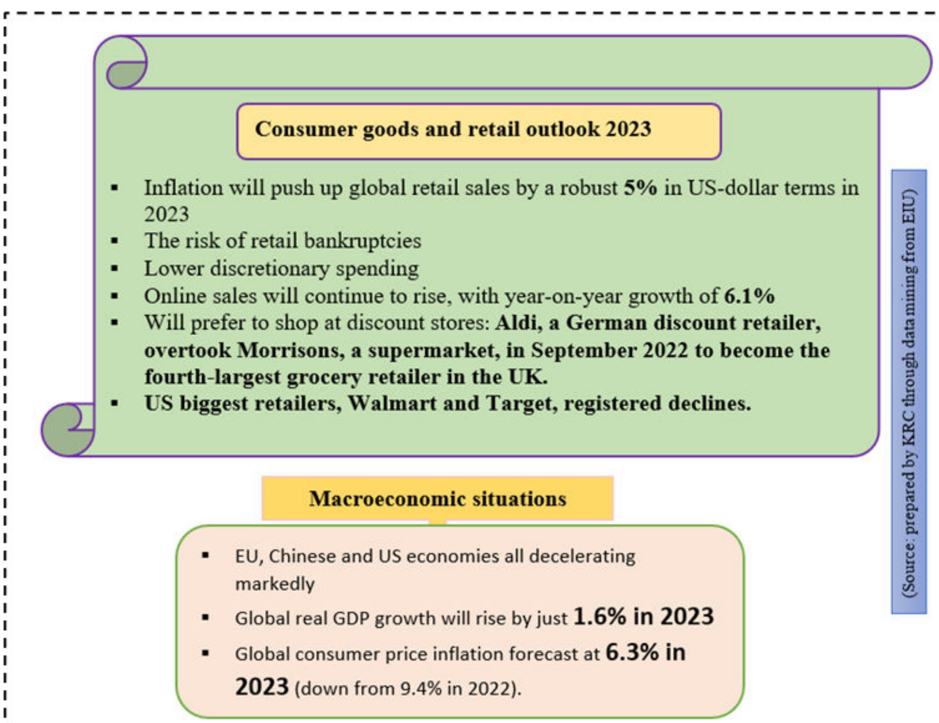
Industry-specific predictions for 2023

Macroeconomic situations

- The global economy is set to slow sharply in 2023 after 2 years of rebound from covid-19-related recessions. With the EU, Chinese, and US economies all decelerating markedly, it is forecast that global real GDP growth will rise by just **1.6% in 2023**, down from 2.8% in 2022 and 5.7% in 2021.
- Despite the gloomy outlook, **global consumer price inflation** is likely to remain high, at a forecast of **6.3% in 2023** (down from 9.4% in 2022).
- Several G20 economies—notably Argentina and Turkey—will continue to see very high inflation rates.
- The war in Ukraine, combined with lockdowns in China, has exacerbated supply-chain disruptions and pushed up global inflation.

Consumer goods and retail outlook 2023

- In retailing, spending growth will be robust in value terms, propelled by higher prices, but will be low or even negative in real terms and profitability will be squeezed.
- Inflation will push up **global retail sales by a robust 5% in US-dollar terms in 2023, but the lower volume of sales and surging costs will weaken retailers' profits.**



- Global luxury brands will suffer from China's slowdown.
- Online sales growth will slow but the online share of retail will edge up to about 14% of global retail sales.
- Some retailers will close stores, and the risk of retail bankruptcies will increase after a couple of years of respite.
- Lower consumer purchasing power will translate into lower discretionary spending.
- With global inflation forecast at 6.4% in 2023 and demand flattening, retailers' profits will be squeezed in 2023.
- Retail will not only be challenged by higher costs for raw materials and logistics but also by
- Labor and energy costs. Retail wages have been rising faster than overall private-sector wages in many countries.
- The loss of Chinese tourists during the pandemic has been a blow to global luxury brands. However, their sales returned to pre-covid levels in 2021, helped by demand from domestic Chinese buyers. However, 2023 will pose more challenges. Youth unemployment remains high and will constrain demand from entry-level luxury buyers, an important customer base for luxury brands.
- Inflation-wary consumers will prefer to shop at discount stores, helping these retailers to increase their market shares.
- The economic slowdown in China, caused in part by its zero-covid strategy, will mean fresh challenges for global luxury brands already affected by the loss of Chinese tourists.
- Online sales will continue to rise, with year-on-year growth of 6.1% taking their share of global retail sales to more than 14%, marginally exceeding the 13.9% share in 2022. However, sales growth will slow in China, the world's largest online retail market, as a result of its 'zero-covid' policies as well as high youth unemployment.
- Inflation will push consumers away from hypermarkets to discount retailers in 2023. In a reversal of the pandemic-era trend, big-box stores and hypermarkets will lose market share to discount and convenience stores in 2023, as reduced purchasing power forces many middle-income consumers to trade down.

- Aldi, a German discount retailer, overtook Morrisons, a supermarket, in September 2022 to become the fourth-largest grocery retailer in the UK. In France, the largest discount grocers—including Aldi and Lidl—have expanded their market shares over the past year.
- July 2022 (when US consumer price inflation was up by 8.5%) discounters and dollar stores were the only retail category in the US to register growth in footfall. Meanwhile, two of the US's biggest retailers, Walmart and Target, registered declines.

Strategic opportunities

- There will be some pockets of real-term growth, mainly in middle-income countries in Asia and the Middle East. Online retail sales will grow by 6.1%, slower than in 2020-22, but their share of the total retail market will continue to increase.
