



Q3

2018

# Consumer

Market Monitor







Q3

### The Author

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Mary Lambkin

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# Consumer Market Monitor

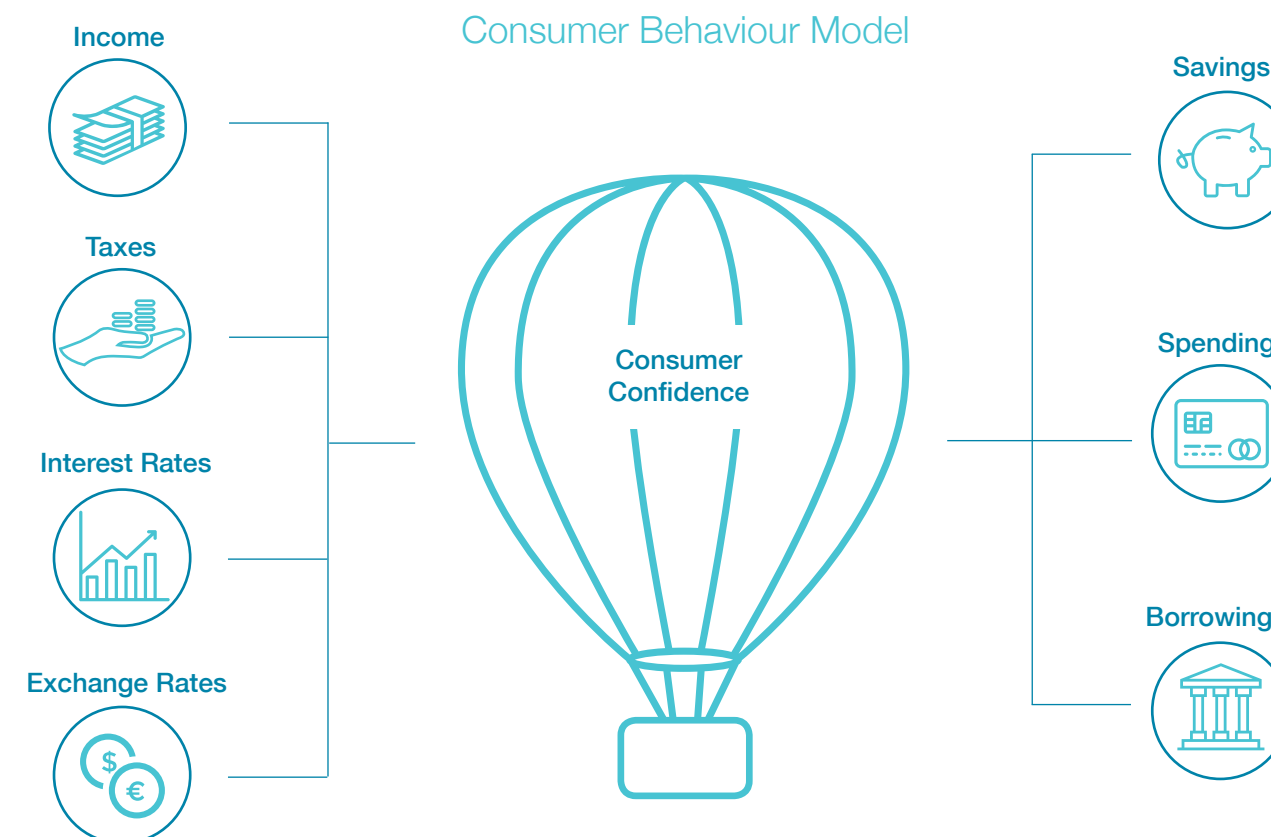
The Consumer Market Monitor is a publication provided by the Marketing Institute of Ireland in collaboration with the UCD Michael Smurfit Graduate Business School.

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 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 up to Q3 of 2018 and reviews the year to date.





## Executive Summary

The Irish economy continues to grow at a strong pace underpinned by the growth in employment which is driving an increase in incomes and supporting the growth of consumer spending. Consumer spending grew by 3.6% in the first half of 2018 and appears to have strong momentum for the final quarter of the year. For the year as a whole, spending is forecast to be up by at least 3%, with further increases in 2019 and 2020, perhaps at a slightly lower level.

The main driver of growth in spending is the continuing gains in employment and incomes. There are now 2.255 million people at work, up 74,100 (3.4%) year-on-year, and up by 426,000 or 23% from the low point in 2012. Employment grew 3% in Q1 of this year and growth is expected to continue next year but at a moderating rate. Growth of 3% for 2018 would add another 68,000 people to the workforce.

The increasing numbers of people employed, as well as increases in hours worked, is leading to a substantial uplift in the amount of disposable income circulating in the economy. There has been a remarkable increase in aggregate disposable income -- it has increased up by about 5% a year in each of the past three years. In sum, it reached €103 billion in 2017, eclipsing the 2008 peak of €101 billion. The trend has continued in 2018 with disposable income up 4.4% in the first half of the year, suggesting an overall figure of €108 billion.

Pay increases have also contributed to the rise in disposable income, but by a smaller amount. Pay rates were up by around 2% per annum for the past three years. Increases of about 3% are expected this year, and a similar rate for 2019. Households across the economic spectrum are now starting to gain from employment and wage growth.

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 €150,768, up 70% from the low of 2012. Perceptions of increasing wealth feed confidence and encourage consumers to release some of their perceived wealth for spending.

It is important to note that credit and borrowing is not a major contributory factor in increased spending. Having been the most indebted nation in Europe, Irish consumers have been working hard to reduce their indebtedness rather than taking on more debt. The ratio of debt/disposable income of Irish households has gone down from 215% at the peak in 2012 to a figure of 133% this year. Irish households are also saving money -- household saving is currently at €2.6 billion, its highest level since Q4 2010.

Consumer confidence is also strong here at present, and significantly higher than in the UK and the rest of Europe. It has fallen by several points in recent quarters, however, as the final stages of the Brexit negotiations play out with considerable uncertainty as to the effect on our economy.

These concerns do not seem to be dampening spending, however, as both retail sales and spending on services are continuing to be strong. Retail sales (excluding the motor trade) were very strong in 2017, up by 5.8% for the year in volume terms, and by 3.8% in value.

Retail sales have continued to grow in 2018 up by 4% in volume and 3% in value in the first nine months of the year.



# 3%

Employment grew 3% in Q1 of this year and growth is expected to continue next year but at a moderating rate. Growth of 3% for 2018 would add another 68,000 people to the workforce.





# +8

Consumer confidence is also strong here at present, and significantly higher than in the UK and the rest of Europe. It has fallen by several points in recent quarters, however, as the final stages of the Brexit negotiations play out with considerable uncertainty as to the effect on our economy.

Sales of new cars are one important exception; new car sales fell -10.5% in 2017 to 127,045 units, and have weakened further in 2018, down -4.7% to end September for a total of 115,858. This is not due to a weak economy, however, but to the weakness in Sterling which has caused a dramatic increase in the number of used cars being imported from the UK. Taking new and imported cars together, sales have been more or less flat last year and this year.

Residential property is the other sector under considerable pressure, as is well known. The problem here is one of supply rather than demand; there were just 18,900 properties for sale in December 2017, or 1% of the national housing stock of 2 million homes.

Despite the tight market, the number of sales transactions is increasing year-on-year, with 49,756 units sold last year, and evidence suggesting about 55,000 by the end of this year.

### Consumer Confidence

Consumer confidence in Ireland has been recovering since 2013, reaching a record high in June 2015. At that point, it was well ahead of the previous peak in 2007 and also significantly higher than our European neighbours.

Confidence fell slightly through 2016, reflecting uncertainty caused by the Brexit vote as well as industrial unrest. However, it picked up again in 2017, and ended the year on a high, well above the EU average.

Confidence has dropped by a few points in recent quarters of this year although it remains

higher than in neighbouring countries. This probably reflects worries about “a Hard Brexit” and the implications of that for the Irish economy.

Consumer confidence in the UK has been negative since Q2 2016, reaching a low of -8 in December 2017 due to worries about Brexit and its knock-on effects. Confidence remains low in 2018 although it has stabilised.

### Consumer Incomes and Spending

The disposable income of Irish households rose by 5% in 2017 to a total of €102 billion, eclipsing the last peak of €101 billion in 2007. Increasing numbers in employment was the main driver of the increase in disposable income, with pay increases also contributing slightly. Lower fuel prices and a weakening in the value of Sterling also boosted disposable income.

The main driver of growth in spending is the continuing gains in employment and incomes. There are now 2.255 million people at work, up 74,100 (3.4%) year-on-year, and up by 426,000 or 23% from the low point in 2012. Employment grew 3% in H1 of this year and growth is expected to continue next year but at a moderating rate. Growth of 3% for 2018 would add another 68,000 people to the workforce.

Household spending, which accounts for about 94% of all personal spending, closely mirrors income. It began to pick up in 2014, up by 2%, increased by 4.5% in 2015, and by 3.5% in 2016. 2017 saw spending increase by a further 3.8% to €94 billion and forecasts indicate a similar rate of growth in 2018 leading us closer to €100 billion.



**Consumer Borrowing**

Borrowing by Irish households grew at a record level from 2000 and peaked in March 2008 at €150 billion, but declined steadily since then, down 40% to €88 billion in Q4 2016.

This trend finally reversed in 2017 with debt increasing by 2%, the first sign of a return to normal conditions. Outstanding household debt stood at €92 billion in September 2018.

Loans for house purchase, which account for 84% of household loans, peaked in Q1 2008 at €124 billion, but decreased to a low €73 Billion by Q4 2016, a cumulative decline of 40%. Mortgage lending has resumed growth since then, up 2.5% per annum to a total of €77 billion by September 2018.

Overall, the ratio of household debt to disposable income has fallen by 40% from a peak of 215% in mid-2011 to 133% in Q1 2018, which leaves Irish households still the fourth most indebted in the EU.

**Residential Property**

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

Sales strengthened in 2017, up 10% to 49,756, the highest rate of sales since the recession. This was despite a lack of stock; there were just 18,900 properties for sale in December 2017, or 1% of the national housing stock of 2 million homes.

This upward sales trend is continuing in 2018, with 24,787 sales in H1, up 4% year-on-year, and 55,000 expected for the full year. This will be assisted by the increase in the number of new homes being built, estimated at 20,000 this year, up 58% from 2015.

**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 6.6% in the first half of the year, and up 7.6% in Q3. This augurs well for a strong pre-Christmas trade this year.

The fortunes of individual service sectors have varied more over time, with most sectors strong in 2018 (Q1-Q3). Accommodation did best, up 20% year-on-year, information and communication up 14.4%, wholesaling up 9.6%, transportation and storage up 4.9%, food service up 2.9%, while Professional, scientific and technical services fell -9%, and other services fell -12.2%.

**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%, for a total of 127,045. Sales have weakened further in 2018, down -4.7% to end September for a total of 115,858.

In contrast, there has been a dramatic rise in the number of imported second hand cars, up 47% in 2016 and in 2017 to a total of 92,508. This trend is continuing in 2018 but at a slower rate, up 9% by the end of Q3, to 75,435 units. This reflects the weakness in Sterling which has made imports better value.

Taking new and imported cars together, sales have been flat last year and this year.

# 2.255 million people at work

The main driver of growth in spending is the continuing gains in employment and incomes. There are now 2.255 million people at work, up 74,100 (3.4%) year-on-year, and up by 426,000 or 23% from the low point in 2012.



## Retail Spending

Retail sales (excluding the motor trade) were very strong in 2017, up by 5.8% for the year in volume terms, and by 3.8% in value. This equated to spending of €40 billion which was back to the levels seen in the last boom. This growth rate was paralleled by a high level of Vat returns which increased by 7.1% in 2017 for a total of €13 billion.

Retail sales have continued to grow in 2018 but at a slower rate, up by 3.9% in volume and 2% in value in the first half of the year. Growth accelerated in the third quarter, up 4.3% in volume and 3.7% in value year-on-year, and this momentum is expected to continue as we face into the final quarter and the holiday season. Vat receipts are moving in tandem, up 5% for the year to the end of September.

All retail categories reported good growth in Q3. Household equipment continued to be the fastest growing category, up 14.4% in volume and 6.6% in value, year-on-year. Supermarkets and other food stores also performed well as did pharmacies and department stores, although clothing and footwear were a bit weaker, as were sales through bars.

Growth accelerated in the third quarter, up 4.3% in volume and 3.7% in value. This momentum is expected to continue as we face into the final quarter and the holiday season.



Fuel up 1.8%  
in volume and  
11.0% in value



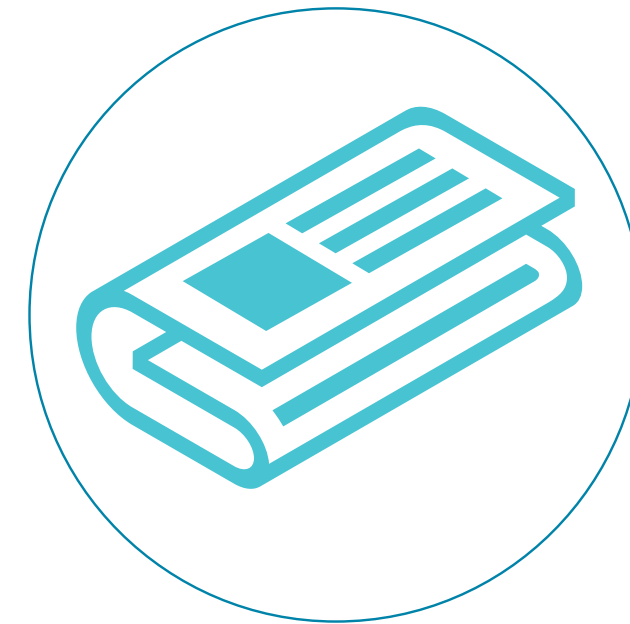
Bar sales static in  
volume but up 1.3%  
in value



Department stores  
up 5.9% in volume  
and 3.4% in value



Non-specialised  
stores (supermarkets)  
up 5.0% in volume  
and 4.0% in value



Books, newspapers,  
stationery up 4.0%  
in volume and 5.0%  
in value



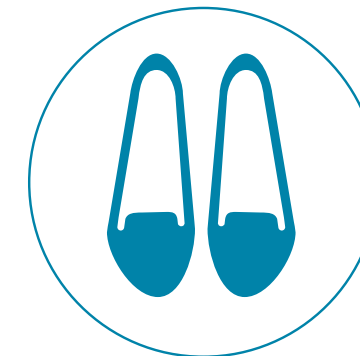
Household equipment  
up 14.4% in volume  
and 6.6% in value



Food sales up 5.1%  
in volume and up  
4.0% in value



Pharmaceuticals and  
cosmetics up 6.2%  
in volume and 2.3%  
in value



Clothing, footwear  
and textiles up 2.3%  
in volume and 1.7%  
in value



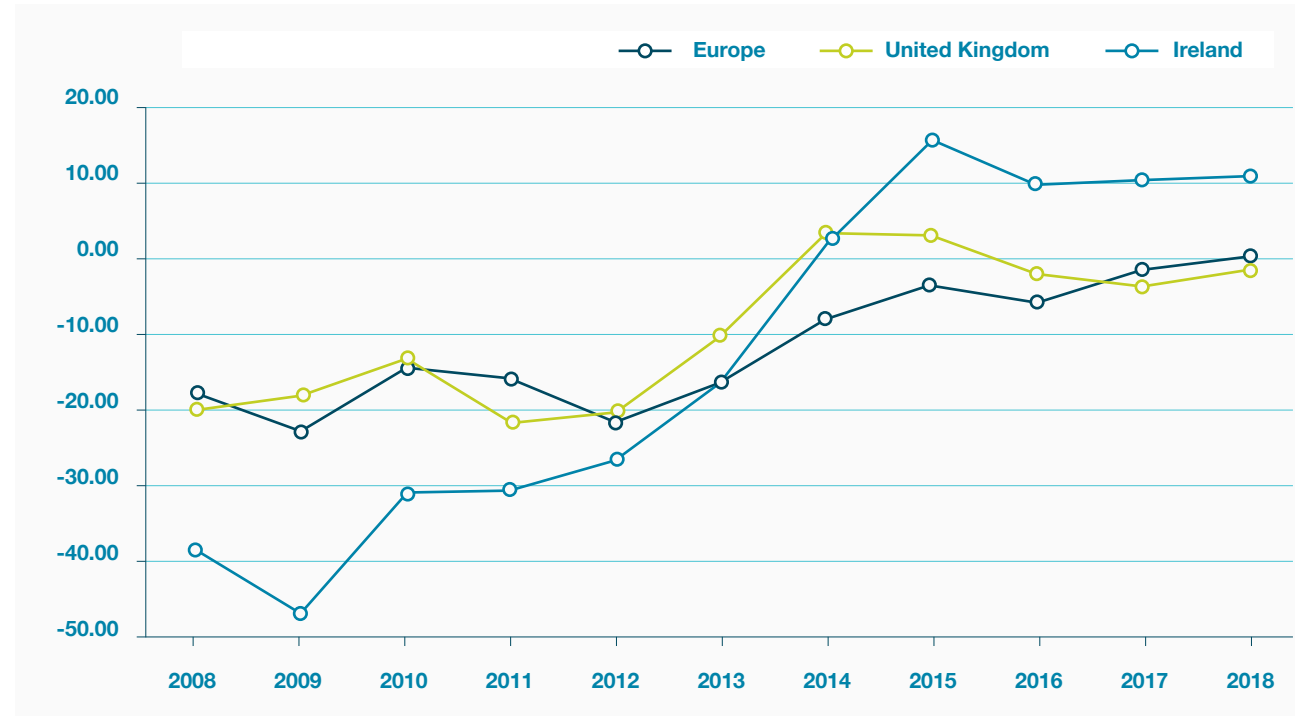
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# Consumer & Retail Analysis



# Consumer Confidence Annual

Consumer Confidence January 2008 - December 2017



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.<sup>02</sup>

This upward trend continued in 2015, strengthening steadily through the year.<sup>03</sup> At this point, we were well ahead of the last peak in 2007 and of our European neighbours.

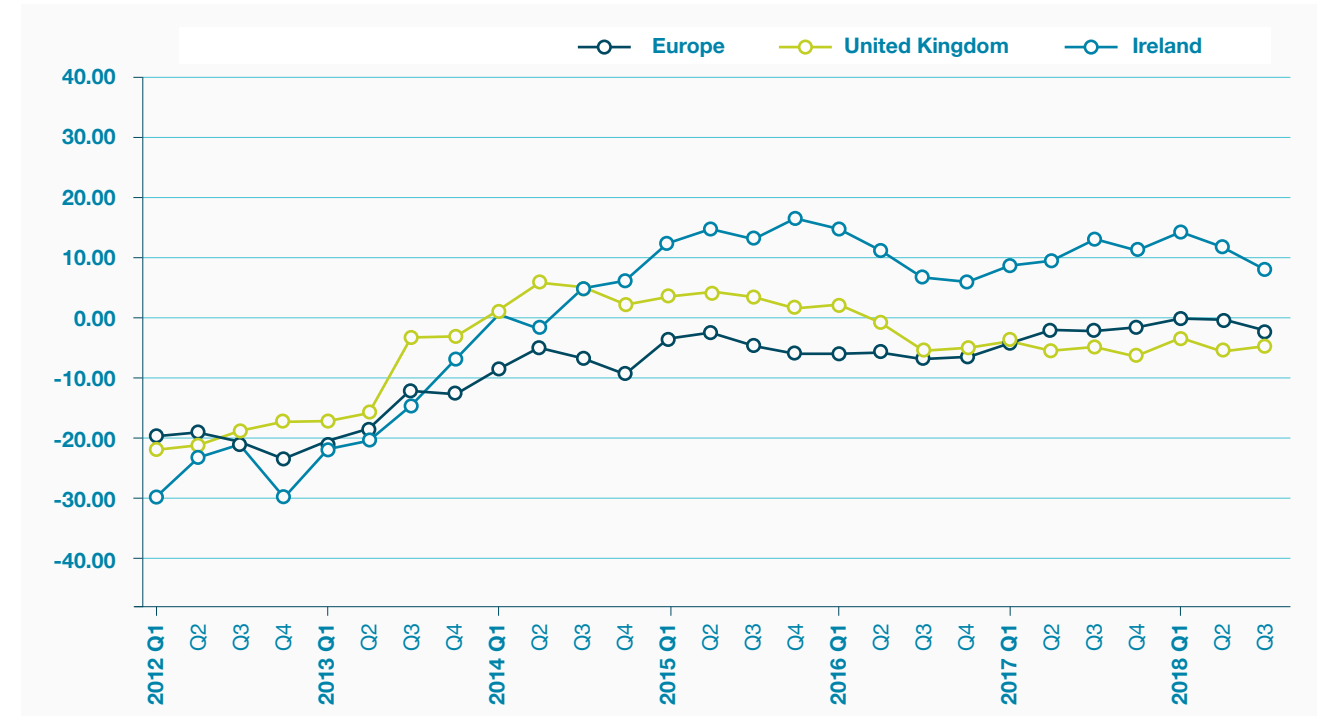
Confidence fell slightly through 2016 reflecting uncertainty about Brexit. However, it picked up again in 2017 and finished the year very positively, well above our neighbours.

Consumer confidence in the UK has been negative since Q2 2016, as consumers are still worried about Brexit. 2017 reflected continuing negativity in the UK, with confidence reaching a low of -8 in December. Consumer confidence has been picking up slowly in the EU but is still at a fairly low level, similar to the UK

In contrast, confidence is very high in the US, ending the year 2017 at an historically high level of 129, fuelled by good news on employment and the stock market.<sup>04</sup>

# Consumer Confidence Quarterly

Consumer Confidence January 2012 - September 2018



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 in Ireland remains stronger than in neighbouring countries in 2018 although it has dropped by a few points in recent quarters perhaps reflecting worries about a “hard Brexit” and negative implications for the Irish economy.

Consumer confidence in the UK has been negative since Q2 2016, reaching a low of -8

in December 2017 due to worries about Brexit and its knock-on effects. Confidence remains low in 2018 and probably will not change until a Brexit deal is concluded.

Consumer confidence in the EU has also been weak but stable in recent quarters reflecting political uncertainty in several of the larger economies.

American consumer confidence reached 129 in December 2017, the highest level in 17 years. It remains high in 2018 although it dropped a few points to 126 in June.

02. [www.independent.ie/business/irish/irish-consumer-sentiment-nears-eightyear-high-in-december-30892291.html](http://www.independent.ie/business/irish/irish-consumer-sentiment-nears-eightyear-high-in-december-30892291.html)

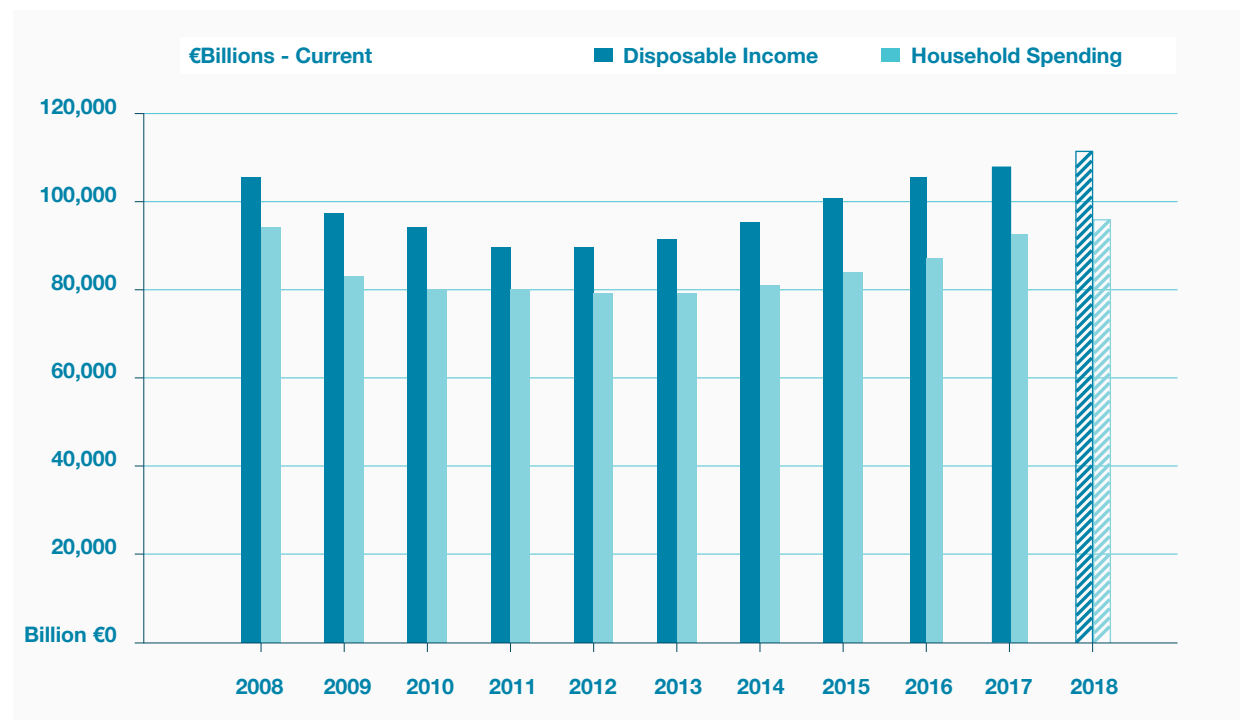
03. <http://www.rte.ie/news/business/2015/1001/731686-consumer-sentiment/>

04. <http://money.cnn.com/2017/12/27/news/economy/us-consumer-confidence/index.html>



# 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.<sup>05</sup> This trend reversed in 2009, and continued downwards until 2012, down by -15% in real terms from 2008 to 2012 as a result of rising unemployment, falling wages and higher taxes.<sup>06</sup>

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, to €102 billion. This trend is continuing in 2018 with household disposable income up by 4.4% in H1.

Household wealth is also increasing, mainly due to the increasing value of homes, and stands at

€150, 000 per capita in Q1 2018.<sup>07</sup> This is up by 72% from the low point in 2012.

Household spending, which accounts for 94% of all personal spending, closely mirrors income, increasing by 48% from 2002 and 2008, from €62bn to €95bn. Spending then declined for five years, to a low of €84 billion in 2011, a reduction of -15% in current terms and -7.5% in real terms.

Household spending began to recover in 2014, up by 2%, and increased by 4.5% in 2015. It continued to grow in 2016 and 2017, up by 3.5% and 4%, to €94 billion. The evidence suggests similar growth in 2018 (up 5% in the first half of the year).<sup>08</sup>

05. CSO Institutional Sector Accounts, Q2, 2018  
 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-q1-2018.pdf?sfvrsn=2>  
 08. CSO Institutional Sector Accounts, Q2, 2018



# 100bn

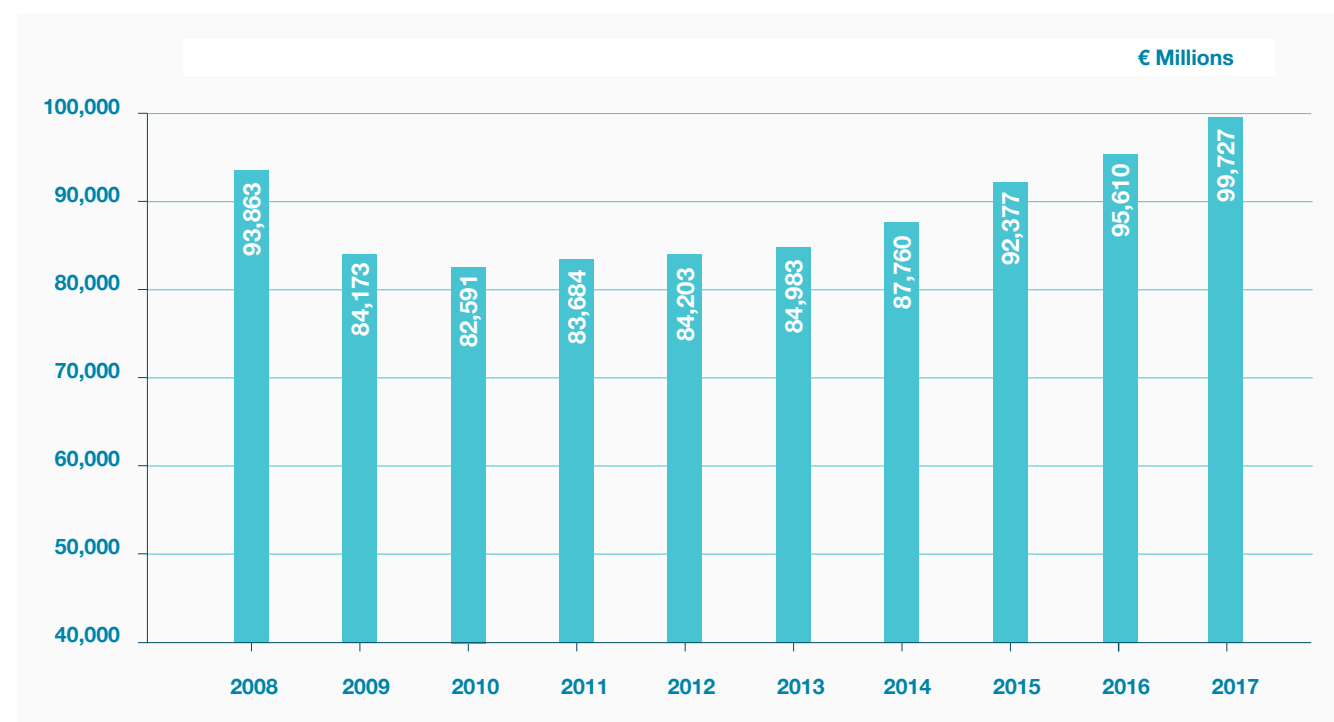
Household spending began to pick up in 2014, up by 2%, increased by 4.5% in 2015, and by 3.5% in 2016. 2017 saw spending increase by a further 3.8% to €94 billion and forecasts indicate a similar rate of growth in 2018 leading us closer to €100 billion.





## Personal Spending on Goods/Services Annual

Personal Spending on Goods/Services 2008 - 2017



Personal consumption spending is split about equally between services and retail. Personal spending rose rapidly from 2000 to 2007, by 43% in total, or an average of 6% per year. Spending slowed in 2008 and declined over the next four years, falling by -14% in current terms (-7% in real terms) from 2007 to 2013.<sup>09</sup>

Following six years of decline, personal consumer spending grew by 2% in 2014, by 4.5% in 2015, and by 3.8% in 2016.<sup>10</sup> Personal consumer spending was softer in 2017, up by just 1.6%, although this total does not seem to tally with retail and services spending which was considerably stronger (up by around 4%).

Spending by Irish consumers is stronger this year, up by more than 3% in value terms, and is

set to break through the €100 billion level, to about €103 billion this year. All forecasts see continuing growth next year, of around 3%.<sup>11</sup>

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.<sup>12</sup>

US consumer spending continues to be in recovery mode, with personal spending increasing by over 3% per annum from 2013 to 2017, and by a higher 4.7% in H1 2018.<sup>13</sup>

09. [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+2017.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+2017.pdf)

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

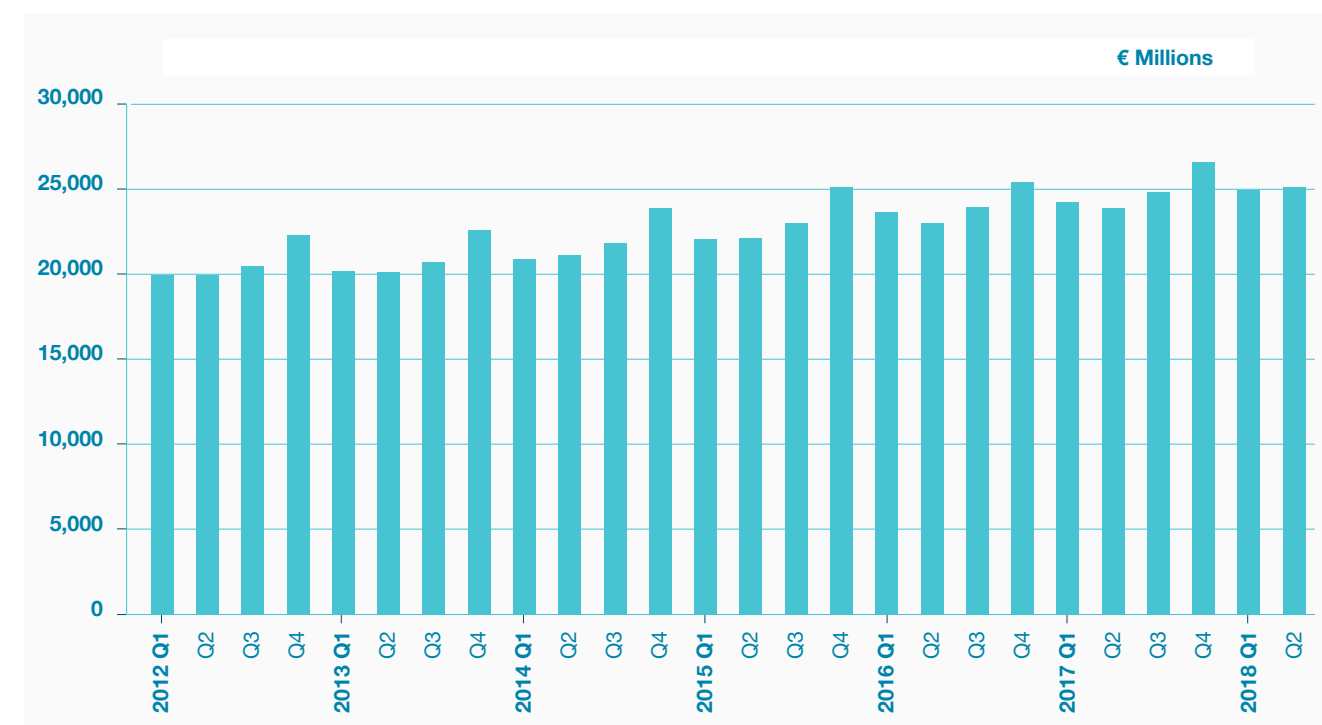
11. <https://www.esri.ie/pubs/QEC2018AUT.pdf>

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

13. [www.reuters.com/article/us-usa-economy-retail/u-s-retail-sales-increase-modestly-consumer-spending-strong-idUSKCN1MP1H6](http://www.reuters.com/article/us-usa-economy-retail/u-s-retail-sales-increase-modestly-consumer-spending-strong-idUSKCN1MP1H6)

## Personal Spending on Goods/Services Quarterly

Personal Spending on Goods/Services January 2012 - June 2018



Personal spending peaks in the fourth quarter each year, in the run up to Christmas. This peak reached an all-time high in the final quarter of 2007 but declined for six years after that.

Consumer spending turned a corner in 2014, when it grew by 2%, and it grew by a very strong 4.5% in 2015.<sup>14</sup> Personal spending continued to grow in 2016, ending the year up by just under 4%, and the pre-Christmas peak surpassed the 2007 peak for the first time.

Growth continued in 2017, but the year ended up by just 1.6%. This seemed at odds with the many positive trends in employment and disposable income.<sup>15</sup> However Q4 in 2017 was

very strong, up 4.5%, leading to a new peak at the end of the year.

2018 is continuing to be very strong with forecast growth of 3.7% in value, and this buoyancy is expected to continue into 2019 barring unforeseen risks.

In contrast, personal spending in the UK slowed to 1.9% last year, and to 1.2% in H1 of this year.<sup>16</sup> Spending is also subdued in the EU, up by just 1.5% this year so far.

US consumer spending grew at a strong annual rate of 3.5% in H1 2018 supported by a robust labour market.<sup>17</sup>

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

15. <http://www.cso.ie/en/releasesandpublications/er/na/quarterlynationalaccountsquarter12017/>

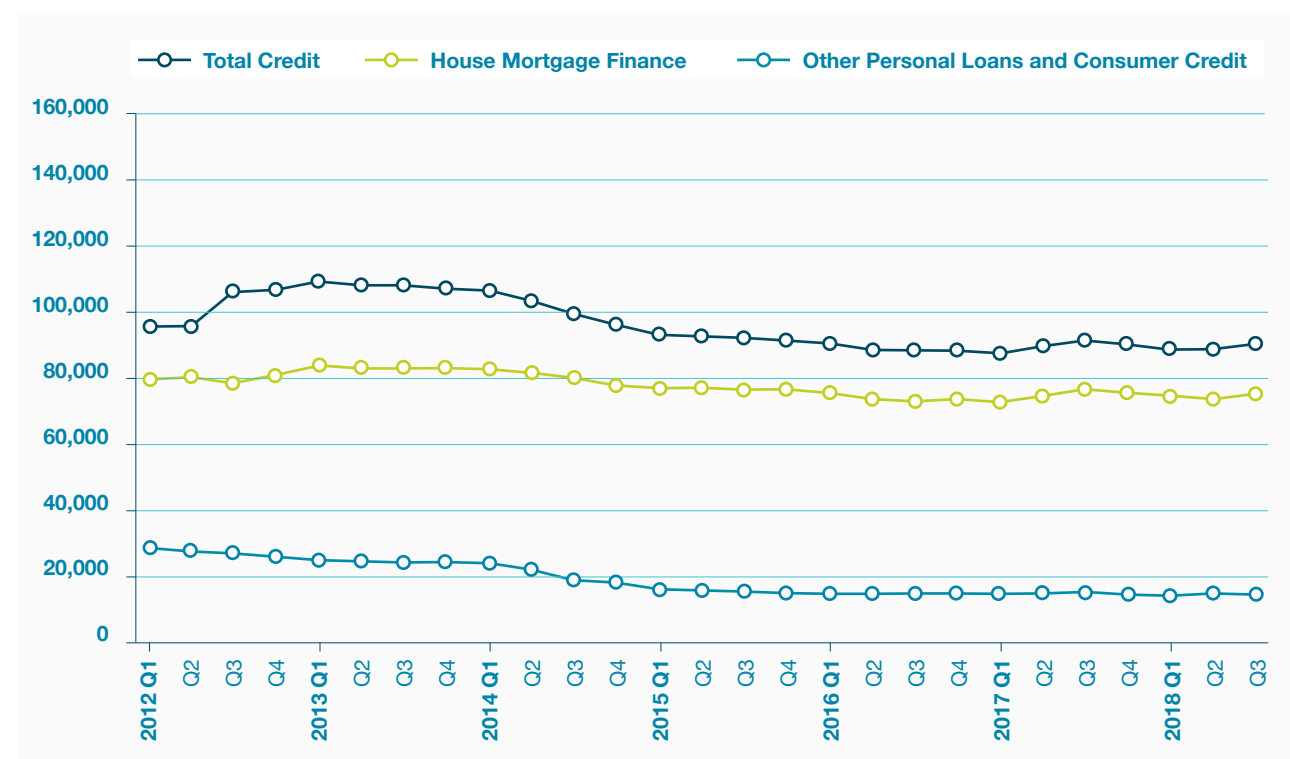
16. <https://www.ons.gov.uk/economy/nationalaccounts/satelliteaccounts/bulletins/consumertrends/apriltojune2018>

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



## Personal Borrowing Quarterly

Personal Borrowing January 2012 - September 2018



Borrowing by Irish households grew at a record level from 2000 and peaked in March 2008 at €150 billion but declined steadily--down 40% to €88 billion by December 2016. The trend finally reversed in 2017 with debt increasing by 2%, the first sign of a return to normal conditions.<sup>18</sup> Outstanding household debt stood at €92 billion in September 2018.

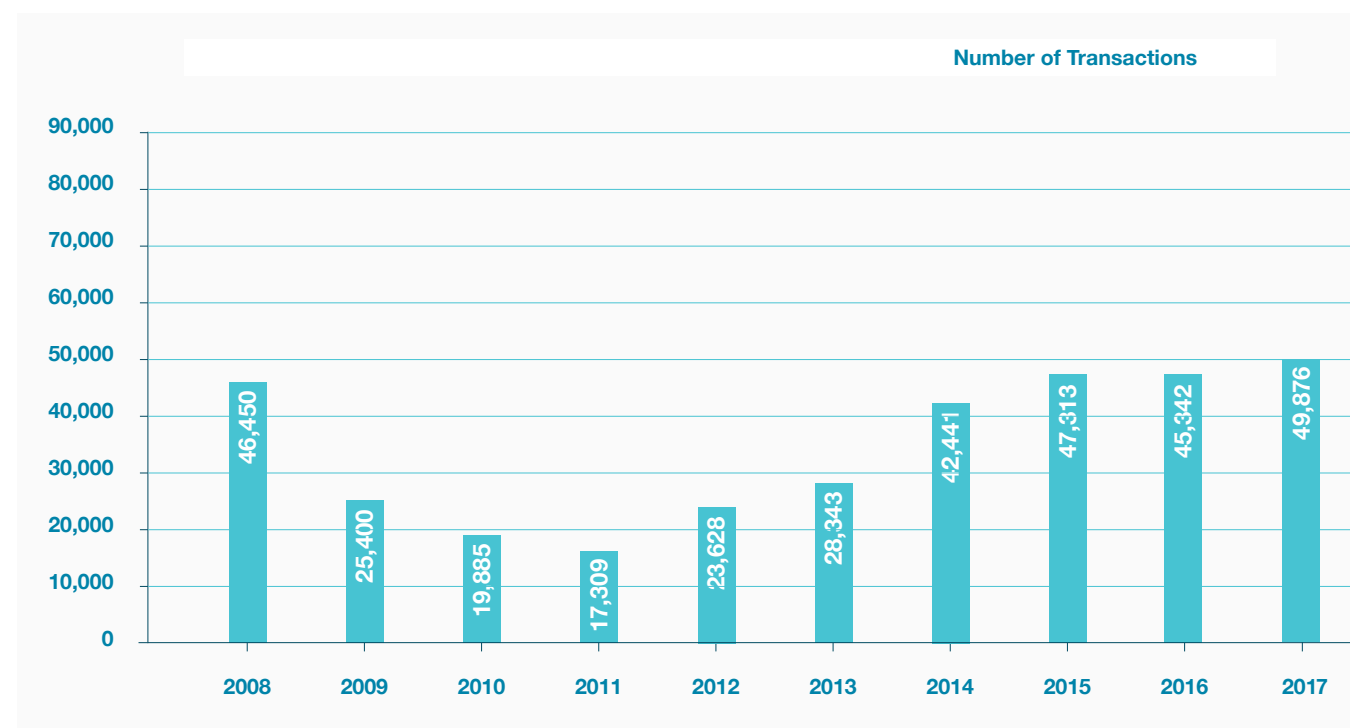
Loans for house purchase, which account for 84% of household loans, peaked in Q1 2008 at €124 billion, but decreased to a low €73 Billion by Q4 2016, a cumulative decline of 40%. Mortgage lending has resumed growth since then, up 2.5% per annum to a total of €77 billion by September 2018.

Lending for other consumption accounts for 18% of total borrowing. This category peaked in Q1 2008 at €30 billion but declined to €15 billion by December 2016, a reduction of 50%. It resumed growth in mid-2016 but levelled off recently and is still standing at about €15 billion in September 2018.

Overall, the ratio of household debt to disposable income has fallen by 40% from a peak of 215% in mid-2011, down more than any other EU country. This ratio stood at 133% in Q1 2018, which leaves Irish households still the fourth most indebted in the EU.<sup>19</sup>

## Residential Property Sales Annual

Number of Homes Sold 2008 - 2017



2011 was also the nadir in terms of residential property sales, totalling just 17,309. The number of mortgages issued peaked in 2005 at 85,000 but fell to a low of 9,700 in 2011.<sup>20</sup>

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

The number of sales fell slightly in 2016, to 45,342 (-4%), while there were 23,589 mortgages issued. Sales grew again in 2017, up 10% to 49,756, the highest rate of sales since the recession.<sup>21</sup> This was

despite a lack of stock; there were just 18,900 properties for sale in December 2017, or 1% of the national housing stock of 2 million homes.<sup>22</sup>

This upward trend is expected to continue into 2018, with 55,000 sales expected for the year. This will be facilitated by the increasing rate of construction of new homes, estimated at 20,000 this year, up 58% from 2015.<sup>23</sup>

There were 1.22 million residential properties sold in the UK in 2017, down 1% on the previous year, partly because of the imposition of higher tax rates.<sup>24</sup>

Sales of residential property in the US were up 1% in 2017, at 6.2 million.<sup>25</sup>

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

19. <https://www.centralbank.ie/docs/default-source/statistics/data-and-analysis/financial-accounts/quarterly-financial-accounts-for-ireland-q1-2018.pdf?sfvrsn=2>

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/2017/MyHome-Property-Report-Q4-2017>

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

23. <https://www.irishbuildingmagazine.ie/2017/07/28/construction-industry-will-complete-18000-homes-this-year/>

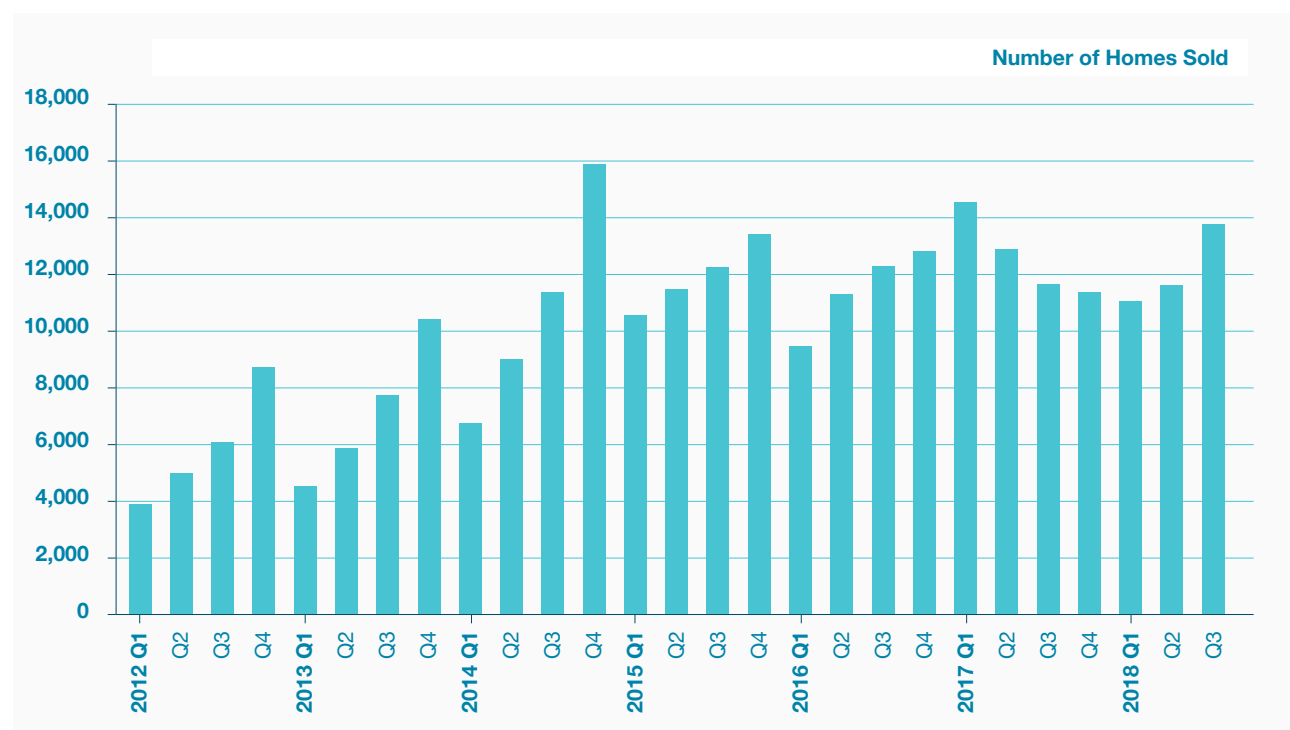
24. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/674611/UK\\_Tables\\_Jan\\_2018\\_cir\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/674611/UK_Tables_Jan_2018_cir_.pdf)

25. <https://www.nar.realtor/newsroom/existing-home-sales-fade-in-december-2017-sales-up-11-percent>



## Residential Property Sales Quarterly

Number of Homes Sold January 2012 - September 2018



There were 45,342 residential sales transactions 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 50,000 for the full year.<sup>26</sup> Mortgage approvals for house purchase were also up by 24%, for a total of 34,908, compared to drawdowns of 28,020, indicative of the strength of demand.<sup>27</sup> First time buyers continued to be the largest group accounting for 60%.

This upward trend is continuing in 2018, with 55,000 sales forecasted for the year.<sup>28</sup> There

have been 24,782 sales in H1, up 4% year-on-year.<sup>29</sup> This will be facilitated by the increasing rate of construction of new homes, estimated at 20,000 this year, up 58% from 2015.

There were 1.235 million residential properties sold in the UK in 2016, an increase of 4.5%, but the market slowed in 2017 to 1.223 million, as the number of homes on the market hit new lows.<sup>30</sup> Prices are also under pressure and sales are depressed.

Sales of homes in the US are growing steadily, up 3% in 2017, at 6.2 million.<sup>31</sup> Sales and prices are continuing strong this year, with supply being a limiting factor.<sup>32</sup>

26. <https://www.daft.ie/report/2017-Q4-dafthouseprice-report.pdf>

27. <https://www.bpfi.ie/news/mortgage-approvals-december-2017/>

28. <https://media.myhome.ie/content/propertyreport/2018/Q32018/MyHomePropertyReportQ3-2018.pdf>

29. <https://www.daft.ie/report/ronan-lyons-2018q3-dafthouseprice>

30. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/674611/UK\\_Tables\\_Jan\\_2018\\_\\_cir\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/674611/UK_Tables_Jan_2018__cir_.pdf)

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

32. <https://www.statista.com/statistics/275156/total-home-sales-in-the-united-states-from-2009/>



# +58%

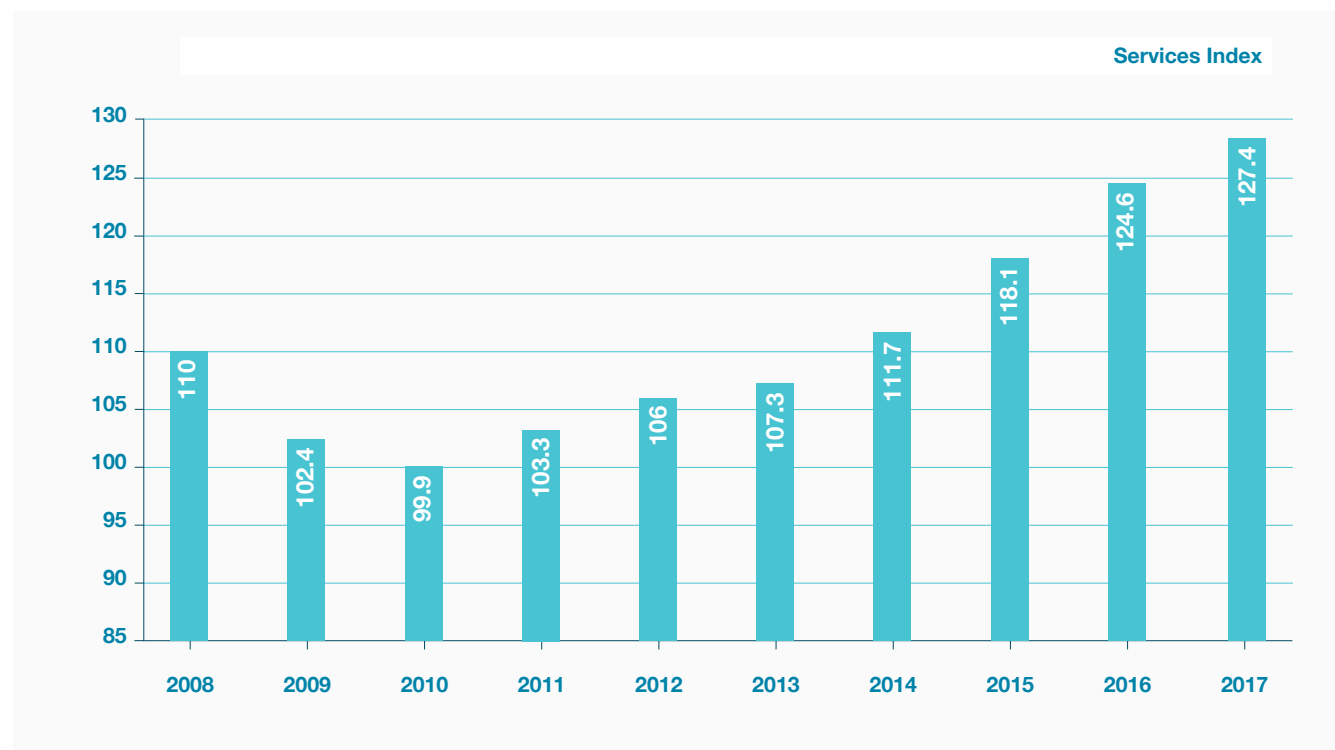
The supply situation remained tight in 2017 but sales volumes were up 10% to almost 50,000 for the full year. This upward trend is expected to continue into 2018, with 55,000 sales expected for the year. This will be facilitated by the increasing rate of construction of new homes, estimated at 20,000 this year, up 58% from 2015.





## Services Index Annual

Services Index 2008 - 2017



The services sector accounts for about 40% of all personal consumer spending, with retailing accounting for another 40%, and housing for 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 in 2015, up by 5.8% for the year. This trend continued in 2016, up 4.4%, and again in 2017 with a growth rate of 3.9%.

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

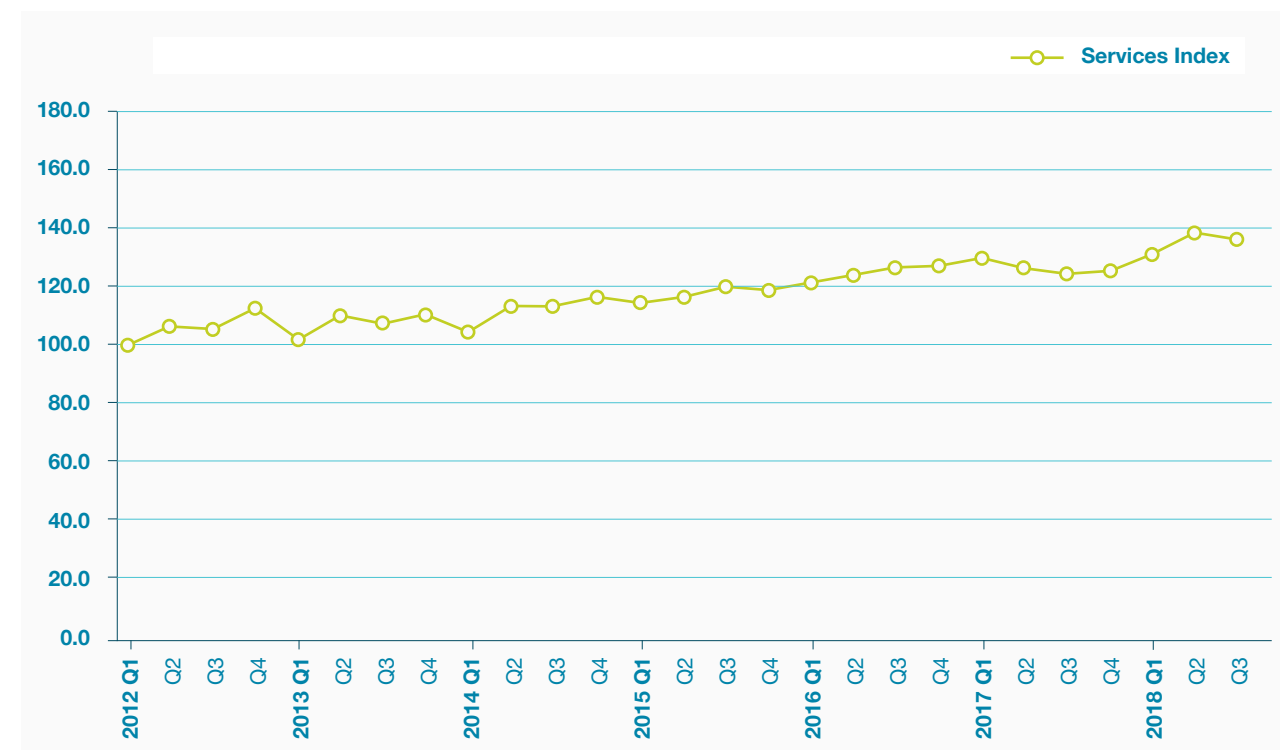
The services sector in the UK reached a 17month low in 2014, although it picked up in 2015, rising by 2.3% year-on-year, and by a further 3.2% in 2016.<sup>33</sup> Growth slowed since Brexit, with 2017 up by just 1.3% year-on-year.<sup>34</sup>

33. [http://www.ons.gov.uk/ons/dcp171778\\_431487.pdf](http://www.ons.gov.uk/ons/dcp171778_431487.pdf)

34. <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/bulletins/indexofservices/october2017>

## Services Index Quarterly

Services Index January 2012 - September 2018



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 6.6% in the first half of the year, and up 7.6% in Q3. This augurs well for a strong pre-Christmas trade this year.

The fortunes of individual service sectors have varied more over time, with most sectors strong in 2018 (Q1-Q3). Accommodation did best, up 20%

year-on-year, information and communication up 14.4%, wholesaling up 9.6%, transportation and storage up 4.9%, food service up 2.9%, while Professional, scientific and technical services fell -9%, and other services fell -12.2%.

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 is showing a similar trend (+1.6%).<sup>35</sup>

Europe continues to lag in terms of growth in the services sector, reporting less than 1% in the three years up to 2015.<sup>36</sup> Growth picked up in 2016 to 3%, and this rate has been maintained in 2017 and 2018.<sup>37</sup>

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

36. <http://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=teisi710&language=en>

37. [http://ec.europa.eu/eurostat/statistics-explained/index.php/Services\\_statistics\\_-\\_short-term\\_indicators](http://ec.europa.eu/eurostat/statistics-explained/index.php/Services_statistics_-_short-term_indicators)





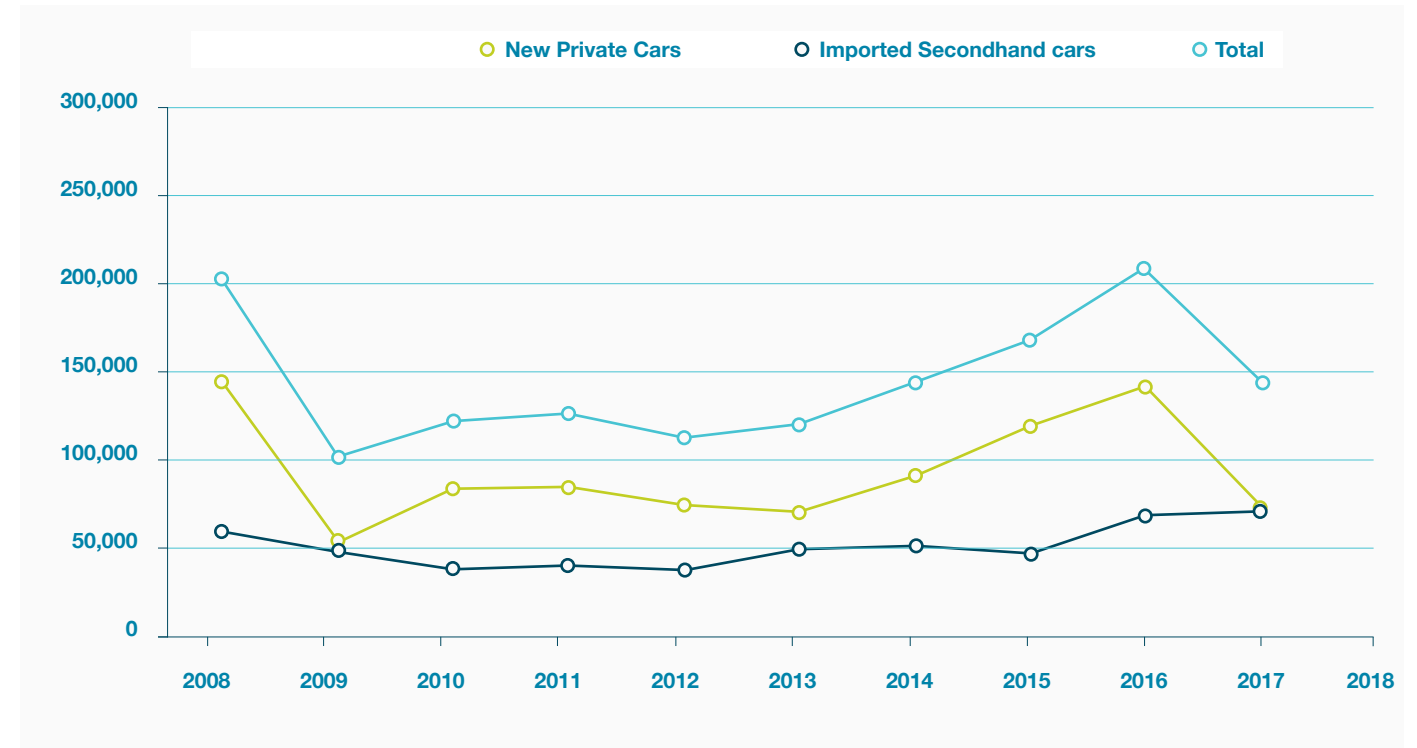
**-4.7%**

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 have weakened further in 2018, down -4.7% to end September for a total of 115,858.



## Sales of Private Cars Annual

Sales of Private Cars 2008 - 2017



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

The market picked up in 2014 with 92,361 new cars sold, an increase of 30%. There was a further increase of 31% in 2015, to 121,110 cars. 142,688 new cars were sold in 2016, an increase of 18%, but a reduction in the rate of growth.

Sales of new cars fell by 10.5% in 2017, to 127,045. This was not an indication of economic weakness, so much as a result of a substantial increase in second hand imports. This number was 92,508 in 2017, almost double the number in 2015.

In sum, 515,000 second hand cars were sold in 2011, 660,000 in 2012 (up 22%), 785,000 in 2013 (up 19%), 874,000 in 2014 (up 11%), 950,000 in 2015 (up 8%), and over 1 million in 2016 and 2017.<sup>38</sup>

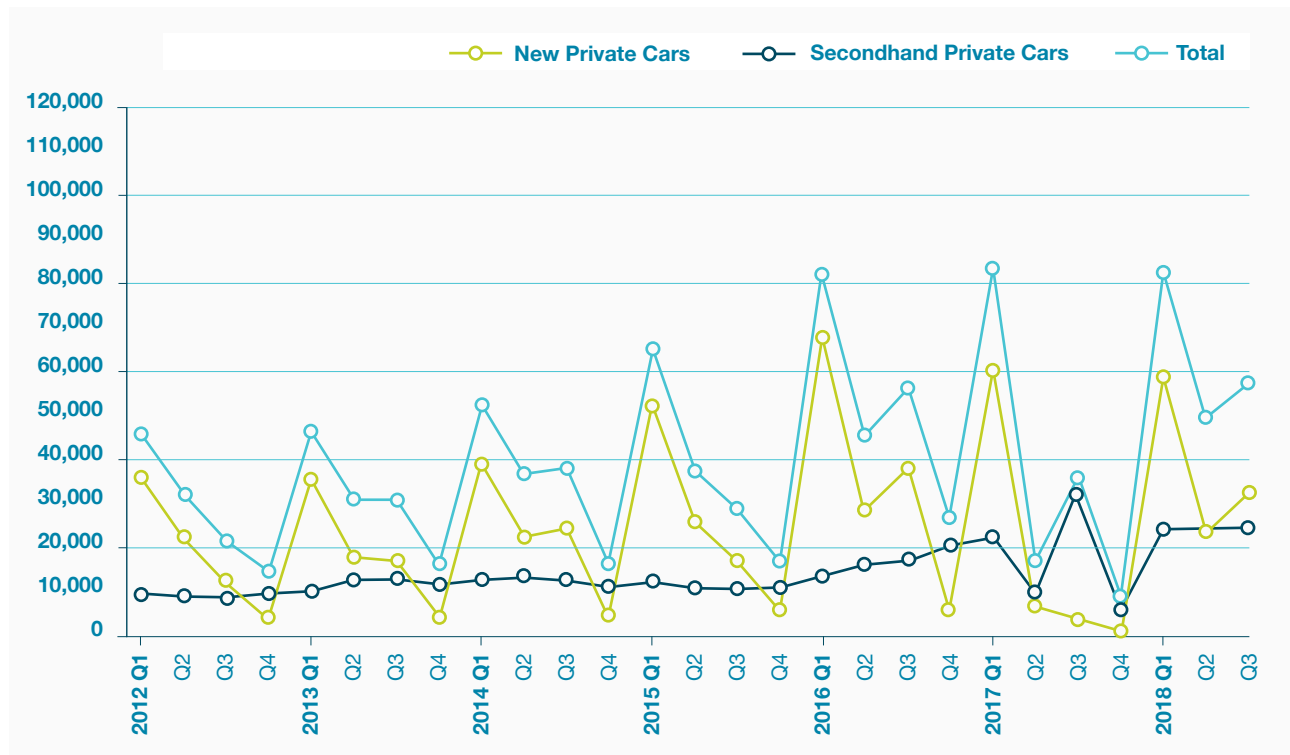
New car sales in the UK reached a 10-year high in 2014, at 2.5 million. There were 2.6 million cars sold in 2015, 2.69 million in 2016, but 2.54 million in 2017, a drop of 5.4%.<sup>39</sup>

US car sales peaked in 2005 at 17.4 million and bottomed out in 2009 at 10.6 million. Growth resumed in 2010, averaging 4% a year, reaching 18.4 million in 2016.<sup>40</sup> Sales slowed to 17.2 million in 2017, a drop of 1.9%.<sup>41</sup>

38. <https://www.cartell.ie/2017/02/used-car-market-breaks-one-million-2016/>  
 39. <https://www.carmagazine.co.uk/car-news/industry-news/uk-2017-car-sales-analysis-winners-and-losers/>  
 40. [www.thedailystar.net/business/carmakers-rack-up-big-gains-in-2013-us-sales-5461?archive=2014-01-06](http://www.thedailystar.net/business/carmakers-rack-up-big-gains-in-2013-us-sales-5461?archive=2014-01-06)  
 41. <https://countryeconomy.com/business/car-registrations/usa>

# Sales of Private Cars Quarterly

Sales of Private Cars January 2012 - September 2018



Sales of new cars were traditionally concentrated in January and February. Under the new dual registration system 65% of sales are still occurring in the first half of the year.<sup>42</sup>

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 have weakened further in 2018, down -4.7% to end September for a total of 115,858.

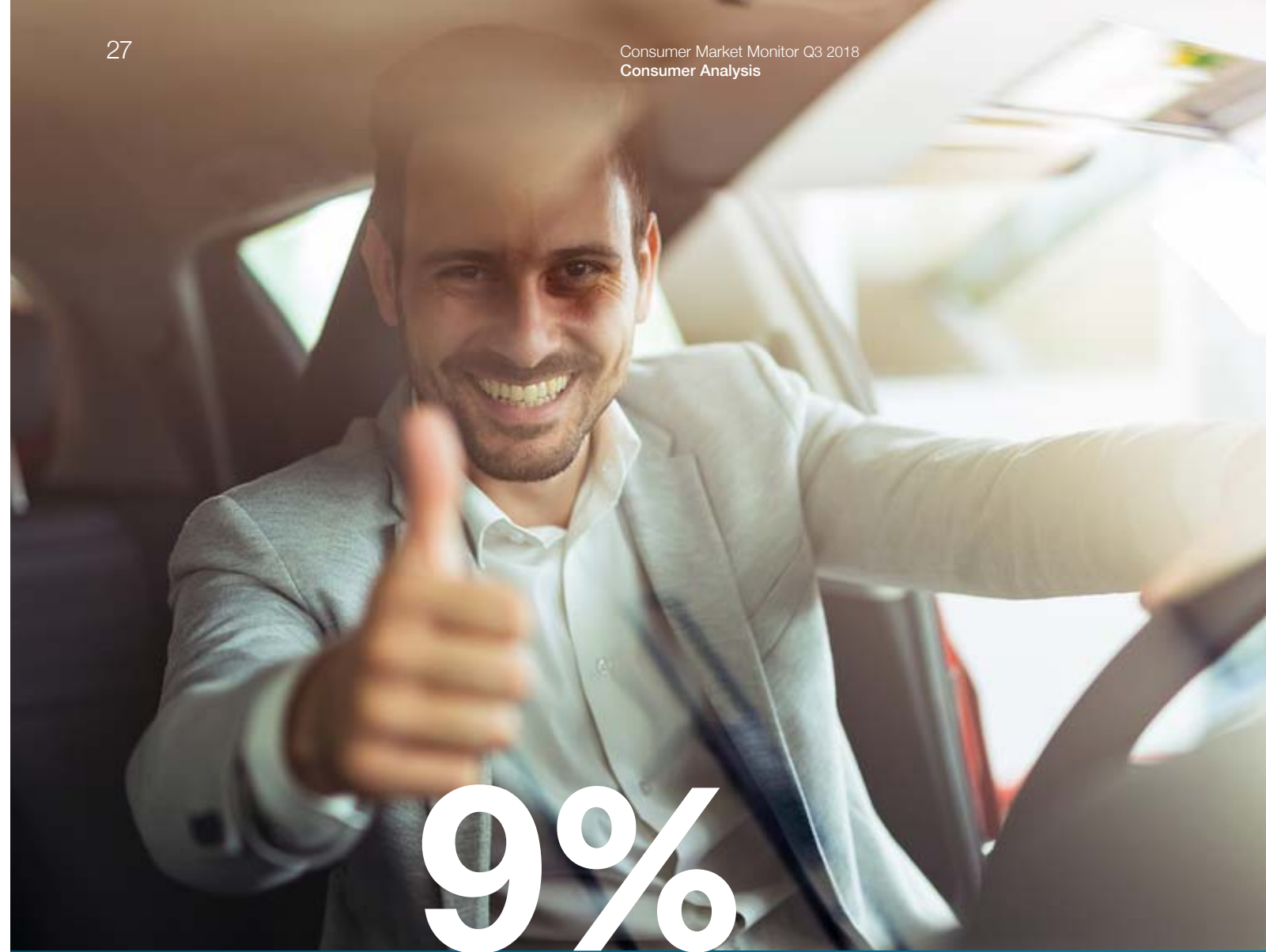
In contrast, there has been a dramatic rise in the number of imported second hand cars,

up 47% in 2016 and in 2017 to a total of 92,508. This trend is continuing in 2018 but at a slower rate, up 9% by the end of Q3, to 75,435 units. This reflects the weakness in Sterling which has made imports better value.

Taking new and imported cars together, sales have been more or less flat last year and again this year.

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 2.69 million in 2016, but this fell to 2.54 million in 2017, a drop of 5.4%.<sup>43</sup>

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



9%

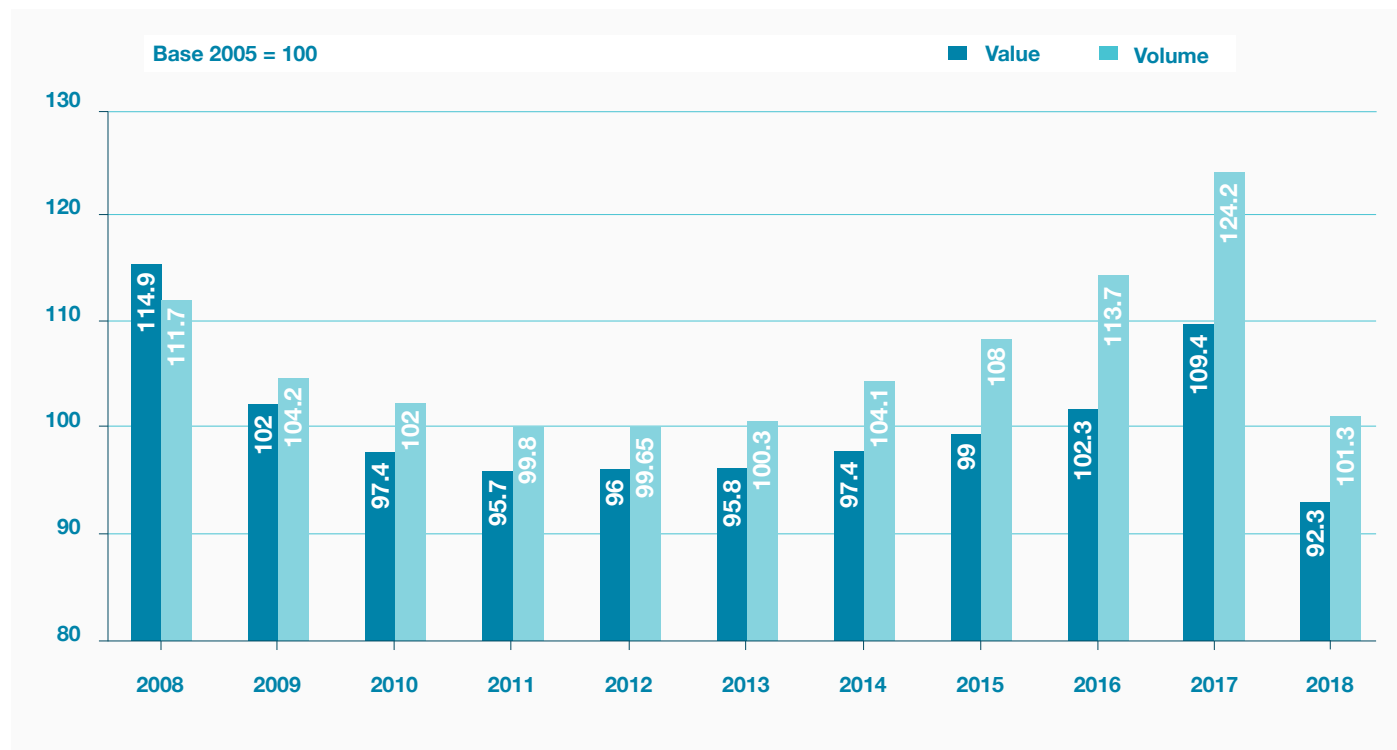
There has been a dramatic rise in the number of imported second hand cars, up 47% in 2016 and in 2017 to a total of 92,508. This trend is continuing in 2018 but at a slower rate, up 9% by the end of Q3, to 75,435 units. This reflects the weakness in Sterling which has made imports better value.





# 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.

This trend reversed in 2014, with volume increasing by 5.3% and value by 2.9%. 2015 saw sales accelerate further, with increases of 7.4% in volume and 3.9% in value. 2016 saw 5.3% volume growth with a growth in value of 2.4%. At this point, retail sales were back close to the level at the peak in 2007. Growth accelerated in 2017, up 7% in volume and 3.9% in value.

Retail sales in the UK remained flat from 2008 until 2012. Sales picked up slightly in 2013 and 2014 and accelerated in 2015 and 2016, with volume up 5%.<sup>44</sup> However, growth fell back in 2017, up by just 1.9%, the lowest since 2013.<sup>45</sup>

Retail sales in the US were on an upward trend from 2011, when spending grew by 8%. Sales were up by 5% in 2012 and 2013, but slowed to 3% in 2014, and to 1.4% in 2015.<sup>46</sup> Growth picked up in 2016, to 3.3%, and rose by 5% in 2017.

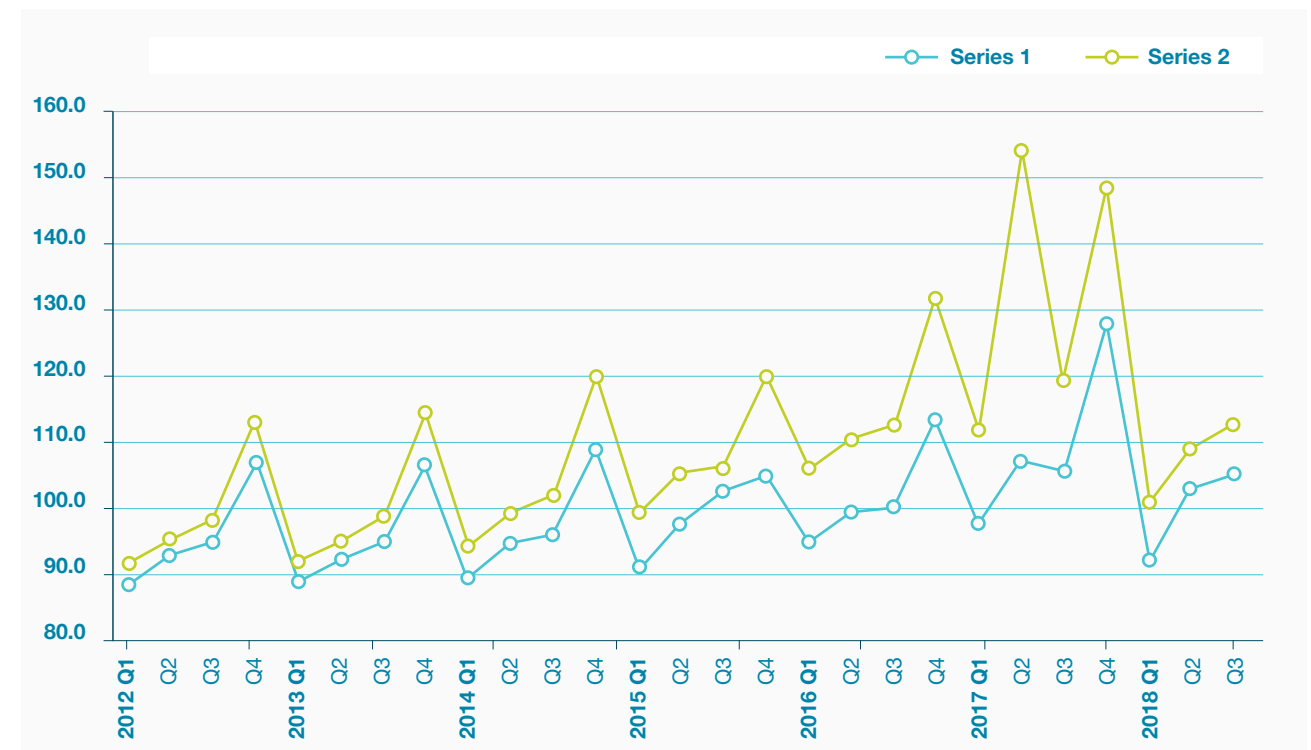
44. <http://www.ons.gov.uk/ons/rel/rsi/retail-sales/november-2015/stb-rsi-nov-15.html>

45. <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/december2017>

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

# Retail Sales Quarterly

Retail Sales Index January 2012 - September 2018



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 5.5% in volume and 2.4% in value. At this point, the retail index was back to the peak in 2007.

Retail sales continued strong in 2017, up by 5.8% in volume and by 3.8% in value. This equated to spending of €40 billion which was back to the levels seen in the last boom. This growth rate was paralleled by Vat returns which increased by 7.1% to €13 billion.

Growth has continued in 2018 but at a slower rate, up by 3.9% in volume and 2% in value in the first half of the year. Growth accelerated in the third quarter, up 4.3% in volume and 3.7% in value year-on-year, and this momentum is expected to continue as we face into the final

quarter and the holiday season. Vat receipts are moving in tandem, up 5% for the year to the end of September.

All retail categories reported good growth in Q3. Household equipment continued to be the fastest growing category, up 14.4% in volume and 6.6% in value, year-on-year. Supermarkets and other food stores also performed well as did pharmacies and department stores, although clothing and footwear were a bit weaker, as were sales through bars.

Retail sales in the UK picked up slightly in 2013 and 2014 and accelerated in 2015 and 2016, with volume up 5% and value up 3.6%.<sup>47</sup> However, growth fell back in 2017, up by just 1.9%, the lowest since 2013.<sup>48</sup>

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

48. <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/december2017>



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