



AIB RETAIL SPEND OUTLOOK REPORT

Q1 2024

AIB'S DETAILED LOOK AT THE RETAIL SECTOR,
HIGHLIGHTING TRENDS AND INSIGHTS FOR Q1 2024.

Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland



Retail
Excellence
Ireland



Merchant
Services



Spend rises in Retail in Q1 2024 helped by Easter weekend falling in March

Mixed results achieved across Retail but overall sales in Q1 2024 were up 3% on 2023

Consumer spending has remained resiliently strong in Q1 2024 despite cost of living pressures on households. AIB Retail card spend is up 3% in the first three months of the year on the same period in 2023. While Easter fell on the first day of April, an earlier than usual Easter weekend likely boosted Q1 2024 sales for some sub sectors.

AIB Card spend data shows that grocery sales by value were up 5.2% in Q1 2024 but more importantly up 3.4% on volume pointing to increased demand. Consumers are making more trips to the supermarkets and convenience stores vs Q1 of last year. A positive trend for consumers is the continued slowing of grocery pricing inflation from highs experienced in the first half of 2023.

The Pharmacy sector remains robust recording increases in both sales value and in number of sales transactions in Q1 2024. Spend to the subsector was up 7.6% by value and saw growth of 3.6% in transaction numbers. Sales were also up across both online and instore channels.

Department Stores for the first three months of 2024 saw growth of 4.8% in sales against Q1 2023 supported by instore sales growth of 4% and online sales growth of 7.6%. Similarly Sporting Goods Stores achieved year on year growth of 5.3% in the main

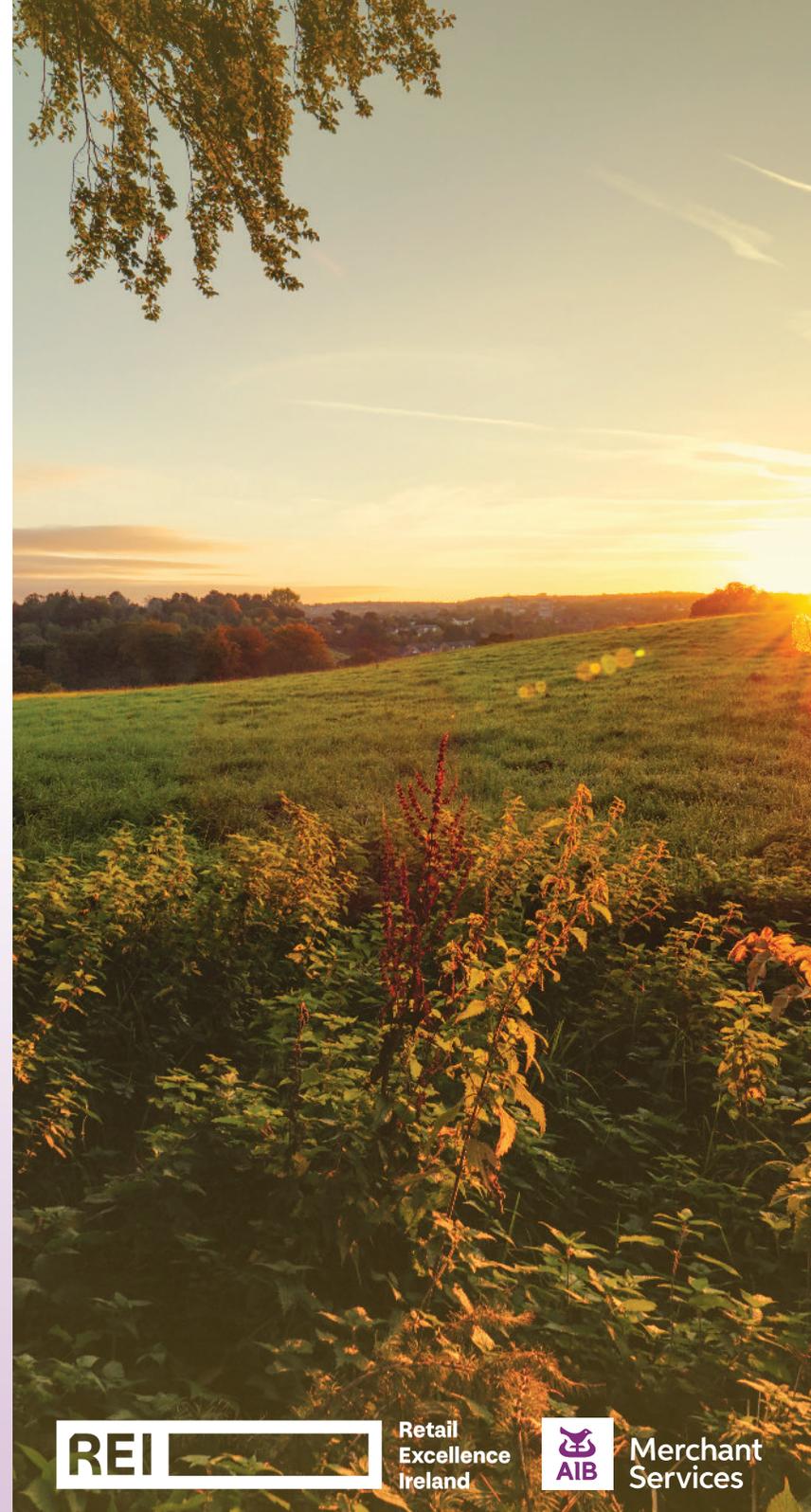
driven by the online sales channel with instore sales flat for the period.

Sales to the Jewellery sector were up 1.9% in the quarter driven by instore sales growth of 4%. Sales to the Clothing sector saw a marginal decline of -0.3% in the quarter attributed to a -1.2% decline in instore sales. While transaction numbers to the Home / Hardware / Garden Centres sector were up 4.6% in the quarter, sales were down -2.5% impacted by a -2.3% drop in instore and a -2.8% decline in online sales.

Against the backdrop of a positive quarter, there are evident headwinds and tailwinds impacting the Retail sector. While fall off in inflation and growth in the national labour force are positives for consumer facing businesses as consumers absorb pass through costs; the cost of doing business remains high underpinned by higher operating and wage costs. We will explore the changes within some of the retail sectors and subsectors in more detail through this report



Ciaran Foley
AIB Retail
Sector Specialist



Industry View

The first quarter of 2024 has unveiled a complex landscape for Irish retail. Despite a 3% increase in sales over the same period last year, the data tells a story of resilience but there are many subsector retailers not experiencing this growth in keeping with the overall data. Retail Excellence's analysis reveals consumer priorities and emerging trends that are shaping the sector.

Crucially, spending on essentials has not only held steady but grown, with grocery and pharmacy sales demonstrating the indispensable nature of these goods. A 5.2% rise in grocery sales and an impressive 7.6% surge in pharmacy purchases highlight where consumer priorities lie amidst cost-of-living pressures.

However, the picture is not universally rosy. While there are indications that inflationary pressures are easing, shifting from the 8% inflation of Q1 2023 to close to 2% currently, and grocery price inflation has markedly decreased from a high of 16% to 3.7% as of March 2024, inflation continues to be a considerable factor behind the rise in sales values. The sector faces a dichotomy where higher prices contribute to growth figures, masking the more subdued rise in transaction numbers, which only exceeded 1% in four categories.

Particularly telling is the performance of homeware, hardware, and garden centres, which have seen spending contract by 2.5% against the same period last year. This decline noted consistently over the past three quarters, speaks to the broader

challenges of high operational costs and the difficulty in passing these onto a global customer base.

The clothing sector, too, reflects the impact of external factors like adverse weather conditions, evidencing a marginal decline in sales. Furthermore, department stores and sporting goods stores have fared better, leveraging a strong online presence to register growth.

We are acutely cognizant of the significant pressures that Irish retailers are currently facing. The decline in consumer sentiment observed in the past three months has compounded the difficulties faced by the industry due to escalating operational expenses and a more discerning customer base. This combination has undeniably made trading conditions very challenging for retailers.

Although the strength of some key subsectors is encouraging, the pressure on margins for many retailers is a real challenge, as they grapple with rising wage costs and working conditions. As we look ahead to Q2 2024, there is cautious optimism that fine weather could bring a welcomed boost to consumer sentiment and an uplift to retail sales.



Jean Mc Cabe
CEO,
Retail Excellence





Key Trends





Retail

Retail 3.0%

Year on year sales by value for the wider retail sector increased in Q1 2024 by 3.0%, driven by a blend of increased instore sales of 3.2%, and online sales of 2.0%, versus the same period in 2023. While price inflation has remained the dominant factor for value sales increases in Q1 2024, retail card spend by number of transactions also rose in the quarter against the same period in 2023 (+3%).

CATEGORY	OVERALL	INSTORE	ONLINE
Groceries	5.2%	4.7%	11.0%
Electrical goods	2.0%	5.8%	-0.5%
Homeware Hardware Garden centres	-2.5%	-2.3%	-2.8%
Pharmacies	7.6%	7.0%	17.3%
Clothing	-0.3%	-1.2%	0.8%
Department store	4.8%	4.0%	7.6%
Sporting good stores	5.3%	-0.2%	11.5%
Jewellery	1.9%	4.0%	-2.9%

Across the eight retail categories used to reflect retail card spend trend six of those categories saw spend increases and two saw decreases against the same period in 2023.

Essential spend subsectors such as groceries continues to perform well, as the rate of spend growth was higher than the 3.6% achieved in Q4. Q1 2024 was a strong quarter for pharmacy item sales, increasing 7.6% overall driven in part by growth in online sales however this still represents a minor percentage of overall sales. Clothing and Homeware / Hardware are the two categories which saw spend value declining in Q1 2024 with the former seeing only marginal reduced spend while the later seeing more of pronounced change against Q1 2023



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



Groceries

Overall Groceries 5.2%

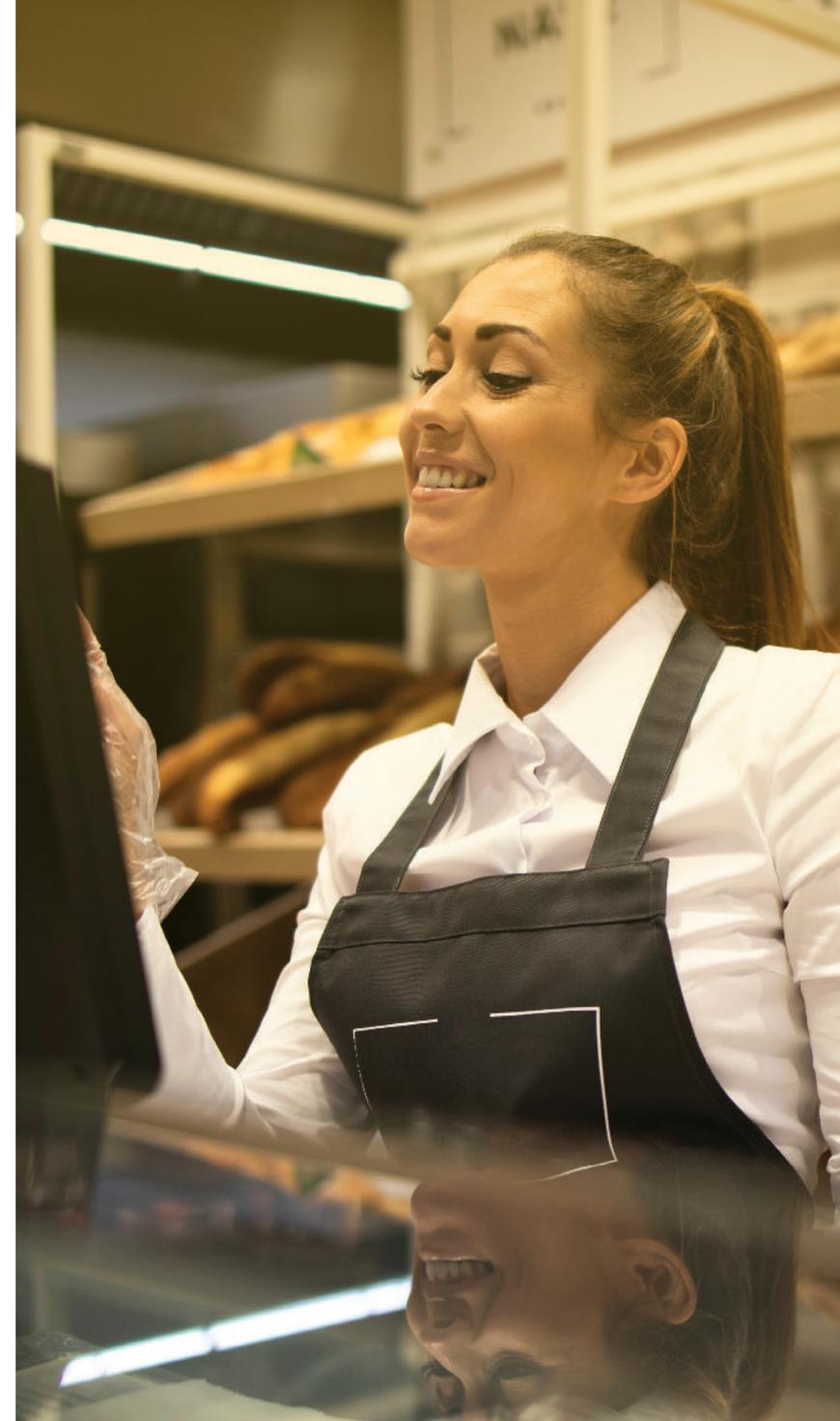
Overall spend in the quarter was driven up by a strong Easter period in addition to increased instore and online visits. The overall number of groceries card spend transactions increased by 3.0% in the quarter pointing to consumers not only spending more but also carrying out more transactions versus Q1 2023. 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 a strong Easter period in addition to increased instore and online visits

CATEGORY	OVERALL	INSTORE	ONLINE
Grocery stores, Supermarket	5.4%	4.8%	17.9%
Pet food & Supplies	2.1%	3.0%	0.4%
Miscellaneous food stores	4.7%	5.0%	2.7%
Off licence	1.8%	1.3%	3.3%
Florists	-0.5%	1.2%	-2.0%

Pet owners spent more on pet food and pet supplies in Q1 2024 versus the same period in 2023 with spend up 2.1% in the quarter.

Miscellaneous food stores which is made up of convenience stores and speciality markets saw value spend grow by 4.7% in Q1 2024 driven by a 5% uplift in consumer spending instore in addition to a 2.7% rise across the online sales channel versus Q1 2023.

Off licence sales increased by 1.8% in Q1 2024. Growth in Q1 was driven by an increase in online sales with online spend up 3.3% in Q1 versus 2023.





Homeware/Hardware

Overall Homeware/Hardware -2.5%

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 2.5% decrease in value sales in Q1, with a 2.3% decrease to the instore channel along with a 2.8% decrease to the online channel. Card spend by number of transactions was up 1.6% in Q1 versus the same period 12 months ago which suggests the average transaction value was below that achieved in 2023.

CATEGORY	OVERALL	INSTORE	ONLINE
Furniture, Home furnishings	-0.1%	-1.6%	2.1%
Hardware stores	-4.4%	-3.7%	-6.3%
Nurseries, lawn and Garden stores	-0.5%	-0.8%	0.0%
Floor covering stores	-11.8%	-10.6%	-13.9%
Lumber, Building material stores	-2.4%	-2.7%	-2.1%
Home supply stores	-2.5%	-1.9%	-5.3%

All categories in this Homeware / Hardware sector saw spend declines in Q1 mainly as a result of reduced instore transactions during the period.

Card spend to the furniture, home furnishings category in this sector represented the largest spend by consumers during the quarter and was on par with Q1 2023.

While sales by value are trending behind Q1 2023 across the Home / Hardware sector and subsectors the sector experienced significant growth in consumer demand levels through the pandemic disruptive years and the sector is experiencing some normalising against those record levels.





Clothing / Department Stores / Jewellery

Overall Clothing -0.3%

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 a an overall decrease in value card spend sales in Q1 2024 versus 2023 of 0.3%

CATEGORY	OVERALL	INSTORE	ONLINE
Shoe store	-4.4%	-7.9%	2.8%
Sports & Riding Apparel Stores	5.3%	-0.2%	11.5%
Family clothing stores	6.2%	1.1%	16.4%
Men’s women’s clothing stores	-3.5%	2.2%	-8.2%
Women’s ready to wear stores	-3.7%	-6.7%	0.5%

Clothing - Family clothes stores saw a spend rise in Q1 but in contrast Mens and Womens Clothing stores experienced year on year declines in Q1 which suggests spend focused on non-discretionary clothing items. Sports store sales wear up 5.3% overall in Q1 mainly driven by consumers spending more through online purchases.

Overall Department stores 4.8% - Department stores achieved one of the largest spend increases against Q1 2023 with consumers looking for that tangible shopping experience and spending 4.8% more instore in Q1 2024.

Overall Jewellery 1.9% - Card spend on jewellery saw positive growth across instore and online sales channels in Q1 2024.

CATEGORY	OVERALL	INSTORE	ONLINE
Department store	4.8%	4.0%	7.6%

CATEGORY	OVERALL	INSTORE	ONLINE
Jewellery	1.9%	4.0%	-2.9%





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

CEO
Retail Excellence Ireland

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

Introducing Main Street Insights - the newest innovation in card payment technology.

Find out more about where your customers live and spend, their age and gender demographics, and get useful comparisons to show how you fare against the competition.

[Find Out More](#)



Retail
Excellence
Ireland



Merchant
Services