



AIB RETAIL SPEND OUTLOOK REPORT

Q3 2023

AIB'S DETAILED LOOK AT THE RETAIL SECTOR,
HIGHLIGHTING TRENDS AND INSIGHTS FOR Q3 2023.

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Retail card spend rises in Q3 2023 driven by instore & online channels

Card spend increases in Q3 but at a slower rate compared to previous Q1 and Q2 card spend report increases.

Q3 card spend increased by 3.3% year on year however it is a slower rate of increase when compared to increases in Q1 & Q2 2023 of 4.1% & 6% in those quarters against the same period in 2022. The figures show that despite an uncertain global economic outlook and a rising cost environment, many Irish consumers and households are continuing to spend. Price inflation is playing a significant factor in Q3 with the rate of inflation increasing in consecutive months from 5.8% in July to 6.3% in August to 6.4% in September against the corresponding periods in 2022. Stubbornly high inflation remains a significant economic headwind. For Q4 2023, we expect, the potential for rising fuel and energy costs will likely temper consumer sentiment.

Overall, the data shows that consumer spending for instore shopping was up 3.4% versus the same period in 2022 and total online sales were up 2.6%. While the pharmacy sector recorded another strong quarterly increase of 8.2%, it was card spend in department stores and instore sales in particular which achieved the largest increase against the same period in 2022 of 14.4%. While there are many variables which can impact positively and negatively on changes in consumer behaviour

the retail sector can really be impacted by prolonged unseasonal weather conditions. Q3 2023 was one of the wettest periods on record in Ireland which may have had a material impact on spend in nurseries, lawn and garden stores was significantly down on Q3 2022. Contrastingly the bad weather likely saw more people flock to shopping centres to beat the rain. Sales in department stores were 10.9% ahead of the same period in 2022.

While consumers continue to show capacity to spend, it is also notable the main growth is coming from subcategories which would be considered as non-discretionary. While the Irish economy remains resilient and the outlook is cautiously positive there are headwinds common to both consumers and retailers alike such as higher interest rates, stubborn inflation and higher energy costs. If these factors remain elevated for a prolonged period, they could impact the disposable income of consumers and the bottom line of businesses.



Ciaran Foley
AIB Retail
Sector Specialist



Industry View

While the data may indicate modest growth for Ireland's Retail Industry, showing a 3.3% rise in card expenditures, it should be viewed with caution. Both physical store and online purchases have seen growth, at 3.4% and 2.6% respectively, coupled with a 3% uptick in transaction counts. It's important to note, though, that this spending increase is also indicative of inflation.

Food saw significant growth in grocery stores and supermarkets, both in-store and online, while off-licenses and florists experienced declines. Homeware/ Hardware faced challenges, with declines in segments like nurseries, hardware stores, and home supply stores. The clothing category had mixed results, with some subsectors growing and others declining. Reports from members indicate that garden centres and womenswear faced challenges due to unfavourable weather during the quarter.

The report also acknowledges the impact of various factors on the industry, such as persistent food inflation, increased

pharmacy sales, and the influence of housing demand on building supplies. While some segments have faced challenges, in-store retail continues to remain relatively strong, and online sales have rebounded.

Looking ahead, the report anticipates continued industry instability, with the crucial "golden quarter" in the fourth quarter determining the success of retailers.

In summary, the Q3 2023 report reflects a shifting retail environment. The upcoming quarter will be pivotal in determining the year's outcome for retailers. The retail sector's ability to adapt and persevere is essential and Retail Excellence Ireland remains committed to supporting its members as they navigate challenges and seize opportunities in the future.



Jean Mc Cabe
Interim CEO,
Retail Excellence





Key Trends





Retail

Retail +3.3%

Year on year sales by value for the wider retail sector increased in Q3 2023 by 3.3%, driven by a blend of increased instore sales of 3.4%, and online sales of 2.6%, versus the same period in 2022. While price inflation has remained the dominant factor for value sales increases in Q3 2023, retail card spend by number of transactions also rose in the quarter against the same period in 2022.

CATEGORY	VALUE(€)	INSTORE	ONLINE
Groceries	5.2%	4.9%	8.6%
Electrical goods	3.4%	10.1%	-1.3%
Homeware Hardware Garden centres	-1.8%	-2.7%	-0.1%
Pharmacy	8.2%	7.4%	24.6%
Clothing	0.5%	-1.1%	3.1%
Department store	10.9%	14.4%	-0.4%
Sporting good stores	-5.3%	-12.8%	12.6%
Jewellery	2.7%	2.5%	3.3%

Across the eight retail categories used to reflect retail card spend trend, Six of the eight categories used to reflect retail card spend trend saw spend increases in the quarter with one category, department stores, seeing double digit growth against the same period in 2022. Consumers spent 10.9% more in department stores in Q3 than the same period in 2022.

Essential spend subsectors such as groceries continue to perform well albeit the rate of spend growth 5.2% was behind the 9.4% achieved in Q2. Q3 2023 was a strong quarter for pharmacy sales, increasing 8.2% overall driven in part by online sales growth however online pharmacy sales still represent a minor percentage of overall sales. For consecutive quarters spending in sporting goods and home / hardware & garden centres saw card spend decline against comparable periods in 2022. Subsector performance is explored in more detail in the following pages.

*For the purposes of this report, AIB data captured across the above eight categories has been used to analyse retail spend trends.





Groceries

Overall Groceries 5.2%

The overall groceries sector showed a sales value increase of 5.2% in the quarter with both instore and online sales channels seeing increases of 4.9% and 8.6% respectively. The overall number of card spend transactions increased by 3.6% in the quarter pointing to consumers not only spending more but also carrying out more transactions versus Q3 2022. This could be explained by smaller basket sizes per store visit, but also shopping more often. In Q3, the grocery stores and supermarket subsector spend was 5.7% ahead of 2022 and while this trend has been a feature in 2023, sales increases in Q3 are trending 4.2% behind the 9.2% increased instore spend in Q2 2023. This could point to a move to consumers being more price conscious or food price inflation beginning to ease or a combination of both.

CATEGORY	OVERALL	INSTORE	ONLINE
Grocery stores, Supermarket	5.7%	5.0%	21.9%
Pet food & Supplies	-2.9%	2.7%	-13.1%
Miscellaneous food stores	6.1%	6.7%	1.9%
Off licence	-2.3%	-4.8%	7.1%
Florists	-5.8%	-3.4%	-8.4%

Pet food and pet supplies sales were 4.5% up in Q2, but were 2.9% down in Q3. The performance in sales channels saw shoppers buy more instore while online sales declined versus Q3 2022.

Miscellaneous food stores which is made up of convenience stores and speciality markets saw value sales 6.1% ahead of Q3 2022 driven in the main by rising instore spending.

Off licence sales declined by 2.3% in Q3 and spend was also 0.7% down in Q2 vs 2022.





Homeware/Hardware

Overall Homeware/Hardware -1.8%

Overall, this group of subsectors (including home supply stores, hardware stores, nurseries, lawn and garden centres, floor covering stores and lumber, building material stores) saw a 1.8% decrease in value sales in Q3, with a 2.7% decrease in the instore channel along with a 0.1% decrease to the online channel. The unseasonably poor weather conditions in Q3 likely impacted some subsector spend against 2022.

There were contrasting subcategory trends with furniture, home furnishings and floor covering stores achieving card spend increases against Q3 2022 however the remaining subcategories saw spend decline in the quarter.

CATEGORY	OVERALL	INSTORE	ONLINE
Furniture, Home furnishings	4.0%	3.3%	5.1%
Hardware stores	-9.4%	-9.8%	-8.3%
Nurseries, lawn and Garden stores	-24.4%	-18.7%	-36.3%
Floor covering stores	2.2%	0.9%	4.6%
Lumber, Building material stores	-0.5%	-2.5%	2.1%
Home supply stores	-2.8%	-4.1%	4.9%

Nurseries, lawn and garden stores saw the largest subsector sales decrease with sales down 24.4%. Spend to hardware stores and home supply stores were also down in Q3 across both instore and online sales channels. Normalising from record high sales during the pandemic coupled with poor weather conditions were contributing factors to the overall 1.8% spend decline.





Clothing / Department Stores / Jewellery

Overall Clothing 0.5% / Department Stores 10.9% / Jewellery 2.7%

This category of subsectors (including shoe, sports, family clothing, men's clothing and women's ready-to-wear clothing stores) saw a marginal overall increase in value card spend sales in Q3 2023 versus 2022.

CATEGORY	OVERALL	INSTORE	ONLINE
Shoe store	-0.6%	-2.8%	5.8%
Sports stores	6.0%	0.5%	11.3%
Family clothing stores	5.0%	2.0%	14.2%
Men's women's clothing stores	1.0%	1.5%	0.5%
Women's ready to wear stores	-5.8%	-6.6%	-4.6%

Clothing 0.5% - Overall card spend on clothing increased marginally, by 0.5% - women's ready-to-wear stores saw the largest subcategory decline against Q3 2022, down 5.8%, with spend down in both instore and online channels. Family clothes stores and sports stores, in contrast, had positive results.

Overall Department stores 10.9% - instore sales were up 14.4% with online spend seeing a decline of 0.4% which reflects a desire among consumers to return to instore shopping post pandemic.

Overall Jewellery 2.7% - Card spend increased across both instore and online sales channels during the period.

CATEGORY	OVERALL	INSTORE	ONLINE
Department store	10.9%	14.4%	-0.4%

CATEGORY	OVERALL	INSTORE	ONLINE
Jewellery	2.7%	2.5%	3.3%





Contact us



Ciaran Foley

AIB Retail Sector Specialist

T: 087 056 3880
E: ciaran.c.foley@aib.ie



Caoimghin McLoughlin

AIB Retail Sector Specialist

T: 087 220 6140
E: caoimghin.x.mcloughlin@aib.ie



Darren Flanagan

Head of SME Payment Consultants
and Direct Partnerships,
AIB Merchant Services

T: 086 029 7680
E: darren.flanagan@aibms.com



Jonathan Mahon

SME Director,
AIB Merchant Services

T: 086 130 1932
E: jonathan.mahon@aibms.com



Jean McCabe

Interim CEO
Retail Excellence Ireland

T: 065 68 469 27
E: jean@retailexcellence.ie

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