



Q3

2017

Consumer

Market Monitor





Q3

Consumer Market Monitor

The Consumer Market Monitor is a publication provided by the Marketing Institute of Ireland in collaboration with UCD Michael Smurfit Graduate Business School.

It is designed to track key indicators of confidence and activity in the Irish consumer market as a resource for marketers and the wider business community. The consumer market accounts for over 60% of GNP so it is an important indicator of the health of the economy.

It relies on a model of consumer behaviour which sees economic variables such as income levels, taxes, interest rates and exchange rates influencing consumer confidence which, in turn, influences consumer behaviour including spending, saving and borrowing.

It is based on data from the Central Statistics Office (CSO), the Central Bank, the European Commission, and other secondary sources. The added value rests in the fact that the information is brought together in a single location and presented in a way that is easy to use for market analysis and sales planning. The accompanying editorial also highlights important trends and linkages that point to emerging opportunities and threats.

It is published on the Marketing Institute website and the UCD Smurfit School website and is updated every quarter. This edition covers quarter three of 2017, and also reviews the first three quarters of the year as a whole.

The Author

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Mary has written extensively on this subject in academic journals, and also writes commentaries on marketing topics of contemporary interest for professional publications.

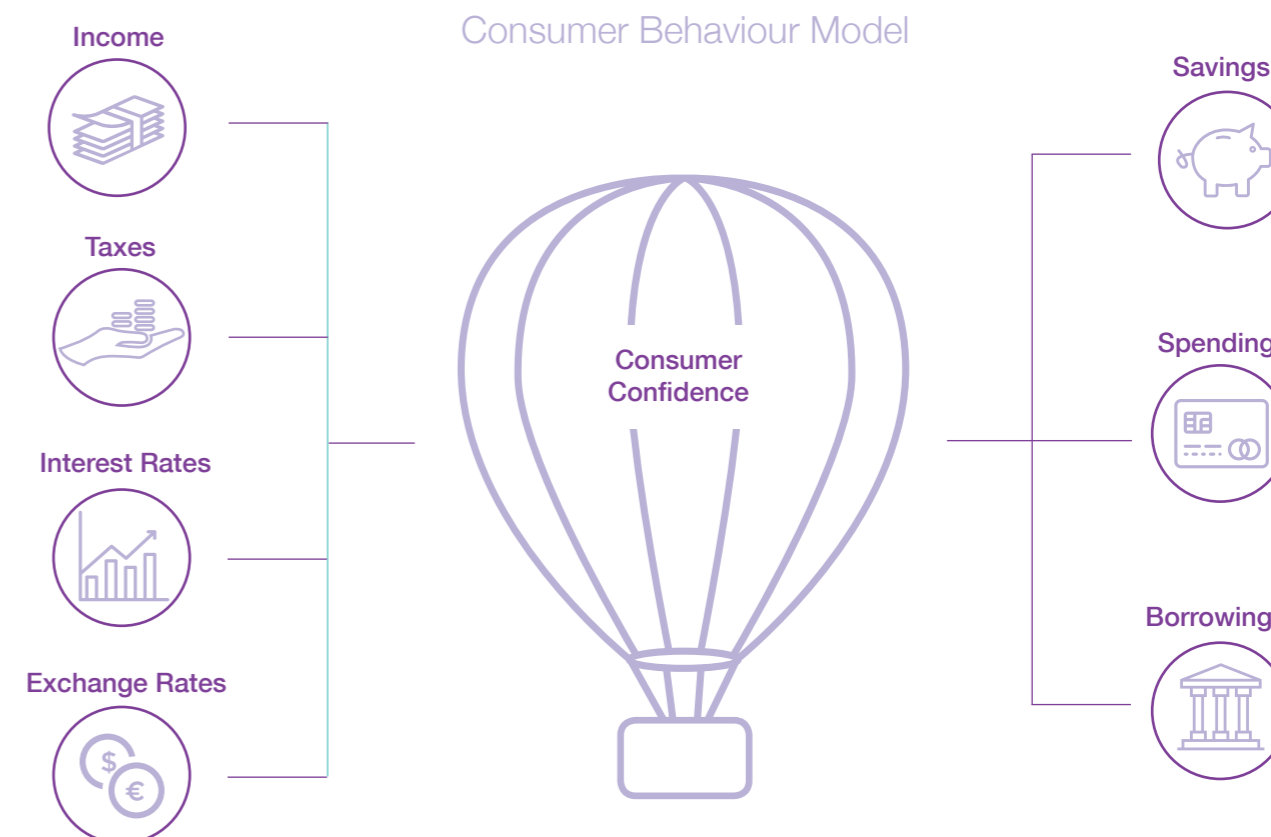
She has served as Head of the Marketing Group, as Dean of the UCD Business School and as a member of the Governing Authority of the university at various times, and also holds a number of positions in companies and professional organisations outside the university.



Mary Lambkin

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Executive Summary

Consumer spending continues to be one of the main drivers of economic growth in Ireland at present, along with investment in construction. Growth is continuing in both sectors in 2017 and this trend is expected to continue through 2018. Personal consumption grew strongly in the first quarter of the year, up by 3%, but weakened slightly in the second quarter, giving a net growth rate of 2% for the first half of the year.

However, solid growth in consumer spending is expected for the rest of this year and next, with a forecast of 2.8% for the whole of 2017, and of 2.7% for 2018. These positive forecasts are based on steadily increasing disposable incomes, the continuing strength of consumer confidence, and strong retail figures.

The main drivers of this growth are population expansion, along with increasing employment. It has been estimated that half of the growth in consumer spending was driven by population growth between 2011 and 2016. There are now 2.045 million people at work, up 68,600 year-on-year, and up by 220,000 or 12% since the low point in 2012.

Employment is currently growing at its fastest rate in a decade, and is expected to continue growing strongly this year and next, with growth of 2.6% projected for 2017, and 1.8% in 2018. This will mean an additional 105,000 persons at work which will bring employment to over 2.1 million for the first time since 2008.

The increasing numbers of people employed, as well as increases in hours worked, is leading to a substantial increase in the amount of disposable income circulating in the economy. In fact, there has been a remarkable increase in disposable income in recent times -- it increased by 5% in 2015, and by a further 4.4% in 2016. In sum, it reached €95 billion in 2016, not far off the 2007

peak of €102 billion. Disposable income is up by a further 5.6% for the first half of this year, and this is expected to support consumer spending growth through this year and next.

Pay increases have also contributed, but to a lesser extent, up by 2% 2015 and by 2.5% in 2016. Wage growth of 2.2% is estimated for this year, and 2.8% has been forecast for 2018, equal to 1.5% in real terms. The depreciation in the value of Sterling since the Brexit referendum has also helped, causing consumer prices to be approximately 1.2% lower than would have been the case had Sterling remained stable.

Consumer confidence is also very strong here at present, and significantly higher than in the UK and the rest of Europe. It fell a little bit in the second half of 2016 due to worries about Brexit. However, the confidence barometer is now back in positive territory and has got a significant boost in recent months.

Retail sales got off to a good start in the first half of 2017, up by 6% in volume and by 3% in value, the fastest rate of growth in retail sales since 2007. Growth slowed in the third quarter, however, up by just 2.7% in volume and 0.2% in value, year-on-year. This suggests a growth rate of about 5% for the year as a whole, in volume terms, and 2% in value, more or less the same as 2016.

Sales of new cars are one important exception -- down by 10% in the first nine months of this year, for a total of 121,595. However, there has been a dramatic rise in the number of imported second hand cars, up 47% in 2016, and up by another 41% in the first nine months of 2017 for a total of 69,090 cars. Taken together, car sales in the first nine months of the year were actually up 3% on last year, which is quite healthy.



5.6%

The increasing numbers of people employed, as well as increases in hours worked, is leading to a substantial increase in the amount of disposable income circulating in the economy. Up a further 5.6% for the first half of this year, this is expected to support consumer spending growth through this year and next.



+13.1

2017 saw confidence pick up again, reaching a high of 13.1 in September. The current level of confidence is consistent with a solidly improving Irish economy, although a majority of consumers say that they still do not perceive an improvement in their own finances.

Sales of services are also showing a bit of weakness, with growth slowing to 3.1% for the first nine months of this year, compared to 5.5% for 2016. Services were particularly weak in recent months, up by just 1.9% in Q3. As counterpoint to this, Vat returns to the end of September were up by a strong 8.1%.

Residential property is the sector under most pressure, as is well known. There were 45,342 homes sold in 2016 which was 4% lower than the 47,313 sold in 2015, partly driven by a shortage of supply. Despite the tight market, residential sales are up 10% in 2017; there have been 33,096 sales up to the end of September, suggesting a total of 50,000 for the full year. Mortgage approvals were also up by 34% in the first nine months of 2017, for a total of 24,102, indicative of the strength of demand in the market.

Consumer Confidence

Consumer confidence in Ireland has been recovering since 2013, reaching a record high of +16.7 in June 2015. At that point, consumer confidence here was well ahead of the last peak in 2007 and, also, considerably higher than our European neighbours.

Consumer confidence fell slightly through 2016, reflecting uncertainty about Brexit and industrial unrest.

2017 saw confidence pick up again, reaching a high of 13.1 in September. The current level of confidence is consistent with a solidly improving Irish economy, although a majority of consumers say they still do not perceive an improvement in their own finances.

Consumer confidence in the UK has been negative since Q2 2016 due to worries about Brexit, as well as general political uncertainty. Confidence declined steadily through the first half of 2017, reaching -7.4 in June, but recovering to -1.6% in September.

Consumer Incomes and Spending

The amount of disposable income in the economy rose by 4.4% in 2016 bringing it to a total of €99 billion, close to the €100 billion level that was last seen in 2007. Increasing employment and increases in the number of hours worked were the main drivers of the increases in disposable income. Lower fuel prices and a weakening in the value of Sterling also boosted disposable income. Disposable income is up by a further 9% this year, suggesting continuing strength in the consumer economy.

Household spending began to recover in 2014, and it grew by a very strong 4.5% in 2015. Spending continued to grow in the first half of 2016, but the rate of growth slowed as the year progressed, ending at 3.3%. The pre-Christmas peak in 2016 surpassed the 2007 peak for the first time in nine years.

Spending is continuing to grow in 2017 although at a lower rate of 2% for the first half of the year. Growth of 2.8% is forecast for the full year 2017 as a whole, and a similar rate for 2018.

Retail sales got off to a good start in the first half of 2017, up by 6% in volume and by 3% in value, the fastest rate of growth since 2007. Growth slowed in the third quarter, however, to 2.7% in volume and 0.2% in value, suggesting a volume growth rate of about 5% for the year as a whole, and 2% in value, more or less in line with 2016.

Sales of services are also showing a bit of weakness, with growth slowing to 3.1% for the first nine months of this year, compared to 5.5% for 2016. Services were particularly weak in recent months, up by just 1.9% in Q3. As counterpoint to this, Vat returns to the end of September were up by a strong 8.1%. Personal spending in the UK grew at an average annual rate of 2% from 2011, and this continued right through 2016, suggesting that Brexit had little impact. However, spending has slowed considerably in 2017, to 0.1% in the first half, as have other key economic indicators.

Consumer Borrowing

Borrowing by Irish households grew at a record level from 2000 and peaked in March 2008 at €150 billion, but declined steadily since then. Household debt continued to fall during 2016, down by 1% to €30,199 per capita. It reached a low of €86 billion in Q4 2016, down 40% from the peak, but grew by 2% in H1 2017, the first sign of a return to normal conditions.

Loans for house purchase, which account for 84% of household loans, peaked in Q1 2008 at €124 billion, but decreased to a low €73 Billion by Q4 2016, a cumulative decline of 40%, or an annual rate of -2.4%. Mortgage lending has begun to increase since then, up by €3 billion by end Q2 2017, an annual growth of 1%. A total of 76,422 (10%) of accounts were in arrears at end-March.

Lending for other consumption accounts for approximately 18% of total borrowing. This category peaked in Q1 2008 at €30 billion but declined to €12 billion by December 2016, a reduction of 60%. This category resumed growth in mid-2016, and it grew by a very significant 7% in H1 of this year.

Overall, the ratio of household debt to disposable income has fallen by 60% from a peak of 215%

in mid-2011, down more than any other EU country. This ratio stood at 145% in Q1 2017, which leaves Irish households still the fourth most indebted in the EU.

Residential Property

Residential property is the sector under most pressure, and this has been the case ever since the economy started to recover. There were 45,342 homes sold in 2016 which was actually lower than the 47,313 sold in 2015 in a situation of very short supply.

The supply situation remains tight in 2017; there were 21,424 properties listed for sale in Q3, representing just 1.1% of the total housing stock. Despite the tight market, residential sales are up 10% in 2017; there have been 33,096 sales up to the end of September, suggesting a total of 50,000 for the full year. Mortgage approvals for house purchase were also up by 34% in the first nine months of 2017, for a total of 24,102, indicative of the strength of demand in the market.

Car Sales

New car sales totalled 142,688 in 2016, up 18% on the 121,110 cars sold in 2015. The 2016 total was just about the average annual sales level of the early 2000s.

New car sales have been weak this year, down 10.4% year-on-year to the end of September, for a total of 87,346 units. As car sales are usually a leading indicator of conditions in the consumer economy, this weakening would normally be a worrying sign. However, there has been a dramatic rise in the number of imported second hand cars, up 47% in 2016, and up again by 46% in the first half of 2017 to a total of 44,945. This reflects the weakening of sterling which makes imports better value. Taken together, car sales in the first half of the year are actually up by 3%, which is reasonably healthy.

2.1 million people at work

Employment is currently growing at its fastest rate in a decade, and is expected to continue growing strongly this year and next, with growth of 2.6% projected for 2017, and 1.8% in 2018. This will mean an additional 105,000 persons at work which will bring employment to over 2.1 million for the first time since 2008.

Retail Spending

Retail sales got off to a good start in the first half of 2017, up by 6% in volume and by 3% in value, the fastest rate of growth in retail sales since 2007. Growth strengthened further in the third quarter, up by 7.3% in volume and 4.2% in value, year-on-year. This suggests a growth rate of about 7% for the year as a whole, in volume terms, and 4% in value, higher than 2016 and on par with 2015 which was an exceptional year.

All product categories experienced growth in Q3 2017, although there was a quite a bit of variability. Household equipment which combines furnishings, electrical goods, hardware, paints and glass, continues to be the fastest growing category, up by 12.7% in volume and 7.1% in value, year-on-year. Even books/newsagents, which have been declining continually for 6 years, increased in Q3 by 1.4% in volume and value.

Growth strengthened further in the third quarter, up by 7.3% in volume and 4.2% in value, year-on-year. This suggests a growth rate of about 7% for the year as a whole, in volume terms, and 4% in value.



Fuel up 0.4% in volume and up 3.7% in value



Bar sales up 3.4% in volume and up 5.6% in value



Department stores up 5.4% in volume and 0.9% in value



Non-specialised stores (supermarkets) up 5.2% in volume and 3.6% in value



Pharmaceuticals and cosmetics up 9.1% in volume and 5.8% in value



Household equipment up 12.7% in volume and 7.1% in value



Books, newspapers, stationery up 1.4% in volume and 1.4% in value.



Food sales up 4.9% in volume and up 3.3% in value



Clothing, footwear and textiles up 7.1% in volume and 2.2% in value

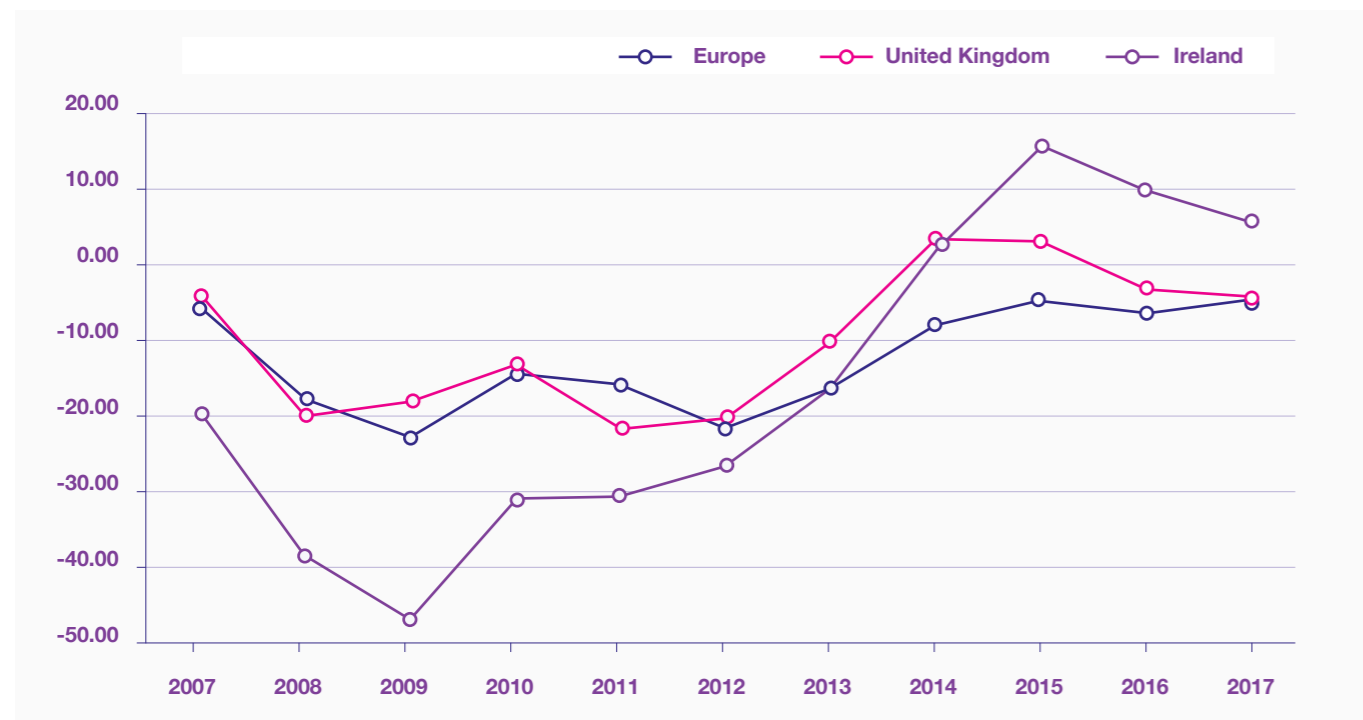
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Consumer & Retail Analysis



Consumer Confidence Annual

Consumer Confidence 2007-2016



Consumer confidence in Ireland fell dramatically in 2008 as the financial crisis unfolded, and remained low through 2009, 2010, 2011 and 2012. Confidence recovered slightly in 2013 and rose further through 2014 due to a steady flow of good news on employment.⁰¹

This upward trend continued in 2015, reaching a record high of +16.7 in June, and remained strong for the rest of the year⁰². At this point, consumer confidence here was well ahead of the last peak in 2007, and also well ahead of our European neighbours.

Consumer confidence fell slightly through 2016, with Q4 at 5.9 (compared to 16.6 in Q4 2015)

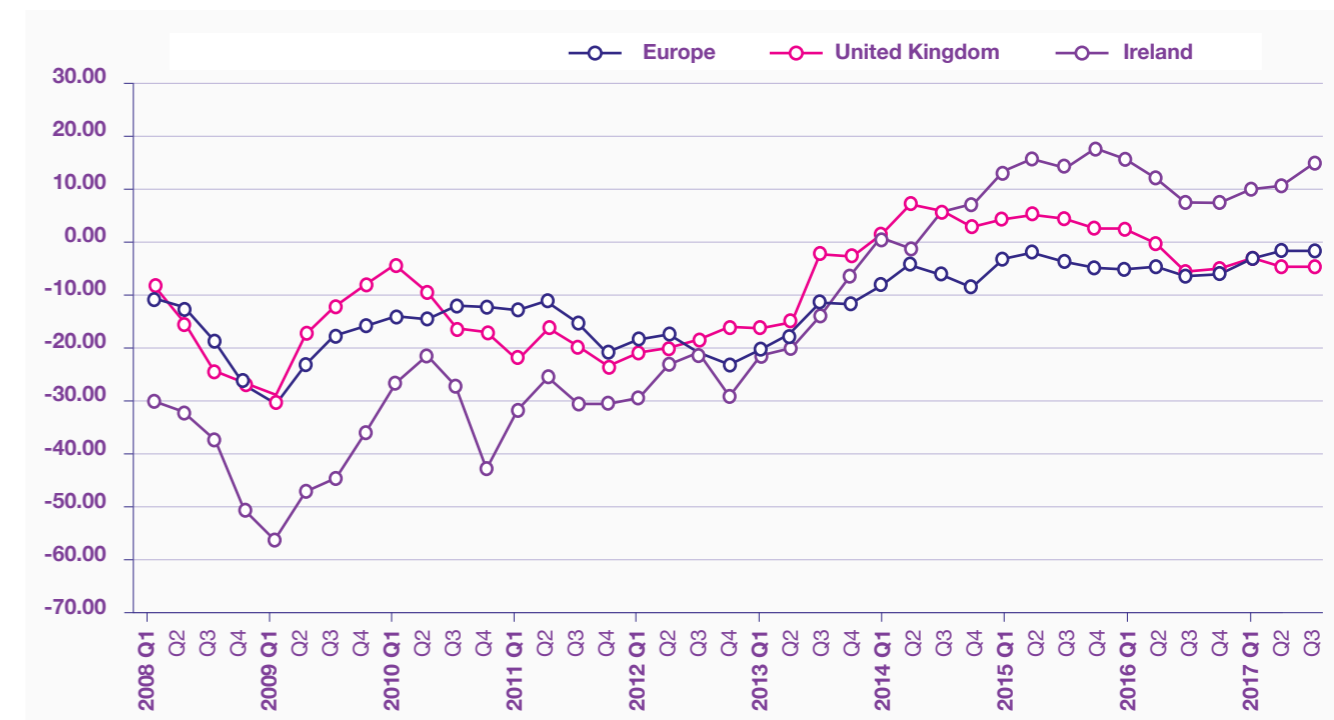
reflecting uncertainly about Brexit. However, it has picked up again this year, to 13.1 in September, which should underpin a stronger performance in the economy.

Consumer confidence in the UK has been negative since Q2 2016, as consumers are still worried about the Brexit result, and 2017 is continuing this trend, down to -5.6 in June, but recovering slightly in September to -1.6.

Consumer confidence has been relatively muted in the wider EU for a number of years, with a modest drop during the recession, and little variability over recent years.

Consumer Confidence Quarterly

Consumer Confidence January 2008-September 2017



Consumer confidence in Ireland has been recovering since 2013, reaching a record high of +16.7 in June 2015⁰³. At that point, consumer confidence here was well ahead of the last peak in 2007 and, also, considerably higher than our European neighbours.

Consumer confidence fell slightly through 2016, with Q4 at 5.9, (compared to 16.6 in Q4 2015) reflecting uncertainly about Brexit and industrial unrest.

The first half of 2017 saw confidence pick up again, reaching a high of 13.1 in September. The current level of confidence is consistent with a solidly improving economy, although a majority of

consumers still do not perceive an improvement in their own finances.⁰⁴

Consumer confidence in the UK has been negative since Q2 2016 due to worries about Brexit as well as general political uncertainty. Confidence has declined steadily through the first half of 2017, reaching -7.4 in June, but recovering to -1.6% in September.

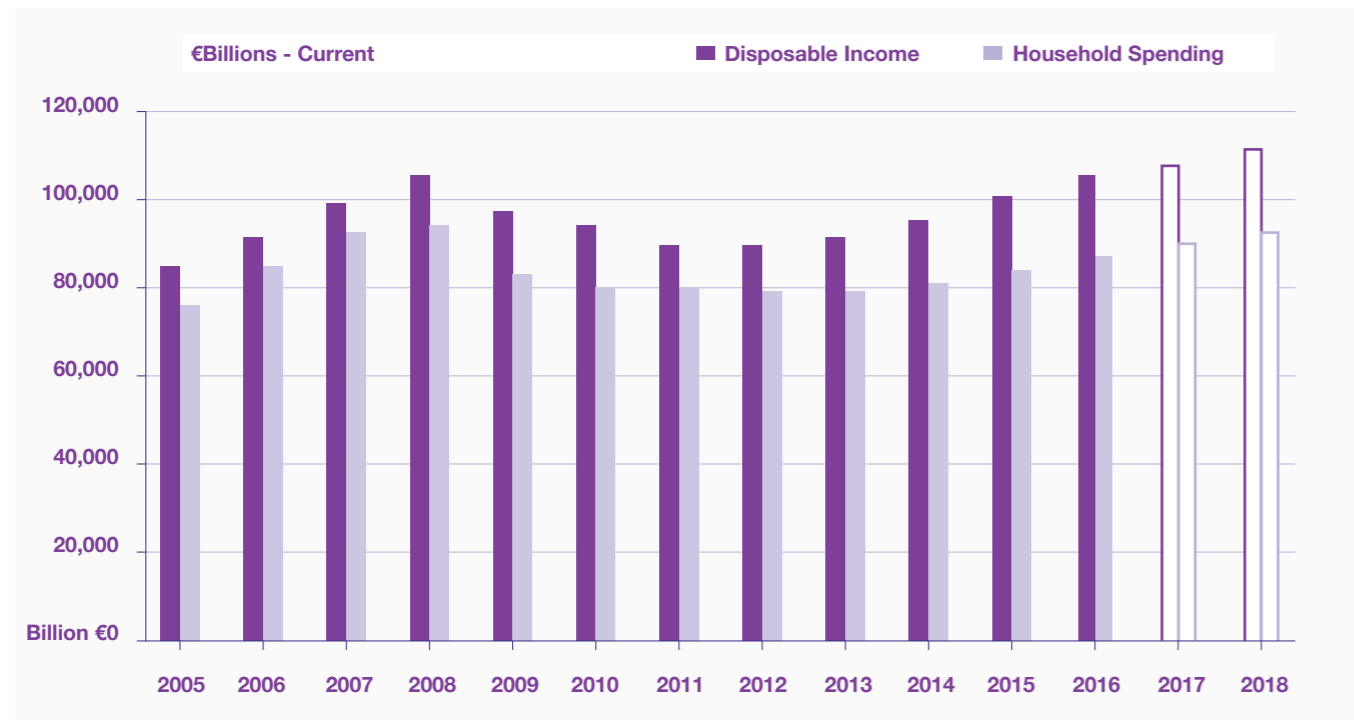
2016 was a tumultuous year for US consumers, which negatively affected confidence levels⁰⁵. However, confidence recovered this year to the highest it has been since 2001, up to 125.9 in October, the highest level in 17 years.⁰⁶

01. www.independent.ie/business/irish/irish-consumer-sentiment-nears-eightyear-high-in-december-30892291.html
02. <http://www.rte.ie/news/business/2015/1001/731686-consumer-sentiment/>

03. <http://www.rte.ie/news/business/2015/1001/731686-consumer-sentiment/>
04. <https://www.centralbank.ie/docs/default-source/publications/economic-letters/economic-letter-vol-2016-no-5.pdf?sfvrsn=6>
05. <http://www.usatoday.com/story/money/business/2015/04/28/consumer-confidence-april/26475567/>
06. <https://www.bloomberg.com/news/articles/2017-10-31/u-s-consumer-confidence-index-rises-to-highest-level-since-2000>

Consumer Incomes and Spending Annual

Disposable Incomes and Household Spending



Disposable income in Ireland increased by 60% from 2002 to 2008 - from €65bn to €104bn.⁰⁷ This trend reversed in 2009, and continued downwards until 2012, down by -15% in real terms from 2008 to 2012.⁰⁸

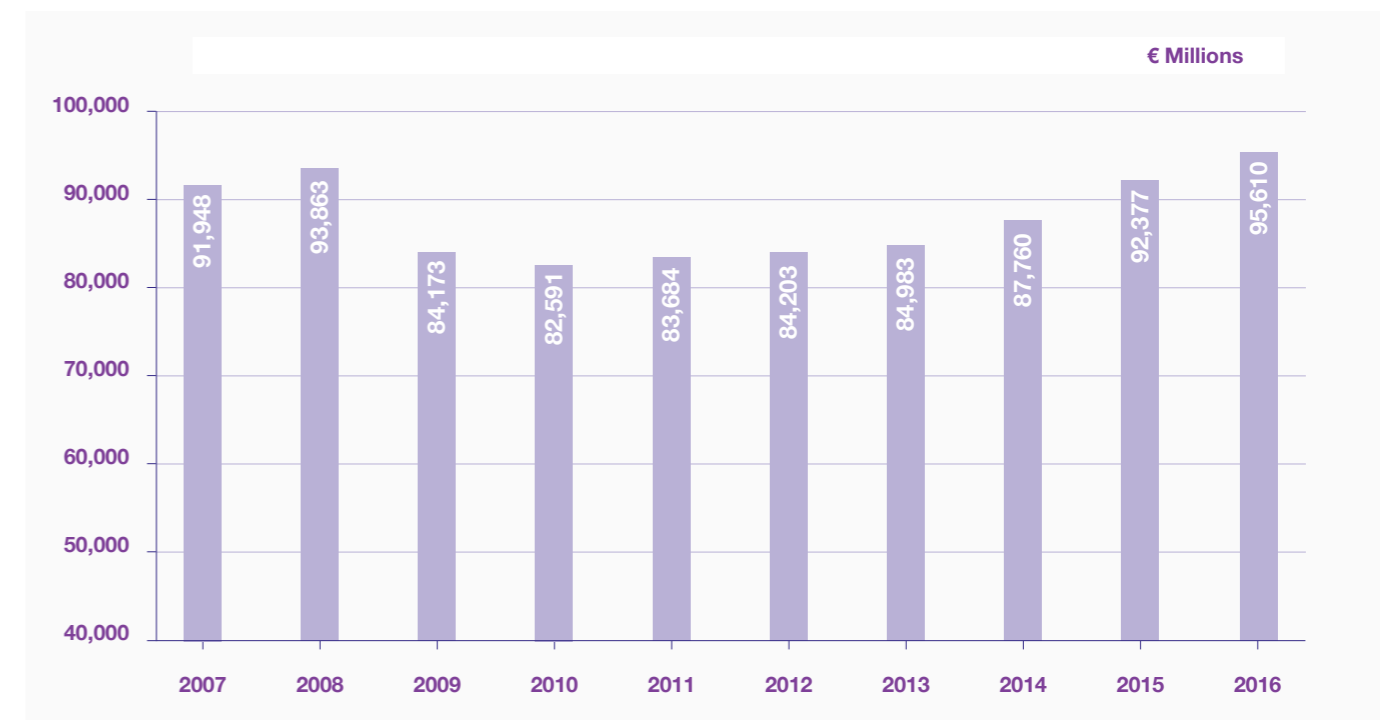
This trend reversed in 2013, when disposable income rose by 3%, and continued to rise each year since, up 3% in 2014, 5.5% in 2015, 4.4% in 2016. This recovery is continuing in 2017, with disposable income up by 8% for the first half, suggesting a total of €105 billion for the year, surpassing the peak of €102 billion in 2007. This recovery is due mainly to increasing employment, and pay increases of 2% in 2015, 2016 and this year.⁰⁹

Household spending, which accounts for about 90% of all personal spending, closely mirrors income, increasing by 48% from 2002 and 2008, from €62bn to €92bn. Spending then declined for five years, to €78 billion in 2011, a reduction of -7.5% in real terms.

Household spending was static from 2011 to 2013, but began to recover in 2014, up by 2%, and increased by 4.5% in 2015. Growth continued in 2016, up by 3.5%, and it grew by 2.5% in the first half of this year, suggesting a total of €90 billion for the year.¹⁰

Personal Spending on Goods/Services Annual

Personal Spending on Goods/Services 2007 - 2016



Personal consumption spending is split about equally between services and retail. Personal spending rose rapidly from 2000 to 2007, by 43% in total, or an average of 6% per year. Spending slowed in 2008, and declined steadily over the next four years. In sum, personal spending fell by 7% in real terms from 2007 to 2013.

Following six years of decline, personal consumer spending grew by 2% in 2014, by 4.5% in 2015, and by 4% in 2016¹¹. Retail sales (excluding motor trades) increased by 5.3% in 2014, by 7.4% in 2015, and by 5.3% in 2016 in real volume terms. Activity in the services sector was also higher, up 4.1% in 2014, 5.7% in 2015, and 5.4% in 2016.¹²

Consumer spending in the UK fell -4% from the 2007 peak to the trough in 2011, from £955 to £916 billion. Spending rallied again between 2012 and 2014, rising about 2% per year, reaching the same level as in 2007¹³. Growth continued in 2015 and 2016 at 3% p.a.

US consumer spending continues to be in recovery mode, with personal spending increasing by 3.6% in 2013, 3.1% in 2014, 3% in 2015, and 2.8% in 2016.¹⁴

07. CSO Institutional Sector Accounts, Q4, 2016.

08. <http://danmclaughlin.ie/blog/record-rise-in-irish-household-real-incomes-in-2015/>

09. <http://www.cso.ie/en/releasesandpublications/er/qnhs/quarterlynationalhouseholdsurveyquarter42016/>

<http://www.irishexaminer.com/ireland/lbec-71-of-employees-set-to-receive-pay-rises-in-2016-360494.html>

10. CSO Institutional Sector Accounts, Quarter 4, 2016.

11. Central Bank of Ireland, Quarterly Economic Bulletin, Quarter 1, 2017.

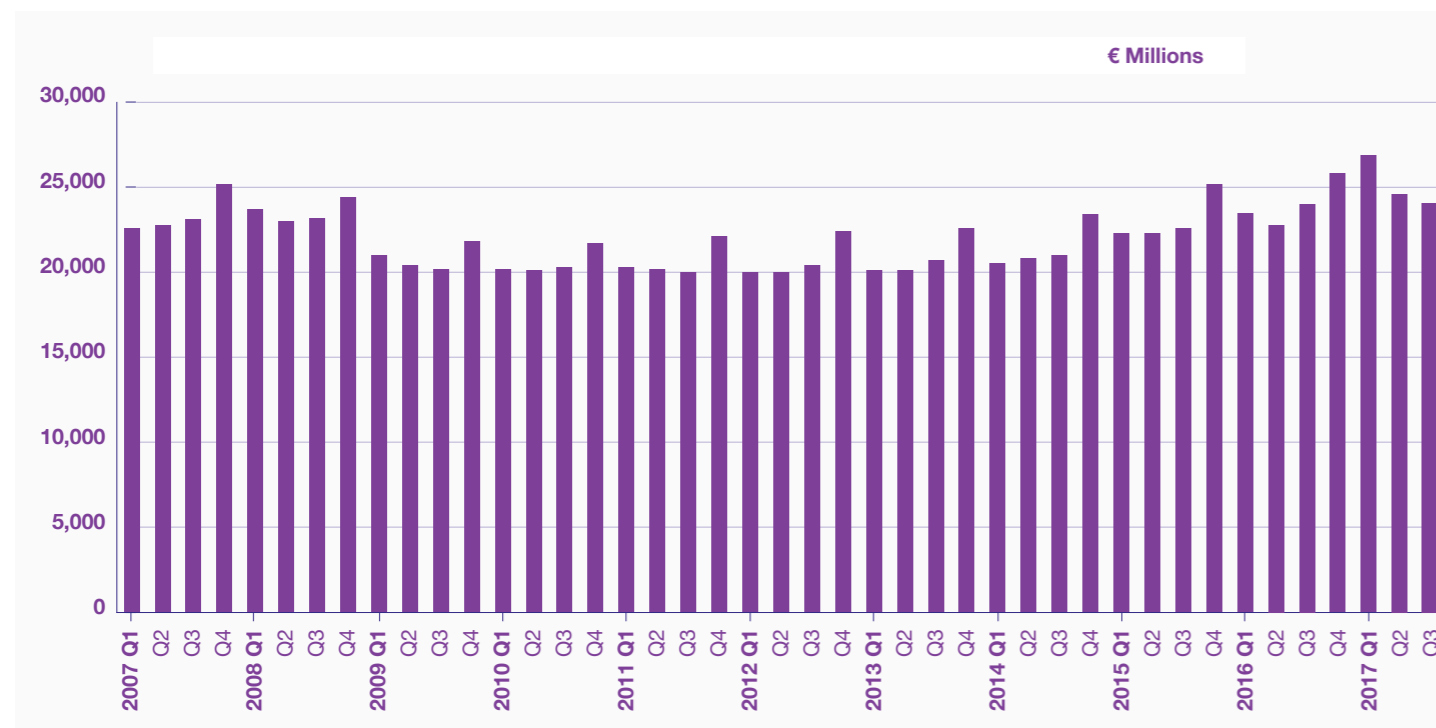
12. <http://www.cso.ie/en/releasesandpublications/er/si/monthlyservicesindexdecember2015/>

13. www.ons.gov.uk/ons/dcp171778_357940.pdf

14. www.wsj.com/articles/u-s-consumer-spending-down-0-3-in-december-1422883888

Personal Spending on Goods/Services Quarterly

Personal Spending on Goods/Services January 2007 - September 2017 ^{15 16}



Personal spending peaks in the fourth quarter each year, in the run up to Christmas. This peak reached an all-time high in the final quarter of 2007 but declined for six years after that. Consumer spending turned a corner in 2014, when it grew by 2%, and it grew by a very strong 4.5% in 2015.¹⁷

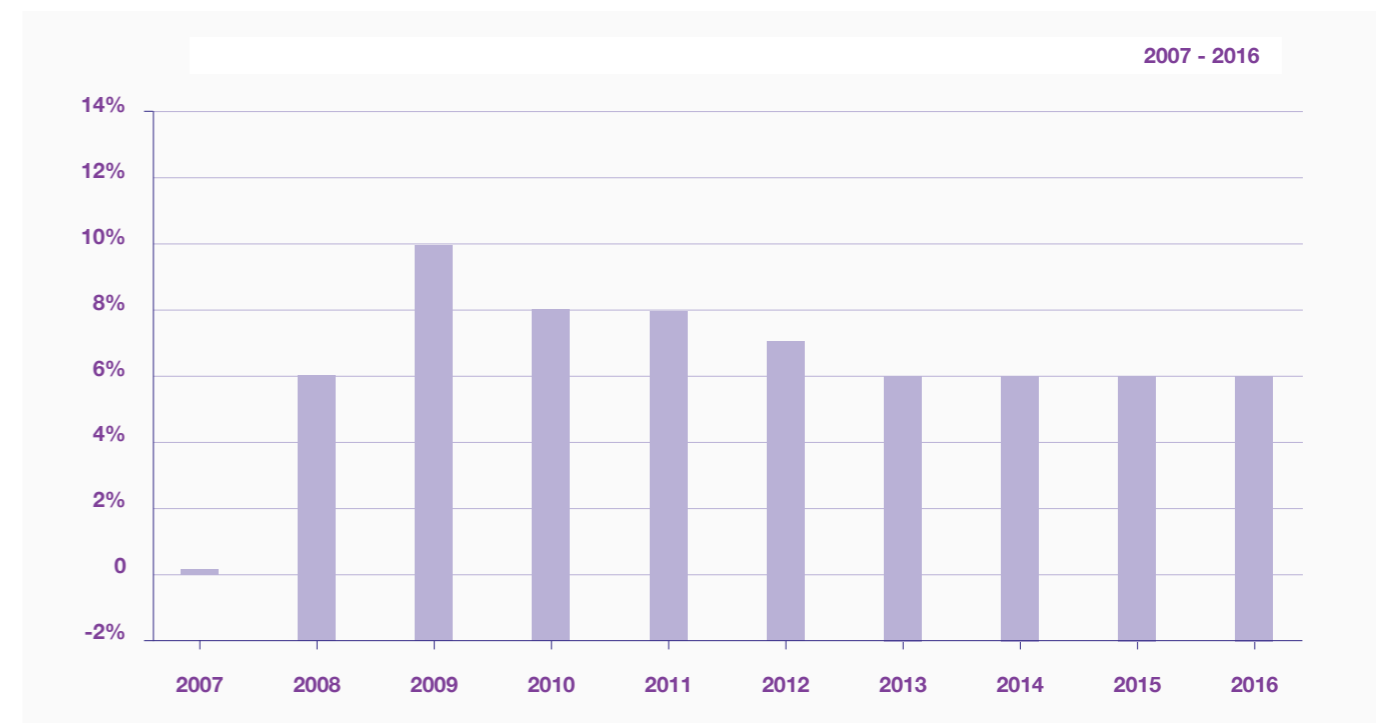
Personal spending continued to grow strongly in the first half of 2016, but the rate of growth weakened in the latter half, ending the year up by 3.3%. The pre-Christmas peak in 2016 surpassed the 2007 peak for the first time in nine years.

Growth slowed slightly in the first half of 2017, up by 2% year-on-year in constant terms, and 2.8% growth is forecast for the year as a whole, with 2.7% for 2018.¹⁸

Household spending growth in the UK slowed to 0.1% in the first half year. The slowdown in private consumption, comes as rising inflation and weaker wage growth puts a squeeze on household budgets.¹⁹

Personal Savings Annual

Net Personal Saving as a % Disposable Income 2007 - 2016



As in many countries, the net household saving ratio in Ireland fell to a record low in 2007 ahead of the financial crash and then increased to more than 10% at the height of the crisis in 2009. In recent years, it has declined again to a more normal level of about 6%.²⁰

Over 80% of this saving represents repayment of loans²¹. Household deposits increased by €3 billion (+3.4%) for the year to end-June 2017. This marked the tenth consecutive quarter of positive flows in the series.

Household net worth stood at €686 billion in Q2 2017, or €147,000 per capita. It has risen by

55% since the low of €444 billion in mid-2012, and is now just 5% lower than its peak of €718 billion in mid-2007.²²

The UK net savings ratio declined from the mid-1990s until 2007 when it reached 1.4%. It rose again following the financial crisis and reached a peak of 8.6% in Q2 2009, but fell back gradually to a very low level of 1.7% in September 2017.

Personal savings in the US averaged 6.8% from 1959 through 2014, reaching an all-time high of 14.6% in May of 1975 and a record low of 0.8% in 2005²³. The net saving ratio was 3.1% in September 2017.²⁴

15/16. Latest figures available

17. Central Bank of Ireland, Quarterly Economic Bulletin, Quarter 1, 2017.

18. Central Bank of Ireland Quarterly Economic Bulletin, Q4, 2017.

19. <https://www.theguardian.com/business/2017/aug/24/uk-consumer-spending-incomes-squeeze-investment>

20. [www.ibec.ie/IBEC/Publications.nsf/vPages/Economic_Outlook-economic-outlook---august-2017-09-08-2017/\\$File/IBEC_Q2_2017.pdf](http://www.ibec.ie/IBEC/Publications.nsf/vPages/Economic_Outlook-economic-outlook---august-2017-09-08-2017/$File/IBEC_Q2_2017.pdf)

21. www.irishtimes.com/business/personal-finance/household-wealth-at-highest-level-since-2008-1.2203542

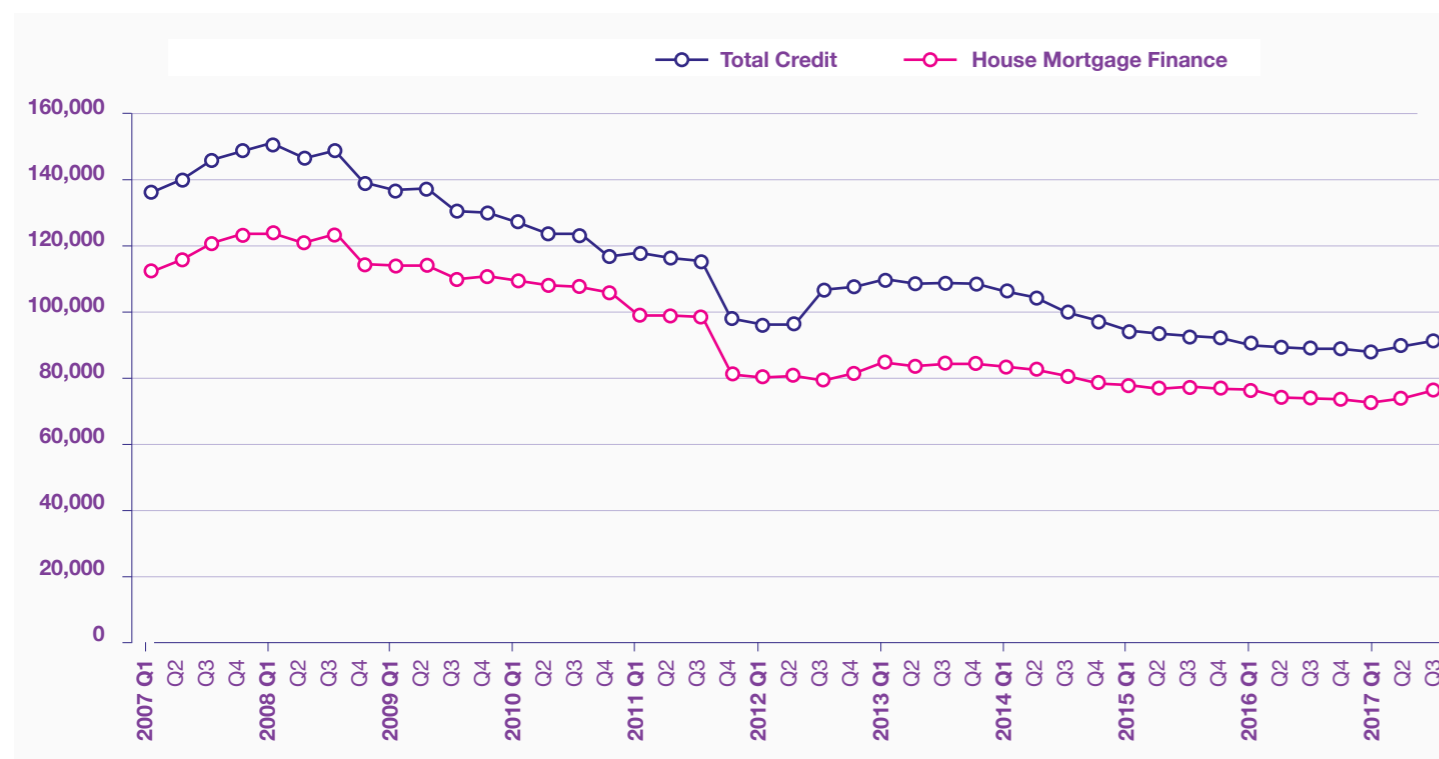
22. <https://www.theguardian.com/business/2017/jun/30/britons-savings-at-record-low-as-household-incomes-drop-says-ons>

23. US Bureau of Economic Analysis

24. <http://www.tradingeconomics.com/united-states/personal-savings>

Personal Borrowing Quarterly

Personal Borrowing January 2007- September 2017



Borrowing by Irish households grew at a record level from 2000 and peaked in March 2008 at €150 billion, but declined steadily since then, down -40% to €86 billion in Q1 2017. Household debt continued to fall during 2016, down by 1% to €30,199 per capita, but grew by 2% in H1 2017, the first sign of a return to normal conditions.²⁵

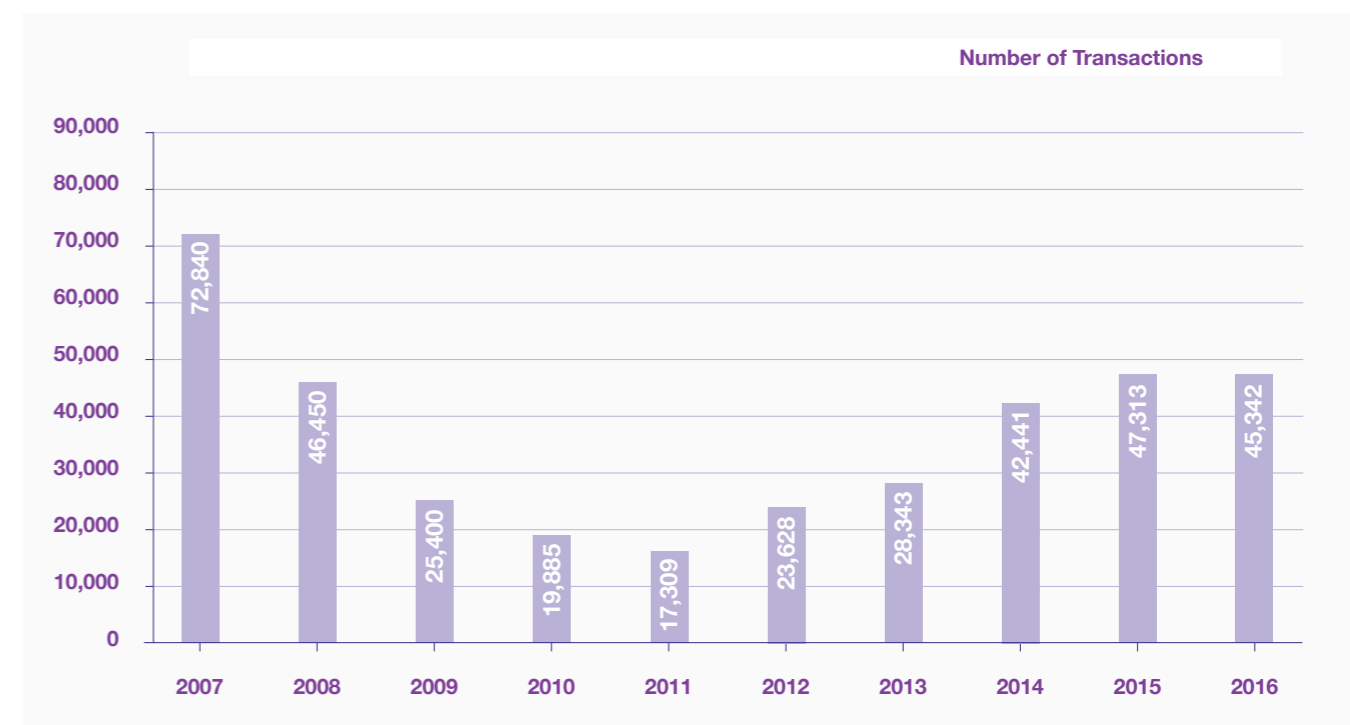
Loans for house purchase, which account for 84% of household loans, peaked in Q1 2008 at €124 billion, but decreased to a low of €73 Billion by Q4 2016, a cumulative decline of 40%, or an annual rate of -2.4%. Mortgage lending has begun to increase since then, up by €3 billion by end Q2 2017, an annual growth of 1%. A total of 76,422 (10%) of accounts were in arrears at end-March.²⁶

Lending for other consumption accounts for approximately 18% of total borrowing. This category peaked in Q1 2008 at €30 billion but declined to €12 billion by December 2016, a reduction of 60%. This category resumed growth in mid-2016, and it grew by a very significant 7% in H1 of this year.

Overall, the ratio of household debt to disposable income has fallen by 60% from a peak of 215% in mid-2011, down more than any other EU country. This ratio stood at 145% in Q1 2017, which leaves Irish households still the fourth most indebted in the EU.

Residential Property Sales Annual

Number of Homes Sold 2006 - 2016



The number of mortgages issued peaked in 2005 at 85,000 but fell to a low of 9,700 in 2011.²⁷ 2011 was also the nadir in terms of residential property sales, totalling just 17,309.

Sales picked up slightly in 2012 and 2013, but 2014 was the first year to see a major lift in the housing market, with 42,441 sales and 19,125 new mortgages issued, an increase of 50% over the prior year. This upward trend continued in 2015, with 47,313 sales and 22,767 new mortgages issued, up 19% on 2014.

In 2016, the number of sales transactions actually fell slightly, 45,342 (-4%), while there were 23,589

mortgages issued. Sales decreased because of a lack of stock; in January 2016 just 20,000 properties or 1.4% of the national housing stock of 2 million homes was on the market.²⁸

There were 1.235 million residential properties sold in the UK in 2016, up just 1% on the previous year, possibly because of the imposition of higher tax rates.²⁹

Sales of residential property in the US were up 3%, at 5.8 million units.³⁰

25. <http://www.rte.ie/news/business/2016/0818/810205-household-debt/>

26. <https://www.centralbank.ie/news/article/residential-mortgage-arrears-and-repossessions-statistics-q1-2017>

27. Data are not available for sales of residential properties prior to 2010, so we used the number of mortgages issued for house purchase as a proxy, adjusted for cash sales.³⁹ New loans for purchase of private homes. Excludes top-ups and buy-to-let.

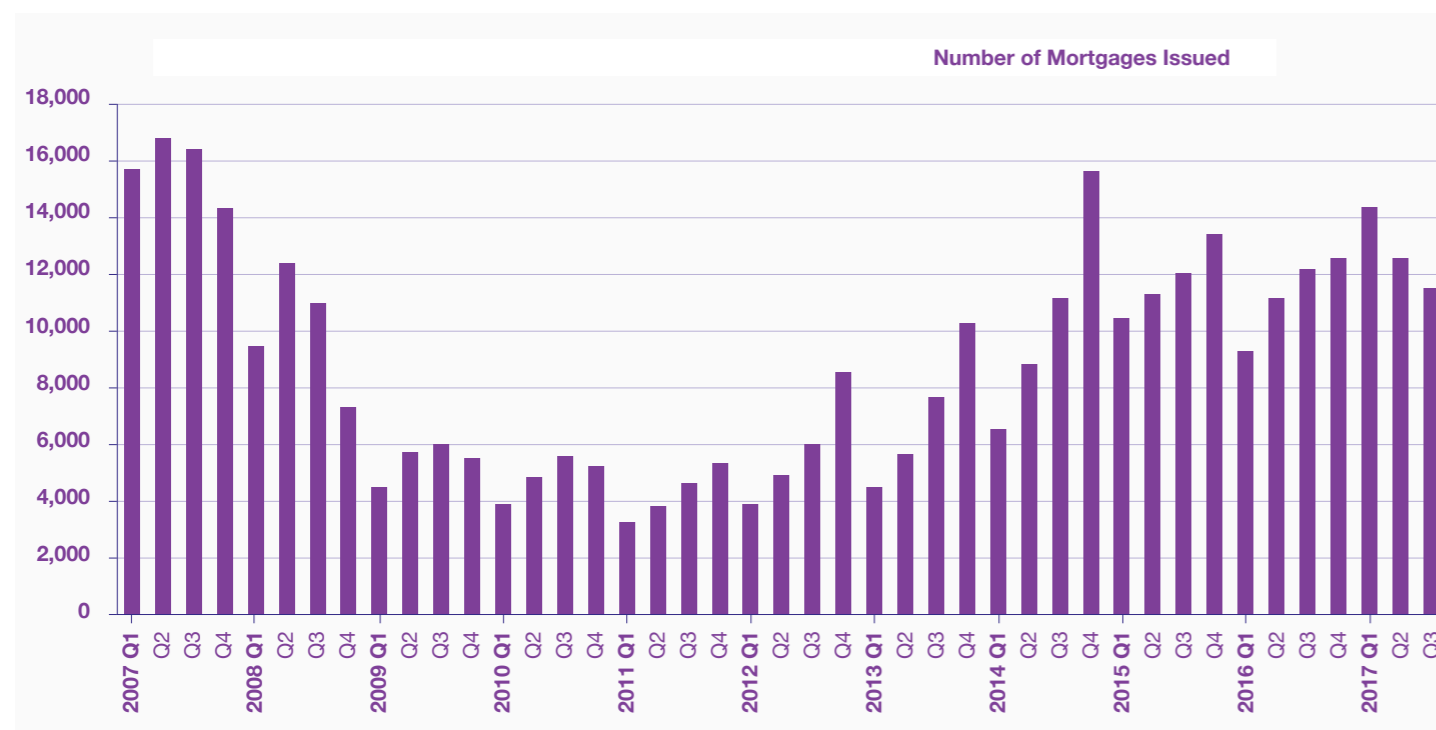
28. <http://www.irishtimes.com/life-and-style/homes-and-property/eight-reasons-why-the-property-market-is-still-struggling-1.2694695>

29. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/584668/UK_Tables_Jan_cir_.pdf

30. <http://www.worldpropertyjournal.com/real-estate-news/united-states/freddie-mac-mortgage-refinance-data-2015-refi-rates-len-kieferbest-mortgage-rates-home-affordable-refinance-program-harp-refinance-loans-9058.php>

Residential Property Sales Quarterly

Number of Mortgages Issued January 2007 - September 2017



There were 45,342 residential sales in 2016, down by 4% on 2015, partly because of a shortage of supply; just 19,400 homes or 1% of the national housing stock was for sale in Q4 2016, the lowest number since the series started in January 2007.^{31, 32}

The supply remains tight in 2017; there were just 21,424 properties listed for sale in Q3.³³ Despite this, sales are up 10%, with 33,096 units sold up to the end of September, suggesting a total of 50,000 for the full year.³⁴ Mortgage approvals for house purchase were also up by 34% in the first nine months of 2017, for a total of 24,102, indicative of the strength of demand in the market.³⁵

There were 1.235 million residential properties sold in the UK in 2016, an increase of 4.5%. The UK housing market has slowed in 2017 as the number of homes on the market hits new lows³⁶. Prices are falling and transactions are depressed.³⁷

Sales of homes in the US were up 3% in 2016, at 5.8 million units³⁸. Sales and prices are continuing strongly this year, with supply being a limiting factor.

31. <https://www.daft.ie/report/2017-Q1-hp-daft-report.pdf>

32. <http://www.irishtimes.com/life-and-style/homes-and-property/eight-reasons-why-the-property-market-is-still-struggling-1.2694695>

33. MyHome.ie Property Report, Q3, 2017.

34. <https://media.myhome.ie/content/propertyreport/2017/MyHome-Property-Report-Q2-2017.pdf>

35. MyHome.ie Property Report Q3, 2017.

36. <http://www.telegraph.co.uk/property/house-prices/housing-market-grinds-halt-number-homes-market-hits-record-low/>

37. <https://www.theguardian.com/money/2017/apr/28/uk-house-prices-april-brex-it-inflation-wages-nationwide>

38. <http://www.worldpropertyjournal.com/real-estate-news/united-states/freddie-mac-mortgage-refinance-data-2015-refi-rates-len-kiefer-best-mortgage-rates-home-affordable-refinance-program-harp-refinance-loans-9058.php>



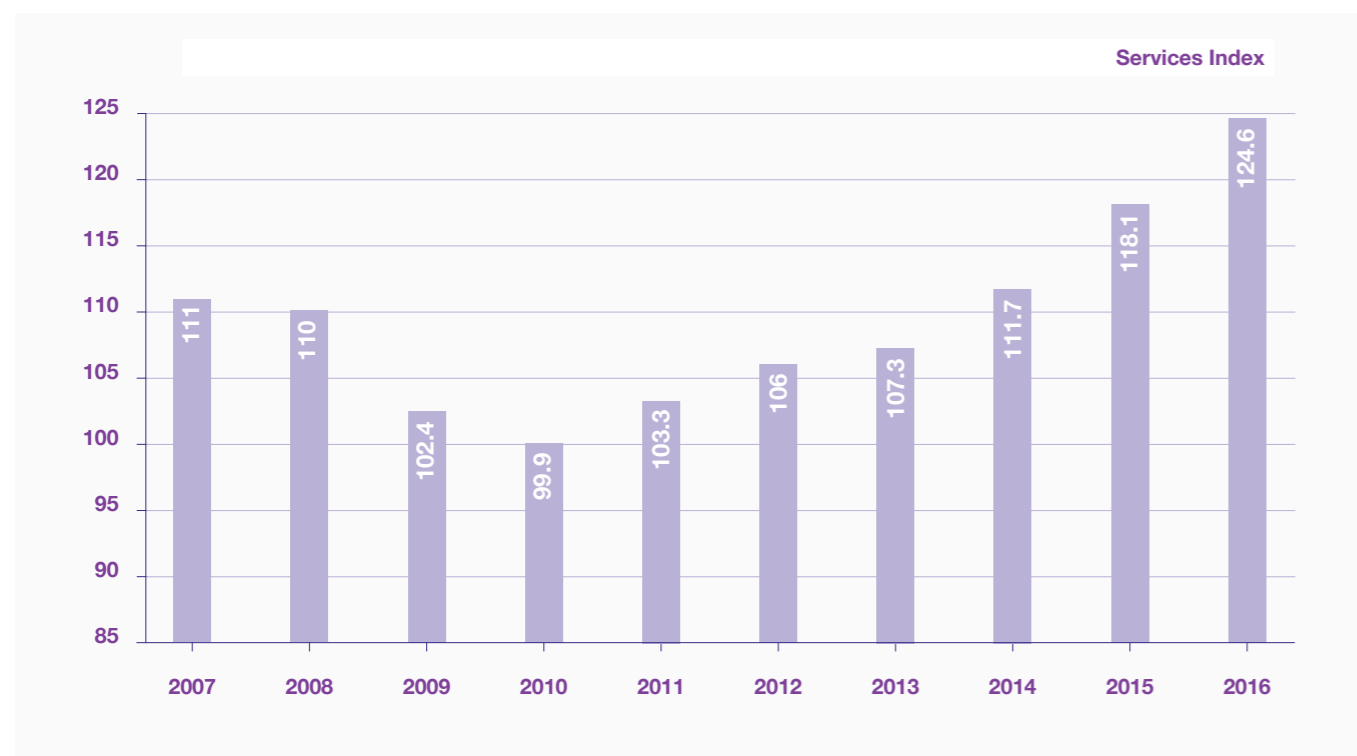
10%

The supply remains tight in 2017; there were just 21,424 properties listed for sale in Q3. Despite this, sales are up 10%, with 33,096 units sold up to the end of September, suggesting a total of 50,000 for the full year.



Services Index Annual

Services Index 2007 - 2016



The services sector accounts for about half of all personal consumer spending, with retailing accounting for the other half. This sector includes accommodation and food service, professional services, information and communication, wholesaling and transportation.

The services sector recovered more quickly from the recent recession than the retail sector, showing modest growth from 2011 onwards, and recovered more rapidly in the last two years. The index overtook the 2007 peak in 2014, and made further gains in 2015, up by 5.8% for the year as a whole. This trend continued in 2016, up 5.5%.

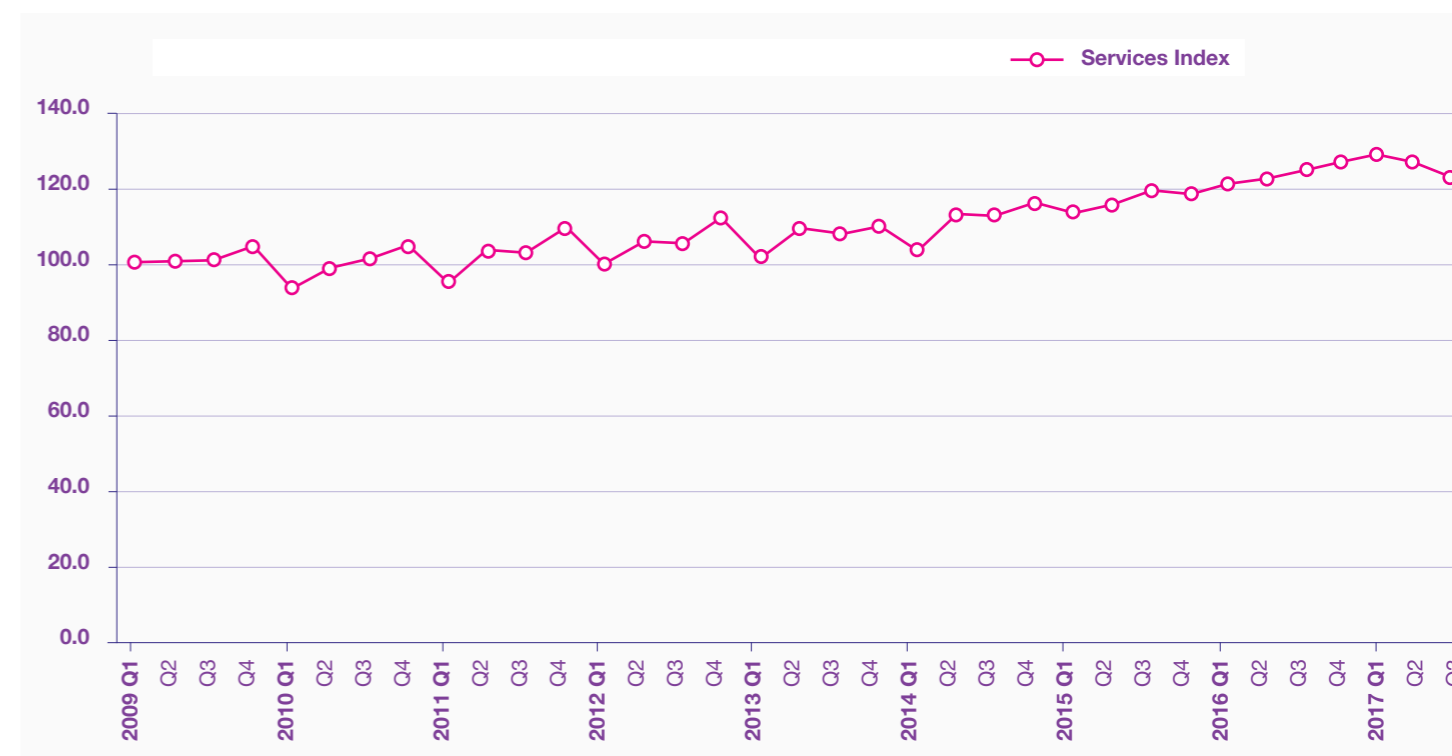
There was considerable variation, however, within the sub-categories, with some performing above the average and others below. Information/communications did best at a 2016 index level of 150, 23% better than the average. Food service and wholesaling did next best, with their indices reaching 140. Accommodation fared next best, at around 138. Transportation was slightly behind the average at 116, while Professional, scientific and technical services did least well at 94.

The services sector in the UK reached a 17 month low in 2014, although it picked up in 2015, rising by 2.3% year-on-year, and was up by a further 3.2% in 2016.³⁹

39. http://www.ons.gov.uk/ons/dcp171778_431487.pdf

Services Index Quarterly

Services Index January 2009 - September 2017



The services sector has a marked seasonal trend, with the highest sales occurring in Q4 each year, reflecting the spending pre-Christmas and New Year. Following a drop of 7% in 2009, the services index recovered steadily from 2010 onwards.

Recovering steadily through 2014, 2015, and 2016, up by 5% per annum on average, the services index has continued to grow in 2017, but at a lower rate. Q1 grew by 4.3% year-on-year, but slowed to 1.9% in Q2, averaging 3.1% % for the half year.

Services were particularly weak in recent months, up by just 1.9% in Q2. Professional, scientific and technical services did best in Q2 (+8%), but most other categories were flat or

negative: transportation and storage (+1.1%), accommodation and food service (+0.9%), wholesaling (-4.6%), administrative and support services (-4%), information and communication (-0.2%), and other service activities (-3.9%).

The UK Services Activities Index has grown steadily since Q3 2009, up by around 3% per year in recent years. However, there has also been a levelling off in H1 2017, to 2.4%, with Q2 up by just 0.4% on Q1.⁴⁰

Europe continues to lag in terms of growth, reporting just 1% growth per annum for three years up to 2015⁴¹. Growth began to pick up in 2016, up by 3%.⁴²

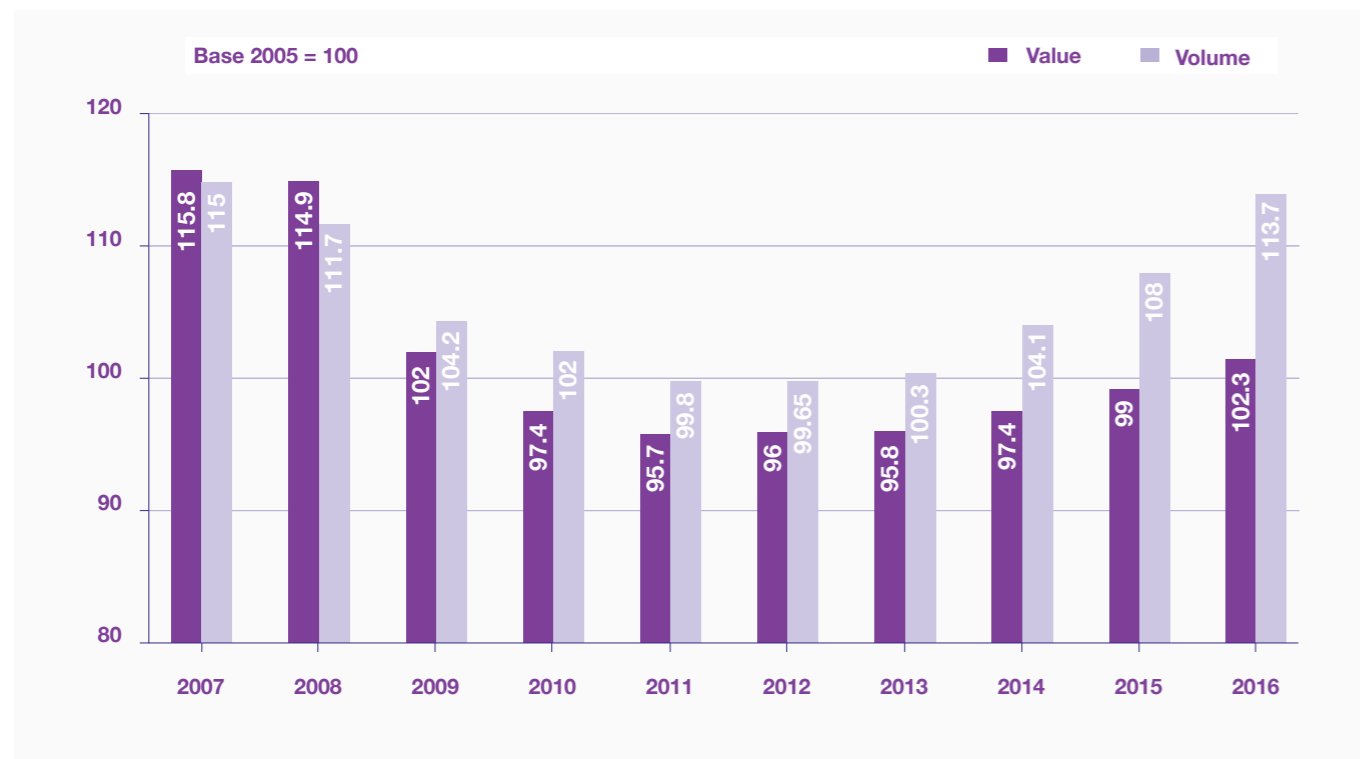
40. <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/bulletins/indexofservices/feb2017>

41. <http://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=teis710&language=en>

42. http://ec.europa.eu/eurostat/statistics-explained/index.php/Services_statistics_-_short-term_indicators

Retail Sales Annual

Retail Sales Index 2006 - 2016



Retail sales, excluding the motor trade, grew exceptionally strongly from 2000 to 2007, with volume up by 32% and value by 52%. This was stimulated by increases in employment and income, as well as by low interest rates and high levels of borrowing.

Retail sales fell each year from 2007 to 2012, down -10% in volume, while value declined by -16%. Sales stabilised in 2012 and 2013, with volume and value more or less static.

This trend reversed in 2014, with volume increasing by 5.3% and value by 2.9%. 2015 saw sales accelerate further, with increases of 7.4% in volume and 3.9% in value. 2016 saw 5.3% volume growth with value up 2.4%. At this point, retail sales were back close to the level at the peak in 2007.

Retail sales in the UK remained broadly flat from 2008 until 2012 during the economic downturn. Sales picked up slightly in 2013, and increased further in 2014. As in Ireland, retail sales accelerated in 2015, up by 5.0% in volume and 1% in value⁴³. This growth was maintained in 2016 with volume up 4.9% and value up 3.6%.

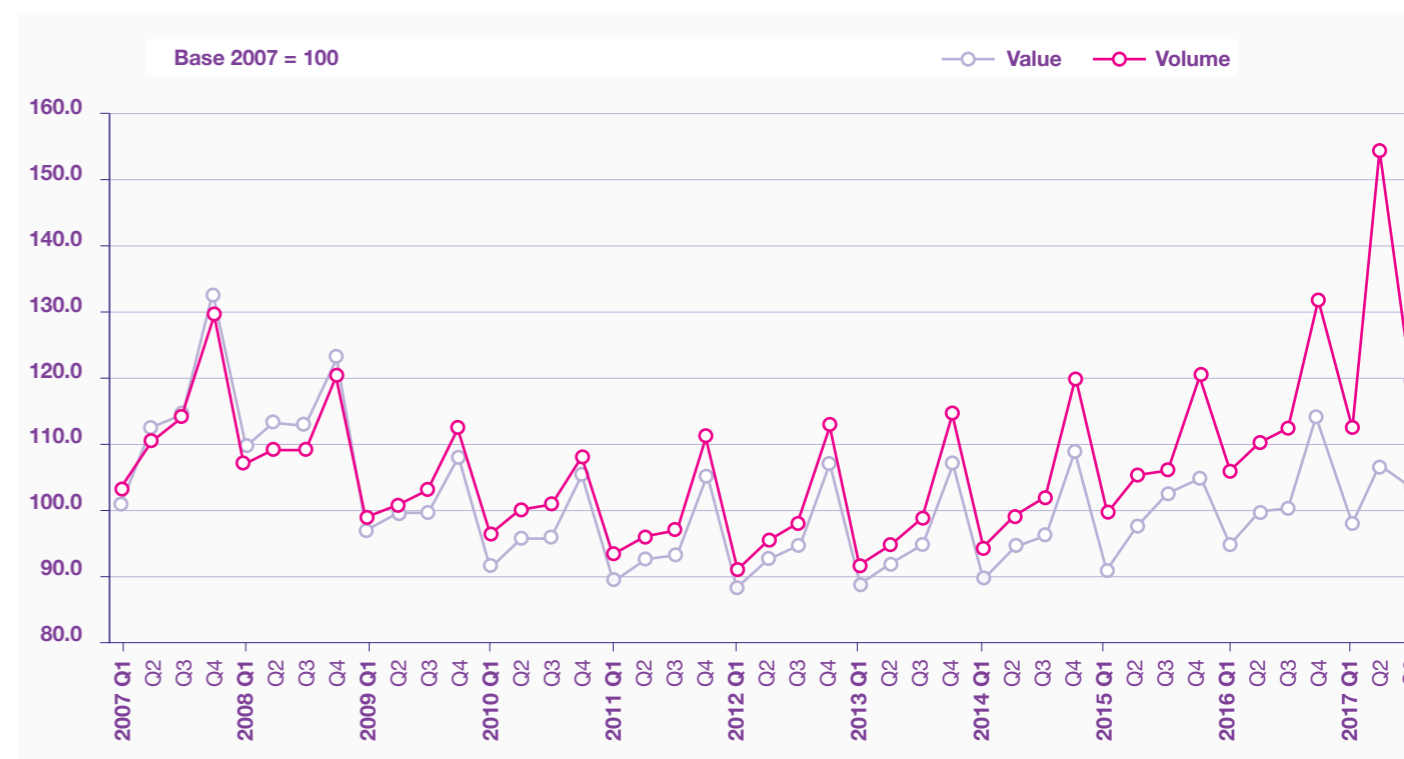
Retail sales in the US recovered sooner than Europe, and were on an upward trend from 2011, when spending grew by 8%. This momentum slowed in 2014, to 3%, and slowed further again in 2015 to 1.4%⁴⁴. There was a slight upturn in 2016, with 3.3% growth.

43. <http://www.ons.gov.uk/ons/rel/rsi/retail-sales/november-2015/stb-rsi-nov-15.html>

44. <http://www.census.gov/retail/index.html>

Retail Sales Quarterly

Retail Sales Index January 2007 - September 2017



Retail sales have a major seasonal peak in November-December, 50% above the monthly average for the rest of the year.

Sales growth was strong in the first half of 2016, but softened considerably in the second half (down from 6.5 to 4.4%), amid fears of a Brexit effect. For the year as a whole, sales grew 5.3% in volume and 2.4% in value. At this point, the retail sales index was back to the level at the peak in 2007.

Retail sales got off to a good start in the first half of 2017, up by 6% in volume and by 3% in value, the fastest rate of growth in retail sales since 2007. Growth strengthened further in the third quarter, up by 7.3% in volume and 4.2% in value, year-on-year. This suggests a growth rate of about 7% for the year as a whole, in volume terms, and 4% in value, higher than 2016 and on par with 2015 which was an exceptional year.

All product categories experienced growth in Q3 2017, although there was a quite a bit of variability. Household equipment which combines furnishings, electrical goods, hardware, paints and glass, continues to be the fastest growing category, up by 12.7% in volume and 7.1% in value, year-on-year. Even books/newsagents, which have been declining continually for 6 years, increased in Q3 by 1.4% in volume and value.

Retail sales in the UK grew strongly in 2015, up 5%, and remained quite robust in 2016, up by around 3%. However, sales weakened noticeably this year, down -1.4% in volume in Q1, and up by the same amount in Q2, leaving it flat for the first half as a whole.



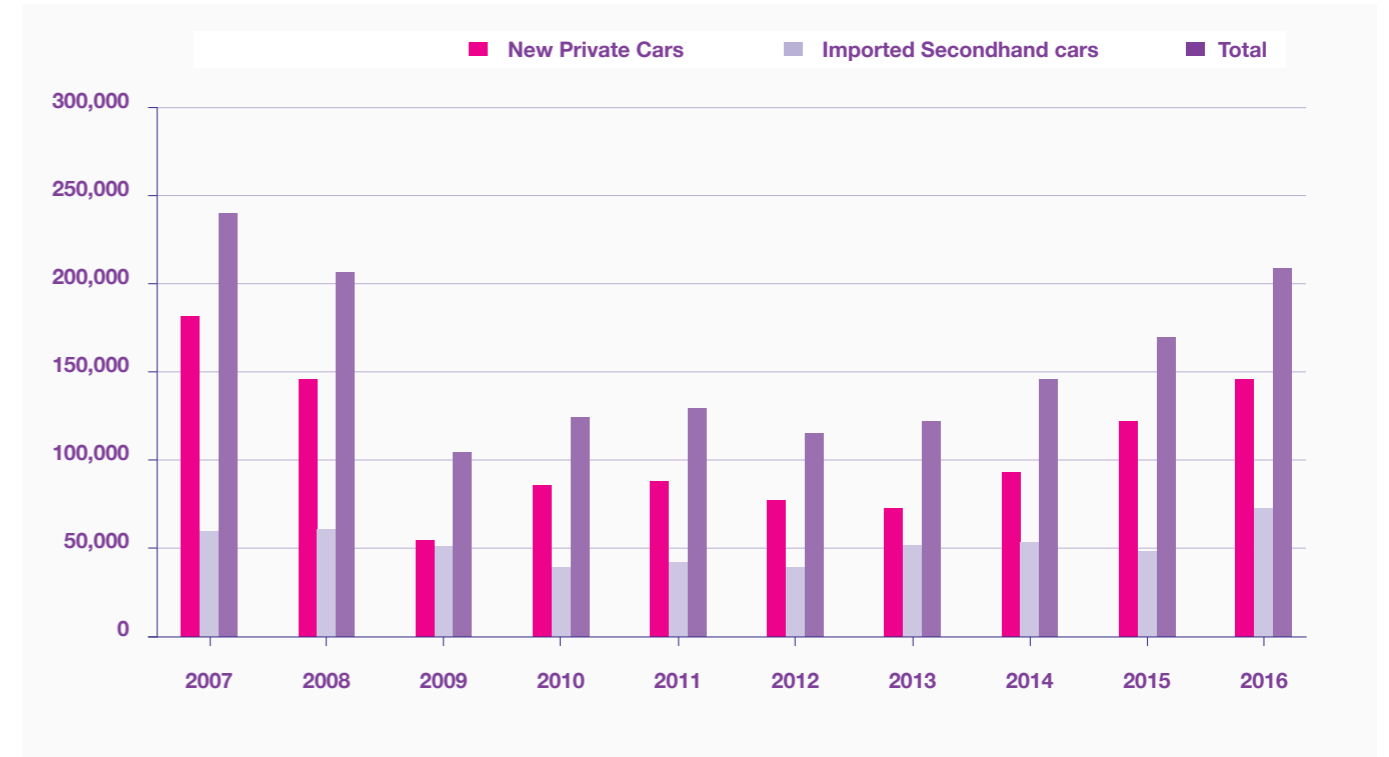
18%

Following the recession, car sales began to recover in 2014, with 92,361 cars sold, a 30% increase, and this rate of growth continued in 2015 with 121,110 cars sold. Sales continued upwards in 2016, with 142,688 cars sold, a slightly lower growth rate of 18%.



Sales of Private Cars Annual

Sales of Private Cars 2007 - 2016



New car sales peaked in 2007 with 180,754 cars sold. Sales dropped steadily from then, with the lowest point in 2009, when just 54,432 new cars were sold. There was a small revival in 2010 and 2011, but sales dropped again in 2012, with 76,256 new cars sold, and 2013, with 71,348 cars sold.

This trend reversed in 2014 with 92,361 new cars sold, an increase of 30%. There was a further increase of 31% in 2015, to 121,110 cars. 142,688 new cars were sold in 2016, an increase of 18%, but a significant reduction in the rate of growth. This level of sales was close to the average annual figure achieved in the early 2000's.

Sales of second hand cars actually benefitted in the recession. A total of 515,000 were sold

in 2011, 660,000 in 2012 (up 22%), 785,000 in 2013 (up 19%), 874,000 in 2014 (up 11%), 950,000 in 2015 (up 8%), and over 1 million in 2016.⁴⁵

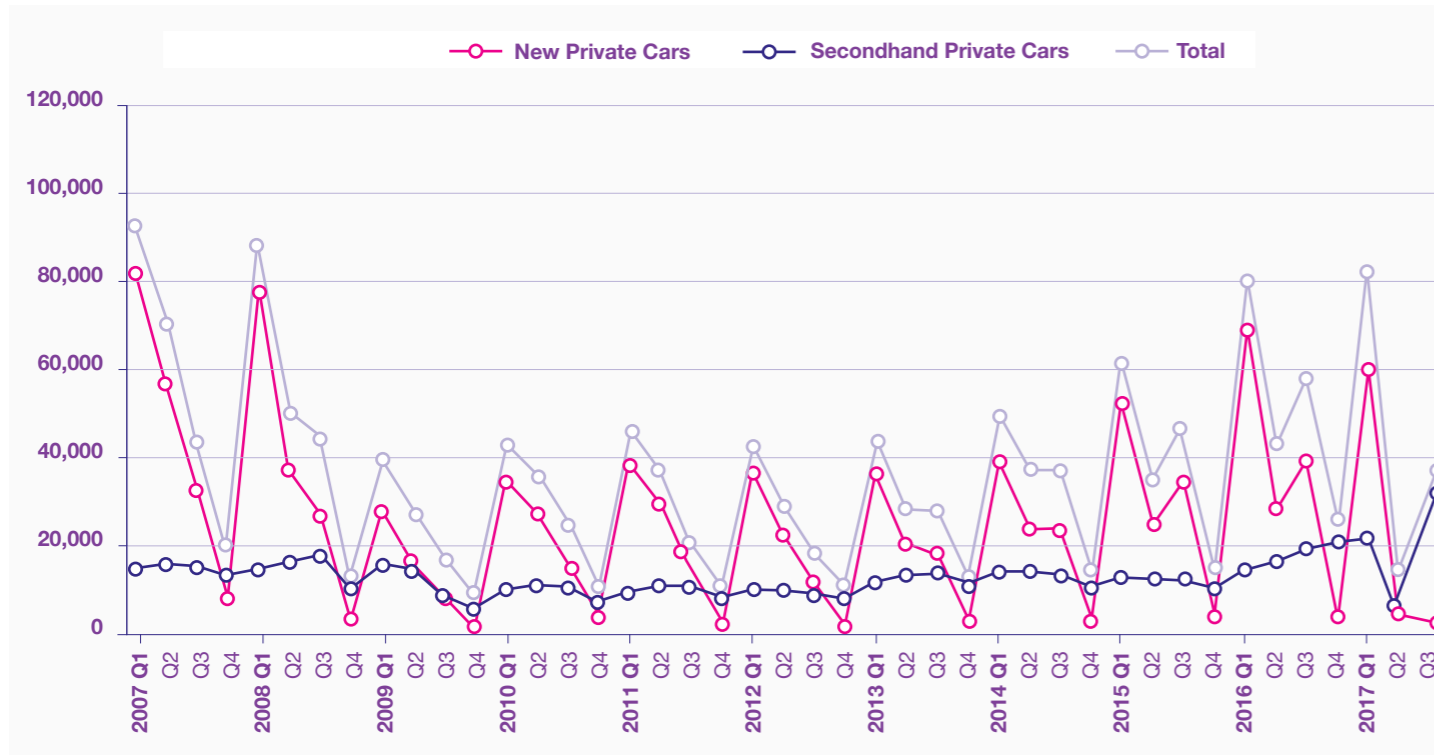
New car sales in the UK reached a 10-year high in 2014, with 2.5 million sold. This was exceeded in 2015, with 2.6 million cars sold, up more than 6%, but stagnated in 2016, at 2.69, a slower growth rate of 3%.⁴⁶

US car sales peaked in 2005 at 17.4 million, and bottomed out in 2009 at 10.6 million. Growth resumed in 2010, averaging 4% a year, reaching 16.8 million in 2014 and 17.7 million in 2015, exceeding the previous peak, and 18.4 million in 2016.⁴⁷

45. <https://www.cartell.ie/2017/02/used-car-market-breaks-one-million-2016/>
 46. <http://www.wsj.com/articles/european-union-new-car-sales-grow-13-7-in-november-acea-1450162833>
 47. www.thedailystar.net/business/carmakers-rack-up-big-gains-in-2013-us-sales-5461?archive=2014-01-06

Sales of Private Cars Quarterly

Sales of Private Cars January 2007 - September 2017



Sales of new cars were traditionally concentrated in January and February. The new dual registration system is helping, but 65% of sales still occur in the first half of the year.⁴⁸

Following the recession, car sales began to recover in 2014, with 92,361 cars sold, a 30% increase, and this rate of growth continued in 2015 with 121,110 cars sold⁴⁹. Sales continued upwards in 2016, with 142,688 cars sold, a slightly lower growth rate of 18%.

New car sales have been weak this year, down 10.4% year-on-year to the end of September, for a total of 87,346 units. However, there has been a dramatic rise in the number of imported second hand cars, up 47% in 2016, and up again by 46% in the first half of 2017 to a total of 44,945.

This reflects the weakening of sterling which makes imports better value. Taken together, car sales in the first half of the year are actually up by 3%, which is reasonably healthy.

New car sales in the UK reached 2.69 million vehicles in 2016, an increase of just 2%, and sales have fallen by -1.8% this year so far, with a 10% drop in Q2.⁵⁰

US car sales have been growing by around 4% a year for several years, reaching a total of 18.4 million units in 2016. However, sales have fallen by 2% in the first half of 2017.⁵¹

48. <http://www.rte.ie/news/2015/0811/720529-new-cars-licensed-in-july-up-over-50-on-last-year/>
 49. <http://www.rte.ie/news/business/2015/1016/735186-european-car-sales/>
 50. <https://www.theguardian.com/business/2017/jul/05/uk-car-sales-fall-june-2017-smmt>
 51. <https://www.cnbc.com/2017/07/03/june-auto-sales.html>



3%

New car sales have been weak this year with a total of 87,346 units but there has been a dramatic rise in the number of imported second hand cars, up 47% in 2016, and up again 46% in the first half of 2017. Taken together, car sales in the first half of the year are actually up by 3% on last year which is quite healthy.



The logo for Q3 2017 features the letters 'Q3' in a large, white, outlined font, with the year '2017' in a smaller, white, solid font to the right.

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