

The Deloitte Consumer Tracker

Consumer Sentiment
Surges, Propelling
Spending Power



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About the survey

The research was carried out by Amárach as part of an omnibus survey. The total sample for this survey was 1,000 people and the interviewing fieldwork dates were 12 to 16 October 2015.

Due to rounding, responses to the questions covered in this report may not aggregate to 100.

Introduction



Welcome to the fourth edition of the bi-annual Deloitte Ireland Consumer Tracker.

Irish consumer sentiment continues to improve. The latest Deloitte Ireland Consumer Tracker shows confidence increased by between 2 and 8 percentage points across all categories in the last six months while negative sentiment declined. The strongest gains were in household disposable income, career opportunities and job security.

In line with an improved level of disposable income, there are signs that consumers are loosening the purse strings. In the last six months, expenditure on furniture, homeware and expensive electrical items increased. Irish adults also spent more on clothing and footwear and the steady upward trend in spending on restaurants, hotels and going out continued.

The latest figures suggest that people are becoming better at managing their personal finances. Just under half of all

Irish adults (49%) are regular savers and more people are paying off their credit card bills each month.

It appears that renovating existing housing structures is more popular than buying houses. The latest figures show an increase of 8% in the number of Irish adults planning to add an extension or redecorate their home in the coming months. Consumers also plan to spend more on furniture/homeware and major household appliances; however, this may be related to the Christmas period and January sales.

Looking further ahead, online and mobile technology continue to influence consumer behaviour. Successful retailers are developing services to take advantage of this trend; however, while shoppers want real-time, relevant, and personalised information and offers, they are more likely to purchase from retailers that they believe protect their personal information. Trust, transparency, and protecting customer information will be critical in retaining loyalty as mobile retailing becomes the norm.

If you would like further information on the survey please contact:

David Hearn
Lead Consumer Business Partner

T: +353 1 417 2535
E: dhearn@deloitte.ie





Key Observations

Consumer confidence



Household income

27% more optimistic
29% less optimistic



Good health & wellbeing

30% more optimistic
19% less optimistic



Job opportunities/Career progression

27% more optimistic
19% less optimistic



Children's education & welfare

26% more optimistic
5% less optimistic



Level of debt

26% more optimistic
21% less optimistic



Job security

24% more optimistic
17% less optimistic

Key Observations

Online

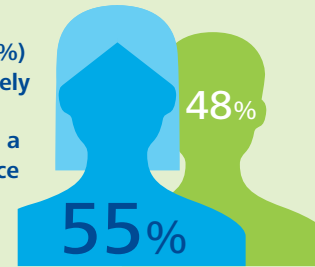


of ABC1 consumers **browse online before making an in store purchase**



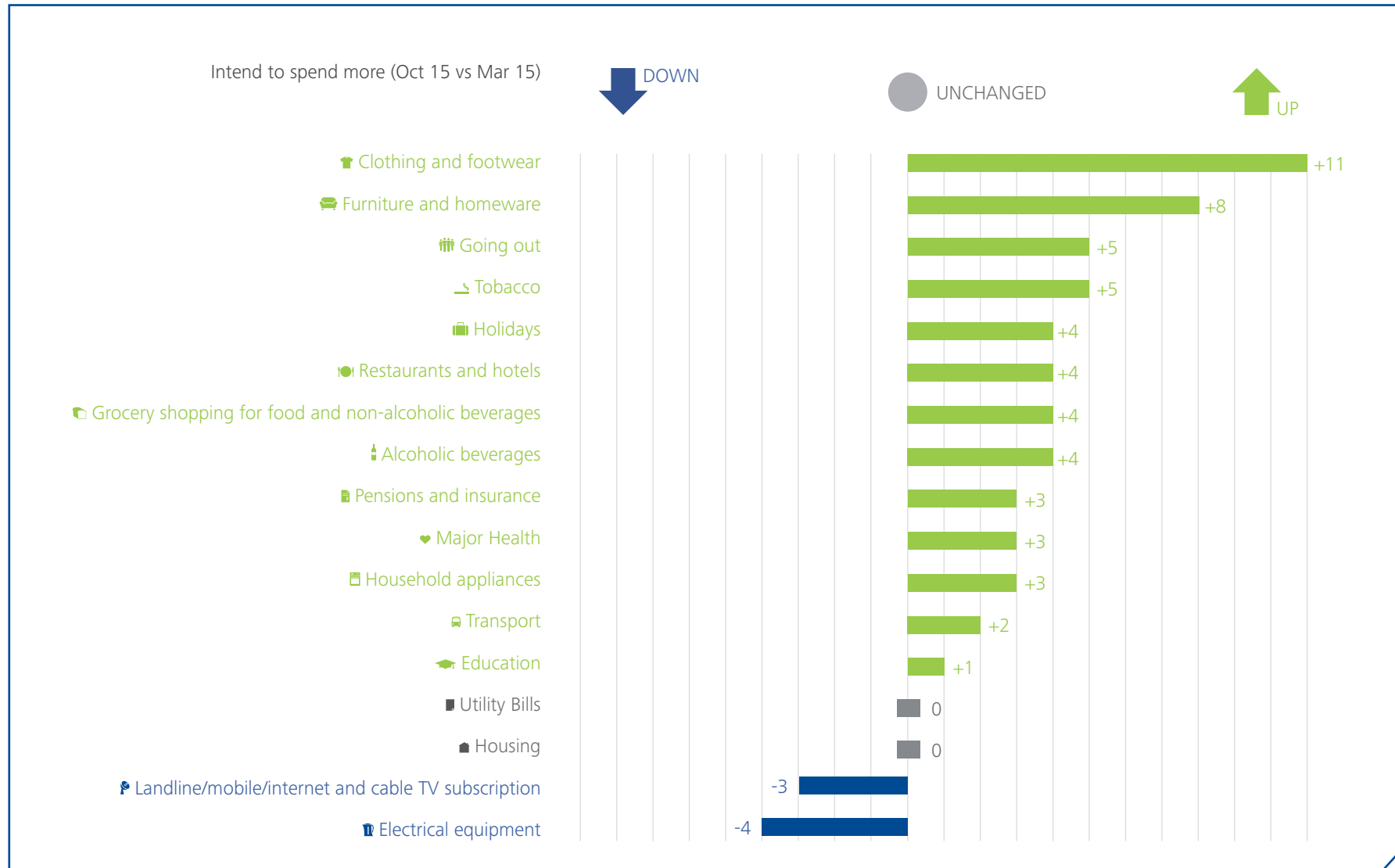
64%
of consumers aged 15-24 **browse online before making an in store purchase**

Women (55%) are more likely than men (48%) to use a mobile device to check their bank balance.



of consumers aged over 55 **pay their utility bills online**

Key Observations



Executive summary

Consumer confidence

The latest Deloitte Ireland Consumer Tracker shows consumer confidence has increased by between 2 and 8 percentage points since March 2015. People are more optimistic about their career prospects and job security and this, combined with an increase in disposable income, is contributing to improved confidence in other areas.

Consumer spending

Consumers continue to report spending more on utilities with 46% of respondents stating they spent more on their utility bills in the last six months. While this is down 3 percentage points on the previous period, the decline may be due to seasonal factors.

Significant proportions of consumers also report spending more on transport (35%), telecommunications (33%) and health (31%) in the last six months and those who said they spent more on furniture and homewares also increased, up by 7 percentage points when compared with reported spending in March 2015.

When asked about their future spending plans, utilities are again at the forefront of consumers' minds. Some 36% of respondents predict they will spend more on utilities in the next six months. Consumers also anticipate spending more on transport (27%), holidays (24%), housing (24%), telecommunications (21%) and education (19%).

Indications of a dual economy have weakened but persist. While 22% of Irish adults anticipate spending more on restaurants, hotels and going out in the next six months, 23% expect to spend less. Similarly, while 24% plan to spend more on holidays, 23% plan to reduce their holiday spending.

People are becoming more aware of the benefits of leading a healthy lifestyle and this is reflected in 28% of respondents predicting they will spend more on health in the next six months than in the previous period.

Seasonal factors will see consumers spend more on food, clothes and alcohol in the lead up to the festive season and four in ten Irish adults are more likely to purchase online; books, DVDs at Christmas than at any other time of the year.

Household events

A majority of Irish adults (64%) have no plans to buy a property at the moment however renovating existing housing structures is becoming more popular. The latest Deloitte Ireland figures show an increase of 8% in the number of Irish adults planning to add an extension or redecorate the house in the next six months when compared to March 2015.

People have also been spending on expensive electrical items and plan to buy more in future; anticipated expenditure in this category is up from 13% in March 2015 to 16% in the latest figures.

Executive summary

Financial Obligations

It appears that people are becoming more careful with their finances. More Irish adults are repaying the total balance on their credit card each month and paying into a savings account is becoming part of regular monthly outgoings. Pension and mortgage repayments, however, have remained largely static.

Online and mobile consumer behaviour

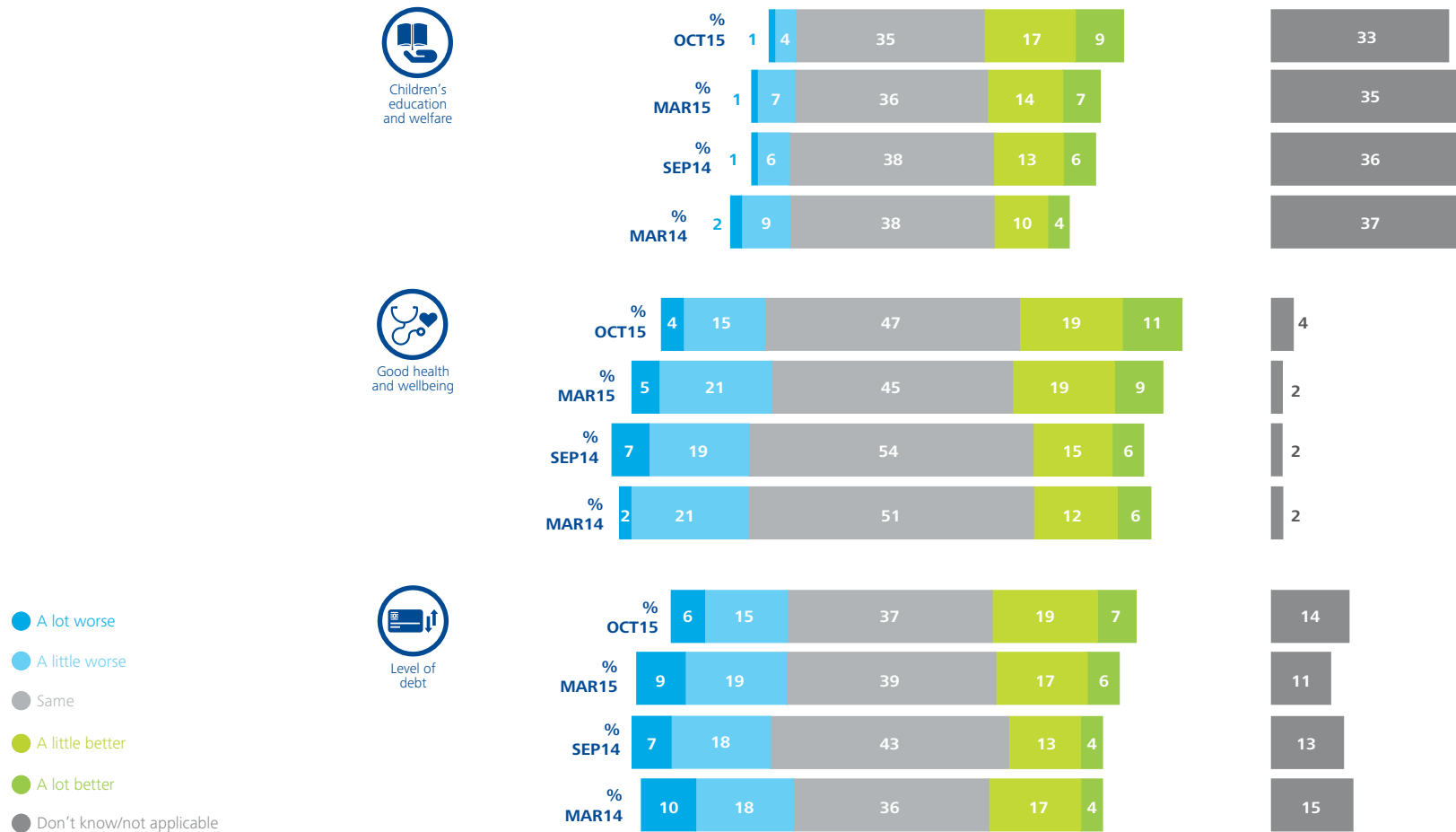
The Internet is an important source of information on products and services. The latest Deloitte Ireland research shows that 61% of Irish adults browse online before completing a purchase in-store. Browsing online is no longer confined to the home. Widespread use of smartphones allows more consumers to research products and compare prices in-store creating a data trail which retailers can use to send customised messages to shoppers in-store. While this data affords plentiful opportunities for retailers to lift sales, it is not without risks and responsibilities. Protecting customer information will continue to be critical in the months ahead.



Consumer Confidence

Figure 1: Irish consumer sentiment — consumer spending attitudes and behaviours

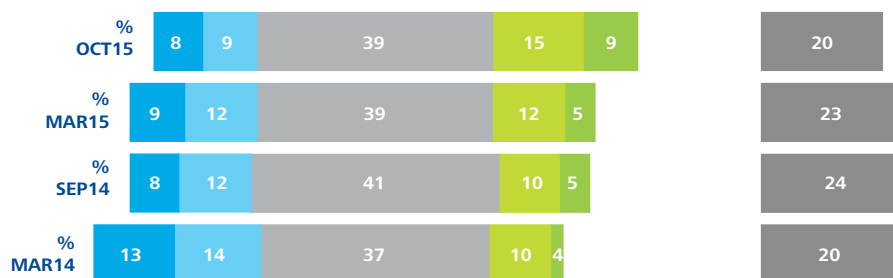
Question: Thinking about the following aspects of your life, over the last six months, would you say that your level of optimism/confidence in each area is better, the same or worse?



Consumer Confidence



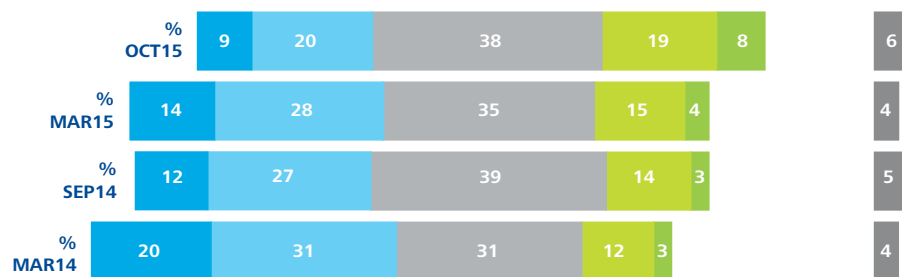
Job security



Job opportunities/career progression



Household disposable income



Irish consumer confidence continues to show steady improvement. The level of optimism across all categories has increased by between 2 and 8 percentage points since March 2015. The most significant increase over the last six months is in household disposable income where there is an 8 percent lift in the numbers indicating that they feel more confident. Since March 2014, the numbers feeling less confident about household income have significantly declined (from 42% in March 2014 to 29% in the latest figures). While this represents a marked improvement, it should be noted that the overall number of those who are more confident about disposable household income (27%) continues to be offset by a significant proportion who are less optimistic.

Reflecting more positively on the economy, optimism about job security and career progression has increased with these categories each showing a 7 percent improvement since March 2015.

Optimism about children's education and welfare has also improved. The latest figures show a 5 percent increase in those feeling more confident when compared with March 2015 matched by a 3 percent decrease in those feeling less optimistic.

Just over a quarter (26%) of Irish adults report improvement in their levels of debt. The positive move here is augmented by a 7 percent decline in negative sentiment. The latest figures also show a modest (2 per cent) improvement in health and wellbeing sentiment.

Overall, Irish consumers have become steadily more optimistic since Deloitte's March 2014 benchmark study. While the division between positive and negative sentiment about household disposable income remains worrying, the latest figures are a positive move in the right direction.

Consumer Spending

Figure 2: Irish consumer spending in the last six months

Question: Thinking about all the expenses in your household, compared to what you spent 4 – 6 months ago for each of the following, would you say you have spent more, less or the same than the previous six months? On a scale of 1 – 5 where 1 is a lot less and 5 is a lot more.

	A lot less	A little less	Spent the same	A little more	A lot more	Don't know/NA
Utility Bills	2%	8%	38%	31%	15%	5%
Transport	4%	11%	46%	25%	10%	4%
Landline/mobile/internet and cable/TV subscription	3%	10%	50%	25%	8%	4%
Health	4%	8%	51%	20%	11%	6%
Education	6%	5%	41%	16%	10%	21%
Clothing and footwear	10%	16%	44%	21%	6%	4%
Housing	3%	7%	55%	16%	10%	9%
Grocery shopping for food and non-alcoholic beverages	6%	13%	52%	19%	7%	3%
Restaurants and hotels	17%	14%	37%	18%	6%	8%
Holidays	17%	11%	34%	18%	7%	12%
Electrical equipment	7%	11%	52%	17%	7%	7%
Pensions and Insurance	7%	6%	47%	15%	7%	18%
Going out	17%	16%	40%	15%	5%	7%
Major household appliances	10%	10%	47%	15%	5%	13%
Furniture and Homeware	10%	12%	47%	15%	5%	11%
Alcoholic beverages	13%	18%	44%	13%	3%	12%
Tobacco	11%	7%	23%	7%	4%	48%

With the exceptions of utility bills and housing, the number of Irish consumers who reported spending more across all categories of household expenditure has continued to increase over the last six months. Correspondingly, in 15 of the 17 household expense categories, the number of consumers who reported spending less fell by between 2 and 8 percentage points when compared to the previous period. The exceptions are utilities and housing where the numbers who had spent less (10%) remained steady.

In housing, a majority (55%) of respondents reported no change in their spending over the last six months. For the 26% who report increased spending, the cause may be attributed to higher residential rents.

A significant 46% of respondents spent more on utility bills in the last six months. While this is down 3 percentage points on the previous period, the decline may be due to seasonal factors since respondents were asked about their spending during the summer months. The number spending “a lot more” in this category (15%) is unchanged from earlier in the year.

Significant proportions of consumers reported spending more on transport (35%), telecommunications (33%) and health (31%) in the last six months. Spending on furniture and homeware saw the biggest increase with those who spent more in this category up by 7 percent on the previous period. Major household appliances, electrical equipment, clothing and footwear, pensions and insurance, and education all saw a 5 percentage point increase in spending when compared to the previous six months.

In line with the reported increase in disposable household income, consumers are spending more on restaurants and hotels. The trend in this category has held steady over the four waves of Deloitte research. In the latest figures, 22% report that their spending increased in the last six months when compared to the previous period while the number of those who spent less on restaurants and hotels is down from 39% in March 2015 to 31% in the latest figures. Spending on going out also increased when compared to the previous six months.

Consumer spending

Figure 3: Irish consumer spending in the next six months

Question: And now thinking about all the expenses in your household in the next 6 months, for each of the following, would you say that you will spend more, less, or the same compared to what you will spend in the last 6 months, again on a scale of 1 – 5, where 1 is a lot less and 5 is a lot more.

	A lot less	A little less	Spent the same	A little more	A lot more	Don't know/NA
Utility Bills	2%	7%	49%	25%	11%	7%
Health	4%	6%	56%	20%	8%	7%
Clothing and footwear	7%	9%	51%	22%	4%	6%
Transport	4%	7%	56%	20%	7%	6%
Holidays	13%	10%	40%	18%	6%	13%
Housing	3%	4%	58%	17%	7%	10%
Going out	12%	11%	46%	18%	4%	9%
Restaurants and hotels	12%	11%	47%	18%	4%	7%
Grocery shopping for food and non-alcoholic beverages	4%	7%	61%	18%	4%	6%
Landline/mobile/internet and cable/TV subscription	4%	8%	61%	16%	5%	6%
Education	5%	4%	50%	13%	6%	20%
Furniture and Homeware	9%	10%	51%	16%	4%	10%
Electrical equipment	7%	11%	55%	15%	4%	8%
Major household appliances	9%	11%	49%	14%	5%	12%
Pensions and Insurance	7%	5%	52%	13%	5%	18%
Alcoholic beverages	9%	13%	49%	13%	3%	14%
Tobacco	11%	6%	26%	8%	3%	46%

Consumers expect to pay more for their utilities over the next six months with 36% of respondents predicting an increase in expenditure in this category. Just 9% of consumers expect to pay less for utilities although this is down five percentage points since March 2015.

Consumers also anticipate spending more on transport (27%), holidays (24%), housing (24%), telecommunications (21%) and education (19%).

People are becoming more aware of the benefits of leading a healthy lifestyle and this may have a part to play in their expected increased expenditure. Some 28% of respondents expect to spend more on health in the next six months continuing a trend of steady increases in this category.

For retailers, the January sales may bring a lift in sales of clothing and footwear, furniture and homeware. Just over a quarter (26%) of consumers expect to spend more on clothing and footwear in the next six months, 20% predict spending more on furniture and homeware and 19% expect to spend more on major household appliances. The numbers expecting to spend less in these categories have declined when compared with March 2015.

Building on the increased expenditure on pensions and insurance over the last six months, those who anticipate spending more in this next six months (18%) is up 3 percentage points while those expecting to spend less has dropped to 12% in the latest figures.

The seasonal factor may be behind a predicted increase in spending on groceries and non-alcoholic beverages in the next six months with 22% of consumers anticipating that they will spend more on these products. The seasonal factor may also be a factor influencing those planning to spend more on going out in the coming six months (24%). That positive sentiment is balanced, however, by 23% who expect to spend less on going out. Similarly, while 22% of consumers expect to spend more on restaurants and hotels in the next six months, 23% expect to spend less.

The numbers planning to spend more on alcohol (16%) and tobacco (11%) are also offset by consumers who plan to spend less in these categories. 23% predict spending less on alcoholic beverages and 17% intend to spend less on tobacco.

Across all categories, on average 50% of consumers expect to spend the same in the next six months as in the previous period, down from 61% in March 2015.

Consumer spending

Figure 4: Seasonal shopping

When compared with other times of year, would you be more likely or less likely to purchase the following items online as part of your Christmas shopping?

Consumers spend more on food, clothes and alcohol in the lead up to the festive season. Just over four in ten respondents said they were more likely to purchase books and DVDs online at Christmas than at any other time of the year. This may be due to sales, purchasing for gifts and the fact that these are indoor activities. For other items, a majority of Irish adults (6 in 10) said that the time of year made no difference to their purchasing behaviour.



Consumer household events

Figure 5 Irish consumer purchasing intentions

Question: Below is a list of statements that may concern you/your household. Can you please indicate which of the proposed circumstances best apply to you/your household.

	Happened in last 6 months	Intended to but abandoned plans	Planning to in next 6 months	No plans at the moment	Don't know/NA
Paying for a long break/holiday	6%	5%	25%	49%	14%
Adding an extension to the home or redecorating a room	4%	4%	19%	55%	20%
Buying a car	7%	6%	17%	55%	15%
Buying a major piece of furniture	4%	4%	15%	60%	16%
Buying an expensive electrical item	18%	7%	16%	47%	10%
Selling an expensive electrical item	4%	4%	9%	62%	21%
Downsizing: moving into a smaller home	2%	3%	8%	65%	22%
Upgrading: moving into a larger home	1%	4%	8%	64%	22%
Buying a property	2%	4%	8%	64%	23%
Buying a major home appliance	6%	5%	13%	59%	16%

When it comes to events in the household, a quarter of respondents plan to pay for a long break or holiday in the next six months. This is down by 5 percentage points on the figures from March 2015 but up when compared to this time last year.

There is a modest increase in the numbers planning to buy a car (up from 16% to 17%) while furniture and homeware is up from 14% to 15%. People have been spending on expensive electrical items with 18% saying that they made a purchase in the last 6 months and 16% planning a purchase in the next six months.

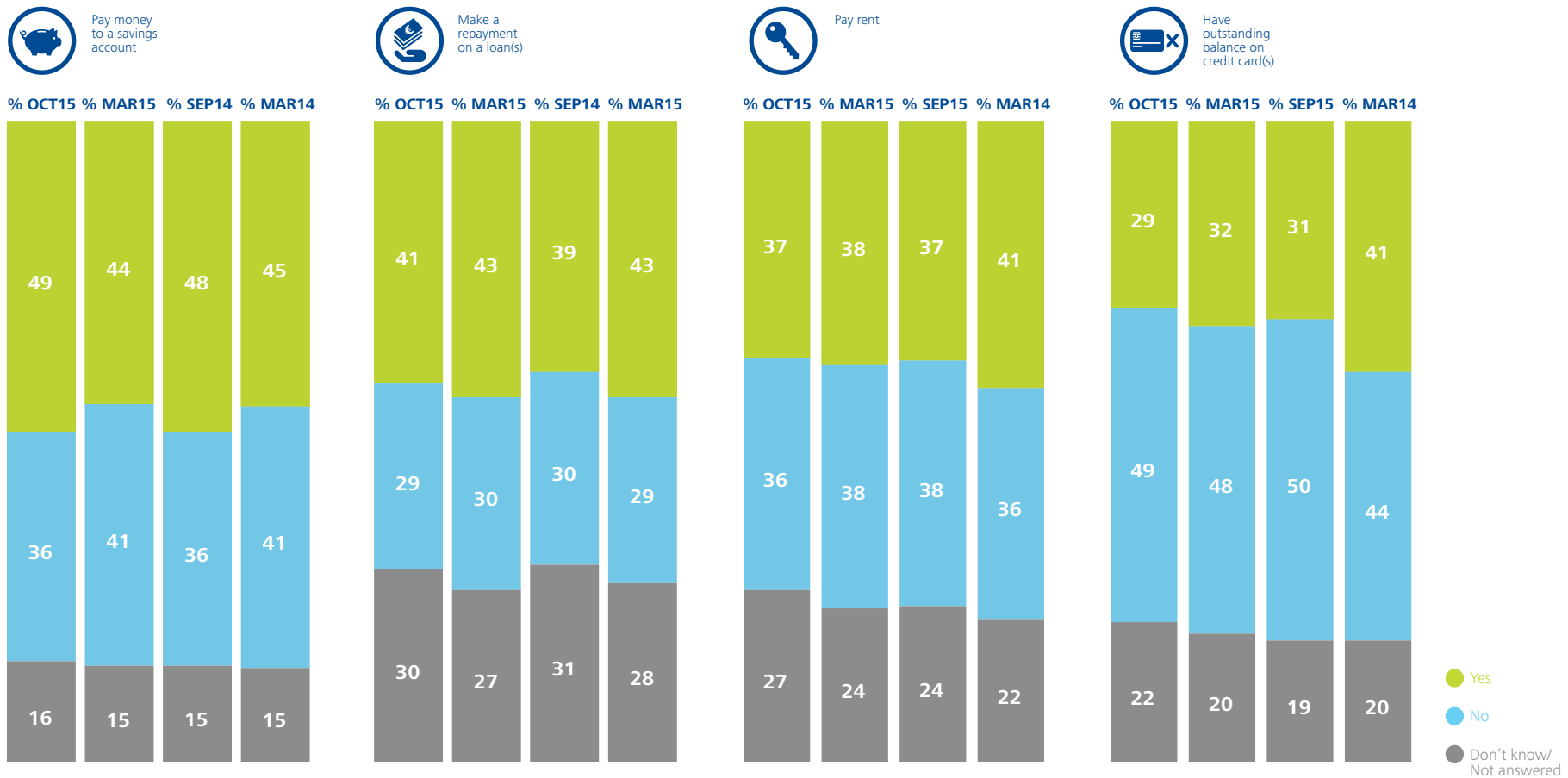
Renovating existing housing structures is becoming increasingly popular. The latest Deloitte Ireland figures show an increase of 8% in the number of Irish adults planning to add an extension or redecorate the house in the next six months when compared to March 2015.

A majority of Irish adults (64%) have no plans to buy a property at the moment (the corresponding figure in March 2015 was 69%). There is no change in the numbers planning to downsize in the next six months but the numbers planning to upgrade their property by moving into a larger home is up 2 percentage points to 8%.

Consumer attitudes to financial obligations

Figure 6: Irish consumer attitudes towards financial obligations

Question: Thinking about your household financial outgoings every month which of the following apply to you?

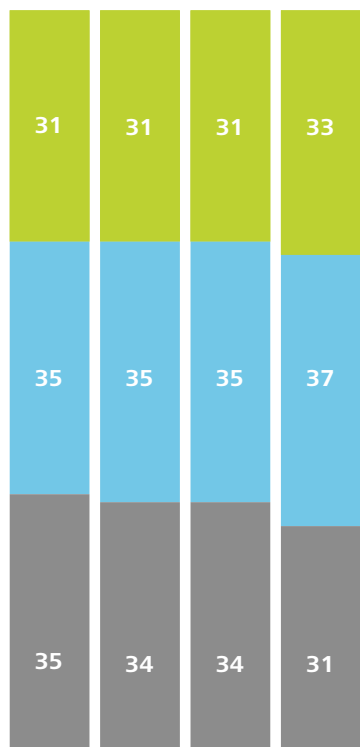


Consumer attitudes to financial obligations



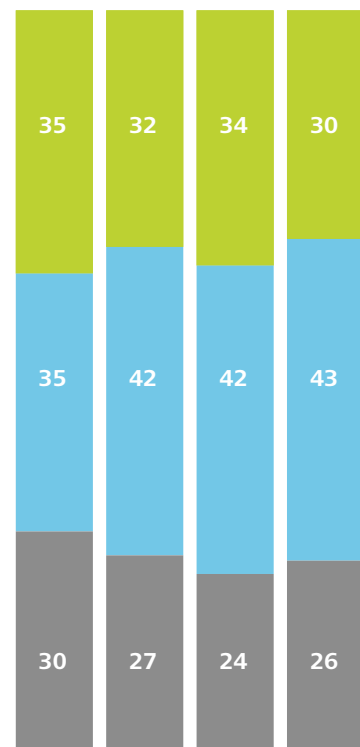
Pay a mortgage

% OCT15 % MAR15 % SEP14 % MAR14



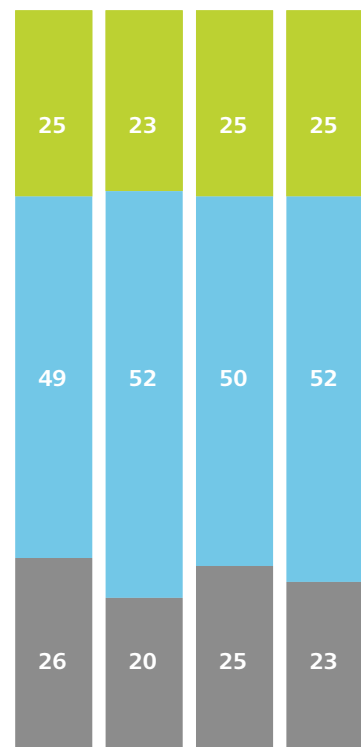
Repay total balance of my credit card

% OCT15 % MAR15 % SEP14 % MAR15



Pay into a pension

% OCT15 % MAR15 % SEP15 % MAR14



- Yes
- No
- Don't know/Not answered

Earlier this year Deloitte Ireland recorded a 2 percentage point fall in the number of Irish adults paying into a pension fund. The latest research shows that loss has been regained with 25% of Irish adults reporting that they contribute to a pension on a monthly basis. A 2% increase in the number planning to increase their pension contribution in the next six months is matched by a similar decrease in the number of those who intend to reduce their payment.

Paying into a savings account is becoming part of the monthly outgoings for more people. Almost half of all Irish adults (49%) are regular savers, an increase of 5 percent when compared with the March 2015 data but similar to the 48% recorded this time last year.

There are indications that people are managing their personal finances more effectively with 35% repaying the total balance on their credit card each month. The number with an outstanding balance on a credit card has fallen to 29% and just under half (49%) of those surveyed did not have an outstanding balance on their credit card. A reduction in credit card and loan repayments is slightly more common around the September/October time period than around March.

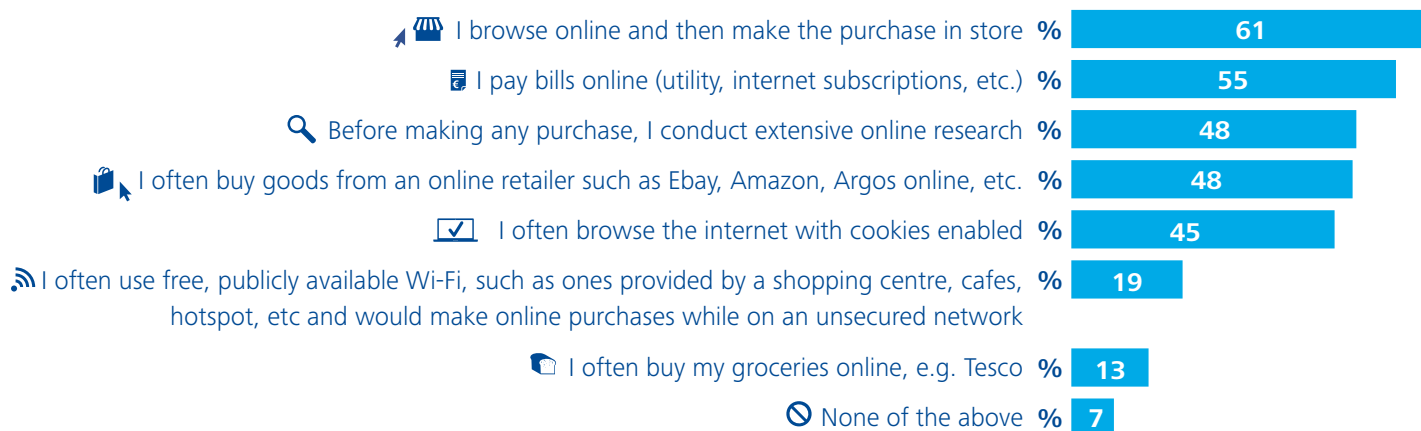
Rent payments have remained static despite the current rental market.

Looking ahead to the next six months, no significant change is expected in spending on savings, rents or mortgage repayments.

Online and mobile consumer behaviour

Figure 7: Irish consumer purchasing behaviour — online vs in person

Question: Which of the following, if any apply to you?



Deloitte research published earlier this year revealed that almost nine out of ten Irish adults had made an online purchase in the previous 12 months. Clothing and footwear topped the list of items purchased (49%), followed by hotels and accommodation (46%), flights/rail/cruise/car hire (44%) and books/DVDs/music and games (42%).

The latest research shows that 61% of Irish adults browse online before completing a purchase in-store. Looking more closely at the demographics, 64% of higher income (ABC1) Irish adults browse online before making a purchase compared to 59% of those with lower income (C2DE). Slightly more (15%) of the 15-24 age group browse online before purchasing than any other age group and more women (63%) browse online before purchasing than men (60%).

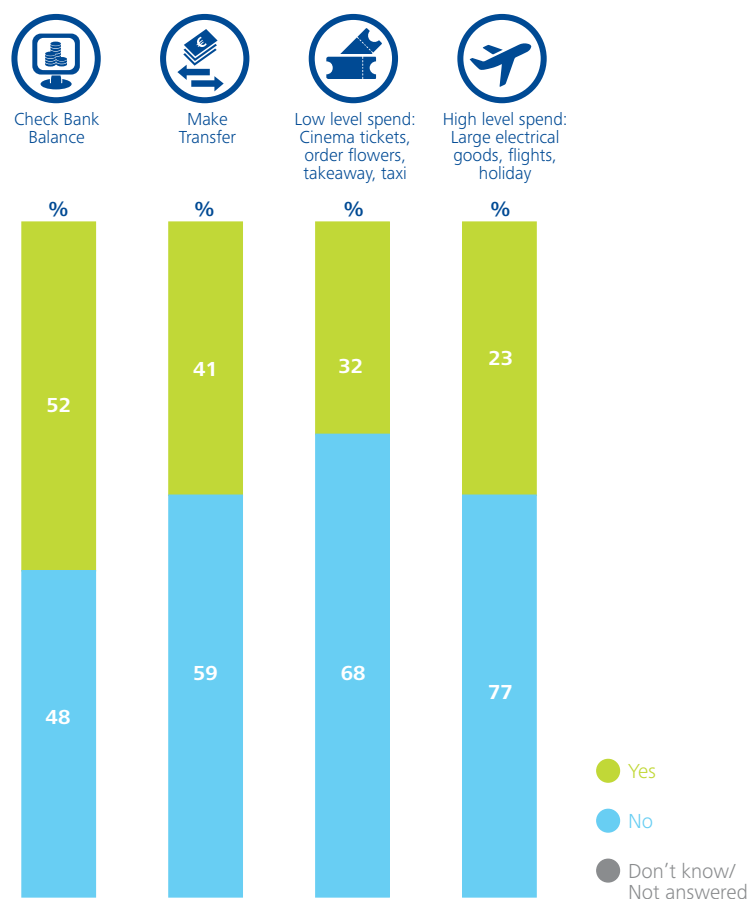
Retailers who use online and social media platforms to support their in-store products and services stand to benefit from this trend.

The generation gap continues to narrow with 64% of those aged over 55 reporting that they pay bills online — a higher percentage than in any other age group. There is also evidence that Irish consumers favour online services when banking; 63% of people check their balance online and 56% make online transfers.

Online and mobile consumer behaviour

Figure 8: Mobile purchases

Question: Have you ever used your mobile to make any of the following purchases?



Mobile devices are also encouraging growth in mobile payments. The latest research shows Irish adults are most comfortable making low level purchases on their mobile and this action is becoming part of every day life for many. While people remain cautious about mobile banking, 52% use their smartphone to check their balance and 41% use their phone to make a transfer.

In the US, there are interesting developments in mobile payments at the point of sale. mPay-at-POS offers consumers more convenience than plastic cards and facilitates retailers who want to cross-and up-sell while providing shoppers with faster, more streamlined checkout as well as automated billing. mPay-at-POS also provides the opportunity to integrate loyalty programs with the consumer's mobile wallet thus enabling faster redemption of incentives and discounts at the POS terminal, facilitated by APIs. The convenience of mPay-at-POS is expected to improve as innovative devices, such as wearables, continue to be developed.

Meanwhile, browsing online is no longer confined to the home. Widespread use of smartphones allows more consumers to research products and compare prices in-store creating opportunities for retailers who can take advantage of this trend. Personalised websites and emails have become the norm, and consumers are looking for this personalisation to extend into their in-store experiences. Retailers can now send customised text messages to shoppers in-store and adapt interactions to each individual. In 2016, we are likely to see more retailers investing in analysis of big data to enable personalisation. Opportunities abound; however, maintaining trust will be critical and data governance is likely to be an important agenda item for retailers in the coming year.

Conclusion

Irish adults have become increasingly more optimistic over the past year and a half. It is positive to see that people are more optimistic about their career prospects and job security. This, combined with an increase in disposable income, is contributing to improved confidence about good health and wellbeing.

While utility bills remain at the top of the household expenditure list, sentiment in this category has remained largely stable despite the controversy about water charges and there has been no real change in sentiment about expenses such as mortgage repayments and rent. Monthly expenditure on loan repayments has remained static and more people are paying off their credit card balance each month.

Looking to the New Year, the numbers intending to purchase property are on the increase while home renovation is becoming increasingly popular.

In the coming weeks, the January sales may bring a lift for retailers as consumers plan to increase their spending

on everything from clothing and footwear to furniture, homeware and major household appliances. On a cautionary note, while the numbers who intend to reduce their spending have declined when compared with earlier in the year, they remain significant. The divisions in the dual economy may be weakening but they still exist.

Finally, mobile purchasing is becoming more popular and widespread use of smartphones is helping shoppers become more savvy. Consumers use their phones to compare prices and check reviews, often while they are in store, suggesting that even those retailers who do not sell online may be able to use online and social media platforms to provide product information and lift sales.

For 2016, we predict ongoing growth in mobile retailing and more businesses will invest in analysing and using customer data. Trust, transparency, and protecting customer information will be more critical than ever as mobile shopping becomes the norm.



Definition of the categories

Please indicate to which occupational group the chief income earner in your household belongs, or which group fits best. The chief income earner is the person in your household with the largest income, this could be you. If the chief income earner is retired and has an occupational

pension please answer for their most recent occupation. If the chief income earner is not in paid employment but has been out of work for less than 6 months, please answer for their most recent occupation.

1	Higher managerial, professional	A
2	Intermediate managerial, professional	B
3	Supervisory or clerical, junior managerial, Nurse, Teacher, sales rep, shop owner	C1
4	Skilled manual worker (e.g. Skilled Bricklayer, Carpenter, Plumber, Painter, Bus, Ambulance Driver, HGV driver, AA patrolman, publican), Hairdressers, fitter	C2
5	Semi or unskilled manual work (e.g. Manual workers, all apprentices to be skilled trades, Caretaker, Park keeper, non-HGV driver, shop assistant), Postman, Barber, taxi driver, Bartender	D
6	Casual worker - not in permanent employment	D
7	Student	C1
8	Housewife, Homemaker	E
9	Retired and living on state pension	E
10	Unemployed or not working due to long-term sickness	E
11	Full-time carer of other household member	E
12	Farmer 50+ Acres	F50+
13	Farmer Less than 50 Acres	F50-





Contacts

For more details please contact:

Dublin
Deloitte
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
T: +353 1 417 2200
F: +353 1 417 2300

Cork
Deloitte
No.6 Lapp's Quay
Cork
T: +353 21 490 7000
F: +353 21 490 7001

Limerick
Deloitte
Deloitte & Touche House
Charlotte Quay
Limerick
T: +353 61 435500
F: +353 61 418310

Galway
Deloitte
Galway Financial Services Centre
Moneenageisha Road
Galway
T: +353 91 706000
F: +353 91 706099

www.deloitte.com/ie

For more information on the Deloitte Consumer Tracker please contact:

David Hearn
Partner, Consulting
T: +353 1 417 2535
E: dhearn@deloitte.ie



Cormac Hughes
Partner, Consulting -
Strategy & Operations
T: +353 1 417 2592
E: cohughes@deloitte.ie



Kevin Sheehan
Partner, Audit
T: +353 1 417 2218
E: kesheehan@deloitte.ie



Colm McDonnell
Partner, Risk Advisory
T: +353 1 417 2348
E: cmcdonnell@deloitte.ie



Sinead McHugh
Director, Audit
T: +353 1 417 2817
E: simchugh@deloitte.ie



Honor Moore
Partner, Audit
T: +353 21 490 7082
E: homoore@deloitte.ie



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