

Q4

2019

Consumer

Market Monitor



UCD Michael Smurfit
Graduate Business School



Q4

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 Q4 of 2019 and reviews the year as a whole.

The Author

Mary Lambkin is a Fellow of the Marketing Institute of Ireland, and one of Ireland's leading marketing academics. As Professor of Marketing at University College Dublin, she teaches courses to undergraduate and postgraduate students and is involved in a range of research projects under the general heading of marketing strategy.

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

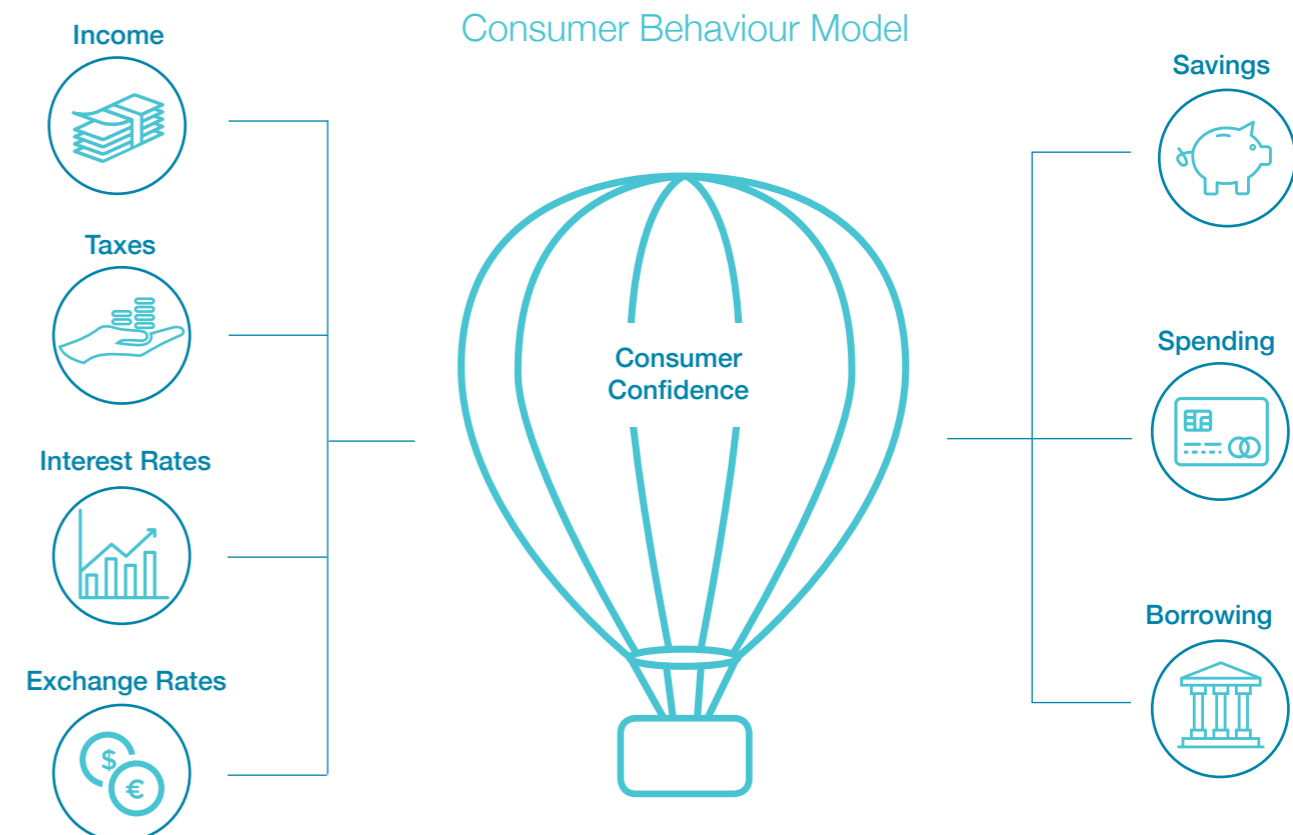
She has served as Head of the Marketing Group, as Dean of the UCD Business School and as a member of the Governing Authority of the university at various times, and also holds a number of positions in companies and professional organisations outside the university.



Mary Lambkin

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Executive Summary

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 and by 3.3% in 2019, a strong performance that exceeded estimates.

Consumer demand is expected to remain strong this year and next driven by continuing growth in employment and incomes, but also helped by the removal of uncertainty in relation to Brexit.

There are now 2.33 million people at work, up 54,000 (2.4%) year-on-year, and up by 500,000 (28%) from the low point in 2012. Employment is expected to continue growing this year but at a moderating rate as the economy approaches full employment. Forecast growth of 1.5% in 2020 and 2021 will add another 70,000 people to the workforce.

Earnings growth has also played a 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 2019, and are forecast to rise 4% this year and next, as the labour market tightens.

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, by 6% in 2018 and 2019 amounting to €117 billion for the year. This momentum is continuing in 2020 although forecasters suggest some moderation as employment growth slows. Growth of even 3% would lead to aggregate disposable income of €120 billion for this year.

Consumer spending has also been boosted by improving household finances, mainly as a result of the increasing value of peoples' homes. Household wealth stood at €800 billion in September 2019, equivalent to €470,000 per household or €163,000 per person. This is up 80% from the lowest point in 2012. Perceptions of increasing wealth build confidence and

encourage consumers to release some of that wealth for spending.

Irish consumers are also beginning to supplement their incomes by taking on some debt, mainly to support the purchase and furnishing of homes. Following a decade of deleveraging with repayments exceeding new borrowing every year, borrowing is beginning to increase again at a modest rate. New lending of €2 billion was advanced to Irish households in 2019, an increase of 2%. €1.2 billion of this was for the purchase of residential property with the balance for other personal consumption.

Credit and borrowing are not major contributors to recent spending, however, 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 115% in September 2019, a reduction of almost 50%. Also, savings are continuing to increase – bank deposits grew by almost €6 billion (+5.5%) in 2019.

An estimated 57,000 homes were sold in 2019 which was 4% higher than 2018. In contrast, the number of mortgages approved was up 7% in the year indicating that demand is still stronger than supply. 65% of those mortgages went to first time buyers showing that this is still the predominant need.

The market for cars is the most troubled sector right now; sales of new cars were down by -6.5% in 2019 to a total of 113,305. This continues the negative trend of the previous two years, with sales down -10.5% in 2017 and -4.6% in 2018.

In contrast, the number of imported used cars has been increasing every year since 2005, with sales of 109,000 in 2019, almost equalling new car sales.

In sum, car registrations have been more or less static for the past three years at about 220,000 per annum (222,000 in 2019). This compares to a total of 240,000 in 2007, of which 180,745 (75%) were new cars.



4%

Earnings growth has also played a 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 2019, and are forecast to rise 4% this year and next, as the labour market tightens.



-6

2018 saw confidence drop reflecting continuing worries of a "hard Brexit". This downward trend continued through 2019 and, by the end of the year, confidence here was only marginally higher than the UK and the wider EU. Confidence has picked up in January 2020, however, and the picture looks more promising for the rest of this year.

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 from mid-2016 to the end of 2019. Recent data show that this negative trend may be easing, however, with more clarity around Brexit and a slight lift in the value of Sterling.

Consumer Confidence

Consumer confidence began to recover in 2013 and increased steadily for five years in response to positive economic data. By 2017, confidence among Irish consumers was well ahead of the previous peak in 2007 and was also significantly higher than that of our European neighbours.

Confidence dropped through 2018 reflecting continuing worries about the negative implications of a "hard Brexit". This downward trend continued through 2019 and, by the end of the year, confidence here was only marginally higher than the UK and the wider EU. Confidence has picked up in January 2020, however, and the picture looks more promising for the rest of this year.

Consumer confidence in the UK has been consistently negative since Q2 2016, reaching a low of -14 in November 2019. It picked up slightly in December (-11), however, and again in January 2020 (-9), suggesting that the tide may be turning now that Brexit has actually happened.

Consumer confidence in the EU has also been relatively weak for several years although slightly stronger than the UK (-8).

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 a further 6% in 2019 reaching an estimated €117 billion for the year

as a whole and the momentum is continuing this year, although perhaps at a slowing rate.

There are now 2.33 million people at work, up 55,000 (2.4%) year-on-year, and up by 500,000 or 28% from the low in 2012. Growth is expected to continue this year and next, but at a slightly lower rate of 1.7% and 1.5%, but this will add another 70,000 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, and by 3.5% in 2018 and 2019. Average weekly earnings stood at €768 last year, equivalent to annual pay of €40,000.

Household wealth has also recovered well from the recession, standing at €800 billion in 2019, €470,000 per household or €163,000 per person. This is up by 80% from the trough of €430 billion in Q2 2012.

Household spending grew by 3.4% in 2018 to €105 billion, and this positive trend continued in 2019 with spending up by 3.3% to a total of €108 billion. Household spending is forecast to grow by a slightly lower rate this year, of 2.7%, to about €111 billion, and by a further 2.4% in 2021.

Consumer Borrowing

Borrowing by Irish households grew at a record level from 2000 onwards and peaked in 2008 at €150 billion. It then declined steadily - down 40% by December 2016 to €88 billion. This downward trend levelled off 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 €92 billion in December 2019.

Loans for house purchase, which account for 83% of all household loans, peaked in 2008 at €125 billion but reduced to a low of €73 Billion by 2016, a cumulative decline of 40%. Mortgage lending has resumed growth since then, increasing by over €1 billion in 2018 (+1.4%) and by €1.5 billion in 2019 (1.6%).

Lending for other consumption accounts for 17% of total borrowing. This category peaked in 2008 at €30 billion but declined to €13 billion by mid-2016, a reduction of 60%. It resumed growth in 2017 amounting to €15 billion by December 2019.

The indebtedness of Irish households is continuing to reduce; the ratio of debt/disposable income of Irish households has fallen from 215% in 2012 to 115% in September 2019, a reduction of almost 50%. Household deposits also have continued to grow, up by €6 billion or 5.5% in 2019.

Residential Property

There were 57,000 homes sold to private households in 2019, an increase of 4% on the 55,000 sold in 2018 which, in turn, was up 6% on the 52,000 sold in 2017. This seems a modest rate of growth with such a high level of demand for living accommodation.

There were 32,835 mortgages drawn down in 2019 which was 7% higher than the 30,630 in the previous year. 65% of those mortgages went 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. 20,000 new homes were completed in 2019 and housing starts rose to 26,000 suggesting a higher completion rate in 2020.

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 was weaker again, at 1.19 million but the market is expected to strengthen this year to about 1.21 million units.

Services

The services sector recovered more quickly from the recession than the retail sector,

showing modest growth from 2011 onwards, and recovering 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 continued through 2019 which was up by 7% year-on-year, although it tapered off as the year unfolded (from 10.8% to 2%). This was closely matched by Vat returns which were up 7% in 2018 and by a further 6.2% in 2019 to a total of €15 billion.

The fortunes of individual service sectors have varied widely, however, Information/communication services did best, up by an astonishing 28% in 2019. Other services were up by 12%, and accommodation and food service were also strong, up 3% and 9% respectively in 2019.

Car Sales

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

Sales of new cars were down by -6.5% in 2019 to a total of 113,305. This continues the negative trend of the previous three years, with sales down -10.5% in 2017, by -4.6% in 2018.

In contrast, there has been a substantial increase in the number of imported used cars every year since 2005, with sales of 109,000 in 2019 almost equalling new car sales.

In sum, car registrations have been more or less static for the past three years at about 220,000 per annum (222,000 in 2019). This compares to a total of 240,000 in 2007 of which 180,745 were new cars.

2.33 million people at work

There are now 2.33 million people at work, up 54,000 (2.4%) year-on-year, and up by 500,000 (28%) from the low point in 2012. Employment is expected to continue growing this year but at a moderating rate as the economy approaches full employment. Forecast growth of 1.5% in 2020 and 2021 will add another 70,000 people to the workforce.

Retail Spending

Retail sales (excluding the motor trade) were strong in 2019, up by 4.3% in volume and 2.7% in value. This continued the positive trend from 2018 when sales were up by 3.7% in volume and 2.7% in value but was lower than 2017 (+5.8% in volume and +3.5% in value). Sales revenue for 2019 amounted to €47 billion which was back to the levels last seen in 2007.

Online sales represented just 3.3% of total sales for traditional (bricks and mortar) retailers operating in Ireland, although it was higher in some categories such as books (13.5%). This does not include online retail sales going to exclusively digital retailers (eg Amazon) which amounted to about 11% of total retail sales.

Household equipment continued to be the fastest growing category this year, up by 11% in volume and 4% in value in Q4, year-on-year. Sub-categories within that - electrical goods and furnishings - did exceptionally well, up by 12% and 7% respectively.

Supermarkets and other food stores also performed well, as did pharmaceuticals and cosmetics. Department stores and newsagents were the weakest categories in Q4, down by -2.7% and -4.5% in volume respectively.



Retail sales were strong in 2019, up by 4.3% in volume and 2.7% in value. Sales revenue for 2019 amounted to €47 billion which was back to the levels last seen in 2007.



Fuel down -0.4% and in volume and down by -1.8% in value



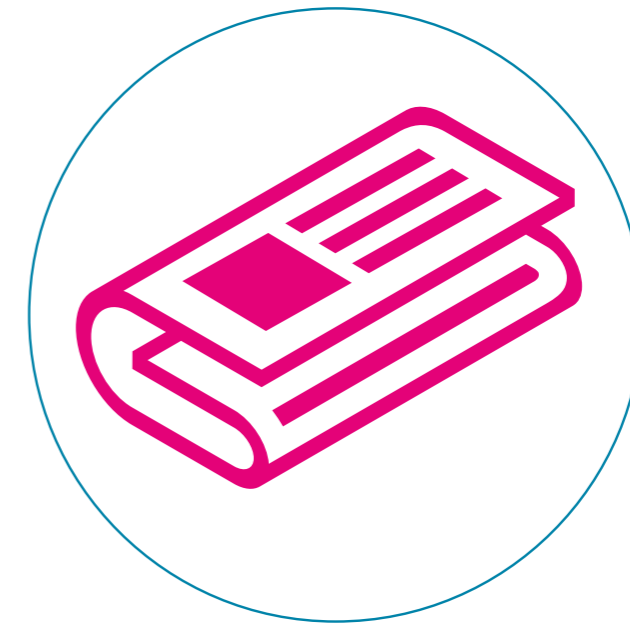
Bar sales up 4.0% in volume and 2.6% in value



Department stores down -2.7% in volume but down -5.5% in value



Non-specialised stores (supermarkets) up 3.6% in volume and 3.0% in value



Books, newspapers and stationery up 0.1% in volume and 1.9% in value



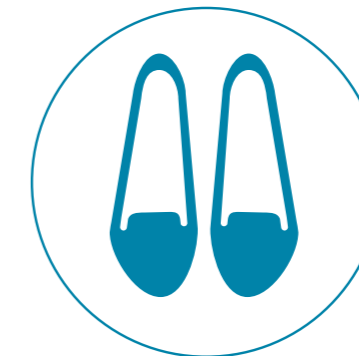
Household equipment up 10.8% in volume and 3.2% in value



Food sales up 3.6% in volume and up 2.9% in value;



Pharmaceuticals and cosmetics up 3.9% in volume and 1.6% in value



Clothing, footwear and textiles up 4.4% in volume and 1.9% in value



Motor trades up 5.7% in volume and 7.1% in value

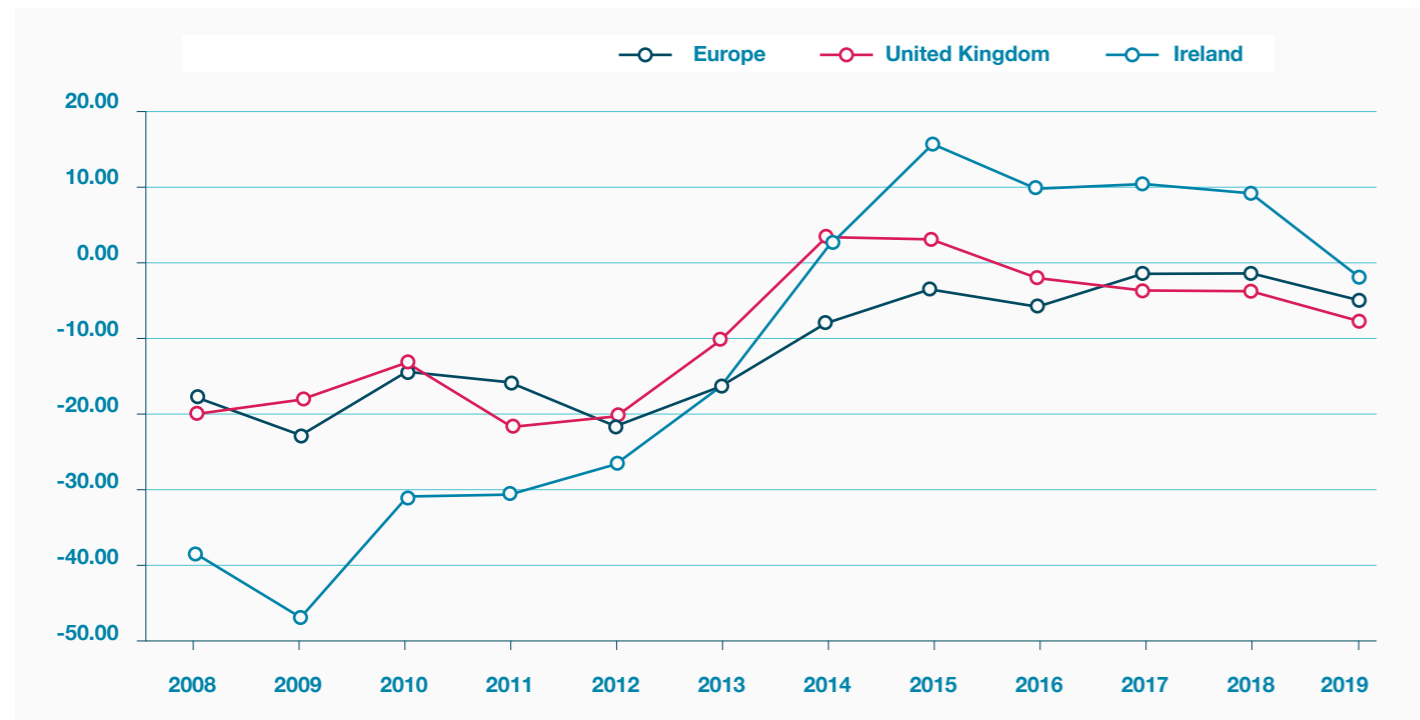
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Consumer & Retail Analysis



Consumer Confidence Annual

Consumer Confidence January 2008 - December 2019



Consumer confidence in Ireland fell dramatically in 2009 as the financial crisis unfolded, and remained low from 2009 to 2012. Confidence picked up in 2013 and rose further through 2014 and 2015 due to a steady flow of good news on employment.⁰¹ At this point, we were well ahead of the last peak in 2007 and of our European neighbours.

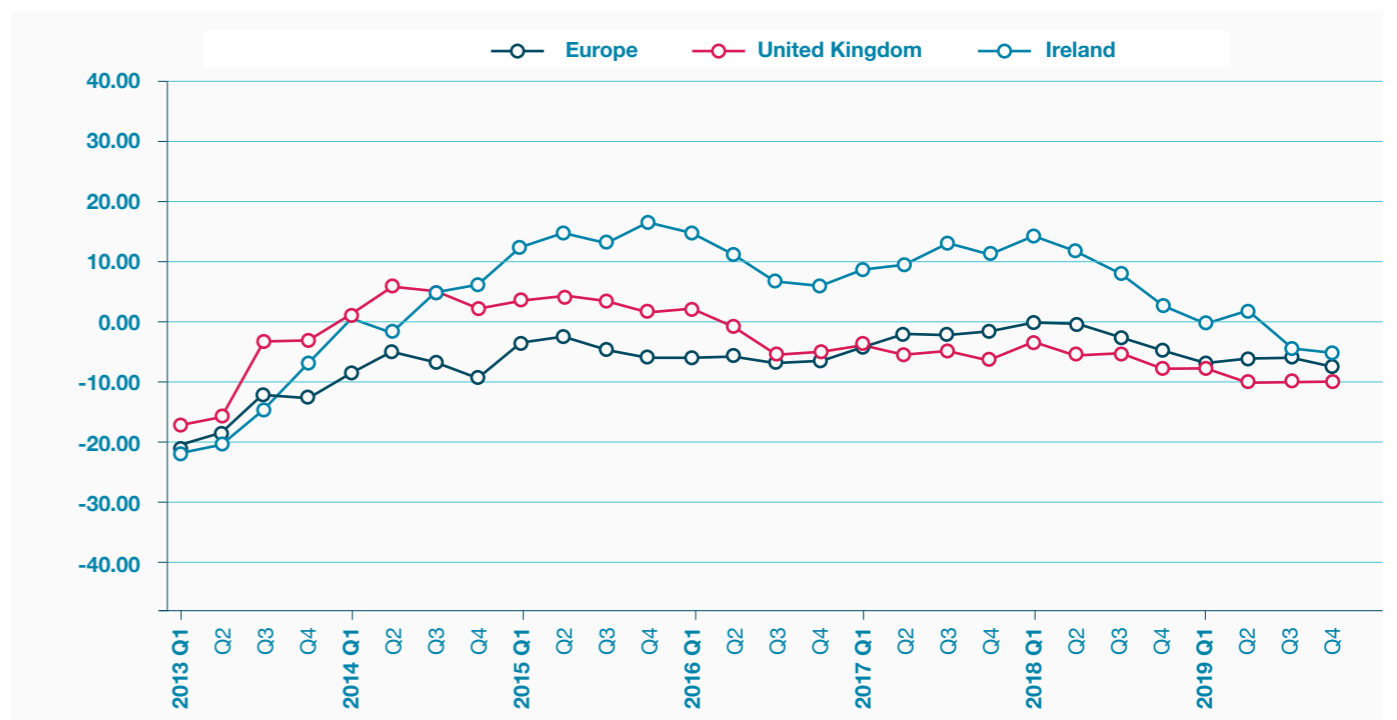
Confidence fell slightly through 2016 reflecting uncertainty about Brexit, but it steadied again in 2017 and finished the year well above our neighbours. This positivity eroded slightly in 2018, and fell significantly through 2019 as anxiety about Brexit reached its zenith.

Consumer confidence in the UK has been negative since Q2 2016, reaching a low of -14 in November 2019. 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 2019 at an historically high level of 132, fuelled by good news on employment and the stock market.⁰²

Consumer Confidence Quarterly

Consumer Confidence Quarter 1 2013 - Quarter 4 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 through 2019 and, by the end of the year, confidence here was only marginally higher than the UK and the wider EU. Confidence has picked up in January 2020, however, now that Brexit has happened, and the picture looks more promising for the rest of this year.

Consumer confidence in the UK has been negative since Q2 2016, reaching a new low of -14 in November 2019. It has recovered slightly in January 2020, however, as Brexit finally happened, reducing the uncertainty faced by British consumers.

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

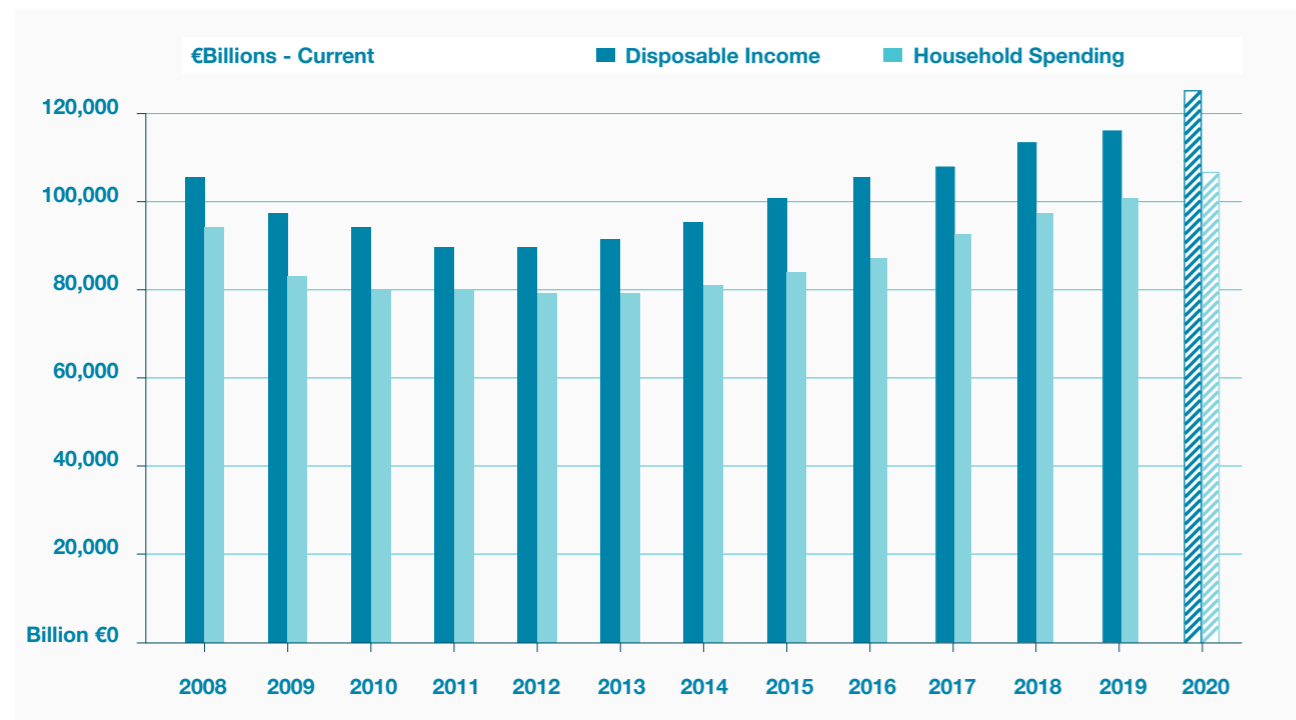
In contrast, American consumer confidence has been very strong, reached 132 in November 2019, the highest level in 18 years.

01. www.independent.ie/business/irish/irish-consumer-sentiment-nears-eightyear-high-in-december-30892291.html

02. <https://markets.businessinsider.com/news/stocks/us-consumer-confidence-beats-forecasts-at-highest-level-since-august-2020-1-1028851474>

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, due to growing employment and rising incomes.⁰³ This trend reversed in 2009 and fell steadily until 2012, down -15% (-7.5% in real terms), as a result of the recession.⁰⁴

Conditions stabilised in 2013 and disposable income rose by 3% in 2014. It continued to rise in 2015, 2016 and 2017, by about 5% per annum. Growth accelerated in 2018 with income up by 6% to €110 billion, and up again by 6% in 2019 to around €117 billion.

Household wealth has also recovered, to €800 billion in January 2020, up 85% from 2012.

Net worth per capita stood at €163,000 in Q2 2019, or €470,000 per household.⁰⁵ Household deposits have also been increasing, to €6 billion (+5.5%) in 2019, the largest increase since 2008.⁰⁶

Household spending closely mirrors income, and increased by 48% from 2002 to 2008, from €62bn to €95bn.⁰⁷ 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 was up by 3-4% per year in 2016 and 2017. Spending rose 5% in 2018, to €99 billion, and that momentum continued in 2019 with spending up by a further 6% to €104 billion.⁰⁸

03. CSO Institutional Sector Accounts, Q2, 2019

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

05. <https://www.centralbank.ie/statistics/data-and-analysis/financial-accounts>

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

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

08. CSO Institutional Sector Accounts, Q3, 2019

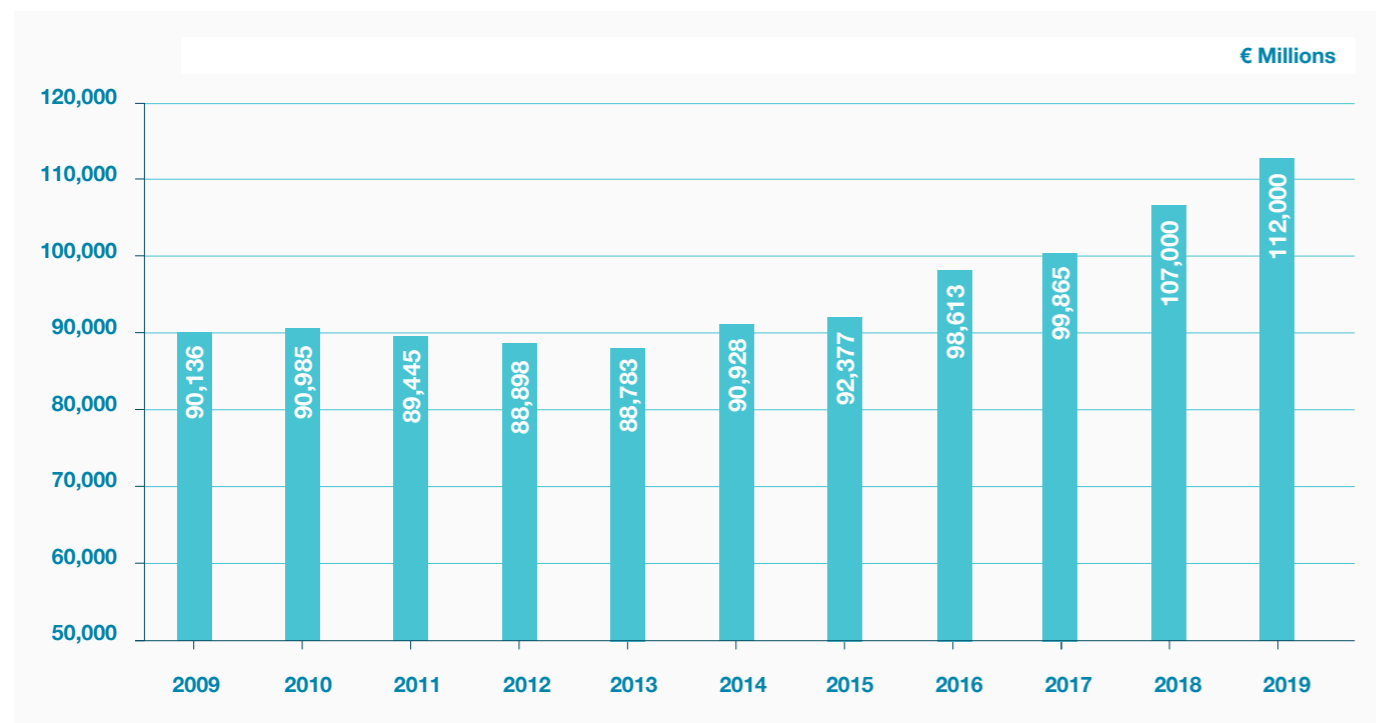
111bn

Personal consumer spending grew by 3.4% in 2018 to €105 billion, and this positive trend continued in 2019 with spending up by 3% to a total of €108 billion. Consumer spending is forecast to grow by a slightly lower rate this year, of 2.7%, to about €111 billion, and by a further 2.4% in 2021.



Personal Spending on Goods/Services Annual

Personal Spending on Goods/Services 2009 - 2019



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 2013.⁰⁹

Personal spending grew by 2% in 2014, by 4.5% in 2015, and by 3.8% in 2016.¹⁰ 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 €107 billion, and this positive trend continued in 2019 with spending up by 3.4% in the year to September in constant terms. The fourth quarter was also strong so it is estimated that personal consumer spending has grown

by 3.3% for the full year 2019 to a total of €112 billion. Growth is forecast to slow this year and next as Brexit unfolds, to 2.7% in 2020 and 2.4% in 2021.¹¹

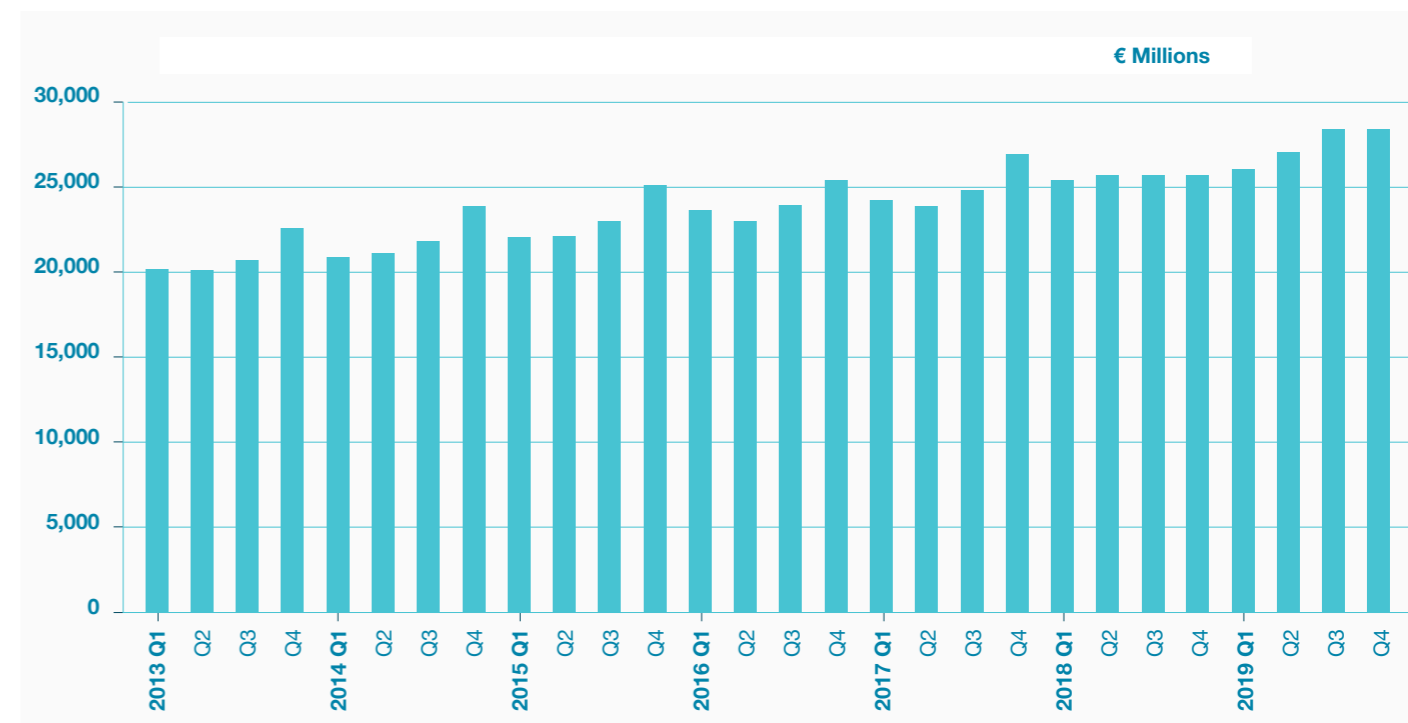
Consumer spending in the UK fell -4% from the 2007 peak to the trough in 2011, from £955 to £916 billion. Spending rallied between 2012 and 2016, up 2-3% per year. However, it slowed following the Brexit vote to 1.6% in 2017, 1.8% in 2018 and 1.1% in 2019.¹²

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

09. [http://www.ibec.ie/IBEC/Press/PressPublicationsdoelib3.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/PressPublicationsdoelib3.nsf/vPages/Newsroom~irish-economy-in-new-post-recovery-phase-08-01-2018/$file/ibec+economic+outlook+Q4+2018.pdf)
 10. Central Bank of Ireland, Quarterly Economic Bulletin, Quarter 4, 2018.
 11. <https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/qb-archive/2019/quarterly-bulletin-q4-2019.pdf#page=12>
 12. <https://www.ons.gov.uk/economy/nationalaccounts/satelliteaccounts/bulletins/consumertrends/julytoseptember2019>

Personal Spending on Goods/Services Quarterly

Personal Spending on Goods/Services Quarter 1 2013 - Quarter 4 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 2016.¹³ The pre-Christmas peak in 2016 surpassed the previous peak of 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 €107 billion, and this positive trend continued in 2019 with spending up by 3.4% to the end of September in constant terms.

Consumer spending is estimated to have grown 3.3% for the full year 2019 to a total of €112 billion. Growth is expected to slow this year as Brexit unfolds, to 2.7% this year and 2.4% in 2021.

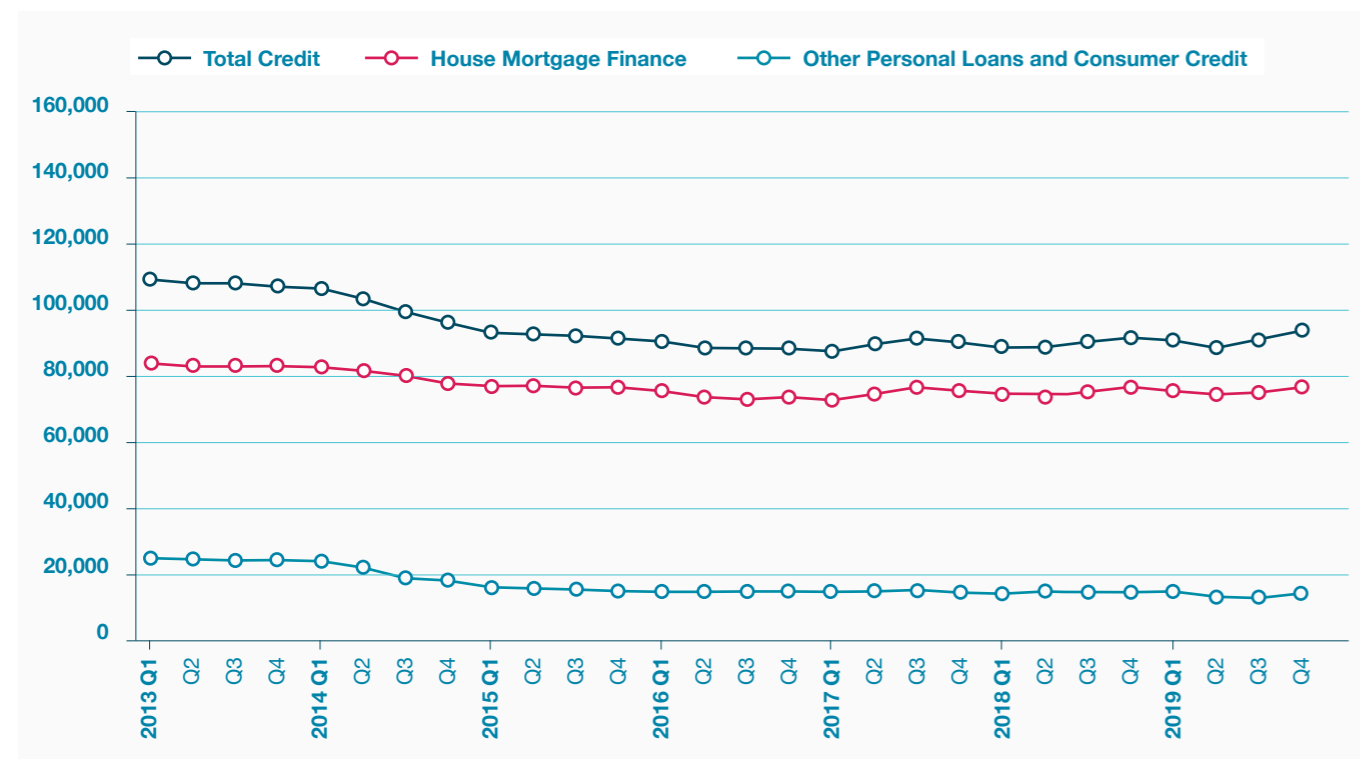
Personal spending in the UK has been weak since 2016, down from 1.9% in 2017, to 1.8% in 2018 and to 1.6% in 2019.¹⁴ Consumer spending in the EU increased by 1.5% in 2018 and by the same rate this year, following growth of around 2% for several previous years.¹⁵

US consumer spending grew by 3.5% in 2018 supported by a robust labour market, and this rate of growth is continuing in 2019.¹⁶

13. Central Bank of Ireland, Quarterly Economic Bulletin, Quarter 1, 2017
 14. <https://uk.reuters.com/article/uk-britain-consumers/uk-consumer-spending-growth-in-2019-to-be-slowest-in-six-years-ey-item-club-idUKKCN1T00ZW>
 15. <https://ec.europa.eu/eurostat/documents/2995521/10059905/2-06092019-AP-EN.pdf/cc94624f-af21-4849-bcb0-b144ad7f9597>
 16. <https://www.cnn.com/2019/10/31/consumer-income-and-spending-rise-slightly-in-september.html>

Personal Borrowing Quarterly

Personal Borrowing Quarter 1 2013 - Quarter 4 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.¹⁷ Household debt increased by 2% per annum in the last two years and stood at €92 billion in December 2019.

Loans for house purchase, which account for 83% of all household loans, peaked in 2008 at €125 billion but reduced to a low of €73 Billion by 2016, a cumulative decline of 40%. Mortgage lending has resumed growth since then,

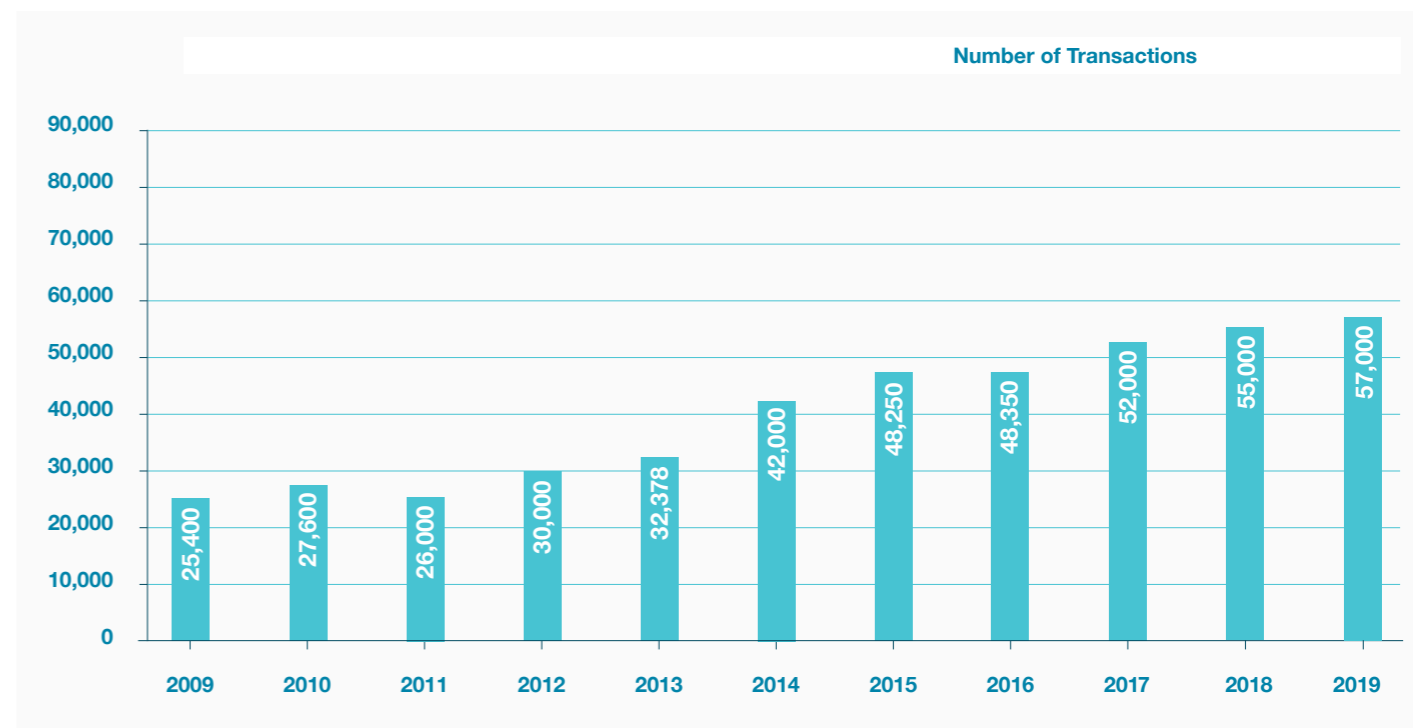
increasing by over €1 billion in 2018 (+1.4%) and by €1.5 billion in 2019 (1.6%).

Lending for other consumption accounts for 17% of total borrowing. This category peaked in 2008 at €30 billion but declined to €13 billion by mid-2016, a reduction of 60%. It resumed growth in 2017 amounting to €15 billion by December 2019.

The indebtedness of Irish households is continuing to reduce; the ratio of debt/disposable income of Irish households has fallen from 215% in 2012 to 115% in 2019, a reduction of 40%. Household deposits also have continued to grow, up by €6 billion or 5.5% in 2019.¹⁸

Residential Property Sales Annual

Number of Homes Sold 2009 - 2019



2009 was the worst year 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 2005.¹⁹

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 to 52,000 (+8%) in 2017, and were up by 5% in 2018 to 55,000 units, and by a further 4% in 2019 to an estimated 57,000.²⁰

Sales of residential properties in the UK have been depressed by Brexit worries, down -1% in 2017, -2.8% in 2018, and by a further 1% in 2019, from 1.24 million transactions in 2016 to 1.19 million in 2019.²¹

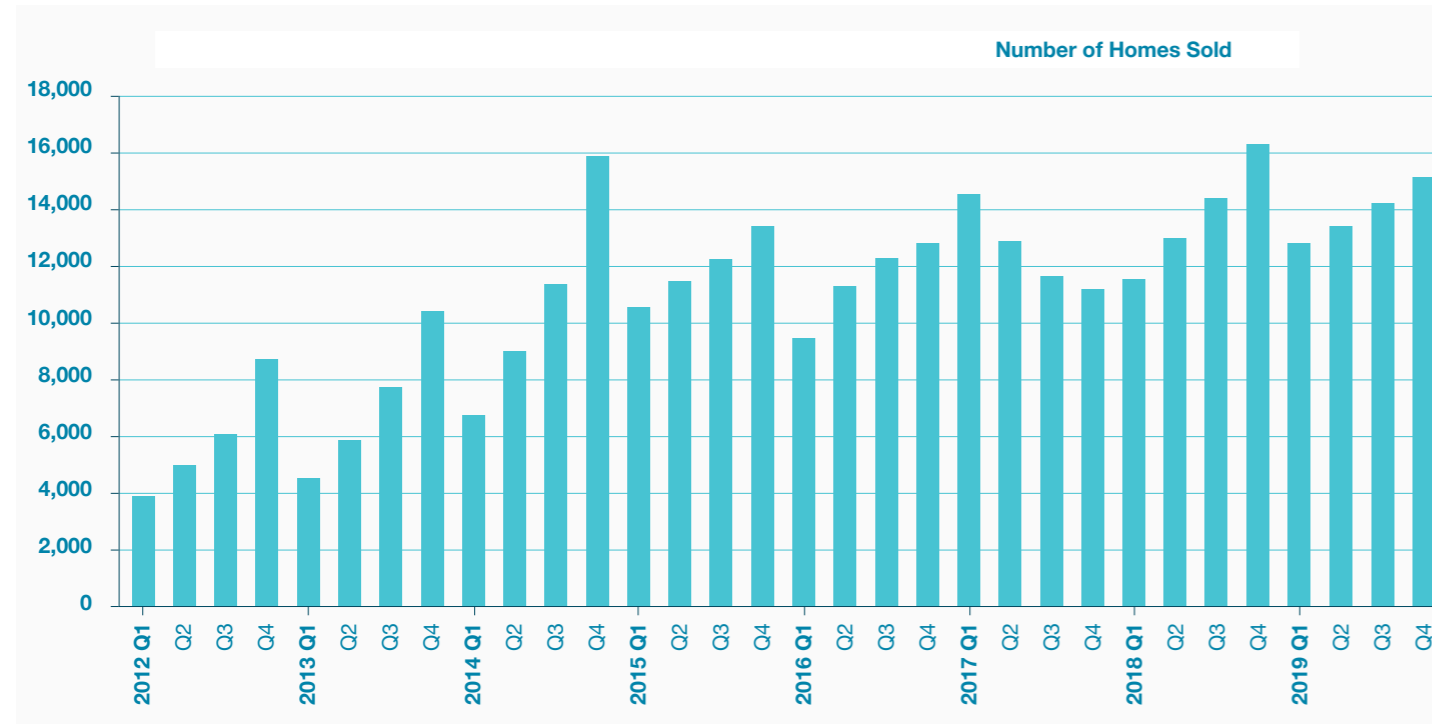
The number of home sales has been more or less flat for the last five years at around 6 million per annum, about 10% of which are new builds.²²

17. <http://www.rte.ie/news/business/2016/0818/810205-household-debt/>
18. <https://www.centralbank.ie/news/article/quarterly-financial-accounts-q3-2019>

19. 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
20. <https://media.myhome.ie/content/propertyreport/2018/Q42018/MyHomePropertyReportQ4-2018.pdf>
21. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/674611/UK_Tables_Jan_2018__cir_.pdf
22. <https://www.statista.com/statistics/275156/total-home-sales-in-the-united-states-from-2009/>

Residential Property Sales Quarterly

Number of Homes Sold Quarter 1 2012 - Quarter 4 2019



There were 48,350 sales of private residential properties in 2016, down 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.

There were 57,000 homes sold to private households in 2019, an increase of 4% on the 55,000 sold in 2018 which, in turn, was up 6% on the 52,000 sold in 2017. This seems a modest rate of growth under conditions of high demand in the market.

There were 32,835 mortgages drawn down in 2019 which was 7% higher than the 30,630 in the previous year. 65% of those mortgages went to first time buyers demonstrating that this is still the predominant need.

New homes are playing a part in fulfilling that need - new homes accounted for about 11,000 sales in 2019 which means about half of the 20,000 units completed were actually sold. This compared to 10,300 new homes sold in 2018 and 8,800 in 2017. Housing starts rose to 26,000 in 2019 suggesting a higher completion rate in 2020, but buyers have to be able to raise the funds to purchase them.²³

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 was weaker again, at 1.19 million, but the market is expected to strengthen this year to about 1.21 million units.²⁴



+4%

There were 57,000 homes sold to private households in 2019, an increase of 4% on the 55,000 sold in 2018 which, in turn, was up 6% on the 52,000 sold in 2017. This seems a modest rate of growth with such a high level of demand for living accommodation.

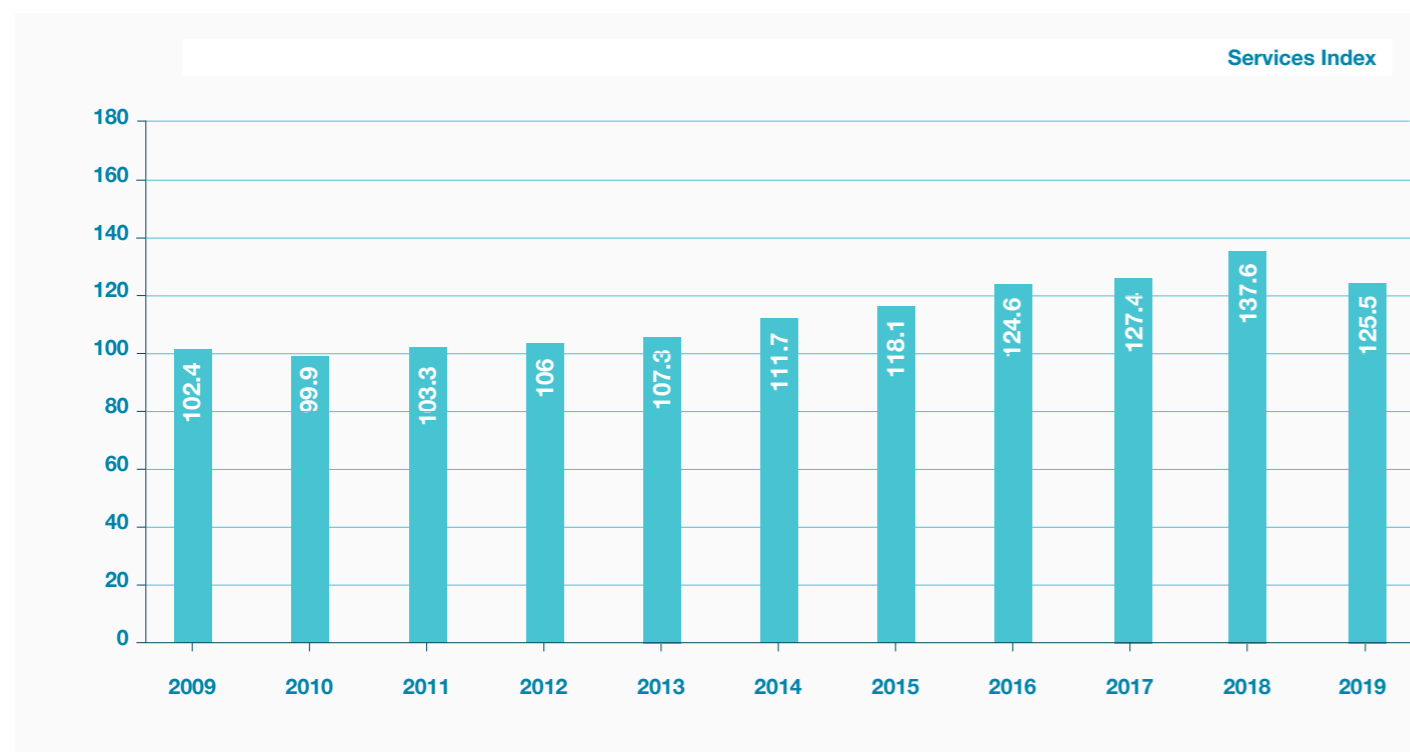
23. <https://media.myhome.ie/content/propertyreport/2019/q42019/MyHomePropertyReportQ4-2019.pdf>

24. <https://www.ons.gov.uk/peoplepopulationandcommunity/housing>



Services Index Annual

Services Index 2009 - 2019



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 recent 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.

Services growth accelerated in 2018, up 8%, and this strength continued through 2019 which was

up by 7% year-on-year, although it tapered off as the year unfolded (from 10.8% to 2%). This was closely matched by Vat returns which were up 7% in 2018 and by a further 6.2% in 2019 to a total of €15 billion.

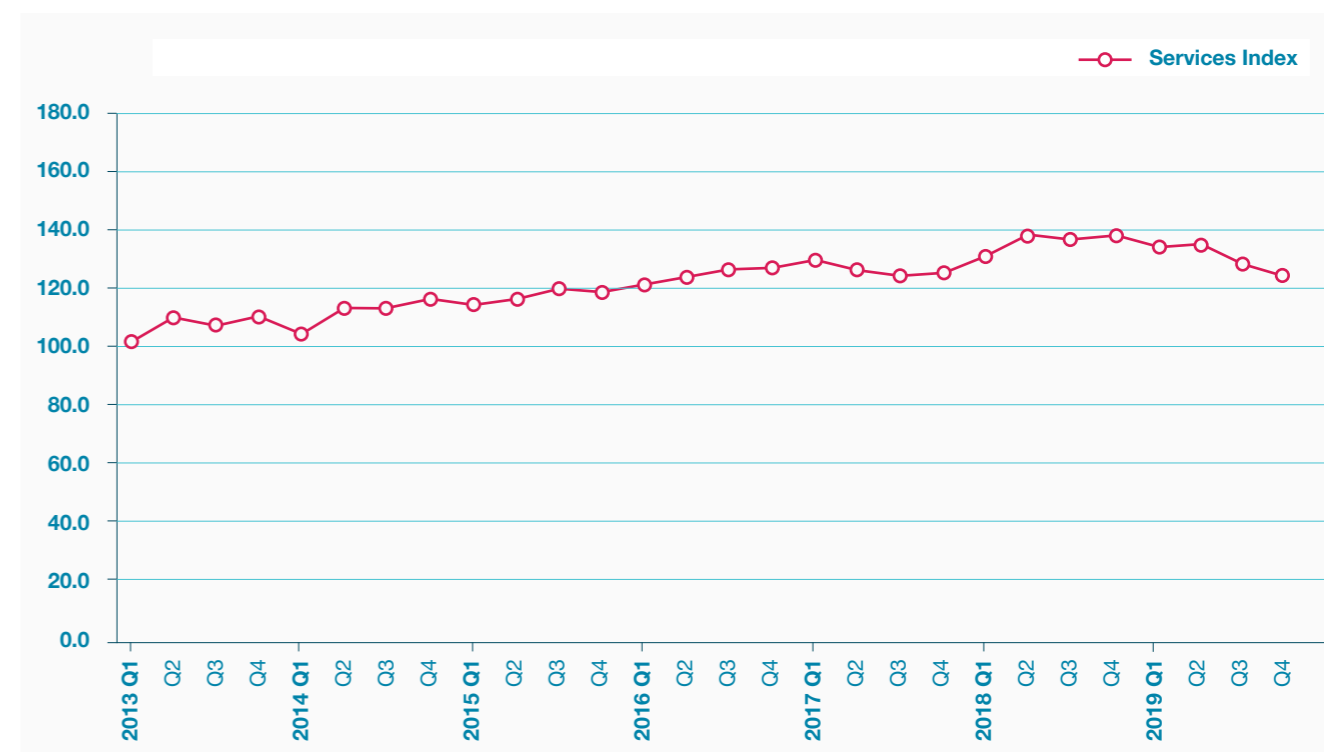
The fortunes of individual service sectors have varied widely, however, Information/communication services did best, up by an astonishing 28% in 2019. Other services were up by 12%, and accommodation and food service were also strong, up 3% and 9% respectively in 2019.

The UK Services Index grew steadily from 2009, up by around 3% per year. This levelled off in 2017, to 1.3%, and that weaker trend continued through 2018, with growth at a record low of 1.2% in 2019.²⁵

25. <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/bulletins/indexofservices/november2019>

Services Index Quarterly

Services Index Quarter 1 2013 - Quarter 4 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.

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26. <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/bulletins/indexofservices/november2019>



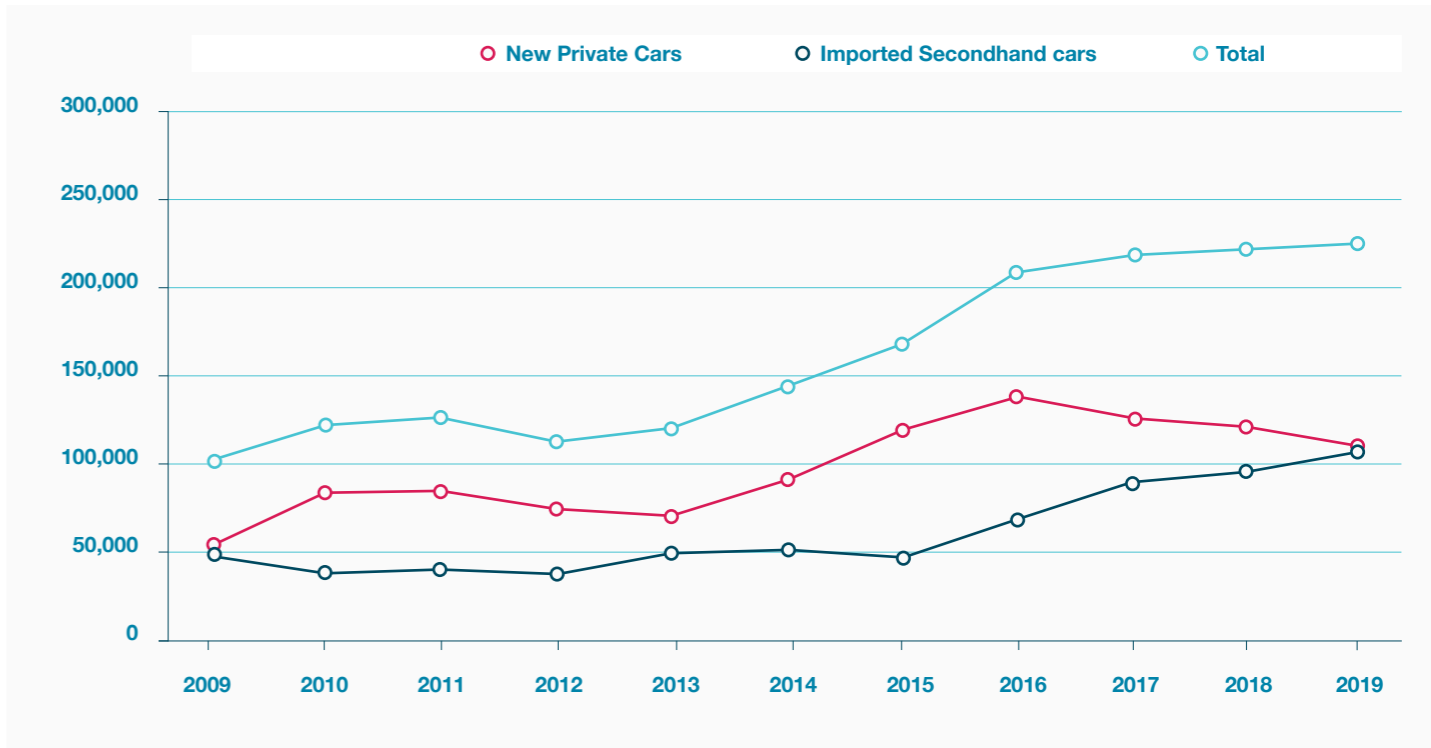
-6.5%

Sales of new cars were down by -6.5% in 2019 to a total of 113,305. This continues the negative trend of the previous three years, with sales down -10.5% in 2017, by -4.6% in 2018.



Sales of Private Cars Annual

Sales of Private Cars 2009 - 2019



New car sales peaked in 2007 with 180,754 sold. Sales dropped dramatically since 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 121,157. This was due to a major increase in imports of used cars, totalling 99,456 in 2018, double that of 2015. Taking new cars and imported used cars together, sales were flat in

2017 and 2018 at about 220,000, with 2019 at 222,000.

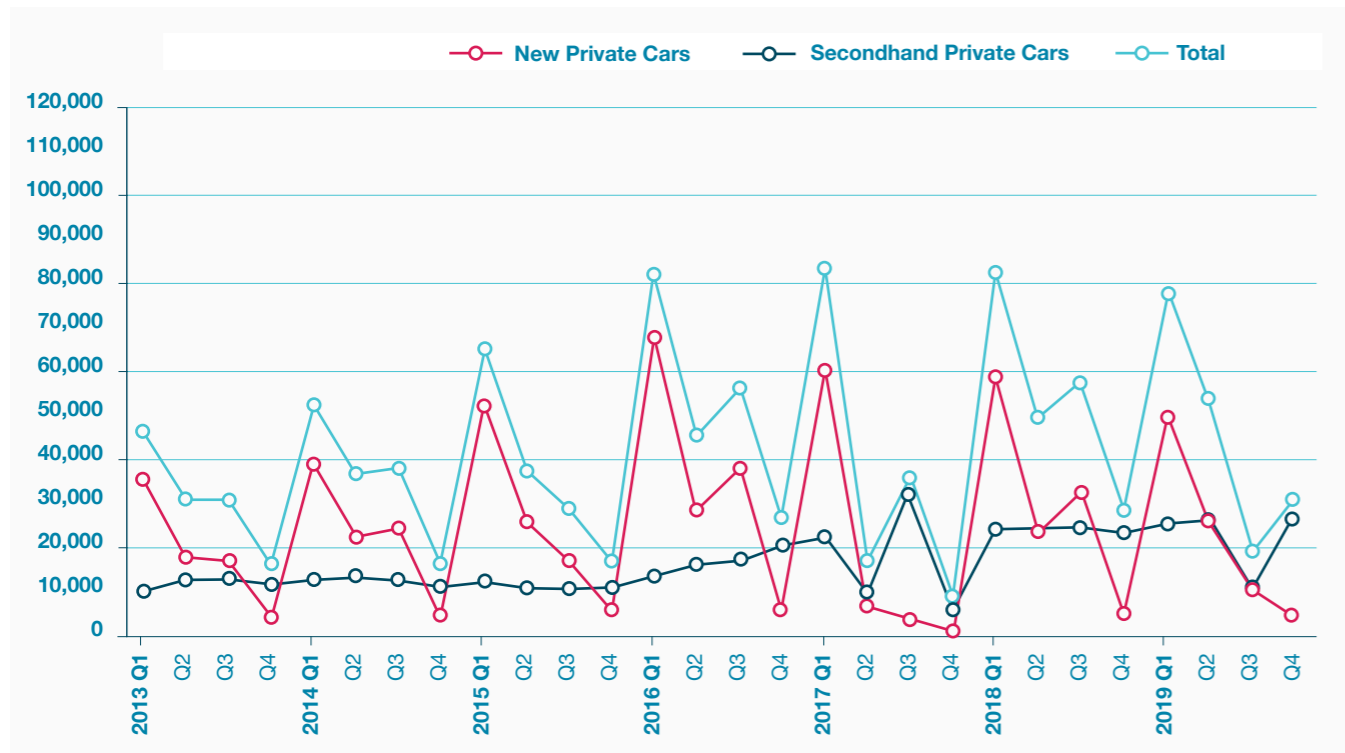
In addition, private sales of used cars amounted to 350,000 in 2013, 425,000 in 2014 (+ 22%), 450,000 in 2015 (+6%), and 475,000 in 2016 (+6%) which was a peak. Private sales of used cars have declined steadily since then to 430,000 in 2018.²⁷

Sales of new cars 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%), to 2.37 million in 2018 (-6.8%), and to 2.3 million in 2019 (-2.4%).²⁸ Sales to private buyers were even weaker at 1.05 million (-3.2%).²⁹

27. <https://www.cartell.ie/2019/08/used-car-sales-down-4-2/>
 28. <https://www.carmagazine.co.uk/car-news/industry-news/uk-2017-car-sales-analysis-winners-and-losers/>
 29. <https://www.best-selling-cars.com/britain-uk/2019-full-year-britain-new-car-market-overview-and-analysis/>

Sales of Private Cars Quarterly

Sales of Private Cars Quarter 1 2013 - Quarter 4 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.³⁰

New car sales began to recover in 2014, and grew strongly in 2015 and 2016, to a total of 142,688. 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.

Sales of new cars were down further in 2019 to a total of 113,305 (-6.5%). In contrast, there has been a substantial increase in the number of imported used cars every year since 2005, with sales of 109,000 in 2019 almost equalling new car sales.

In sum, car registrations have been more or less static for the past three years at about 220,000 per annum (222,000 in 2019). This compares to a total of 240,000 in 2007 of which 180,745 were new cars.

Sales of other used cars (excluding imports) are also down in recent years, suggesting a general weakness in the motor trade. Approximately, 410,000 cars changed hands privately in 2019 and this was 4% down on 2018.

Sales of new cars 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%), to 2.37 million in 2018 (-6.8%), and to 2.3 million in 2019 (-2.4%).³¹ Sales to private buyers were even weaker at 1.05 million (-3.2%).³²

30. <http://www.rte.ie/news/2015/0811/720529-new-cars-licensed-in-july-up-over-50-on-last-year/>
 31. <https://www.carmagazine.co.uk/car-news/industry-news/uk-2017-car-sales-analysis-winners-and-losers/>
 32. <https://www.best-selling-cars.com/britain-uk/2019-full-year-britain-new-car-market-overview-and-analysis/>



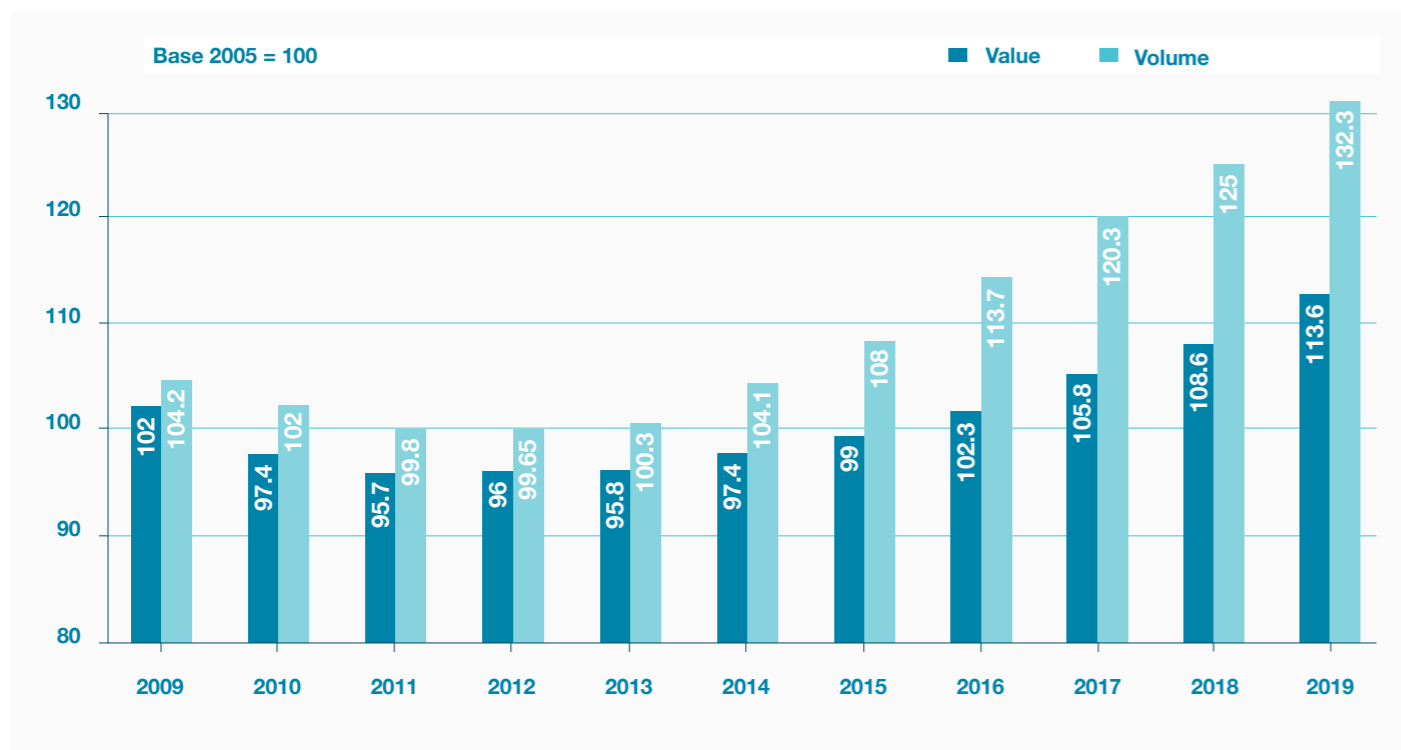
222,000

In sum, car registrations have been more or less static for the past three years at about 220,000 per annum (222,000 in 2019). This compares to a total of 240,000 in 2007 of which 180,745 were new cars.



Retail Sales Annual

Retail Sales Index 2009 - 2019



Following the recession, retail sales stabilised in 2012 and 2013 and resumed growth in 2014 and has grown steadily each year since then. The years from 2015 to 2017 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.

Retail sales remained strong in 2019, up by 4.3% in volume and 2.7% in value. Retail sales revenue for 2019 amounted to approximately €47 billion, back to the level last seen 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, picked up in 2013 and 2014 and accelerated in 2015 and 2016, with volume up 5% per annum.³³ Growth fell back in 2017 and 2018, to 2%, and softened further in 2019 to 1.6%. Online sales accounted for 19% in 2019 up 6% year-on-year.³⁴

US retail sales have grown by 3-4% per annum for the last decade. Sales were up by 5% in 2017, by 4.3% in 2018 and by a strong rate of 5.8% in 2019. Online sales accounted for 9% of total retail but grew at a rate of 19% in 2019.³⁵

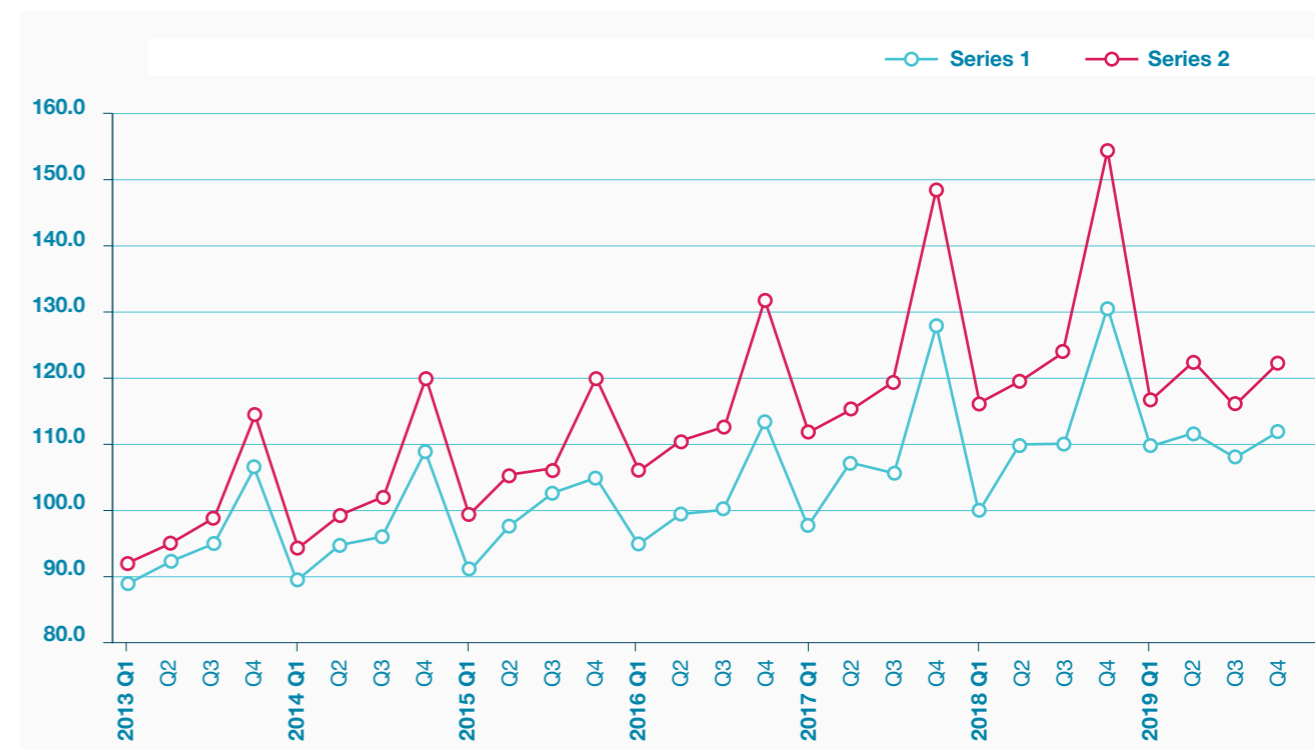
33. <http://www.ons.gov.uk/ons/rel/rsi/retail-sales/november-2018/stb-rsi-nov-15.html>

34. <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/december2019>

35. <https://www.statista.com/statistics/379112/e-commerce-share-of-retail-sales-in-us/>

Retail Sales Quarterly

Retail Sales Index Quarter 1 2013 - Quarter 4 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 remained strong in 2019, up by 4.3% in volume and 2.7% in value. This continued the positive trend from 2018 when sales were up by 3.7% in volume and 2.7% in value but was lower than 2017 (+5.8% in volume and +3.5% in value). Sales revenue for 2019 amounted to €47 billion which was back to the levels last seen in 2007.

Online sales represented just 3.3% of total sales for traditional (bricks and mortar) retailers operating in Ireland, although it was higher in some categories such as books (13.5%). This does not include online retail sales going to exclusively digital retailers (eg Amazon) which amounted to about 11% of total retail sales.

Household equipment continued to be the fastest growing category this year, up by 11% in volume and 4% in value in Q4, year-on-year. Sub-categories within that - electrical goods and furnishings - did exceptionally well, up by 12% and 7% respectively.

Supermarkets and other food stores also performed well, as did pharmaceuticals and cosmetics. Department stores and newsagents were the weakest categories in Q4, down by -2.7% and -4.5% in volume 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 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.³⁶

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



The Consumer Market Monitor is published by:

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