

# Q1

February  
2020

# Retail Ireland Monitor

2019 ends  
on a high for  
Irish retail



Retail  
Ireland  
Ibec

## Political uncertainty clouds horizon

Retail enters 2020 with some positive momentum. Rising disposable incomes and record numbers at work continue to support consumer spending power, but challenges remain. Concerns over a disorderly Brexit weighted on consumer sentiment last year and may re-emerge. At the same time, cost and competitive pressures continue to rise.

The macro economic outlook is relatively benign. The threat of an imminent global slowdown appears to have receded and Ibec economic forecasts have recently been revised upwards. However, positive momentum should not be taken for granted.

### Key challenges for 2020

**Domestic political uncertainty:** We have had an election, but we don't have a government. The three largest parties set out their stall in their respective manifestos. These include some positive commitments around addressing the cost of insurance and reforming the rates system, but there are also proposals that would increase levies and drive up labour costs.

**Brexit risks remain:** We have a Withdrawal Agreement, but the future relationship between the EU and UK is unknown and the deadline is tight. There is the very real prospect of significant trade barriers between Britain and Ireland from January 2021 and retail supply chains are particularly exposed. An ambitious EU-UK trade deal is the aim, but we must plan for all eventualities.

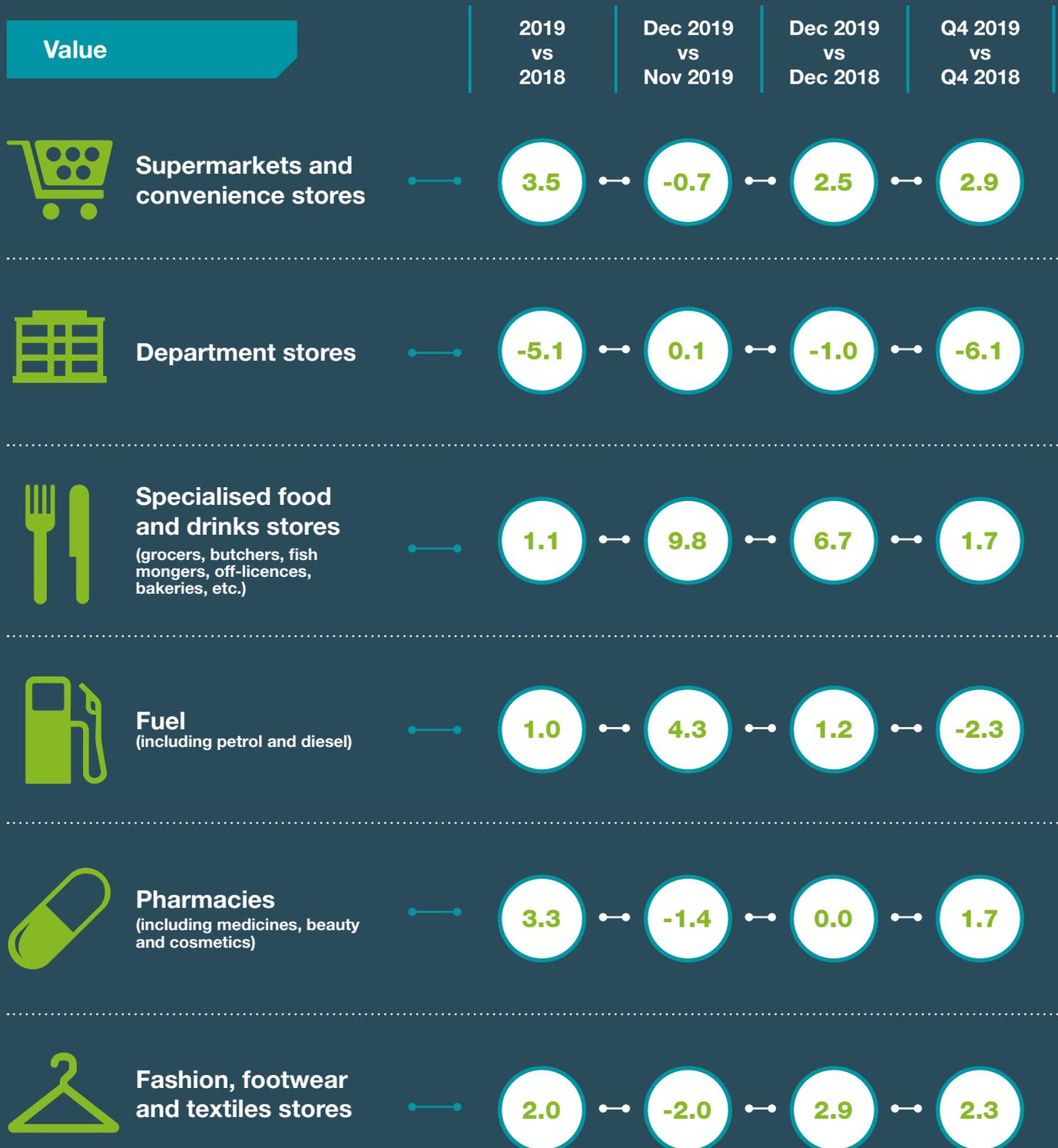
**Cost pressures rising:** While the economy is performing well, cost pressures are increasing. The next government must tackle specific factors driving up retail costs, including rising commercial rates and insurance premiums. Labour costs must also be sustainable. Retail Ireland is working with Ibec to ensure these issues are at the forefront of the next Government's agenda.

As you plan for the year ahead, we are here to help. Get in touch if we can support you in any way.



**Arnold Dillon**  
**Director**  
arnold.dillon@ibec.ie  
01 605 1558

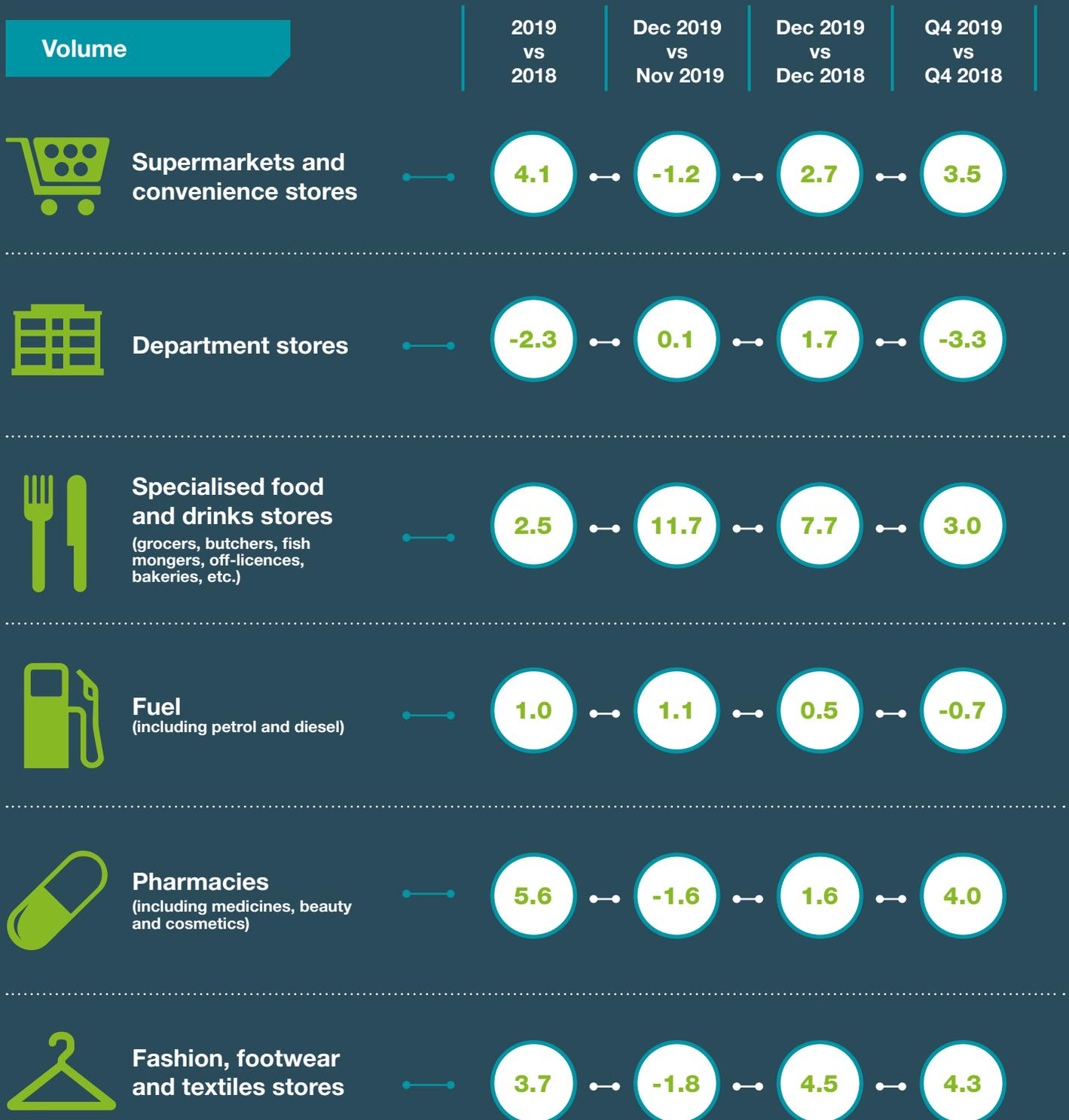
## Value of Irish retail sales – as at December 2019



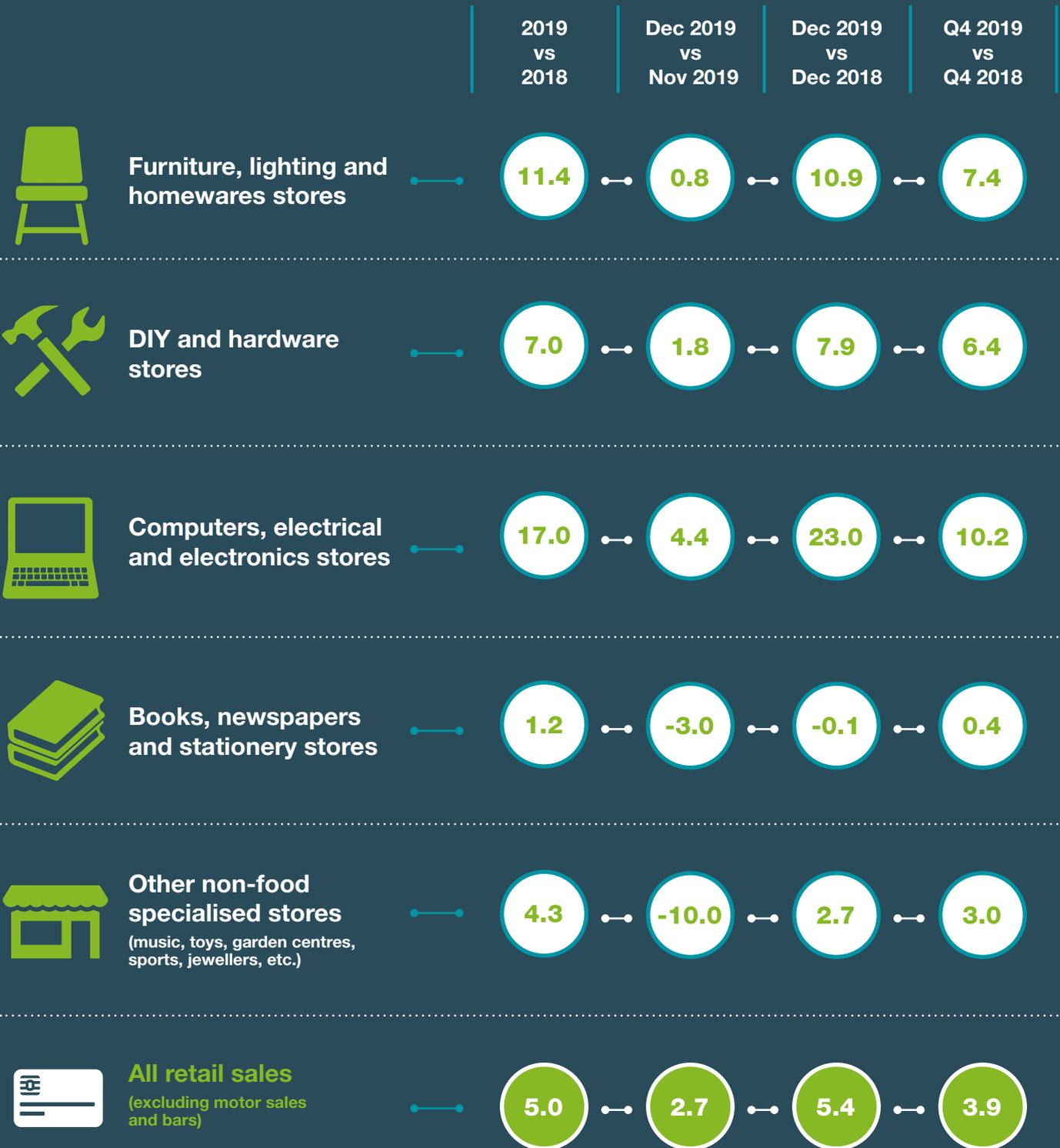
Value of Irish retail sales – as at December 2019 /continued



## Volume of Irish retail sales – as at December 2019



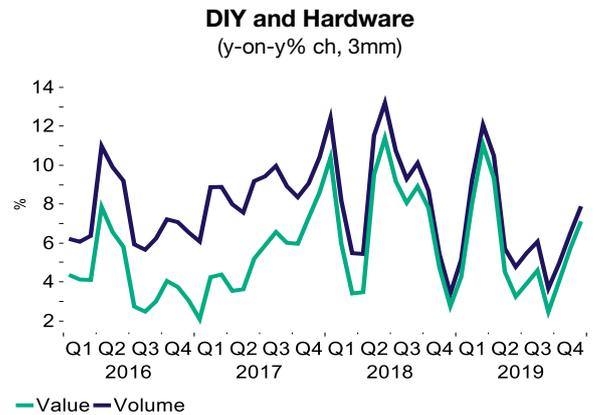
Volume of Irish retail sales – as at December 2019 /continued



## Category analysis

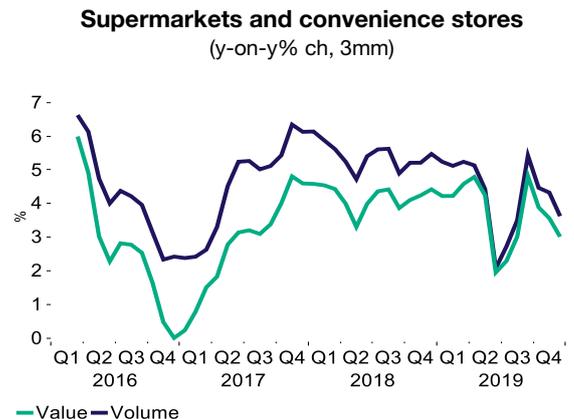
### Steady growth as DIY gains momentum

Q4 2019 was quite unusual for the DIY category with the Brexit factor dominating in October and negatively affecting sentiment and spend, albeit not to an alarming degree but below trend. November saw a healthy return to trend growth as the threat of Brexit receded and set the stage for a positive Christmas trading period. While this materialised, it came very late in the month of December once the Black Friday effect in late November and early in the month tapered off. There was no standout growth in any particular area of DIY with only fuel sales poor, driven by mild conditions.



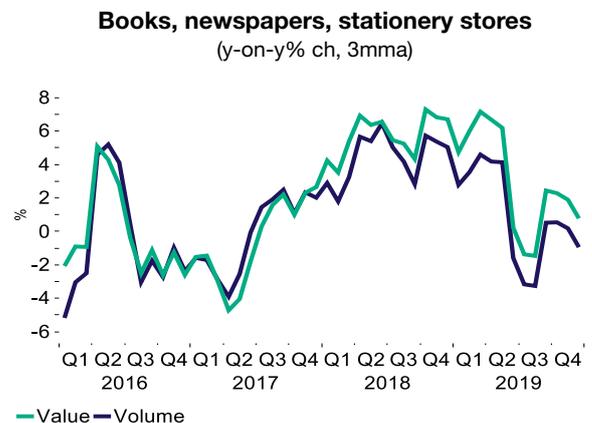
### Robust Christmas for food

Supermarkets and convenience stores recorded a strong year in 2019. Sales for the year as a whole were up 3.5% by value and 4.1% by volume. December was up 2.5% by value and 2.7% by volume. Convenience stores and discounters grew faster with pure supermarkets squeezed, although within the supermarket sector one multiple bucked the trend. Outside of convenience, Christmas was the most competitive ever with discounters no longer prepared to accept the migration of their customers to full-service supermarkets for their Christmas shop.



### Magazines dominate as books edged out

Building on from a relatively good quarter in Q3, this category continues to record good growth, related largely to the Christmas period. In comparison to other categories of retail, books, news and stationery has performed consistently strongly over recent months. One of the driving forces in this category is magazines and periodicals which saw strong sales postings of 1.8% growth in December 2019 in comparison to December 2018.

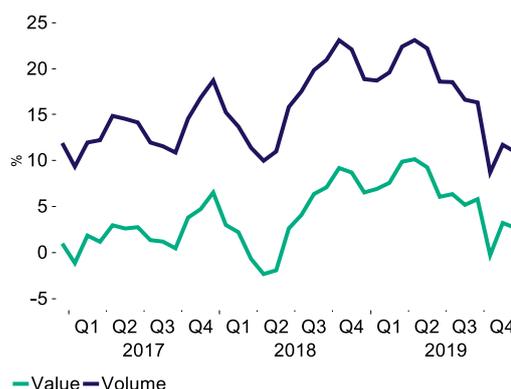


# Category analysis

## Discounting dominates electrical

This area is one that has undergone significant change in recent times due to deep discounting, which is a main stay of this category. The first three quarters of this year saw some softening of sales but Q4 saw a strong uptick in both value and volume of sales, due to the landmark sales days of Black Friday and Cyber Monday. The data continues to show that sales in value and volume terms is still on a divergent path, although there is some evidence in the closing weeks of the year of this starting to tighten.

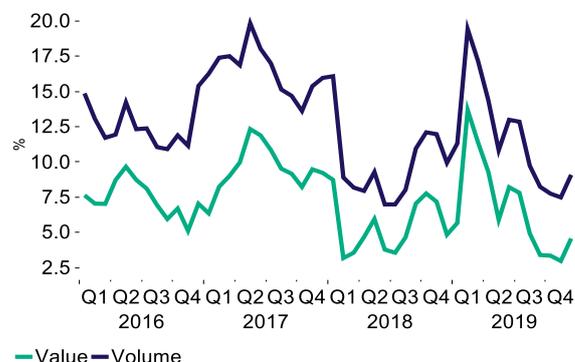
**Computers, electrical and electronics stores**  
(y-on-y % ch, 3mma)



## Positive December for furniture

December was a relatively strong one for furniture, lighting and homeware stores, even though there was an increase of 0.8% in volume terms from the previous month with a nominal increase of 0.5% value in comparison to November. Overall on the same period last year there was robust volume growth of 11.9% and a growth in value of 5.7%. Again, volume growth remains markedly stronger than value growth, suggesting promotional activity was a prominent feature of the quarter.

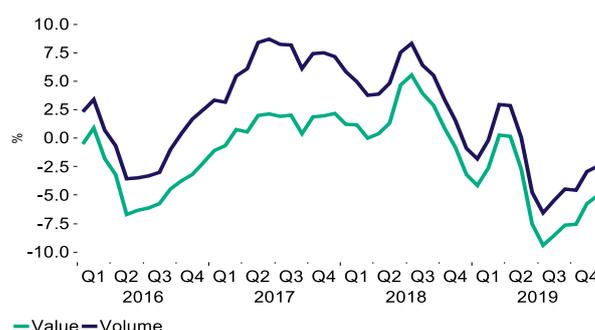
**Furniture, lighting and homeware stores**  
(y-on-y % ch, 3mma)



## End of mixed year for Department Stores

This quarter saw a much-needed boost in sales for the department store category after a mixed year. Retail sales volumes in December increased by 1.7% in comparison to the same period last year with values declining by 1%. This is continuing the trend of value for money among Irish consumers, who are now hyper aware of how to get the most out of their money. This is now becoming the norm along with the traditional post-Christmas sales. Cosmetics, skincare and beauty had a drop-in price of 2.9% while footwear dropped by 3.3% in December. Online sales in this category were strong, particularly over the Christmas period.

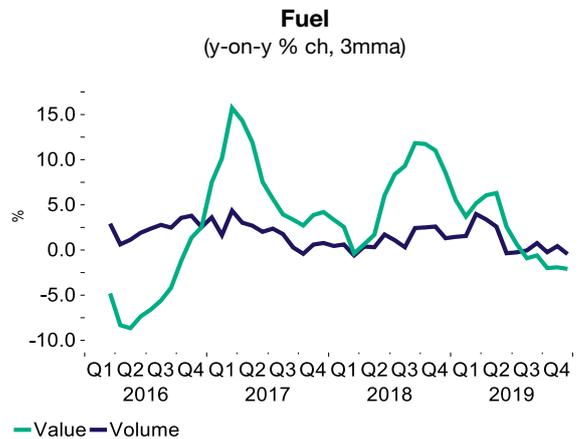
**Department Stores**  
(y-on-y % ch, 3mma)



## Category analysis

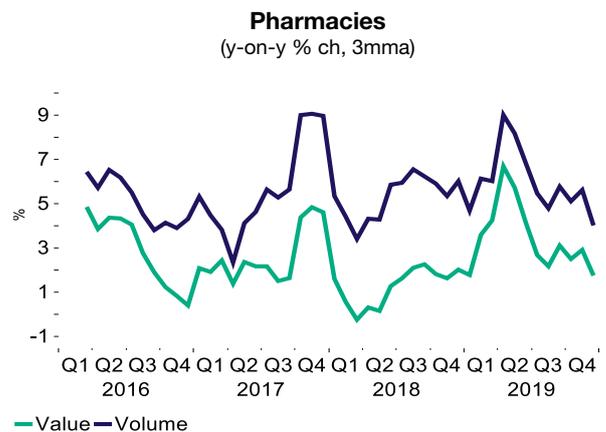
### Fuel steady but no Budget bounce

The price of both petrol and diesel at the pumps decreased slightly in December to 141.7c and 131.4c. While the price of unleaded petrol has fluctuated over the quarter, diesel has in the main remained steady, taking into account the budget 2020 increase of 2c. While the fuel mix continues to favour petrol and hybrid models in new car sales as consumers move away from diesel, it should be noted that there was a 7% drop in vehicle sales in December 2019 when compared to 2018.



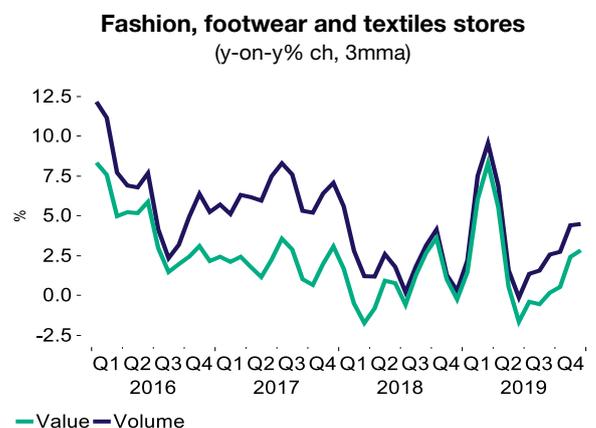
### Mixed quarter for Pharmacy

It has been a relatively mixed year for the Retail Pharmacy sector, with sales fluctuating over the course of the year. This category remains highly seasonal and tied to landmark events through out the year. The summer period saw a much needed bump in sales as consumers flocked to sunny destinations, but the winter period has been sluggish. December was soft in terms of value of sales which saw a drop of 1.4% in value in comparison to November while volumes also saw a monthly decrease of 1.6%



### Bounce back quarter for fashion as weather dominates sales

This category was hoping for a healthy quarter after a relatively down beat summer and autumn period. The Christmas season saw a positive uptick in sales as consumers headed to the shops. Discounting is a major factor in this category, with Black Friday firmly entrenched as a landmark. This drove up sales in the November period, there was then a lull, but a subsequent Christmas rush delivered a strong period for the category.

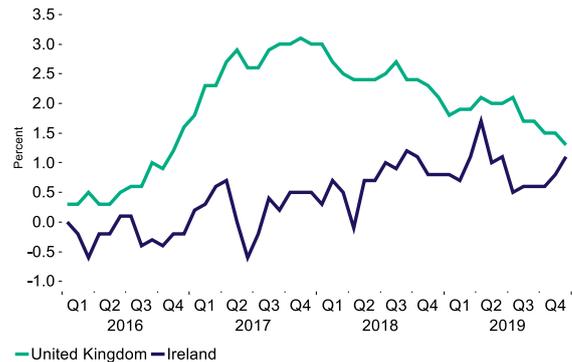


# Macro trends

## Prices remain low as inflation rises

It has been an almost constant rule of the Irish economy in recent times that the rate of inflation does not move, but in the most recent data from the CSO has seen a generally steady increase of inflation in the fourth quarter of the year. Most of the price inflation is being driven by an increase in services, such as insurance and rental accommodation. Retail prices have on the other hand remained low across all categories. This is due to the deep discounting that is a hallmark of the sector in recent years.

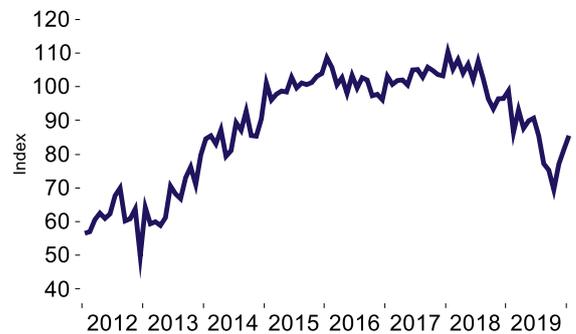
Inflation (annual %)



## Consumers feeling buoyant as Brexit blues recede

Over the past year the Irish consumer has been feeling fairly down beat when it came to spending their hard earned money. Most of the unease was directly related to Brexit, as can be seen from the data throughout the year. As proposed dates for the UK's withdrawal loomed consumer sentiment dipped; likewise, as an extension was agreed sentiment rebounded. The dips in consumer confidence did not however materially impact consumer spending.

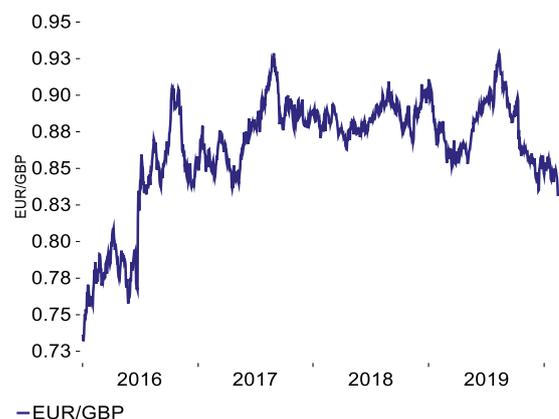
Consumer Sentiment



## Sterling remains low

The rate of exchange of the pound against the euro has remained low now for a number of months; from the lows of near parity earlier on in 2019 to staying in the mid to low 80c v £1 in the last quarter of this year. The flux of the exchange rates is good news for consumers and online retailers as the value for goods in the UK is extremely competitive. Online purchases in the main are coming from the United Kingdom at the expense of the domestic market, with exchange rates proving to be the major driver of this. As we enter 2020 and the details of the Brexit transition period becomes clearer it will remain to be seen if this will remain the case.

Sterling exchange rate







[retail@ibec.ie](mailto:retail@ibec.ie)  
[www.retailireland.ie](http://www.retailireland.ie)  
[www.ibec.ie](http://www.ibec.ie)