



Performance of the On-Licensed Sector in 2010

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1. Overview

- The national economic environment continued to be weak in 2010. GDP volume declined by 0.3%, GNP volume declined by 2.5% and the volume of total national consumer expenditure declined by 1.7 %. National employment decreased by 4.1% and the unemployment rate was about 14% compared with 11.8% in 2009. The pressure on discretionary and disposable incomes continued in 2010.
- The on-licensed sector provides the vast majority of the employment generated by the overall drinks industry and it is experiencing substantial decline. It is also a strong contributor to the Irish tourism product.
- The main feature of the 2010 on-licensed performance is the continuation and worsening of the very large rates of decline of recent years.
- The weak economic environment and on-going structural factors continued to take its toll on the on-licence sector with bar sales declining by 10.5% in volume and 13.1% in value. The larger value decline was because of the decrease in bar prices in 2010.
- On-licence prices decreased by 2.9% in 2010.
- Bar sales volume, which includes food sales, soft drinks and off licence as well as bar sales of alcohol, decreased by 10.5% in 2010 following the 2009 decline of 10.1% and the 2008 decline of 6.9%. The value of bar sales decreased by 13.1% in 2010. The volume of bar sales of alcohol declined by about 9% in 2010.

- On-licensed employment was about 50,000 in 2010 based on the Failte Ireland survey which is about 7000 less than in 2009
- Prospects for the on-licensed sector in 2011 remain very weak. GNP is currently forecast by the Central Bank to decline by 0.3% in 2011. The volume of consumer expenditure will decline by 2.2% according to the Central Bank. The higher level of tax/universal social charge, increased mortgage rates and pay cuts and pay freezes will reduce discretionary income.
- Based on the expected economic decline the employment and tax intensive on-licence sector will continue to decline in 2011.

2. Introduction and 2010 Economic Environment

This report examines the performance of the on-licensed sector of the drinks market in 2010. The on-licensed (public houses and other bars) sector is experiencing very large rates of decline. This is of particular importance because the on-licensed sector accounts for the vast majority of drinks sector employment.

The report is mainly based on official and semi-official data sources from the Central Statistics Office and Failte Ireland and is compiled by Anthony Foley, Dublin City University Business School.

The emphasis on official and semi-official data sources is designed to facilitate external scrutiny of the analysis. In some limited cases there is use of industry sourced data where official data are unavailable.

Following substantial declines in 2008 and 2009 the on-licence sector of the drinks industry continued to perform poorly in 2010.

The national economy performed poorly in 2010 with continuing declines in economic aggregates but at a much lower rate than the disastrous 2009 experience. Real GDP declined by 0.3% in 2010. Real GNP declined by 2.5%. Real consumer expenditure declined by 1.7%. The nominal value of total consumer expenditure declined by 3.5%.

National employment declined by 4.1% and the average unemployment rate was 13.6% compared to 11.8% in 2009. Disposable and discretionary incomes remained under pressure. These negative economic factors contributed to the continuing large decline in the on-licence sector.

3. Prices

2010 was characterised by price decreases in the on-licensed sector. As measured by the Consumer Price Index (CPI) average alcohol prices in 2010 were 4.4% lower than in 2009. This compares with an overall CPI decrease of 1.0%.

The Consumer Price Index excluding mortgage interest declined by only 1.4%. On licence prices decreased by 2.9% and off licence alcohol prices decreased by 8.2%.

Table 1: Alcohol Price Change 2010 compared with 2009

	% change
All Alcoholic Drink	-4.4
Off Licence	-8.2
On Licence	-2.9
CPI	-1.0
CPI excluding mortgage interest	-1.4

Source: Derived from Consumer Price Index, Central Statistics Office

The price changes referred to above are average prices in 2010 compared with average prices in 2009.

4. Retail Sales

The volume of bar sales decreased by 10.5% in 2010 according to the Central Statistics Office and the value of sales declined by 13.1%. The value decline is larger than the volume decline because of the decline in bar prices in 2010. The 2010 value decline is larger than the decline experienced in 2009.

The 2010 decline is also higher than might have been expected due to the lower decline in overall consumption in 2010 than in 2009. This reflects the particularly difficult situation of the overall hospitality sector and the pressure on discretionary income.

The bar sales index covers all bar sales including food, soft drinks, cigarettes and any off licence sales as well as bar sales of alcohol. The industry view is that food sales performed worse than drinks sales in 2010.

Consequently, the decline in alcohol sales in bars was a little lower than the overall bars Retail Sales Index figure compiled by the CSO. Based on industry information it is estimated that the volume decline in alcohol sales in bars was approximately 9 % in 2010.

Table 2: Retail Sales in Bars - % Change 2010

	Volume	Value
2009/10	-10.5	-13.1

Source: Central Statistics Office

The 2010 volume of bar sales is only 74.9 % of the 2007 level. Since the end of the economic boom the bar sector has lost one quarter of its sales volume with a consequent substantial negative impact on employment.

The performance over recent years is shown in Table 3. Sales volume declined by a relatively small 1.6% in the last pre-recession year of 2007. In 2008 the decline was 6.9% and this accelerated to 10.1% in 2009. As already noted the 2010 decline was 10.5% which was even higher than 2009.

Table 3: Retail Sales in Volume of Bars - % Change 2007, 2008, 2009, 2010

2007	-1.6
2008	-6.9
2009	-10.1
2010	-10.5
2007 to 2010	-25.1

Source: Central Statistics Office

5. Employment

The on-licensed sector is the main employment generator in the overall drinks industry. The on-licensed retail sector provides a variety of employment types in terms of full-time, part-time and casual positions.

There are three main sources of recent employment data, the Failte Ireland survey, the Drinks Industry Group of Ireland's own survey and in the Annual Services Inquiry of the Central Statistics Office. The most recent source is the 2010 Failte Ireland survey covering the 2009 level of employment.

Public house employment details are shown below.

Table 4: Type of Employment in Public Houses 2008 and 2009

	Full-Time year round	Part-Time year round	Full time Seasonal	Part time Seasonal	Unpaid family	Volunteers and trainees	Total Persons
2008	29,306	23,796	3,681	3,320	4,470	345	64,918
2009	25,972	22,946	1,845	2,872	324	23	53,982

Source: Failte Ireland Tourism Employment and Training Survey 2009 and 2010

The decline in 2009 was 16.8%. In view of the increased rate of sales volume and sales value decline in 2010 it is likely that employment could have declined by an additional 13% or 7,000 jobs including full and part-time jobs.

Prospects for 2011 are equally poor. In the absence of supportive policy measures another 3,000 jobs are likely to be lost in the public house sector in 2011.

In addition to the public houses there is employment in other licensed premises. The 2009 Failte Ireland survey reports 4,724 bar staff in hotels in 2009 compared to

6,436 in 2008. This total has also declined in 2010 and will continue to decline in 2011.

In contrast to the approximately 50,000 persons employed in the on-licensed sector in 2010 the off-licence sector employs about 5,000 persons.

6. 2011 Prospects

The Irish economy will decline further in 2011. Overall consumer expenditure volume will decrease. Disposable and discretionary income will continue to be under pressure.

Further substantial decline in the employment intensive on-licence part of the drinks industry will occur in 2011 in the absence of supportive policy measures.

This could be in excess of 5% and will threaten approximately 3,000 jobs.