

The background image depicts four spectral figures on horseback, emerging from a misty, dark environment. From left to right: the first figure is a skeleton; the second is a bull-headed creature; the third is a figure holding a scythe, representing the Grim Reaper; and the fourth is a figure with a crown of thorns. The overall tone is dark and ominous, reflecting the themes of the report.

Irish Consumer Outlook

In a time of War, Inflation & Pestilence

May 2022

Desperately Seeking Precedents



- It is 77 years since a major land war in Europe involving Russia... 39 years since we had double-digit inflation in Ireland... and just over 2 years since the start of a global pandemic (which isn't over yet).
- Irish consumers are resilient, but they've never had to deal with a combination of challenges like those upon us now.
- This report looks at the mood and circumstances of the Irish consumer and speculates about opportunities and threats that lie ahead.



Moody Times



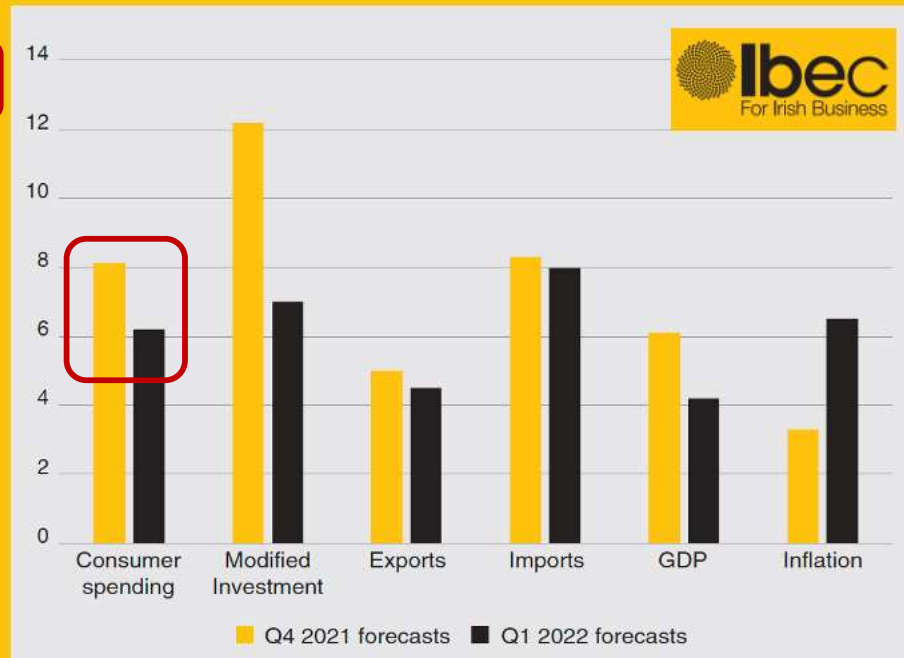
the economic outlook is out of sync
with the economic mood



Despite everything, consumer spending forecasts are still positive...

Annual % change	2021	2022	2023
Consumer spending	5.6	6.2	4.3
Modified investment	9.2	7.0	7.6
Exports	16.6	4.5	6.0
Imports	3.6	8.0	7.5
GDP	13.4	4.3	3.7
Inflation (annual average %)	2.4	6.1	3.9
Unemployment rate (annual average %)	16.2	5.0	4.5

Figure 1: Forecast comparisons, Q4 2021 v Q1 2022



Source: IBEC Quarterly Economic Outlook Q1 2022



...and there's lots of pent up demand

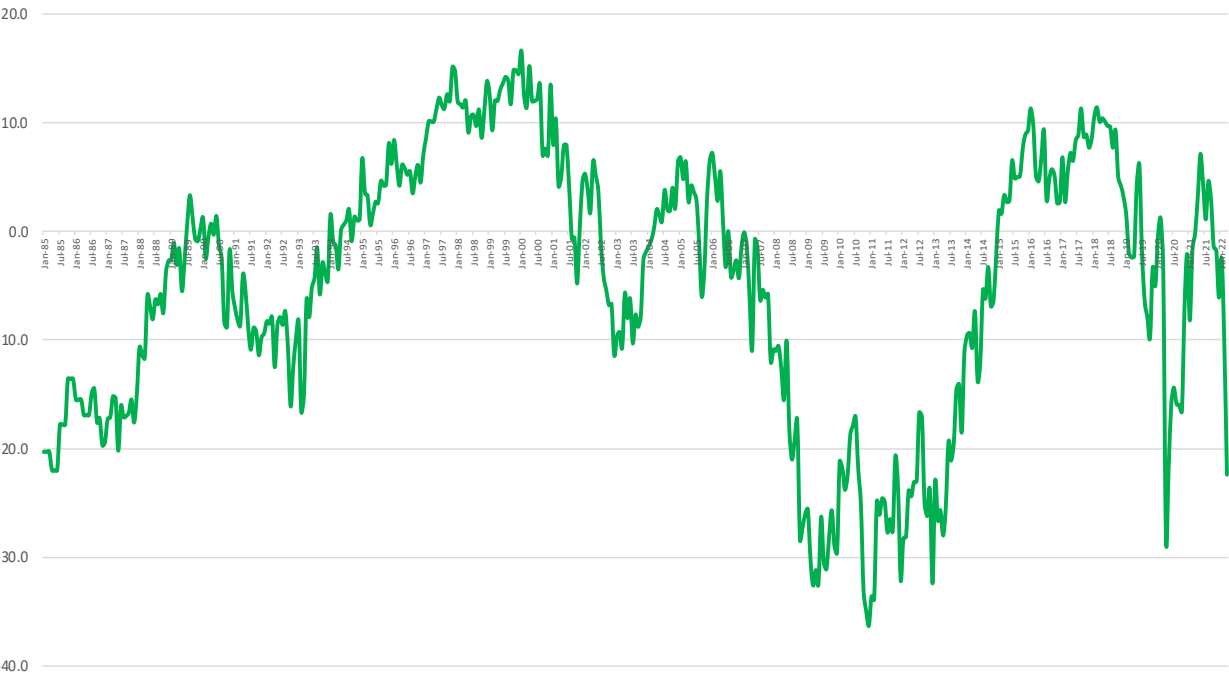
Now that restrictions have been lifted, will you spend more, the same or less in each of the following categories this year? :

	Spend less	Spend the same	Spend more	NET GROWTH*
Eating out	19%	26%	54%	35%
Holidays abroad	17%	32%	51%	33%
Tickets to concerts/shows/sports events	18%	32%	51%	33%
Flights	19%	31%	50%	31%
Cinema	19%	40%	41%	22%
Groceries	12%	56%	33%	21%
Holidays in Ireland	7%	65%	28%	21%
Special family occasions (weddings/communions etc)	25%	40%	35%	10%
Clothes	13%	72%	22%	9%
Pharmacy/chemist	11%	70%	19%	8%
Household items/furnishings	15%	63%	22%	7%
Streaming TV or music services	8%	78%	14%	7%
Books	18%	60%	23%	5%
Cosmetics	11%	75%	14%	3%
Ordering Takeaway Food	15%	71%	13%	-3%
Gifts	20%	63%	17%	-3%
Computer/Tech	26%	59%	14%	-12%
Games/toys	27%	59%	14%	-14%

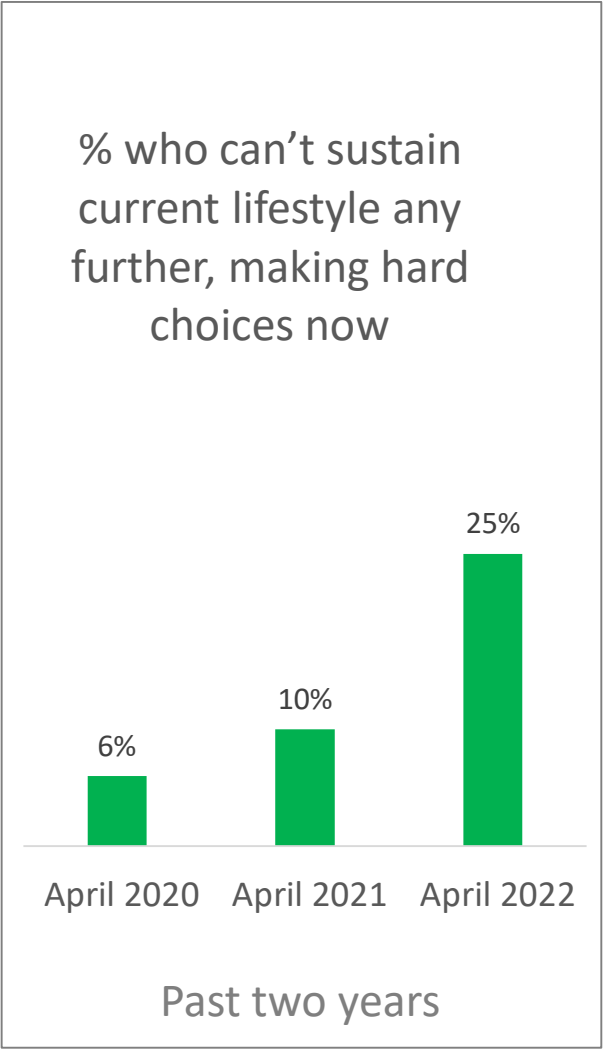
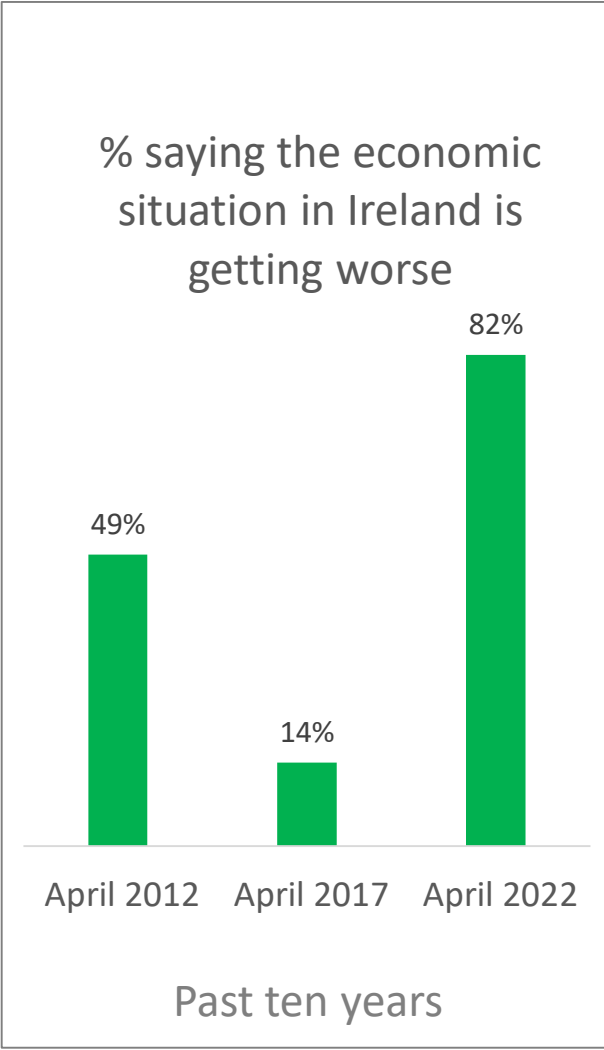
But that hasn't prevented a fall in consumer confidence...



Irish Consumer Confidence Indicator:
Overall Confidence
January 1985 - March 2022



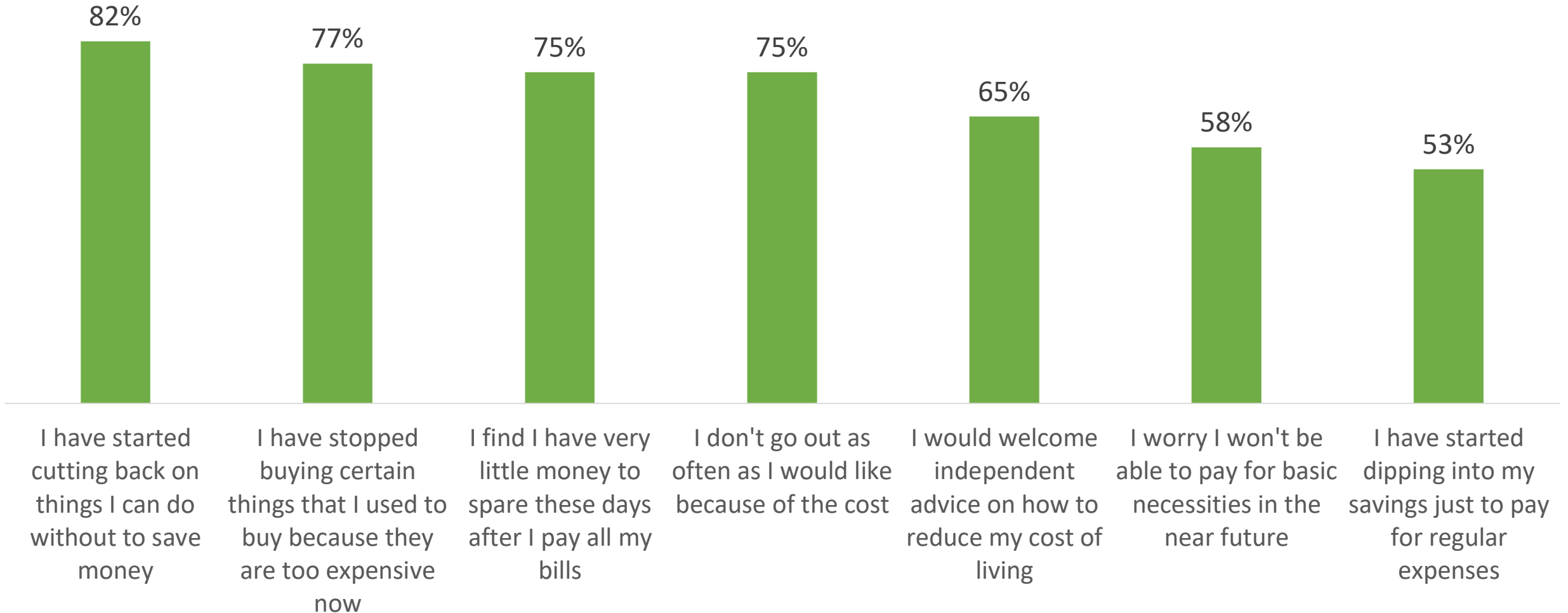
Source: European Commission Confidence Indicators
https://ec.europa.eu/info/business-economy-euro/indicators-statistics/economic-databases/business-and-consumer-surveys_en





...and evidence of behavioural change

% of adults who agree with each statement:



Source: Amárach omnibus April 2022

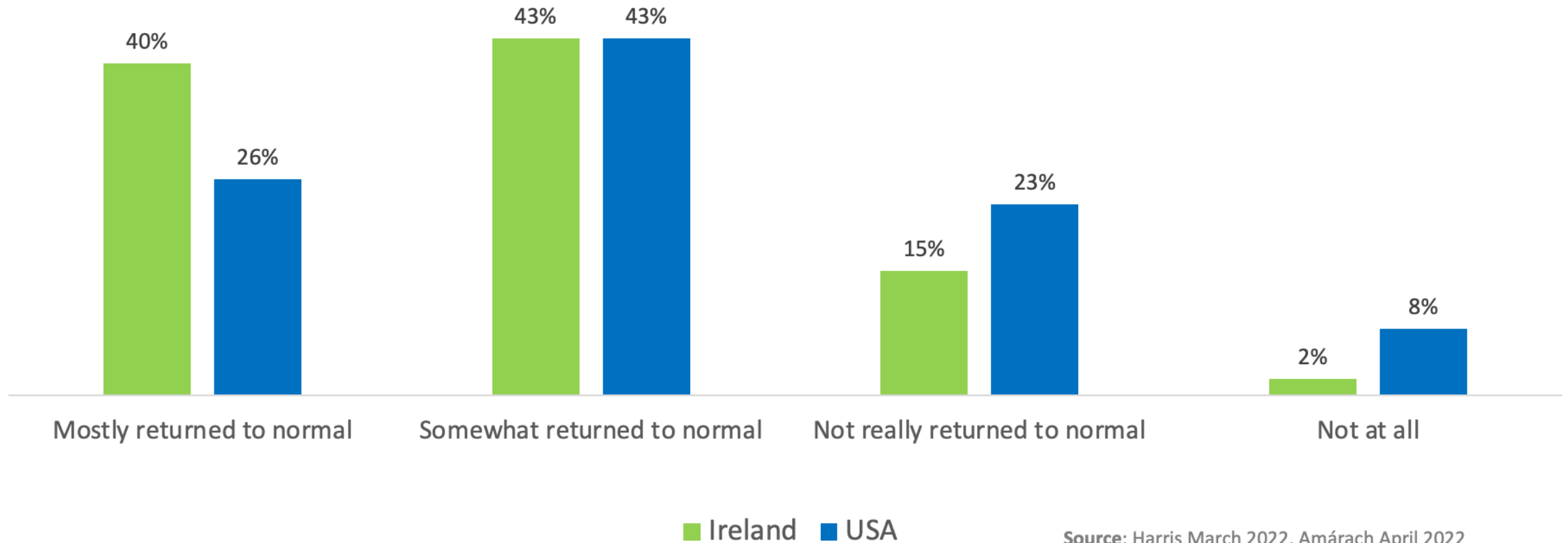


at least we're over covid (or are we?)

We're (mostly) over it



In general, how much do you think your life has returned to normal since the start of the pandemic?

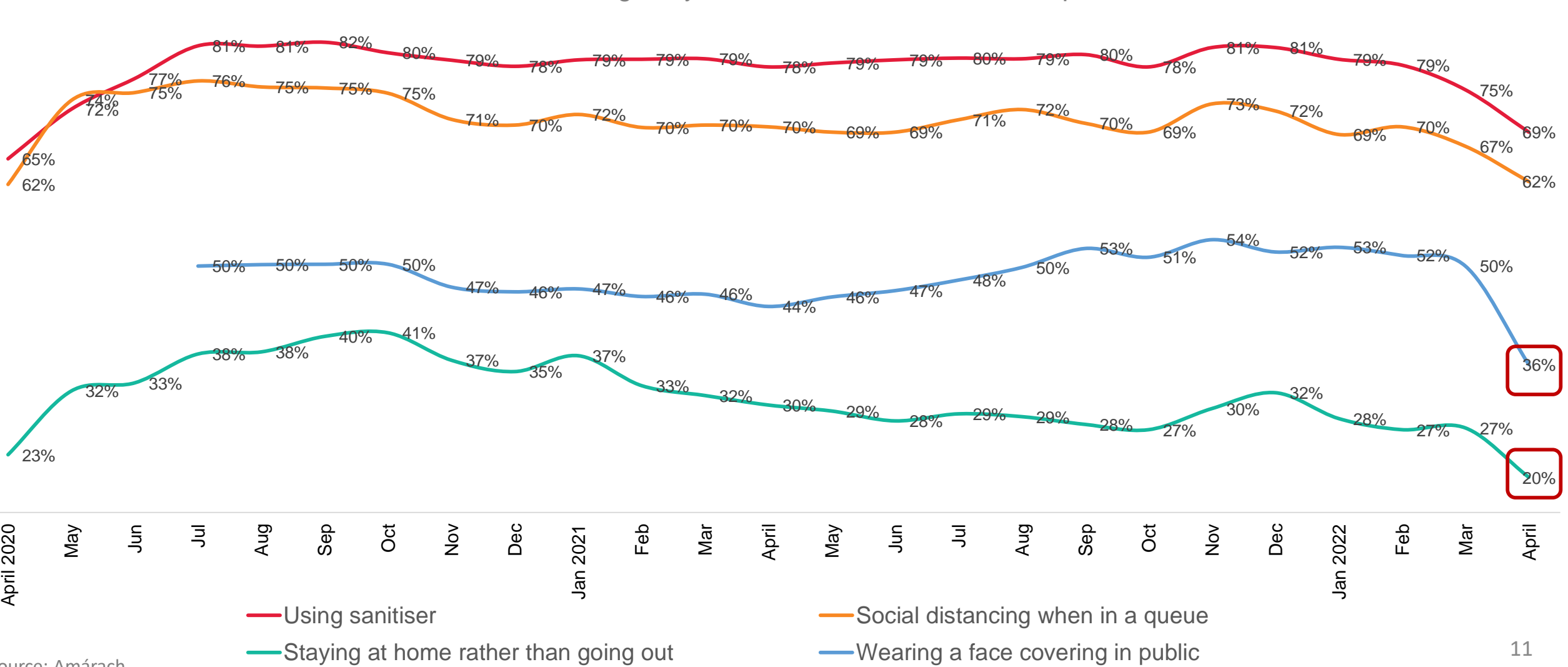


Source: Harris March 2022, Amárach April 2022

The pandemic has left a behavioural legacy...



Which of the following will you continue after the Covid-19 pandemic is over?

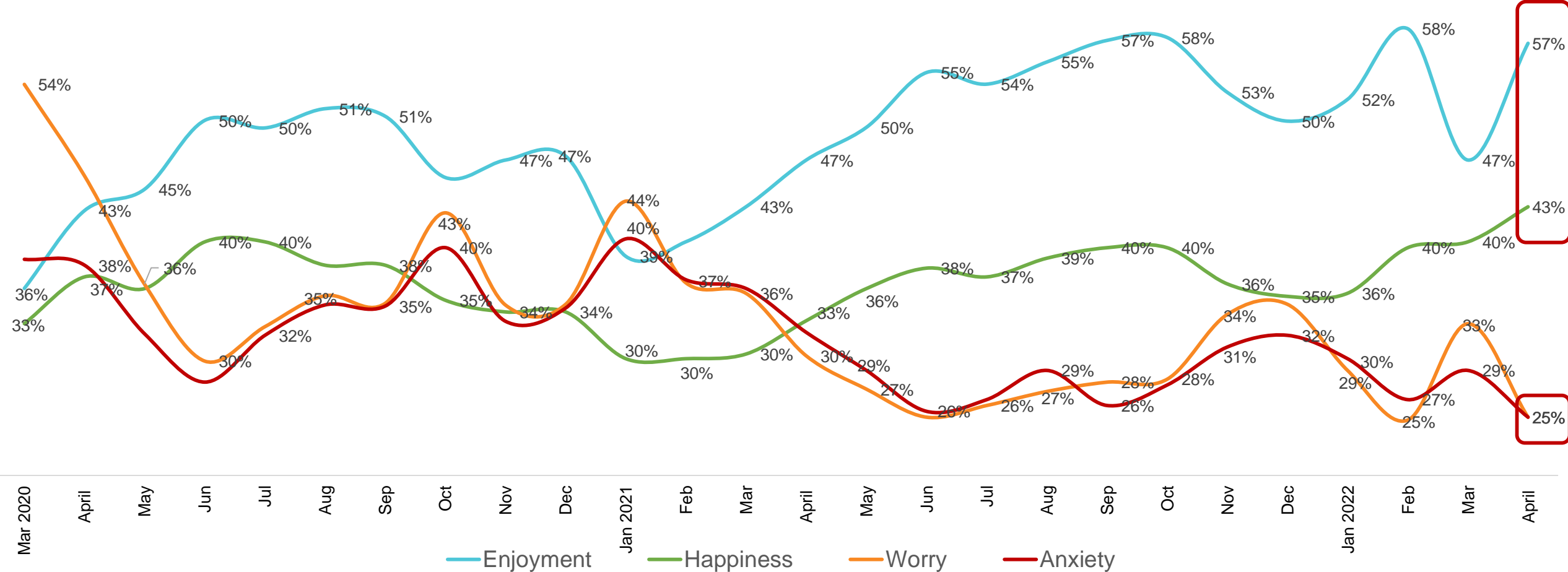


Source: Amárach

...but the emotional shock has passed...



Did you experience any of these feelings a lot of the day yesterday? Select all that apply:



...and we're more relaxed in the shops



Which of the following do you usually feel when you are inside a shop nowadays? **APRIL 2022**



Worried: 32%
(37% Nov '20)



Hassled: 14%
(27% Nov '20)



Annoyed: 17%
(23% Nov '20)



Welcome: 17%
(20% Nov '20)



Relaxed: 24%
(18% Nov '20)



Safe: 13%
(15% Nov '20)



Happy: 13%
(11% Nov '20)



Sad: 4%
(13% Nov '20)



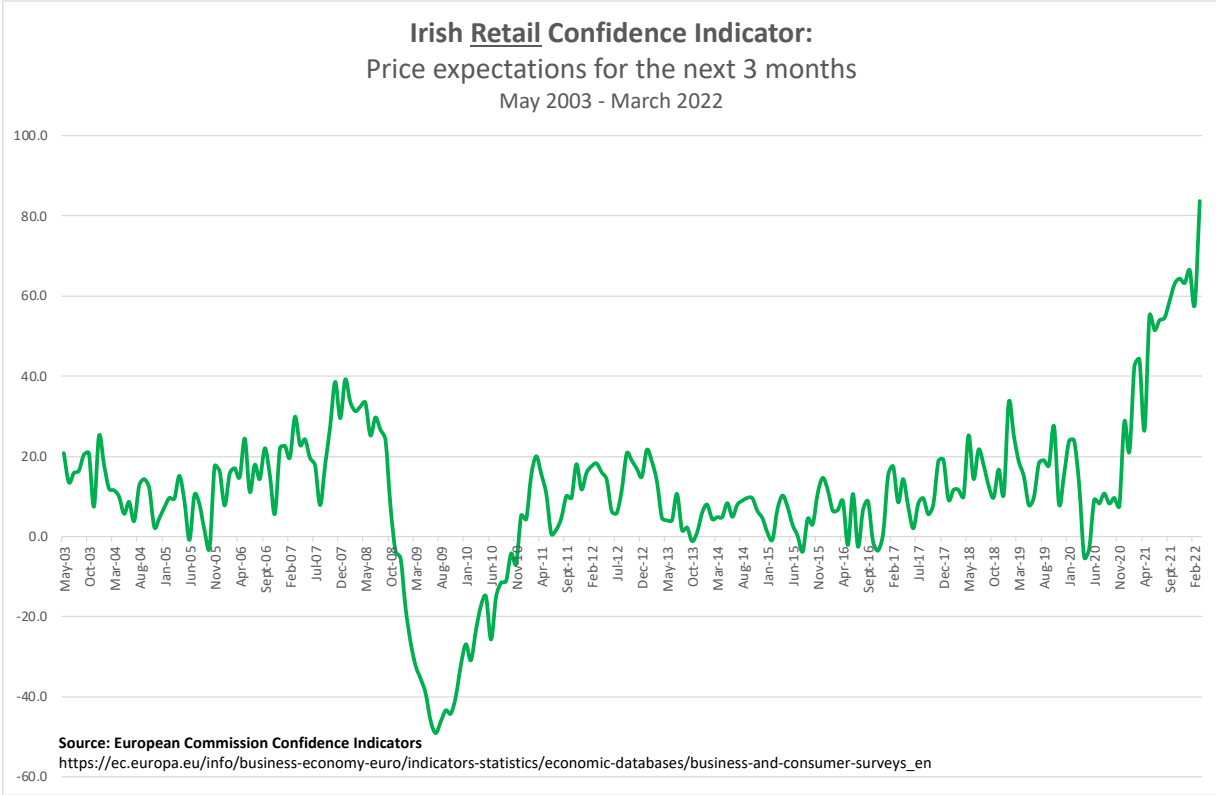
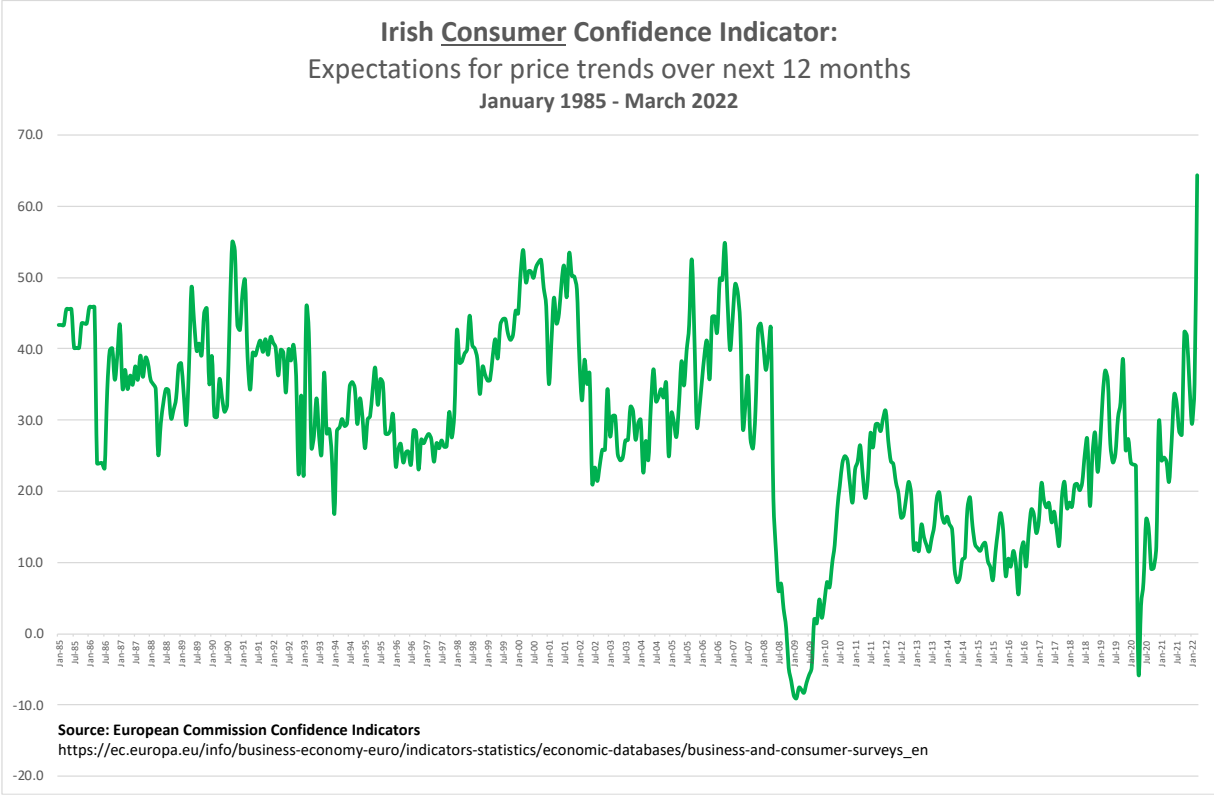
The image features a hand in a blue suit jacket pointing upwards towards a red line graph. The graph shows a series of peaks and valleys, with the final peak being the highest. The background is a light blue gradient. The text 'Inflated Expectations' is written in red, bold, sans-serif font across the middle of the image.

Inflated Expectations



inflation expectations are ahead of inflation

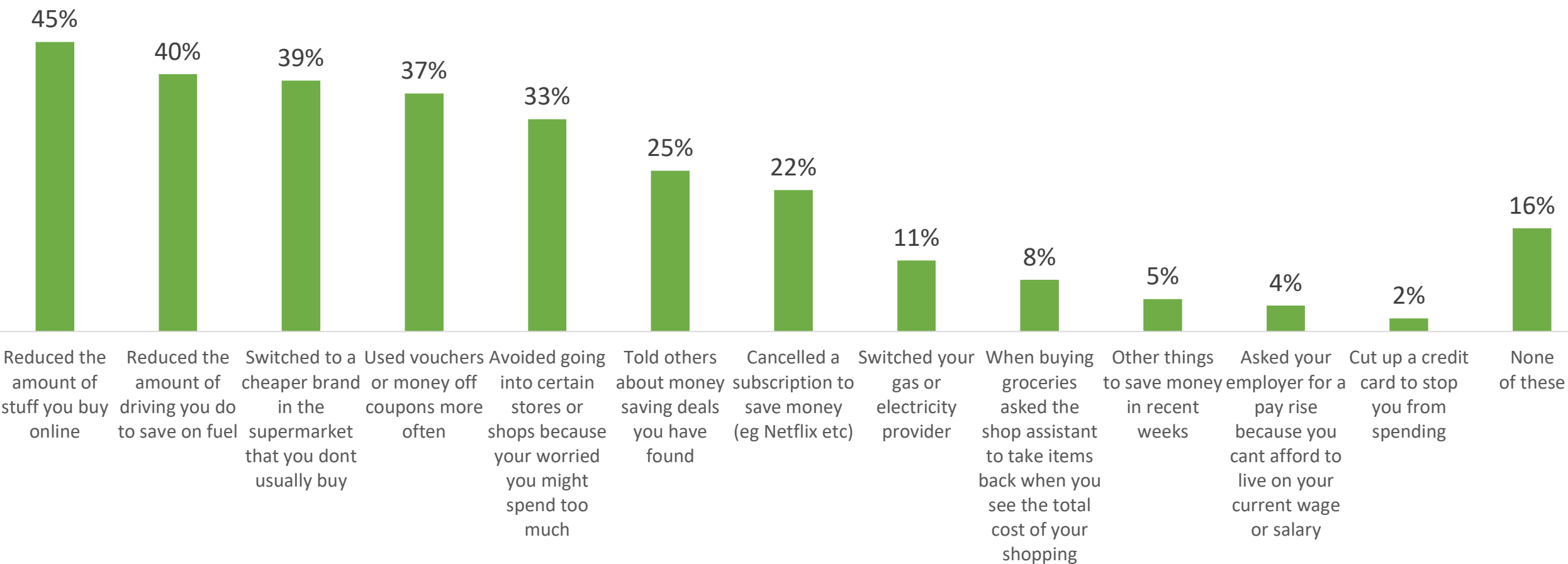
Inflationary soar...





...provoking a rapid response...

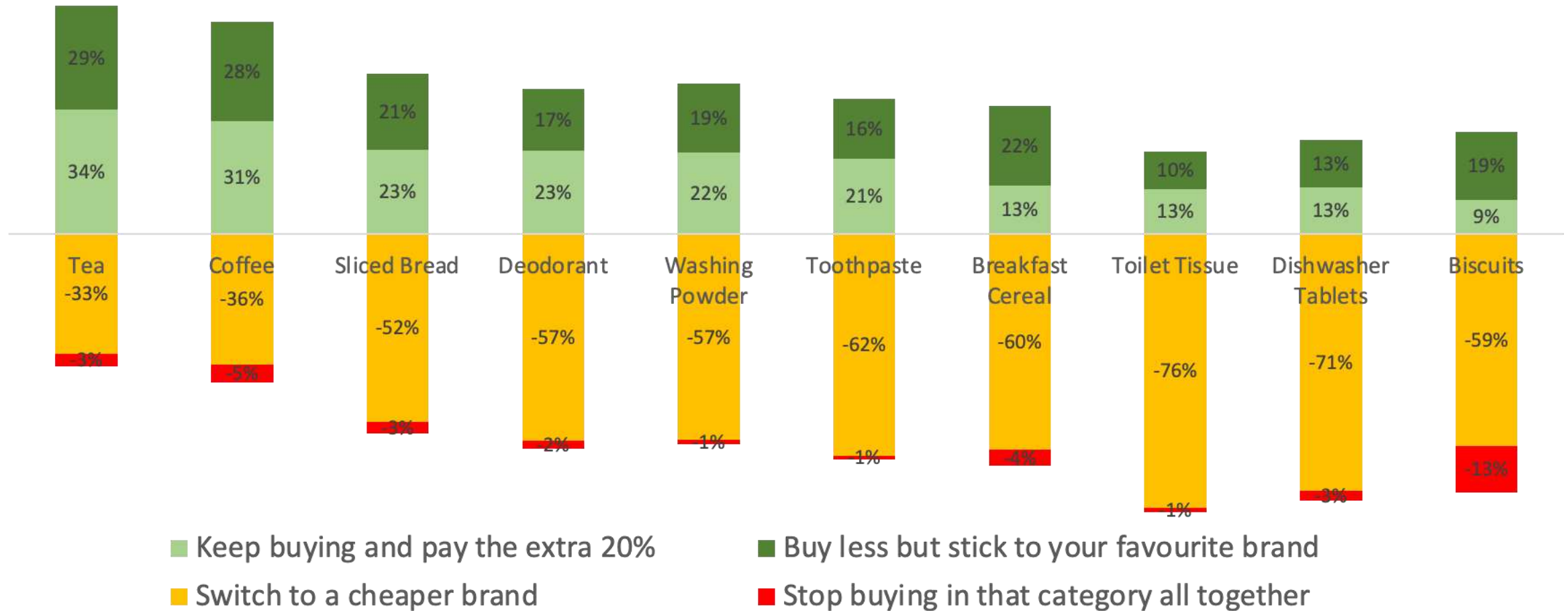
% of adults who have done any of the following because of higher prices in just **the past few weeks**:





...and a determination to do more if prices rise further

If the price of your favourite brands went up by 20% in each of the following categories, how would you respond? Base: all who have a favourite brand





- **Affordability** is not the same as price: your price might be 'reasonable', but consumers have other demands on their incomes.
- Your brand must justify a **pricing premium**: otherwise why invest in branding?
- There are always **other influences** on consumer choices: quality, convenience, advertising, word of mouth, timing and values.
- Be clear about **the reasons** for putting up your prices: most people get that input/running costs are going up, even if they're not happy about it.



The Price of Uncertainty

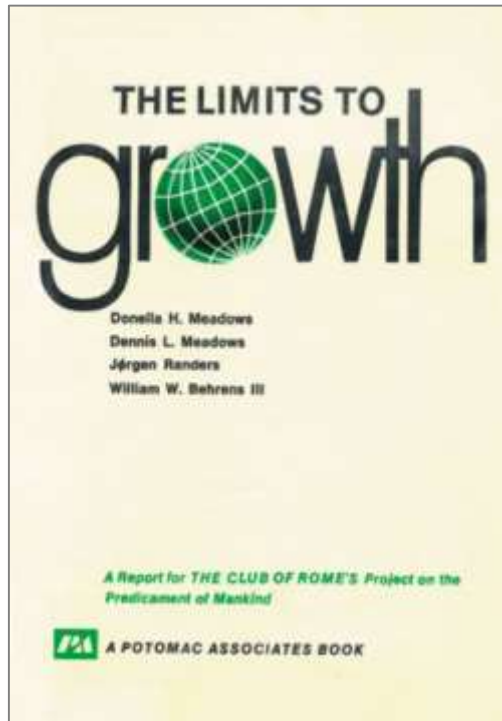


Isn't there a fourth horseman?

The Big, Big Picture

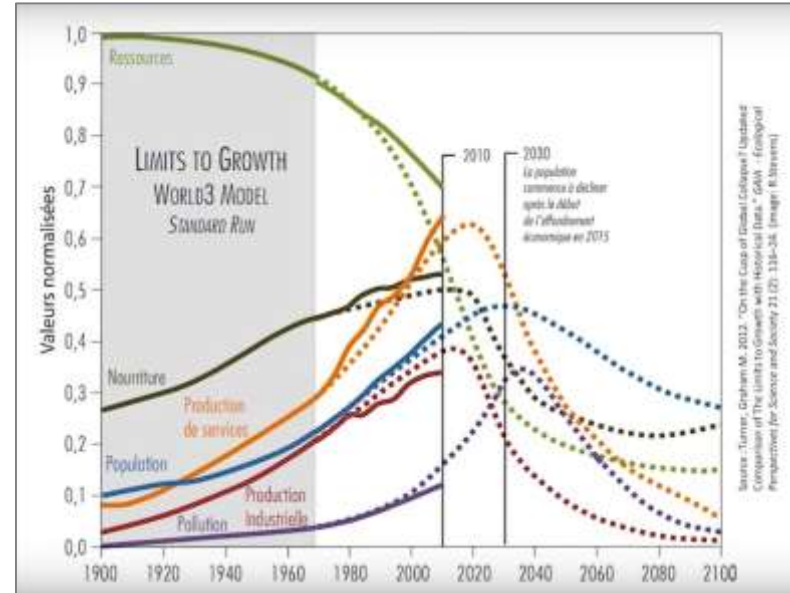


Projections from
50 years ago...



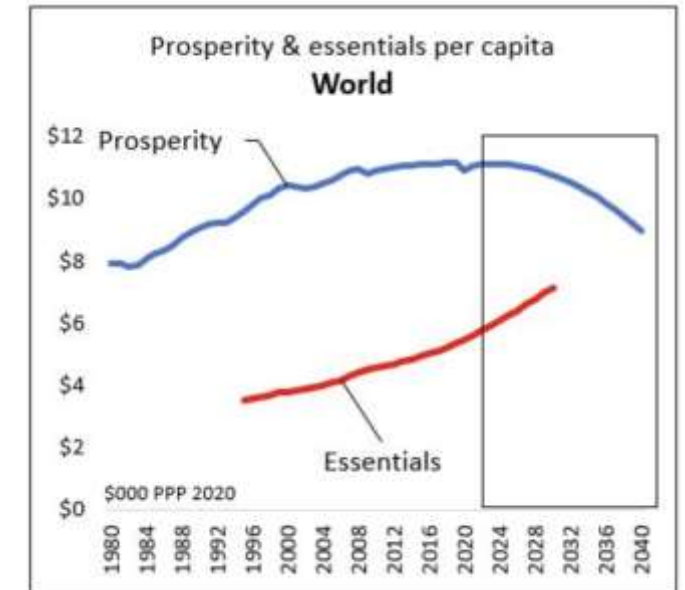
<https://www.clubofrome.org/publication/the-limits-to-growth/>

...are remarkably
on track...



<https://advisory.kpmg.us/articles/2021/limits-to-growth.html>

...with energy and
climate in charge

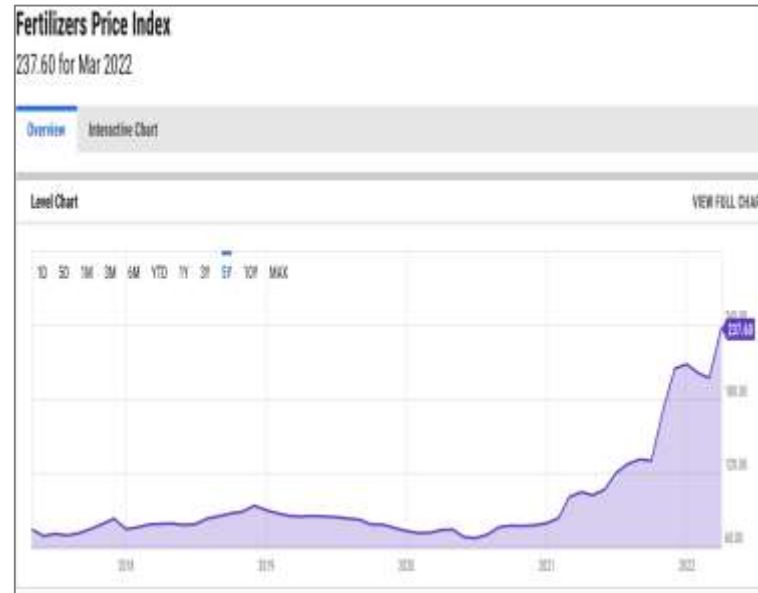


<https://surplusenergyeconomics.wordpress.com/2022/02/13/222-the-forecast-project/>

Turbulence Ahead



War has exacerbated impact of pandemic on global supply chain...



...now evident in soaring costs of energy and other key inputs...



...pushing food and other essential prices to record highs



Post-Covid Consumer Spending Scenarios

How the future looked then (April 2020):

2020 Scenarios	Description	Outcome
Bounce Short, sharp shock	Consumer spending would bounce back within 12 months of start of pandemic (v-shape)	It looked like we were going to get a slower version of Bounce – with a dash of Pivot – and then Russia invaded Ukraine...
Crash From curve to crater	Wider global impact of pandemic on supply chains etc would delay recovery by 3-5 years	
Pivot This time is different	The working from home phenomenon would drive a wider rethink of values and lifestyle choices and things wouldn't go back to how they were before	



Post-Covid/War/Inflation Consumer Spending Scenarios

How the future looks now (April 2022):

2022 Scenarios	Description	Signs
Catch-Up Spend the savings	Irish consumers draw down their (very high) savings to weather temporary inflation pressures	<ul style="list-style-type: none">- Savings drawdown- Holidays abroad
Bunker Down Prepare for the worst	Ireland's economy gets caught in a vortex of 2 nd and 3 rd order effects disrupting global supply chains and essential food and energy resources	<ul style="list-style-type: none">- Energy shortages- Food rationing
Reboot This time is really different	Just as the pandemic sped up changes already underway, so war accelerates even greater changes	<ul style="list-style-type: none">- WFH- Grow It Yourself



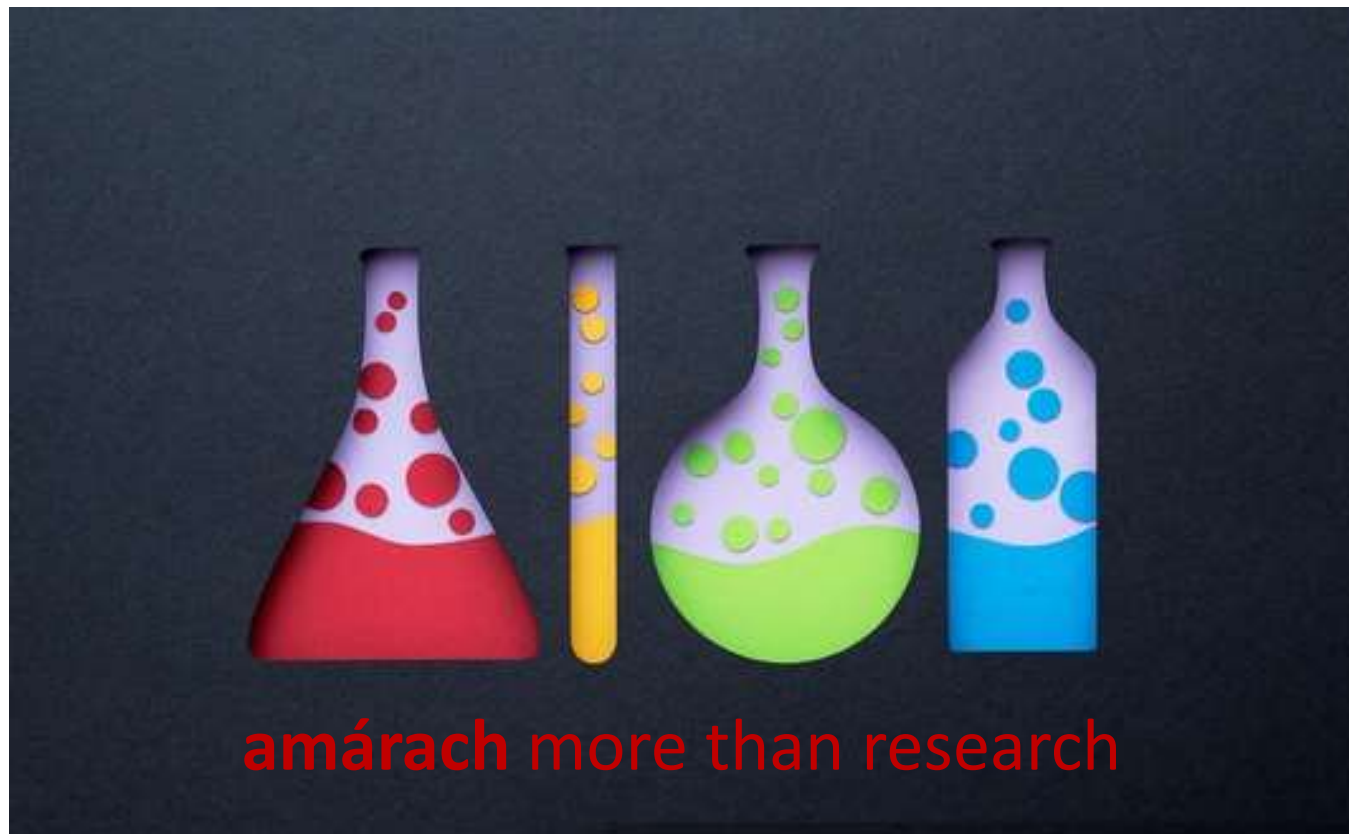
	Winners	Losers
Catch-Up Spend the savings	Foreign holidays Eating out Motor	Takeaway Subscriptions Tech
Bunker Down Prepare for the worst	Supermarkets Bicycles Landlords	Banks Airlines eCommerce (xborder)
Reboot This time is really different	Fitness Mobile Broadband Garden Centres	City Centres Offices Public Transport



get ready, it's going to be bumpy



- Measure your **brand price trade off** and invest to protect.
- Identify your **leading indicators** (macro/micro) that warn you things are about to get bumpy.
- If you are in the ‘discretionary’ economy, work out how to become a ‘**premium essential**’.
- Supply/inventory will be key: **source local** if you can.
- Prepare for a **customer price backlash** (even though you have no choice) & communicate clearly with integrity.
- Keep **your staff** on board: we’re (still) in this together.



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Image by Bogdan Dreava from NounProject.com

