



State of the Global Consumer 2025 OUTLOOK

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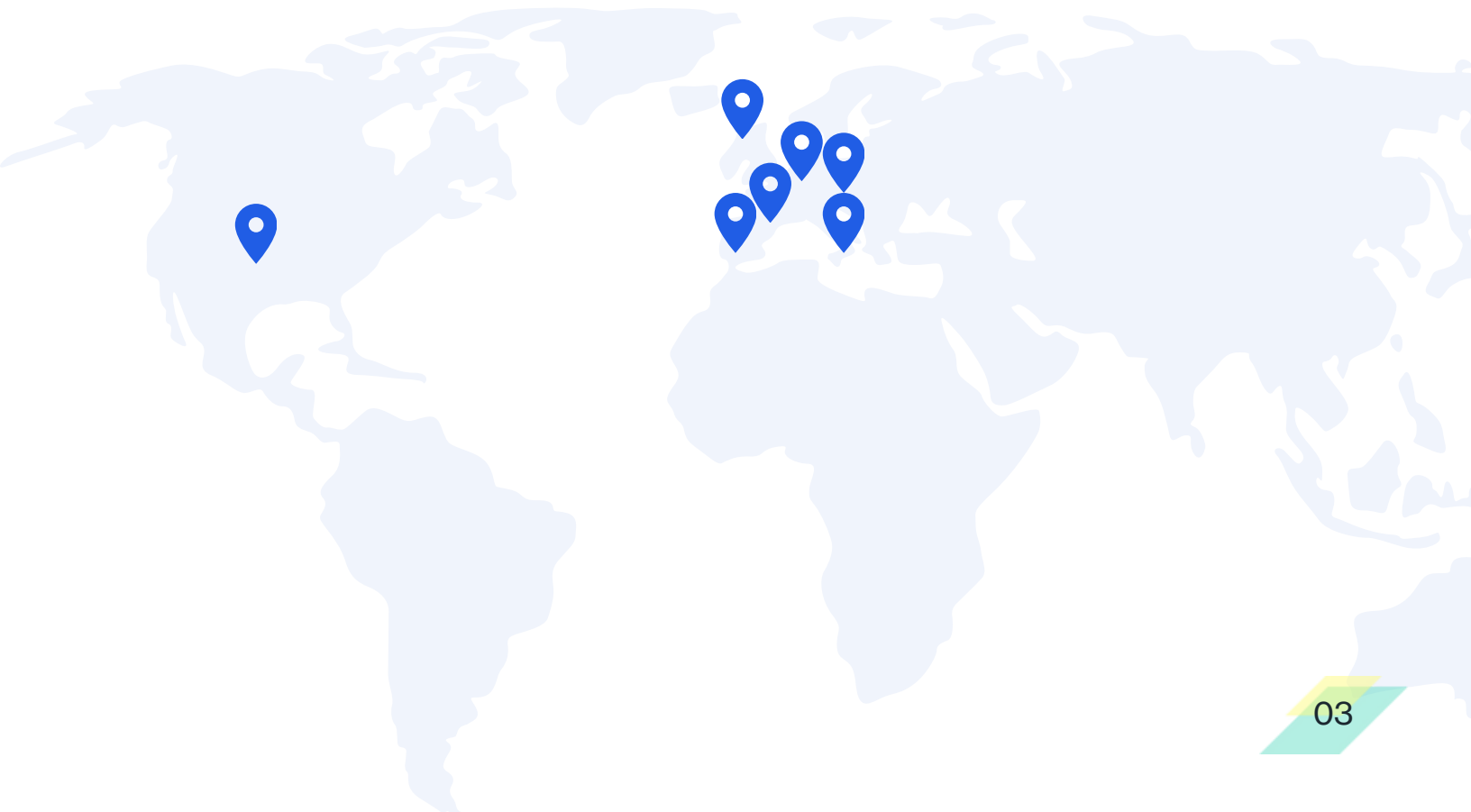
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Introduction

Welcome to the latest installment of State of the Global Consumer. This quarterly report highlights top trends in consumer spending across the globe, looking ahead to which company strategies and sectors are likely to be most successful in the months ahead.

Explore insights into what to expect for consumer spending this 2024 holiday season, and also what might be in store for stores across the world in 2025.

The report is based on our **CE Transact Global dataset**, which captures payment account spend in the **US, UK, Germany, France, Italy, Spain, and Austria**.



1 Key Themes

This quarter, three themes stood out as likely to have the most impact on business success in coming months:

1

CONVERGENCE

Both geographically and demographically, consumer spend outliers are trending more in line with the pack. With no particular group showing outsized spend, companies will spend less time pivoting to chase a “hot” market, and should focus on execution for appealing to, converting, and retaining their core shopper.

2

PLANNING AHEAD

Shoppers are becoming more cautious, spending on categories that represent longer-term or future benefits. Companies that appeal to shoppers beyond instant gratification and develop longer-term relationships are likely to see success.

3

PENT-UP DEMAND SPENT

Post-COVID revenge travel and event overdrive have fizzled out, and consumers are turning back to at-home pursuits, with spend trends stronger outside major cities with active nightlife.

Companies that reinvented themselves post-pandemic may need to dust off their old playbooks and return to pre-COVID strategies to maintain growth and profitability.

2 Global Spend Growth

Largest Strength

For 2024Q3, shoppers in Spain and the UK had the only acceleration in year over year spend growth (Charts 1 and 2). These are the two countries with the largest y/y declines in spend growth, so the upward trend is shifting them back inline with the other countries in our coverage. Improving macroeconomic conditions in both countries are driving this inflection, making the trend likely to continue through the holiday season and into 2025.

Chart 1

Spend Growth by Country YoY

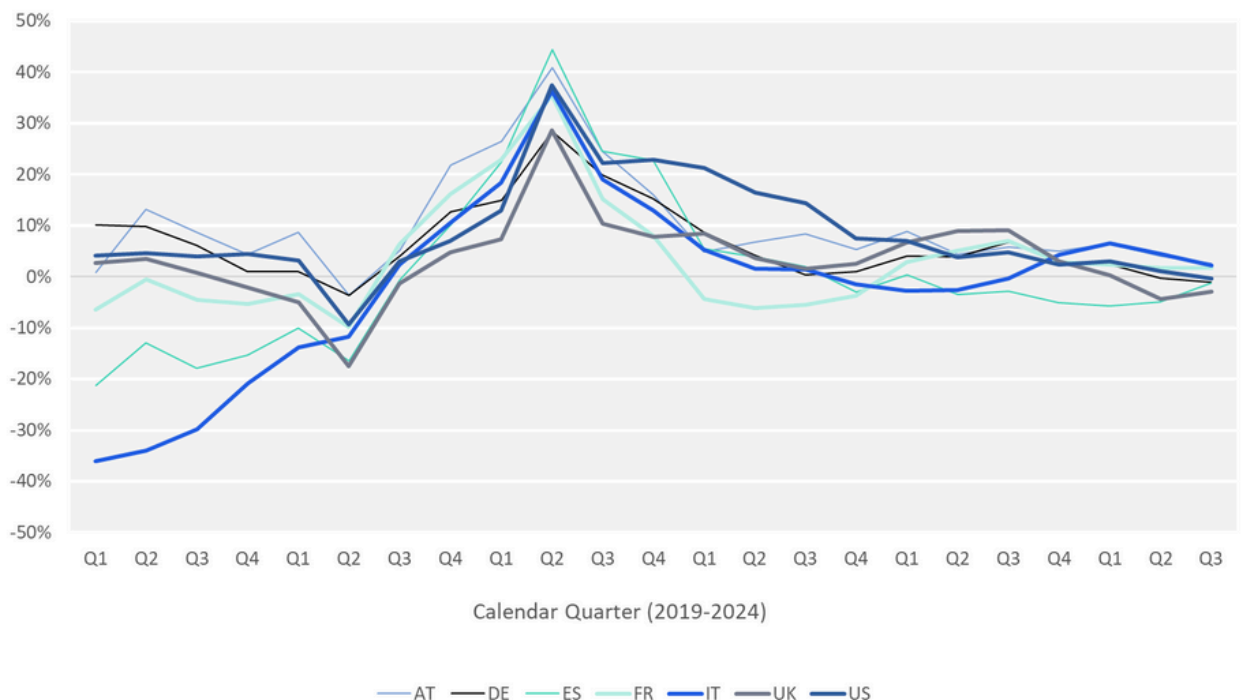
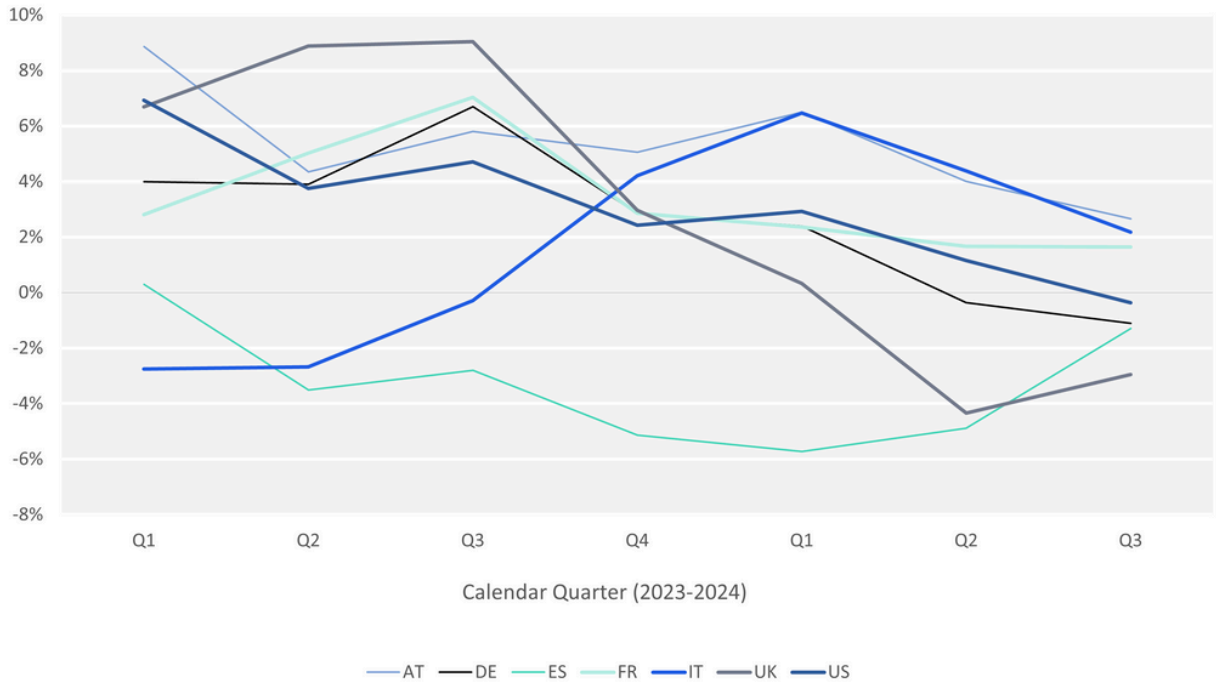


Chart 2

Spend Growth by Country YoY



2025 Playbook

As economies with recent weaker spend start to recover, businesses may turn focus to broad-based global growth instead of regional hotspots. This could mean re-investing in store portfolios in formerly weak economies, developing products with more universal appeal instead of local appeal, and expanding marketing budgets for global reach.

Largest Weakness

Italy showed the largest growth deceleration in Q3, but this is likely coming off of a strong trend as it remains one of the top-growing countries next to Austria (Charts 1 & 2).

Theme: Convergence

In Q2, there was a 9.3% difference in consumer spend growth between sizzling Italy and tepid Spain.

As Q3 closes, inflections in both countries mean that difference has narrowed to a mere 3.5%, with Spanish spend growth on par with Germany's (Charts 1 and 2).

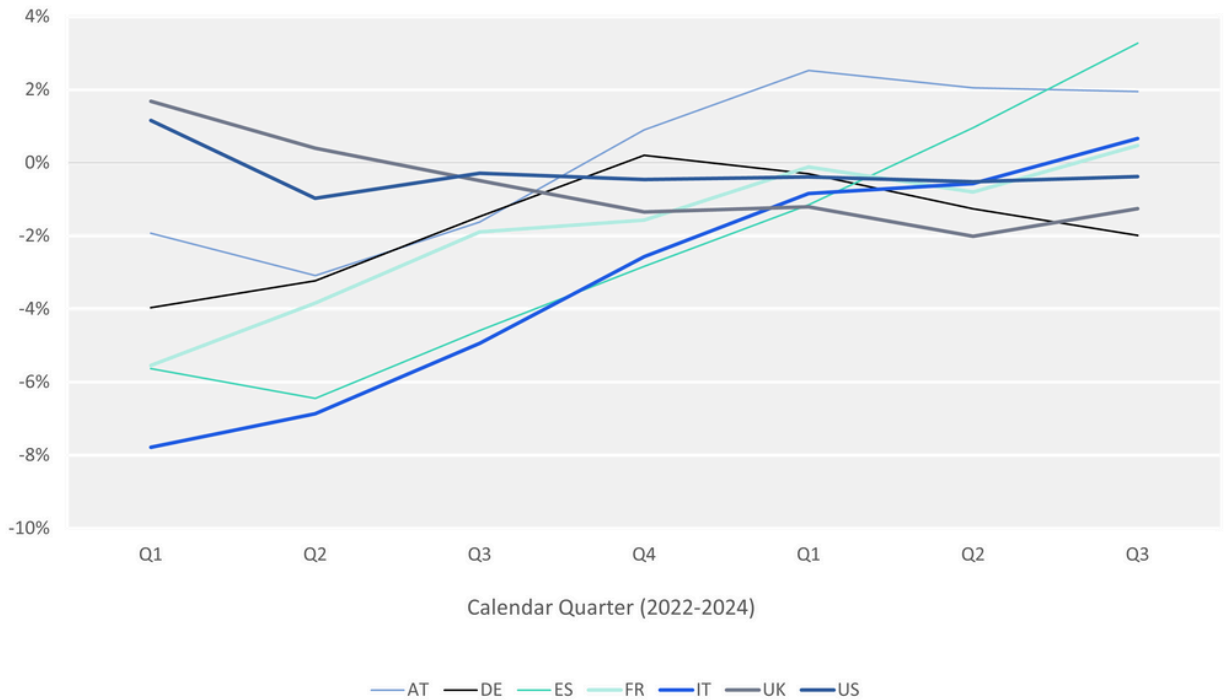


Spend Growth Drivers

The year over year change in average ticket has accelerated significantly in many European countries, especially Spain where it is driving the recovery in spend growth. However, year over year ticket growth has reverted to negative territory in the US and UK, where inflation previously hit consumers hard (Chart 3).

Chart 3

Average Ticket Growth by Country



Theme: Convergence

Slowdowns in price growth after inflationary periods may make shoppers in the affected countries feel wealthier as their spending power goes farther, a potential positive for holiday spend.



3 Global Subindustry Trends

The more things change, the more they remain the same. Q3 surfaced many surprising new growth subindustries, while also highlighting continued growth from historically strong areas.

Strongest Growth

Globally, the strongest year over year spend growth subindustries for consumers were led by insurance, video streaming, and POS lending (Chart 4).

10%

Insurance

More is being spent on insurance across several verticals, including Pet, Property, and Health Insurance.

15%

Video Streaming

Even as streaming services begin consolidation, price increases and better value propositions have raised spend.

21%

Point-of-Sale Lending

Buying now and paying later has retained strong growth.

Theme: Planning Ahead

Planning ahead and caution resonate across subindustries that saw a large lift in year over year spend growth. All of these involve spending a little more today for security tomorrow.

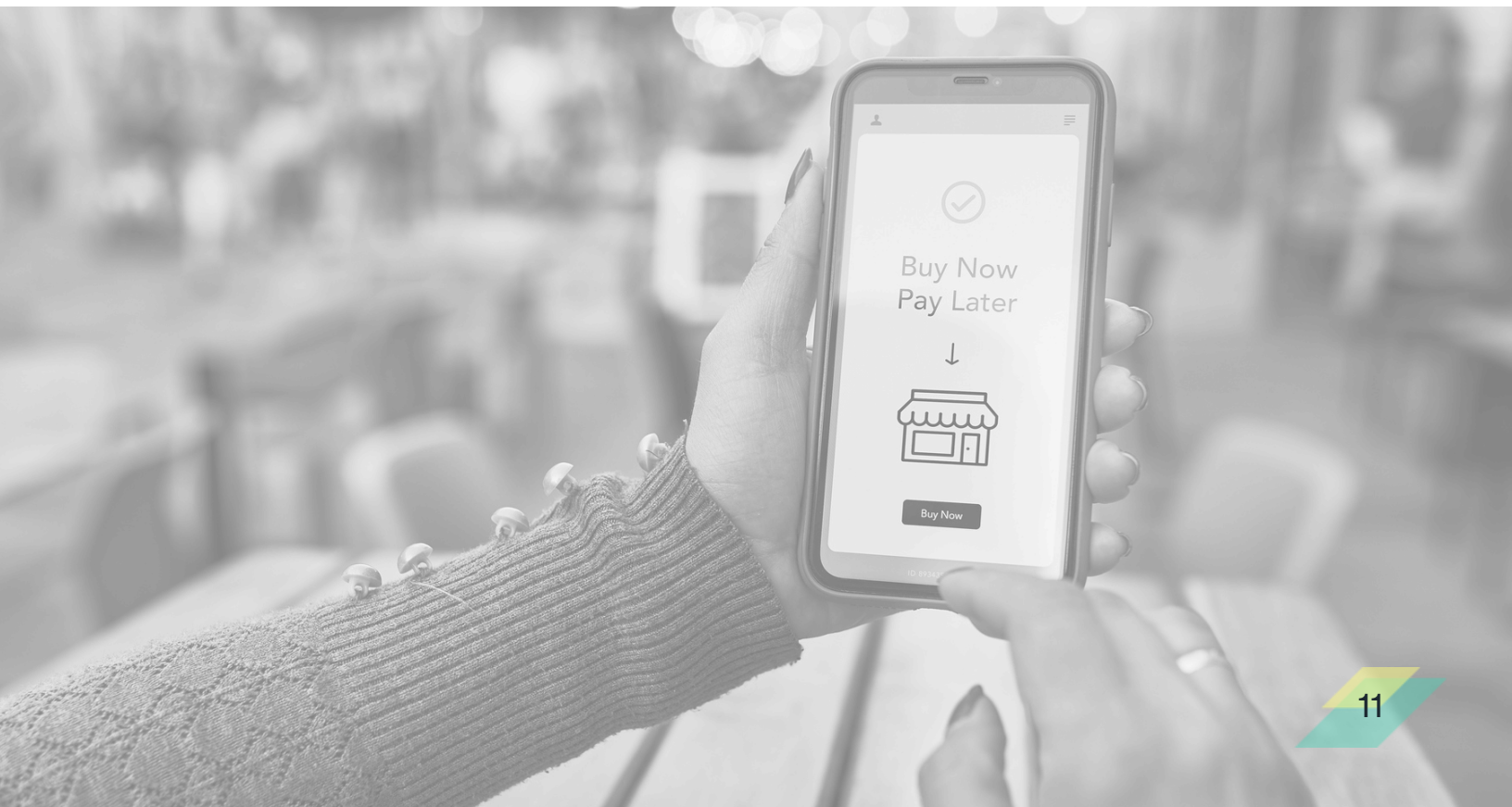
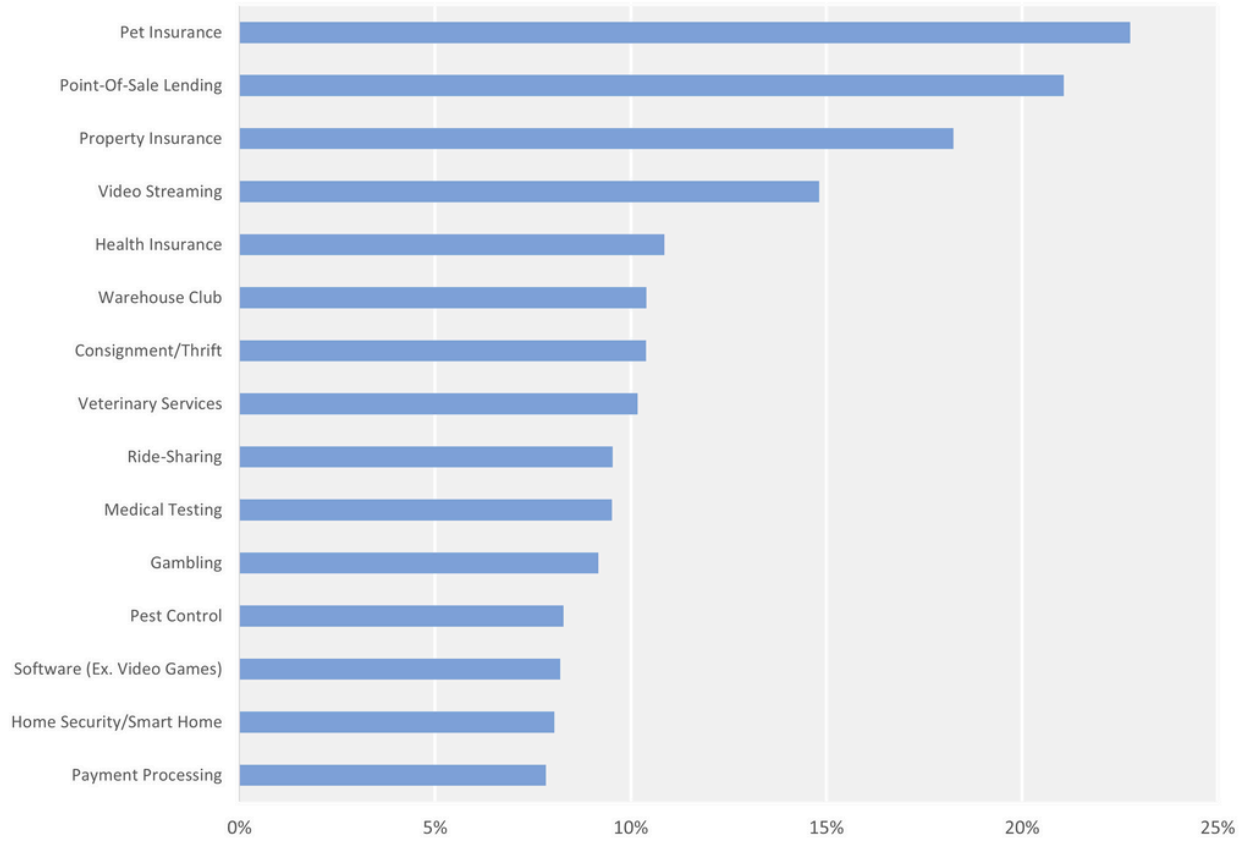


Insurance purchases guard against future financial hardship. Warehouse Club shoppers are typically stocking up now to save money over time. Spending more on Veterinary Services and Medical testing indicates caution about future health and safety of shoppers and their loved ones. Increased spend on Pest Control and Home Security show a similar concern about the safety of consumers' homes. Even increased use of Point-of-Sale Lending services shows financial confidence about future income streams and ability to make payment deadlines.



Chart 4

Top Subindustry Growth



Theme: Pent-Up Demand Spent

Along with this forward-looking attitude comes a shift away from spending on fleeting immediate gratification experiences that was a common theme post-pandemic. A recalibration to Video Streaming for entertainment shows a consumer desire for more consistent at-home entertainment. Higher software purchases may be indicative of shoppers investing more time at home instead of outsourcing tasks.



2025 Playbook

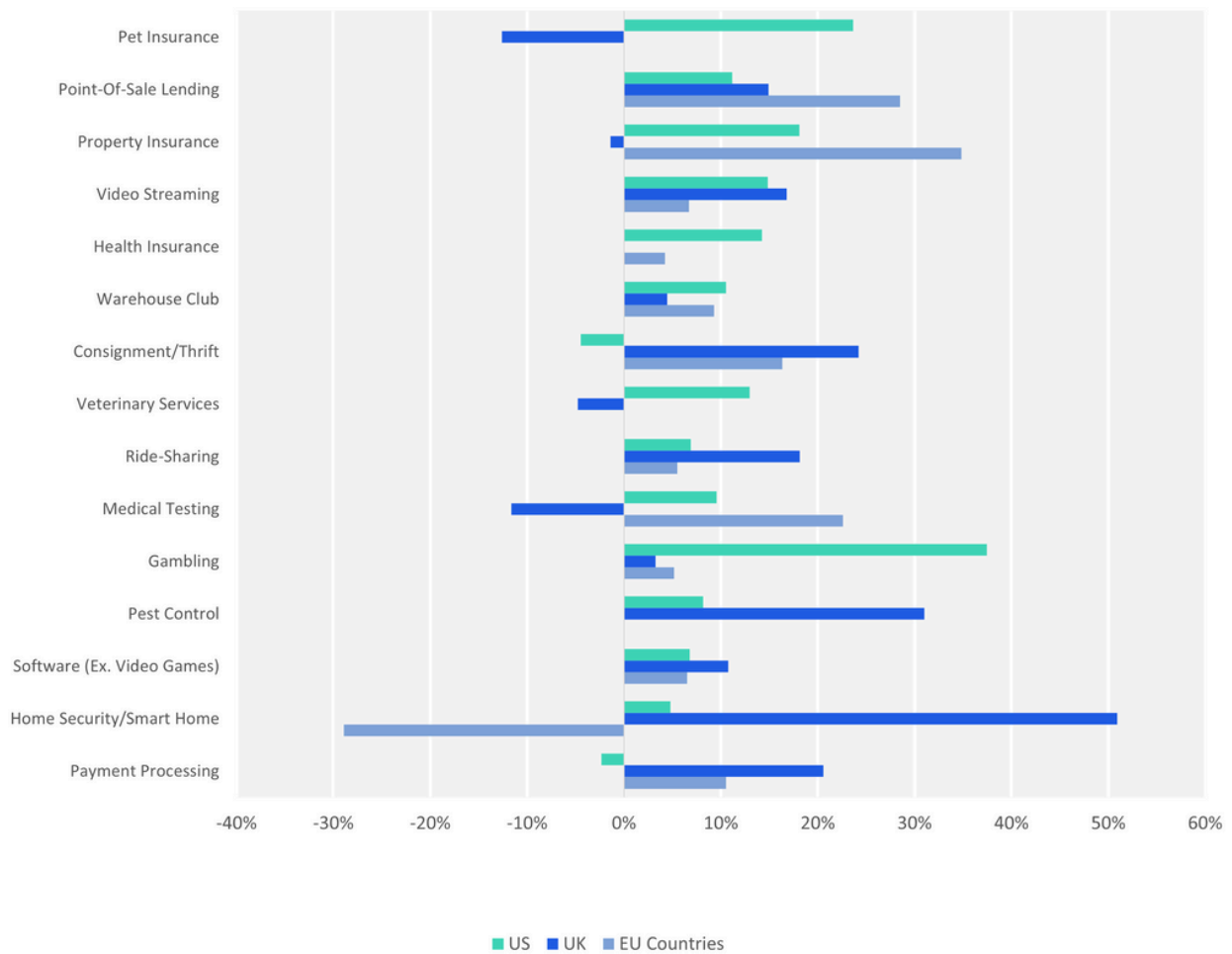
Companies should think about showcasing products with both current and future benefits. There also might be an opportunity to encourage shoppers to invest in longer-term payoffs like from a new winter coat that can be worn season after season. The uptick in insurance spending may provide an opportunity to reinvigorate warranties for higher-priced items.

Regional Deep Dive

Point-of-Sale lending was the most consistently growing subindustry across markets, indicating a revitalized consumer ready to spend today and save later. Streaming Video spend grew across all three tracked regions as well (Chart 5).

Chart 5

Top Subindustry Growth by Region



2025 Playbook

Companies not already partnered with a Buy Now Pay Later provider may want to explore other financing alternatives for their shoppers. Those with a partner may reap benefits this holiday shopping season.

Strongest Acceleration

Looking at which subindustries saw the highest acceleration, the key leaders were (Chart 6):

10% Video Games



14% Cannabis



15% Movie Theatres



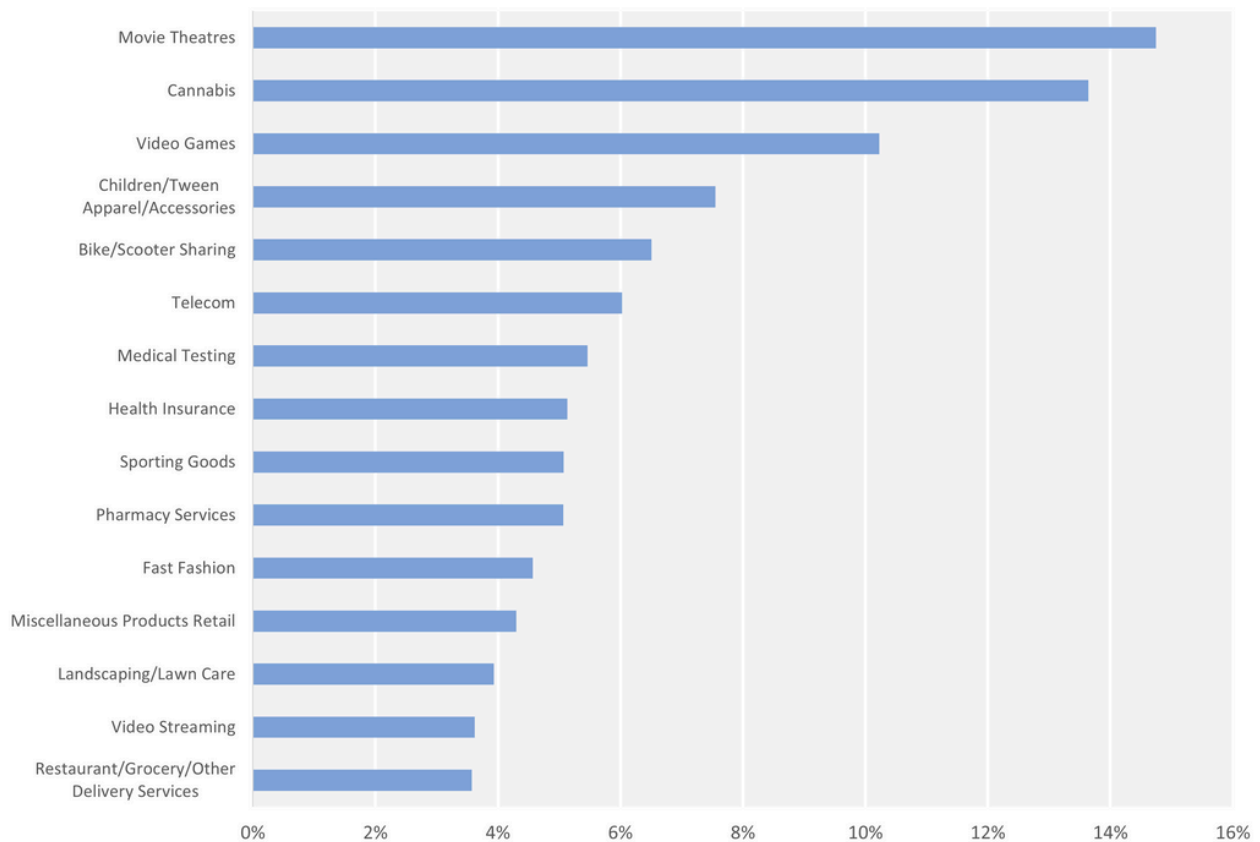
Theme: Planning Ahead

Acceleration in growth for Medical Testing, Health Insurance, and Pharmacy Services further reinforces the idea that consumers are looking to take care of themselves for the longer term.



Chart 6

Top Subindustry Acceleration



2025 Playbook

Businesses may be able to leverage pre-pandemic nostalgia by offering products that fell by the wayside during lockdowns, and remained unnecessary during the release of spend into pent-up demand on travel and lavish entertainment.

Doubling down on self-care and personal growth lines could prove fruitful during the holiday season and into 2025.

Theme: Pent-Up Demand Spent

Although Video Streaming saw strong year over year growth, in many ways it is still an emerging industry. The biggest acceleration increase in growth versus last quarter was for three forms of entertainment - Movie Theatres, Cannabis, and Video Games - that have been more traditional even pre-pandemic. (Although to be fair, trackable Cannabis companies accepting credit and debit cards are a newer phenomenon.)

Having these three subindustries exhibit the highest global growth acceleration indicates that any pent up demand for more flashy entertainment options has likely abated at this point.



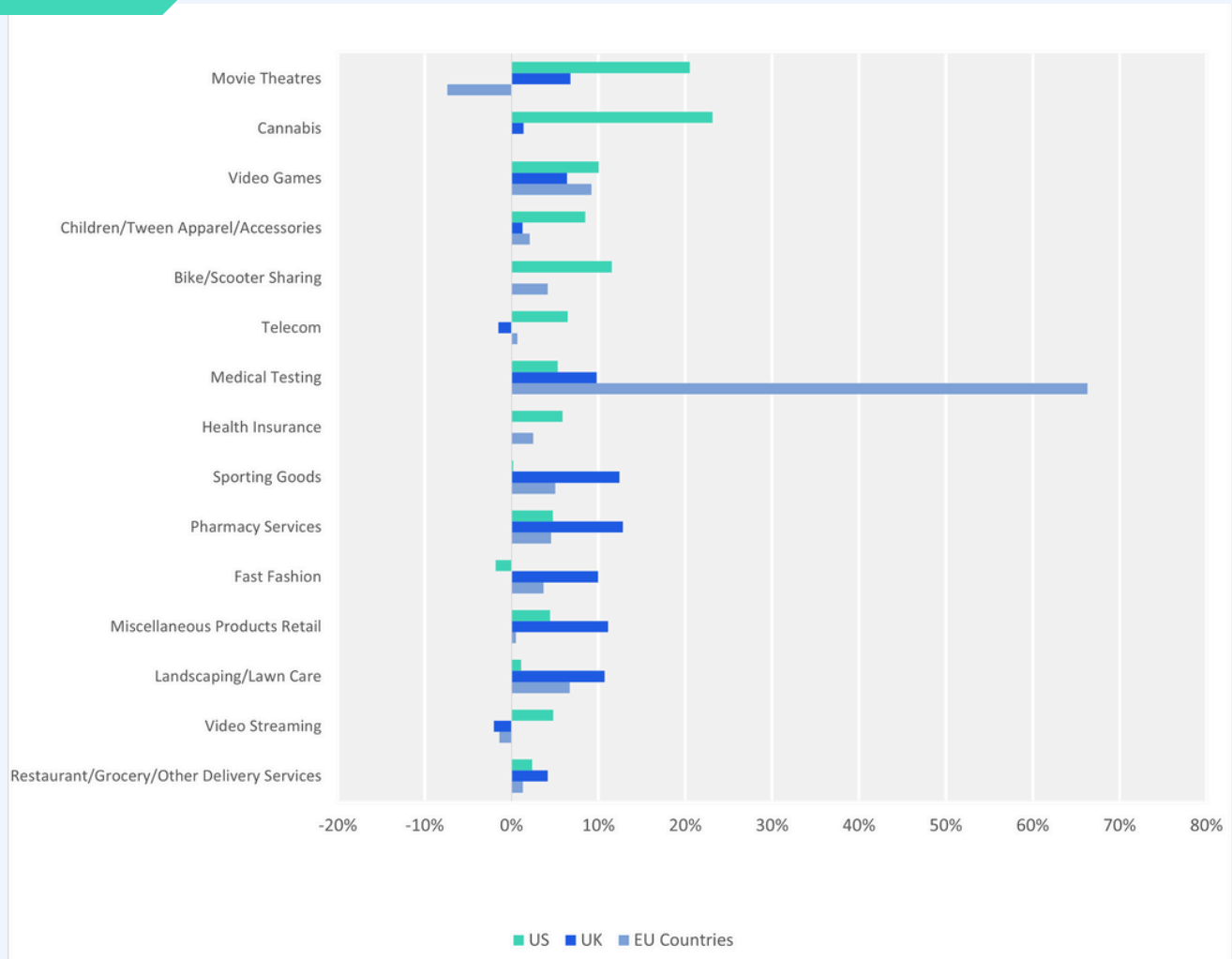
Regional Deep Dive

Much more than in prior quarters, acceleration is consistent across regions among the top subindustries.

With notable exceptions of year over year deceleration in spend growth in the EU for Movie Theatres and in the EU/UK for Video Streaming (possibly due to release schedule inconsistencies) there are striking similarities across the board (Chart 7).

Chart 7

Top Subindustry Acceleration by Region





Theme: Convergence

Consistency in global spend patterns is holding even down to the subindustry level.



2025 Playbook

The consistency in trends reinforces the idea that it might be hard for businesses to find individual geographic bright spots with higher ROI, and that companies will need to work on ideas that appeal broadly across regions.

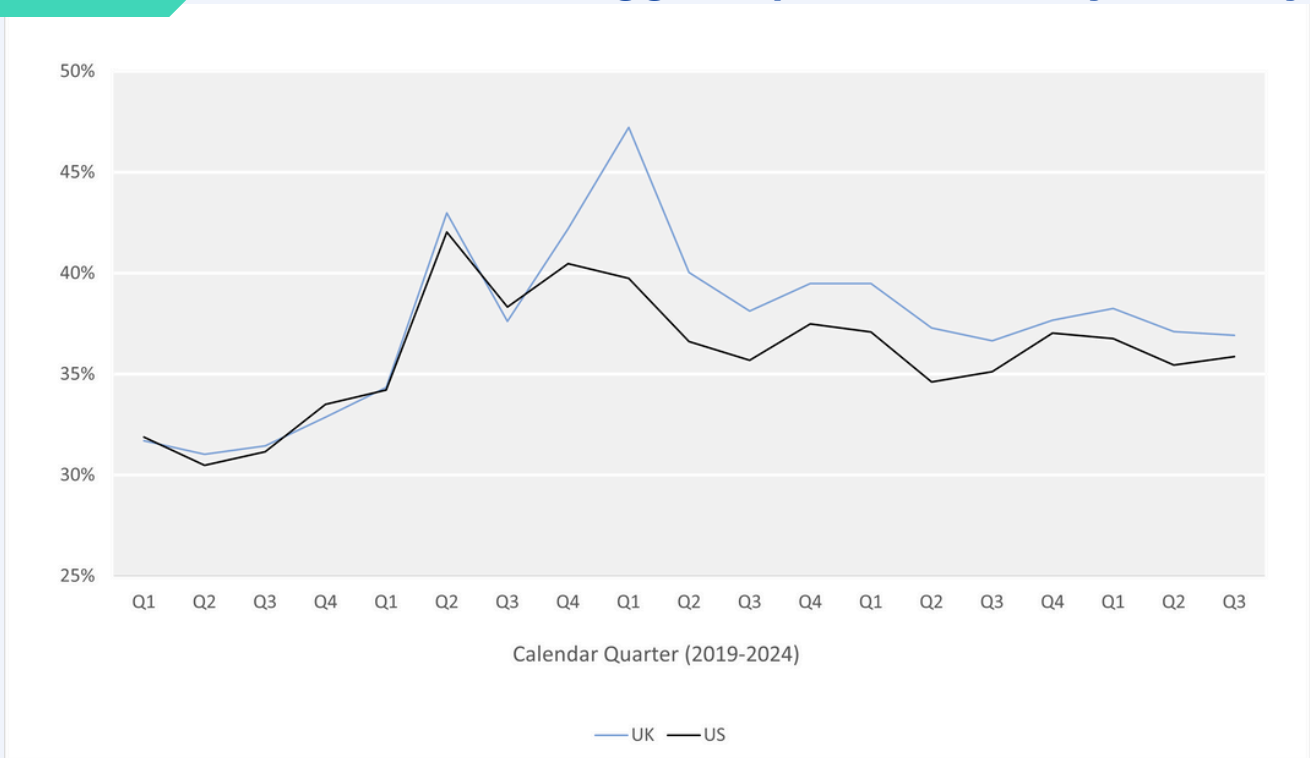
Online Spend

Companies focused on ecommerce trends can turn to CE's ability to capture online vs. offline growth in both the US and the UK.

Ecommerce penetration in the UK grew slightly versus the year prior to 37.3%, and a tad more so in the US to 36.9% (Chart 8).

Chart 8

% Total Tagged Spend Online by Country



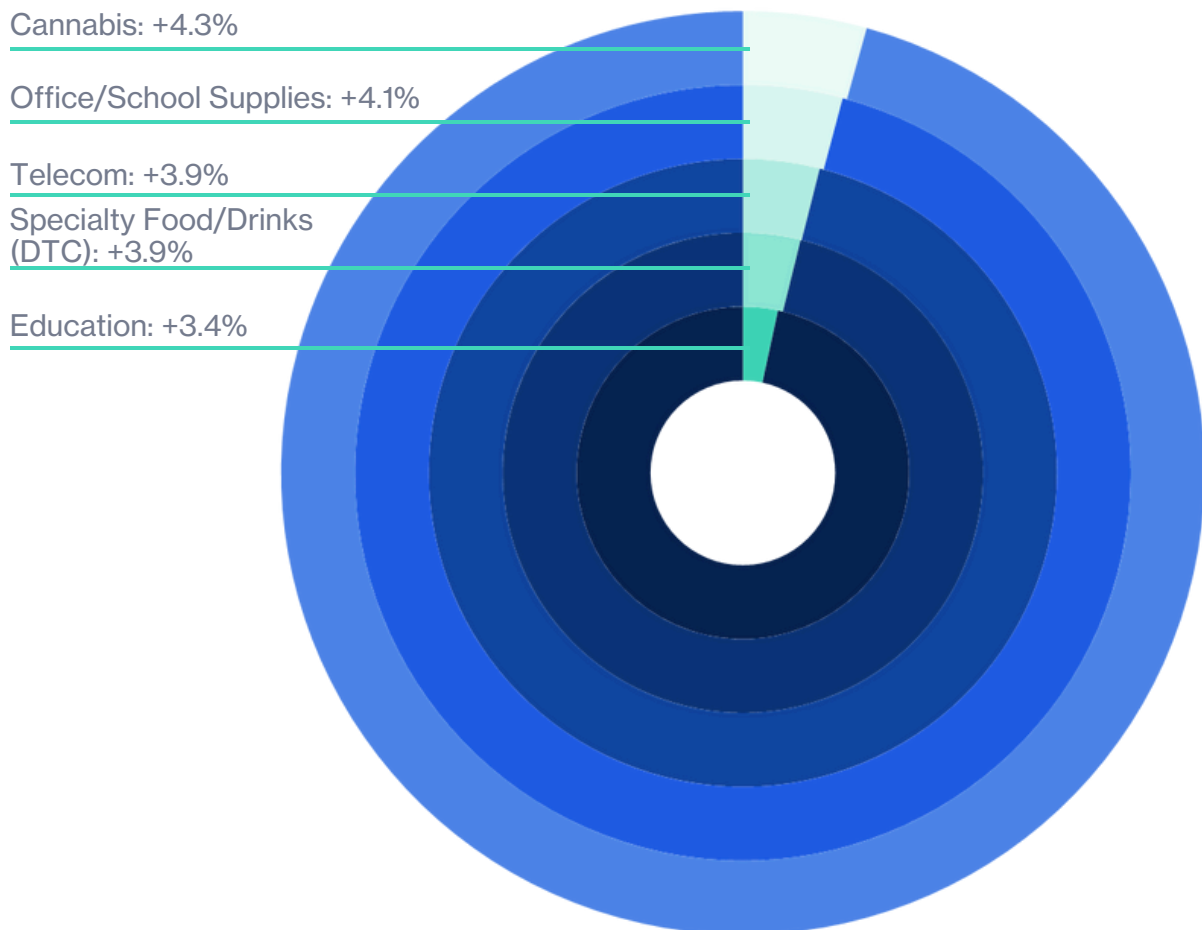
Theme: Convergence

Here convergence is building not only across geographies, but even within channels as e-commerce penetration remains steady.

In the US, the largest Q3 online penetration increases occurred in a diverse array of categories – Cannabis, Office/School Supplies, Telecom, Specialty Food/Drinks (DTC), and Education – Other (Chart 9a). In the UK, there was more of a trend wherein top growth and acceleration themes like healthcare and in-home entertainment appear to be driven partly by a growth in online purchasing (Chart 9c).

Chart 9a

US Top Increase in Online Share of Spend



Theme: Planning Ahead

In the UK, self-investment growth subindustries are corresponding to an increasingly large share of online activity. Conversely, the largest declines in US online penetration were among the top-growing subindustries and adjacent sectors: Consignment/Thrift and healthcare (Chart 9b).



Chart 9b

US Top Decrease in Online Share of Spend

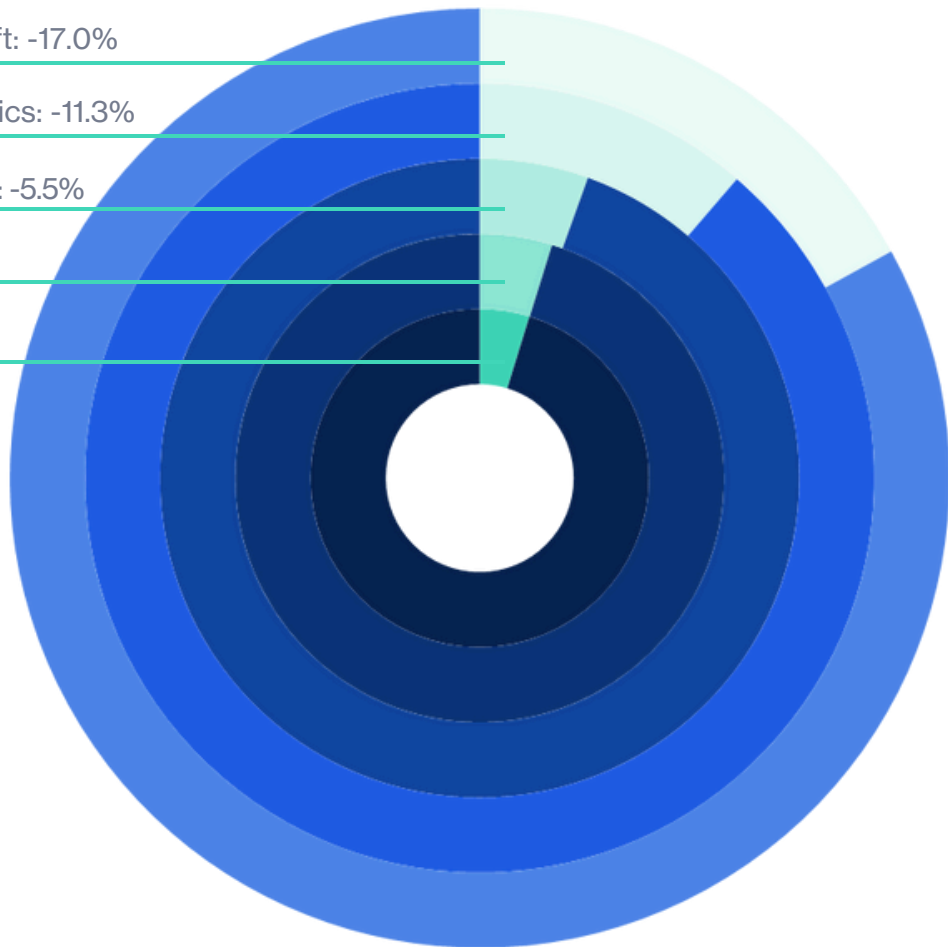
Consignment/Thrift: -17.0%

Wearable Electronics: -11.3%

Veterinary Services: -5.5%

Dental: -4.8%

Medical Supplies:
-4.8%



UK Top Increase in Online Share of Spend

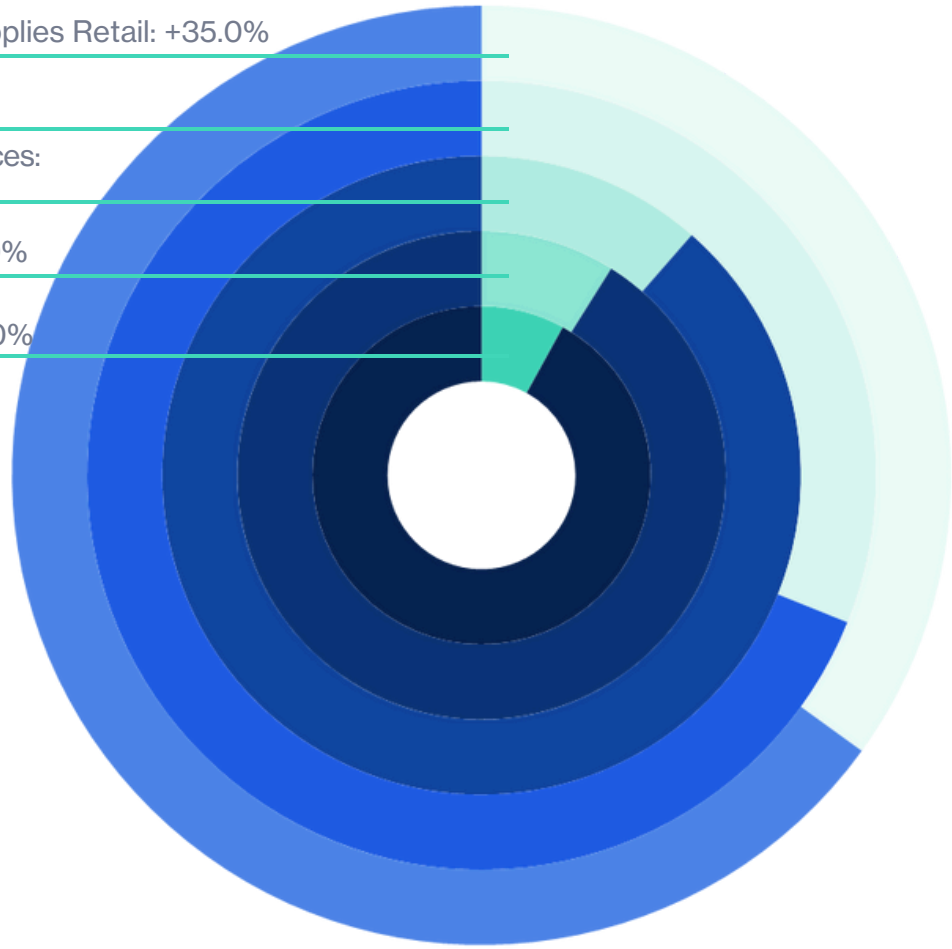
Office/School Supplies Retail: +35.0%

Dental: +31.1%

Other Health Services:
+11.4%

Arts & Crafts: +8.9%

Video Games: +8.0%

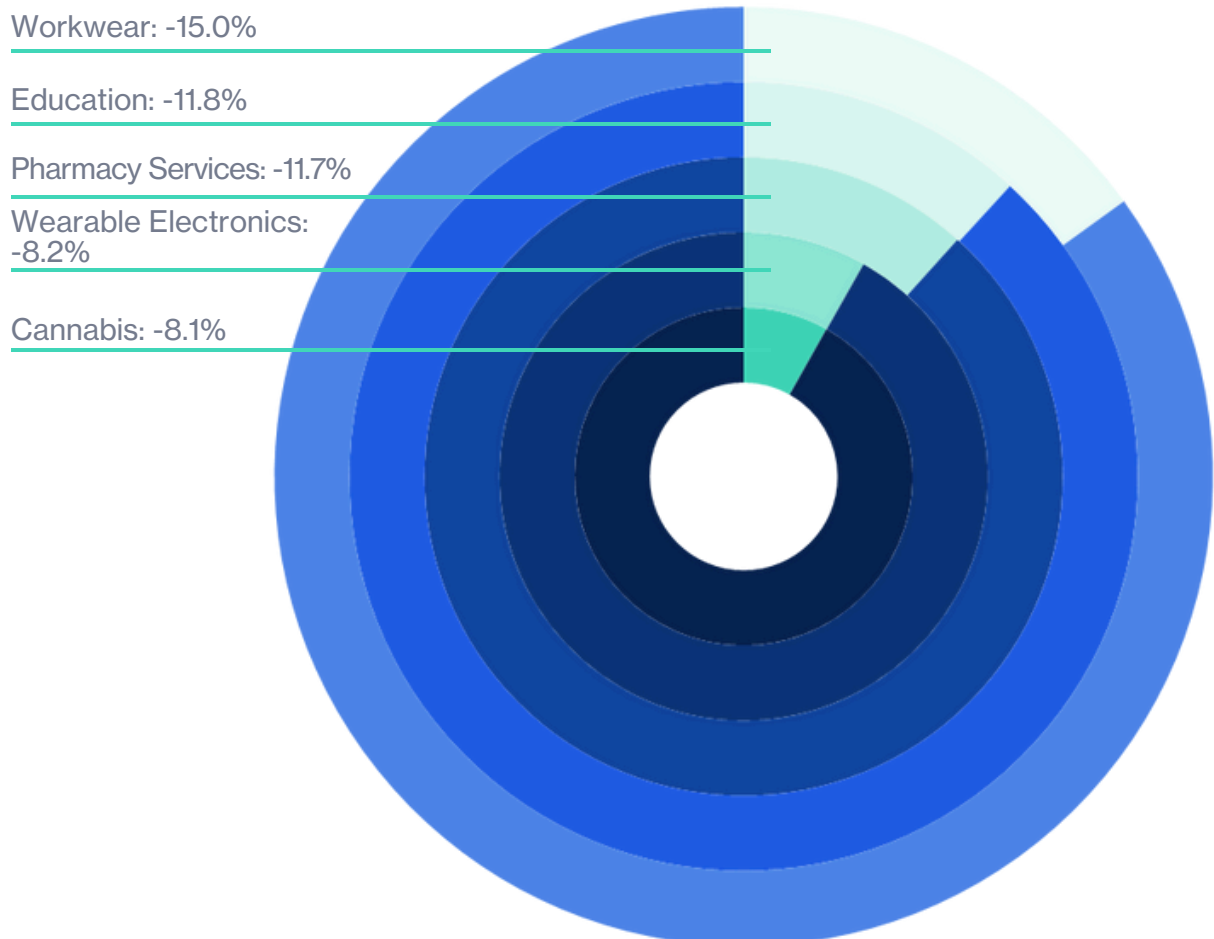


These shifts in US and UK online shopping imply that offline transactions are driving a large part of the growth, with shoppers looking to access in-person shopping experiences.

In the UK, there is a similar change happening for Cannabis and Pharmacy Services (Chart 9d).

Chart 9d

UK Top Decrease in Online Share of Spend



2025 Playbook

Businesses, especially those in high-growth sectors, should think carefully about resource allocation online versus in-person.

This may even lead to strategic decisions to increase store openings and a physical customer presence.

Theme: Pent-Up Demand Spent

A common post-COVID trend has been that while many subindustries are benefiting from a release of pent-up demand, in-store shopping for items that can be purchased online (like groceries) does not stand out as part of this theme.

Therefore, a return to stores and in-person purchasing in the most popular consumer categories may instead be considered part of the “return to normal” once COVID spending and the resulting whiplash in overspending of COVID-prohibited categories had abated.

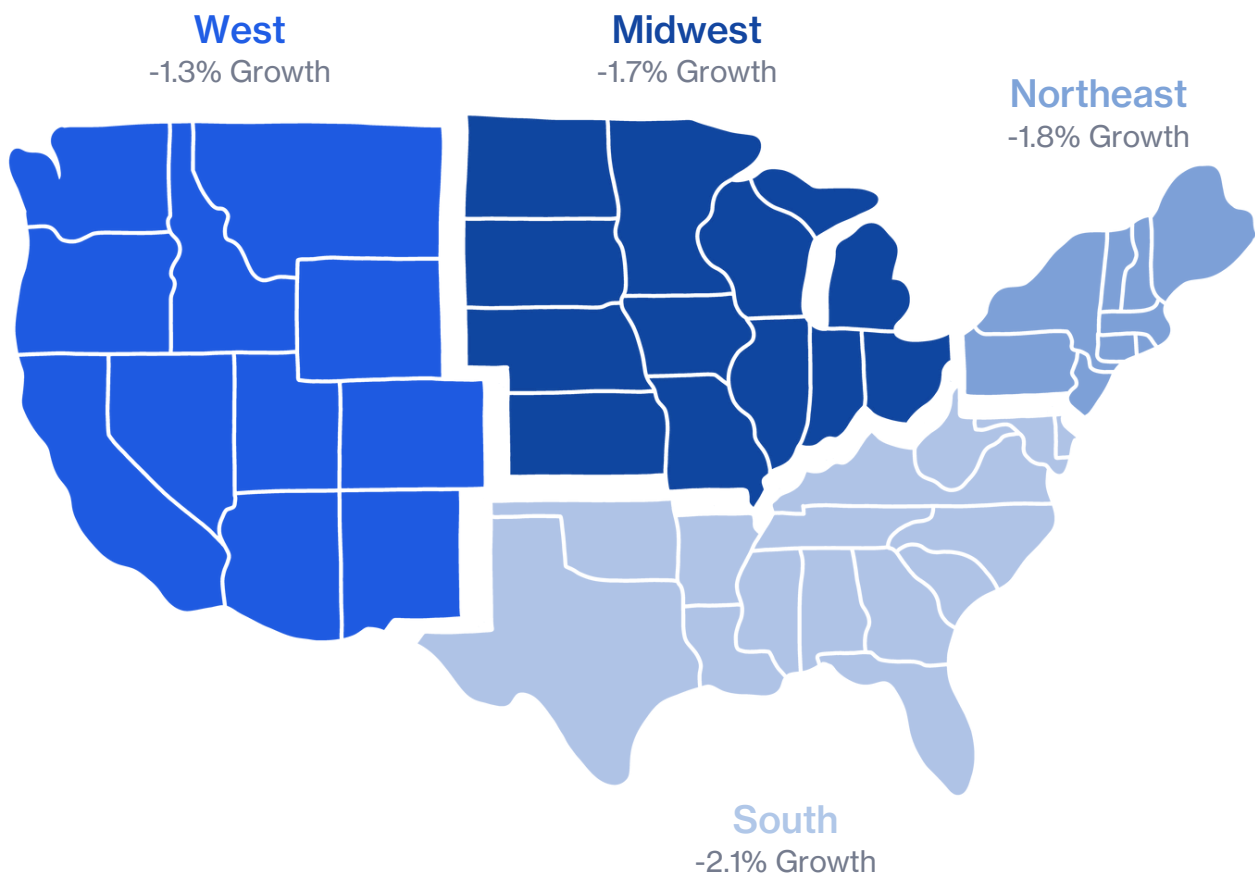


Regional Differences

In both the US and UK, crowded urban areas like the dense US Northeast (Chart 10) and UK's London and surrounding areas (Chart 11) have seen the largest decrease in year over year spend for 3Q 2024.

Chart 10

US Spend Growth Change by Region



In the UK especially, the spend declines moderate significantly the further from the City a region is.

Chart 11

UK Spend Growth Change by Region





Theme: Convergence

Although dense urban areas have historically been a center of economic investment and population growth, recent growth trends appear to be moderating in favor of more outlying areas.



2025 Playbook

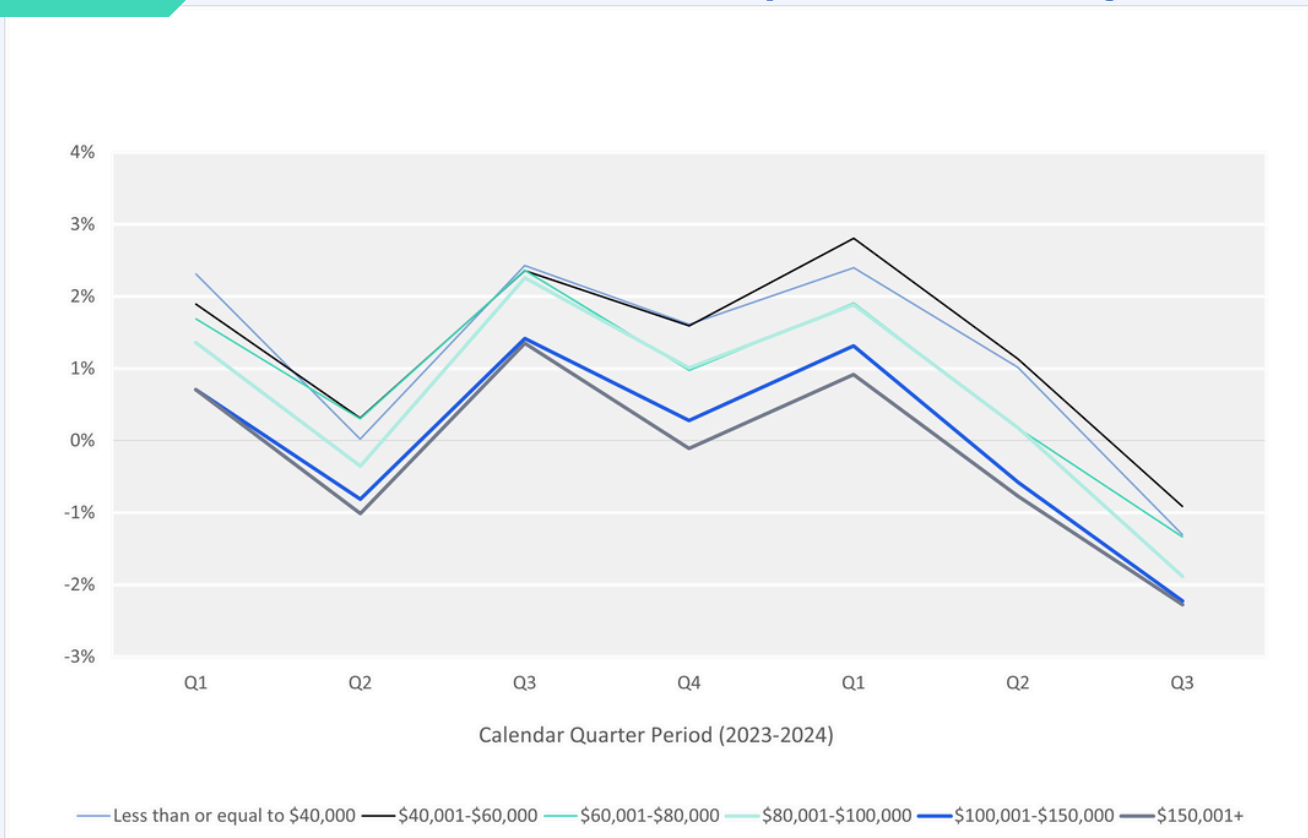
Changes in spending growth for urban versus rural areas is likely to affect real estate plans as well as marketing spend allocation throughout 2025.

Demographics

In 2024Q3, US year over year spend growth was negative and decelerating across income groups. The smallest declines were for those making under \$60,000 per year, likely due to reduced pressure from easing food inflation and gas prices (Chart 12).

Chart 12

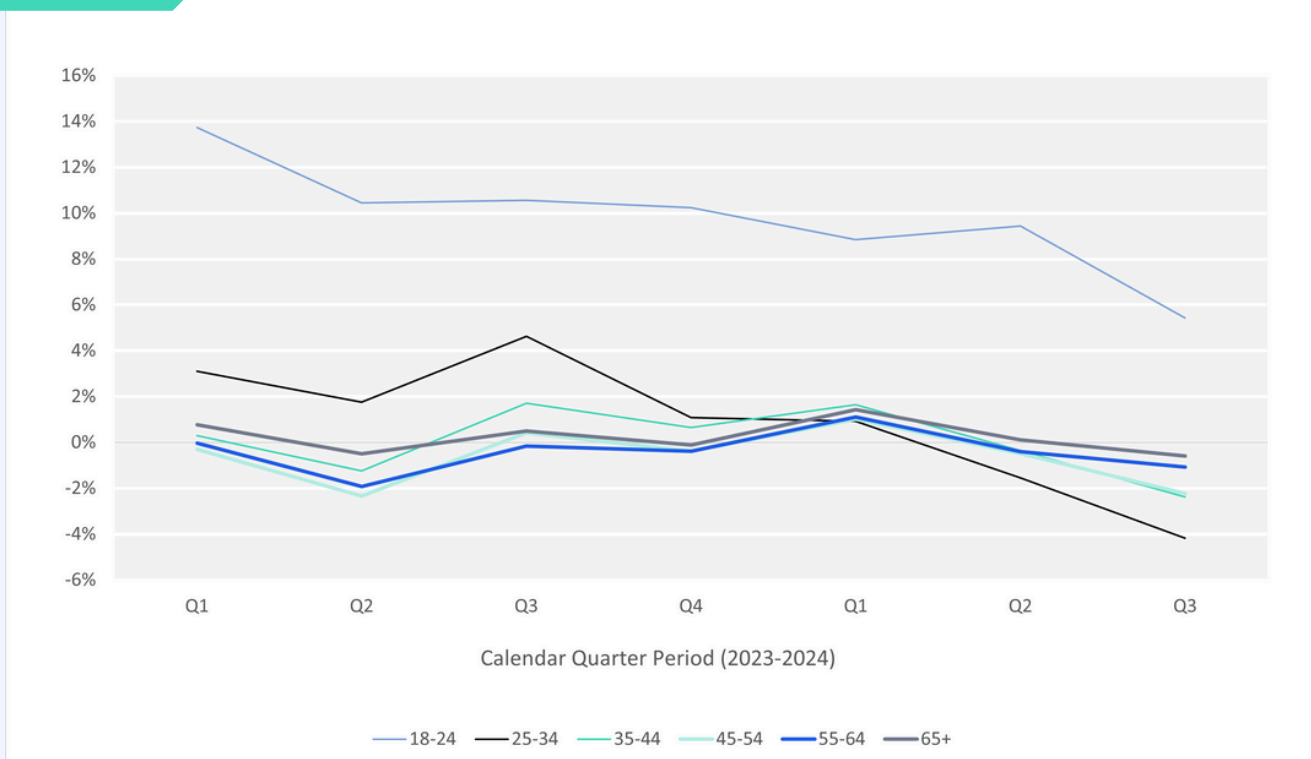
Spend Growth by Income



Spend growth was also negative across most age groups. Although, as has been consistent in our data, growth was higher for younger shoppers, those ages 65+ also saw a slightly positive year over year spend growth (Chart 13).

Chart 13

US Spend Growth by Age Group



Theme: Convergence

With lower income shoppers and those likely to either have very little savings (age 18-24) or be living off savings (age 65+) showing the most growth on a relative basis, there is some degree of spend convergence with positive signs for traditionally low-spending groups.

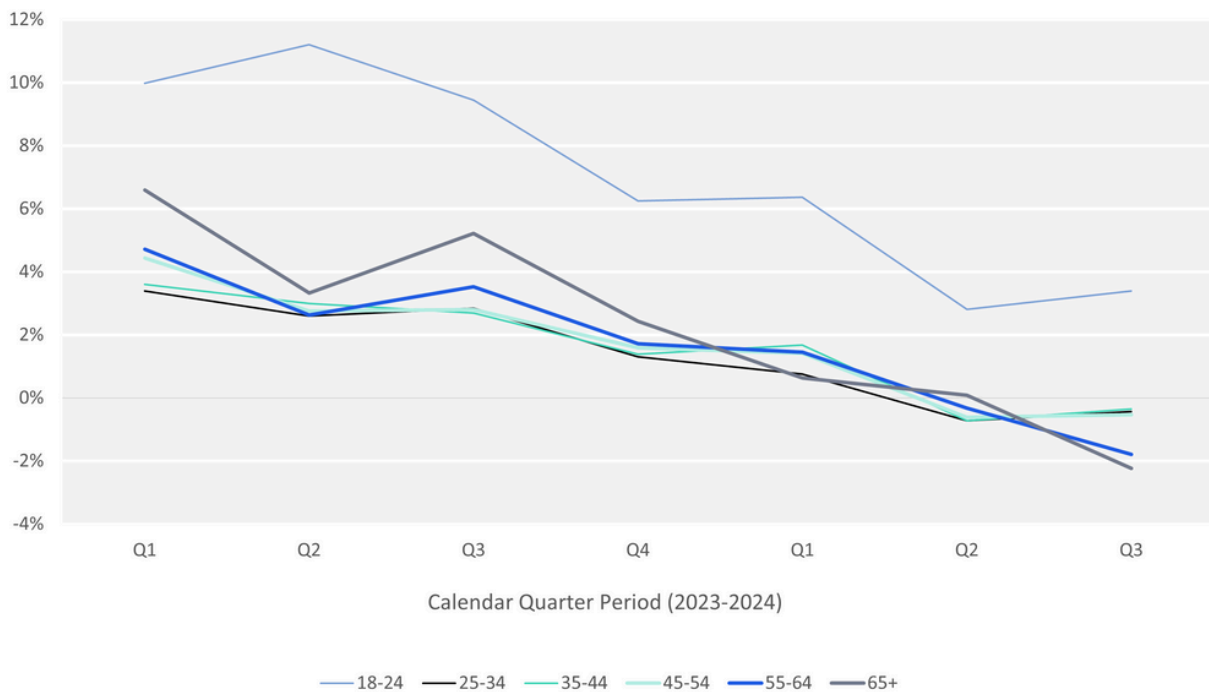
Theme: Planning Ahead

Shoppers close to or in retirement in the UK may be trying to make their savings stretch longer by reducing current consumption, which may weigh on holiday spend.



Chart 14

UK Spend Growth by Age Group



2025 Playbook

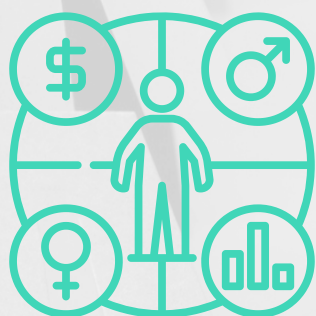
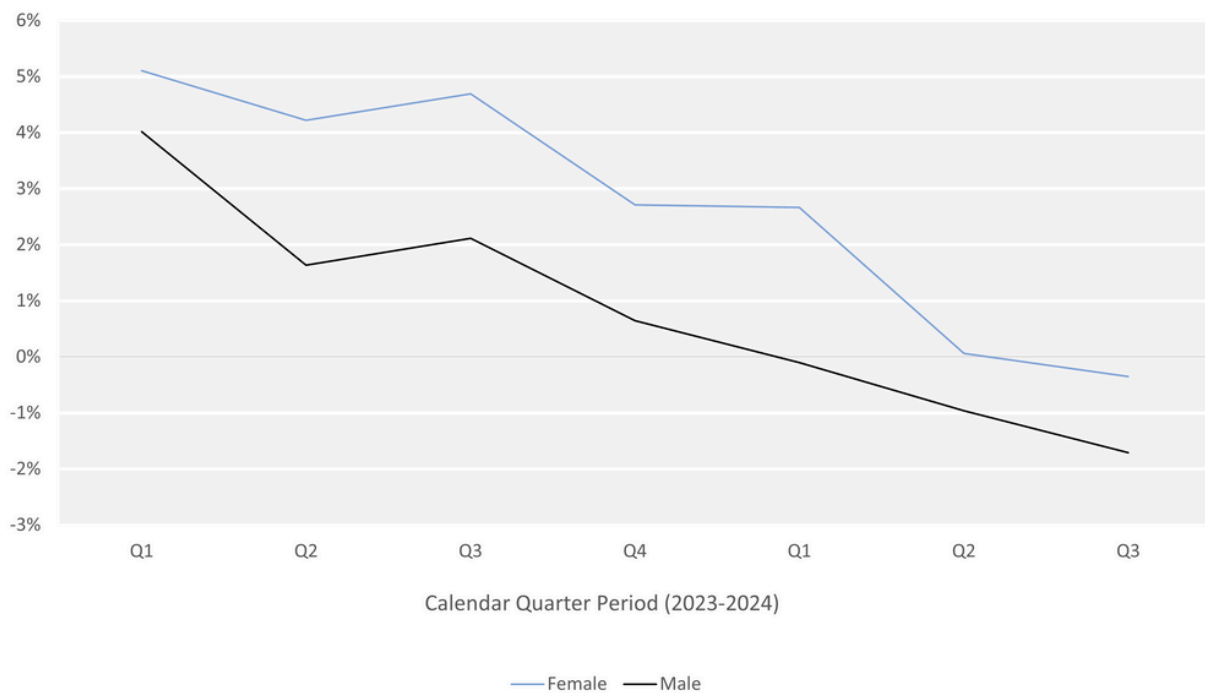
Targeting may not work as well when underspending groups are catching up to other demographics.

Companies should closely monitor trends among their base.

When it comes to gender, year over year spend growth among UK women was flat while spend growth among UK men continued to be negative (Chart 15).

Chart 15

UK Spend Growth by Gender



4 Conclusion

Since the pandemic, most companies have been experiencing a whiplash of changes in consumer behavior. Shoppers have seesawed from large drops in spend to a release of pent-up demand. But, 2024 was a year of inflection points and changing trajectories.

This is leading to a convergence in spend trends with more consistency across shopper groups and spending categories. With pent-up demand spent, companies are less likely to see overindulgence in specific categories and more planning ahead from customers will lead to further smoothing. This may create unexpected areas of success and failure for the upcoming holiday season. However, it also means that companies can finally take a breath and incorporate long-term strategies into their 2025 Playbooks, being more proactive about playing to their strengths and less reactive to unstable market forces.

Each quarter shows a new trend emerging in consumer spending, although many past trends are also evolving into new forms. Staying on top of the data is important to catch the direction of the change before it becomes yesterday's news. Consumer Edge customers can see the trends evolving with less than a week's lag. Contact our sales team to ask about a trial.



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