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AIB retail spend outlook report

Q3 2024

AIB's detailed look at the retail sector,
highlighting trends and insights for Q3 2024.

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Q3 2024 consumer spend to Retail Sector up 2.3% against 2023

Overall Retail spend increase driven in the main by 2.5% increase to instore sales.

A 2.3% increase to overall spend in Q3 to the retail sector is in recent contrast to the marginal contraction in spend witnessed in Q2 of this year. The variance in card spend outcome over the last three quarters against 2023 is likely shaped by a number of drivers including but not limited to improving consumer sentiment, weather related disruptions in Q2 and inflation continuing to normalise. In the face of any number of these variables shaping people's disposable income, our data points to the average consumer having capacity to continue to spend.

Overall Retail spend increased across five of our eight tracked categories. Our AIB card spend data points to 5% of overall retail transactions for the quarter being transacted online while the vast majority of transactions continue to happen instore.

As per CSO, the rate of growth of consumer price inflation continues to normalise standing at 1.7% in August,

its lowest level since June 2021. While the rate of growth has slowed, it has slowed against a significant rate of growth experienced in 2023. Despite this backdrop, our spend data points to increased volume sales as well as value sales in Q3 2024.

Grocery spend is the key component spend for most households. Consumer behaviour of more frequent transactions remains evident in our current data as consumers continue to spend a similar amount per transaction but are more often visiting the convenience or grocery offering to replenish the basket shop.

The overall spend to the hardware / homeware sector bucked the recent spend trend experienced in the first half of the year with 3.4% overall growth for the subsector in Q3. Growth in the subsector was helped by a 5% increase to instore transaction.

Overall increased spend in Q3 is positive however there is a clear proportion of retail operators across different subsectors who are not seeing the benefit and continue to be impacted by high costs of doing business. With Budget 2025 having focused on households and the consumer, retailers will be hoping for a strong spend in Q4.

A stable Irish economy with normalising inflation, higher than average households saving capacity, in addition to real wage growth will help support an outlook for future growth into Q4 and early 2025.



Ciaran Foley
AIB Retail
Sector Specialist



Industry View

Retail Growth Figures Mask Underlying Sector Challenges

The retail sector's 2.3% growth in Q3 2024 reflects an evolving trading landscape where consumer behaviour and shopping patterns continue to adapt. The increase in in-store sales of 2.5% indicates a strong return to physical retail, likely boosted by the return to the office for many, creating natural shopping opportunities during lunch breaks and the commuting times.

Particularly noteworthy is the changing nature of consumer engagement across categories. Grocery spending patterns show consumers making more frequent visits but maintaining consistent transaction values, while pharmacy's robust 6.6% growth demonstrates strong performance in essential categories. The hardware and homeware sector's return to growth +3.4% after a challenging first half of the year suggests renewed consumer confidence in home improvement spending.

However, the broader retail landscape presents ongoing challenges for many operators. Department stores' decline of -5.1%, alongside drops in sporting goods -5.4% and electrical goods -4.7%, reflects pressure on discretionary spending. The footwear sector's significant decline of -11.8%

further highlights the problematic trading conditions many retailers face, especially in weather-influenced categories.

These figures suggest consumers are becoming increasingly selective in their spending choices, forcing retailers to compete more aggressively on price at a time when operational costs continue to rise.

As retailers approach the crucial Q4 trading period, they face the complex challenge of driving sales while protecting margins. With another round of wage increases due in January 2025, many businesses are focusing on operational efficiencies and carefully managed inventory levels to maintain profitability. While overall sector growth provides some optimism, the varying performance across categories suggests a cautious approach to the months ahead will be essential for many retailers.



Jean Mc Cabe
CEO,
Retail Excellence



Key Trends



↑ **2.5%**
Instore Retail

↑ **2.3%**
Overall Retail
Spending

↑ **1.7%**
Online Retail

Retail

Retail +2.3%

Year on year sales by value for the wider retail sector increased in Q3 2024 by 2.3%, driven by a blend of increased instore sales of 2.5% and 1.7% increase in online sales versus the same period in 2023. Total transaction numbers rose by 3.0% with average spend per transaction remaining stable in the period pointing to normalizing price inflation.

As can be seen in the table below, spend by value increased for five of the eight sectors with electrical goods, department stores and sporting goods stores seeing a decline against Q3 2023.

Spending to the non-discretionary categories of grocery and pharmacy has increased in each of the first three quarters in 2024 versus 2023

driven in the main by increased instore sales. The number of instore transactions increased by 3.3% for both grocery and pharmacy sectors.

The performance of the homeware / hardware sector bucked the trend over the past two quarters achieving growth across both instore and online sales.

Similar spend declines were seen across department stores, electrical goods and sporting good stores albeit all quite different subcategories of retail. While each of the categories saw declines in the number of transactions, electrical good was the only category to see average transaction value increase.

Category	Overall Spend	Instore	Online
Groceries	3.3%	2.7%	12.7%
Electical goods	-4.7%	-9.5%	0.3%
Hardware store	3.4%	3.9%	2.4%
Pharmacies	6.6%	6.3%	12.3%
Clothing	1.4%	4.7%	-7.9%
Department store	-5.1%	-6.2%	0.1%
Sporting goods stores	-5.4%	0.4%	-16.2%
Jewellery	1.4%	1.4%	1.4%

For the purposes of this report, we've used our data across these eight categories to analyse retail spend trends.



Groceries

Overall Groceries 3.3%

When referring to the groceries sector we are discussing the retail categories listed in the table below. The groceries sector saw a spend value increasing by 3.3% in Q3 with both instore and online sales channels seeing increases of 2.7% and 12.7% respectively. The number of transactions in the quarter increased by 3.3% with instore transactions up 3.3% and with online transactions up 9.6%. Online sales represented 6.9% of total sales to the groceries sector in the quarter.

In Q3 spend across the pet shops, pet food and supplies category continued its increased spend performance following a buoyant Q2 period

against 2023. Increased average transaction size coupled with increased instore visits and the addition of some new store openings in the sector in 2024 have driven double digit spend growth in the quarter against 2023.

Miscellaneous food stores which is made up of convenience stores and speciality markets saw value spend increase by 5.4% in Q3 2024. While the number of transactions in this category increased by 7.2% for instore and 6.9% online, the average transaction size decreased by 1.7% pointing to possible price deflation or consumers looking for greater value per transaction.

Category	Overall Spend	Instore	Online
Grocery stores & supermarket	2.9%	2.3%	16.0%
Miscellaneous food stores	5.4%	4.9%	10.8%
Pet food and supplies	27.2%	34.6%	3.3%
Off License	-5.8%	-4.7%	-10.1%
Florists	2.0%	5.2%	-2.5%



Homeware/ Hardware

Overall Homeware/Hardware 3.4%

Overall, this group of subsectors (including furniture stores, home supply stores, hardware stores, nurseries, lawn and garden centres, floor covering stores and lumber, building material stores) saw a 3.4% increase in value spend in Q3, with a 3.9% instore sales increase and a 2.4% increase to the online channel. Card spend by number of transactions was up by 4.8% against the same period in 2023. Three categories, 'furniture, home furnishings', 'hardware stores' and 'lumber, building material stores' make up the majority of spend to this sector.

Spend to the furniture, home furnishings sector was down 0.4% in the quarter driven by a drop

in instore spending. The number of transactions carried out in the period was up 3% during the period which points to a drop in average transaction value for furniture transactions.

Hardware store spend declined by 4% in Q3. Transaction numbers remained flat with average transaction value declining by 6.3%.

Spend to the lumber & building materials stores category increased significantly in the period driven by growth across both online and instore channels.

Category	Overall Spend	Instore	Online
Furniture, home furnishings etc	-0.4%	-1.5%	1.6%
Hardware stores	-4.0%	0.1%	-16.5%
Nurseries, lawn and garden supply stores	11.7%	11.0%	13.7%
Floor covering stores	-13.1%	-17.0%	-5.9%
Lumber, building material stores	14.2%	15.9%	11.1%
Home supply warehouse stores	3.3%	4.2%	-2.3%



Clothing / Department Stores / Jewellery

Overall Clothing +1.4%

This category of subsectors (including shoe stores, sports and riding apparel stores, family clothing stores, men's, women's clothing stores and women's ready-to-wear stores) saw an overall increase in value spend of 1.4% for the quarter.

Clothing – Sports and riding apparel and family clothing stores saw spend rising in Q3 by 9.8% and 7.7% respectively. In contrast shoe stores saw the largest category spend decline down 11.8%. For those subcategories seeing declines both the average value per transaction and the number of transactions were behind for the period vs Q3 2023.

Overall Department stores -5.1% - Department stores spend was down for the period driven by reduced instore spend likely impacted by poor weather conditions affecting footfall. Online remained stable at 0.1% increase in value spend and represented 19% of total value spend.

Overall Jewellery 1.4% - Card spend on jewellery saw growth across instore and online sales channels in Q3 2024, following on from increases seen in Q2 2024.

Category	Overall Spend	Instore	Online
Shoe stores	-11.8%	-9.7%	-21.1%
Sports & riding apparel Stores	9.8%	6.0%	14.7%
Family clothing stores	7.7%	10.6%	-11.1%
Mens' , Women's clothing stores	-2.8%	-0.3%	-9.9%
Women's ready to wear stores	-7.3%	-3.6%	-15.8%

Category	Overall Spend	Instore	Online
Department store	-5.1%	-6.2%	0.1%

Category	Overall Spend	Instore	Online
Jewellery	1.4%	1.45	1.4%



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