

Q3

2019

Consumer

Market Monitor



UCD Michael Smurfit
Graduate Business School



Q3

The Author

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Mary Lambkin

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Consumer Market Monitor

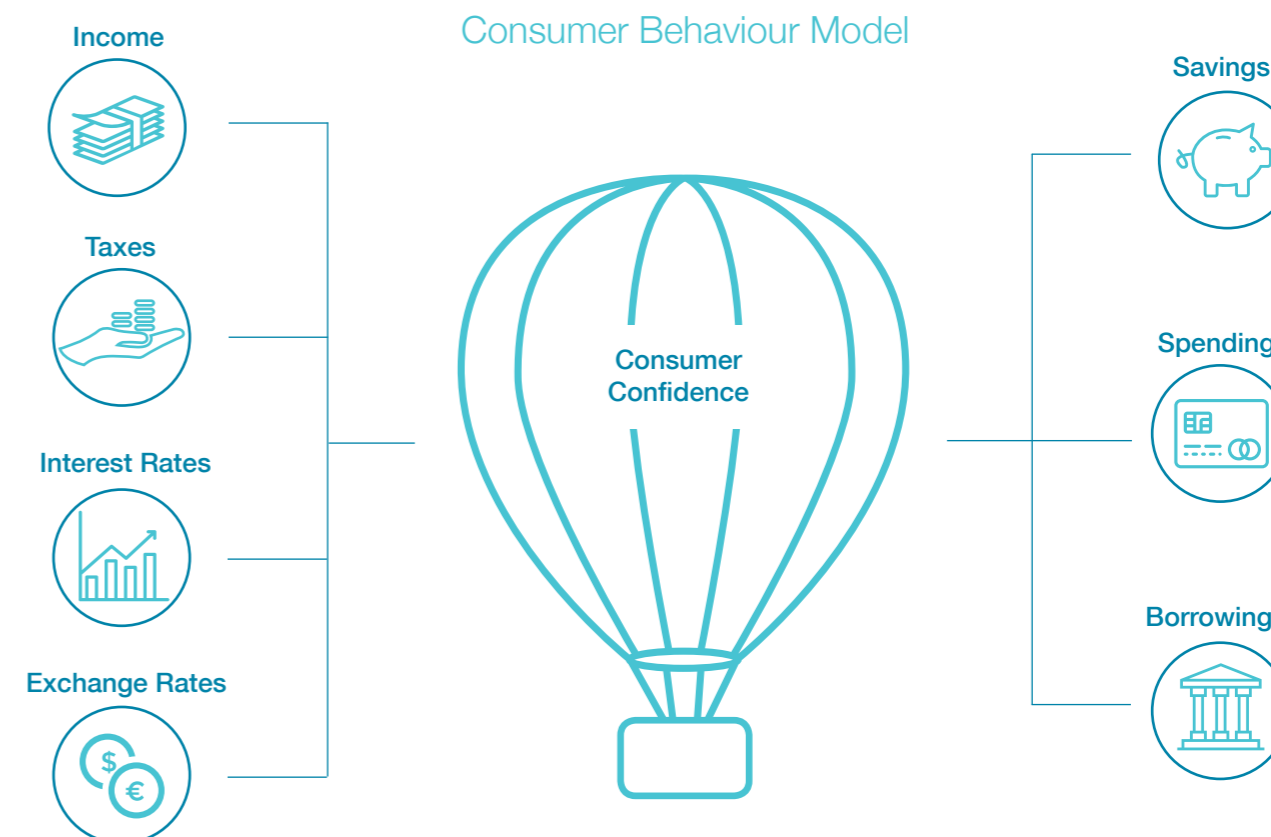
The Consumer Market Monitor is a publication provided by the Marketing Institute of Ireland in collaboration with the UCD Michael Smurfit Graduate Business School.

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 50% 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 Q3 of 2019 and reviews the year to-date.



Executive Summary

The Irish economy is continuing to grow strongly, with consumer spending providing the main stimulus together with property investment. Personal spending grew by 3.4% in 2018 to €105 billion and is up by 3% in the first half of this year which is a strong performance.

However, a recent weakening in consumer confidence together with a slowdown in car sales point to a loss of momentum so latest forecasts point to a slightly reduced growth rate of 2.6% for 2019 as a whole, with a further slowing to 2.4% in 2020.

This is a relatively good performance against a backdrop of uncertainty concerning the outcome of Brexit. It seems likely that this uncertainty will continue to weigh on consumers up to the end of this year, although the risk of a “no deal” Brexit seems to be receding giving reason for renewed optimism. The strong fundamentals in the Irish economy are also a counterbalance to any negative sentiment associated with Brexit.

The key fundamentals are the continuing growth in employment and incomes leading to significant improvements in household finances. There are now 2.3 million people at work, up 45,000 (2%) year-on-year, and up by 439,000 or 20% from the low point in mid-2012. Employment is expected to continue growing but at a moderating rate as the economy approaches full employment. Projected growth of 2.4% for 2019 and 1.7% in 2020 will add another 100,000 people to the workforce.

Earnings growth has also played a significant part in recent years as wages have begun to rise. Wages increased by 2.5% per annum from 2015 to 2017, by 3.5% in 2018 and are trending up by a further 3.6% this year as the labour market approaches capacity.

The combination of more people at work and higher wages has led to substantial increases in the amount of disposable income circulating in the economy. Aggregate disposable income increased by 5% a year from 2015 to 2017.

This rose to 6% in 2018 for a total of €110 billion and was up again in Q1 of this year by 6.6%, suggesting a final figure of about €117 billion.

Consumer spending has also been supported by improving household finances, mainly as a result of the increasing value of peoples’ homes. Household wealth stood at €772 billion in 2018, equivalent to €444,000 per household or €159,000 per person. This is up by 70% from the trough of €430 billion in Q2 2012. Perceptions of increasing wealth breed confidence and encourage consumers to release some of that wealth for spending.

Irish consumers are also beginning to supplement their own resources by taking on some debt, mainly to support the purchase and furnishing of homes. Following a decade of deleveraging with repayments consistently exceeding new borrowing, borrowing is beginning to increase again at a modest rate. New lending of €1.4 billion was advanced in 2018, an increase of 2%.

€1.1 billion of this was for the purchase of residential property with the balance for other personal consumption. Much of this is going on purchases of household goods, the strongest retail category currently. 2019 is showing a similar growth rate of 2%, equivalent to €2 billion in new loans.

It is important to note, however, that credit and borrowing are not major contributory factors in recent spending, unlike in the last boom. The ratio of debt/disposable income of Irish households has continued to fall, down from 215% at the peak in 2012 to 120% this year, a reduction of 40%. Also, savings deposits grew by €4.5 billion, or 4.7%, in the past year.

55,000 homes were sold in 2018 and sales are up again this year, but only by 2%, suggesting a total of 56,000 for 2019. In contrast, the number of mortgages approved was up 10% in the first half of the year indicating that demand is still strong. 65% of those mortgages are going to first time buyers showing that this is still the predominant need.



3.6%

Earnings growth has also played a significant part in recent years as wages have begun to rise. Wages increased by 2.5% per annum from 2015 to 2017, by 3.5% in 2018 and are trending up by a further 3.6% this year as the labour market approaches capacity.



-5.5

A recent weakening in consumer confidence together with a slowdown in car sales point to a loss of momentum so latest forecasts point to a slightly reduced growth rate of 2.6% for 2019 as a whole, with a further slowing to 2.4% in 2020.

The market for cars is the most troubled sector right now; sales of new cars were down by -7% in the year to the end of September, for a total of 107,686. This suggests a total of about 112,000 new cars for the full year. This continues the negative trend of the previous two years, with sales down -10.5%, in 2017 and by a further -4.6% in 2018.

In contrast, there has been a substantial increase in the number of imported second hand cars, totalling 99,456 in 2018. This trend is continuing in 2019 with sales up 6.2% to the end of September, to 80,085, suggesting about 105,000 for the full year.

In sum, car registrations were flat in 2017 and 2018 at about 220,000. This looks like dropping to 217,000 for 2019 with sales divided more or less equally between new and imported second hand cars. This compares to a total of 240,000 in 2007 of which 180,745 were new cars.

A final point to note is the broad-based deterioration in the UK consumer economy on foot of Brexit. There has been a weakening in virtually every metric tracked in this monitor, from property to cars to retail and services over the past two years. Recent data show that this negative trend is accelerating in tandem with the decline in the value of Sterling.

Consumer Confidence

Consumer confidence in Ireland began to recover in 2013 and increased steadily through 2014 and 2015, at which point it was well ahead of the previous peak in 2007, and also significantly higher than our European neighbours. Confidence faltered slightly in 2016 following the Brexit vote but picked up again in 2017 in response to strong employment data.

Confidence dropped through 2018 reflecting ongoing worries about a “hard Brexit” and negative implications for the Irish economy. This downward trend continued in Q1 of 2019, going into negative territory for the first time since 2014. Confidence picked up modestly in Q2 but dipped significantly in Q3 as the Brexit debate intensified. However, confidence here is still significantly higher than in the UK and the wider EU.

Consumer confidence in the UK has been negative since Q2 2016, reaching a low of -10 in June and remaining at that level through the third quarter of this year. Consumer confidence in the EU has also been relatively weak for several years although slightly stronger than the UK.

Consumer Incomes and Spending

The disposable income of Irish households rose by 6% in 2018 to a total of €110 billion, significantly overtaking the last peak of €101 billion in 2007. Increasing numbers in employment together with pay increases drove this growth.

Disposable income grew by 6.6% in the first half of this year and indications are that the year is remaining strong. On this trend, it looks likely that aggregate disposable income will reach €117 billion for the year as a whole.

There are now 2.3 million people at work, up 45,000 (2%) year-on-year, and up by 439,000 or 20% from the low in mid-2012. Employment is expected to continue growing but at a moderating rate as the economy approaches full employment. Forecast growth of 2.4% in 2019 and 1.7% in 2020 will add another 100,000 people to the workforce.

Earnings growth has also played a significant role in recent years; wages increased by about 2.5% per annum from 2015 to 2017, by 3.5% in 2018 and by a similar rate in 2019. Average weekly earnings stand at €771 this year, equivalent to annual pay of €40,000 and this is forecast to grow further next year as the labour market tightens.

Household wealth has also recovered well from the recession, standing at €772 billion in 2018, €444,000 per household or €159,000 per person. This is up by 70% from the trough of €430 billion in Q2 2012.

Personal consumer spending grew by 3.4% in 2018 to €105 billion, and this positive trend is continuing in 2019 with spending up by 2.9% in the first half year. Consumer spending is forecast to grow by 2.6% for the full year to €108 billion, and by a further 4% in 2020.

Consumer Borrowing

Borrowing by Irish households grew at a record level from 2000 onwards and peaked in March 2008 at €150 billion. It then declined steadily - down 40% by December 2016 to €88 billion. This downward trend reversed in 2017, after almost a decade, the first sign of a return to normal conditions. Household debt increased by 2% per annum in the last two years and stood at €88 billion in June 2019.

Loans for house purchase, which account for 84% of household loans, peaked in Q1 2008 at €125 billion but reduced to a low of €73 Billion by Q4 2016, a cumulative decline of 40%. Mortgage lending has resumed growth since then, increasing by over €1 billion in 2018 (+1.4%), to a total of €74 billion by June 2019.

Lending for other consumption accounts for 18% of total borrowing. This category peaked in Q1 2008 at €30 billion but declined to €13 billion by December 2016, a reduction of 60%. It resumed growth in mid-2016, amounting to €14 billion by June 2019.

It is important to note, however, that credit and borrowing are not major contributory factors in recent spending unlike in the last boom. The ratio of debt/disposable income of Irish households has fallen from 215% at the peak in 2012 to 120% this year, a reduction of 40%. Furthermore, household deposits have continued to grow, increasing by €4.5 billion or 4.7% in the year to June 2019.

Residential Property

There were 55,000 homes sold to private households in 2018, an increase of 6% on the 52,000 sold in 2017. There were 30,630 mortgages drawn down which was 9% higher than the previous year. This suggests that 45% of homes were purchased with cash.

There were 34,125 residential properties sold to private households in the first three quarters

of 2019, an increase of just 2% on last year, suggesting a year end figure of around 56,000.

In contrast, the number of mortgages approved was up 13% to 26,200, indicating that demand is still strong. 65% of those mortgages are going to first time buyers demonstrating that this is still the predominant need.

New homes are playing an increasing part in fulfilling that need- 10,300 were sold in 2018 compared to 8,800 in 2017. 18,000 new homes were completed in 2018 and this is increasing to 20,000+ this year.

There were 1.24 million residential properties sold in the UK in 2016 but the market slowed to 1.2 million in 2017 and 2018. 2019 is weaker again, down -2% in the year to September, year-on-year.

Services

The services sector recovered more quickly from the recession than the retail sector, showing modest growth from 2011 onwards, and recovered more rapidly in recent years. The index overtook the 2007 peak in 2014, and made further gains in 2015, 2016, and 2017, up by 4+% per annum.

Services growth accelerated in 2018, up 8%, and this strength is continuing, with the first half of 2019 up by 9%. This is closely matched by Vat returns which were up 7% in 2018, to €14 billion, and by a further 6.4% in the first nine months of 2019.

However, the fortunes of individual service sectors have varied widely. Information/communication services did best, up 17.5% in 2018 and by 32% in the first half of 2019. Accommodation and food service were also strong, up 9% in 2018 and by 5% in 2019 to date. Professional and technical services fared worst, down 5% in 2018 and by the same again in 2019.

2.3 million people at work

There are now 2.3 million people at work, up 45,000 (2%) year-on-year. Employment is expected to continue growing but at a moderating rate as the economy approaches full employment. Projected growth of 2.4% for 2019 and 1.7% in 2020 will add another 100,000 people to the workforce.

Car Sales

Following the recession, sales of new cars began to recover in 2014, and grew substantially in 2015 and 2016, reaching 143,000 units. This positive trend was short lived, however, reversing steadily since then.

New car sales fell by -10.5% in 2017, for a total of 127,045, and weakened further in 2018, down -4.6% for a total of 121,157. This trend has continuing in 2019, with sales for the first three quarters down by -7% for a total of 107,686, suggesting a total of 112,000 new cars for 2019.

In contrast, there has been a substantial increase in the number of imported second hand cars, totalling 99,456 in 2018. This trend is continuing in 2019 with sales up 6.2% in the first three quarters of the year, to 80,085, suggesting a total of around 105,000 for the year.

Taking new and imported cars together, sales were flat in 2017 and 2018 at about 220,000 and look to be down slightly to about 217,500 this year. Sales of other second hand cars are also down this year by about 4% suggesting a general weakness in the motor trade.

Retail Spending

Retail sales (excluding the motor trade) were solid in 2018, up by 3.8% in volume and 2.7% in value, but lower than 2017 (+5.8% in volume and +3.5% in value). 2018 sales equated to €45 billion which was back to the levels last seen in 2007.

2019 got off to a strong start in Q1 with sales up by 5.8% in volume and 4.2% in value year-on-year. Momentum slowed a bit in Q2, with volume up by 3.6% and value up 2.2% year-on-year. The third quarter has been relatively strong, up 4.2% in volume and by 1.8% in value year-on-year. This amounts to an average of 4.5% growth in volume and 2.7% growth in value for the year to the end of September which is consistent with 2018.

Household equipment continued to be the fastest growing category this year, up by 13.2% in volume and 5.9% in value in Q3, year-on-year. Sub-categories within that - electrical goods and furnishings - did exceptionally well, up by 18.0% and 6.6% respectively.

Supermarkets and other food stores also performed very well, as did pharmaceuticals and cosmetics. Department stores and the motor trade were the weakest categories in Q3, down by -6.5% and -4.5% in volume respectively.

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Fuel up 0.8% in volume but down by -0.5% in value



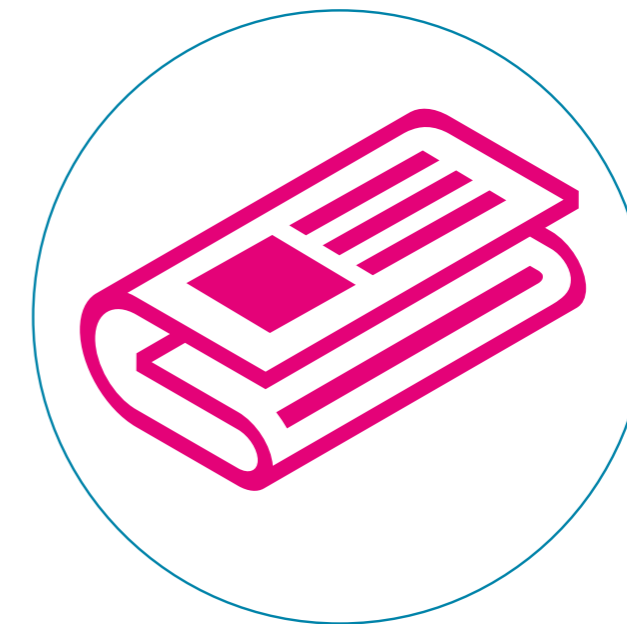
Bar sales up 0.6% in volume and down -0.7% in value



Department stores down -6.5% in volume but down -9.5% in value



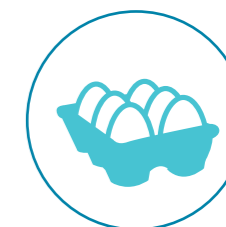
Non-specialised stores (supermarkets) up 5.6% in volume and 4.5% in value



Books, newspapers and stationery down -3.1% in volume and -1.3% in value



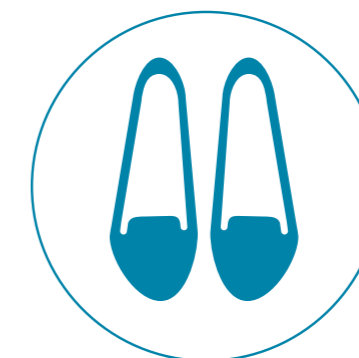
Household equipment up 13.2% in volume and 5.9% in value



Food sales up 5.2% in volume and up 4.5% in value



Pharmaceuticals and cosmetics up 5.6% in volume and 3.0% in value



Clothing, footwear and textiles up 1.4% in volume but down -0.7% in value



Motor trades down -4.5% in volume and down -3.5% in value

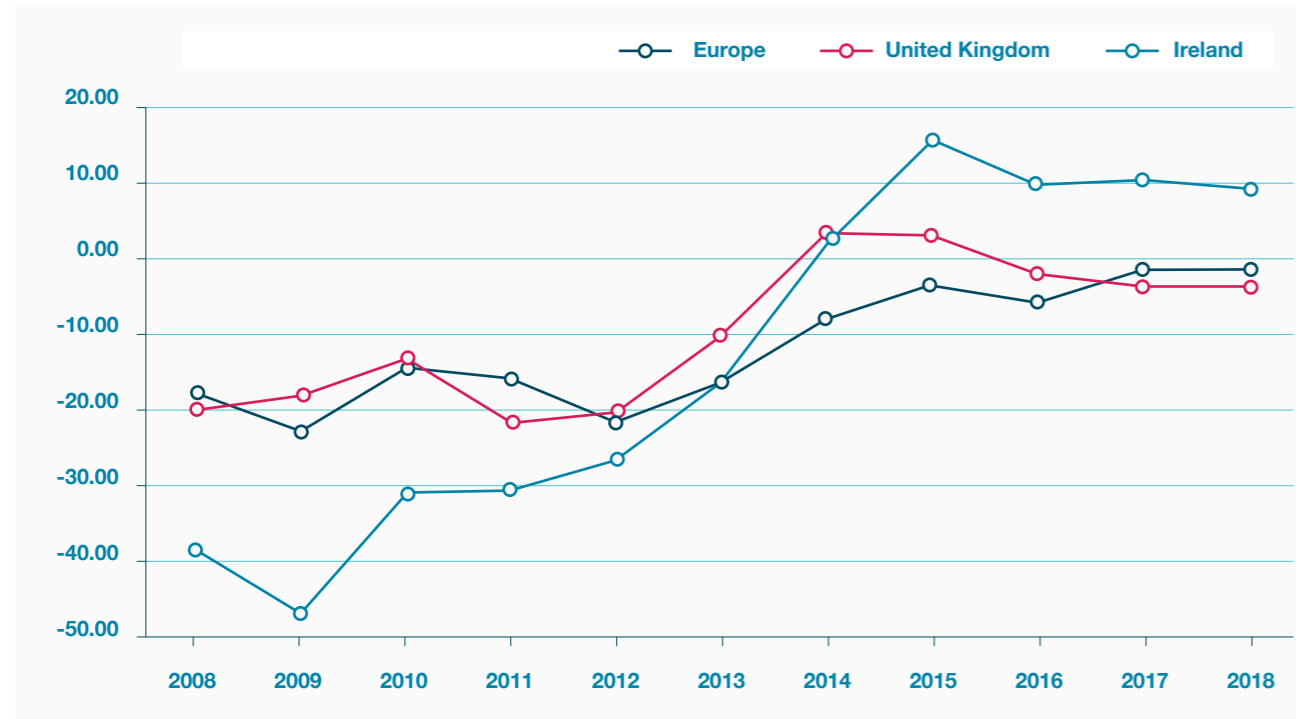
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Consumer & Retail Analysis



Consumer Confidence Annual

Consumer Confidence January 2008 - December 2018



Consumer confidence in Ireland fell dramatically in 2008 as the financial crisis unfolded, and remained low from 2009 to 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, strengthening through the year.⁰² At this point, we were well ahead of the last peak in 2007 and of our European neighbours.

Confidence fell slightly through 2016 reflecting uncertainty about Brexit. However, it picked up again in 2017 and finished the year well above

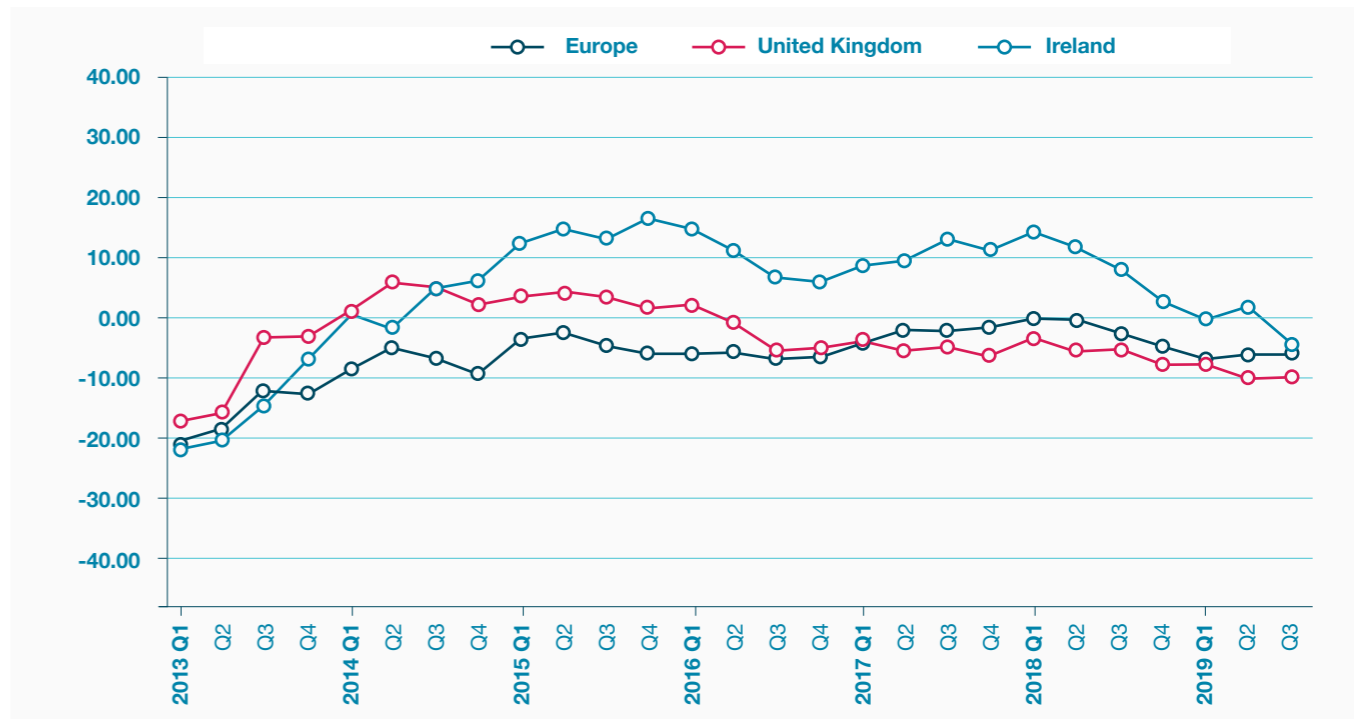
our neighbours. This positivity eroded slightly in 2018 with confidence falling each quarter due to Brexit fears.

Consumer confidence in the UK has been negative since Q2 2016, reaching a low of -8 in December 2018. Consumer confidence in the EU has also been relatively weak but a few points stronger than the UK.

In contrast, confidence has been very high in the US, ending the year 2018 at an historically high level of 138, fuelled by good news on employment and the stock market.⁰³

Consumer Confidence Quarterly

Consumer Confidence Quarter 1 2013 - Quarter 3 2019



Consumer confidence in Ireland fell slightly in 2016, reflecting uncertainty about Brexit, but picked up again in 2017 in response to strong employment data, reaching a significantly higher level than neighbouring countries.

Confidence dropped through 2018 reflecting continuing worries about a "hard Brexit" and negative implications for the economy. This downward trend continued in Q1 of 2019, going into negative territory for the first time since 2014. Confidence picked up slightly in Q2 but fell again in Q3 as the Brexit problem intensified. Confidence here is still higher than in the UK and the wider EU.

Consumer confidence in the UK has been negative since Q2 2016, reaching a new low of -10 in June 2019 which has remained steady through Q3.

Consumer confidence in the EU has also been muted for several years, consistently in negative territory, although slightly stronger than the UK.

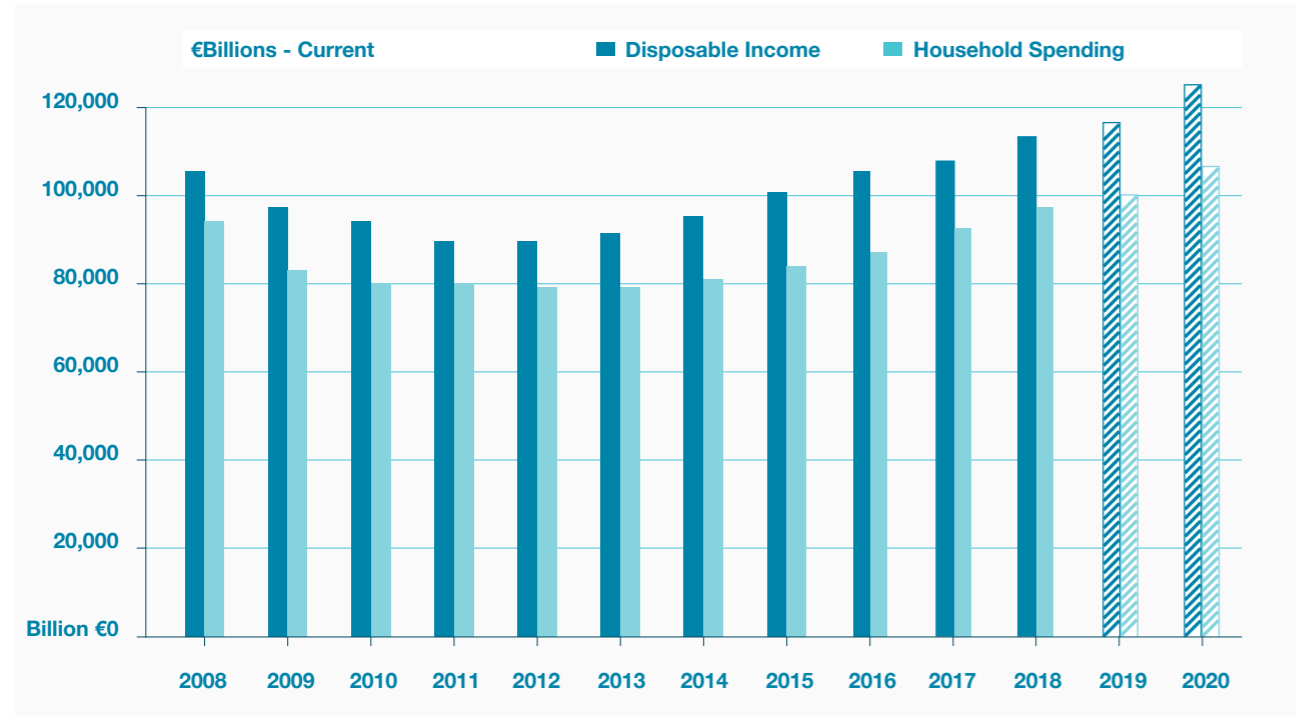
In contrast, American consumer confidence has been very strong, reached 138 in October 2018, the highest level in 18 years. It has since fallen back, to 125 in September, reflecting worries about trade wars and other political uncertainty.⁰⁴

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://money.cnn.com/2018/12/27/news/economy/us-consumer-confidence/index.html>

04. <https://www.bloomberg.com/news/articles/2019-09-24/consumer-confidence-in-u-s-fell-more-than-forecast-in-september>

Consumer Incomes and Spending Annual

Disposable Incomes and Household Spending



Household disposable income in Ireland increased by 60% from 2002 to 2008 -from €65bn to €104bn, due to growing employment and rising incomes.⁰⁵ This trend reversed in 2009 and fell steadily until 2012, down -15% in total, as a result of the global recession.⁰⁶

Conditions stabilised in 2013 and disposable income rose by 3% in 2014. It continued to rise in 2015, 2016 and 2017, up by about 5% per annum.

Growth accelerated in 2018 with disposable income up by 6% to €110 billion. It has continued to grow this year, up by 6.6% in the first half and looks set to reach about €117 billion for the year as a whole.

Household wealth has also recovered well, standing at €770 billion in 2018, up 70% from Q2 2012. Net worth per capita stood at €158,000 in Q4 2018, or €440,000 per household. Household deposits grew to €4.1 billion in Q3 2018 (+4.3%), the largest increase since 2008.⁰⁷

Household spending closely mirrors income, increasing by 48% from 2002 to 2008, from €62bn to €95bn.⁰⁸ Spending then declined to a low of €84 billion in 2011, down -15% (-7.5% in real terms).

Household spending began to recover in 2014 and grew by 3-4% per year in 2016 and 2017. Spending was up by 5% in 2018 to €99 billion⁰⁹ Household spending is likely to reach €102 billion this year, exceeding the last peak in 2008.

05. CSO Institutional Sector Accounts, Q2, 2019

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

07. <https://www.centralbank.ie/docs/default-source/statistics/data-and-analysis/financial-accounts/quarterly-financial-accounts-for-ireland-q2-2019.pdf?sfvrsn=2>

08. Household spending accounts for 92% of all personal spending

09. CSO Institutional Sector Accounts, Q2, 2019

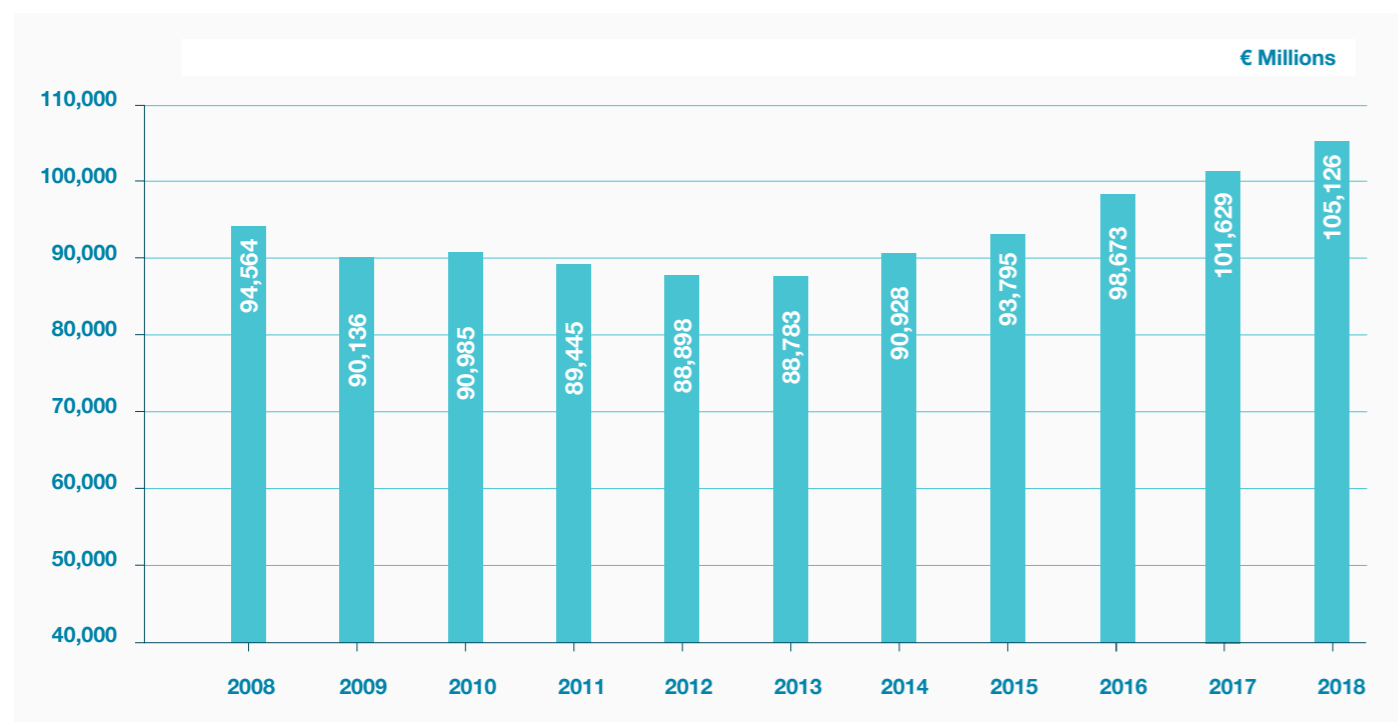
117bn

The combination of more people at work and higher wages has led to substantial increases in the amount of disposable income circulating in the economy. Disposable income increased to 6% in 2018 for a total of €110 billion and was up again in Q1 of this year by 6.6%, suggesting a final figure of about €117 billion.



Personal Spending on Goods/Services Annual

Personal Spending on Goods/Services 2008 - 2018



Personal spending rose rapidly from 2000 to 2007, by 6% per year. Spending declined over the next five years, down -7% in real terms from 2007 to 2013.¹⁰

Personal spending grew by 2% in 2014, by 4.5% in 2015, and by 3.8% in 2016.¹¹ Spending was softer in 2017, up by 2.8%, but picked up again in 2018.

Personal consumer spending grew by 3.4% in 2018 to €105 billion, and this positive trend is continuing in 2019 with spending up by 2.9% in the first quarter and indications that it has also grown strongly during the second quarter. Consumer spending is forecast to grow by 2.6%

for the full year 2019 to a total of €108 billion, and by 2.4% in 2020.

Consumer spending in the UK fell -4% from the 2007 peak to the trough in 2011, from £955 to £916 billion. Spending rallied between 2012 and 2016, up 2-3% per year. However, it slowed to 1.6% in 2017 and 1.8% in 2018.¹²

US consumer spending has been growing steadily for a number of years, up by an annual rate of around 3.5%.¹³

10. [http://www.ibec.ie/IBEC/Press/PressPublicationsdoclib3.nsf/vPages/Newsroom~irish-economy-in-new-post-recovery-phase-08-01-2018/\\$file/ibec+Economic+Outlook+Q4+2018.pdf](http://www.ibec.ie/IBEC/Press/PressPublicationsdoclib3.nsf/vPages/Newsroom~irish-economy-in-new-post-recovery-phase-08-01-2018/$file/ibec+Economic+Outlook+Q4+2018.pdf)

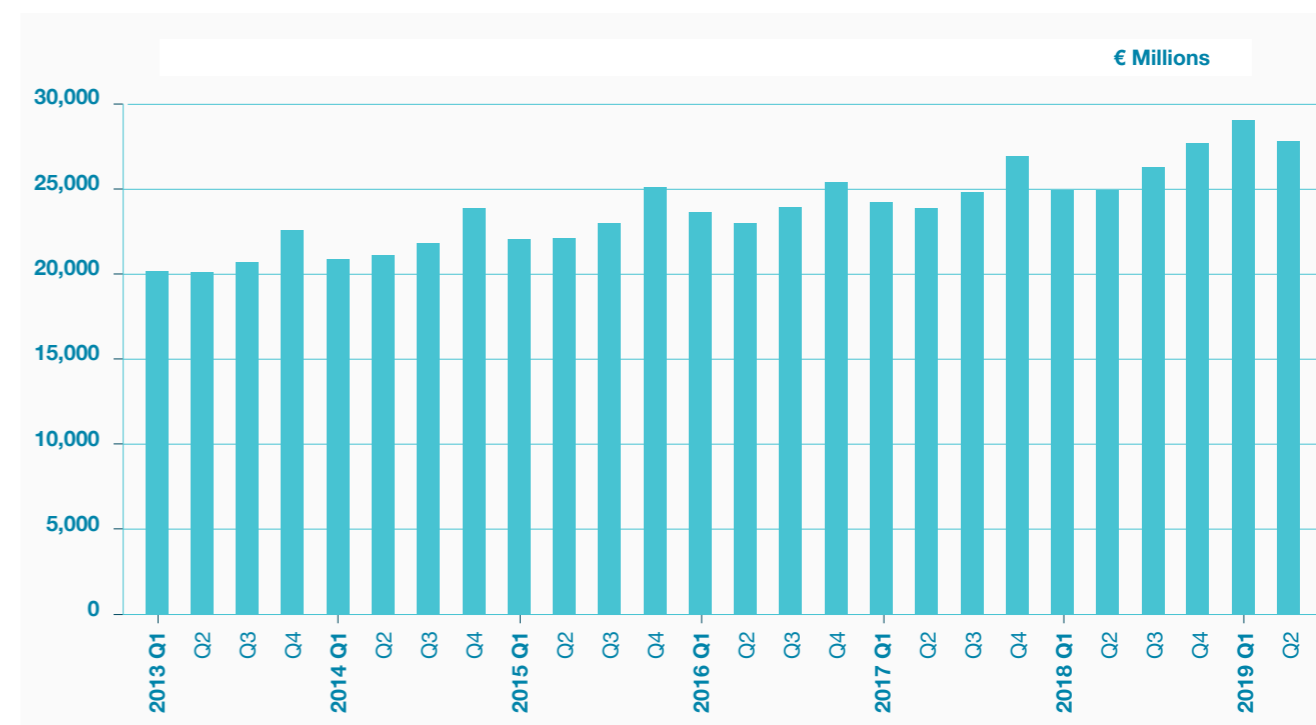
11. Central Bank of Ireland, Quarterly Economic Bulletin, Quarter 4, 2018.

12. <https://www.ons.gov.uk/economy/nationalaccounts/satelliteaccounts/bulletins/consumertrends/apriltojune2018>

13. <https://www.thebalance.com/consumer-spending-trends-and-current-statistics-3305916>

Personal Spending on Goods/Services Quarterly

Personal Spending on Goods/Services Quarter 1 2013 - Quarter 2 2019



Personal spending peaks in the fourth quarter each year, in the run up to Christmas. This peak reached an all-time high in Q4 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 +4% in 2015 and 2016.¹⁴ The pre-Christmas peak in 2016 surpassed the previous peak in 2007.

Growth continued in 2017 but at a slightly lower rate, up by 2.8% to almost €104 billion.

Personal consumer spending grew by 3.4% in 2018 to €105 billion, and this positive trend is continuing in 2019 with spending up by 3% in

the first half of the year. Consumer spending is forecast to grow by 2.6% for the full year 2019 to a total of €108 billion, and by a further 2.4% in 2020.

In contrast, personal spending in the UK slowed to 1.9% in 2017, to 1.8% in 2018, and has slowed further in 2019, forecast at 1.6% for the year.¹⁵

Consumer spending in the EU increased by 1.5% in 2018 and by the same rate this year, following growth of around 2% for several previous years.¹⁶

US consumer spending grew by 3.5% in 2018 supported by a robust labour market, and this rate of growth is continuing in 2019.¹⁷

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

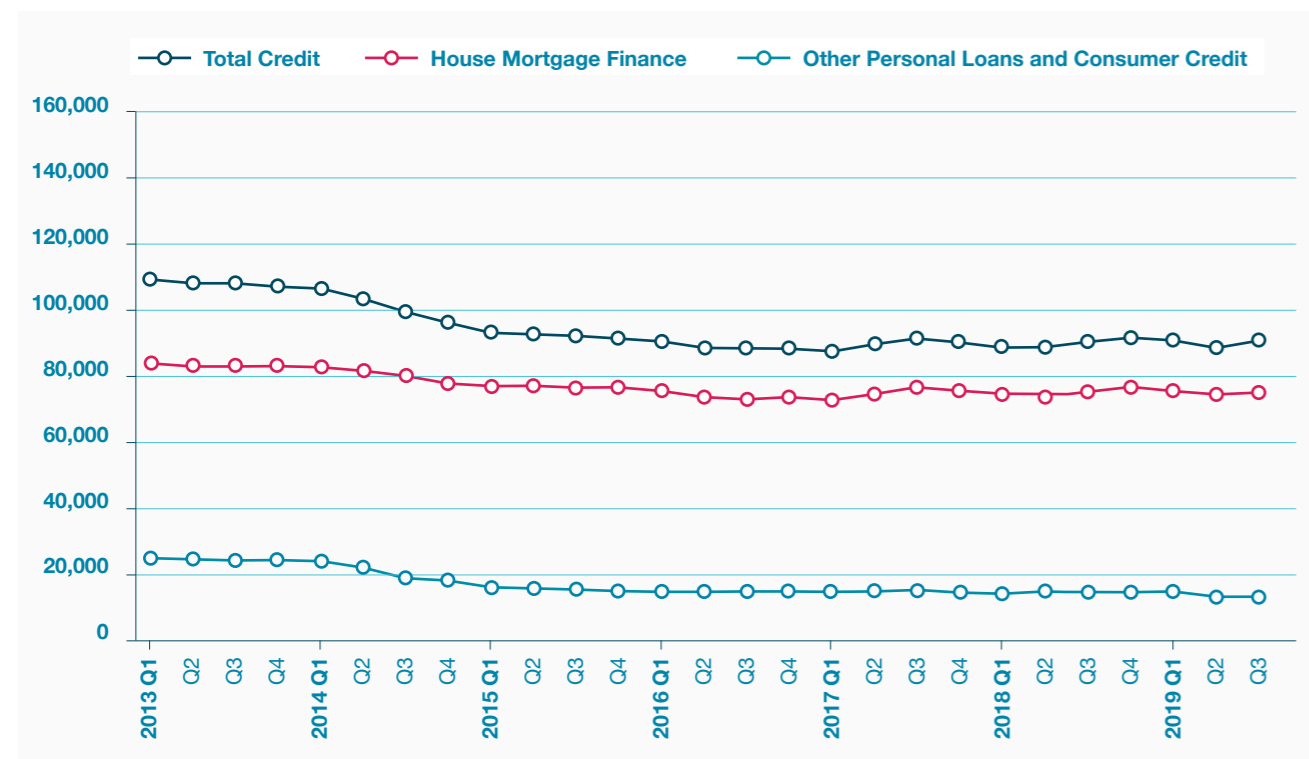
15. <https://uk.reuters.com/article/uk-britain-consumers/uk-consumer-spending-growth-in-2019-to-be-slowest-in-six-years-ey-item-club-idUKKCN1T00ZW>

16. <https://ec.europa.eu/eurostat/documents/2995521/10059905/2-06092019-AP-EN.pdf/cc94624f-af21-4849-bcb0-b144ad7f9597>

17. <https://www.cnbc.com/2019/10/31/consumer-income-and-spending-rise-slightly-in-september.html>

Personal Borrowing Quarterly

Personal Borrowing Quarter 1 2013 - Quarter 3 2019



Borrowing by Irish households grew at a record level from 2000 and peaked in mid-2008 at €150 billion. It then declined steadily - down 40% to €88 billion by December 2016.

The downward trend finally reversed in 2017 with debt increasing by 2%, the first sign of a return to normal conditions.¹⁸ Outstanding household debt stood at €90 billion in December 2018 or €28,300 per capita.

Loans for house purchase, which account for 84% of household loans, peaked in Q1 2008 at €125 billion but reduced to a low of €73 Billion by Q4 2016, a cumulative decline of 40%. Mortgage lending has resumed growth since then, increasing by over 1% per annum. €1 billion was advanced in 2018 (+1.4%), to bring the total of outstanding loans of €74 billion in June 2019.

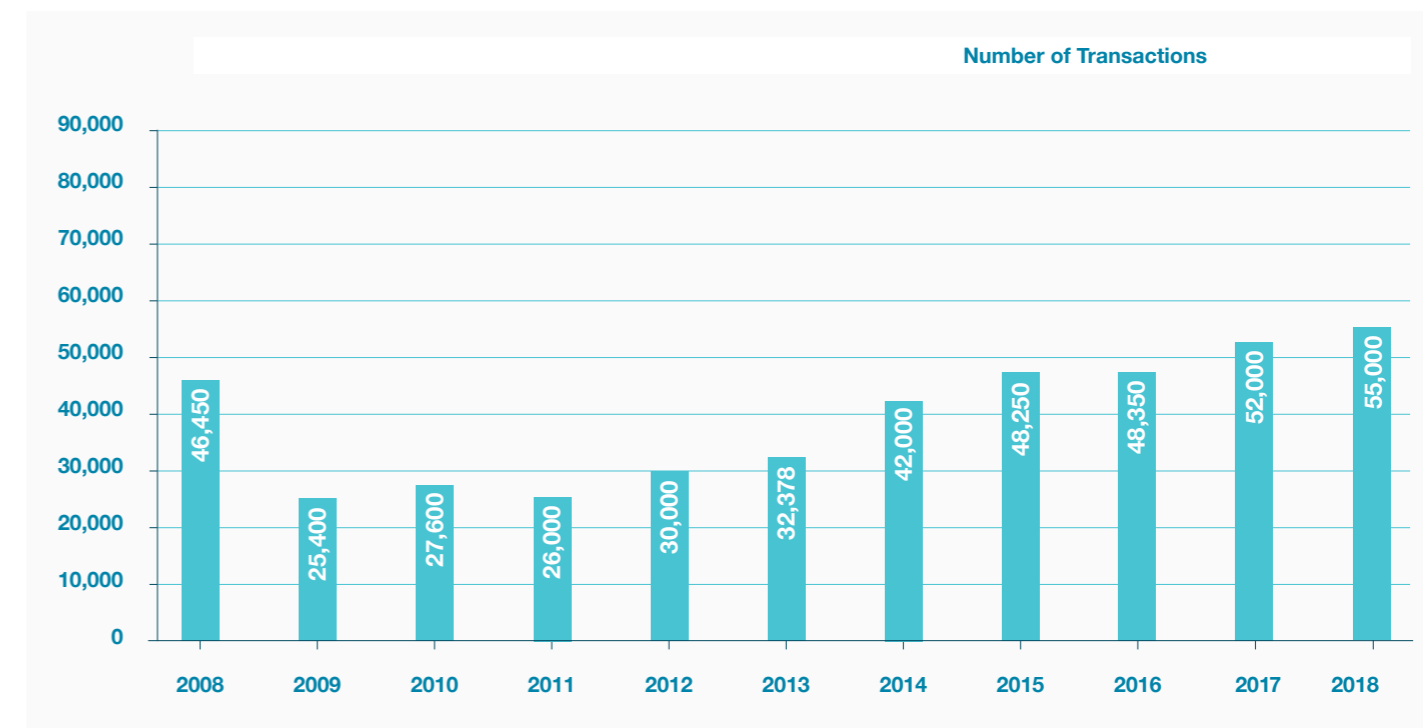
Lending for other consumption accounts for 18% of total borrowing. This category peaked in Q1 2008 at €30 billion but declined to €13 billion by December 2016, a reduction of 60%. It resumed growth in mid-2016, amounting to €14 billion by June 2019.

It is important to note, however, that credit and borrowing are not major contributory factors in recent spending unlike in the last boom. The ratio of debt/disposable income of Irish households has fallen from 215% at the peak in 2012 to 120% this year, a reduction of 40%. Furthermore, household deposits have continued to grow, increasing by €4.5 billion or 4.7% in the year to June 2019.¹⁹

18. <http://www.rte.ie/news/business/2016/0818/810205-household-debt/>
19. <https://www.centralbank.ie/statistics/data-and-analysis/financial-accounts>

Residential Property Sales Annual

Number of Homes Sold 2008 - 2018



2009 was the nadir of the recession in terms of residential property sales, with just 25,4000 homes sold. The number of mortgages issued also fell to a low of 9,700 in 2011, having peaked at 85,000 in 2005.²⁰

2014 was the first year to see a significant lift in the market, with 42,000 homes sold and 19,125 new mortgages issued, an increase of 50%. This upward trend continued in 2015, with 48,250 sales and 22,767 new mortgages issued, up 19%.

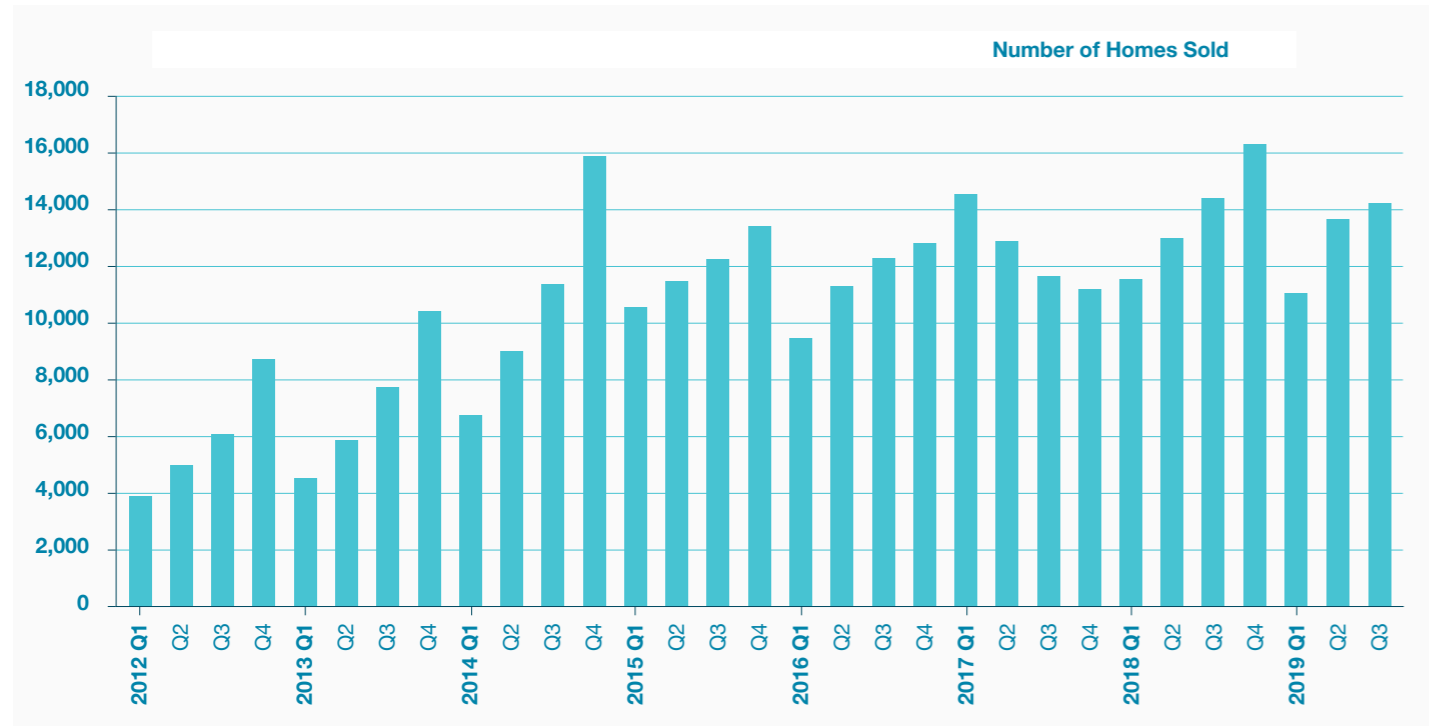
Sales were flat in 2016, at 48,350, while there were 23,589 mortgages issued. Sales grew in 2017, to 52,000 (+8%), and were up by 5% in 2018 for a total of 55,000 units valued at €18 billion.²¹

Sales of residential properties in the UK were down -1% in 2017, and by -2.8% in 2018 to a total of 1.2 million.²²

20. 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. New loans for purchase of private homes. Excludes top-ups and buy-to-let
21. <https://media.myhome.ie/content/propertyreport/2018/Q42018/MyHomePropertyReportQ4-2018.pdf>
22. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/674611/UK_Tables_Jan_2018__cir_.pdf

Residential Property Sales Quarterly

Number of Homes Sold Quarter 1 2012 - Quarter 3 2019



There were 48,350 private residential sales in 2016, down 4% on 2015, partly because of a shortage of properties; just 19,400 homes or 1% of the national housing stock was for sale in Q4 2016, the lowest since the series started in January 2007.

The supply situation remained tight in 2017 but sales were up 10% to almost 52,000 for the full year.²³ This upward trend continued in 2018, with 55,000 sales for the year (+6%). There were 30,629 mortgages drawn down, up 9% on the previous year. This suggests that 45% of homes were purchased with cash.

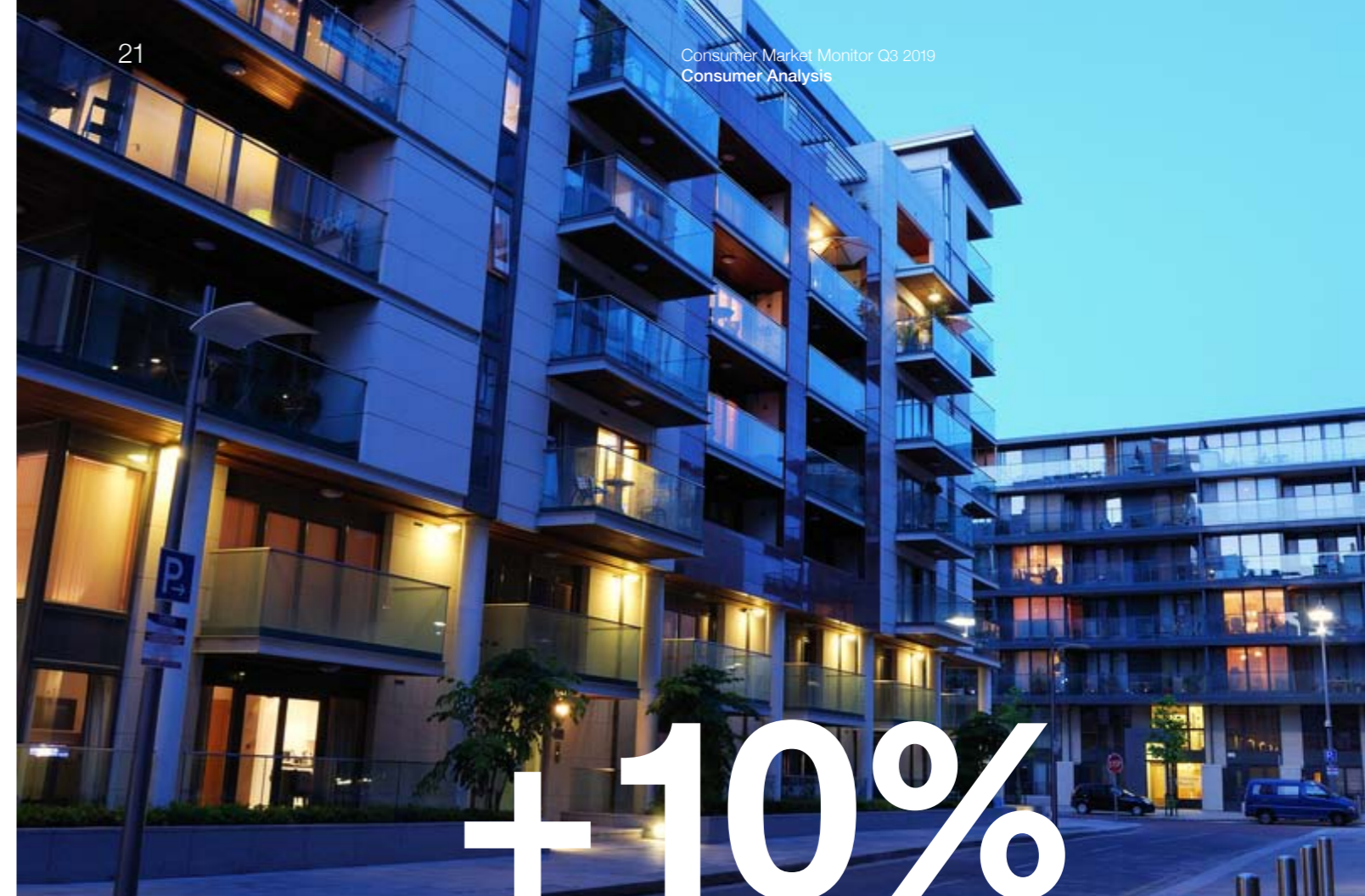
There were 34,125 residential properties sold in the first three quarters of 2019, an increase of just 2% on last year, suggesting a year end

figure of around 56,000. In contrast, the number of mortgages approved was up 13% to 26,200, indicating that demand is still strong. 65% of those mortgages are going to first time buyers demonstrating that this is still the predominant need.

New homes are playing an increasing part in fulfilling that need- 10,300 were sold in 2018 compared to 8,800 in 2017. 18,000 new homes were completed in 2018 and this is increasing to 20,000+ this year.

There were 1.24 million residential properties sold in the UK in 2016 but the market slowed to 1.2 million in 2017 and 2018. 2019 is weaker again, down -2% in the year to September, year-on-year.

23. <https://www.daft.ie/report/2019-Q1-dafthouseprice-report.pdf>



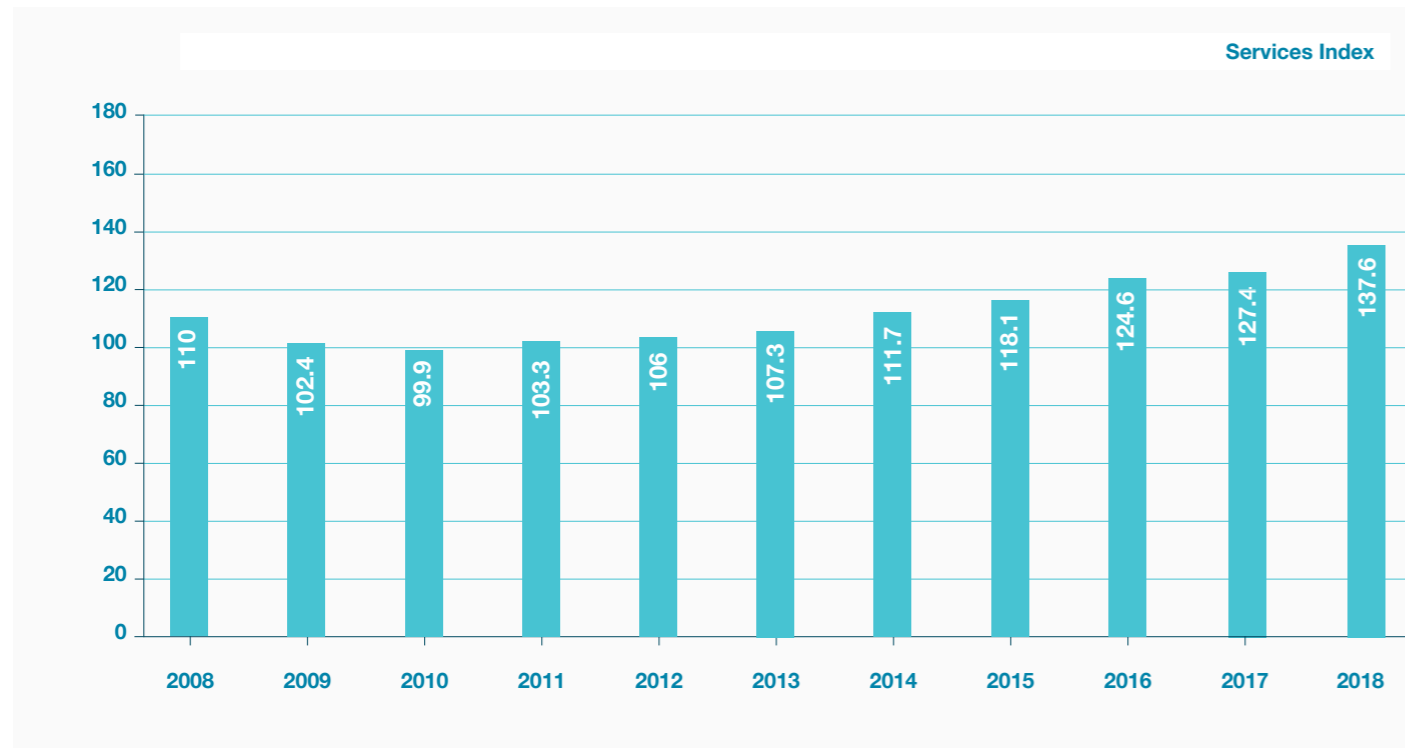
+10%

The number of mortgages approved was up 10% in the first half of the year indicating that demand is still strong. 65% of those mortgages are going to first time buyers showing that this is still the predominant need.



Services Index Annual

Services Index 2008 - 2018



The services sector accounts for about 40% of all personal consumer spending, with retailing accounting for another 40%, and housing the remainder. The services sector includes accommodation and food service, professional and technical 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 recovering more rapidly in subsequent years. The index overtook the 2007 peak in 2014 and made further gains since then with growth averaging 4% per annum for the three years to 2017.

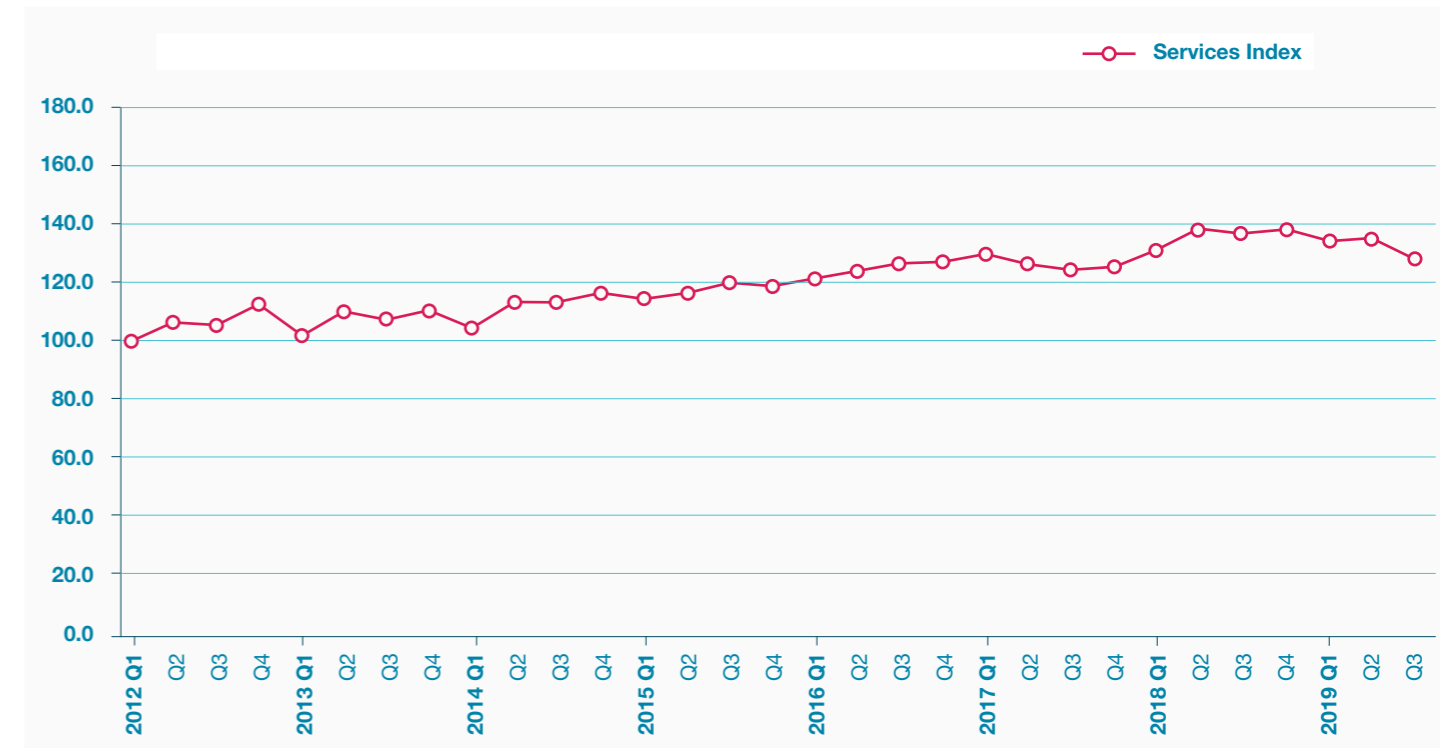
Growth accelerated to 8% in 2018 with most service sub-categories doing well. Information/communications did best, up 17.5% year-on-year. Accommodation and food service were up 9.1% Wholesaling and transportation/storage were up 7% while Other Service Activities did poorly, down -13% in 2018.

The UK Services Activities Index has grown steadily since 2009, up by around 3% per year in recent years. However, there was a levelling off in 2017, to 1.3%, and 2018 continued that weaker trend (+1.8%).²⁴

24. <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/bulletins/indexofservices/may2019>

Services Index Quarterly

Services Index Quarter 1 2012 - Quarter 3 2019



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.

The service index grew through 2014, 2015, 2016 and 2017 by 4% per annum on average.

Services growth accelerated in 2018, up to 8% on an annual basis. 2019 is continuing to be strong, up by 10% for the first quarter compared to the same period last year. Vat receipts are also strong, up 7% in 2018, and up 5% in the first half of 2019.

The fortunes of individual service sectors are varying, however, with some strong and others weak in the first five months of 2019. The strongest sectors are: Information and Communication (+30.7%), Transportation and Storage (+7.1%), Other Service Activities (+6.7%) and Accommodation and Food Service (+3.7%). Sectors faring less well include the Wholesale and Retail Trade (-2.9%).

The UK Services Activities Index grew steadily from 2009, up by 3% per year for several years. It levelled off to 1.5% in 2017 and 2018 but has picked up to 2% in Q2 2019.²⁵

25. <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/bulletins/indexofservices/may2019>



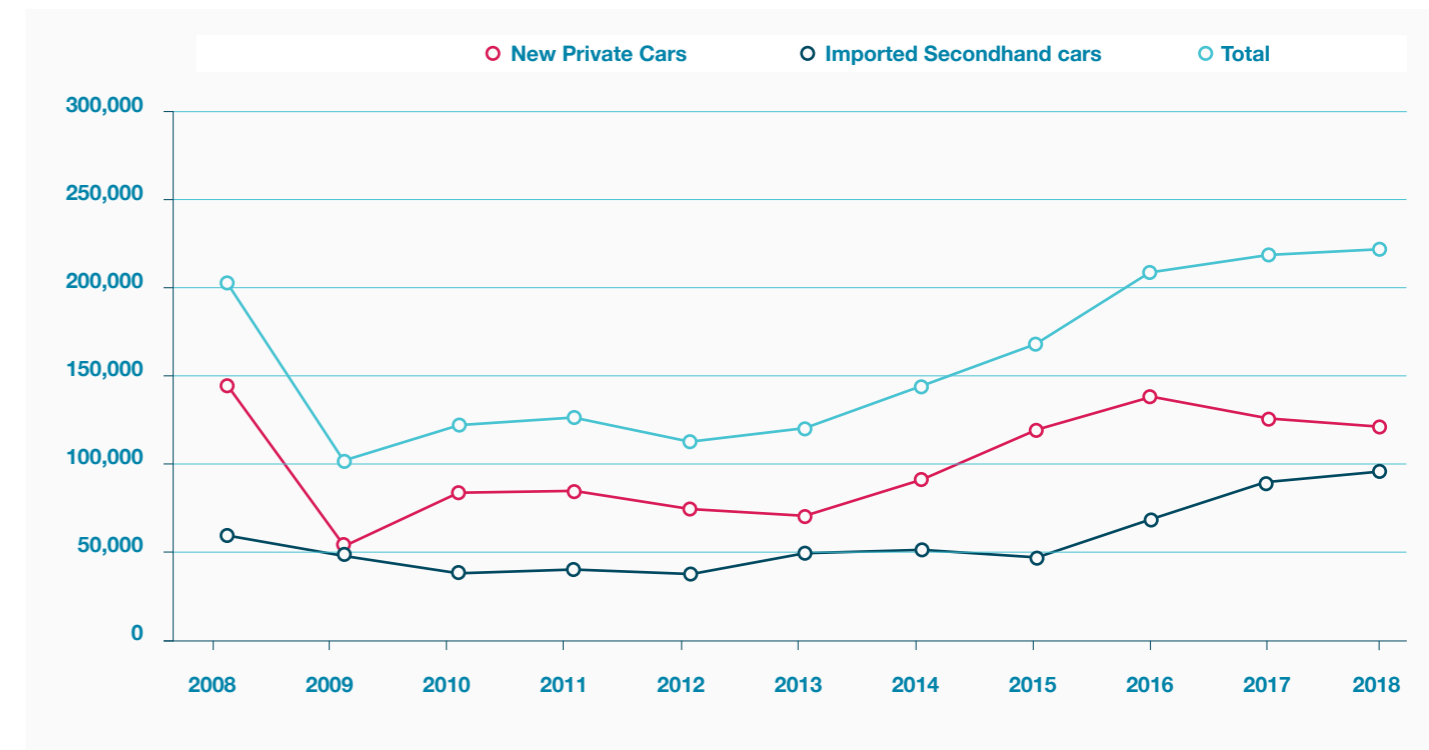
6.2%

There has been a substantial increase in the number of imported second hand cars, totalling 99,456 in 2018. This trend is continuing in 2019 with sales up 6.2% to the end of September, to 80,085, suggesting about 105,000 for the full year.



Sales of Private Cars Annual

Sales of Private Cars 2008 - 2018



New car sales peaked in 2007 with 180,754 sold. Sales dropped dramatically from then, with the lowest point in 2009, when just 54,432 new cars were sold. Sales remained sluggish from 2010 to 2013, averaging 75,000 per year.

The market picked up in 2014 with 92,361 new cars sold (+30%) and in 2015 to 121,110 (+31%). 142,688 new cars were sold in 2016, a smaller increase of 18%.

Sales of new cars fell by 10.5% in 2017, to 127,045, and dropped by a further 4.6% in 2018 to a total of 121,157. This was as a result of a substantial increase in second hand imports, totalling 99,456 in 2018, double the number

in 2015. Taking new cars and imported used cars together, sales were flat in 2017 and 2018 at about 220,000.

In addition, private sales of second hand cars amounted to 350,000 in 2013, 425,000 in 2014 (up 22%), 450,000 in 2015 (up 6%), and 475,000 (+6%) in 2016 which was a peak. Private sales of second hand cars have declined steadily since then to 430,000 in 2018.²⁶

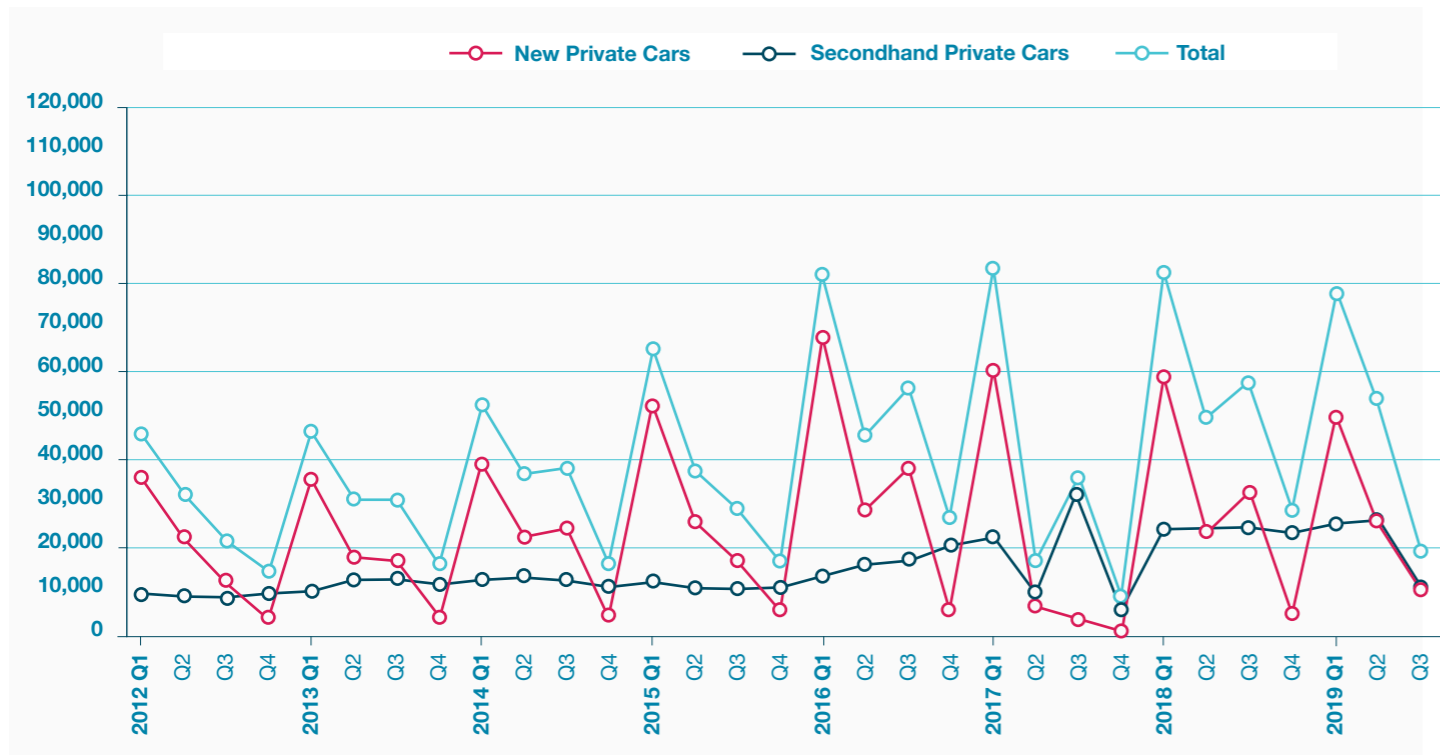
New car sales in the UK reached a 12-year high in 2016, at 2.7 million, but sales fell in 2017 to 2.54 million (-5.4%) and to 2.37 million in 2018 (-6.8%).²⁷

26. <https://www.cartell.ie/2019/08/used-car-sales-down-4-2/>

27. <https://www.carmagazine.co.uk/car-news/industry-news/uk-2017-car-sales-analysis-winners-and-losers/>

Sales of Private Cars Quarterly

Sales of Private Cars Quarter 1 2012 - Quarter 3 2019



Sales of new cars have traditionally been concentrated in January and February. 65% of sales are still occurring in the first half of the year under the dual registration system.²⁸

New car sales began to recover in 2014, and grew strongly in 2015 and 2016, to a total of 142,688 units. This trend reversed in 2017, with new car sales down -10.5% to 127,045. Sales weakened further in 2018, down -4.6% to 121,157.

This weakness is continuing in 2019, with sales for the year to the end of September down by -7% to 107,686, suggesting a total of 112,000 new cars for 2019.

In contrast, there has been a major increase in the number of imported second hand cars,

totalling 99,456 in 2018. This trend is continuing in 2019 with sales up 6.2% to the end of September, to 80,085, suggesting about 105,000 for the year. Imports are reckoned to account for about 22% of all second hand sales which stand at about 500,000 per year.

Taking new and imported cars together, sales were flat in 2017 and 2018 at about 220,000 and look to be down to about 217,500 this year. Sales of other second hand cars are also down this year, by about 4%, suggesting a general weakness in the motor trade.

New car sales in the UK reached a 12-year high in 2016, at 2.7 million, but this fell to 2.57 million in 2017 and 2.37 million in 2018. Sales were down by a further -2.5% in the year to September 2019.²⁹



217,000

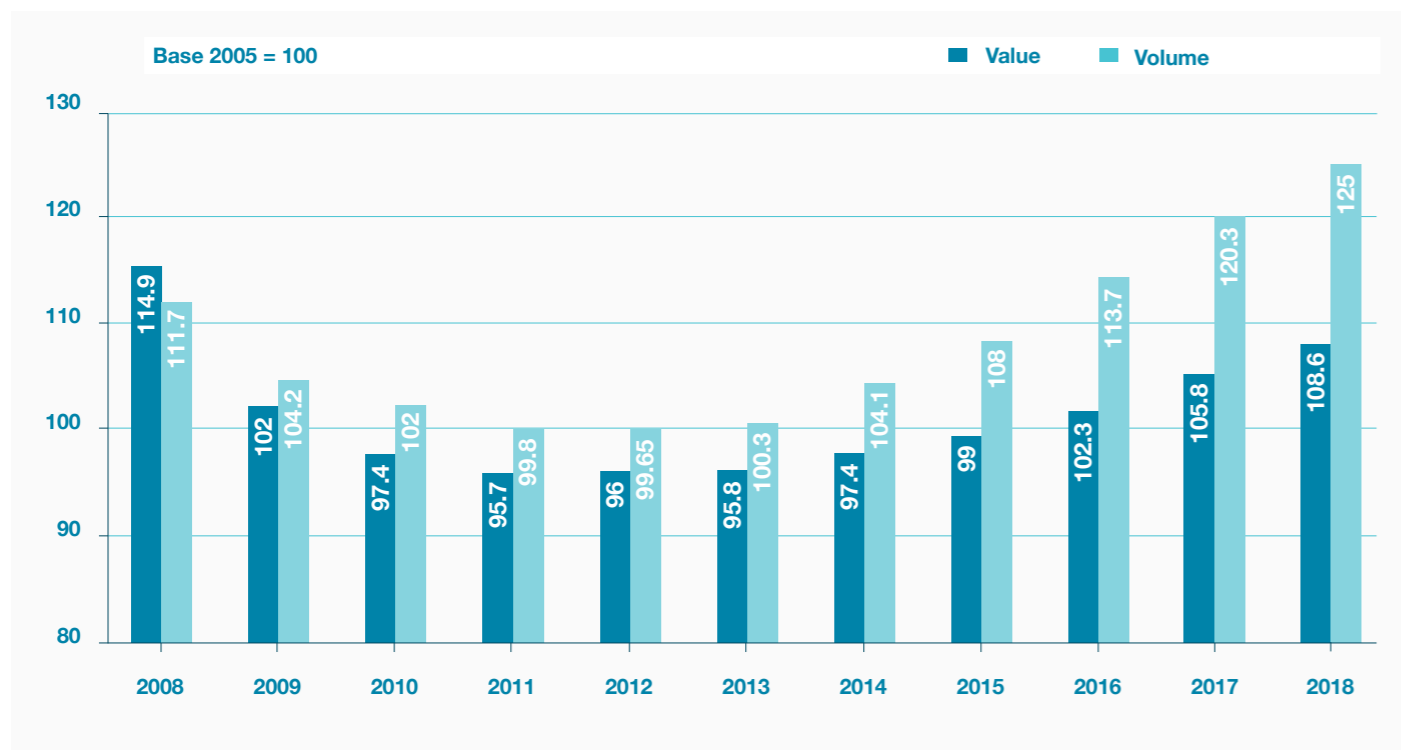
Car registrations were flat in 2017 and 2018 at about 220,000. This looks like dropping to 217,000 for 2019 with sales divided more or less equally between new and imported second hand cars. This compares to a total of 240,000 in 2007 of which 180,745 were new cars.



28. <http://www.rte.ie/news/2015/0811/720529-new-cars-licensed-in-july-up-over-50-on-last-year/>
29. <https://www.autoexpress.co.uk/car-news/105893/new-car-sales-2019-market-down-49-as-plug-in-hybrid-registrations-plummet>

Retail Sales Annual

Retail Sales Index 2008 - 2018



Following the recession, retail sales stabilised in 2012 and 2013 and resumed growth in 2014 with volume up by 3.7% and value by 1.6%. 2015 saw sales accelerate with increases of 6.1% in volume and 2.7% in value.

2016 saw 4.8% volume growth with up 1.8%. Growth strengthened further in 2017, up 5.8% in volume and 3.9% in value. 2018 was a little weaker but still in positive territory, up 3.7% in volume and 2.7% in value.

Taking the past three years together, we have averaged growth of 4% per annum in real, volume terms, reaching a total of €45 billion in 2018, close to the last peak in 2007.

Online sales have been taking an increasing share of retail each year, amounting to €5 billion in 2018, or 11%.

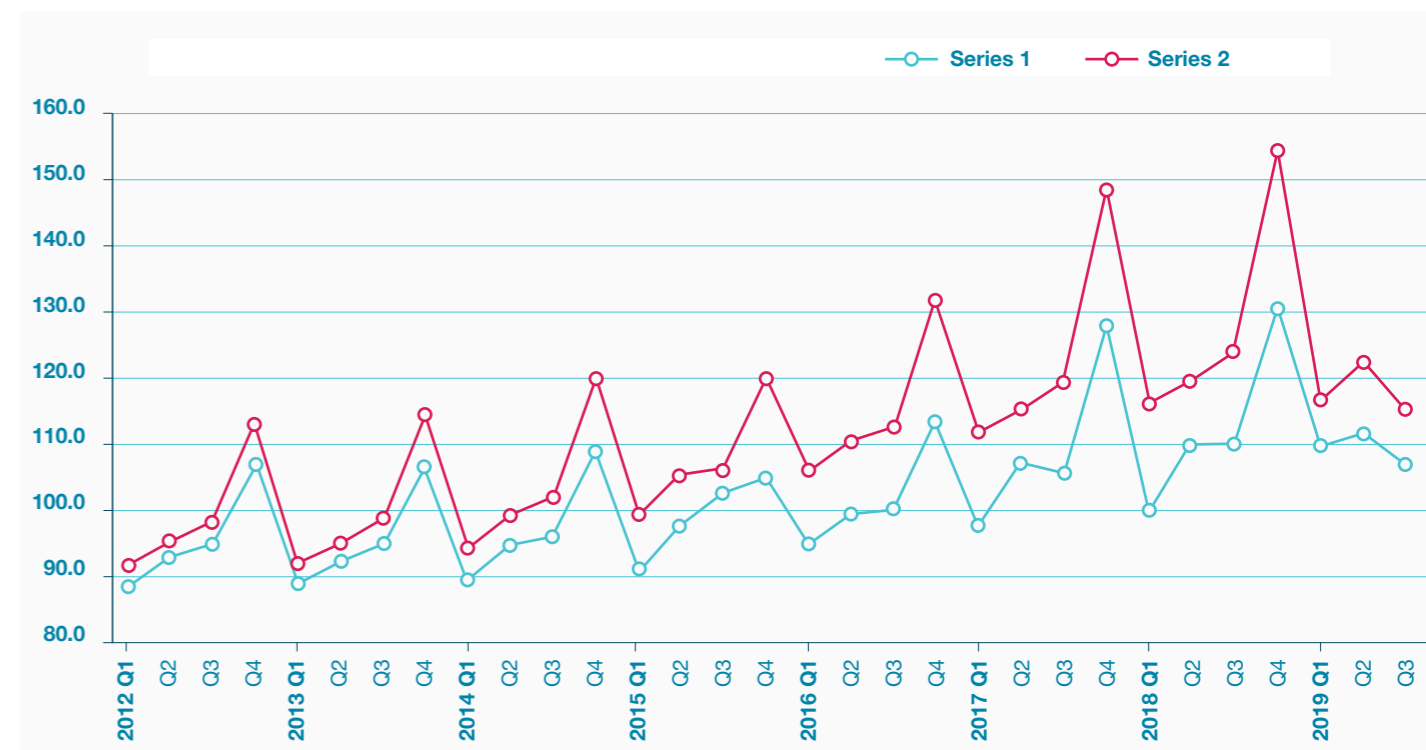
Retail sales in the UK remained flat from 2008 until 2012. Sales picked up in 2013 and 2014 and accelerated in 2015 and 2016, with volume up 5% per annum.³⁰ Growth fell back in 2017 and 2018, up by 2%. Online sales accounted for 20% in 2018 up 14%.³¹

US retail sales were up by 5% in 2012 and 2013 but slowed to 2% in 2014 and 2015.³² Growth picked up in 2016, to 3.3%, and rose by 5% in 2017 and by 4.3% in 2018.³³

30. <http://www.ons.gov.uk/ons/rel/rsi/retail-sales/november-2018/stb-rsi-nov-15.html>
31. <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/december2018>
32. <http://www.census.gov/retail/index.html>
33. <https://www.thebalance.com/u-s-retail-sales-statistics-and-trends-3305717>

Retail Sales Quarterly

Retail Sales Index Quarter 1 2012 - Quarter 3 2019



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 2016 and 2017, up 5% in volume and 3% in value on average.

Retail sales (excluding the motor trade) were solid rather than spectacular in 2018, up by 3.7% in volume and 2.4% in value, compared to 5.8% and 3.5% in 2017. 2018 sales equated to €45 billion which was back to the levels last seen in 2007.

2019 got off to a strong start in Q1 with sales up by 5.8% in volume and 4.2% in value year-on-year. Momentum slowed a bit in Q2, with volume up by 3.6% and value up 2.2% year-on-year. The third quarter has been relatively strong, up 4.2% in volume and by 1.8% in

value year-on-year. This amounts to an average of 4.5% growth in volume and 2.7% growth in value for the year to the end of September which is consistent with 2018.

Household equipment continued to be the fastest growing category this year, up by 13.2% in volume and 5.9% in value in Q3, year-on-year. Sub-categories within that- electrical goods and furnishings did exceptionally well, up by 18.0% and 6.6% respectively.

Retail sales in the UK grew strongly in 2015 and 2016, up 5% per annum but this softened to 2% in 2017 and 2.7% in 2018. Sales have picked up in 2019, up 3.4% in Q2, y-on-y. Online sales accounted for 19% in June 2019, up 8% year-on-year.³⁴

34. <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/june2019>



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