Consumer Trends in 2025: Automated Driving, Digital Media, E-commerce, Smart Kitchens

Consumer spending and the outlook for long-term economic themes remain optimistic in 2025, driven by the positive momentum of the "Trump Effect". This optimism stems from a series of strategic proposals and policy moves aimed at stimulating economic growth and enhancing the overall business environment.

US consumption is promising with Trump's policies

President Trump has proposed reducing the federal corporate tax rate from 21% to 15%. Lowering the corporate tax rate can make the US a more attractive location for business operations, encouraging both domestic and foreign companies to invest more in the country. This increased investment can lead to the expansion of businesses, the creation of new jobs, and the enhancement of infrastructure, thereby boosting economic growth.

Additionally, the Trump administration has proposed eliminating federal taxes on Social Security benefits, tipped income, and overtime pay. This policy aims to increase disposable income for working-class Americans, thereby boosting consumer consumption. By reducing the tax burden on these income sources, the policy could enhance consumer spending, further supporting economic growth. Increased disposable income allows consumers to spend more on goods and services, which can lead to higher demand and stimulate further economic expansion.

As seen from the chart 1, the Small Business Optimism Index rose to 101.7 in November, after 34 months of remaining below the 50-year average of 98. This is the highest reading since June 2021.

Chart 1: Small Business Optimism Index

Source: Bloomberg, as of 30 November 2024. For illustrative purposes only.

The University of Michigan's consumer surveys have also shown improvement following the November 5th election. This is the first major consumer sentiment survey since the presidential election, indicating that people feel more optimistic about the economy[1].

Overall, the combination of these proposals and policy moves under Trump's administration is fostering a positive economic outlook, with consumer spending expected to remain resilient in 2025.

The advancements in information technology (IT) and artificial intelligence (AI) capabilities are set to drive significant revenue for the consumer industry. These technologies are paving the way for a more connected, efficient, and personalized consumer experience.

Automated driving: one of the most disruptive shifts in lifetime

Automated driving has the potential to transform transportation, consumer behavior, and society at large, driving substantial value to the auto industry. As technology continues to evolve, it's expected to see more advanced and reliable autonomous vehicles on the roads. These vehicles will not only improve the efficiency of transportation but also enhance the quality of life by providing greater mobility options for the elderly and disabled, reducing traffic accidents, and lowering environmental impact.

One of the most compelling benefits of automated driving is its potential to enhance road safety. Advanced driver-assistance systems (ADAS) are already making significant strides in this area. A study shows that the growing adoption of ADAS in Europe could reduce the number of accidents by about 15% by 2030[2].

The economic implications of automated driving are profound. Based on consumer interest in automated driving features and the commercial solutions available today, ADAS and automated driving could generate between US$300 billion and US$400 billion in the passenger car market by 2035[2].

The automated driving industry offers immense opportunities for innovation and growth. Companies that invest in this technology can gain a competitive edge, attract new customers, and expand their market share. The future of the automated driving industry is bright, with this technology leading an exciting transformation.

市場觀望

EYE ON THE MARKET

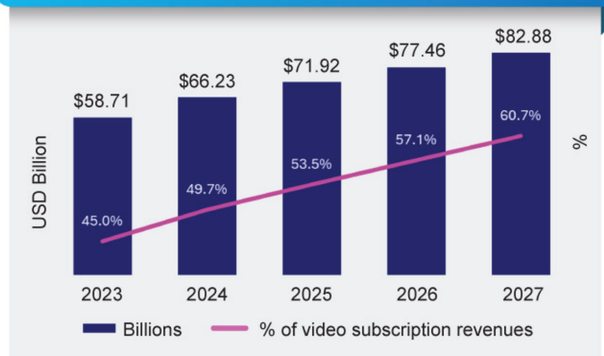
Digital media reshaping consumer's viewing practices

The advent of digital media has fundamentally transformed how consumers engage with content, shifting from traditional media consumption to more personalized, on-demand, and interactive experiences.

One of the most significant changes in media consumption is the rise of streaming services. Digital platforms have revolutionized how viewers access and consume content. According to an analysis from Ampere, the global video streaming market is poised to generate US$190bn annually from 2bn paid subscriptions by 2029, driven by growth opportunities particularly in the Asia-Pacific region[3]. These platforms offer short-form, user-generated content that caters to the preferences of modern viewers who seek quick, engaging videos.

Additionally, OTT (Over-The-Top) services are projected to account for more than half (53.5%) of US video subscription revenues by 2025, reaching US$71.92 billion, according to a December 2023 forecast.

Chart 2: OTT Subscription Revenues (2023-2027)



Source: Insider Intelligence, eMarketer, December 2023

E-commerce: the future of shopping

Consumer shopping behavior has undergone a significant transformation in recent years, with e-commerce leading the way. The convenience, variety, and accessibility offered by online shopping platforms have reshaped how consumers purchase goods and services, making e-commerce the future of shopping.

E-commerce has seen remarkable growth, particularly during key shopping periods. For example, e-commerce was the biggest winner during "Cyber Week" in 2024 (the five-day period from Thanksgiving to Cyber Monday), showing the strongest year-over-year growth. U.S. online sales for the weekend reached an impressive US$41.1 billion, with online spending setting new records on each of the five days[4].

The use of mobile devices to make online purchases has continued to grow significantly. On Cyber Monday in 2024, 57% of online sales were made on a mobile device, marking a 13.3% increase year-over-year. This is a substantial rise from 2019, when only 33% of Cyber Monday online purchases were made using a mobile device[4]. This trend highlights the increasing reliance on smartphones and tablets for shopping, driven by the convenience of mobile apps and improved mobile website experiences.

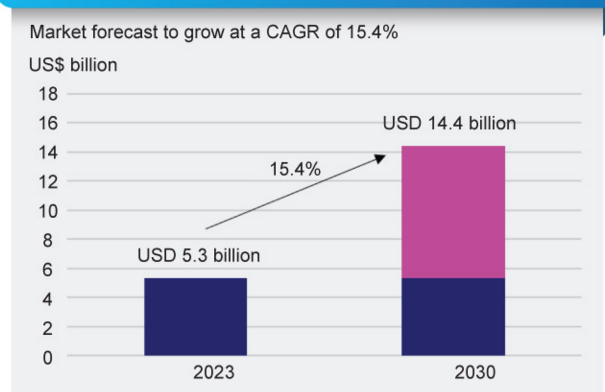
Looking ahead, the development of e-commerce is highly promising, driven by continuous advancements in technology and changing consumer preferences. Innovations such as artificial intelligence (AI) is further enhancing the online shopping experience, making it more personalized and efficient.

Smart kitchens transforming the productivity of a restaurant chain

"Smart Kitchen" is a rapidly growing consumer trend designed to reduce labor costs and create a better experience for customers. Its growth is driven by several factors, including the rising demand for connected and energy-efficient kitchen appliances, advancements in IoT and AI technologies, and increasing consumer preference for convenience and automation.

The global market for Smart Kitchens was estimated at US$5.3 billion in 2023 and is projected to reach US$14.4 billion by 2030, growing at a Compound Annual Growth Rate (CAGR) of 15.4% from 2023 to 2030[5]. This growth is fueled by the increasing adoption of smart appliances that offer enhanced efficiency and connectivity.

Chart 3: Smart Kitchens Market



Source: Research and Markets, 30 October 2024

Smart kitchens are significantly transforming the productivity of restaurant chains by streamlining operations and reducing labor costs. These advanced kitchens enhance customer experiences through improved service quality and efficiency. As technology continues to evolve, the potential for smart kitchens to revolutionize the restaurant industry will only grow.

Conclusion

To conclude, the optimistic sentiments stemming from the Trump administration suggest a promising outlook for consumer spending. Technical advancement such as AI are bringing additional benefits to the consumer-related sectors as they help these companies to offer more targeted services to customers with different preference. As people continue to embrace these innovations, the potential for growth and transformation within the industry appears boundless.

Source:
1. Investopedia, November 2024
2. McKinsey & Company, January 2023
3. Ampere Analysis, December 2024
4. Adobe Analytics, December 2024
5. Research and Markets, 30 October 2024

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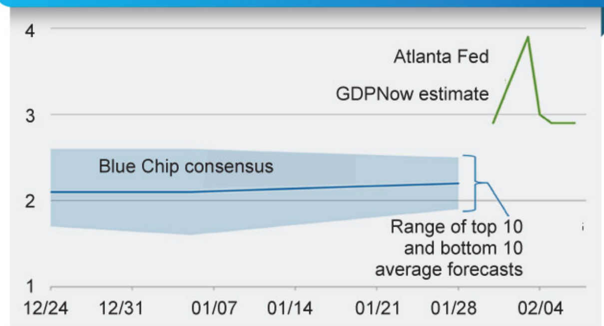
Investment-grade Asian dollar bonds look attractive amid tariff and reflation concerns

On February 1, President Trump signed an executive order imposing 25% tariffs on Mexico and Canada and 10% tariffs on China effective February 4, with tariff removal contingent on improvements in immigration and pharmaceutical issues—though no specific benchmarks were provided. While tariffs on Mexico and Canada were formally announced, negotiations were swiftly initiated, leading to a temporary suspension, underscoring their role as a pressure tactic. By invoking the International Emergency Economic Powers Act (IEEPA), the administration aimed to accelerate negotiations, stating tariffs could be lifted if "sufficient action to alleviate the crisis" was taken. However, risks of tariff escalation persist. Trump's aggressive negotiation tactics may heighten confrontation, raising the possibility of sustained reciprocal tariffs even post-agreement, with potential rate reductions rather than full elimination. Constraints on tariff implementation include inflationary risks, economic headwinds, and political considerations ahead of the 2026 midterm elections. Recent market expectations for tariffs have grown increasingly volatile, amplifying uncertainty and reflation risks.

US Economic Resilience

US Q4 2024 GDP grew at an annualized rate of 2.3%, below the consensus forecast of 2.6% and down 0.8 percentage points from Q3, but structural fundamentals remained sound. Consumer spending stayed robust, with real personal consumption expenditures (PCE) rising 4.2% annualized, well above the 3.2% estimate, contributing 2.8 percentage points to GDP growth. Residential investment improved, while non-residential fixed investment softened, with equipment spending turning from a 0.5% contribution to a 0.4% drag due to election-related uncertainty. Inventory drawdowns reduced GDP by 0.9 percentage points, but this drag is expected to reverse in 2025 as real rates and inventory-sales ratios stabilize. The Atlanta Fed's GDPNow model projects Q1 2025 growth at 2.9%, driven by 3.0% PCE growth and 5.2% private investment expansion.

Chart 1: Quarterly percent change (SAAR)



Data Source: Federal Reserve Bank of Atlanta, as of 7/2/2025

Healthy Labor Market Dynamics

January nonfarm payrolls rose by 143,000, below expectations of 170,000, partly due to weather disruptions. Weather-sensitive sectors like leisure/hospitality and construction underperformed trends by 44,000, while 590,000 workers reported weather-related absences—double January 2024 levels. Prior November and December payrolls were revised up by 100,000, lifting the three-month average to 240,000, the highest since March 2023. Unemployment dipped to 4.0%, while hourly wages surged 0.5% month-on-month (MoM), keeping the year-on-year (YoY) rate at 4.1%. Labor market stabilization followed mid-2024 softness (when job gains fell to 100,000 and unemployment hit 4.2%), aided by the Fed's 100-basis-point rate cuts.

Annual revisions to nonfarm payrolls cut establishment-survey employment by 589,000 but raised household-survey employment by 1.88 million, reflecting post-pandemic immigration inflows. These adjustments largely closed the gap between the two surveys over the past year.

Chart 2

Data Source: Bloomberg, as of 10/2/2025

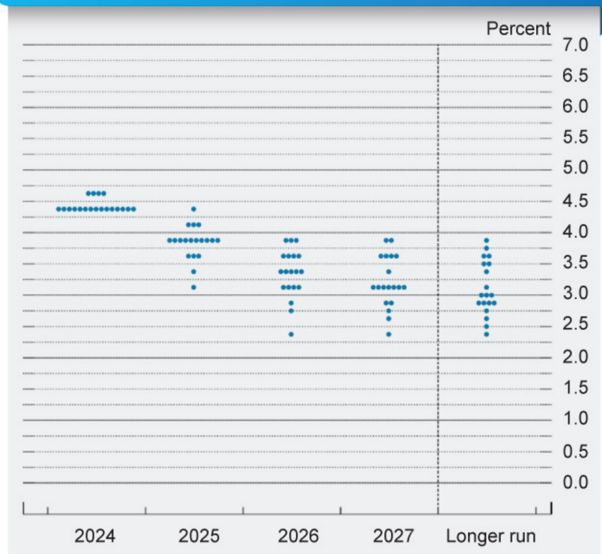
Inflation Moderation

December 2024 core CPI rose 0.2% MoM, below the 0.3% forecast and marking the lowest reading since August, triggering a bond rally. The miss stemmed from core goods and hotel prices. Consumer goods saw broad declines: appliances fell 2.9% MoM (the steepest drop since 1999), furniture dipped 0.9%, and personal care products slid 1.1%, likely reflecting holiday inventory clearance amid strong retail sales. Services inflation cooled as hotels plunged 1.0% MoM and healthcare slowed to 0.2%, though rent reaccelerated to 0.31%. Despite recent reflation fears driven by Trump-era policies and four months of upside surprises, the December data's benign structure revived market expectations for two 2025 Fed rate cuts, aligning with the December dot plot.

Fed Pauses in January

The Fed held rates steady at 4.25%-4.50% in January, delivering a neutral outcome amid policy uncertainty under the new administration. While the statement turned hawkish by removing references to "progress toward the 2% inflation target," Chair Powell downplayed the shift, emphasizing encouraging core PCE trends and stable rent disinflation. He deferred commentary on tariff or immigration impacts, stressing patience until more data emerges. With growth solid and labor markets stable, the Fed sees no urgency to cut rates, retaining optionality as policy rates remain above neutral.

Chart 3

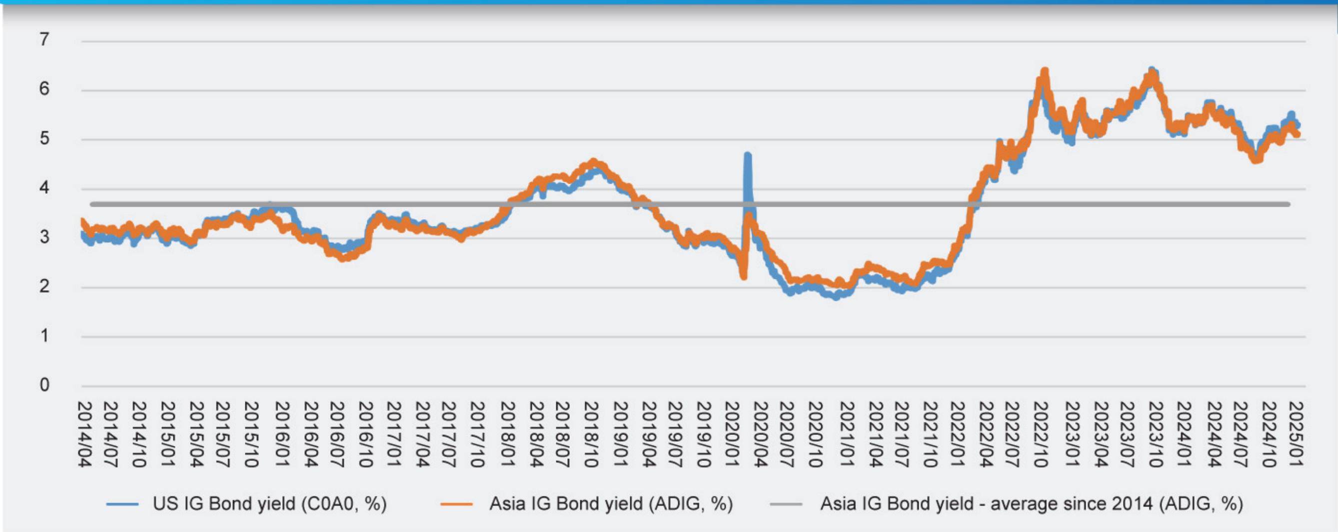


Data Source: Federal Reserve, as of 18/12/2024

Investment-Grade USD Bonds Are Key Allocation Assets

Looking ahead, allocating to investment-grade USD bonds allows investors to lock in yields that remain at relatively high levels while potentially benefiting from a bull steepening trend in the yield curve. Additionally, investment-grade bonds continue to serve as an important tool for diversifying geopolitical risks and policy uncertainties. In 2024, Asian investment-grade issuers maintained stable leverage ratios and smooth financing channels, making Asian investment-grade USD bonds still attractive, particularly in the BBB segment, which offers better risk-adjusted returns and relative value. Going forward, evolving expectations around the path of interest rate cuts will likely keep yields volatile. A potential rise in U.S. Treasury rates could present opportunities to allocate at higher yield levels. USD bonds are a critical component of a diversified investment portfolio, providing balance amid slowing economic growth and heightened uncertainty, which is essential for investors aiming to achieve long-term returns. In summary, investing in investment-grade USD bonds allows investors to lock in historically high absolute yield levels, diversify portfolio risks, and, in addition to coupon income, potentially benefit from capital gains driven by a bull steepening yield curve.

Chart 4



Data Source：Bloomberg, BofA ICE, as of 31/1/2025

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