



AIB RETAIL SPEND OUTLOOK REPORT

Q1 2023

AIB'S DETAILED LOOK AT THE RETAIL SECTOR,
HIGHLIGHTING TRENDS AND INSIGHTS FOR Q1 2023.



Retail spend ahead in Q1 2023 despite rise in cost of living

Spend expands as stubbornly high price inflation persists

When looking at year-on-year performance, we must reflect on Q1 2022. Only twelve months ago, the pandemic and the restrictive measures that it imposed continued to disrupt the retail sector and all other sectors of the economy. Up to the 21st January 2022, restrictions remained in place for the hospitality sector in addition to indoor events, sports fixtures and weddings. Travel restrictions were in place up to the 6th March 2022, requiring passengers to show proof of vaccination, recovery or a negative PCR test result. Fast forward twelve months and the Irish economy is showing its resilience again, despite significant headwinds in the form of cost of living pressures, stubbornly high price inflation and an uncertain global economic and political background.

When we look at the data for Q1 2023, we see an overall spend increase of 4.1% for the quarter, driven by mixed performance across the retail subsectors compared to the same period in 2022. Percentage growth increases are underpinned in the main by price inflation which averaged at 8% for Q1 according to the CSO consumer price index. Price inflation stood at 7.7% for March which was the lowest annual

increase in the past 12 months. The expectation is that price inflation will start to drop over the coming months, which should improve economic conditions.

In Q1 2023 overall in-store sales were 5.6% ahead of value sales which is a strong result but not unexpected given the restrictions in place 12 months ago. Contrastingly, overall online sales have reduced by 1.5% for the period. Households continue to spend on essential grocery with sales increasing 6.7% in Q1 against the same period in 2022. Other sectors achieving significant gains included pharmacies, bakeries, pet stores and shoe stores. Hardware stores, nurseries and garden stores saw sales decline versus the same period in 2022, not helped by one of the wettest months of March on record.

We will explore this differentiation in performance through this report.



Alan Makim
Head of Retail
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Industry View

2023 has started more optimistically than many retailers had feared and there is a quiet confidence that we are through the worst of the energy price rises and cost of living issues that dominated last year. Of course, inflation remains stubbornly high, especially in food, which is reflected in the sales across grocery, up 6.7% on 2022. There is no doubt that consumers are continuing to look for value, buying own branded products in the weekly supermarket shop and searching for bargains in the winter sale. This was the first sale since 2020 not to have been impacted by Covid restrictions.

The rebalancing between in-store and online shopping is continuing and this is the first quarter since before the pandemic that we have seen a decline in sales online 1.5%. This decline in online shopping has been particularly noticeable across homeware, electrical goods, clothing and in department stores as customers rediscover the joys of physical shopping and return to city centres and shopping centres. This has also resulted in an increase in new store openings and expansions across the country as

international brands see value, strength and opportunity in the Irish economy.

Pharmacy sales have also remained strong with 8% growth in-store and 11% growth online, with the trend towards looking after our health and wellness continuing post pandemic.

Whilst January and February sales were reasonably strong, the unseasonably cold and wet start to the spring impacted garden centres and related products in hardware, with garden centres' card sales declining by 23% having had two years of strong growth.

The outlook on turnover for the rest of 2023 is generally positive with inflation forecast to ease as the year goes on and a strong influx of tourists expected. However, margins are likely to continue to be squeezed as retailers absorb increased labour and supply chain costs.

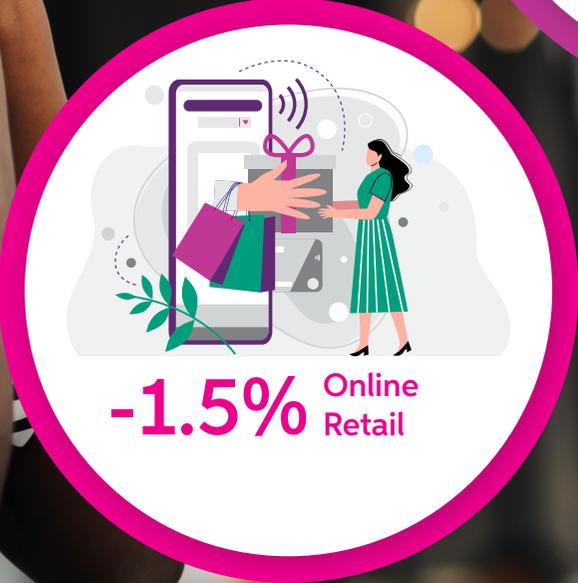


Duncan Graham
Managing Director
Retail Excellence Ireland





Key Trends





Retail

Retail +4.1%

Year-on-year sales by value for the wider retail sector increased in Q1 2023 by 4.1%, driven by a blend of increased in-store sales of 5.6%, and decreased online sales of 1.5%, versus the same period in 2022. Price inflation is the dominant factor when comparing Q1 2023 with Q1 2022, and it's worth noting that price inflation has averaged +8% ahead for the first three months of 2023 compared to last year.

CHANNEL	YOY
Total	4.1%
Instore	5.6%
Online	-1.5%

Category	Value(€)	Instore	Online
Groceries	6.7%	6.6%	8.8%
Electrical Goods	-2.1%	8.4%	-8.9%
Homeware / Hardware / Garden Centres	-0.8%	-0.1%	-2.1%
Pharmacies	8.1%	7.9%	10.7%
Clothing	2.0%	5.4%	-2.9%

Essential spend for groceries increased for both in-store and online sales channels as shoppers continue to spend on essential food and household items which have seen historic price inflation. Pharmacy saw similar strong spend as demand for seasonal cold and flu medication returned post Covid. The homeware, hardware and garden centres category had in-store purchases in line with Q1 2022, while online sales dropped 2.1%. Electrical goods sales declined by 2.1% for the period, with contrasting in-store and online performance.

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





Groceries

Overall Groceries +6.7%

The overall groceries sector showed a sales value increase of 6.7% in the quarter, with both in-store and online sales channels seeing increases of 6.6% and 8.8% respectively. The year-on-year increase versus the same period in 2022 points to the ability and need of consumers to continue to spend across grocery. The online sales channel jump was mainly driven by increased online spend for grocery stores, supermarkets up 21.4% in the period. Online sales contribution was 4.8% to total sales for the quarter.

The price of pet food and pet supplies have not been immune to inflationary pressures, however, pet owners continue to spend on their pets with sales increasing overall by 5.3% in Q1.

Category	Overall	Instore	Online
Grocery Stores, Supermarket	7.3%	6.7%	21.4%
Pet Food & Supplies	5.3%	5.6%	4.6%
Bakeries	41.0%	42.8%	22.6%
Off Licence	-5.3%	-6.8%	0.1%

Spend in bakeries, albeit representing a modest less than 1% of overall value sales for the groceries category, continues to trend positively with store growth evident for both in-store and online sales channels, at 42.8% and +22.6% respectively.

Off license sales dropped back by 5.3% overall in the period. Contributing to reduced spend was the removal of Covid restrictions on pubs and restaurants, nightclubs, outdoor events towards the end of Q1 2022.



* Combined sub-sector data



Homeware/Hardware

Overall Homeware/Hardware -0.8%

Overall, this group of subsectors (including homewares, hardware and garden centres, floor covering stores and lumber, building material stores) saw 0.8% decrease in value sales in Q1. In-store sales were in line with 2022, dropping marginally by 0.1%, while online sales dropped back by 2.1%. During the pandemic, people focused on the home and spent to improve it which drove the sector to historically high trading levels. Homeware and hardware sector trading began to normalise during 2022, however sales remain well ahead of pre-Covid levels. In 2023, consumers continue to focus on the home.

Category	Overall	Instore	Online
Furniture, Home Furnishings	0.4%	1.5%	-1.2%
Hardware Stores	-10.4%	-9.5%	-13.5%
Nurseries, Lawn and Garden Stores	-22.8%	-16.8%	-34.9%
Floor Covering Stores	5.5%	7.8%	1.4%
Lumber, Building Material Stores	5.0%	7.5%	1.4%

Furniture and home furnishing sales were in line with the same period in 2022. Floor covering sales increased by 5.5% in Q1 2023. Lumber and building material stores saw sales increase by 5%, likely driven by increased prices for products and materials.

During Q1, overall hardware store sales reduced with declines also recorded for nurseries, lawn and garden centres. Trading for both subcategories were very strong during the pandemic.



* Combined sub-sector data



Clothing

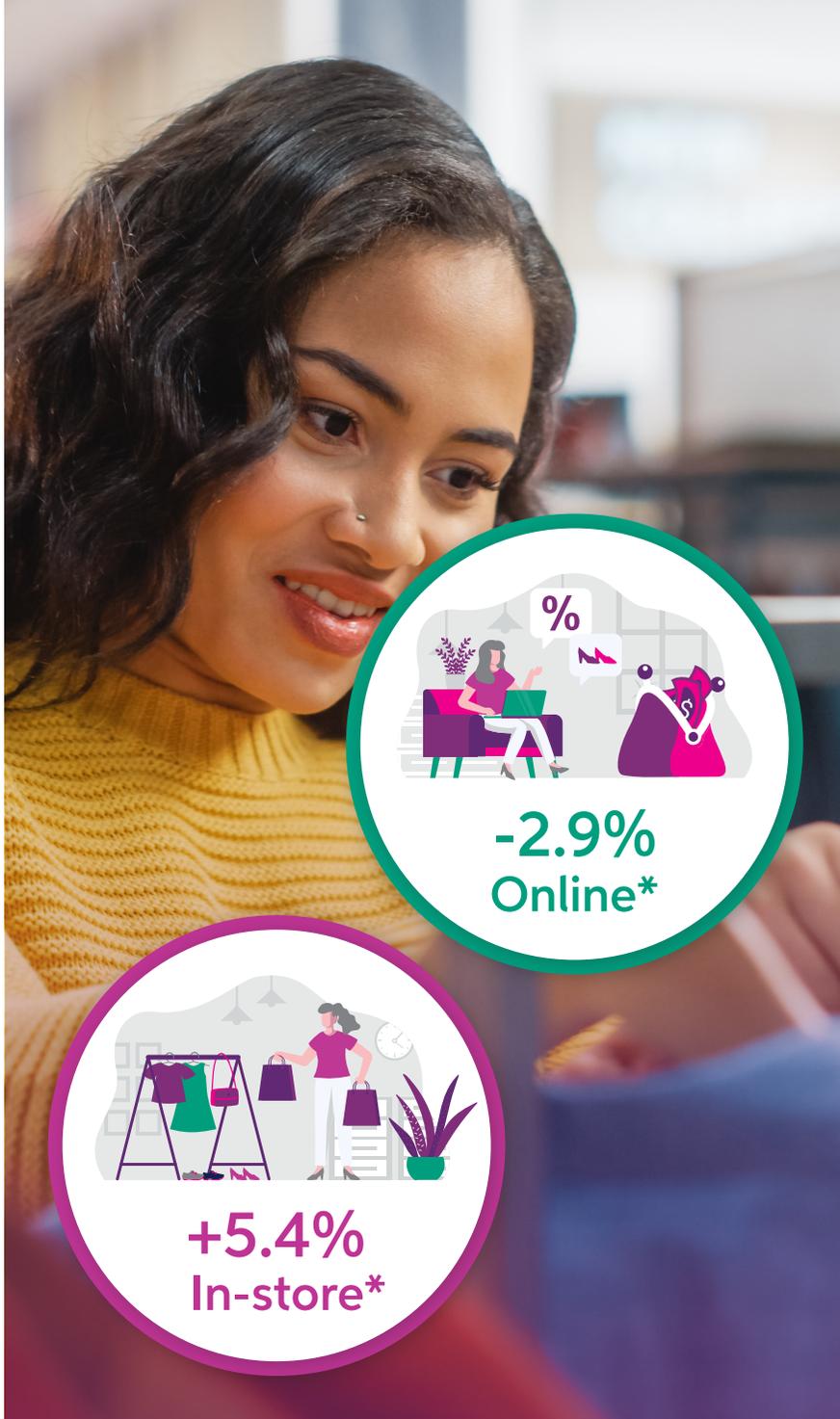
Overall Clothing +2%

This group of subsectors (which includes clothing stores, department, sporting apparel, shoe and jewellery stores) saw an overall 2% value increase in card spend sales in Q1 2023 versus Q1 2022, with a 5.4% increase for in-store sales and a 2.9% decrease in online channel sales. While sales increases are evident across majority of the subsectors in the table below, the data reflects a return of shoppers to in-store shopping with some fallback to online sales as a consequence, online jewellery sales being the exception. A combination of a post-pandemic, after-Christmas trading period, coupled by higher prices driven by inflationary pressures on goods were factors in driving sales increases for the period.

Category	Overall	Instore	Online
Shoe Stores	6.2%	10.5%	-1.6%
Men's and Women's Clothes Stores	-3.0%	8.4%	-10.3%
Jewellery	3.4%	1.1%	11.7%
Department Stores	2.1%	7.6%	-13.4%

Department stores saw in-store sales up 7.6% and contrastingly, online sales declined by 13.4%. Customer spend shifted from online to purchasing in-store during the period, pushing value sales up 2.1% in total.

Shoppers returned to men's and women's clothing stores with sales increasing 8.4%. While in-store sales increased, online sales dropped back by 10.3% compared to Q1 2022.



-2.9% Online*

+5.4% In-store*

* Combined sub-sector data



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