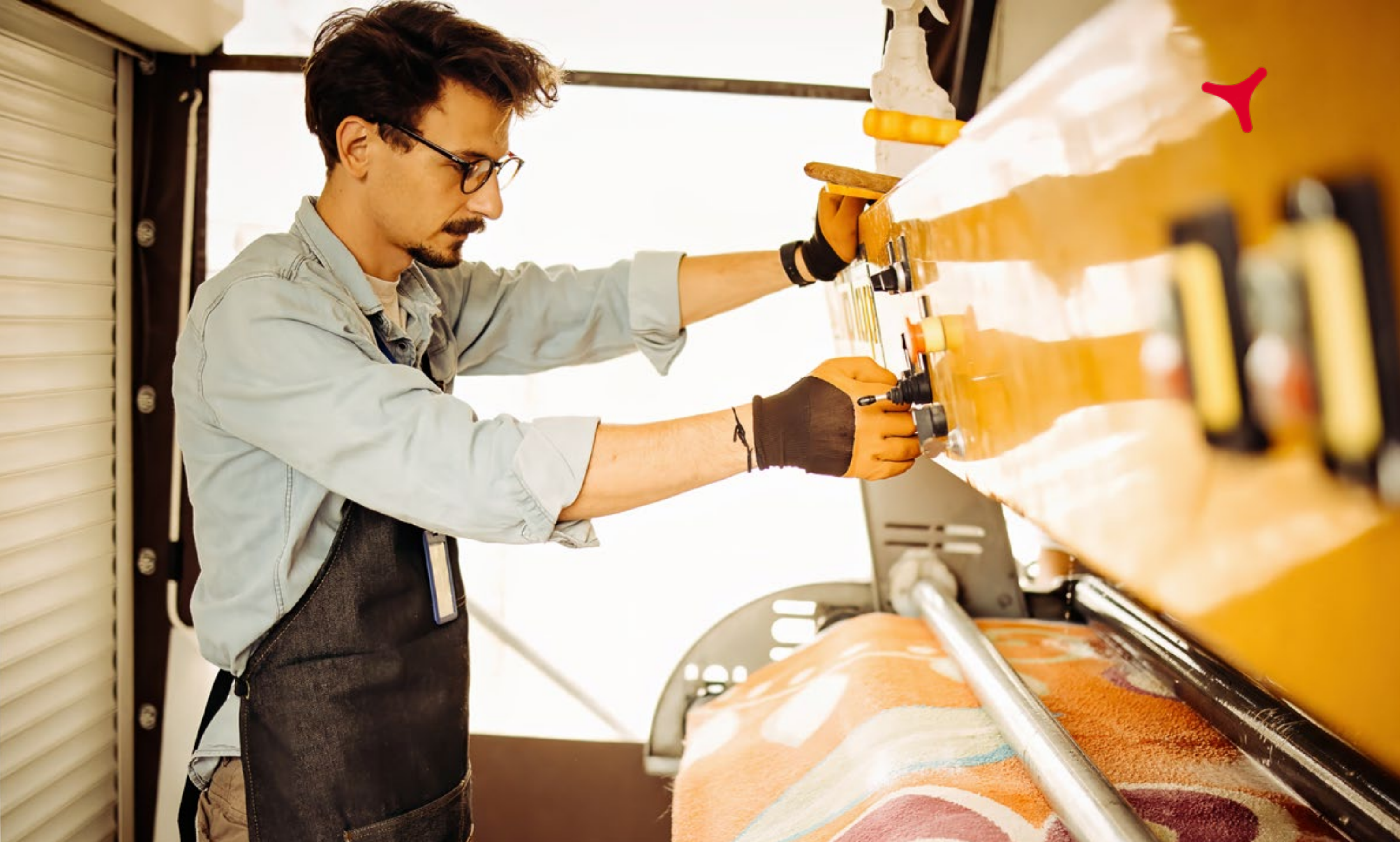
Atradius
Managing risk, enabling trade



Industry trends – Consumer durables/retail

Growth continues, but tariffs and protectionism could weigh on household spending

March 2025



Global overview

Last year sales of global consumer durables increased by 5.8%, mainly driven by demand in Asia Pacific, while performance in the Americas and Europe was muted. However, consumer confidence in the EU and the US has rebounded since H2 of 2024, supported by monetary easing, lower inflation, higher wages and increased employment opportunities. We expect consumer durables sales in advanced markets to accelerate in 2025, while growth in the Asia Pacific region will cool down somewhat, mainly due to lower demand in China. This year we expect global consumer durables production to increase by 2.6% and sales by 3.4%.

Downside risks persist

The consumer durables sector is exposed to geopolitical and economic downside risks such as tumbling stock markets and volatile commodity prices. Currently the most imminent threats are the increased use of trade tariffs and protectionism. Tariffs weigh on economic growth directly through higher costs of trade, which in turn often result in increasing consumer prices and a reduction in disposable household income. Faster inflation also pushes central banks to keep interest rates higher for longer. The associated uncertainty often delays business investment.

Higher credit risk for retailers in advanced markets

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	Phillippines	Brazil
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			

Excellent The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.

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Industry trends

Consumer durables/retail

Consumer durables: Gross output (sales) per region	2023	2024	2025*	2026*
Asia Pacific	3.3	9.8	4.1	4.3
EU and UK	-4.9	-1.2	1.1	1.7
North America	-0.9	-0.9	3.3	3.7
South America	-1.6	2.8	4.7	0.7

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

Consumer durables: Gross output (sales) per subsector	2023	2024	2025*	2026*
Consumer durables total	1.0	5.8	3.4	3.7
Consumer electronics	2.4	8.4	-0.6	2.8
Domestic appliances	11.2	12.0	5.6	2.0
Furniture	-5.6	3.5	1.8	5.8

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.

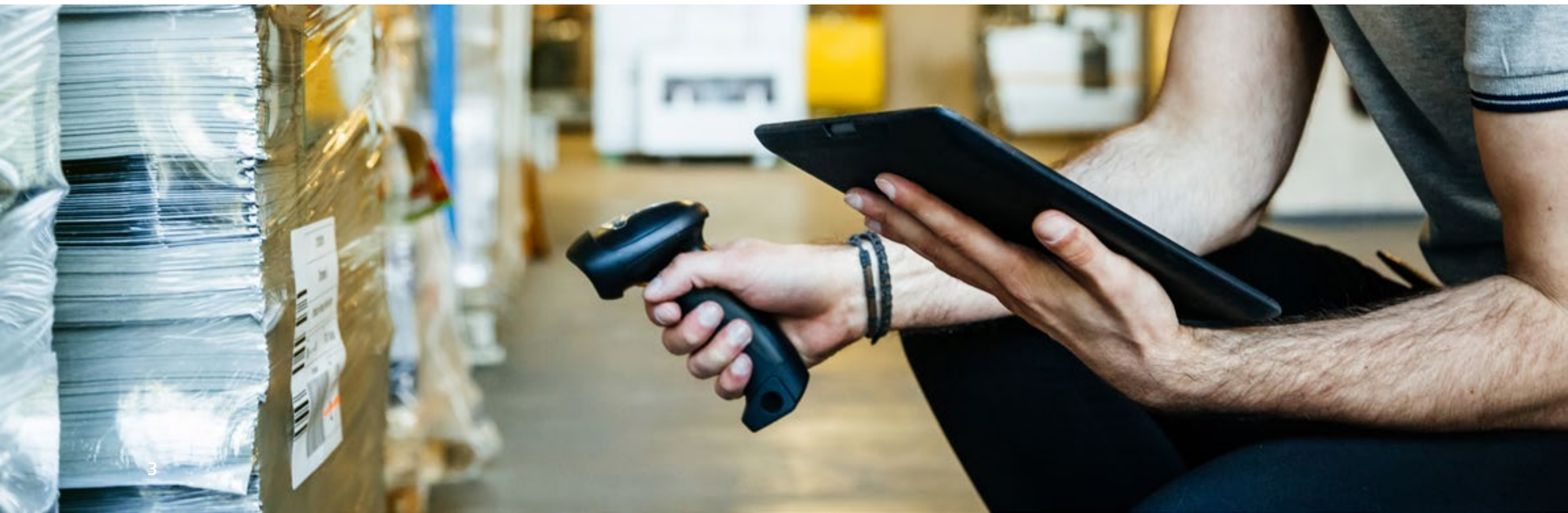
Constraints and downside risks

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: Bricks-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)	2023	2024	2025*	2026*
Brazil	-0.4	10.8	-1.3	0.7
Canada	-7.9	-5.7	4.1	0.9
Mexico	-2.2	5.0	3.3	0.3
USA	0.2	-1.8	2.3	4.9

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

Industry performance forecast
Brazil
Canada
Mexico
USA

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USA

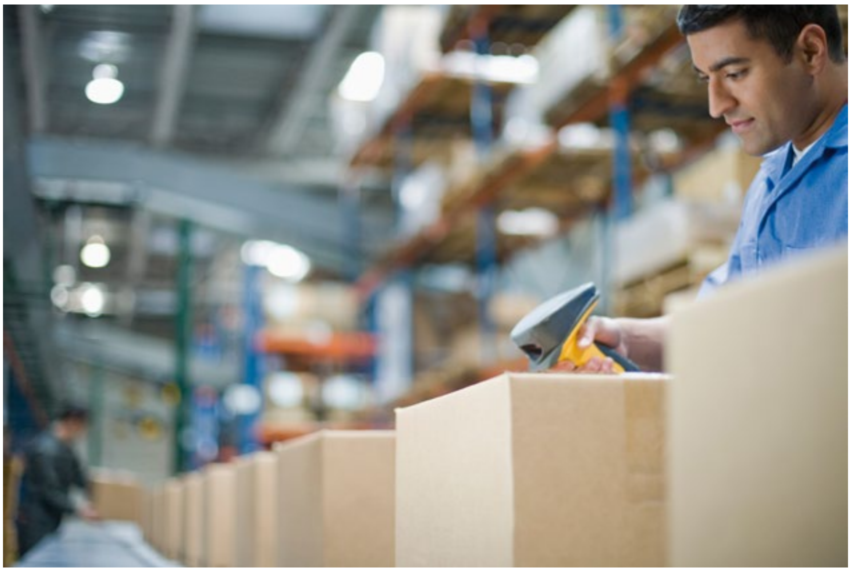
Solid growth outlook, but import tariffs are a downside risk

US economic growth continues to sustain robust consumer spending. Household consumption is underpinned by lower inflation, higher wages and by just 4% unemployment. We expect US consumer durables sales to grow 2.3% in 2025, followed by a 4.9% increase in 2026. Consumer electronics sales will level off this year, after a whopping 12.5% expansion in 2024. Sales of domestic appliances are expected to grow by 1.8% this year, and 3.6% in 2026. For the furniture segment, a 1.7% increase is expected in 2025, followed by a 3.1% expansion in 2026.

For US retailers, inventories that are not properly managed could lead to lower profit margins and higher credit risk. Bricks-and-mortar retailers continue to lose market share to ecommerce. This segment remains vulnerable to bankruptcies due to supply chain and inventory challenges, as well as macroeconomic concerns.

High import tariffs are a downside risk as they set to drag on US economic growth through stickier inflation, weighing on real disposable incomes and, in turn, reducing consumption growth. The US has recently imposed 25% import tariffs Canada and Mexico (currently paused until early April) and 20% additional levies on China. Should these tariffs be put in place for a notable period, they would strongly affect the US consumer durables retail sector, resulting in higher inflation and market instability.

More than 50% of consumer electronics, household appliances and furniture goods imported by the US come from the three countries. Retailers' current inventory levels could provide temporary relief for the coming months, so that sales prices should not increase immediately. However, in the mid-term retailers will be forced to pay the tariffs, either absorbing it, passing it on to consumers, or a combination of both. Larger retailers are in a better position to deal with the situation than smaller companies, which are unlikely to be able to build up large inventories and switch suppliers at short notice.



Consumer durables/retail outlook

Asia Pacific

Consumer durables gross output (sales)	2023	2024	2025*	2026*
China	6.3	10.9	4.7	4.1
India	-9.3	22.0	5.3	8.9
Indonesia	3.5	4.0	4.7	5.3
Japan	2.5	-2.6	2.6	0.9

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

China

Government subsidies support consumer durables sales

Chinese consumer sentiment remains volatile, 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, weak wage growth and higher unemployment (in particular among younger people) is impeding higher consumer spending.

In order to boost consumer spending, in September 2024 the government introduced a trade-in programme for passenger cars, household appliances and consumer electronics. This has led to a boost in consumer durables sales in late 2024 and early 2025. We expect retail sales to increase by 4%-5% annually in 2025 and 2026. However, while the trade-in programmes are successful in spurring short-term demand, this comes at the expense of long-term demand. The typical life cycle of household appliances is roughly 10 years. Bringing forward replacement at the current scale suggests a downside to consumption further ahead. Regarding the threat of tariff wars, Chinese exposure to US consumer durables imports is relatively low. However, the imposition of large import tariffs by the US could hurt Chinese exports of consumer electronics and white goods. Any major escalation of the trade dispute with the US could adversely affect China´s economic performance and subsequently dampen consumer spending.

India

Ongoing growth and good long-term prospects

Household spending in India will be strong in 2025, as the growth of India's wider economy continues. Although inflationary pressures will remain elevated across 2025, price growth is moderating. We expect consumer durables sales to increase 5.3% this year after a whopping 22% rebound in 2024.

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.

Japan

Easing consumer price inflation

After a 2.6% decline in 2024 we expect consumer durables sales in Japan to rebound by the same amount in 2025, as recovery in households' real income will support consumption. Consumer price inflation will ease in the coming months as pressures from past cost increases abate. In the long-run, the ageing and declining population size will mean weaker consumption prospects.

Industry performance forecast
Australia
China
Hong Kong
India
Indonesia
Japan
Malaysia
New Zealand
Phillippines
Singapore
South Korea
Taiwan
Thailand
UAE
Vietnam

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Consumer durables/retail outlook
Europe

Consumer durables gross output (sales)	2023	2024	2025*	2026*
France	1.4	-1.9	-1.4	0.2
Germany	0.9	-2.7	-1.4	1.4
Italy	-3.0	-3.0	-1.3	0.3
United Kingdom	-0.7	-4.1	2.6	-0.3

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

European Union

Consumer durables sales to rebound modestly in 2025

After contractions in 2023 (-5.2%) and 2024 (-0.9%), we expect consumer durables sales in the EU to rebound by 0.9% in 2025. With inflation below wage growth, there is a positive increase in consumers' purchasing power. Signs of softening across labour markets are emerging, but a small rise in the unemployment rate over the next 12 months is more likely than a more severe deterioration. Among subsectors, we expect consumer electronics and furniture sales to increase by 0.3% and 0.2% respectively, while the domestic appliances segment is set to grow 0.4% this year.

France

Credit risk remains high in the retail sector

We expect French consumer durables performance to remain subdued in 2025 after a 1.9% contraction last year. Recent wage increases have been outpacing inflation, but consumer sentiment remains muted, as unemployment is increasing and will weigh on household spending. Small household appliances sales are expected to grow, but the outlook for big ticket-items is poor. Credit risk in the retail segment remains high, with tight margins, restricted access to loans and a high level of payment delays and insolvencies.

Germany

No recovery for the time being

After a 2.4% contraction in 2024, consumer durables sales in Germany are expected to decrease again this year, by 1.4%. Both domestic appliances (-1.8%) and furniture sales will shrink. Wage growth will drive gains in real income, but private consumption remains subdued in 2025. A softening labour market will affect consumer confidence and spending, especially on big-ticket items. US tariffs could hurt industries that are already suffering, which could accelerate job cuts. Input costs for retailers remain high, credit is expensive and already thin margins have decreased further. The credit risk of retailers has increased as a result, along with rising insolvencies.

United Kingdom

A subdued outlook

After contractions in 2023 (-0.7%) and 2024 (-4.1%), we expect consumer durables sales in the UK to rebound, but by only 2.5% in 2025. Household spending power will be impacted by higher inflation and lower wage growth. Retailers struggle with the lack of a comprehensive demand recovery and higher costs. An increase in National Insurance rates for employers and a higher national living wage is likely to lead to retailers having to make some difficult decisions on investment pricing and employment levels. Smaller players suffer most in a shrinking market, as many are unable to access more favourable pricing and payment terms. 2025 will be another challenging year for the sector, and an increase in insolvencies is likely.

Industry performance forecast
Austria
Belgium
Czech Republic
Denmark
France
Germany
Hungary
Ireland
Italy
Netherlands
Poland
Portugal
Slovakia
Spain
Sweden
Switzerland
Turkey
UK

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