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EUROPEAN SHOPPER TRENDS REPORT



Q2 2017

Bringing you the latest consumer behaviour trends from across the globe



European Shopper Trends Report Q2 2017

Welcome to our latest European Shopper Trends report, which offers key statistical insight into international shopper behaviour during the second quarter of 2017 across the European region.

European Overall Q2: -0.1%

Austria: +2.9%

Ireland: +1.9%

Germany: +1.7%

Poland: 1.3%

Portugal: 1.2%

Spain: -0.2%

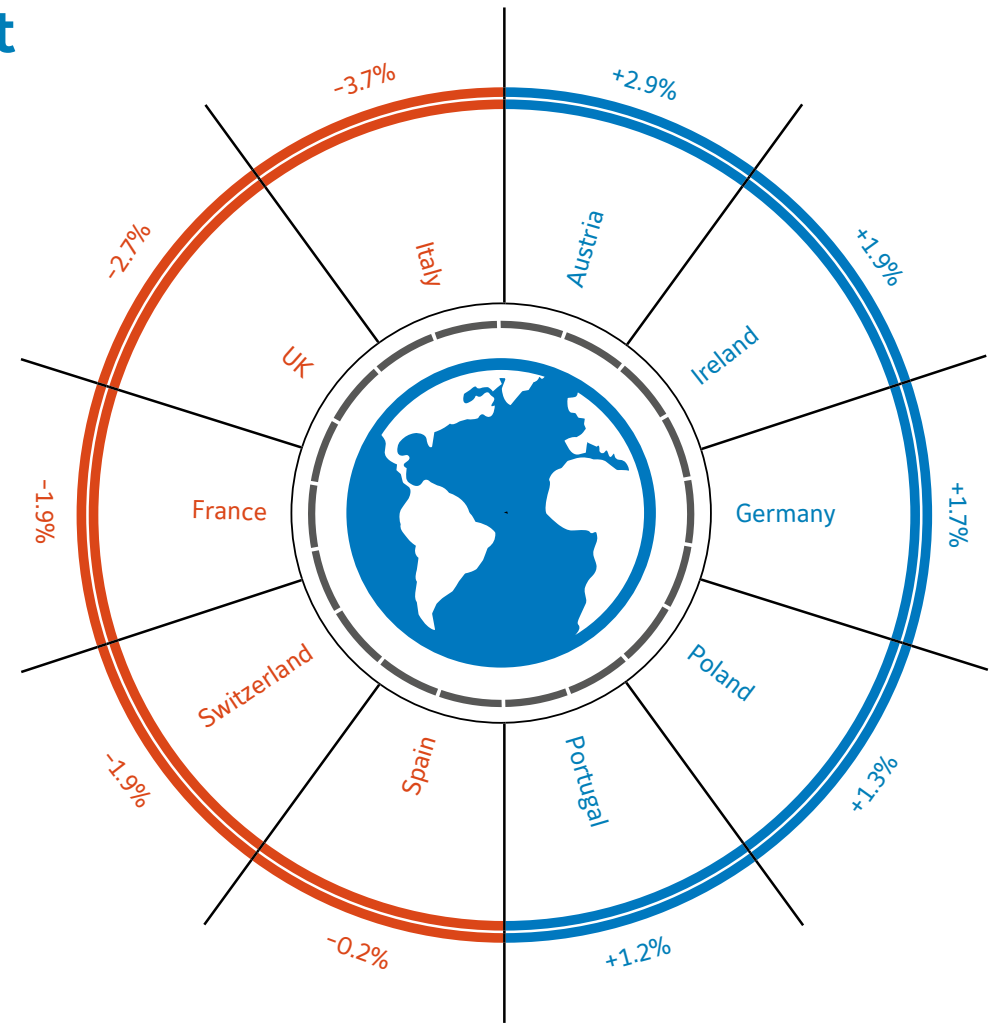
Switzerland: -1.9%

France: -1.9%

UK: -2.7%

Italy: -3.7%

Read on to discover some of the reasons behind these developments in shopper footfall in each country.





EUROPE

Marginal footfall drop outweighed by retail sales growth.

Europe's retailers experienced a slight overall traffic decline of -0.1% Year-on-Year in Q2 2017. Yet some countries, most notably Austria, Ireland and Germany, saw relatively strong footfall uplifts, driven by returning consumer confidence and falling unemployment levels.

There was also evidence of positive sales growth. A star performer was Poland, which experienced an 8.4% increase in retail sales Year-on-Year.

Spain too delivered encouraging retail trading, driven by high levels of consumer confidence, and the outstanding performance of fashion players in the country – Uniqlo, Inditex, and H&M are all expanding their store networks and investing in flagships.

Several European countries revealed static or negative retail traffic results during the quarter, with uncertainty surrounding the ongoing Brexit process causing consumer unease in the UK, and high unemployment still troubling Italy. However, there are plenty of reasons to be optimistic about the rest of 2017, with plenty of retail innovation to be seen across Europe.

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most notably Austria,
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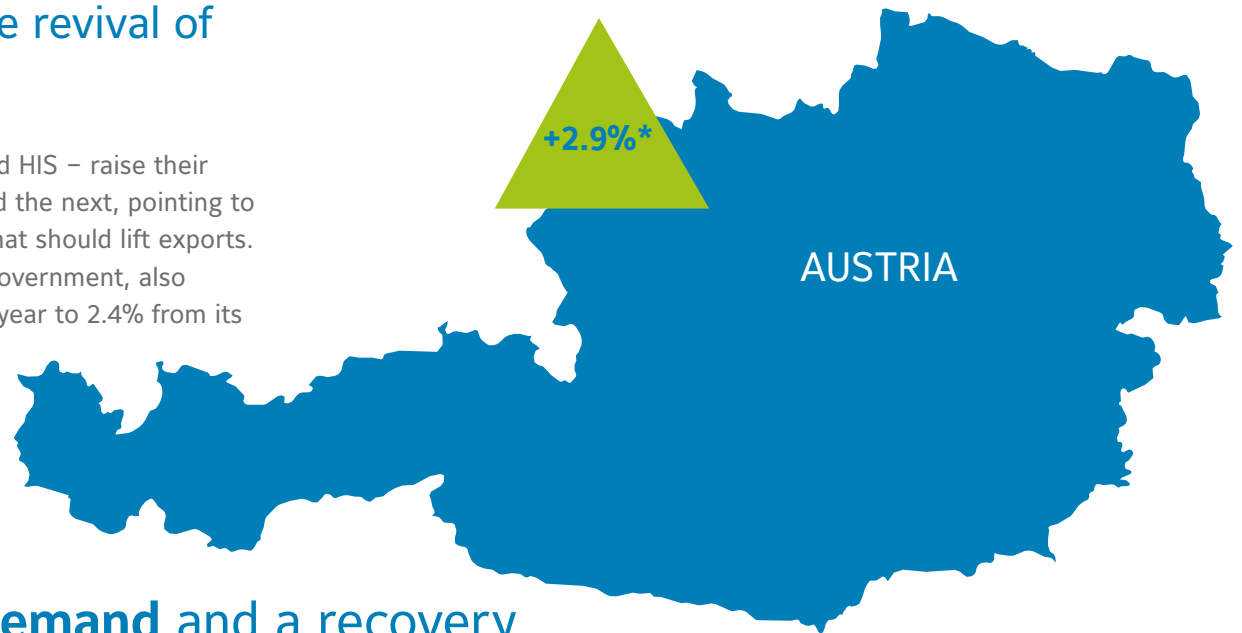
AUSTRIA

Economic growth accelerates sharply

The 2017 retail outlook remains positive for Austria, which enjoyed Europe's best retail traffic growth across Q2, at +2.9% Year-on-Year. Analysts say economic performance here is accelerating sharply, supported by the revival of the global economy.

June saw Austria's two main economic think tanks – Wifo and HIS – raise their forecasts for the country's economic outlook for this year and the next, pointing to robust domestic demand and a recovery in foreign markets that should lift exports. The Wifo think tank, which compiles economic data for the government, also raised its real gross domestic product (GDP) forecast for this year to 2.4% from its previous quarterly prediction of 2.0%, published in March.

Third party data sources: Wifo, HIS, Reuters



Robust domestic demand and a recovery
in **foreign markets** should lift exports

REPUBLIC OF IRELAND

Major investments ahead for Ireland

The Republic of Ireland recorded an impressive +1.9% Year-on-Year increase in shopper traffic during Q2. This is the pay-off for retailer investment in people skills, refurbishments and technology.

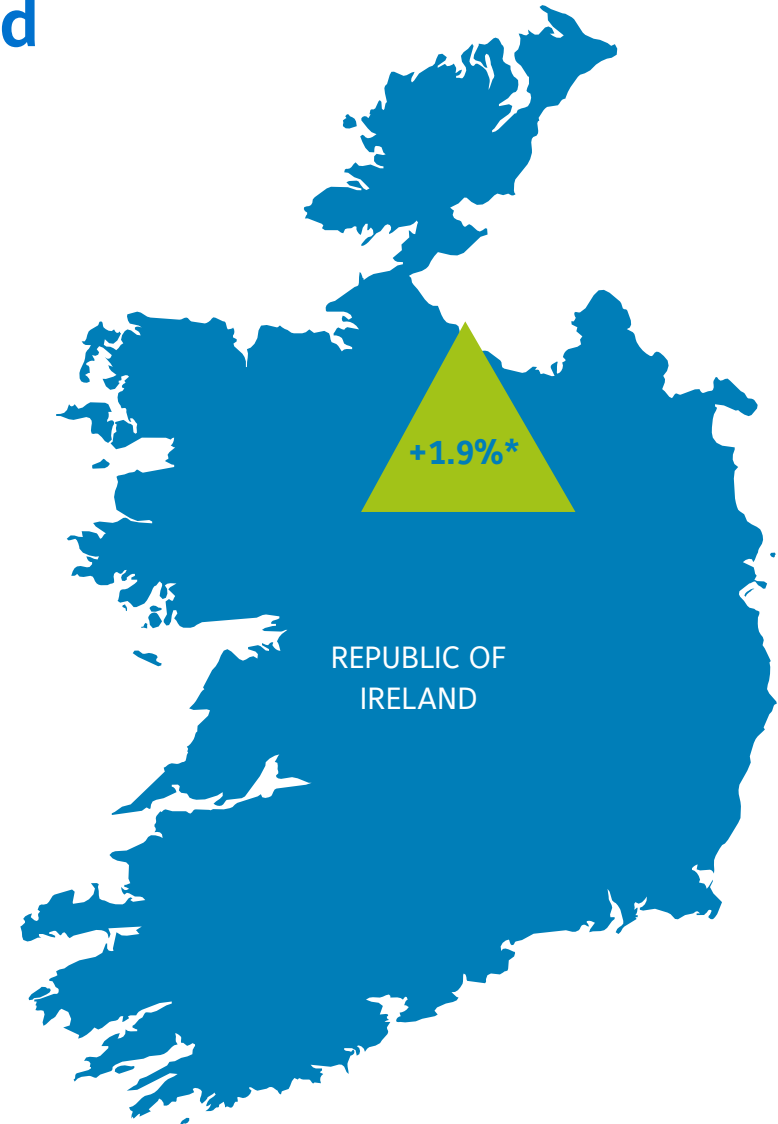
In May, the KBC Bank Ireland/ESRI Consumer Sentiment Index recorded a slight dip in consumer sentiment, but the appointment of a new pro-EU prime minister, Leo Varadkar, in June, suggests steadier times ahead.

According to a June 2017 report from Focus Economics: "Varadkar is committed in ensuring steady growth in the economy and mitigating any adverse Brexit-related impact by attracting higher capital investment as he possesses little fiscal manoeuvring due to EU-imposed constraints."

Third party data sources: Focus Economics, Ibec



This is the pay-off for **retailer investment** in people skills, refurbishments and technology



GERMANY

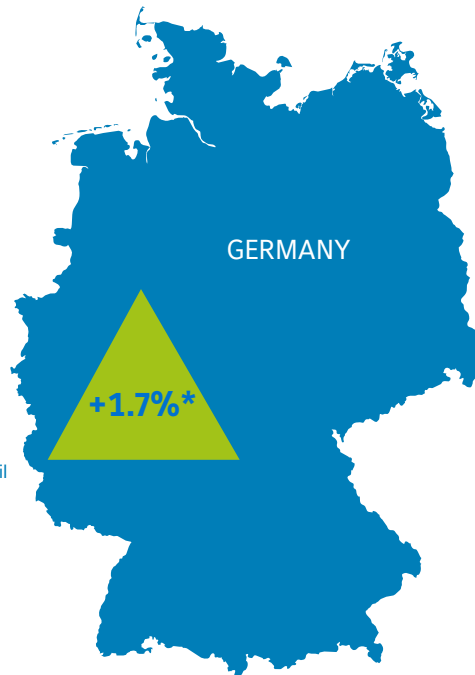
Robust traffic growth in April counters uncertainties

German stores enjoyed a healthy Year-on-Year uplift in traffic for Q2 2017.

April and June 2017 proved to be especially good months, with warm weather encouraging shopper visits. Retail sales were flat Year-on-Year in April but increased by 4.2% Year-on-Year in May. This is encouraging news, as Europe's largest economy experienced a difficult first quarter, with retail footfall down -7.1% Year-on-Year.

Analysts say Germany is getting a competitive boost from the Euro, which makes its exports more attractive to buyers outside the single currency. However, there are still economic uncertainties affecting consumer confidence, from concerns about Brexit and US trading policy, to new governments taking power in neighbouring France and Italy.

Third party data sources: Trading Economics, EPR Retail News, Marketwatch



POLAND

Growth prospects attract new retail names

Polish retailers experienced an impressive +1.3% Year-on-Year uplift in consumer traffic over Q2 2017.

Analysts have applauded Poland's retail sales growth rates since January this year, with an 8.4% increase achieved Year-on-Year in May, following a 8.1 % rise in April.

Demand is high for clothing, footwear, furniture, household appliances, books and stationery, according to the Central Statistical Office of Poland.

Improving confidence in the labour market, and unemployment falling consistently since January, are both promising signs for sustained traffic growth, so long as retailers keep delivering value and innovation in their stores.

A report published in April confirms high levels of investment activity in the Polish retail property market, with UK toy chain Hamleys, US fashion giant Victoria's Secret, and Russian fashion brand before exploring entry into Poland.

Third party data sources: Trading Economics



PORTUGAL

Traffic AND sales on the up

Portugal saw a retail traffic uplift of +1.2% Year-on-Year in Q2, a marked improvement over the previous quarter's footfall performance.

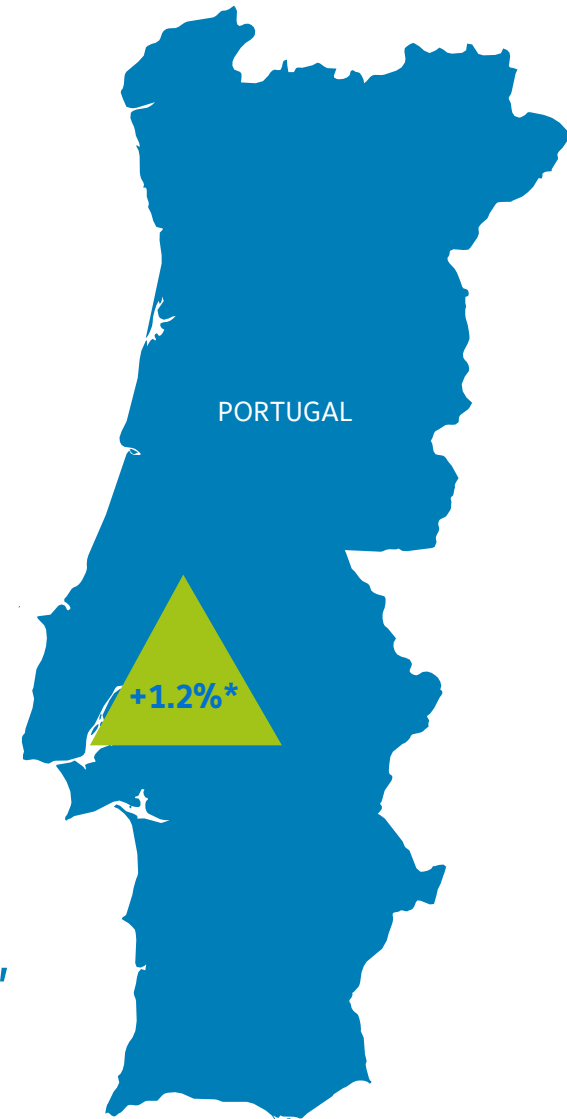
Retail sales in Portugal also increased Year-on-Year, by 4.5% in April and 5.1% in May. In fact, May was the 30th consecutive month of gains in retail trading, as sales went up for food, beverages, tobacco and non-food products.

A bright future is predicted, as the country's deficit is currently at a 40-year low. The Bank of Portugal is upbeat, revising export growth projections upwards and predicting a return to pre-2008 levels within two years.

Third party data source: Trading Economics



Sales went up for **food, beverages, tobacco and non-food products**



SPAIN

Footfall dips but retail sales are buoyant

April and May saw footfall dip marginally in Spain, by -0.04% and -0.2% respectively, Year-on-Year.

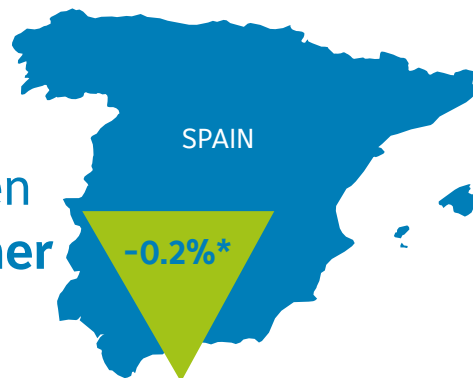
Yet Q2 can be judged as successful for retailers in view of strong trading growth.

Spain's retail sales rose 2.4% Year-on-Year in May 2017, according to Trading Economics, beating market expectations of a 1.9% gain. This marked the strongest rise since November last year, as sales went up faster for both food and non-food products. Growth is being driven by improving consumer confidence, and the outstanding performance of fashion players in Spain. Uniqlo, Inditex, and H&M are all putting large-scale expansion plans into action, while French retailer Carrefour has announced plans to hire 6,700 temporary staff to fulfil its ambitions in Spain.

Third party data sources: Trading Economics, The Economist



Growth is being driven by improving **consumer confidence**



FRANCE

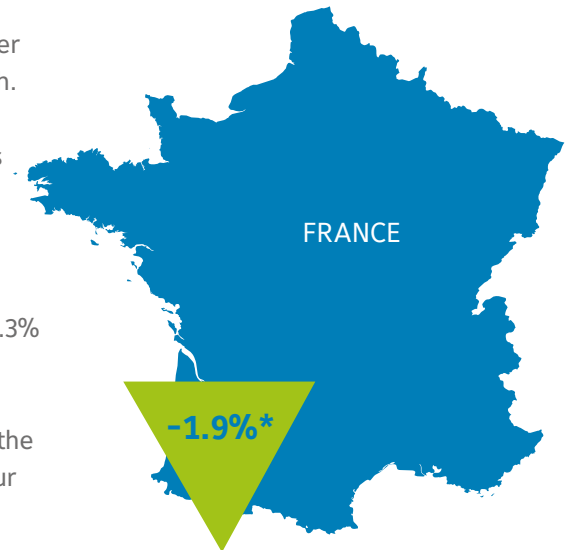
Confidence sky high despite traffic dip

Overall, retail footfall traffic for Q2 2017 dipped -1.9% Year-on-Year in France.

However, French retailers are enjoying the benefits of consumer confidence hitting a 10-year high. "A surge in confidence reflects greater optimism about France's economic prospects following Macron's election," says The Economist.

Indeed, retail sales were up by 3.3% Year-on-Year in April, and even better in May, up 4.2% Year-on-Year. Analysts were cheered by the news that French group Carrefour achieved a second quarter 6.1 % turnover increase.

France is currently considered a Eurozone growth hotspot. Global property advisor CBRE says the country is the second most attractive market in the EMEA (after the UK) for retailers looking to expand their store presence in 2017. UK fashion brands Superdry and Primark are just two names extending their French presence this year.



Third party data sources: Trading Economics, The Economist, Retail Detail, Fashion United

SWITZERLAND

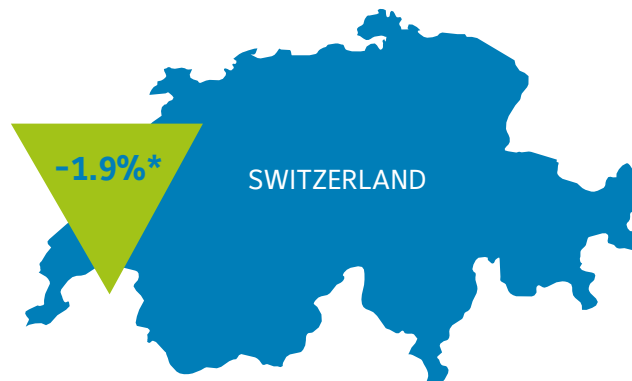
Sales flat but more growth on the horizon

Swiss retailers experienced a Year-on-Year decline in shopper traffic of -1.9% over the second quarter of 2017, reflected by flat retail sales.

While this is a significant change from the country that achieved +1.8% Year-on-Year growth in Q2 2016, it is not a major concern, say global analysts. They point out that Switzerland is benefiting from the recovering Euro area, and that consumer confidence is rallying.

Switzerland's State Secretariat for Economic Affairs predicts that growth will step up significantly over the coming quarters, offsetting the lack of momentum experienced at the start of 2017. Any growth in the Swiss economy is expected to be the result of increased consumption expenditure from private households, and investments in construction and equipment.

Third party data sources: European Economic News



UK

Easter weekend delivers traffic boost

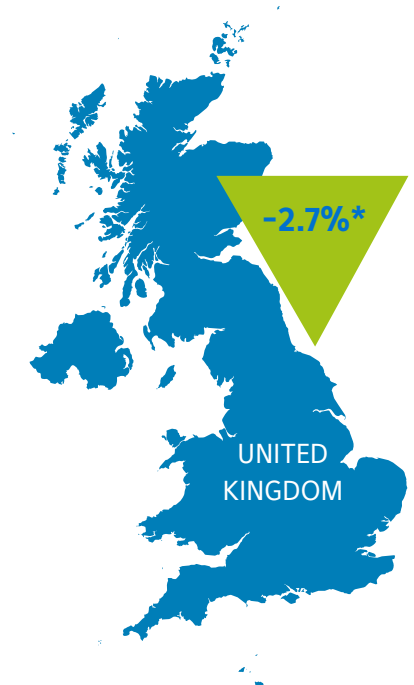
Year-on-Year, footfall in the UK was down by -2.7% in Q2 2017.

However, in April, retail sales increased by 2.3% compared to March 2017, thanks to good weather and shoppers enjoying the long Easter weekend.

Retailers' biggest challenge over the next few months will be to sustain sales growth. "Consumers are likely to cut back on some areas of discretionary spending over the next couple of years as they face higher bills for their regular household expenses," says Andrew Sentence at PWC. "[But] while retail sales statistics are volatile from month to month ... the shoppers we surveyed said they are still relatively confident about their own personal prospects."

On another positive note, while the weaker Pound has put pressure on British consumers, it has been attracting significant tourist spend in the UK.

Third party data sources: Office for National Statistics, KPMG, PwC



ITALY

Business community welcomes sales growth

Italy continues to experience economic challenges, reflected in a -3.69% Year-on-Year traffic decline in Q2. However, retailers will warmly welcome news of positive growth in retail sales, with April and May achieving uplifts of +0.8% and +1% respectively.

This data suggests that household spending is gathering momentum, despite slow wage growth.

Italy's unemployment rate grew to 11.3% in May, but the forecast predicts it will decline gradually in the next three years. Meanwhile, analysts have been wary of ongoing problems with Italy's banking system, and welcomed the government's injection of €5.2 billion into two failed mid-sized banks on 25th June, following the European Commission's approval.

Third party data sources: Trading Economics, Focus Economics



Data suggests that **household spending** is gathering momentum



About the European Shopper Trends Report

We believe it is not enough to collect data on consumer trends. We analyse the influences behind those trends, so that retail organisations can make meaningful changes. To find out more about how economic, social, cultural and political events are impacting your region, visit our online trends centre.

This hub includes data from ShopperTrak's EMEA Retail Traffic Index, which provides a barometer of international shopper activity. We also offer the technology and consultancy to help retailers and shopping centres unlock the potential revealed in this data. We'll support you with recommendations and action plans for tangible performance improvement, from pilot project through to full retail intelligence solution deployment.

To find out how ShopperTrak can improve your profits visit www.shoppertrak.com

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