

AIB RETAIL SPEND OUTLOOK REPORT

Q4 2022

AIB'S DETAILED LOOK AT THE RETAIL SECTOR,
HIGHLIGHTING TRENDS AND INSIGHTS FOR Q4 2022.

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REI Retail Excellence Ireland

AIB Merchant Services

Strong Overall Spend Increase in Q4

However prices remain in excess of the growth value across many categories

Welcome to our Q4 2022 Retail Spend report where we review recent consumer spending patterns across a variety of retail sub-sectors.

As we reflected on in our Q3 report, headwinds are unchanged in Q4 with a persistently volatile global economic outlook resulting in stubbornly high inflation and rising living costs in Ireland. There have been some green shoots in recent months with fuel prices starting to reduce at the pumps and wholesale energy prices also starting to decline from historic highs but yet to translate to reductions in household energy costs. The Retail Sector continues to be a competitive and challenging landscape with operators having to innovate against changing consumer behaviour, reducing disposable income and rising operating costs.

When we look at the data for Q4, we see an overall spend increase of 7.9% for the quarter with value of sales up across the majority of Retail's subsectors versus the same period in 2021, driven in the main by historically high inflation averaging at +8.76% according to CSO consumer price index for the months October to December.

The story of Q4 has been the return to instore shopping with instore sales up 9.1% outpacing inflation figures for the quarter. While cost of living increases are of primary concern for consumers, shoppers continued to spend across retail offerings with data suggesting consumers are looking for that tangible retail experience that shopping instore provides.

Consumer decision making in Q4 points to a focus on non-discretionary spend with spending increases more pronounced in grocery and pharmacy. This contrasts with modest value gains in subcategories that could be described as more discretionary spending. Pharmacy 'Over the Counter / Retail' sales were particularly strong in Q4 versus the same period in 2021 likely driven by high levels of colds and viruses experienced. The focus on non-discretionary spend is likely to continue into the first half of 2023 with inflation expected to remain elevated during the period.

We will explore this differentiation in performance through this report.



Alan Makim
Head of Retail Sector AIB



REI Retail Excellence Ireland

Industry View

Christmas spending started early as people shopped with a budget in mind.

The impact of inflation dominated retail spend during Q4. Christmas spending started early as people shopped with a budget in mind. Non-discretionary spending in sectors like grocery and pharmacy performed well whilst sectors that peaked during the pandemic such as Electrical goods found the quarter more challenging.

November was a strong month culminating in footfall well up across shopping centres and high streets as well as online. For many multi national retailers the Black Friday deals extended across the month whilst local retailers held back and looked to protect their margin.

Throughout the year customers have returned to shopping on the High Street and have adapted quickly to the choices available both online and in store. Whilst online shopping grew by 4.1% in the quarter, sales 'in store' grew by more than double at 9.1%. Customers were determined to enjoy the first Christmas in 3 years unrestricted by Covid. Sales of clothing and especially occasion wear were particularly strong as people relished seasonal events.

December trading was disrupted by the cold weather at the beginning of the month causing customers to shop locally. There was a marked improvement in Christmas week which was buoyed by the large numbers of Irish people living abroad that returned home for the Christmas period. Discounting of between 50% and 70% off has helped to clear stocks quickly in the winter sale as customers again look for value.



Duncan Graham
Managing Director
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Key Trends



+7.9% Overall Retail Spending



+4.1% Online Retail



+9.1% Instore Retail

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Retail

Overall Retail +7.9%

Year on year sales by value for the wider retail sector increased in Q4 2022 by +7.9%, driven by increases in both instore sales of +9.1%, and online sales of +4.1% versus the same period in 2021. The increase in retail sales must be contextualised given the back drop of rising consumer prices which were up more than +8.76% on average in Q4 2022 versus Q4 2021.

CHANNEL	YOY
Total	7.9%
Instore	9.1%
Online	4.1%

Category	Value(€)	Instore	Online
Groceries	10.7%	10.4%	16.0%
Electrical Goods	-3.9%	3.0%	-8.6%
Homeware / Hardware / Garden Centres	5.7%	5.6%	3.9%
Pharmacies	7.0%	6.7%	10.4%
Clothing	7.8%	9.6%	5.5%

The largest sector by spend continues to be groceries, which saw a +10.7% increase overall in Q4. Viewed in tandem with increases to pharmacy sales of +7%, consumer non-discretionary spend in Q4 was up versus the same period in 2021. Discretionary spending subsectors had a mix of both positive and negatively trending results with increased values sale for clothing (+7.8%) and homeware / hardware / garden centres (+5.7%) while electrical goods experienced declines of 3.9% for the period. Subsector performance is explored in more detail in the following pages.



Grocery

Overall Groceries +10.7%

The overall grocery sector showed a sales value increase of +10.7% in the quarter with both instore and online sales channels seeing increases of +10.4% and +16% respectively. The year on year increase versus the same period in 2021, points to the ability of consumers to continue to spend across grocery with uplift driven in part by record high grocery price inflation during the quarter. Grocery sales and Bakery subsectors saw sizeable comparative increases across its online sales channels. Online sales represented 6.7% of Grocery card spend value sales in Q4 vs 6.5% in the same period in 2021.

Category	Overall	Instore	Online
Grocery Stores, Supermarket	10.9%	10.1%	30.5%
Florists	-7.9%	-2.2%	-14.0%
Bakeries	40.4%	41.7%	25.3%
Off Licence	-0.1%	1.5%	-5.5%

A number of grocery subsectors are broken out in the adjacent table. The bakery subsector, as it has trended throughout 2022, saw the largest increase in sales in Q4. Off-Licence, in contrast, continued to follow a downward trend in line with previous quarters.



* Combined sub-sector data

Homeware/ Hardware

Overall Homeware/Hardware 5.7%

Overall, this group of subsectors (including homewares, hardware and garden centres) saw a 5.7% increase in value sales in Q4, with a 5.6% increase in the instore channel versus a 3.9% increase in the online channel. Hardware stores subsector value sales declined by 4% overall which impacted the overall growth result for Homeware & Hardware sales given the other categories achieved increases across instore and online channels. Instore sales for both 'furniture, home furnishings' and 'floor covering stores' saw some of the main gains and helped to drive overall increases versus 2021.

Category	Overall	Instore	Online
Furniture, Home Furnishings	7.1%	9.2%	3.4%
Hardware Stores	-4.0%	-4.1%	-3.7%
Nurseries, Lawn and Garden Stores	0.6%	0.0%	1.8%
Floor Covering Stores	11.5%	15.1%	5.5%

Overall Nurseries, Lawn and Garden Stores Q4 sales were in line with last year's Q4 with small online sales gains.



* Combined sub-sector data

Clothing

Overall Clothing 7.8%

This group of subsectors (including Department, Sports, Shoe and jewellery Stores) saw a 7.8% increase in value sale card spend sales in Q4 2022 versus Q3 2021, with a 9.6% increase in instore sales and a 5.5% increase in online channel sales. Value sales in the jewellery sector saw significant gains of 8.9% in Q4 2022 on the same period in 2021. 25% of jewellery card spend sales were transacted through online sales channels in Q4 2022 vs 23% in Q4 2021. Sales increases were achieved in each of our sub sectors analyzed

Category	Overall	Instore	Online
Shoe Stores	11.2%	15.8%	3.1%
Sports Stores	3.8%	3.4%	4.4%
Jewellery	3.7%	2.1%	8.9%
Department Stores	4.9%	7.6%	-2.5%

with shoe stores sales the outstanding achiever with instore sales growth of 15.8% followed by department store instore sales increases of 7.6%.

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* Combined sub-sector data

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