

Q1

2019

Consumer

Market Monitor



UCD Michael Smurfit
Graduate Business School



Q1

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 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 Q1 of 2019 and reviews the year to-date.

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.

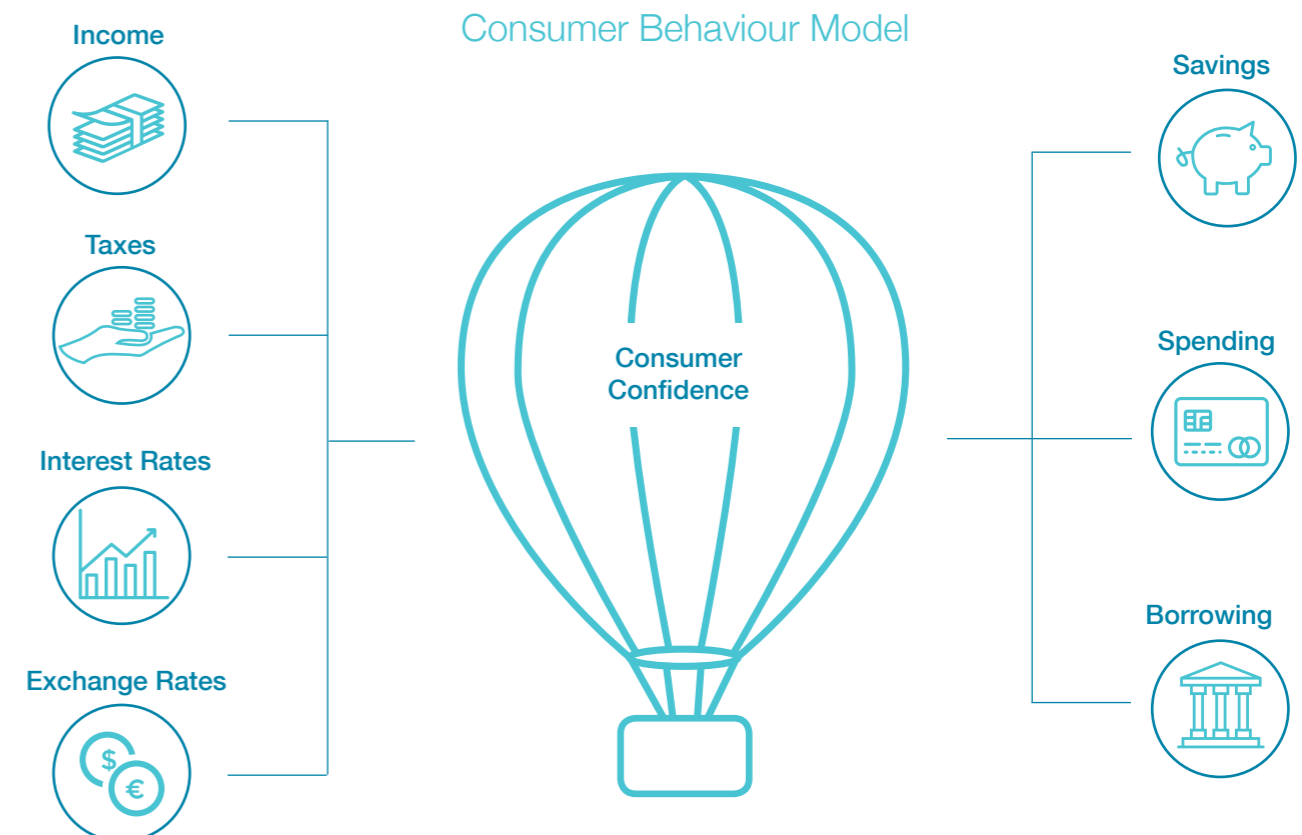
She has served as Head of the Marketing Group, as Dean of the UCD Business School and as a member of the Governing Authority of the university at various times, and also holds a number of positions in companies and professional organisations outside the university.



Mary Lambkin

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Executive Summary

Consumer spending increased by 3% in 2018 to €104 billion, well ahead of the last peak of €101 billion in 2007. However, growth slowed to 2.6% in the fourth quarter reflecting a weakening of consumer sentiment towards the end of the year.

The outlook for this year is for consumption to moderate further, growing by 2.1% for this year and 2% for 2020. These forecasts assume that consumer confidence will remain subdued while there is a continuing risk of a disruptive UK departure from the European Union.

The main driver of growth in 2019 and 2020 will continue to be growth in employment and incomes. There are now 2.281 million people at work, up 50,500 (2%) year-on-year, and up by 418,000 or 22% from the low point in early 2012. Employment is expected to continue to grow this year and next but at a moderating rate. Projected growth of 2.5% for 2019 and 2% in 2020 would add another 104,000 people to the workforce.

Wages have been increasing by around 2.5% per annum in recent years and are expected to rise further in 2019. As spare capacity in the labour market diminishes, wage growth is projected to pick up slightly, with wages forecast to increase by 3.6% this year and 3.7% next year.

Strong growth in employment and disposable incomes in 2018 continued to provide the conditions to support growth in the Irish consumer economy. As counterpoint to this, however, consumer confidence weakened in the face of the protracted negotiations about Brexit and a pervasive anxiety that a hard Brexit would damage the Irish economy and employment.

The increasing numbers employed together with wage increases is leading to a substantial uplift in the amount of disposable income circulating in the Irish economy. There has been a remarkable increase in aggregate disposable income - up by about 5% a year in each of the past four years to a total of €111 billion in 2018.

Consumer spending has also been supported by improving household balance sheets mainly

driven by the increasing value of peoples' homes. Household net worth per capita now stands at €158,000, up 70% from the low of 2012. Perceptions of increasing wealth feed confidence and encourage consumers to release some of their wealth for spending.

Against this, however, continuing uncertainty about Brexit and other economic prospects is weighing on consumer sentiment which is continuing to be subdued in the early months of 2019. This is evidenced by the fact that consumer spending is lagging growth in disposable incomes and by the growth in household deposits in the banks suggesting precautionary savings.

It is important to note 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 gone down from 215% at the peak in 2012 to 126% this year, a reduction of 40%.

One area where borrowing is growing modestly is for the purchase of residential property. There were 30,629 mortgages issued for purchasing homes in 2018 (up 9% on 2017), with a value of €7 billion which was up by a slightly higher 13% reflecting price increases. In sum, 55,000 homes were sold last year, and forecasts suggest about 58,000 for this year. The number of mortgage approvals is up 9% for the first quarter of 2019 year on year suggesting positive momentum, while the value is up by the same amount suggesting prices are relatively static.

The market for cars is the most troubled sector right now; sales for the first quarter of this year are down by -12.9% for a total of 50,861. Annualised, this suggests sales of 105,000 for the year. This continues a negative trend for the past two years, with sales down -10.5% in 2017 to 127,045, and by a further -4.6% in 2018 to 121,157.

In contrast, there has been a large increase in the number of imported second hand cars reaching 99,456 in 2018. This trend is continuing in 2019 with sales up 4.9% in Q1 to 25,906, suggesting a final figure of about 104,000.



2.1%

The outlook for this year is for consumption to moderate further, growing by 2.1% for this year and 2% for 2020. These forecasts assume that consumer confidence will remain subdued while there is a continuing risk of a disruptive UK departure from the European Union.



-0.9

Confidence dropped through 2018 reflecting worries about a "hard Brexit" and negative implications for the Irish economy. This downward trend has continued in quarter one of 2019, with the confidence measure going into negative territory for the first time since 2014.

In sum, car registrations were flat in 2017 and 2018 at about 220,000. This looks like dropping to 210,000 for 2019 with sales divided 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 the Brexit confusion. 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. Only time will tell whether this downward trend is temporary.

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 through 2016 reflecting uncertainty about Brexit and industrial unrest at home but picked up again in 2017 in response to strong employment data.

Confidence dropped through 2018 reflecting worries about a "hard Brexit" and negative implications for the Irish economy. This downward trend has continued in quarter one of 2019, with the confidence measure going into negative territory for the first time since 2014. However, 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 low of -8 in December 2018 due to worries about Brexit and its knock-on effects. It had edged up fractionally this year but is still in negative territory. Consumer confidence in the EU has also been relatively weak reflecting political uncertainty in several of the larger economies as well as Brexit fears.

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 124 in March, following the government shutdown and weakness in the stock markets.

Consumer Incomes and Spending

The disposable income of Irish households rose by 5% in 2018 to a total of €109 billion, significantly overtaking the last peak of €101 billion in 2007. Increasing numbers in employment together with pay increases drove this growth.

Disposable income per person exceeded its pre-crisis peak for the first time in 2017. Total household disposable income continues to grow by 5% per year. It is expected that household incomes will grow by 5% again in 2019, especially if a Brexit agreement is reached and economic conditions stabilise.

There are now 2.281 million people at work, up 50,500 (2%) year-on-year, and up by 418,000 or 22% from the low point in early 2012. Employment is expected to continue to grow this year and next but at a moderating rate. Growth of 2.5% for 2019 and 2% in 2020 would add another 104,000 people to the workforce.

Household wealth has also recovered well from the recession, standing at €770 billion in 2018, or €158,000 per household, up by 70% from the trough of €430 billion in Q2 2012.

Personal spending grew by 4% in 2015 and 2016 as the recovery really took hold. Spending was slightly softer in 2017, up by just 2.8%, but strengthened in 2018, up by 3%, breaking through the €100 billion level, to almost €105 billion.

All forecasts see continuing growth in consumer spending this year and next although the growth is expected to continue to lag slightly behind disposable incomes (2-3% compared to 5%). This is evidenced by the fact that growth slowed to 2.6% in the fourth quarter reflecting the weakening of consumer sentiment towards the end of last year. It is also supported by the build-up of household deposits in the banking system which may reflect precautionary savings.

In contrast, the UK has seen a weakening in growth of consumer spending, to 1.6% in 2017 and 1.8% in 2018, down from an average of 3% in previous years.

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 trend reversed in 2017- after almost a decade, with debt increasing by 2%, the first sign of a return to normal conditions. Outstanding household debt stood at €90 billion in December 2018.

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%. Mortgage lending has resumed growth since then increasing by over €1 billion (+1.4%) in 2018, the largest increase since 2009, to a total of €76 billion.

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 and grew 2% in 2018, amounting to €14 billion by December 2018.

Overall, the ratio of household debt to disposable income has fallen by 40% from its peak of 215% in mid-2011 to 126% in Q3 2018, although Irish households are still the fourth most indebted in the EU.⁰¹

Residential Property

There were 55,000 homes sold to private households in 2018 which represented an increase of 6% on the 52,000 sold in 2017. There were 30,629 mortgages drawn down in 2018 which was 9% higher than the previous year. The arithmetic suggests that 45% of homes were purchased with cash.

Modest growth in home sales is continuing in 2019, with a total of 58,000 units (+4%) expected for the year⁰². This will be facilitated by the increasing construction of new homes as well as additional supply of second hand properties

coming on the market. 18,000 new housing units were completed in 2018, 24,000 are expected in 2019 and 28,000 in 2020.

There were 22,500 properties for sale on March 1 nationally, up 11% year-on-year. This compares to just 19,400 homes or 1% of the national housing stock which was for sale in January 2017, the lowest since measurement started a decade before.

There were 1.24 million residential properties sold in the UK in 2016, an increase of 4.5%, but the market slowed to 1.2 million in 2017 and 2018.⁰³ 2019 is a bit stronger, up by 2% in quarter one.

Services

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, 2016, and 2017, up by 4-5% per annum.

Services growth accelerated in 2018, up 8%, and this strength is continuing, with quarter one 2109 up by 10.8%. This is closely matched by Vat returns which were up 7% in 2018, to €14 billion, and by a further 6.6% in quarter one 2019.

The fortunes of individual service sectors have varied, however, with most sectors strong in 2018. Accommodation did best, up 21.5%, followed by Information/communications up 17.5%. Administrative services were up 13%, wholesaling/ transportation/storage was up 8%, and food/ beverage services up 3.2%. Professional/Technical Services and Other Service Activities did poorly, down 4.6% and 11% respectively.

The UK Services Activities Index grew steadily from 2009, up by 3% per year for several years. There was a levelling off in 2017 and 2018 to 1.5% but this has picked up to 2% in Q1 2019.⁰⁴

2.281 million people at work

There are now 2.281 million people at work, up 50,500 (2%) year-on-year. Employment is expected to continue to grow this year and next but at a moderating rate. Growth of 2.5% for 2019 and 2% in 2020 would add another 104,000 people to the workforce.

01. <https://www.centralbank.ie/docs/default-source/statistics/data-and-analysis/financial-accounts/quarterly-financial-accounts-for-ireland-q3-2018.pdf?sfvrsn=4>
 02. <https://media.myhome.ie/content/propertyreport/2019/q12019/MyHomePropertyReportQ1-2019.pdf>
 03. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/674611/UK_Tables_Jan_2018__cir_.pdf
 04. <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/bulletins/indexofservices/feb2019>

Car Sales

Following the recession, 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 and this trend is continuing in 2019, with sales for the first quarter down by -12.9% for a total of 50,861.

In contrast, there has been a rise in the number of imported second hand cars, totalling 99,456 in 2018. This trend is continuing in 2019 with sales up 4.9% in Q1 to 25,906.

Taking new and imported cars together, sales were flat in 2017 and 2018 at about 220,000. This looks like dropping to 210,000 for 2019 with sales divided about 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.

Retail Spending

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

Growth was a little softer in the fourth quarter, up 3.2% in volume and 2.0% in value year-on-year, considerably lower than the growth rate experienced in the final quarter of 2017 (6.7% in volume and 3.9% in value). This out-turn was probably a result of faltering consumer confidence due to the uncertainty caused by Brexit.

Fortunately, 2019 got off to a much stronger start, with sales up by 6.0% in volume and 4.3% in value in the first quarter and the positive momentum is continuing in quarter two.

Most retail categories reported good growth in Q1 year-on-year, with the exception of the bar trade and the motor trade. Household equipment continued to be the fastest growing category, up by an exceptional 18.1% in volume and 10.4% in value, year-on-year. Supermarkets and other food stores performed well, as did clothing and footwear, but department stores were weaker with sales close to flat in Q4 2018 compared to last year.

Retail sales were solid rather than spectacular in 2018, up by 3.7% in volume terms and 2.4% in value, compared to growth of 5.8% in volume and 3.5% in value in 2017.



Fuel up 3.8% in volume and 5.0% in value



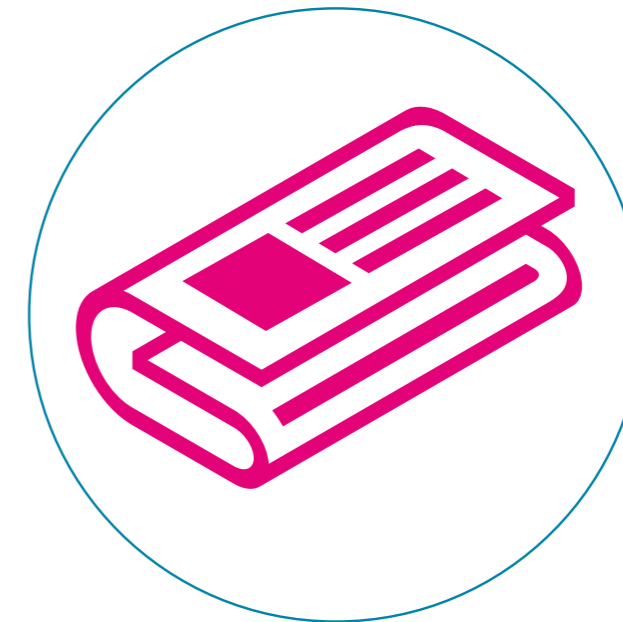
Bar sales down -3.2% in volume and -1.1% in value



Department stores down -0.2% in volume and down -2.6% in value



Non-specialised stores (supermarkets) up 5.3% in volume and 4.7% in value



Books, newspapers and stationery up 4.2% in volume and 6.7% in value



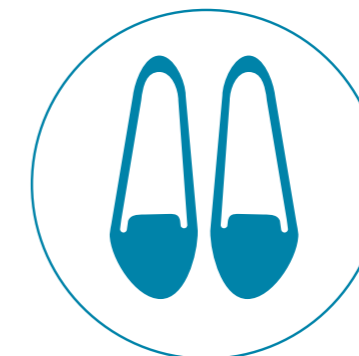
Household equipment up 18.1% in volume and 10.4% in value



Food sales up 5.0% in volume and up 4.2% in value



Pharmaceuticals and cosmetics up 7.1% in volume and 5.3% in value



Clothing, footwear and textiles up 8.0% in volume and 6.5% in value



Motor trades down -0.6% in volume and down -0.2% in value

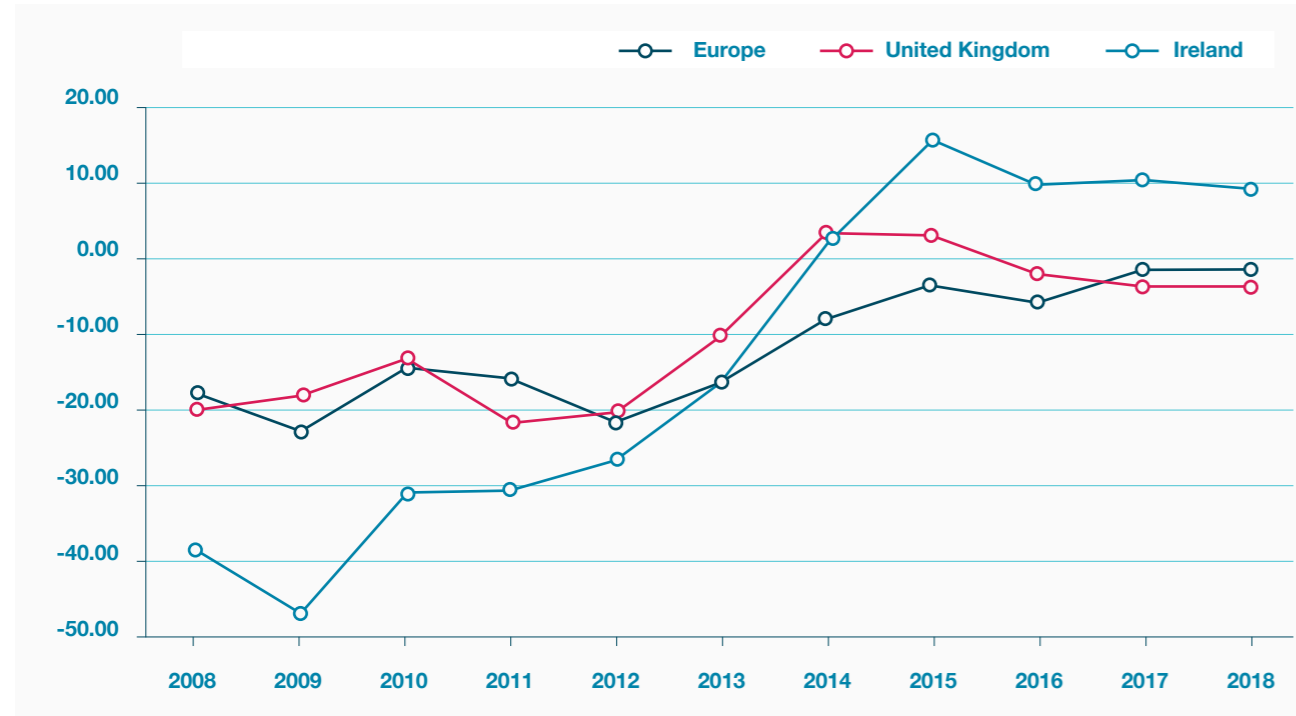
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Consumer & Retail Analysis



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 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.⁰⁵

This upward trend continued in 2015, strengthening through the year.⁰⁶ 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 very positively, well above our neighbours. This positivity

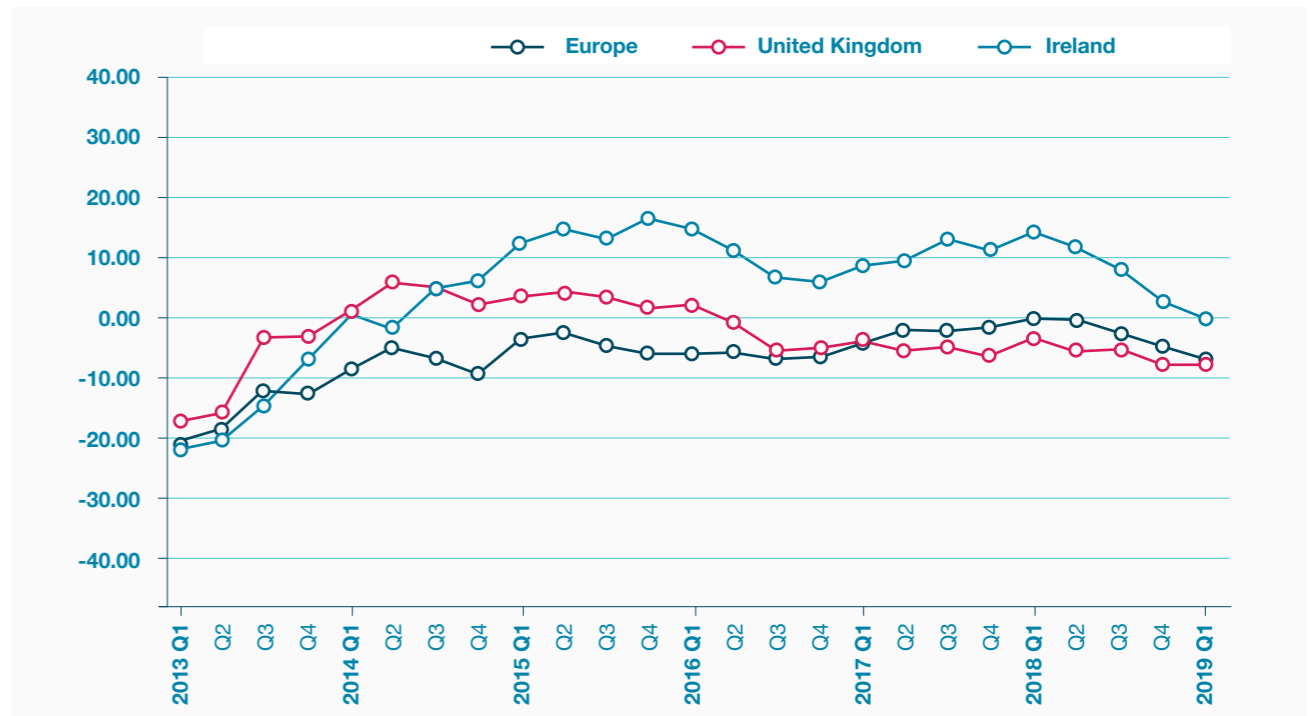
eroded slightly in 2018 with confidence falling each quarter due to Brexit fears.

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 bit 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.⁰⁷

Consumer Confidence Quarterly

Consumer Confidence Quarter 1 2013 - Quarter 1 2019



Consumer confidence in Ireland fell slightly through 2016, reflecting uncertainty about Brexit and industrial unrest at home. However, it picked up in 2017, in response to strong employment data, reaching a level considerably higher than neighbouring countries.

Confidence dropped through 2018 reflecting worries about a “hard Brexit” and negative implications for the Irish economy. This downward trend has continued in quarter one of 2019, going into negative territory for the first time since 2014. However, 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 low of

-8 in December 2018 due to worries about Brexit and its knock-on effects. It had edged up a small bit this year but is still in negative territory.

Consumer confidence in the EU has also been relatively weak in recent quarters reflecting political uncertainty in several of the larger economies as well as Brexit fears.

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 124 in March, following the government shutdown and weakness in the stock markets.⁰⁷

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

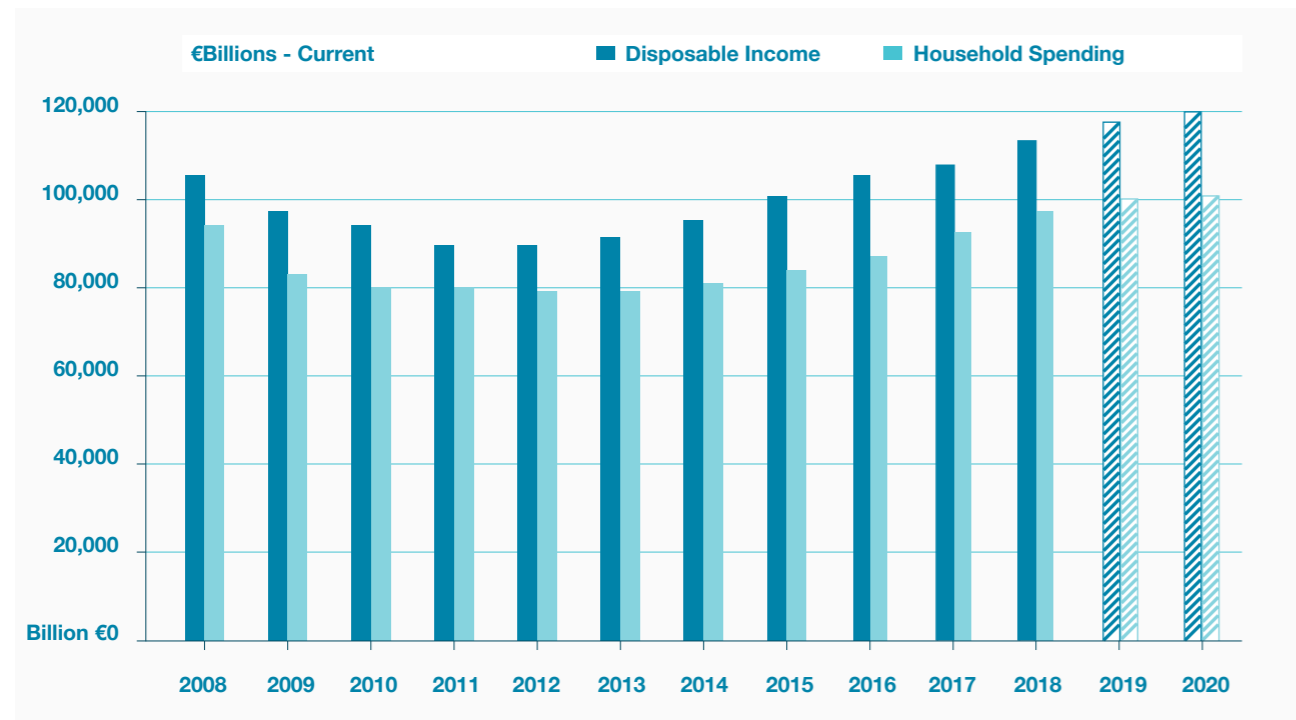
06. <http://www.rte.ie/news/business/2015/1001/731686-consumer-sentiment/>

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

08. <https://www.bloomberg.com/news/articles/2019-02-26/u-s-consumer-confidence-jumps-as-current-views-hit-18-year-high>

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.⁹ This trend reversed in 2009 and continued downwards until 2012, down by -15% in real terms, as a result of increasing unemployment, falling wages and higher taxes.¹⁰

This trend reversed in 2013 and 2014, when disposable income rose by 3%. It continued to rise in 2015, 2016 and 2017, up by 5% per annum on average. This trend accelerated in 2018 with household disposable income up by 5.9% to €111 billion.¹¹ Forecasts suggest that it is likely to increase at a similar rate of 5% this year.

Household wealth has also recovered well from the recession, standing at €770 billion in 2018,

up 70% from the trough of €430 billion in Q2 2012. Household deposits also grew 4.3% in 2018 to €4.1 billion, the largest annual increase since early 2008.¹²

Household spending, which accounts for 92% of all personal spending, closely mirrors income, increasing by 48% from 2002 and 2008, from €62bn to €95bn. Spending then declined to a low of €84 billion in 2011, down -15% in current terms (-7.5% in real terms).

Household spending began to recover in 2014 and continued to grow in 2016 and 2017, up by 3-4% per year. Spending accelerated in 2018, up by 5% to €98 billion. Household spending is likely to exceed €100 billion this year, exceeding the peak in 2008.¹³

09. CSO Institutional Sector Accounts, Q4, 2018

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

11. <https://www.cso.ie/en/releasesandpublications/er/isanf/institutionalsectoraccountsnon-financialquarter42018/>

12. <https://www.centralbank.ie/docs/default-source/statistics/data-and-analysis/financial-accounts/quarterly-financial-accounts-for-ireland-q3-2018.pdf?sfvrsn=4>

13. CSO Institutional Sector Accounts, Q3, 2018

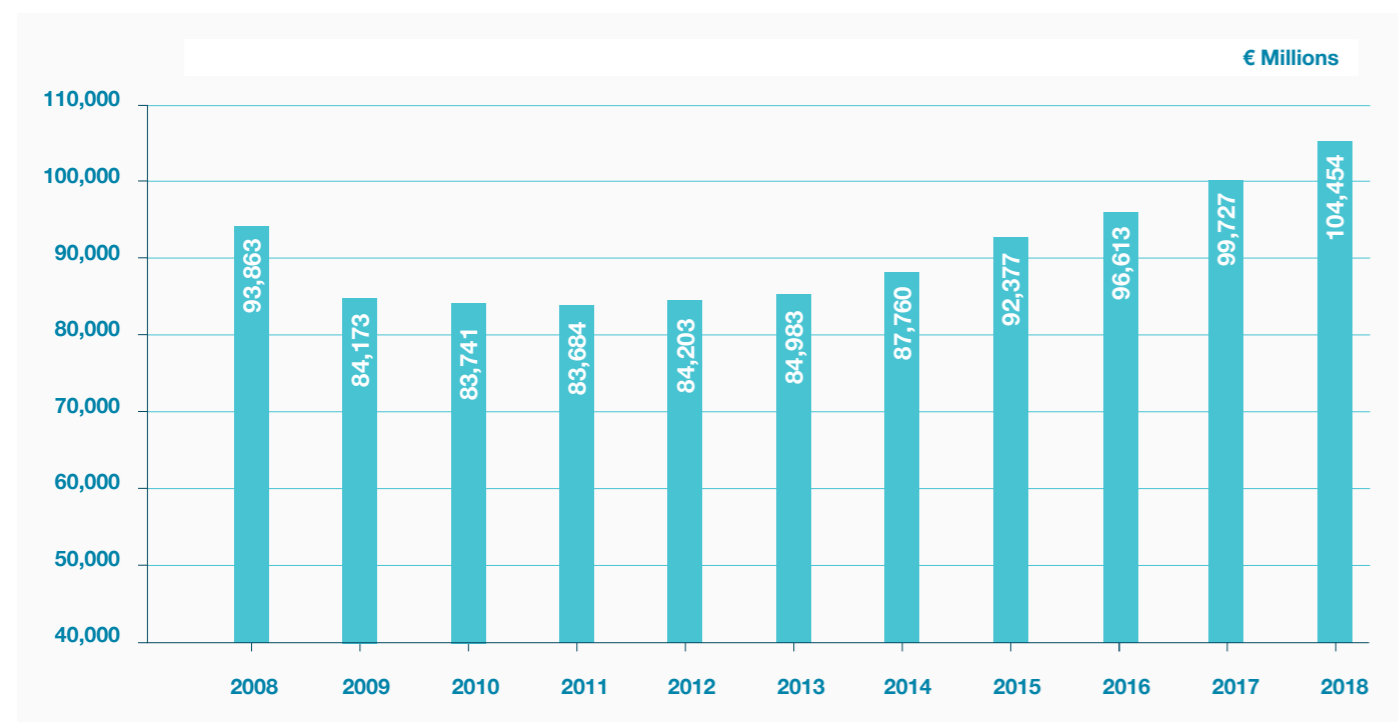
111bn

Disposable income continued to rise in 2015, 2016 and 2017, up by 5% per annum on average. This trend accelerated in 2018 with household disposable income up by 5.9% to €111 billion. Forecasts suggest that it is likely to increase at a similar rate of 5% this year.



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 2013.¹⁴

Personal spending grew by 2% in 2014, by 4.5% in 2015, and by 3.8% in 2016.¹⁵ Spending was softer in 2017, up by 2.8%, and continued at this rate in 2018 (+3%). It broke through the €100 billion level in 2018, to about €104.5 billion. All forecasts see continuing growth this year and next of 2- 3%.¹⁶

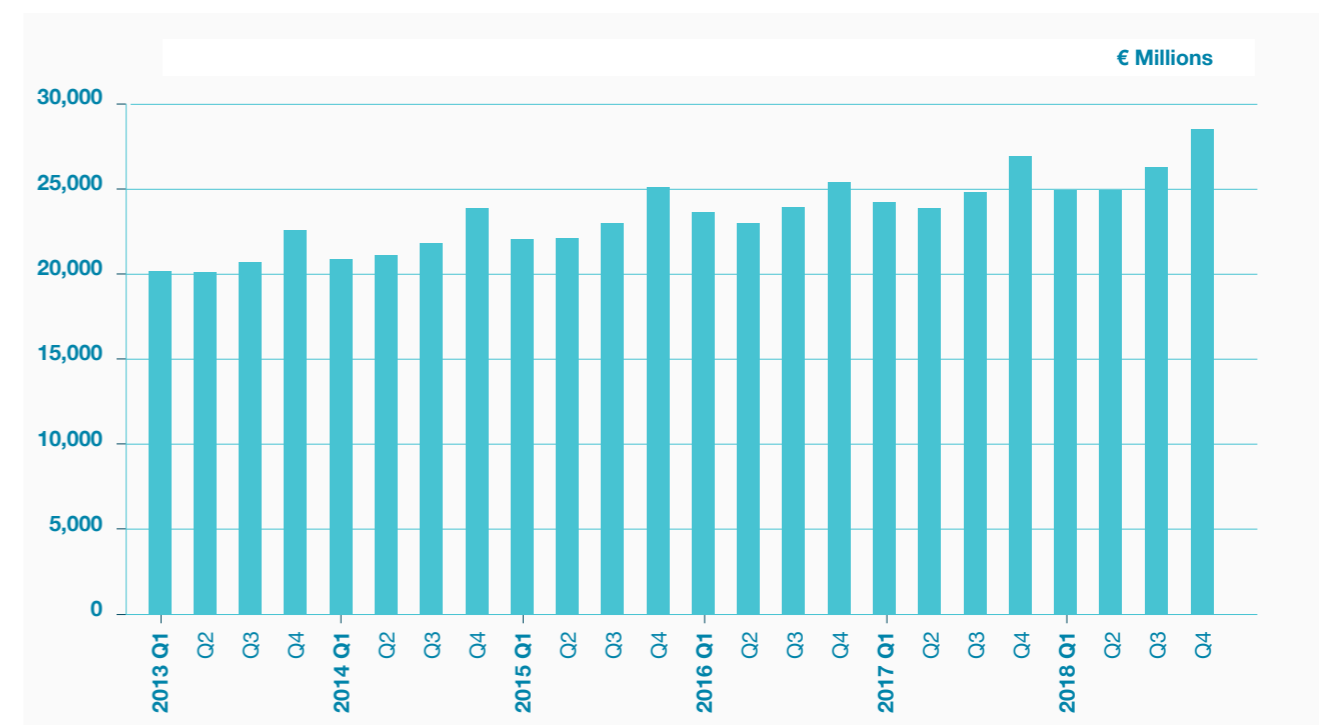
Consumer spending in the UK fell -4% from the 2007 peak to the trough in 2011, from £955 to £916 billion. Spending rallied between 2012 and

2014, up 2% per year, and continued in 2015 and 2016 at 3% per annum but slowed to 1.6% in 2017 and 1.8% in 2018.¹⁷

US consumer spending has been growing steadily for a number of years, up by an annual rate of around 3.5%.¹⁸

Personal Spending on Goods/Services Quarterly

Personal Spending on Goods/Services January 2013 - December 2018



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 over 4% in 2015 and 2016.¹⁹ 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 €100 billion. Spending continued upwards in 2018, growing 3% to a total of €104 billion and this buoyancy is continuing in 2019 with growth of 2-3% expected by all forecasts.

In contrast, personal spending in the UK slowed to 1.9% in 2017 and to 1.8% in 2018, the lowest rate of growth since 2012.²⁰ Spending was also subdued in the EU, up by just 1.5% in 2018, following average growth of around 2% for several previous years.

US consumer spending grew at a strong annual rate of 3.5% in 2018 supported by a robust labour market.²¹

14. [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)

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

16. <https://www.esri.ie/pubs/QEC2018AUT.pdf>

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

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

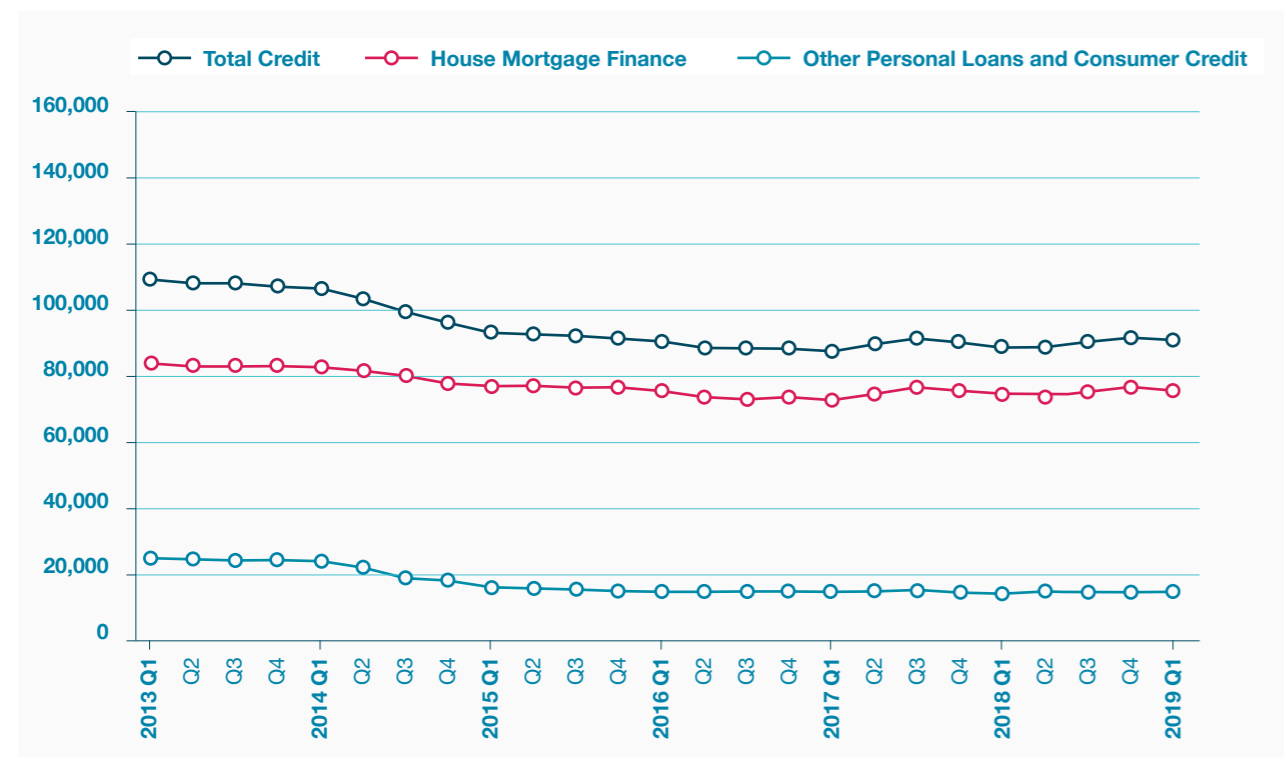
19. Central Bank of Ireland, Quarterly Economic Bulletin, Quarter 1, 2017

20. <https://www.ons.gov.uk/economy/nationalaccounts/satelliteaccounts/bulletins/consumertrends/octobertodecember2018>

21. <https://www.cnbc.com/2018/08/30/consumer-spending-increases-strongly-inflation-rising.html>

Personal Borrowing Quarterly

Personal Borrowing Quarter 1 2013 - Quarter 1 2019



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

The trend reversed finally in 2017 with debt increasing by 2%, the first sign of a return to normal conditions.²² Outstanding household debt stood at €90 billion in December 2018.

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%. Mortgage lending has resumed growth since then increasing by over €1 billion (+1.4%) in

2018, the largest increase since 2009 to a total of €76 billion.

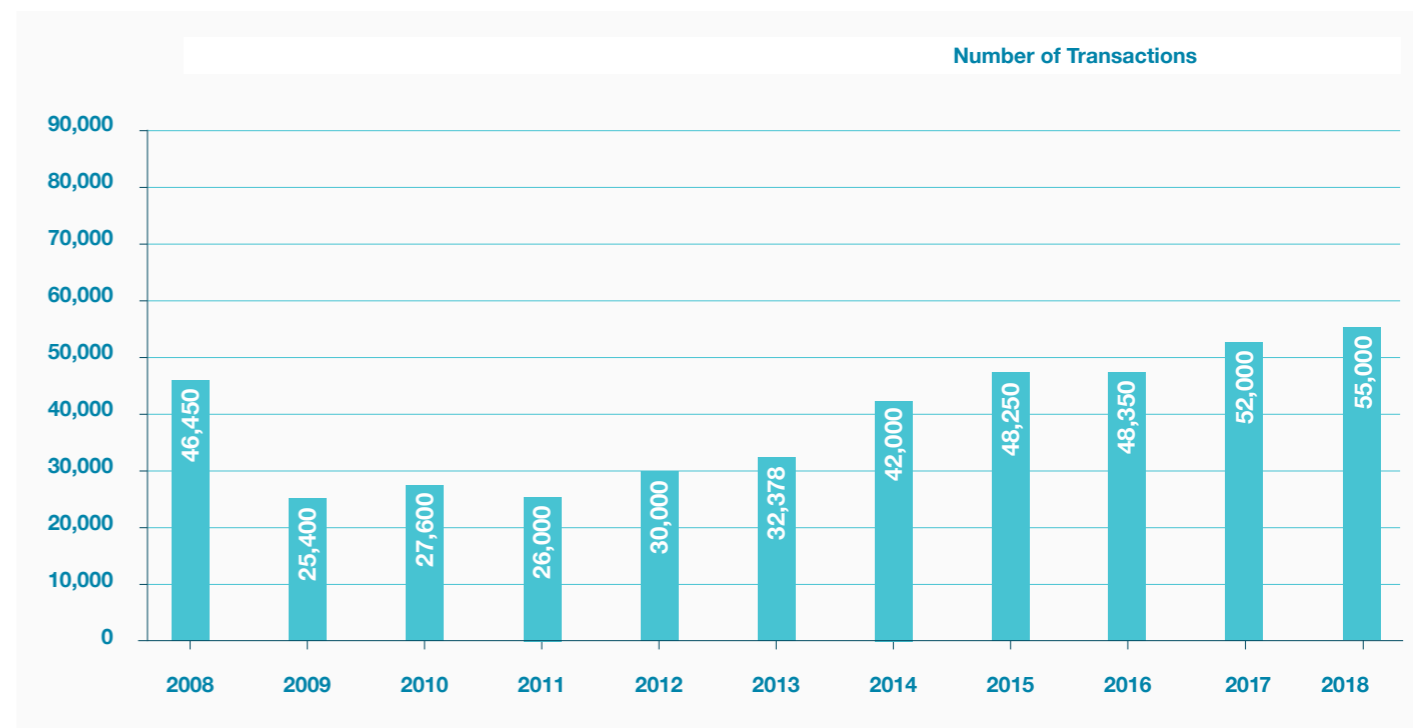
Lending for other consumption accounts for 18% of total borrowing. This category peaked in Q1 2008 at €30 billion but declined to €13 billion by December 2016, a reduction of 60%. It resumed growth in mid-2016 and grew 2% in 2018, amounting to €14 billion by December 2018.

Overall, the ratio of household debt to disposable income has fallen by 40% from its peak of 215% in mid-2011 to 126% in Q3 2018, although Irish households are still the fourth most indebted in the EU.²³

22. <http://www.rte.ie/news/business/2016/0818/810205-household-debt/>
23. <https://www.centralbank.ie/docs/default-source/statistics/data-and-analysis/financial-accounts/quarterly-financial-accounts-for-ireland-q3-2018.pdf?sfvrsn=4>

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 2005.²⁴

2014 was the first year to see a substantial 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%

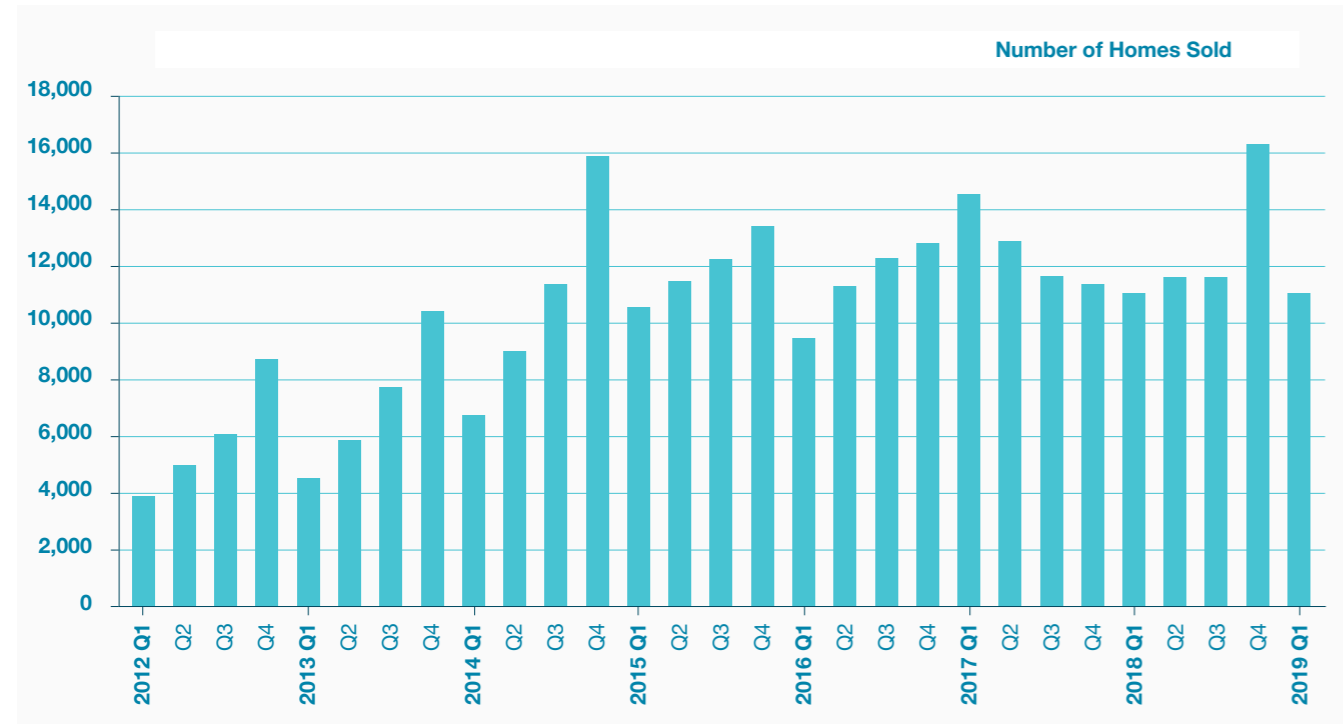
in 2018 for a total of 55,000 units valued at €18 billion.²⁵

Sales of residential properties in the UK were down 1% in 2017, and by 2.8% in 2018 to a total of 1.19 million.²⁶

24. 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
25. <https://media.myhome.ie/content/propertyreport/2018/Q42018/MyHomePropertyReportQ4-2018.pdf>
26. 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 January 2012 - March 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 volumes were up 10% to almost 52,000 for the full year.²⁷ This upward trend continued through 2018, with 55,000 sales for the year (+6%). There were 30,629 mortgages drawn down which is 9% higher than the previous year. This trend is continuing in 2019, with sales of 58,000 (+4%) expected for the year.²⁸

This will be facilitated by the increasing rate of construction of new homes as well as increasing supply of second hand properties coming on the market. There were 22,500 properties for sale on March 1, up 11% year-on-year. 18,000 new housing units were completed in 2018, 24,000 are expected in 2019 and 28,000 in 2020.

There were 1.24 million residential properties sold in the UK in 2016, an increase of 4.5%, but the market slowed to 1.2 million in 2017 and 2018.²⁹ 2019 is a bit stronger, up by 2% in quarter one.



+6%

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

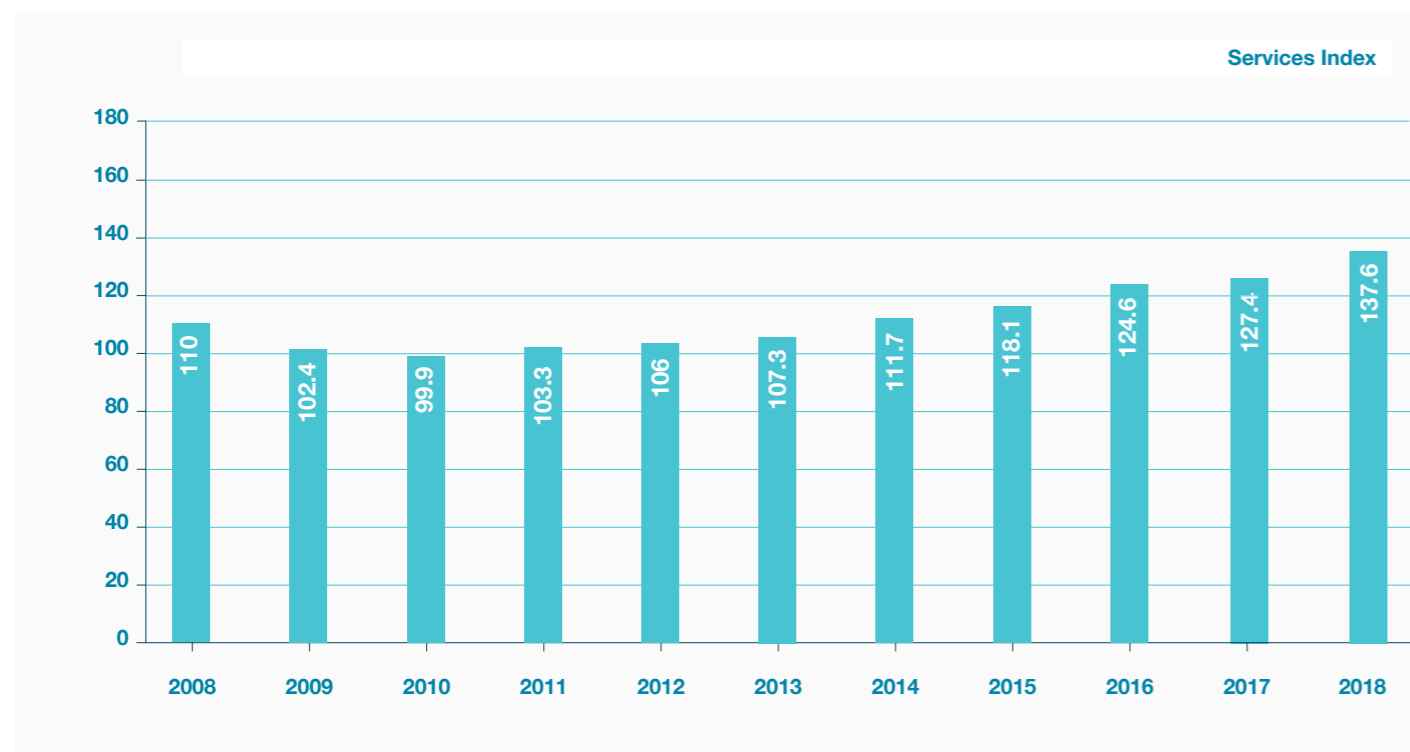
28. <https://media.myhome.ie/content/propertyreport/2019/q12019/MyHomePropertyReportQ1-2019.pdf>

29. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/674611/UK_Tables_Jan_2018__cir_.pdf



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 the last two 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.

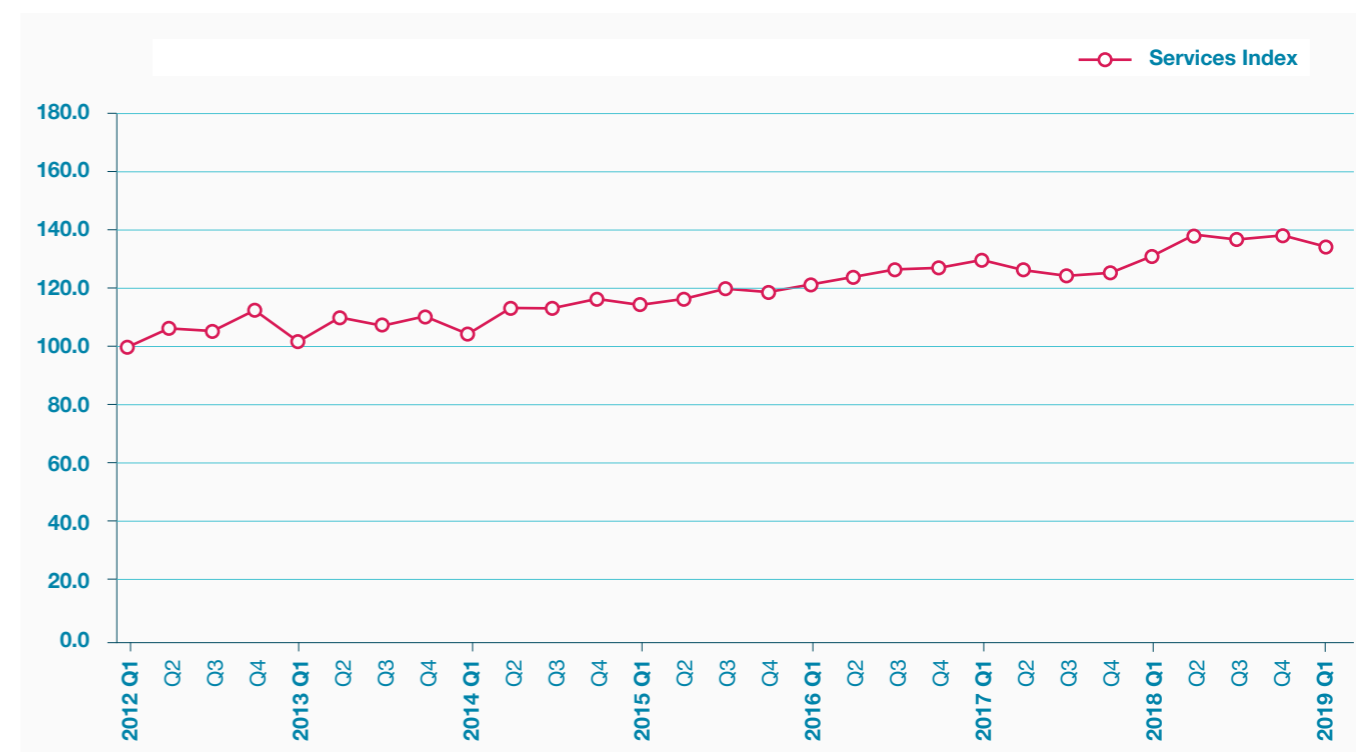
Growth accelerated to 8% in 2018 with most service sub-categories doing well. Information/communications did best, up 17.5% year-on-year and at an index level of 128.5 (2015=100). Accommodation and food service were up 9.1% and at an index level of 118.4. Wholesaling and transportation/storage were up 8% and at an index level of 110 while Other Service Activities did poorly, down 9% in 2018 and at an index level of 104.9.

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 has shown a similar trend (+1.8%).³⁰

30. <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/bulletins/indexofservices/feb2018>

Services Index Quarterly

Services Index Quarter 1 2012 - Quarter 1 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 and 2016 by 4-5% per annum on average, and continued to grow in 2017, at a rate close to 4%.

Services growth accelerated in 2018, up 8%. 2019 has started on an even stronger note, up by 10.8%. Vat receipts are correspondingly strong, up 6.6% in the first quarter of 2019.

The fortunes of individual service sectors have varied, however, with most sectors strong in

2018. Accommodation did best, up 21.5%, followed by Information/communications up 17.5%. Administrative services were up 13%, and Wholesaling and transportation were up 8%, and food/beverage services up 3.2%. Professional/Technical Services and Other Service Activities did poorly, down 4.6% and 11% respectively.

The UK Services Activities Index grew steadily from 2009, up by 3% per year for several years. There was a levelling off in 2017 and 2018 to 1.5% but this has picked up to 2% in Q1 2019.³¹

31. <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/bulletins/indexofservices/feb2019>



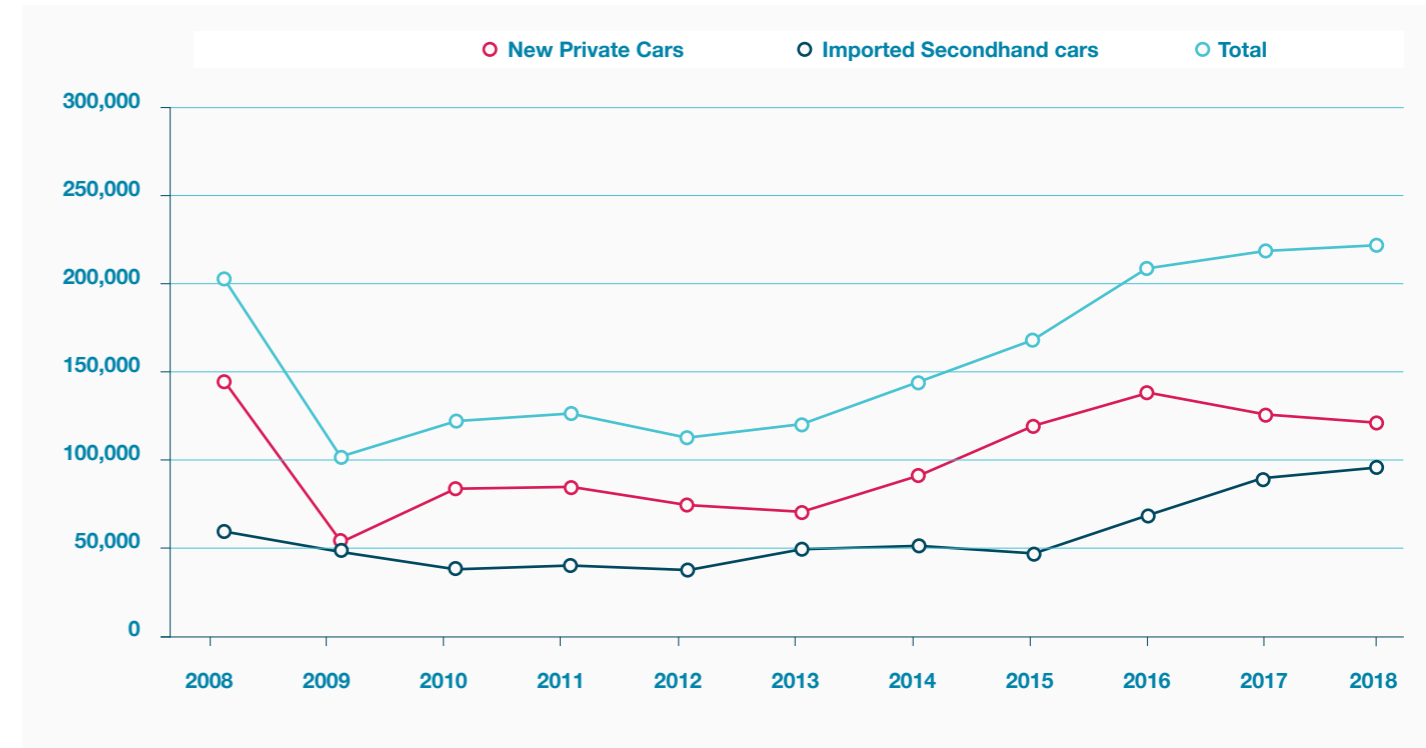
-4.6%

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 12,157. This was as a result of a substantial increase in second hand imports, totalling 99,456 in 2017, double the number in 2015.



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 12,157. This was as a result of a substantial increase in second hand imports, totalling 99,456 in 2017, double the number in 2015.

In addition, 367,000 used cars were sold in 2011, 482,000 in 2012 (up 22%), 570,000 in 2013 (up 19%), 636,000 in 2014 (up 11%), 700,000 in 2015 (up 8%), 690,000 in 2016 and slightly less in 2017 and 2018.³²

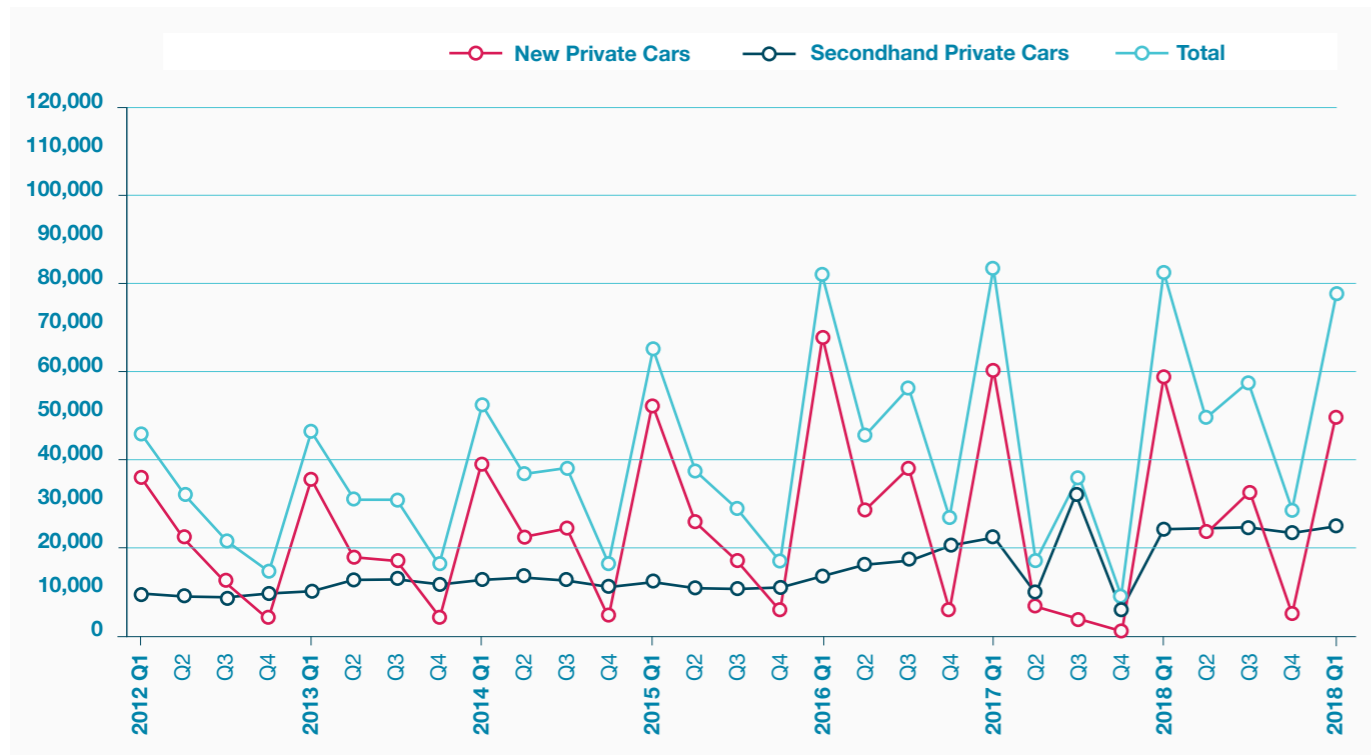
New car sales in the UK reached a 10-year high in 2014, at 2.5 million. There were 2.6 million cars sold in 2015, 2.7 million in 2016, but 2.54 million in 2017 (-5.4%) and 2.37 million in 2018 (-6.8%).³³

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, to 18.4 million in 2016.³⁴ Sales slowed to 17.2 million in 2017, and remained flat at 17.3 million in 2018.³⁵

32. <https://www.cartell.ie/2017/02/used-car-market-breaks-one-million-2016/>
 33. <https://www.carmagazine.co.uk/car-news/industry-news/uk-2017-car-sales-analysis-winners-and-losers/>
 34. www.thedailystar.net/business/carmakers-rack-up-big-gains-in-2013-us-sales-5461?archive=2014-01-06
 35. <https://countryeconomy.com/business/car-registrations/usa>

Sales of Private Cars Quarterly

Sales of Private Cars January 2012 - March 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.³⁶ Following the recession, 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% for a total of 127,045. Sales weakened further in 2018, down -4.6% for a total of 121,157 and this trend is continuing in 2019, with sales for the first quarter down by -12.9% for a total of 50,861.

In contrast, there has been a rise in the number of imported second hand cars totalling 99,456

in 2018. This trend is continuing in 2019 with sales up 4.9% in Q1 to 25,906.

Taking new and imported cars together, sales were flat in 2017 and 2018 at about 220,000. This looks like dropping to 210,000 for 2019 with sales divided 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.

New car sales in the UK reached a 10-year high in 2014, with 2.5 million sold. There were 2.6 million cars sold in 2015 and 2.7 million in 2016, but this fell to 2.57 million in 2017 and 2.37 million in 2018.³⁷ Sales are down by -2.5% in quarter one 2019.

36. <http://www.rte.ie/news/2015/0811/720529-new-cars-licensed-in-july-up-over-50-on-last-year/>
37. <https://www.carmagazine.co.uk/car-news/industry-news/uk-2017-car-sales-analysis-winners-and-losers/>



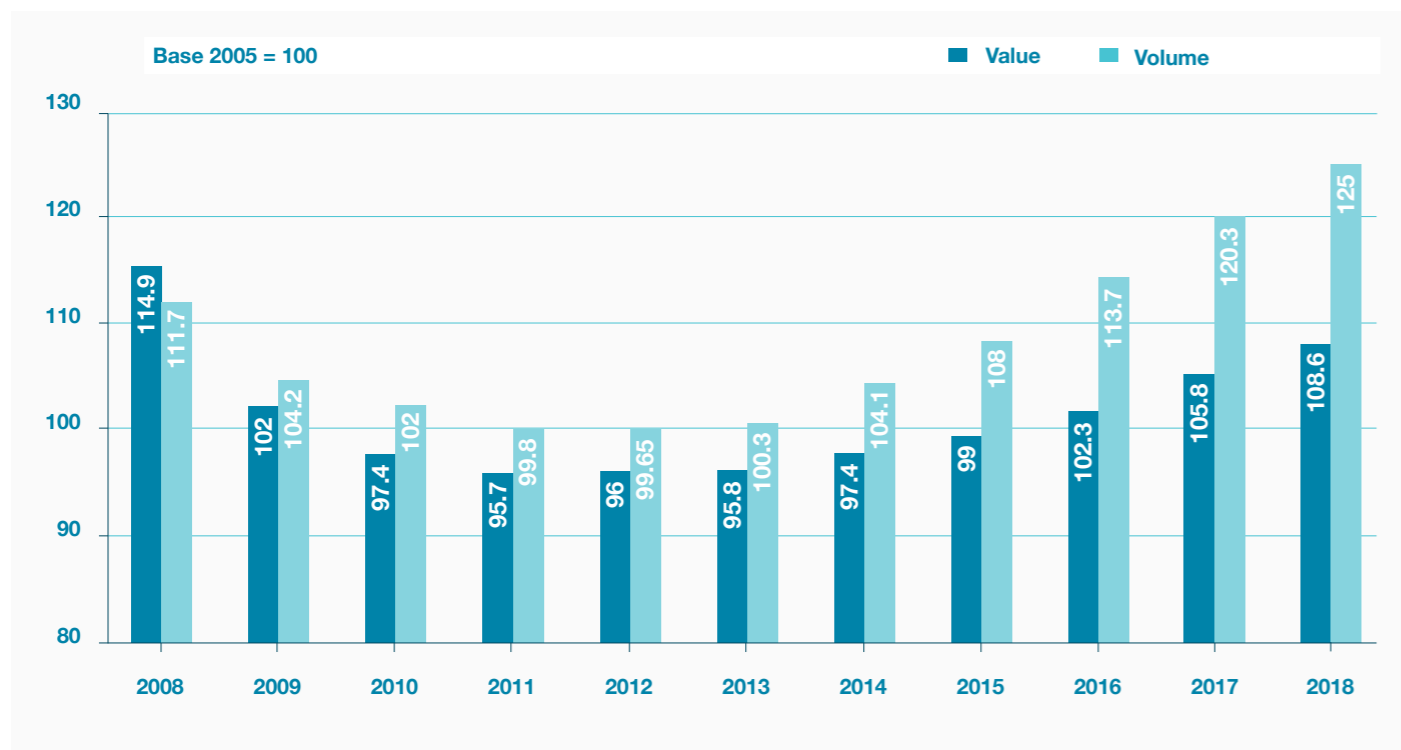
220,000

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Retail Sales Annual

Retail Sales Index 2008 - 2018



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 a growth in value of 1.8%. Growth accelerated in 2017, up 5.8% in volume and 3.9% in value. 2018 was a little weaker but still in positive territory, up 3.9% in volume and 2.6% 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.³⁸ However, growth fell back in 2017, to just 2%, and remained slow in 2018, up by 2.7%. Online sales accounted for 20% in 2018 up 14% on the previous year.³⁹

US retail sales were up by 5% in 2012 and 2013 but slowed to 2% in 2014 and 2015.⁴⁰ Growth picked up in 2016, to 3.3%, and rose by 5% in 2017 and by 4.3% in 2018.⁴¹

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

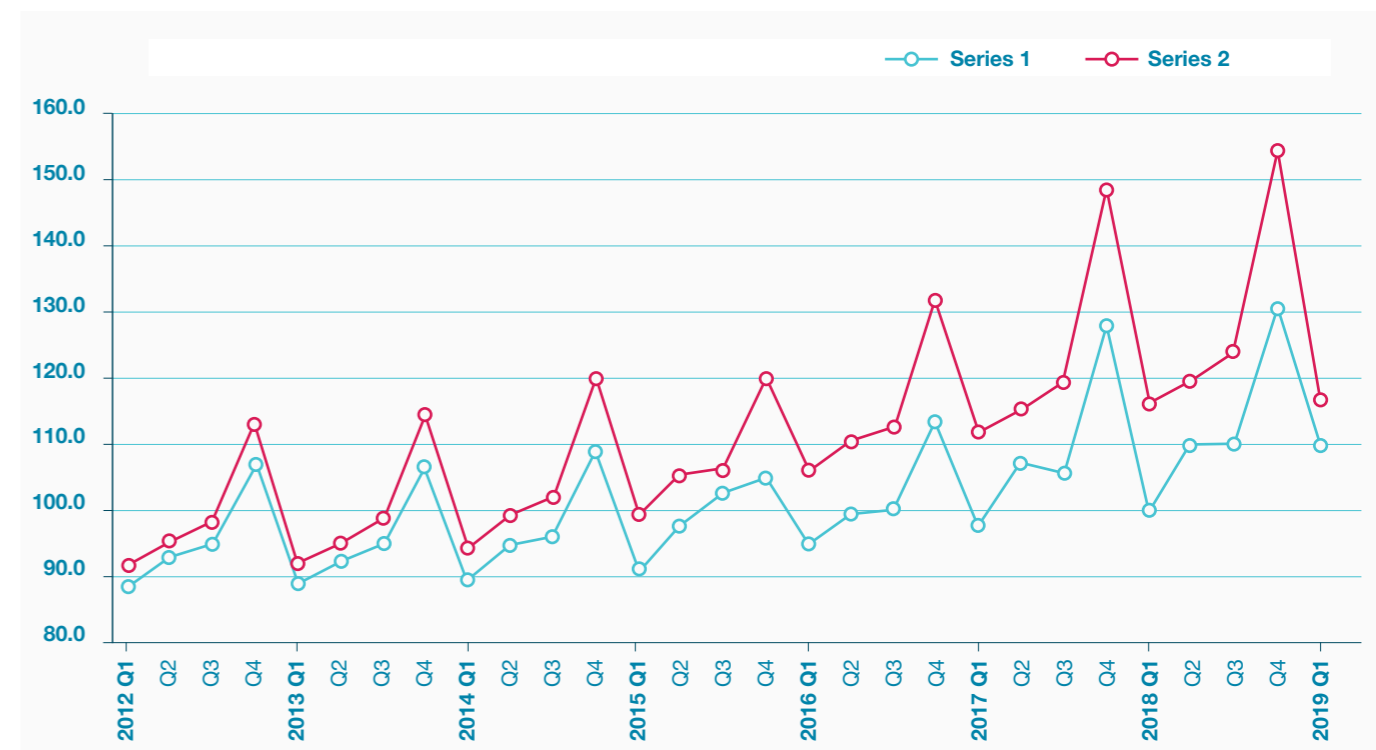
39. <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/december2018>

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

41. <https://www.thebalance.com/u-s-retail-sales-statistics-and-trends-3305717>

Retail Sales Quarterly

Retail Sales Index January 2012 - March 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 were solid rather than spectacular in 2018, up by 3.7% in volume and 2.4% in value, compared to growth of 5.8% in volume and 3.5% in value in 2017. Growth was a little softer in the fourth quarter, up 3.2% in volume and 2.0% in value year-on-year, half the level of growth in Q4 2017 (up 6.7% in volume and 3.9% in value).

Fortunately, 2019 got off to a much stronger start, with sales up by 6.0% in volume and 4.3% in value in the first quarter and the positive momentum is continuing in quarter two.

Retail sales in the UK grew strongly in 2015 and 2016, up 5% p.a.⁴². Growth fell back to 2% in 2017 and remained subdued in 2018 at 2.7%. Sales picked up in Q1 2019, up 5% year-on-year. Online sales accounted for 20% in 2018, up 14% year-on-year.

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



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