



AIB RETAIL SPEND OUTLOOK REPORT

Q4 2023

AIB'S DETAILED LOOK AT THE RETAIL SECTOR,
HIGHLIGHTING TRENDS AND INSIGHTS FOR Q4 2023.



Card spend rises marginally in Retail sector during Christmas 2023

Mixed results achieved across Retail but overall Dec'23 card spend was 1% ahead of Dec'22

Over the month of December which includes the lead up to Christmas, retail sector card spend grew 1% by value and 2.1% by number of customer transactions, pointing to a strong and resilient customer spend despite cost of living concerns. While growth in consumer demand was evident in the period, the retail sector continues to tackle rising operating costs with the backdrop of an uncertain and volatile international trading environment.

Throughout 2023, retail card spend has increased against the corresponding periods in 2022. Q4 2023 was no exception and saw positive card spend increases however growth rates were at a slower pace at 1% when compared to previous quarters. Positives can be taken from the number of card spend transactions increasing by 2.3% in the quarter against Q4 2022. Overall, the Q4 data shows that consumer spending for instore shopping was up 0.7% versus the same period in 2022. Total online sales were up 1.8%. Card spend to Department Stores was the main growth performer in Q4 with instore spend increasing by 14%, driving an overall card spend increase of 9.6% for the period. Spend on groceries

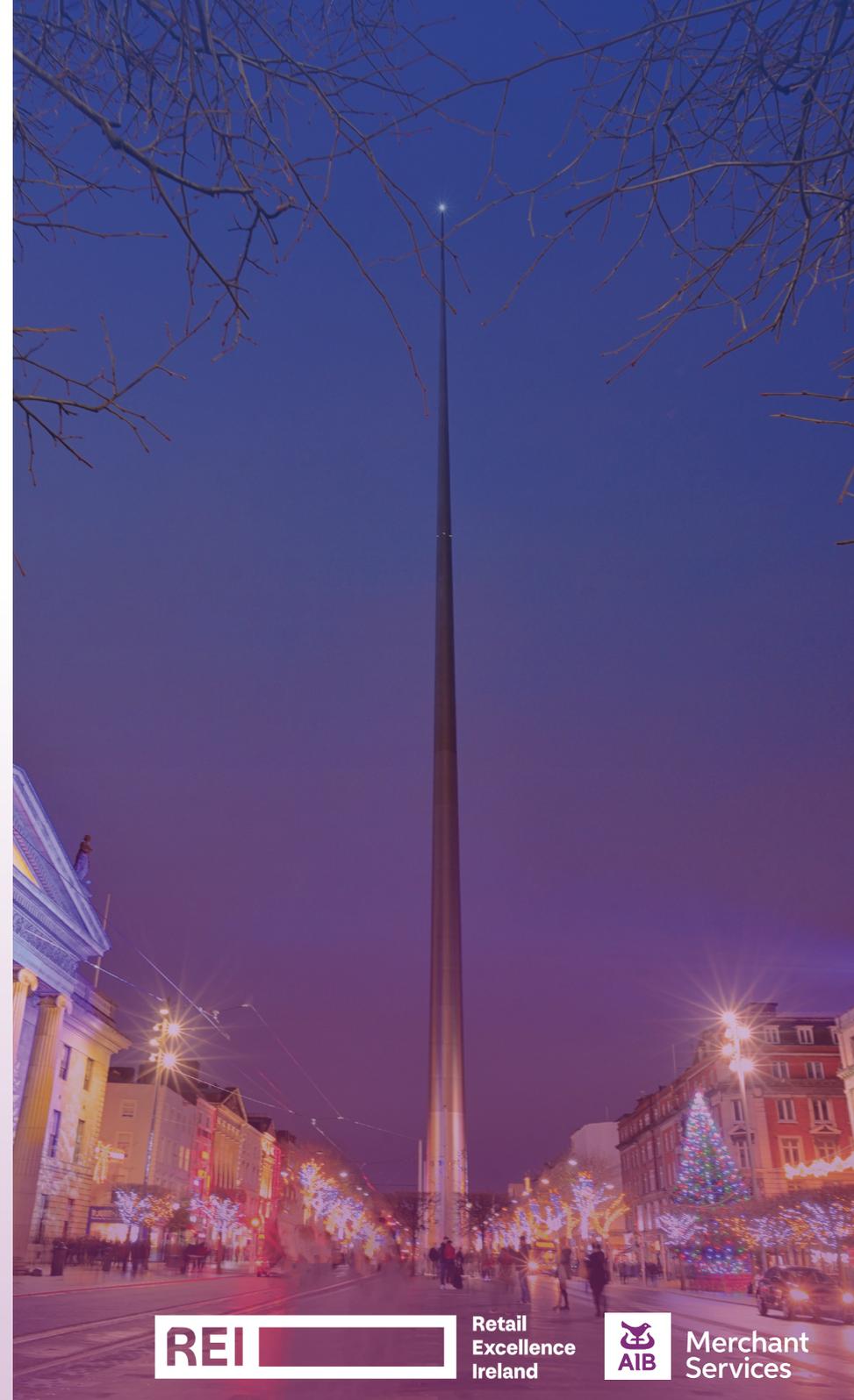
increased by 3.6% in the quarter supported by increased demand in the run up to Christmas.

Price inflation has been a significant factor in 2023. The rate of inflation has eased from 6.4% in September to 5.1% in October and down to a year low of 3.9% in November according to the CSO. While this is a welcome trend, inflation ticked up in December to 4.6% which suggests volatility and there is some way to go before inflation will reach what is considered to be normal levels.

The Irish economy has remained robust and has demonstrated an ability to withstand some seismic global shocks not only in 2023 but also over the past number of years. While continued domestic economic growth and consumer spending is forecast into 2024 and beyond by many economists, the knock-on impact of high operating costs and increasing wage costs will likely have an adverse and disproportionate impact on SME margins in the absence of economies of scale.



Ciaran Foley
AIB Retail
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Industry View

The retail landscape in the final quarter of 2023 presented a mix of cautious optimism and some challenging realities. Retail segments such as groceries and department stores reported increases in sales by 3.6% and 9.6%, respectively. However, it's important to note that a considerable number of department stores launched their sales earlier than usual, well before Christmas, which likely increased the spend figures. Sectors such as footwear, clothing, and sports goods also encountered challenging conditions as did categories like home and hardware, as well as pet and garden supplies, with the latter seeing a 23.8% decrease in nurseries, lawn, and garden store sales.

It is welcome that there was a modest increase in consumer spending, despite an increase in the cost of doing business. The quarter saw a 1% growth in card spending in the retail sector by value and a 2.1% increase in the number of transactions. Retailers, especially small and medium-sized enterprises, are still facing the challenges of increased operating expenses.

The Dublin riots in November led to the complete loss of the crucial Black Friday weekend for many city centre retailers. This disruption was a significant challenge, especially considering the importance of this period for annual retail performance. In the aftermath, numerous retailers faced the challenge of recovering lost earnings in the lead-up to Christmas.

The slowing market growth suggests 2024 may be a challenging year however retailers can hope to build on the strong and resilient spend witnessed in 2023.



Jean Mc Cabe
Interim CEO,
Retail Excellence





Key Trends





Retail

Retail 1.0%

Year on year sales by value for the wider retail sector increased in Q4 2023 by 1.0%, driven by a blend of increased instore sales of 0.7%, and online sales of 1.8%, versus the same period in 2022. While price inflation has remained the dominant factor for value sales increases in Q4 2023, retail card spend by number of transactions also rose in the quarter against the same period in 2022.

CATEGORY	OVERALL	INSTORE	ONLINE
Groceries	3.6%	3.4%	6.4%
Electrical goods	1.2%	3.7%	-0.5%
Homeware Hardware Garden centres	-4.2%	-6.8%	0.3%
Pharmacies	2.8%	1.9%	14.3%
Clothing	-1.8%	-4.5%	1.7%
Department store	9.6%	14.0%	-2.0%
Sporting good stores	-19.3%	-37.2%	8.6%
Jewellery	-1.1%	-1.4%	-0.5%

Across the eight retail categories used to reflect retail card spend trend growth of 1% in Q4, half of those categories saw spend increases and half saw decreases against the same period in 2023.

Essential spend subsectors such as groceries continues to perform well, albeit the rate of spend growth was slower than the 5.2% achieved in Q3. Q4 2023 was a strong quarter for pharmacy item sales, increasing 2.8% overall driven in part by growth in online sales however this still represents a minor percentage of overall sales. For consecutive quarters spending in sporting goods and homeware / hardware & garden stores saw card spend declines against the comparable period in 2022.

Subsector performance is explored in more detail in the following pages.

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





Groceries

Overall Groceries 3.6%

The overall groceries sector showed a sales value increase of 3.6% in the quarter with both instore and online sales channels seeing increases of 3.4% and 6.4% respectively. The overall number of grocery card spend transactions increased by 5.3% in the quarter pointing to consumers not only spending more but also carrying out more transactions versus Q4 2022. This could be explained by smaller basket sizes per store visit, but consequently shopping more often. Overall spend in the quarter was driven up by another rise in grocery spend for Christmas. 2023 spend surpassed the significant levels witnessed for Christmas 2022 driven in the main by stubborn food price inflation but also increased instore and online visits.

CATEGORY	OVERALL	INSTORE	ONLINE
Grocery stores, Supermarket	4.6%	3.9%	18.3%
Pet food & Supplies	-8.3%	-7.8%	-9.4%
Miscellaneous food stores	2.3%	3.6%	-5.0%
Off licence	1.4%	-2.7%	14.5%
Florists	-3.6%	-1.2%	-6.4%

Pet owners spent less on pet food and pet supplies in Q4 2023 versus the same period in 2022 with spend down -8.3% in the quarter.

Miscellaneous food stores which is made up of convenience stores and speciality markets saw value spend grow by 2.3% in Q4 2023 with more instore spend evident and some drop back in online spend against 2022.

Off licence sales increased by 1.4% in Q4 2023 which was in contrast to previous quarters in 2023. Growth in Q4 was driven by a strong Christmas trading period with spend up 2.7% in December.





Homeware/Hardware

Overall Homeware/Hardware -4.2%

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 4.2% decrease in value sales in Q4, with a 6.8% decrease to the instore channel along with a 0.3% increase to the online channel. Card spend by number of transactions was only 1.8% down on the number of transactions in the same period 12 months ago which suggests the average transaction value was below that achieved in 2022.

Card spend to the furniture, home furnishings category in this sector represented the largest spend by consumers during the quarter and was 1.6%.

CATEGORY	OVERALL	INSTORE	ONLINE
Furniture, Home furnishings	-1.6%	-5.7%	5.6%
Hardware stores	-9.7%	-10.1%	-8.4%
Nurseries, lawn and Garden stores	-23.8%	-18.7%	-34.9%
Floor covering stores	-7.5%	-10.0%	-3.5%
Lumber, Building material stores	-2.1%	-5.8%	2.5%
Home supply stores	-6.4%	-6.9%	-2.6%

Other categories in this Homeware / Hardware sector saw spend declines in Q4 mainly as a result of reduced instore transactions during the period.

The Christmas trading period was unable to influence overall Q4 card spend performance positively with a similar trend of reduced number of transactions and reduced card spend against Christmas 2022.





Clothing / Department Stores / Jewellery

Overall Clothing -1.8%

This category of subsectors (includes shoe stores, sports stores, family clothing stores, men’s, women’s clothing stores and women’s ready-to-wear stores) saw an overall decrease in value card spend in Q4 2023 versus 2022 of 1.8%. The Christmas period fared better than the overall quarter with spend 1.2% ahead of Christmas 2022.

CATEGORY	OVERALL	INSTORE	ONLINE
Shoe store	-8.6%	-13.2%	0.7%
Sports & Riding Apparel Stores	3.5%	-1.8%	7%
Family clothing stores	2.4%	-2.2%	14.2%
Men’s women’s clothing stores	-1.7%	-2.2%	-1.2%
Women’s ready to wear stores	-4.3%	-5.3%	-2.4%

CATEGORY	OVERALL	INSTORE	ONLINE
Department store	9.6%	14.4%	-2.0%

CATEGORY	OVERALL	INSTORE	ONLINE
Jewellery	-1.1%	-1.4%	-0.5%

Clothing - Family clothes stores and sports & riding apparel stores saw spend rise in Q4 but in contrast shoe stores saw the largest subcategory spend decline in Q4, down 8.6%, with drop in instore spend the main driver. Overall transaction numbers were 3% down during Q4 2023 which suggests a lower average value transaction figure when value spend decline is taken into account.

Overall Department stores 9.6% - Department stores achieved the largest spend increase against Q4 2022. Consumers looking for that tangible instore shopping experience drove instore spend up 14% in Q4 2023.

Overall Jewellery -1.1% - Card spend on jewellery saw relatively modest declines across instore and online sales channels.





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