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# EU Retail: Moderate growth amid ongoing challenges

Europe's retail sector continues to face significant challenges due to geopolitical tensions, the threat of import tariffs, persistent negative consumer confidence, rising costs and the ongoing shift to online shopping. These factors are expected to result in moderate volume growth in the European retail sector across both 2025 and 2026

Buying second-hand clothing is becoming increasingly popular in Europe

## Retail sales might be suffering from import tariffs

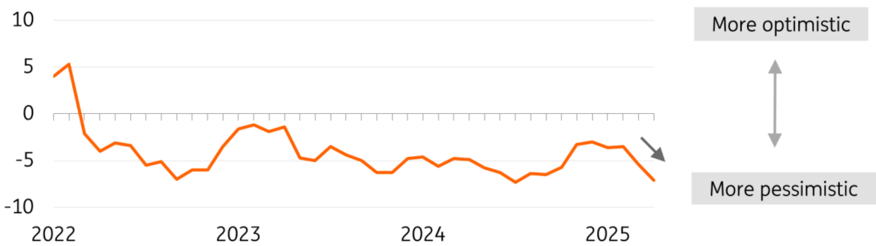
The introduction of import tariffs by the US is creating a lot of uncertainty worldwide. For Europe, the impact is twofold; retaliatory tariffs against the US could drive up costs, while an increase in Chinese exports to the EU could drive import prices down. However, a potential increase in tariffs could lead to an economic slowdown in the European Union, which will also dampen retail sales. Additionally, as a result of the tariff and trade tensions, consumers could become more cautious with their spending, which would particularly impact companies that are reliant on the consumer, such as retailers.

**European retail sentiment deteriorated in April**

It doesn't come as a surprise that the recent tariff turmoil led to a deterioration in European retailers' sentiment from -5 in March to -7 in April, the lowest point since July 2024. The retail sentiment indicator varied across European countries. Notably, retailers in Germany, France and Belgium were more pessimistic than the European average in April. Conversely, retailers in the Netherlands, Poland and Austria were significantly more optimistic compared to most other European countries.

## European retailer sentiment in April

Retail confidence indicator for the European Union

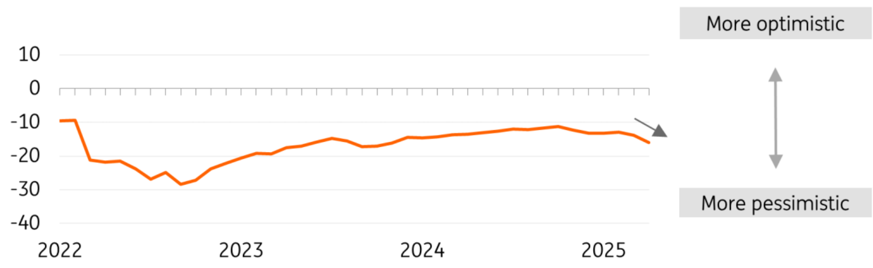



Source: European Commission, ING Research

**European consumer confidence weakened further in April**
Increased uncertainty is not helping to boost consumer confidence either. In fact, EU consumer confidence has slightly deteriorated in recent months. In April, it reached the lowest level since November 2023. Continued pessimism is putting pressure on consumer spending. Despite gains in purchasing power, consumers remain hesitant to commit to major retail purchases. In April, consumer confidence was especially weak in Austria, Belgium, and the Netherlands—a notable trend for the Dutch market, where retailers are slightly more optimistic than their European counterparts. In France, consumer confidence was around the European average, while Polish and, albeit to a lesser extent, German consumers were the most optimistic.

## European consumers remain rather pessimistic in 2025

Consumer confidence indicator for the European Union



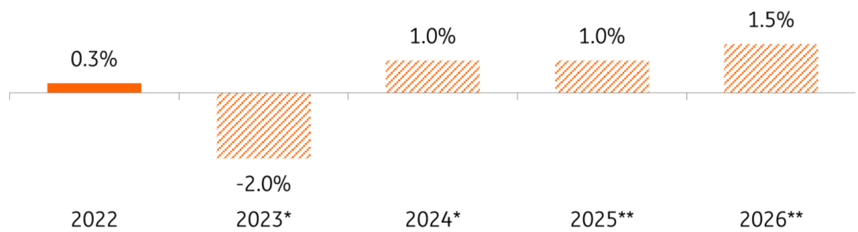

Source: European Commission, ING Research

## Moderate volume growth in European retail volume both this year and in 2026

Given the persistent negative sentiment among consumers, we expect just moderate volume growth for the European retail sector both this year and in 2026. Geopolitical uncertainty is clearly weighing on consumer spending across Europe. As long as global conditions remain unsettling, EU consumers may remain hesitant to spend. Therefore, we expect retail volume growth of 1% for this year. For 2026, we anticipate a slightly higher increase in retail sales volume by 1.5%, fuelled by stronger GDP growth and reduced inflation.

## EU retail volume growth this year and next

Chain-linked volumes in retail trade (except motor vehicles) in the European Union, year-on-year

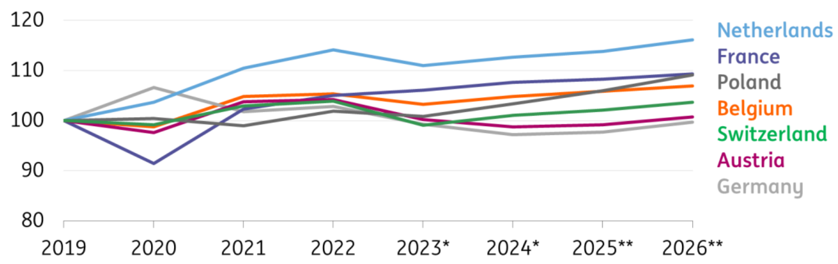



Source: Eurostat, *estimates and **forecasts ING Research (8 May 2025)

**Uneven retail growth across European economies**
There are significant differences in retail volume growth among European countries. This year, retail volume in most European countries will grow only slightly, by 0.5% to 1.0%. In Poland, however, retail volume is expected to grow above average, by 2.5% this year. In 2026, retail growth in most European countries will be higher than in 2025. Retail sales in Germany, the Netherlands and Poland will grow above average, by 2% to 3%. Switzerland and Austria are expected to see growth of 1.5% in 2026.

## Retail growth across Europe

Retail production (volume value added), index 2019 = 100



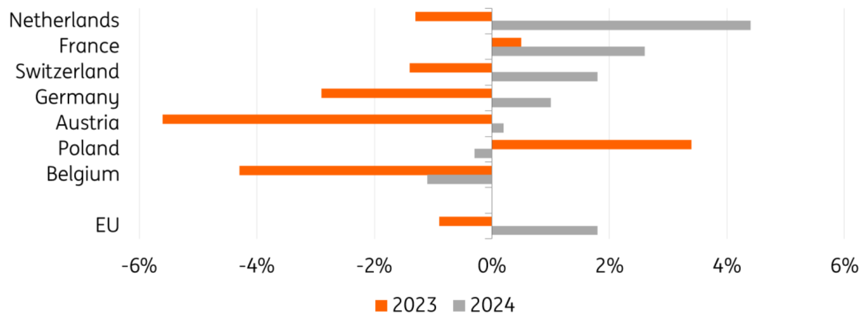

Source: Eurostat, *estimates and **forecasts ING Research (8 May 2025)

## Retail non-food: Battling the waves of change

**Moderate growth expected for European retail non-food**
Retail sales in the non-food segment contracted in most European economies in 2023, but increased slightly in 2024, except in Poland and Belgium. This year, we foresee a similar pattern, with economic growth maintaining a moderate pace throughout most European economies. However, as we move further away from the pandemic, the replacement cycle could become favourable for some non-food retail categories, such as electronics and home and garden furniture. This could boost retail activity somewhat in certain European economies in the years ahead.

## Retail non-food: from contraction to gradual recovery in 2024

Volume of sales of retail non-food products (except fuel), year-on-year




Source: Eurostat, ING Research

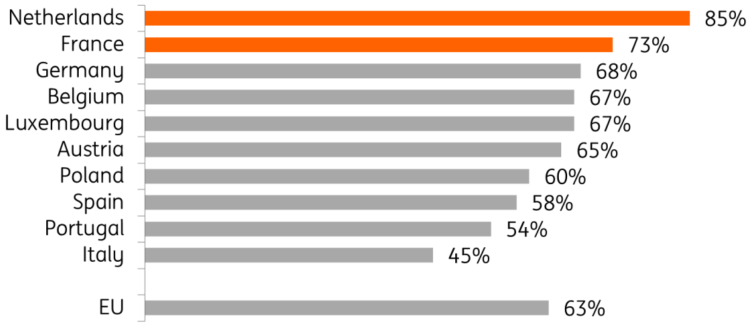
**Fashion - Mid-market chains struggling because of fast fashion...**
In fashion, market conditions remain challenging. Mid-market fashion chains, in particular, are struggling under competition from cheaper fast-fashion brands like Zara and H&M, the second-hand market, and inexpensive Chinese online retailers such as Shein and Temu. With the Western European market now saturated, large fashion chains are reducing the number of stores. Less profitable stores are being closed, while new stores are opening in growth markets in southern and eastern Europe. Additionally, more flagship stores are being established in strategic locations in major cities. These stores focus less on the collection and more on the experience, blending fashion, art, culture and gastronomy or offering in-store virtual reality shopping experiences.

**and increasing popularity of second-hand clothing...**
Buying second-hand clothing is becoming increasingly popular. This trend is evident in online marketplaces such as Vinted and eBay, as well as in physical vintage stores. Even larger fashion companies are increasingly focusing on the second-hand market to extend the lifespan of clothing and reduce their ecological footprint. This shift is driven by both intrinsic sustainability policies and the anticipation of stricter European regulations.

**and increasing competition from e-commerce...**
In addition, the fashion sector is also facing increasing competition from e-commerce, which is drawing sales away from physical retailers. In 2023, nearly two-thirds of Europeans purchased physical goods online. The highest percentage of internet users who shopped online was in the Netherlands and France, while Italy had the lowest share at 45%. The most frequently purchased items online were clothing (including sportswear), shoes and accessories, followed by cosmetics, wellness products and home furniture. A further shift from physical to online sales is expected in the coming years, driven by the convenience of online shopping and the more extensive range often offered online compared to physical stores.

## Dutch and French consumers take the lead in online shopping

Percentage of individuals who purchased physical goods online in 2023




Source: Eurostat, ING Research

**…especially from cheap Chinese online retailers**

In the realm of e-commerce, inexpensive Chinese online retailers such as Shein and Temu are gaining ground in the EU. Last year, around 4.6 billion low-value consignments, i.e. goods with a value not exceeding €150, entered the EU market equating to 12 million parcels per day. This is double the amount in 2023 and triple that of 2022, according to the European Commission. This exponential growth raises numerous concerns, as many of these goods have been found to be non-compliant with European legislation. European sellers, who adhere to the high European product standards, are at risk of being harmed by unfair practices and the sale of counterfeit goods through online marketplaces. Therefore, the European Commission aims to take action against low-value imports sold via non-EU online retailers and marketplaces. Measures include the removal of the duty exemption for parcels worth less than €150 and enhancing control capabilities through better data sharing and risk assessment.

**Electronics - Higher value products to rival digital competitors**

These are challenging times for the brick-and-mortar electronics sector in particular. Whereas last year, sales were slightly boosted by major sporting events like the European Football Championship in Germany and the Olympic Games in Paris, this is not the case this year. The sector has been shifting towards e-commerce for some time, primarily due to the generally lower prices offered by online providers. This makes it increasingly difficult for physical electronics stores to maintain a profitable revenue model. Therefore, it is crucial for these stores to distinguish themselves from the online channel by offering a smaller range of higher-value products, such as more complex electronics that require expert advice.

**Home furnishing/DIY - Reinventing home furnishing stores**

Home furnishing stores are under pressure from changing consumer behaviour and economic uncertainty. Retail sales in the home and DIY segment are closely linked to the number of houses sold. In addition, physical home furnishing stores need to reposition themselves as experience and advice centres to stand out from the growing online channel. This can be achieved by offering smart technological home accessories and more customisation. Although this will require significant investment.

**Personal care - Growth driven by demographics and tech care devices**
Within the non-food segment, personal care is the least cyclical. A large portion of turnover comes from products that meet basic needs, such as nappies, medicine, shampoo and toothpaste. The sector is growing rapidly, driven by a growing and ageing population and increasing demand for natural and organic products. Innovations like personalised skincare and technology-driven care devices are gaining popularity. However, the market is also competitive, with many new players and brands vying for consumer loyalty.

## EU country retail developments at a glance

**Germany - Economic uptick to boost retail sales in 2026**
Germany's near-term economic outlook remains subdued, with GDP expected to stagnate this year amid persistent US tariffs, uncertainty, and geopolitical tensions—all strong headwinds against a rebound in private consumption. The labour market has been gradually shifting over the past few years, limiting momentum in retail sales, which are likely to see only modest growth this year. However, 2026 presents a more optimistic picture, with GDP growth projected to turn positive, supported by fiscal stimulus and rising purchasing power. As conditions improve, indicators suggest that German consumers will regain confidence, setting the stage for stronger high-street spending in 2026.

**France - Slight growth in retail volumes this year**
The economic situation in France remains poor, with little sign of a real recovery this year. Household consumption is expected to remain very moderate despite falling inflation and rising real wages. Restricted fiscal policy, higher interest rates, increased fears about unemployment and geopolitical uncertainty are likely to lead to a further rise in household savings rates. Consequently, we expect only slight growth in retail volumes of 0.5% this year. Economic growth is expected to pick up next year, and with it, expenditure in the retail sector.

**Poland - Polish consumer spending remains strong**
In 2025 we expect Poland's economic recovery to continue, with GDP growth at 3.2%, compared to 2.1% in 2024, as domestic consumption continues to grow and public investments kick in. Despite weaker growth in real disposable income – due to slower wage growth, less generous increases in the minimum wage and lower indexation of pensions - we expect household consumption to remain an important pillar of economic growth this year. We foresee that households will tap into savings generated last year to finance spending in 2025. Although the demand for services seems more robust than the demand for goods, we

expect retail volume to increase by 2.5% in 2025 and by 3% in 2026.

## Retail sector forecast: Moderate volume growth in most European economies in 2025 and 2026

Volume output (value added) in retail trade (excluding motor vehicles and motorcycles), year-on-year
* Estimates since volume data for 2023 and 2024 are not available yet, except for the Netherlands (2023), Austria (2023) and Switzerland (2023).
** Forecasts for 2025 and 2026 (8 May 2025).

| | 2023* | 2024* | 2025F** | 2026F** |
|---|---|---|---|---|
| Austria | -3.8% | -1.5% | 0.5% | 1.5% |
| Belgium | -2.0% | 1.0% | 1.0% | 1.0% |
| [redacted] | | | | |
| Germany | -3.5% | -2.0% | 0.5% | 2.0% |
| [redacted] | | | | |
| Poland | -1.0% | 2.5% | 2.5% | 3.0% |
| [redacted] | | | | |
| **European Union** | **-2.0%** | **1.0%** | **1.0%** | **1.5%** |

Source: Eurostat, ING Research

**The Netherlands - Increased spending on the high street in 2026**
In the Netherlands, household consumption is a key driver of GDP growth this year. However, consumption growth requires consumers who are willing to spend. While most consumers are expected to experience an increase in purchasing power, with wage growth outpacing inflation, consumer confidence remains at historically low levels. Increased global uncertainty could further hinder private consumption. Therefore, we anticipate 1% growth in retail volume for 2025. Retail sales are projected to rise by 2% next year, fuelled by stronger economic growth.

**Belgium - Stable growth in retail sales in 2025 and 2026**
Like the eurozone, the Belgian economy has experienced relatively weak growth over the last two years, with average annual growth of 1%. Following GDP growth of around 1% in 2024, it is likely to be limited to 0.7% this year and 0.8% in 2026. However, household consumption continues to be a key driver of economic activity, with households adjusting their spending patterns to maintain stability despite fluctuations in disposable income. Therefore, we expect a 1.0% increase in Belgian retail volumes for both this year and next year.

**Steady retail growth in Switzerland, while in Austria retail sales remain challenging**
Economic growth in Switzerland is projected to be around 1.0% both this year and next. This

translates into stable retail volume growth of 1.0% to 1.5% per year. In Austria, economic growth is expected to stagnate this year, likely curbing private consumption growth for another year. As a result, we expect only a small increase in retail volume of 0.5%. However, we anticipate economic growth will pick up next year, which should give retail sales a lift.

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