



AIB RETAIL SPEND OUTLOOK REPORT

Q2 2023

AIB'S DETAILED LOOK AT THE RETAIL SECTOR,
HIGHLIGHTING TRENDS AND INSIGHTS FOR Q2 2023.



Spending across Retail sector is up in H1 2023 vs 2022

For Q1 & Q2 2023 retail card spend increased on comparable period in 2022

In AIB's previous Retail Spend Outlook Report for Q1 2023, card spend was 4.1% ahead of Q1 2022. This trend continued into Q2 2023 with consumer spending up 6% on the same period in 2022. By the end of Q1, consumer price inflation stood at 7.7%. While consumer prices remained ahead in June 2023 vs the same month in 2022 inflation reduced to 6.1% which is the lowest rate of inflation in 2023.

A number of factors support consumers' ability to spend in 2023. At a macro level, Ireland's economic outlook remains positive and domestic demand growth is forecast over the next two years by many global bodies. As inflation is gradually easing, the change is reflected in improving consumer sentiment, but there are other forces at play impacting spend. The largest spend is in the non-discretionary grocery subsector where spending is 9.4% ahead of Q2 2022. Consumers have had little choice but to continue to spend irrespective of elevated prices driven by soaring food price inflation. Mitigants to support spend in the wake of cost of living pressures have been near full

employment rates and higher household saving rates over the past number of years.

Overall, the data shows the consumer spending for instore shopping was up 6.9% and also consumers spent more in Q2 2023 versus the same period in 2022 through online sales which were up 2.5%. The pharmacies sector recorded the largest quarterly increase versus Q2 2022 with spend up 10.6% with the groceries sector a close second with the next largest increase of 9.4%. The clothing category was the only area of decline where AIB card spend measured a decrease of 0.5% for the quarter.

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 second quarter of 2023 has delivered a variety of outcomes for the Retail Industry. Persistent high food inflation has continued to propel grocery sales upwards compared to the previous year. Moreover, the revival of overseas vacations and an extended period of favourable weather in June have resulted in a surge in pharmacy sales, with sun cream being a sell-out item in many pharmacies. The pleasant weather also contributed to a boost in sales for summer footwear.

The ongoing demand for housing has fuelled sales in the building supplies sector. However, not all categories have experienced growth. The cost-of-living challenges have evidently strained household budgets, leading to decreased spending on men's clothing and womenswear. Furthermore, the surge in occasions during the previous year has created a challenging comparison for these categories.

Furniture stores, hardware stores, and garden centres reported stagnant or declining sales this quarter. These trends

are largely attributed to price increases and the large amount of excess stock currently being cleared. Despite these challenges, in-store retail sales have seen overall growth this quarter. Online sales, which experienced a period of stagnation last year, have managed a slight rebound.

Looking ahead, the third quarter seems to forecast a continued period of instability. Many retailers anticipate that the fourth quarter - the critical "golden quarter" - will determine the success of their year as a whole.



Jean Mc Cabe
Interim CEO,
Retail Excellence





Key Trends





Retail

Retail 6.0%

Year on year sales by value for the wider retail sector increased in Q2 2023 by 6.0%, driven by a blend of increased instore sales of 6.9%, and online sales of 2.5%, versus the same period in 2022. While price inflation has remained the dominant factor for value sales increases in Q2 2023, retail card spend increases at 6% for the quarter is keeping pace with inflation increases at 6.1% for June 2023

CATEGORY	VALUE(€)	INSTORE	ONLINE
Groceries	9.4%	9.3%	10.3%
Electrical Goods	5.5%	15.4%	-1.4%
Homeware Hardware Garden Centres	1.4%	1.5%	1.3%
Pharmacies	10.6%	9.6%	30.8%
Clothing	-0.5%	-1.5%	0.9%
Department Store	3.5%	7.0%	-8.0%
Sporting Good Stores	11.1%	10.5%	12.5%
Jewellery	0.0%	-2.3%	7.7%

Across the eight retail categories used to reflect retail card spend trend growth of 6% in Q2, six of those categories saw spend increases in the quarter with two categories achieving double digit growth against the same period in 2022. Consumers spent 11.1% and 10.6% more on sporting goods and pharmacy items in Q2 2023 than in the previous year.

Spend in the Groceries subsector continues to perform strongly and has shown resilience to economic shocks. In comparison to Q2 2022, Q2 2023 was a strong quarter for electrical goods with sales increasing 5.5% overall driven by more instore spending. Spending in the Clothing category was the only category to register a spend decline, 0.5%, against the same period last year.

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 9.4%

The overall groceries sector showed a sales value increase of 9.4% in the quarter with both instore and online sales channels seeing increases of 9.3% and 10.3% respectively. According to Kantar, who analyze grocery spend trends, consumer response to cost-of-living pressures is reflected in buying patterns with consumers buying more own brand items, basket sizes are smaller but consequently people are shopping more often. The subsector 'Grocery Stores, Supermarket' is the largest Groceries sub-sector which strongly impacts the spend trend representing 77% of this category spend. In Q1, 'Grocery Stores, Supermarket' subsector spend was 7.3% ahead of 2022 and this trend continues into Q2 with spend up 9.6% driven by both instore and online sales increases.

CATEGORY	OVERALL	INSTORE	ONLINE
Grocery Stores, Supermarket	9.6%	9.2%	19.7%
Pet Food & Supplies	4.5%	7.3%	-0.7%
Miscellaneous Food Stores	13.8%	14.3%	10.0%
Off Licence	-0.7%	-1.9%	3.9%
Florists	-3.4%	2.1%	-9.0%

Pet food and pet supplies sales were 5.3% up in Q1 and similarly were 4.5% ahead in Q2. The performance in sales channels saw shoppers shop more instore with online sale marginally decline versus Q2 2022.

'Miscellaneous Food Stores' which is made up of convenience Store and saw value sales 13.8% ahead of Q2 2022 driven in the main by rising spend in instore but also significant spend increase in online spending.

Off licence sales declined by 5.3% in Q1 2023 however the sales gap margin closed in Q2 with sales down by 0.7% versus the same period in 2022.





Homeware/Hardware

Overall Homeware/Hardware 1.4%

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 1.4% increase in value sales in Q2, with a 1.5% increase to the instore channel along with a 1.3% increase to the online channel. While sales were up for the overall category, there were contrasting sales trends across the subsectors as per table below.

Home Supply Stores saw the largest subsector sales increase against the same period in 2022 with sales up 9.8%. Sales to lumber, building material stores were also up strongly in Q2 across both instore and online sales channels.

CATEGORY	OVERALL	INSTORE	ONLINE
Furniture, Home Furnishings	1.1%	-0.1%	3.1%
Hardware Stores	-10.1%	-9.2%	-13.3%
Nurseries, lawn and Garden Stores	-3.6%	4.2%	-25.9%
Floor Covering Stores	1.6%	0.4%	3.8%
Lumber, Building Material Stores	8.6%	10.2%	6.1%
Home Supply Stores	9.8%	8.8%	16.9%

As the sector continues to normalise from record high sales during the pandemic, sales to both 'hardware stores' and to 'nurseries, lawn and garden centres' saw declines of 10.1% and 3.6% respectively.

The remaining subcategories 'furniture, home furnishings' and 'floor covering stores' saw increases in online sales which helped to drive up overall sales in Q2.





Clothing / Department Stores / Jewellery

Overall Clothing -0.5% / Department Stores 3.5% / Jewellery 0%

This category of subsectors (which includes ‘shoe stores’ and ‘sports stores’, ‘family clothing stores’, ‘men’s, women’s clothing stores’ and ‘women’s ready to wear stores’ saw an overall 0.5% decline in value card spend sales in Q2 2023 versus 2022.

Overall Department Stores 3.5% Category includes department stores sales trends only.

Overall Jewellery 0.0% Category includes jewellery sales trends only.

CATEGORY	OVERALL	INSTORE	ONLINE
Shoe Store	5.9%	6.3%	5.1%
Sports Stores	11.1%	10.5%	12.5%
Family Clothing Stores	6.2%	2.6%	15.5%
Men’s Women’s Clothing Stores	1.6%	-2.0%	-5.7%
Women’s Ready to Wear Stores	8.6%	-5.1%	-8.6%

Clothing Men’s, women’s clothing stores’ and women’s ready-to-wear stores’ have similar profiles and are significant contributors to overall card spend sales representing 44% of overall sales. Sales to these subcategories were 3.9% and 6.5% behind the same period in Q2 2022, which contributed to a marginal overall sales decline.

Department stores saw instore sales up 7.0% and contrastingly online sales declined by 8% which reflected a similar performance in Q1 2023. The consecutive trend in the two 2023 quarters continue to reflect consumers returning to instore shopping.

Card spend sales to the **Jewellery** subsector were flat in Q2.

CATEGORY	OVERALL	INSTORE	ONLINE
Department Store	3.5%	7.0%	-8.0%

CATEGORY	OVERALL	INSTORE	ONLINE
Jewellery	0.0%	-2.3%	7.7%





Contact us



Alan Makim

AIB Head of Retail Sector

T: 086 047 9655
E: alan.w.makim@aib.ie



Ciaran Foley

AIB Retail Sector Specialist

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

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