

Black Friday : The icing on the cake for US retail?

50%

20%

27 November 2025

Allianz Research

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Executive Summary



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- Months of trade uncertainty and higher tariffs haven't stopped US shoppers from adding to their carts throughout the year.** Black Friday and Cyber Monday sales are likely to hit a new record this year but the US consumption engine has been resilient throughout the tariff uncertainty. Advance Census Bureau data show that retail and food service sales in September were 4.3% higher year-to-date, putting the industry on track for its best performance since 2022, with turnover up by +4% this year (vs. +3% in Europe). Frontloading before tariffs kicked in provided a strong head start, and the momentum did not falter as initially feared, supported by lower interest rates, solid jobs and contained inflation. More importantly, companies food & beverages, electronics and personal care chose to absorb tariff-related costs rather than passing them on to consumers, with margins deteriorating by 1-3%. Starting in Q3, prices have started rising gradually in toys, apparel and furniture, while they still remain limited in food and electronic goods. Meanwhile, rather than bring a flood of production back onshore, US companies are recalibrating their global footprint, expanding into strategically located, lower-cost markets to preserve competitiveness and hedge future trade risk while also reducing their exposure to China (US imports down -36% since April). In the toy and apparel industries, for example, demand is shifting from China to Vietnam and other Asian countries like Cambodia and Indonesia.
- Nevertheless, cracks in the job market and widening income disparities could weigh on consumer optimism in 2026-2027.** The outlook for US retail is brighter than feared, with resilient demand and limited tariff drag supporting a projected +3% rebound in retail sales in 2025 and steady gains through 2026–27 against the backdrop of ~2% US growth. Easier credit and fading tariff anxiety should help offset concerns about the revival of inflation, with consumer prices expected to remain near 3% next year. Yet, early job-market cracks and corporate streamlining costs pose risks, while widening income disparities emerge. Still, strength among higher-income consumers should continue to anchor overall retail performance.
- In Europe, stronger economic conditions should support a spending catch-up.** Despite a softer Q3, European retail is set for a solid +4% gain in 2025, lifted by easing trade frictions, steadier local political landscapes and ongoing disinflation momentum. A firmer euro, looser credit and improving confidence should support broader economic growth of +1–1.5% in 2026–

27. Households' caution after the pandemic and energy shocks is expected to reduce progressively as purchasing power recovers from the 2022 inflation period. With savings elevated near 15%, a meaningful catch-up is in sight, pointing to a +3% rebound in 2026 and +4% in 2027.

- **Looking ahead, three trends will shape the future of retail: The rise of AI, Chinese marketplaces losing their edge and insolvencies nearing a peak in Europe.** The AI push will spread further into the retail industry, reinforced by tariff pressures that make efficiency, cost management, logistics and sourcing strategies even more critical in today's higher-cost environment. Beyond productivity gains, AI will strengthen customer retention and conversion throughout the shopping journey and enable retailers to better identify and anticipate customer needs, though this trend also comes with the risk of new entrants as major LLM platforms look to leverage retail as a growth engine to fund their capital-intensive R&D. Meanwhile, the penetration of Chinese marketplaces in the US and Europe is expected to decline amid tighter trade rules and the end of tax exemptions for low-value shipments. Yet, Chinese competitors may re-enter or reinforce their presence in these key markets through more conventional channels – countering competitors that are increasingly digital – by scaling via joint ventures or acquiring local players. Retail insolvencies are likely to continue rising as the sector remains in a deep post-Covid transformation phase marked by ecosystem consolidation, with tariffs representing only one additional obstacle. Nevertheless, we believe Europe may be nearing a peak, as suggested by a decline in insolvency trends in the UK over the past 12 months and early signs of deceleration in major markets such as France (-2% for the last 12 months) and Italy (-35% for the last three months as of October), where recent crises have fostered stronger resilience across the industry. In Germany, the uptrend continues (+14% over the last twelve months and +5% over the last three months as of August). This heterogeneity reflects different speeds of technological adaptation and competitive pressures, but the overarching message is clear: the shift toward more digital, automated and data-centric retailing continues to reshape the sector, and the insolvency landscape along with it.

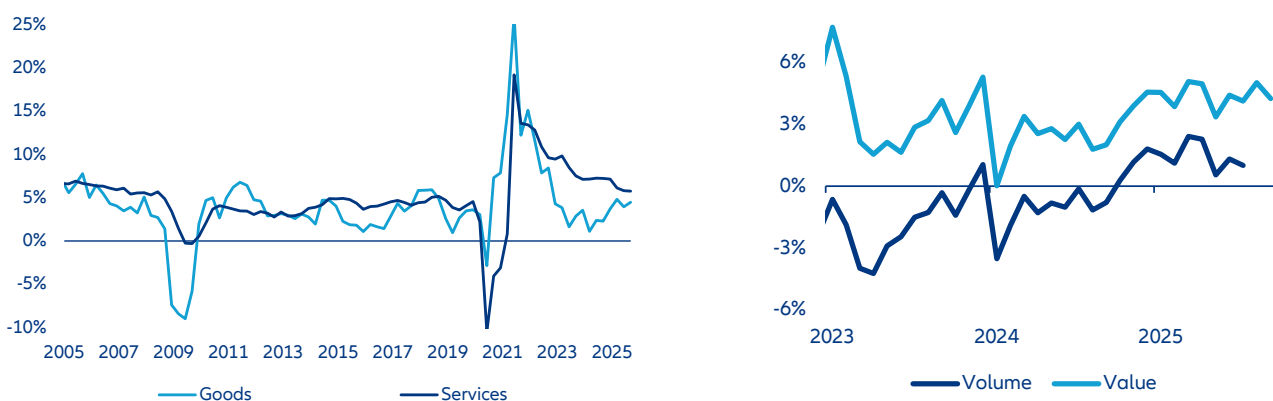


Winter has not yet come: Still waiting for tariff effects

The US retail sector had a surprisingly strong year, but there is more than meets the eye. Advance Census Bureau data show that retail and food service sales in August were more than 4.0% higher year-on-year, putting the industry on track for its best performance since 2022. Still, this good showing masks a more nuanced story – gains have been uneven across volumes versus price, and between goods and services. On the one hand, tariffs have played an unexpected role: rather than dampening demand, fears of future price hikes for typically imported categories like electronics, apparel, toys and appliances have spurred US consumers to front-load purchases, lifting nominal sales. The +1.5% bump seen in March – the best month in more than two years – is a clear sign of

pre-emptive buying ahead of the import duties unveiled in early April. On the other hand, the robustness is less impressive on a “real” or volume-adjusted basis, which shows a modest +1.5% rebound on average this year as of July, hinting that price effects are doing much of the heavy lifting. Meanwhile, the services segment appears to be cooling, suggesting that consumers may be shifting towards goods, which further supports the view that the headline growth owes more to tariff-driven price dynamics than a broad-based recovery in demand.

Figure 1 & 2: Retail sales, annual momentum of volume, value, goods & services (value in USD, at constant price)



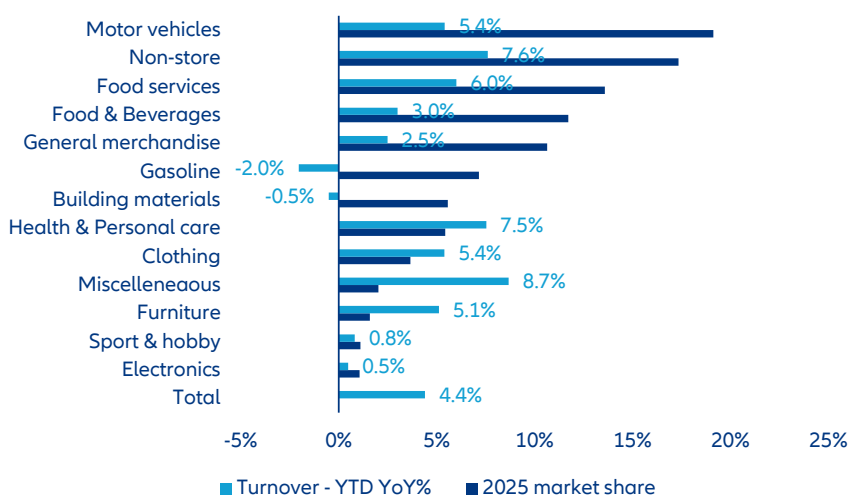
Sources: US Census, LSEG Datastream, Allianz Research

The main retail categories all saw a strong rebound, except electronic goods and building materials. Despite fears of rising import-tariff pressures, US consumer spending on discretionary goods has shown a striking decoupling this year: most categories are registering solid growth, even though electronics and building material revenues are contracting on a year-to-date basis, and gasoline station spending is down sharply (largely due to lower oil prices). Sport and music goods are lagging, however, with only a modest ~1 % growth YTD. Meanwhile, traditional import-sensitive categories like apparel, furniture and vehicles are rebounding strongly: Retailers report that they have cleared excess inventory and offered generous discounts, and many manufacturers (especially in autos and apparel) have absorbed early tariff-related cost increases, prioritizing higher sales volume over margin protection. General merchandise and food & beverage outlets have also posted resilient YTD growth of ~2.5–3%, reflecting their typical stability in inflationary environments. At the same time, non-store (digital) retailers and “miscellaneous” discount categories have both surged by almost +10% YTD, highlighting the

sustained importance of the digital channel in the US and consistent demand for discount goods in the retail industry. This pattern suggests that consumers are increasingly price-sensitive – hunting for value goods online or in discount formats – even as they continue spending on durable discretionary items, underscoring the strength of their appetite despite macro-policy headwinds.

Digital sales have returned to the Covid-19 peak but e-commerce expansion is being slowed by tariffs. Since the pandemic, digital sales have become a sustained growth engine for US retail, but rather than substituting physical stores they increasingly play a complementary role. In Q2 2025, e-commerce accounted for 16.3% of total US retail sales, according to the US Census Bureau, nearly matching the pandemic peak. Yet growth is cooling somewhat: Online sales grew +5.6% in the first half of 2025, well below the average of +7% over the past three years, with the first contraction in four years recorded

Figure 3: Retail sales per category of goods & services (YTD annual performance*)



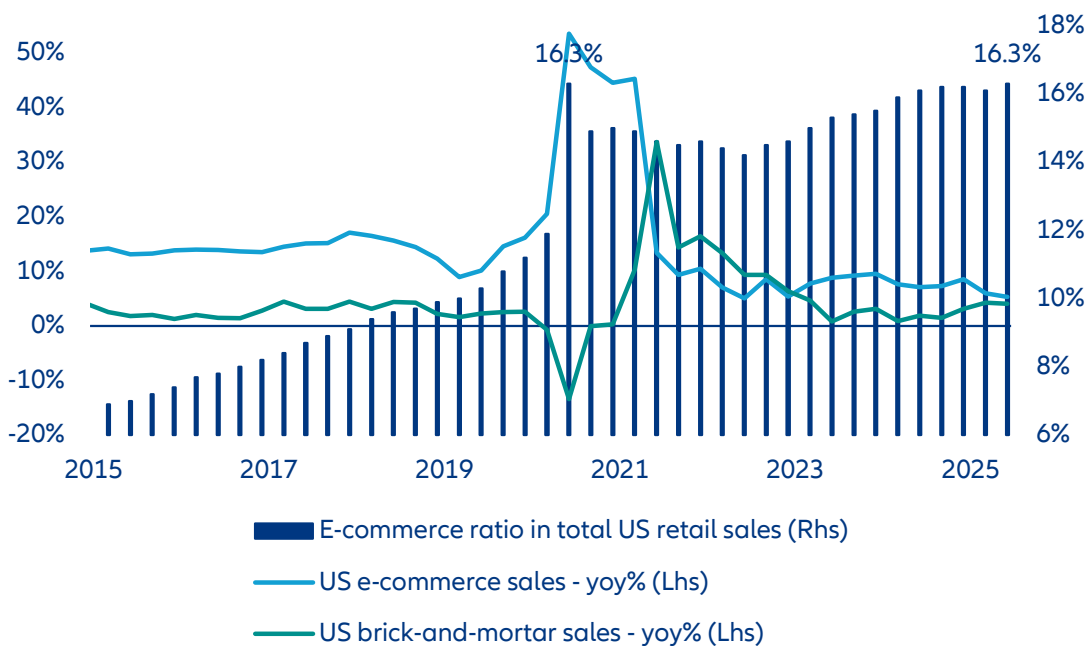
* Data as of August 2025.

Sources: US Census, LSEG Datastream, Allianz Research

in Q1 2025 (-0.1%). This stabilization underlines that consumers still value in-store experiences. Brick-and-mortar shopping remains deeply rooted in American culture, and despite the challenges physical retailers have faced recently, many are now revamping their models – improving service, blending online and offline touchpoints and refining customer journeys to meet the evolving expectations of a younger generation. This is especially important as Gen Z shoppers show relatively weak brand loyalty, pushing retailers to innovate beyond traditional loyalty programs. Meanwhile, e-commerce players are adapting to a tougher trade environment: new US tariffs have forced both local and foreign marketplaces to overhaul their strategies, shifting inventory to US-based

sellers or warehouses, revising their logistics and third-party sourcing and reducing reliance on direct-from-China drop shipping. These changes illustrate how digital channels remain vital, but must evolve to stay competitive, and how they continue to complement, rather than supplant, the traditional retail ecosystem.

Figure 4: E-commerce market & brick-and-mortar store annual sales momentum



* Data as of Q2 2025.

Sources: US Census, LSEG Datastream, Allianz Research

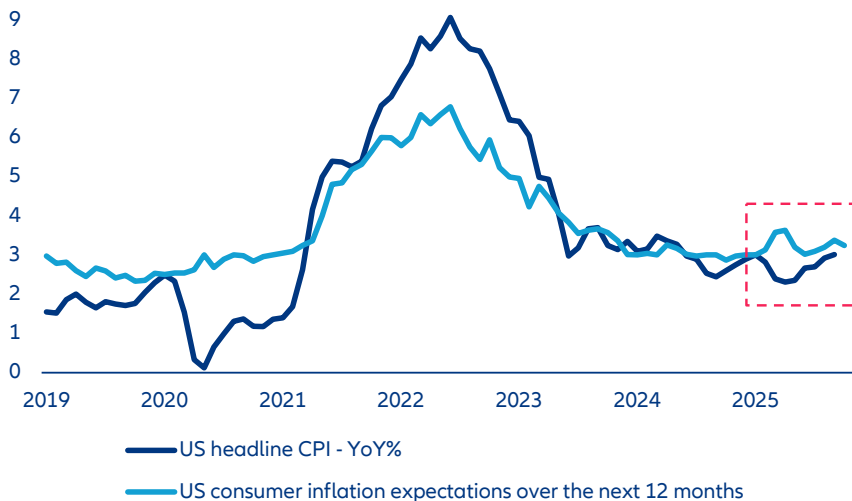
The effects of tariffs are feeding into prices, but households' inflation worries remain in check (so far).

In March and April, trade-policy uncertainties pushed inflation expectations to around 3.6%. But as the implementation of some tariffs were delayed and bilateral negotiations progressed, these fears receded. By June, the New York Fed's Survey of Consumer Expectations showed one-year ahead inflation expectations falling back to 3.0%, near their January level. This decoupling between expected inflation and actual price dynamics appears to have temporarily underpinned consumer spending: Despite consumers' earlier anxiety, their long-run expectations stabilized even as headline inflation remained moderate. Firms initially absorbed much of the tariff-related cost, dampening immediate price increases. However, by Q3, tariff pass-through to core goods was already in the range of 61–80%, and companies began revising up prices as trade uncertainty persisted. By September, US CPI climbed to 3.0% year-over-year, its fastest rate since early 2025. While we expect inflation to remain capped at around 3% in 2026 – nothing comparable to the post-Covid spike above 9% – persistent upward pressure on prices might reverberate on retail demand.

Fears of tariffs driving up inflation weighed on confidence early in the year, but the effects were uneven amid income groups.

Consumer confidence this year was very volatile, falling sharply in Q1 2025 alongside the first announcements of tariffs and recovering somewhat in Q2–Q3 during the bilateral deal period before declining again sharply in Q4 as new customs rates became effective. This downturn was driven mainly by collapsing expectations: The Expectations Index slid to 39.6 in November, a 26-year low, reflecting widespread anxiety over the White House's Q2 tariff package, lingering inflation fears and the scars of the post-Covid price spike. In magnitude, this year's drawdown (-30%) was not as bad as the dramatic Covid-era crash (-46% over January–May 2020), but still impressive considering that global trade temporarily came to a standstill in 2020. However, unlike in 2020, the household savings rate remained surprisingly low in Q3 (4.6% in August), almost 4pts below the historical average and 2.5pts below 2015–2024 average, reflecting the uneven distribution of the sentiment deterioration. Households earning between USD75–100k and over USD125k per year remained comparatively resilient and continued to spend, but even the lowest-income segment (USD15K or below) also remained resilient. This can be

Figure 5 : US inflation rate & consumer expectations



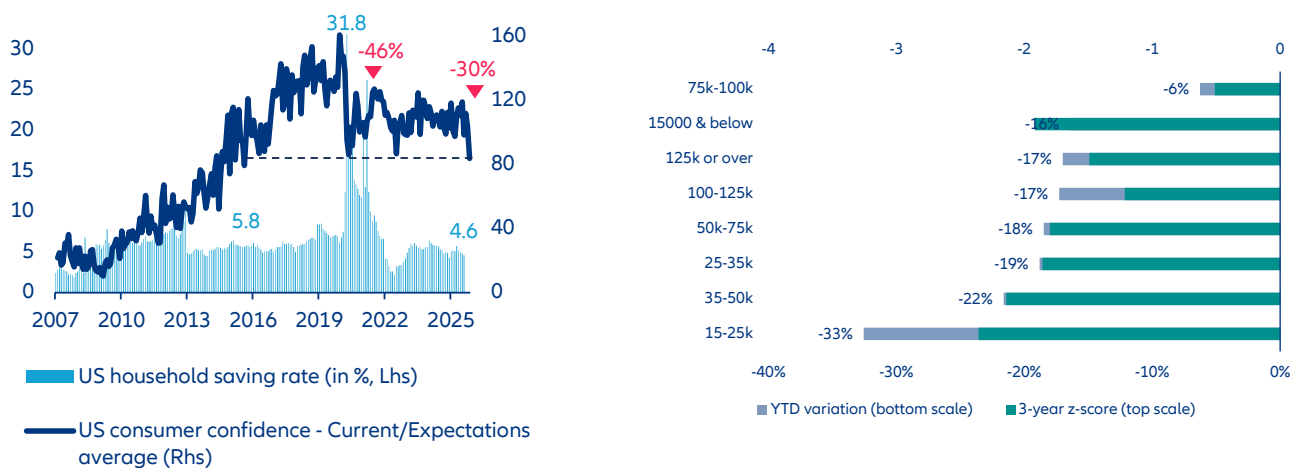
Sources: Conference Board LSEG Datastream, Allianz Research

explained by the fact lower-income households spend less on discretionary goods and were consequently only moderately impacted by a potential hike on imported goods. The resilience higher-income households sustained retail activity even as lower-income, price-sensitive consumers grew more fearful of losing purchasing power. Indeed, while the top three deciles of income in the US account for around 48% of total spending, their weight in durable goods spending was almost 55% in 2023, of which the top decile accounts for almost 25%. The historical resilience of higher-income households to inflation swings, coupled with the relative solidity of job market and low volatility in financial markets – though the recent AI-driven correction should be monitored – will cushion US consumption.

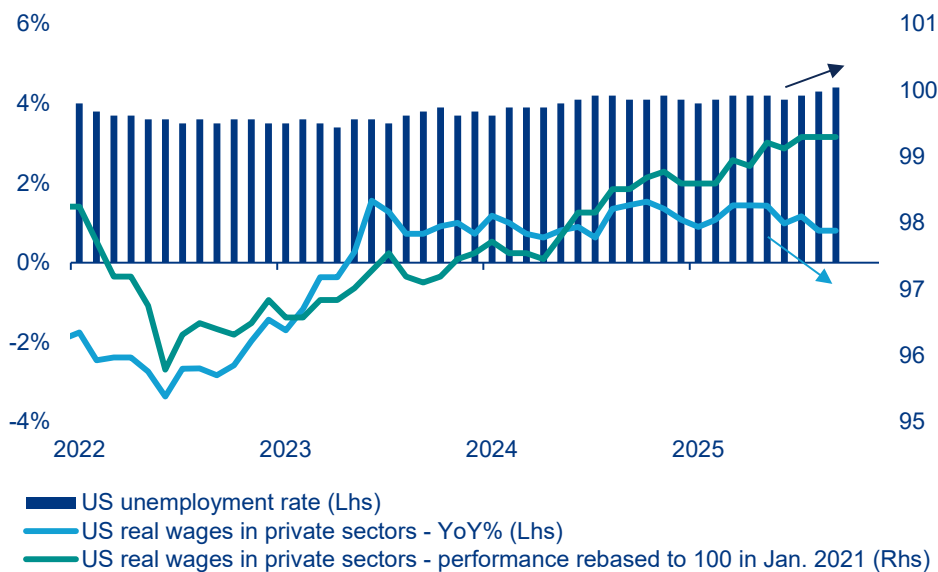
Cracks in the job market threaten to temper the purchasing-power recovery. Unemployment at 4% (near the historical low) has helped prop up consumer spending but that resilience is under threat. Trade tensions have forced many US companies to re-engineer their supply chains in costly ways, diversifying away from tariff-vulnerable suppliers, lengthening logistics and increasing inventories. In surveys, most firms say reshoring production would at least double their costs, notably due

a large labor cost differential between the US and other countries. As a result, many plan to favor automation over labor. These cost pressures are translating into sweeping workforce changes. Retail and logistics are ranked among the top three US manufacturing industries that recorded the biggest staff cuts (respectively around 80k and 90k), just behind technology (~110k). In retail, the tightening is part of a broader effort to streamline operations amid soft demand and tariff risks, and results from prior weaknesses inherited from the post-Covid inflation period. In the short term, this growing slack could weaken wage momentum just as real wage gains from the post-Covid rebound have started to fade. When consumers feel insecure about their job prospects, they are much more likely to pull back on spending, weighing on broader consumption even though the labor market is still relatively tight.

Figure 6 & 7: Household savings & confidence rate / Breakdown of consumer sentiment per income segment



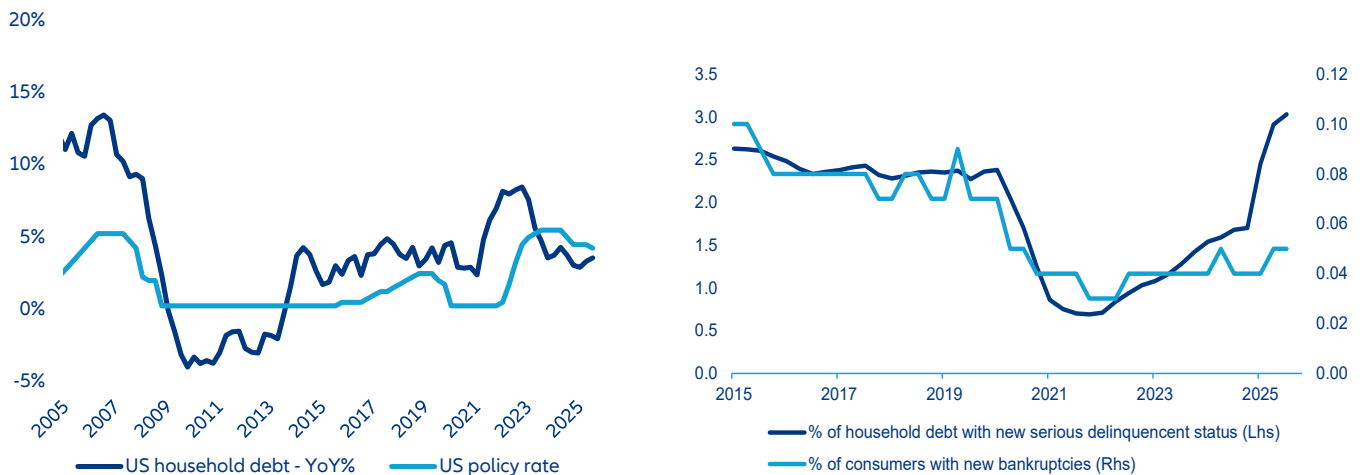
Sources: US Census, LSEG Datastream, Allianz Research

Figure 8 : Unemployment rate & real wage growth in the private sector

Sources: BEA, LSEG Datastream, Allianz Research

Downward pressure on policy rates will underpin consumption but don't expect a boom. Looser credit conditions have also favored consumer spending in the US. A June 2025 New York Fed survey revealed that mortgage-refinancing rejection rates fell sharply – from 42% in February to just 15% in June – while auto-loan rejections declined from 14% to 7%, signaling significantly improved access to credit. At the same time, total household debt climbed to approximately USD18.6trn in Q3 2025 (up by USD550bn this year of which 85% was driven by mortgage loans and new demand for home purchases). As of Q3, credit-card debt had increased by “only” USD22bn, accounting for 4% of household-debt growth in 2025, against 14% on average over the past three years. This sluggish growth testifies to banks’ becoming more cautious amid a rising delinquency ratio, as reflected in the Fed’s Senior Loan Officer Opinion Survey. In Q3 2025, the ratio of household debt in serious delinquency (above 90-days) spiked above 3% for the

first time since 2014, notably driven by a deterioration of student debt status after the White House’s decision to suspend the former administration’s loan-forgiveness program (ratio of debt under serious delinquency status at 14% in Q3 2025 vs. less than 1% in end-2024), but also credit card debt (serious delinquency ratio around 7%, the highest since 2011) and auto loans (almost 3%, the highest since 2009). Lower-income households, who often lack substantial collateral and have weaker credit profiles, may find access to credit more constrained. As banks tighten lending and consumer debt stress intensifies, the risk is that this “supportive” credit backdrop could erode, especially for those least able to absorb shocks, potentially undermining consumption if delinquencies cascade or credit drying restricts future borrowing.

Figure 9 & 10: US policy rates vs; household debt momentum / US consumers delinquent debt & bankruptcy ratio

Sources: Conference Board LSEG Datastream, Allianz Research

Overall, we expect US retail sales to remain resilient, growing by +3% over 2025-2027. US retail sales are set to follow a solid yet moderating trajectory between 2025 and 2027. After a strong start to 2025, momentum is expected to cool in the second half as earlier front-loading of purchases fades, while higher prices and emerging signs of labor-market softening curb demand. Still, our forecast model points to a full-year growth rate of around 3%, broadly matching last year's performance. Looking ahead, we expect a steady 3% annual growth pace in both 2026 and 2027, with inflationary pressures likely to remain contained near 3%, and the impact of tariff increases proving smaller than initially feared, thanks to trade deals

and firms' efforts to adapt supply chains and inventory strategies. Only a minority are reshoring production as long-term profitability remains questionable. At the same time, a moderately softer job market alongside stable US GDP growth of about +2% should continue to support overall demand. Beneath the headline numbers, however, disparities across income groups are likely to widen, with lower-income households more exposed to sticky food and beverage inflation and price adjustments from discounters under the new US-China trade framework, particularly in apparel, furniture, sports and hobby goods and household equipment.

Figure 11: Annual US retail sales value growth & Allianz forecasts for 2025-2027 period

Sources: US Census Bureau, BEA, BLS, US Federal Reserve, Allianz Research

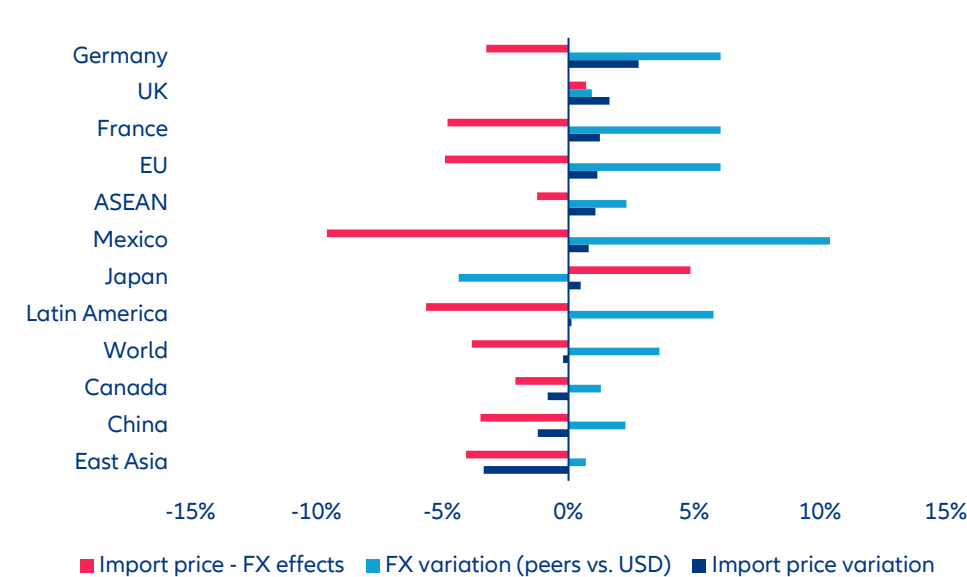


The true cost of tariffs for US consumers and firms

Fortunately for US consumers and firms, many key exporters have partly absorbed new tariff costs. US import prices since April suggest an upward pressure of at least 1% for goods coming from top European countries like Germany, France and the UK, and below 1% upside for imports from Japan, the ASEAN block and Mexico. However, higher import costs do not entirely reflect tariffs as the US dollar has also depreciated strongly in 2025, and exporters have been slow to pass on tariff effects, preserving the margins of US firms and consumer prices. Surprisingly, prices of goods imported from China have

declined since April despite the reciprocal tariff of 125% on Chinese goods – the highest applied to a single country – and an appreciation of the yuan against the greenback. This again demonstrates both the slow diffusion of tariff impacts on trade exchange but also a clear strategy by some suppliers to not overreact to announcement effects and at least temporarily absorb at extra costs while trade negotiations are ongoing.

Figure 12: Variation of import price and USD performance vs. trade partners since “Liberation Day” (April 2025)

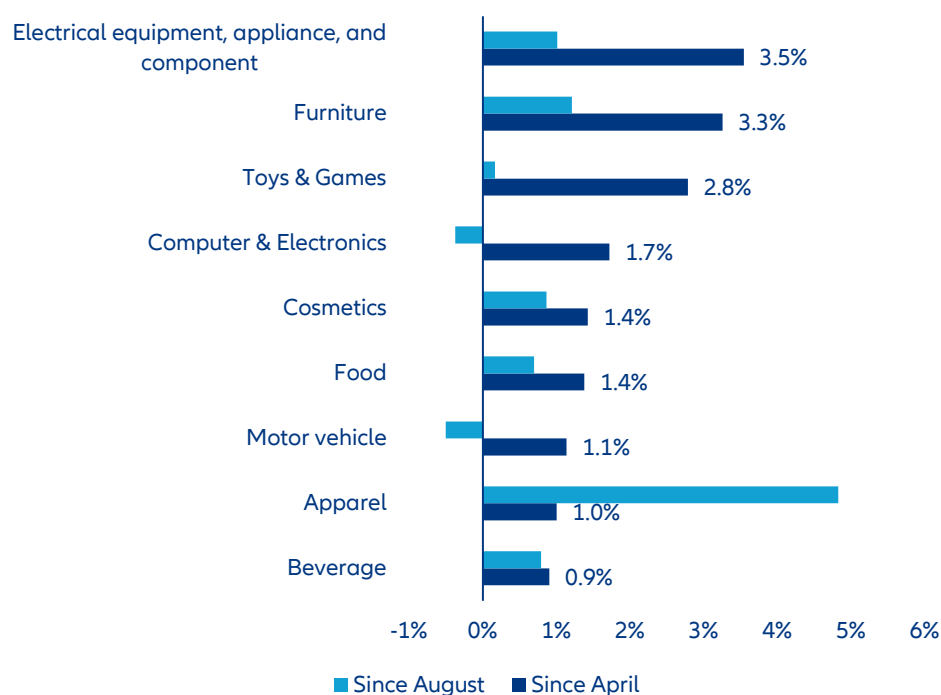


Sources: Bureau of Labor Statistics (BLS), LSEG Datastream, Allianz Research

Tariff inflation is not uniform, but strongly dependent on the exposure of each category to global trade, input cost structures and firms' pricing power. Consumer prices for food & beverage, cars and apparel moved up modestly between April and September by +1-1.5%, well below preliminary estimations made in reaction to the tariff announcement, which expected a +6% hike in the retail prices of new vehicles and a +10-20% increase for imported garments manufactured in China and Vietnam. In contrast, toys & games, furniture and electrical equipment are seeing much stronger inflation, with price increases near or above 3% over the same period. Toy prices surged by a record 2.2% from April to May alone, largely because about 75% of US toys originate in China and are hit by steep new duties. In the furniture sector, new tariffs on imported lumber and wood products – for instance, an up to 25% tariff on upholstered furniture and kitchen cabinetry – are fueling sharp cost increases. However, these price dynamics stem from multiple

intertwined sources: (a) country-level tariffs (individual reciprocal tariffs subject to potential change based on bilateral talks); (b) sector-specific levies, such as those on wood or steel and aluminum derivatives; (c) raw-material volatility, notably seen this year in lumber but also food markets (coffee for instance); (d) firms' inventory structures, where companies with deep inventory, like in apparel or automotive, are more inclined to offer discounts to ensure sales volume and streamline their operational costs; (e) seasonality, such as the heightened demand for toys before the holiday season and (f) technology-cycle shifts, especially in electronic goods (e.g. new AI-driven devices) where demand dynamics are changing amid the development of AI technology and functionalities.

Figure 13: Variation of consumer prices for top imported retail products since “Liberation Day” (April 2025)

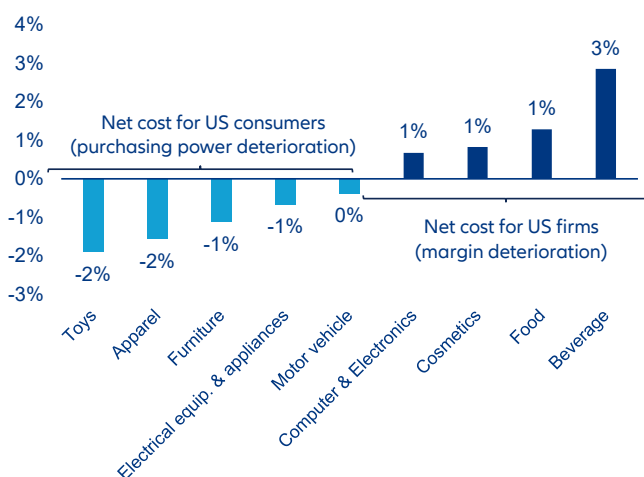


Sources: Bureau of Labor Statistics (BLS), LSEG Datastream, Allianz Research

Retailers tapped into their excessive inventory to control costs but remain confident that tariff concerns should be short-lived. Most companies exposed to international tariff pressure preferred to run down excess inventory instead of passing on higher costs fully to consumers (Figure 13). In sectors like apparel, firms that front-loaded imports before tariff hikes are now unwinding their stockpiles: inventories peaked at roughly 71 days of sales (up from about 64), yet companies have avoided deep discounting. In retail more broadly, many players are renegotiating their supplier contracts – implementing cost-sharing arrangements, vendor-managed inventory and other supply-chain finance tools – to absorb tariff costs. Wholesalers and distributors – operating on thin margins – admitted early on that while they can cycle through older, lower-cost inventory, this “buffer strategy” is not sustainable. Meanwhile, a significant share of logistics and inventory teams across industries report 10–15% cost increases directly tied to tariffs, prompting a shift toward more “just-in-case” stock models, hence a sharp decline of inventory levels across all industries this year. This approach reflects firms’ reluctance to aggressively mark down goods: margins are already under strain, uncertainty around future import costs is high and overly aggressive discounting could jeopardize long-term profitability

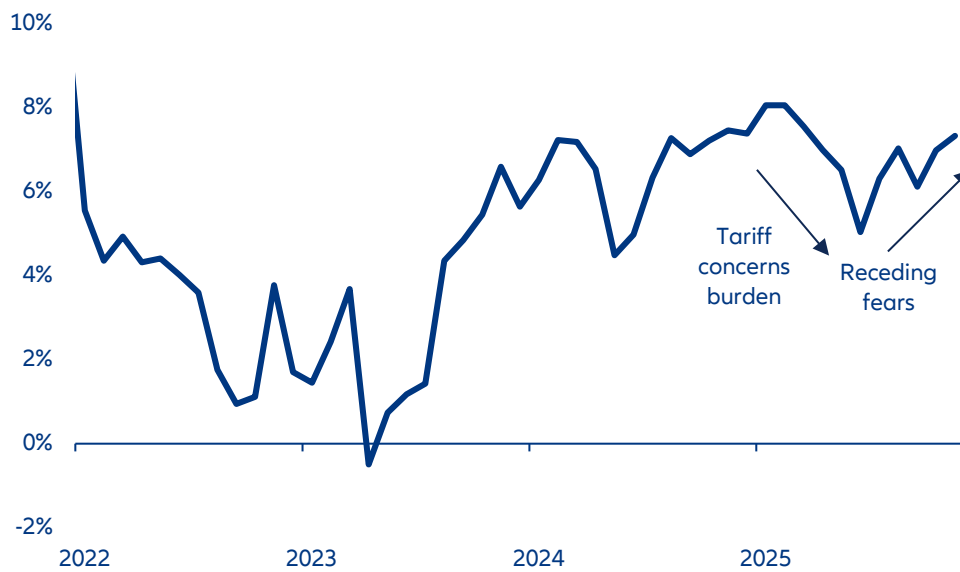
A balanced share of costs between firms and consumers so far. On an aggregated view, based on the market weight of top retail categories exposed to international tariffs, the US retail industry’s margin was not impacted by tariffs over the period Q2-Q3, with a perfect equilibrium of benefits and costs shared with US consumers. However, firms in industries like food & beverage, electronics and personal care absorbed tariff-related extra costs, resulting in profit margins deteriorating by 1-3% (Figure 14). On the other side of the spectrum, notably in Q3, companies in toys and apparel started passing through their tariff costs to customers, resulting in a net cost of around 2% (Figure 14). This is also visible in furniture (-1%) and more moderately in the automotive and electric appliances industries. For both the toy and apparel industries, new tariff policy did not result in a drastic revamping of supply chains, but rather a transfer of demand, mostly from China to Vietnam but also to other Asian countries like Cambodia and Indonesia. So far, the gradual and smooth upward revision of some prices has not dragged down demand, resulting in corporate profit margins returning close to the end-2024 level of 7.5%, after a slight decline in Q2 (Figure 15). Forward earnings growth suggests that the worst may be behind us and that new trade conditions could turn out less stringent than expected and broadly manageable.

Figure 15: Net variation of manufacturing costs for US companies since “Liberation Day”

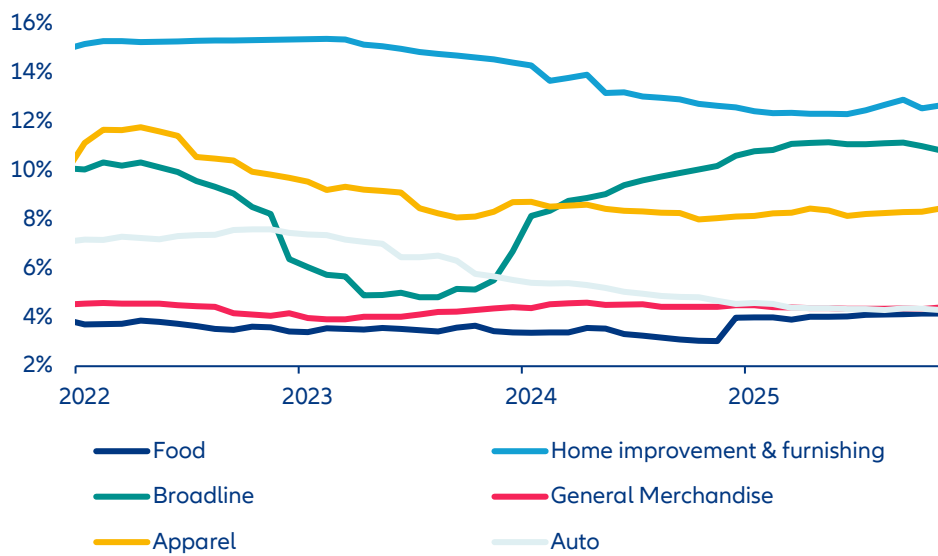


Calculations based on analysis of variation of consumer, producer and importer price in the US since end- March, integrating the ratio of imported inputs in total domestic output. (BLS satellite input to PPI database),

Sources: Bureau of Labor Statistics (BLS satellite input to PPI database), LSEG Datastream, Allianz Research

Figure 16: 12-month forward earnings growth for US retailers (median)

Sources: LSEG Datastream, Allianz Research

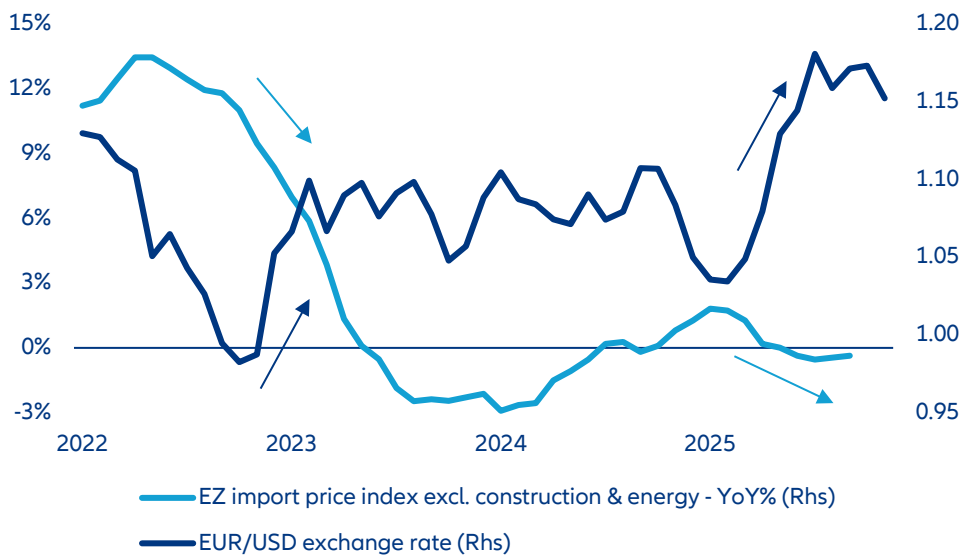
Figure 17: Trailing 12-month Ebit margin of US retailers, per category breakdown (median rate)

Sources: LSEG Datastream, Allianz Research

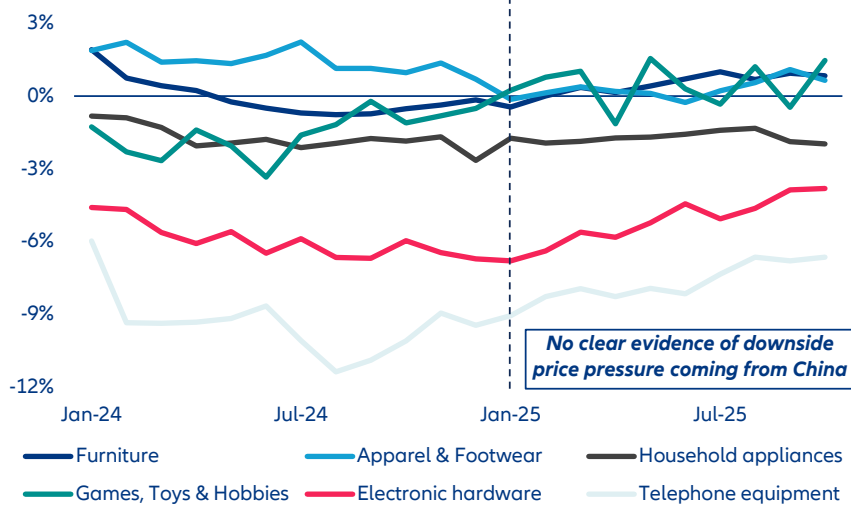
Weaker dollar cycle in 2025 benefitted some US trade partners, notably Europe. In 2025, Europe has emerged as a notable beneficiary of the recent trade uncertainties, ultimately negotiating significantly lower duties – around 15% instead of the feared 20% – and avoiding broad sector-specific levies, such as those targeting the automotive industry. More importantly, the turmoil caused by these trade frictions has weakened the US dollar, creating a powerful tailwind for Europe’s economy. Over the summer, the euro appreciated by as much as 14% against the dollar, reaching a near four-year high. For a region that remains heavily dependent on external sourcing – importing oil, industrial commodities and precious metals – the relatively stronger euro has bolstered purchasing power, cushioning the impact of higher costs and easing input-price pressures. Meanwhile, for European exporters in the high-value sectors where the continent leads – such as aircraft manufacturing, pharmaceuticals and luxury or personal-care goods – the stronger currency has not significantly eroded revenues, helping preserve margins even amid cross-border volatility.

No clear evidence of deflationary pressure from China. Despite fears of a potential deflationary wave emerging from China to make up for lost business in the US, that scenario has not materialized. Consumer prices for staples historically sourced from China – including apparel, toys and electronics – have remained stable, showing no sustained decline attributable to tariff-driven oversupply. That is not to say the deflation risk has vanished altogether, but the alarm around it may have been overstated. For now, Europe is navigating this era of trade upheaval with a surprising measure of resilience – largely thanks to the currency effect.

Figure 18: Eurozone import price index annual growth & Eurodollar exchange rate



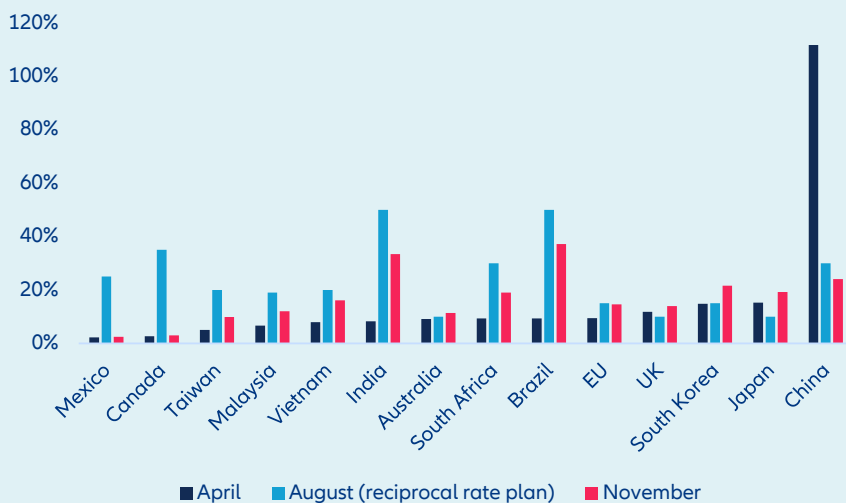
Sources: LSEG Datastream, Allianz Research

Figure 19: Eurozone harmonized consumer price index, annual growth

Sources: Eurostat, Allianz Research

Trade and supply chains

Tariff uncertainty is forcing companies to adapt quickly and rethink their supply-chain strategies. Companies that rely on cross-border inputs now face a difficult balancing act: preparing for potentially higher import costs while also considering the possibility that negotiations could dilute, delay or even reverse the trade policy in place. This complicates everything from pricing strategies and procurement contracts to investment planning as firms hesitate to commit resources without clearer signals. Even industries expected to benefit from greater protection are approaching the situation cautiously, aware that diplomatic compromises could narrow the scope or duration of tariff advantages. In this climate, managers are increasingly running parallel scenarios, hedging currency exposures and reviewing supplier-diversification options to mitigate the risk of sudden policy shifts. Yet, such defensive strategies carry costs of their own, straining budgets and dampening confidence. Ultimately, the combination of an announced tariff and unresolved negotiations has created a limbo in which firms must operate without reliable expectations, highlighting how trade measures, when introduced amid fluid diplomatic discussions, can amplify rather than reduce economic uncertainty.

Figure 20: Effective import tax rate evolution of US trade partners since Aprils

Sources: Center for Global Development (CGD), Allianz Research

Figure 22: US imports of below USD150 shipments ("de-minimis trade")



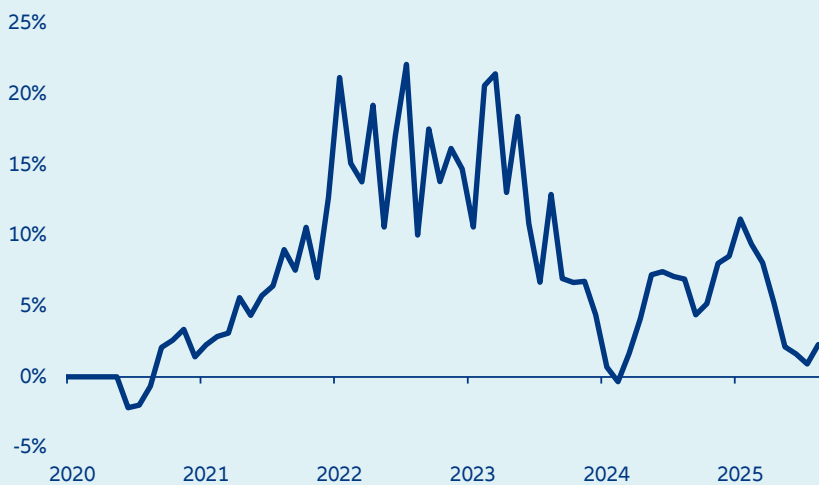
Sources: US Customs, Allianz Research

Figure 23: Ratio of top 10,000 sellers on Amazon.com from Chinese origin



Sources: Marketplace pulse research, Allianz Research

Figure 24: Production price index for primary services of general warehousing and storage (yoy% variation)



Sources: Fed of Saint Louis, Allianz Research

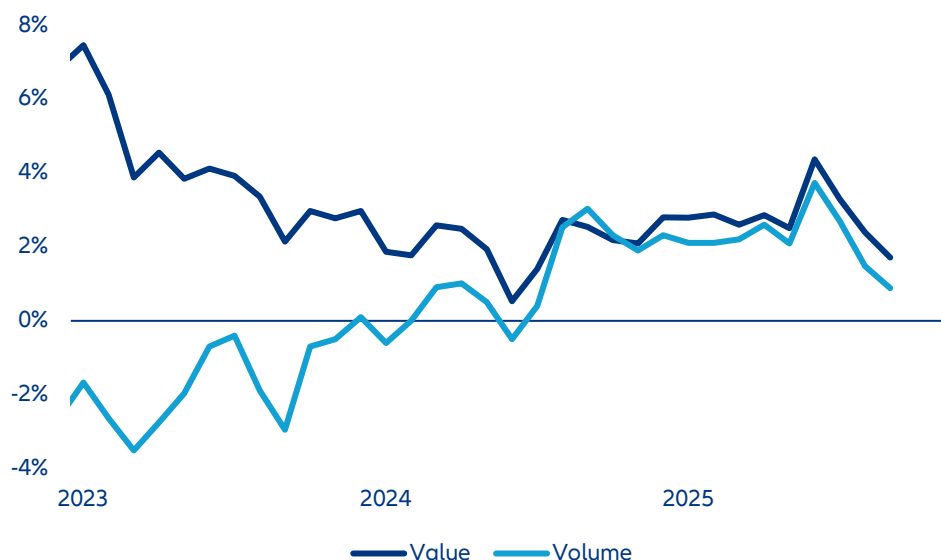


Europe: Buying great again ?

Domestic consumption in Europe remains resilient to global trade and geopolitical uncertainties. Retail sales have climbed by around +3% in value and +2% in volume so far this year, reflecting buoyant household demand. This strength was underpinned by a markedly stronger euro versus the dollar, which boosted purchasing power for imports, while the ongoing deceleration of inflation (heading back toward 2%) and successive ECB rate cuts loosened credit conditions for consumers and firms. That said, momentum began to wane in Q3. The EU faced headwinds from the application of new US tariffs in

August, and political instability in key countries weighed on consumer sentiment. By segment, non-food products were the real driver of the retail rebound: In the first half of the year, their volume jumped by about +3%, and although growth slowed toward Q3, it remained at a healthy +2%. By contrast, the food & beverage segment stalled more noticeably, growing at less than +1% y/y in Q3. Overall, the picture is one of broadly solid consumption dynamics in 2025, supported by favorable monetary conditions and wage gains, even as external risks loom large.

Figure 25: Eurozone retail sales, in volume and value (on an annual growth basis)



Sources: Eurostat, ECB, Allianz Research

A purchasing-power recovery underpins the demand recovery, but past scars are not fully healed.

Over the course of 2025, European purchasing power has been gradually recovering, underpinned by sustained disinflation pressures that seem to be extending even beyond the Eurozone. After surging in 2022, consumer price inflation has now eased back toward the 2% mark (2.1% in October, according to ECB data), giving central banks room to ease and in turn reducing borrowing costs and gently reviving real incomes. Simultaneously, macro conditions have improved substantially, reflected in the upward revisions of the European Commission's growth forecasts (up +0.4% at +1.3% vs. May estimates and above +1% for 2026-2027). A tight labor market bolsters this more favorable mix, and households – still sitting on a high savings ratio of over 15 % of disposable income (as reported in Q2) – are ready to unlock some pent-up demand. Still, decades of turmoil – from the pandemic to the energy crisis – have reshaped consumers' mindset: many remain cautious, saving more and spending only when they feel truly confident in the future. That hesitancy makes sense: while real wages are recovering, they are not yet fully back to pre-2022 levels. In 2025, real wages in some sectors have rebounded, but gaps persist. Against this backdrop, the convergence of easing inflation, improving macro fundamentals and a strong euro (which strengthens households' purchasing power) sets the stage for a more sustainable recovery. As deflationary impulses from global sources like China – independent of US tariffs (eg. As seen in the auto industry) – continue

to feed through, we may finally see European domestic consumption genuinely take flight in 2026.

We expect a bright outlook for European retail sales, which should rise by +4% this year and +3% in 2026.

Eurozone retail is poised for a bright outlook, with several forces converging to create what we expect will be a firecracker end to the year. Receding trade tensions – following the recently signed deal between the US and the EU – should help lift sentiment and support cross-border activity, while seasonal dynamics linked to the Christmas period typically deliver a reliable surge in demand. At the same time, the slow but steady diffusion of this year's ECB monetary easing, implemented through a sequence of rate cuts, is set to filter through to the real economy, improving credit conditions for both households and firms and providing an additional tailwind for spending. Although consumer confidence remains weak and saving ratios unusually high, these factors point to substantial pent-up demand that could fuel the next leg of the European consumption cycle once confidence stabilizes. Against this backdrop, we expect a solid +4% annual growth rate in retail turnover this year, followed by a moderate easing to +3% next year as broader economic growth slows to +0.9%. Importantly, the recovery trajectory appears durable, with momentum expected to extend beyond 2026 into 2027, when we expect a renewed acceleration to +4%.

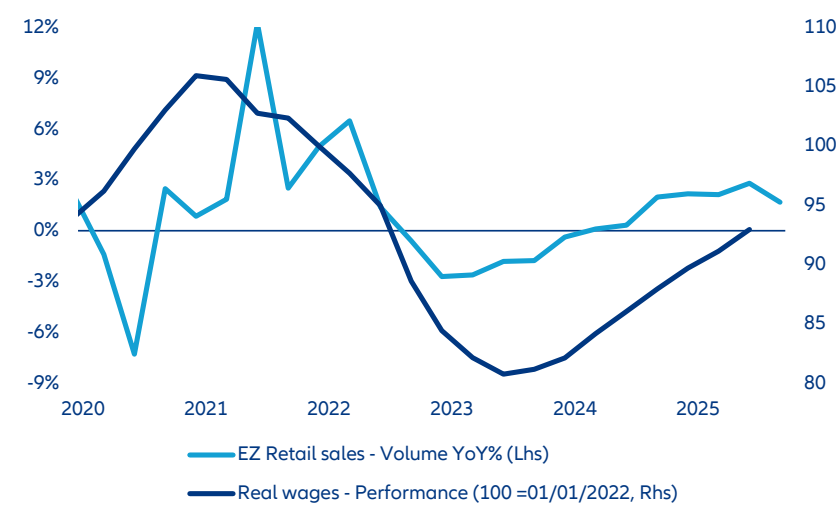
Figure 26: Macro condition index vs. household major purchase expectations in the next 12 months



*Indicator built on inflation, policy rates and unemployment rate.

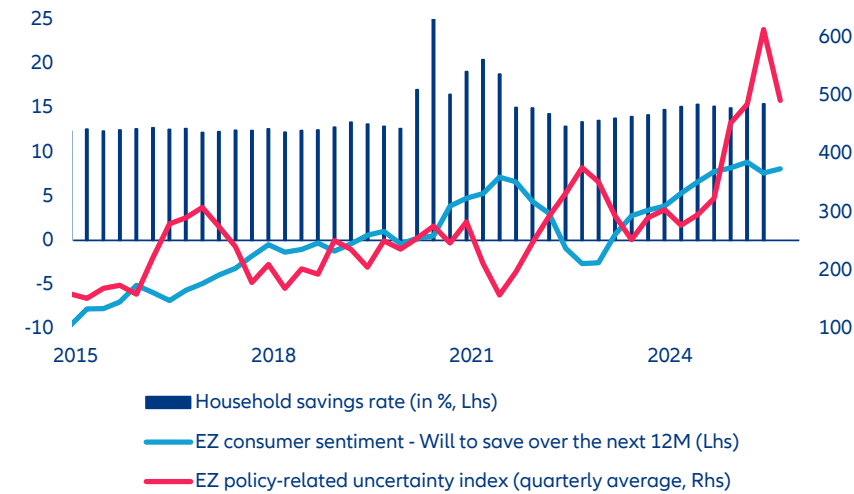
Sources: Eurostat, ECB, Allianz Research

Figure 27: Real wages performance & inflation expectations



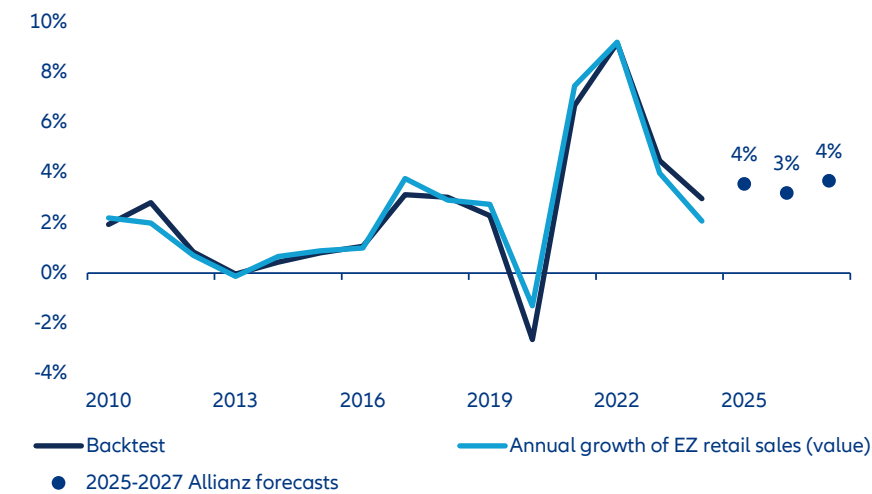
Sources: Eurostat, Allianz Research

Figure 28: Eurozone household saving rate, propensity to save and economic policy uncertainty index



Sources: Eurostat, ECB, DG ECFIN, Allianz Research

Figure 29: Annual European retail sales value growth & Allianz forecasts for 2025-2027 period



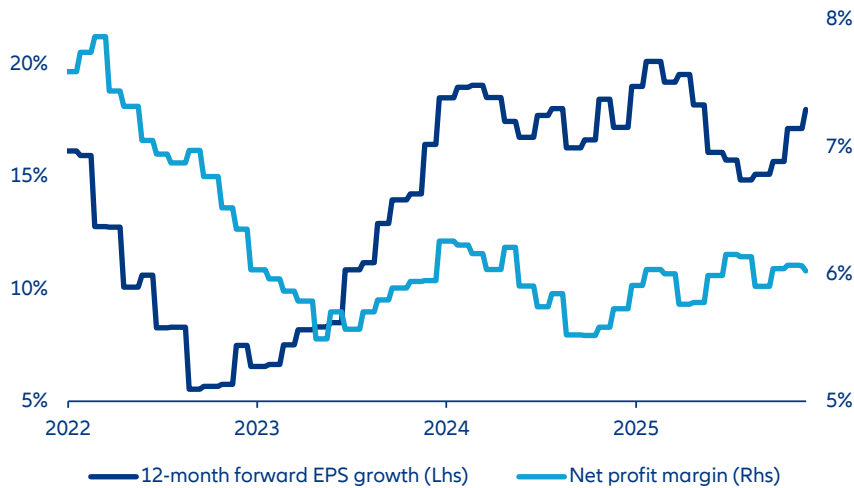
Sources: Eurostat, ECB, DG ECFIN, Allianz Research

European retailers' earnings trends and forward guidance confirm the better outlook.

After a sharp deceleration in the first half of 2025, earnings growth began to recover in Q3. By November, the median forward growth rate had climbed back above +18%, roughly 3pps higher than the late-July trough. Recent trading updates from several large multi-category retailers referenced a marked improvement during autumn sales and stronger online conversion rates during early promotional periods, underscoring a genuine rebound in consumer activity. However, beneath this renewed strength lies a more nuanced picture: Relative to late 2024 levels, current trends still reflect meaningful downward revisions for most retail categories. Aside from distributors, headline retailers and luxury operators – which have benefited

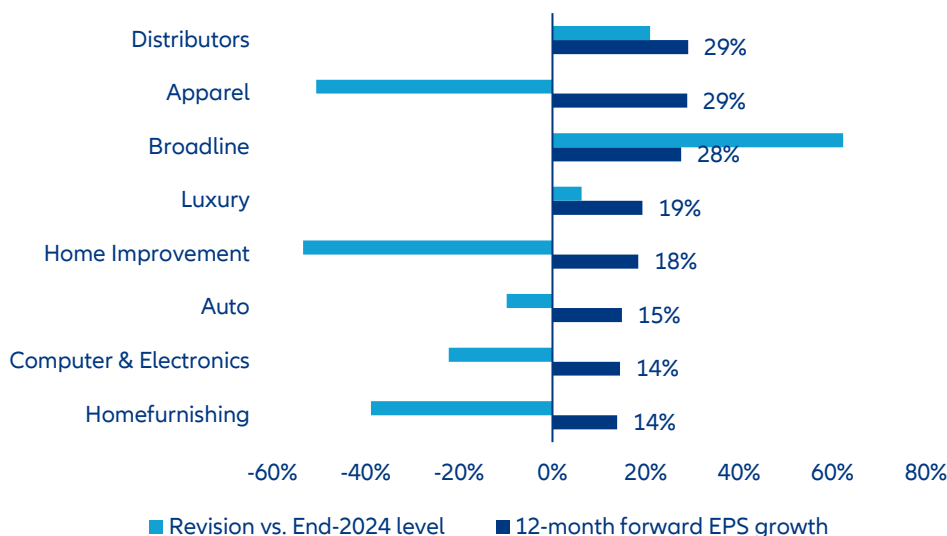
from resilient pricing power and strong early holiday demand – segments such as apparel and home equipment continue to lag. In these categories, companies with significant exposure to the US market have reported slower volume recovery and tighter margins, citing both the adverse impact of new import tariffs on sourcing costs and translation losses from the weaker dollar. For instance, several pan-European retailers with substantial North American store footprints recently noted softer year-to-date sales and heavier discounting to clear seasonal inventories. Even so, the overall improvement in Eurozone retail momentum is helping stabilize expectations, with stronger domestic demand and easing supply-chain pressures offsetting part of the uncertainty still clouding the international landscape.

Figure 30: 12-month forward earnings growth and net profit margin of EU retailers (median)



Sources: LSEG Datastream, Allianz Research

Figure 31: 12-month forward earnings growth of EU retailers per product category breakdown



Sources: LSEG Datastream, Allianz Research

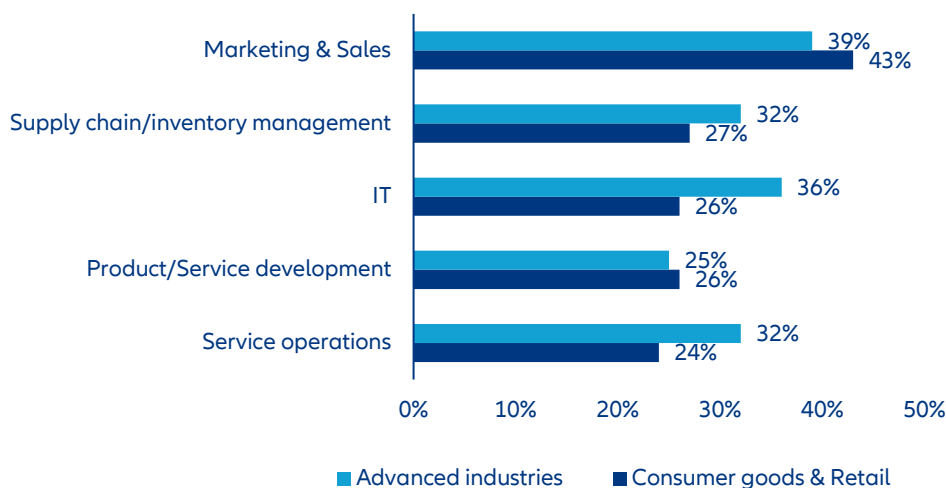


Future challenges and drivers – Three trends to track

Trend#1: Retail is exploring further AI adoption to improve conversion and loyalty rates. Recent surveys show that marketing, sales and logistics teams are leading the charge in integrating AI across retail operations, signaling a shift from pilot projects to core business functions. As AI becomes more deeply embedded, retailers are leveraging it to drive performance, productivity and differentiation. First, automation powered by AI is revolutionizing inventory management and logistics: Predictive analytics are optimizing stock levels to reduce overstock and avoid stockouts, and autonomous robots help streamline restocking cycles, cutting costs and limiting reliance on human labor. Meanwhile, AI-driven chatbots and conversational agents are being deployed by sales and marketing units to detect emerging trends

and consumer interests in real time, enabling brands to tailor their offerings with unprecedented agility. Finally, in a generation marked by volatile markets and low brand loyalty, AI is enabling hyper-personalization: Retailers are using generative models and recommendation engines to customize products and shopping experiences, which improves customer retention and boosts revenue. These evolutions are not theoretical – leading industry research indicates that retailers using AI report both significant cost savings and measurable uplifts in sales and customer engagement. By weaving AI into every layer of their organization, forward-looking retailers are not only gaining richer insights, but building more resilient, differentiated and scalable business models.

Figure 32: Top five business functions using the most AI technology within consumer goods & retail industry (2024)



Sources: McKinsey, Stanford university (AI Index report 2025), Allianz Research

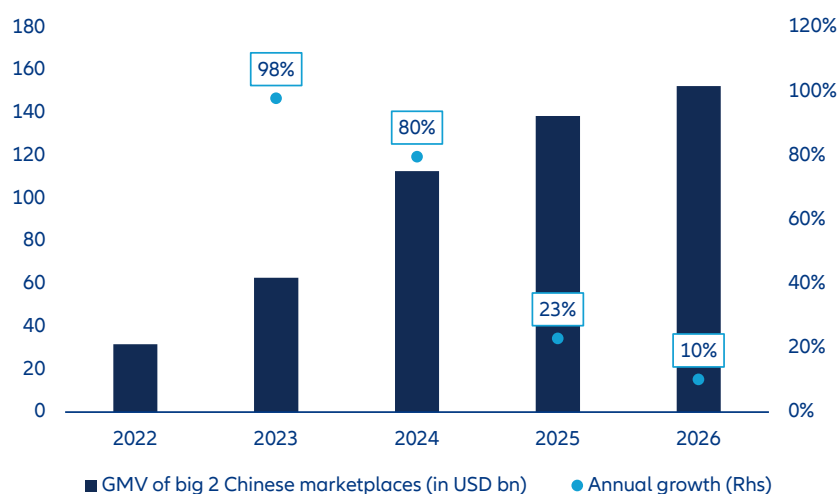
Trend #2: Chinese marketplace traffic in Europe and the US to decelerate under trade restrictions.

The spectacular rise of Chinese marketplaces beyond their domestic borders is showing clear signs of slowdown, driven largely by the tightening of trade regulations in both the US and Europe – particularly the removal of de-minimis exemptions that previously allowed low-value shipments to enter duty-free. After years of explosive expansion throughout the 2020s, cumulative revenue for these platforms is expected to grow by a still-robust +23% this year but a much more modest +10% next year, signaling a shift toward normalization. The regulatory hit is especially severe for discount-focused marketplaces whose model relies on ultra-high product turnover and extremely low price points to attract mass audiences. Several recent cross-border logistics reports show steep increases in declared shipment values and a drop in parcel volumes routed through European entry hubs following the newly introduced controls. These measures also respond to longstanding complaints from European retailers regarding unfair competitive practices, particularly in the ultra-fast fashion segment, where rapid micro-drops and

extremely low prices have challenged local producers. By tightening import rules, policymakers aim not only to level the competitive playing field but also to discourage environmentally damaging production cycles, thereby supporting efforts to improve the carbon footprint of the European textile industry. Yet, a clear side effect is emerging: With traffic and GMV declining, Chinese marketplaces appear increasingly inclined to pivot strategically.

Recent industry analyses point to heightened interest in acquiring distressed European e-commerce assets or negotiating entry through joint ventures, signaling a more aggressive push to secure alternative footholds in the region. As regulatory barriers rise, consolidation and M&A activity could become the next frontier in their expansion strategy.

Figure 33: Gross merchandise value of two new-generation Chinese marketplaces

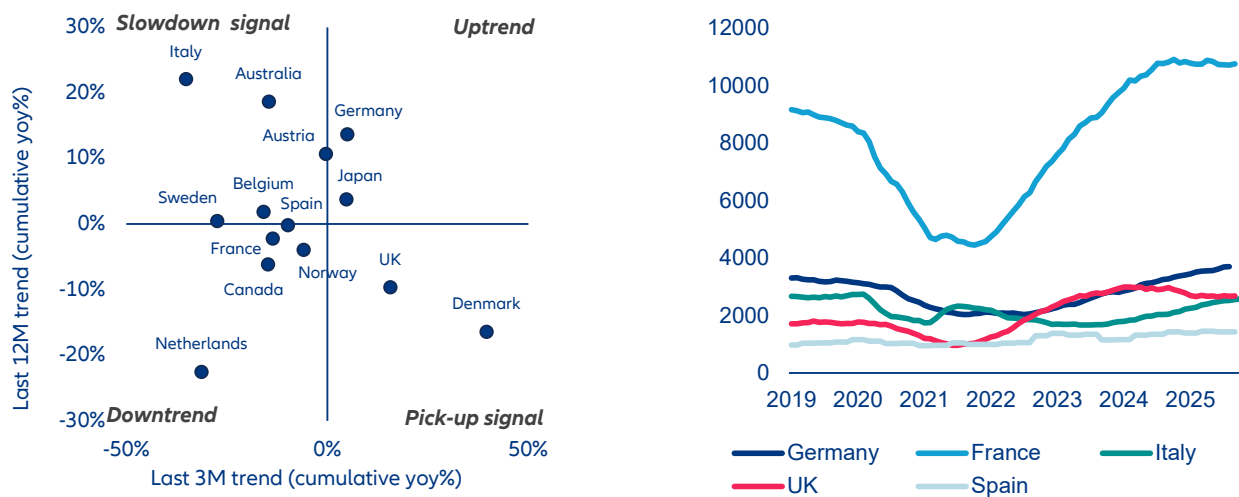


Sources: ECDB Allianz Research

Trend #3: Insolvencies in European retail are close to a peak and the trend may slow down in 2026 even as global trade remains fragile. Especially in Europe, the retail sector is among the most impacted by high insolvencies. We expect this trend to continue as retail is still digesting a deep business-model shift that began during the pandemic. Stronger competition from large online marketplaces is forcing retailers to organize their own defense by investing heavily in digital channels, data-driven merchandising and innovative in-store technologies. Many chains are rolling out autonomous stock-picking systems in warehouses, AI-assisted product-recommendation engines and robotic shelf-scanners that reduce errors, improve inventory visibility and accelerate fulfillment. Others are testing self-navigating service robots on the shop floor to help customers locate items, or deploying dynamic-pricing tools that react instantly to trends, reducing markdown losses and improving cyclicity of seasonal products. These innovations enhance experience and profitability, but they also demand large, upfront investments that smaller players struggle to absorb. As a result, the retail ecosystem continues to

shrink at the margins, with concentration favoring large corporates that possess the resources to manage this industrial transition. Although there are signs that this insolvency cycle is approaching a plateau, some additional consolidation remains likely. In the Eurozone, the last 12-month trend confirms a mixed picture: notable declines in insolvencies in France (-2%), the Netherlands (-23%), the UK (-10%) and some Nordic markets such as Norway and Denmark, while the uptrend of insolvencies in Germany continues (+14% over the last twelve months and +5% over the last three months as of August). In Italy and Belgium, the medium trend stays positive but there are now strong signals of a deceleration (resp. -35% and -16% for the last three months trend as of October/September). This heterogeneity reflects different speeds of technological adaptation and competitive pressures, but the overarching message is clear: the shift toward more digital, automated and data-centric retailing continues to reshape the sector, and the insolvency landscape along with it.

Figure 34 & 35: Overview of recent insolvency dynamic within global retail trade industry & historical trend in top European economies (12M rolling cumulative sum)



Sources: ECDB Allianz Research

A photograph showing a group of diverse hands of various skin tones stacked on top of each other, resting on a thick, textured tree branch. The background is a lush green forest with sunlight filtering through the leaves. The text "Our team" is overlaid on the image, with "Our" in white and "team" in yellow.

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