



Q4

2018

# Consumer

Market Monitor





Q4

### The Author

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Mary Lambkin

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# Consumer Market Monitor

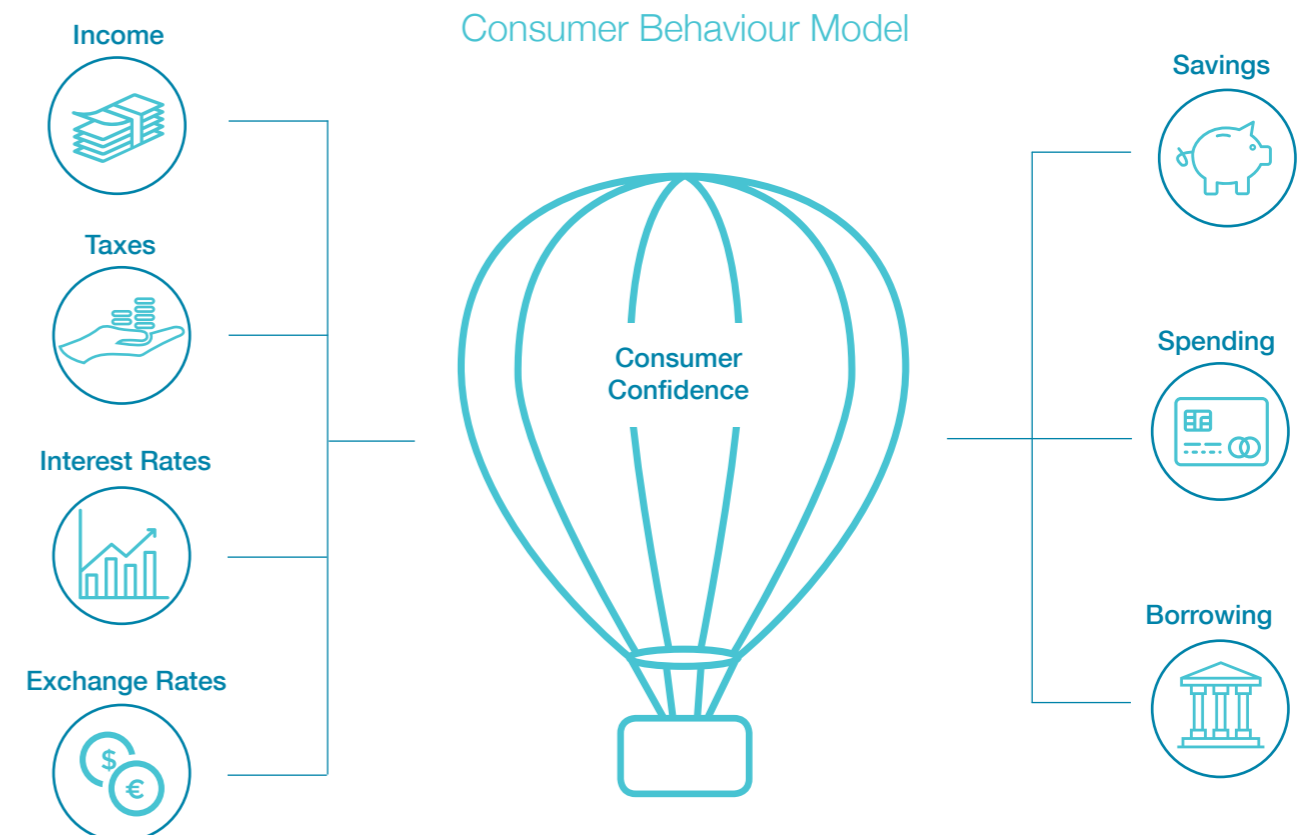
The Consumer Market Monitor is a publication provided by the Marketing Institute of Ireland in collaboration with the UCD Michael Smurfit Graduate Business School.

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 Q4 of 2018 and reviews the year as a whole.



## Executive Summary

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 net effect of these forces was a solid rather than spectacular growth in the Irish consumer economy in 2018. Aggregate consumer spending increased by an estimated 3% in real terms, better than the rather muted out-turn for 2017 (+1.9%). Most areas of spending, with the exception of new car sales, showed a positive trend. Retail spending was up by almost 4% and services spending was up by double that at 8%. Residential property sales were up by 5%, a figure constrained more by supply than demand.

Looking forward, the outlook is largely positive for this year and next with the fundamental economic conditions remaining strong and likely to continue to drive employment and incomes in an upward direction. However, the risk of a “No Deal” Brexit is continuing to weigh on consumer confidence this year moderating the outlook for consumer spending. Forecasts suggest that personal consumption will grow by 2-3% this year and slow to 2% next year.

The main drivers of growth in spending are the continuing gains in employment and incomes. There are now 2.255 million people at work, up 67,000 (3%) year-on-year, and up by 429,000 or 23% from the low point in 2012. Employment growth is expected to continue this year and next but at a moderating rate of 2% per annum. Even at this rate, we will see almost 100,000 more people entering the workforce by 2020.

The increasing numbers 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 -- up by about 5% a year in each of the past four years to a total of €109 billion in 2018.

Pay increases have also contributed to the rise in disposable income, but by a smaller amount. Pay rates were up by around 2.5% per annum for the past three years, and a similar rate of increase is expected for 2019.

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 €151,000, up 70% from the low of 2012. Perceptions of increasing wealth feed confidence and encourage consumers to release some of their wealth for spending.

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%. Irish households are also saving money -- household savings stood at €12.4 billion in 2018 compared to €7.3 billion in 2006.

One area where borrowing is growing modestly is for the purchase of residential property. There were 30,629 mortgages issued for purchasing homes last year, up 9% on 2017, with a value of €7 billion which was up by a slightly higher 13% reflecting price increases. In sum, 52,000 homes were sold last year, and forecasts suggest about 55,000 for this year.



# 2%

Looking forward, the outlook is largely positive for this year and next with the fundamental economic conditions remaining strong and likely to continue to drive employment and incomes in an upward direction. However, the risk of a “No Deal” Brexit is continuing to weigh on consumer confidence



# +2.8

Confidence dropped through 2018 as a result of anxiety about the likely damage to our economy of a "hard Brexit". However, confidence here is still in positive territory and remains higher than in the UK and among our EU neighbours.

The market for new cars is the most troubled sector right now; new car sales fell 10.5% in 2017 to 127,045 units, and weakened further in 2018, to 121,158 (-4.6%). This is due to a large increase in the number of used cars being imported from the UK as a result of the weakness of Sterling. Taking new and imported cars together, sales have been more or less flat for the past two years.

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 decline in virtually every metric measured 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 or the beginning of a protracted decline.

### Consumer Confidence

Consumer confidence in Ireland began to recover in 2013, reaching a record high in June 2015, at which 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 the effects of the Brexit referendum and industrial unrest here in Ireland, but picked up again in 2017 in response to positive employment data and strong economic performance.

Confidence dropped through 2018 as a result of anxiety about the likely damage to our economy of a "hard Brexit". However, confidence here is still in positive territory and remains higher than in the UK and among our EU neighbours.

Consumer confidence in the UK has been negative since Q2 2016, reaching a low of -8 in December 2018 due to declining economic data and worries about the outcome of Brexit.

### 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 was the main driver of the increase, with pay increases also contributing slightly. Lower fuel prices and a weakening in the value of Sterling also boosted spending power.

There are now 2.255 million people at work, up 67,000 (3%) year-on-year, and up by 429,000 or 23% from the low point in 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 100,000 people to the workforce.

Household wealth has also recovered well from the recession, standing at €770 billion in 2018, or €151,000 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 softer in 2017, up by just 1.6%, although this seems at odds with retail and services spending which was considerably stronger (up by around 4%).

Spending was stronger in 2018, up by 3%, and broke through the €100 billion level, to almost €105 billion. All forecasts see continuing growth this year and next of 2-3%.

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 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 modest 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 126% in Q3 2018, although Irish households are still the fourth most indebted in the EU.

**Residential Property**

There were 45,342 residential sales transactions in 2016 and 50,000 in 2017 (+10%), despite an acute shortage of supply. 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. First time buyers continued to be the largest group accounting for 60%.

This upward trend continued through 2018, with 52,000 sales for the year, an increase of 5%. There were 30,629 mortgages issued for home purchase which was 9% higher than the previous year.

This upward trend is expected to continue in 2019, with sales of 55,000 (+5%). This will be facilitated by the increasing rate of construction of new homes as well as increasing supply of properties coming on the market.

In contrast, the UK property market has been weakening in recent years. There were 1.24 million residential properties sold in 2016 but the market slowed to 1.22 million in 2017 and to 1.19 million in 2018.

**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%. This closely matched the growth in Vat returns which were up 7% for a total of €14 billion.

The fortunes of individual service sectors have varied more, with most sectors strong in 2018. Information/communications did best, up 17.5% year-on-year. Accommodation and food service were up 9.1%, Wholesaling and transportation/storage were up 8% and Administrative services up 13%, while Professional/Technical Services and Other Service Activities did poorly, down 4.5% and 9% respectively.

The UK Services Index increased by around 3% per year for several years. However, this levelled off in 2017, to 1.3%, and 2018 has shown a similar trend (+1.8%) suggesting some weakness in this sector.

# 2.255 million people at work

Employment growth is expected to continue this year and next but at a moderating rate of 2% per annum. Even at this rate, we will see almost 100,000 more people entering the workforce by 2020.

### 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, and weakened further in 2018, down -4.6% for a total of 121,157.

In contrast, there has been a dramatic rise in the number of imported second hand cars, totalling 99,456 in 2018. This reflects the weakness in Sterling which has made imports better value. Adding new and imported cars together, sales have been flat for the past two years at about 220,000. This compares to 240,000 in 2007 of which 180,745 were new cars.

New car sales in the UK reached a 10-year high in 2014, at 2.5 million. This rose to 2.69 million in 2016 but fell to 2.57 million in 2017 and 2.37 million in 2018.

### Retail Spending

Retail sales (excluding the motor trade) were solid rather than spectacular in 2018, up by 3.9% in volume terms and 2.6% 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 3.7% in volume and 2.4% in value year-on-year, considerably lower than the growth rate experienced in the final quarter of 2017 (6.7% in volume and 3.6% in value). This out-turn was probably a result of faltering consumer confidence.

All retail categories reported good growth in Q4 year-on-year, with the exception of the bar trade which dropped by -3.2% in volume and -1.1% in value. Household equipment continued to be the fastest growing category, up 16.6% in volume and 7.5% in value, year-on-year. Supermarkets and other food stores performed well, as did pharmacies, but department stores and clothing/footwear retailers were weaker with sales close to flat in Q4 2018 compared to last year.

Growth was a little softer in the fourth quarter, up 3.7% in volume and 2.4% in value year-on-year, considerably lower than the growth rate experienced in the final quarter of 2017.



Fuel up 2% in volume and 9.2% in value



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



Department stores up 1.7% in volume and down -0.7% in value



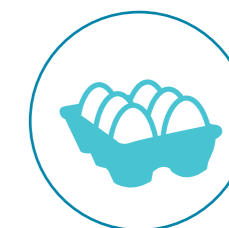
Non-specialised stores (supermarkets) up 5.3% in volume and 4.3% in value



Books, newspapers and stationery up 5.7% in volume and 7.0% in value



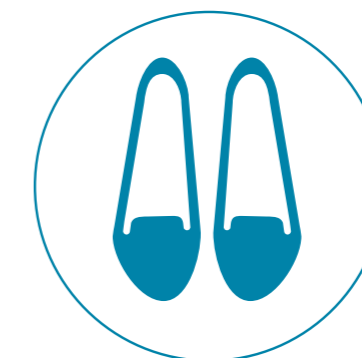
Household equipment up 16.6% in volume and 7.5% in value



Food sales up 5.2% 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 1.1% in volume and 0.9% in value

# Q4-18

## Consumer & Retail Analysis



**Produktbeschreibung**  
Füllmenge: 1000 Gramm und 10%  
Einschlafzeit:  
Stoff: 100% Baumwolle

**Größe**  
Kissen-Tiefe liegt zwischen 10 und 15 cm  
Einschlafzeit und Füllmenge sind variabel

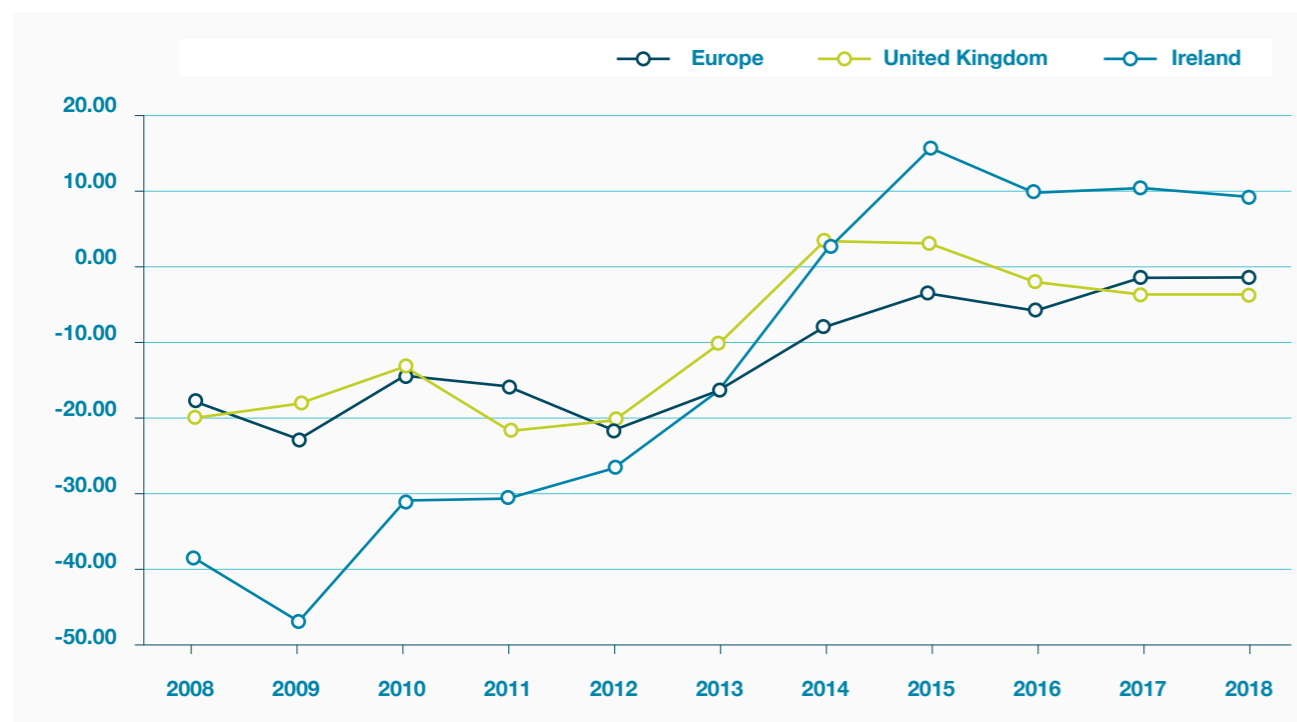
**PROFLEX PLANET**  
Nachhaltig hergestelltes Baumwollkammgarn  
Einschlafzeit ist variabel  
Aufbau:  
Nicht überbelegt

**Produktmaße**  
Länge: 50 cm  
Breite: 40 cm  
Füllgewicht: 1000 g  
Gesamtmass: 1000 g

**Wartungshinweise**  
Bücheln  
Bei Wäsche mit 100°C waschen  
Wuschelfähigkeit beachten  
Nicht mit Chlor bleichen  
Trocknergeeignet  
Nicht bügeln  
Chemie-Reinigung

# 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.<sup>01</sup>

This upward trend continued in 2015, strengthening through the year.<sup>02</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. 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.<sup>03</sup>

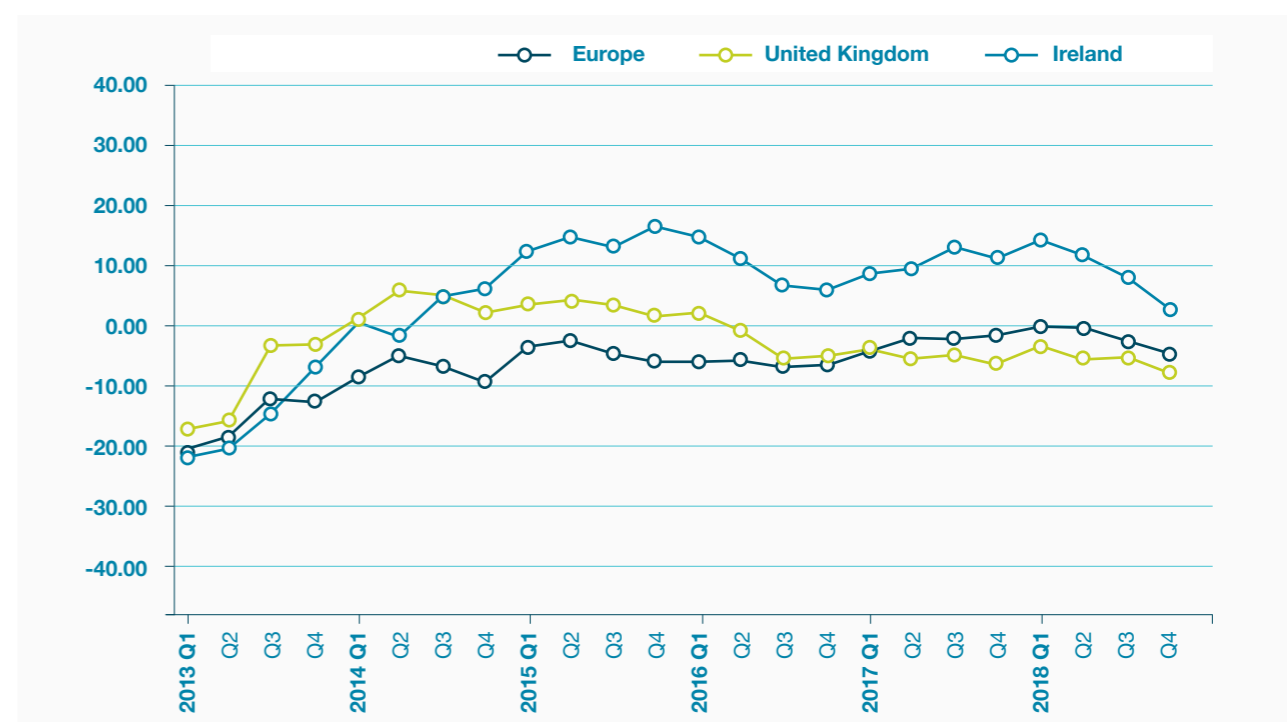
01. [www.independent.ie/business/irish/irish-consumer-sentiment-nears-eightyear-high-in-december-30892291.html](http://www.independent.ie/business/irish/irish-consumer-sentiment-nears-eightyear-high-in-december-30892291.html)

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

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

# Consumer Confidence Quarterly

Consumer Confidence January 2013 - December 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 dropped through 2018 reflecting worries about a “hard Brexit” and negative implications for the Irish economy. However, confidence here is still in positive territory and remains higher than in the UK and among our EU neighbours.

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.

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.

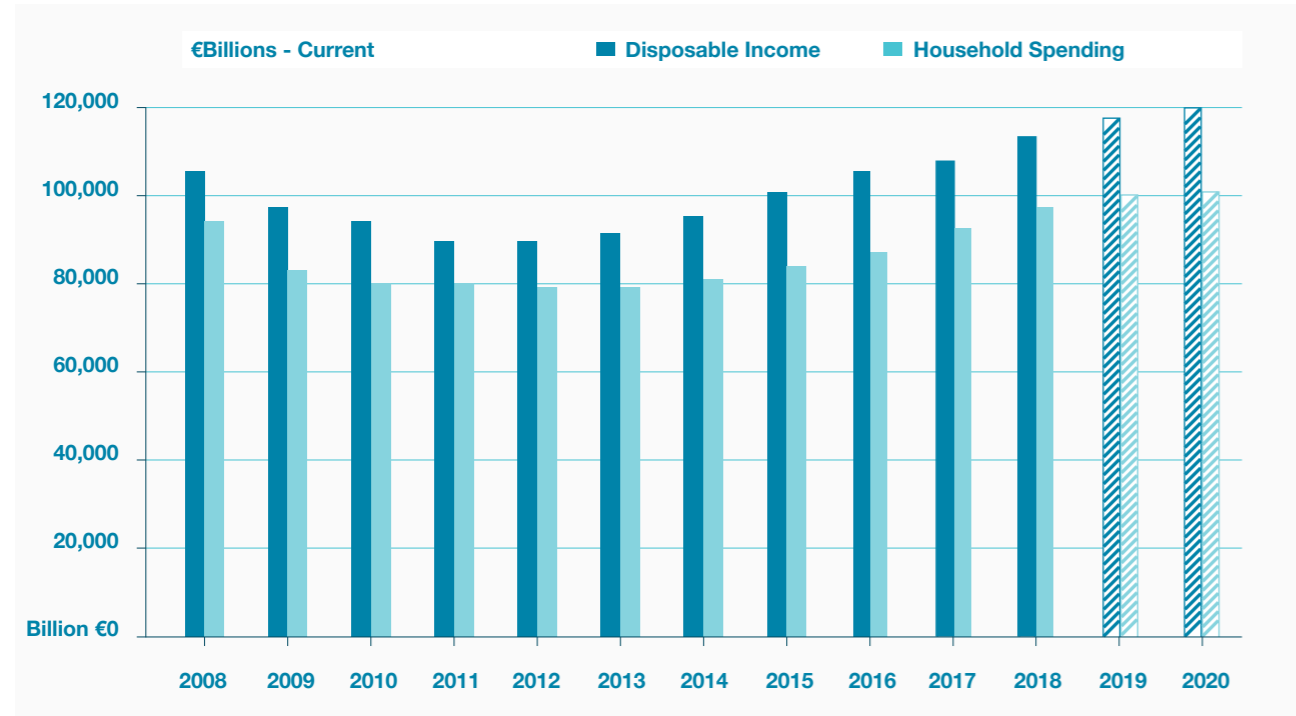
In contrast, American consumer confidence has been very strong, reached 138 in October 2018, the highest level in 18 years. It has since fallen back a few points on news of weakness in the stock markets.<sup>04</sup>

04. <https://www.bloomberg.com/news/articles/2018-11-27/u-s-consumer-confidence-falls-as-business-outlook-diminishes>



# 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 as a result of increasing 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 steadily in 2015, 2016 and 2017, up by 5% per annum on average. This trend continued in 2018 with household disposable income up by 5% to a total of €108 billion.

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

up by 70% from the trough of €430 billion in Q2 2012.

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 rapidly 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 and continued to grow in 2016 and 2017, up by 3-4% per year. Spending accelerated in 2018, up by 5% to a total of €96.5 billion.<sup>07</sup> On this trend, household spending is likely to exceed €100 billion this year, exceeding the peak in 2008.

05. CSO Institutional Sector Accounts, Q3, 2018

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

07. CSO Institutional Sector Accounts, Q3, 2018.

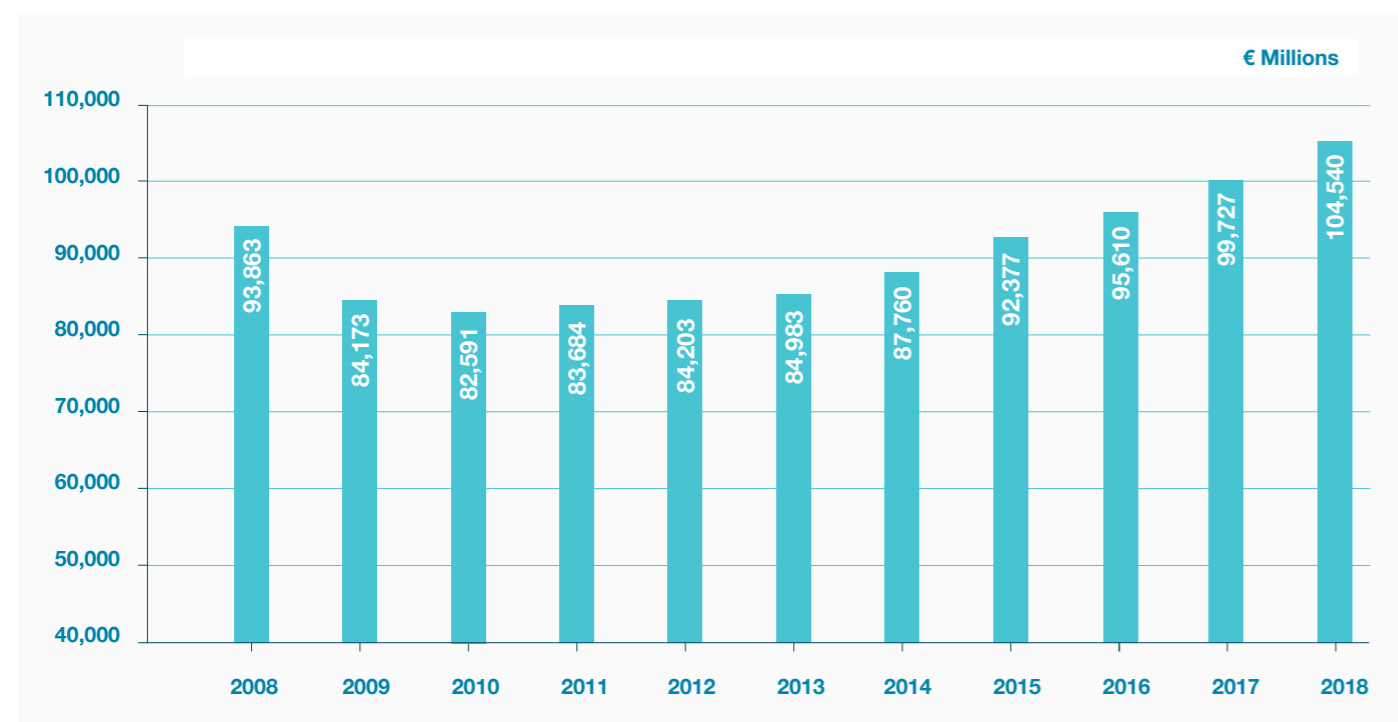
# 109bn

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 was the main driver of the increase, with pay increases also contributing slightly.



## Personal Spending on Goods/Services Annual

Personal Spending on Goods/Services 2008 - 2018



Personal spending rose rapidly from 2000 to 2007, by an average of 6% per year. Spending slowed in 2008 and declined over the next four years, falling by -7% in real terms from 2007 to 2013.<sup>08</sup>

Personal spending grew by 2% in 2014, by 4.5% in 2015, and by 3.8% in 2016.<sup>09</sup> 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 in 2018 was stronger up by 3%, and broke through the €100 billion level, to about

€104 billion this year. All forecasts see continuing growth this year and next of 2-3%.<sup>10</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 and 1.8% in 2018.<sup>11</sup>

US consumer spending has been growing steadily for a number of years, up by an annual rate of around 3.5%.<sup>12</sup>

08. [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)

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

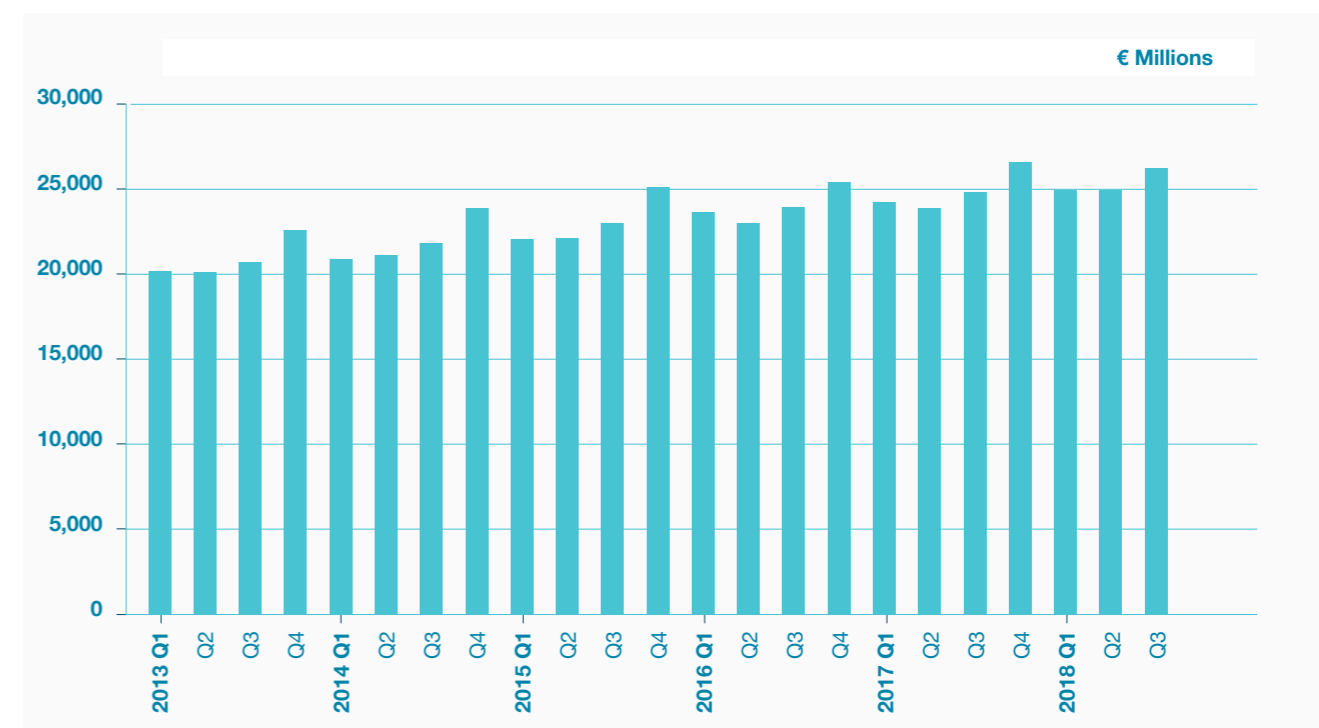
10. <https://www.esri.ie/pubs/QEC2018AUT.pdf>

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

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

## Personal Spending on Goods/Services Quarterly

Personal Spending on Goods/Services January 2013 - September 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 4.5% in 2015.<sup>13</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>14</sup> However Q4 in 2017 was very strong, up 4.5%, leading to a new peak at the end of the year.

2018 continued to be strong with growth estimated at 3-4% by different analysts, with a strong final quarter, and this buoyancy is expected to continue in 2019 and 2020 at a slightly lower rate of 2-3%.

In contrast, personal spending in the UK slowed to 1.9% last year, and to 1.8% in the first months of 2018.<sup>15</sup> 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 H1 2018 supported by a robust labour market.<sup>16</sup>

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

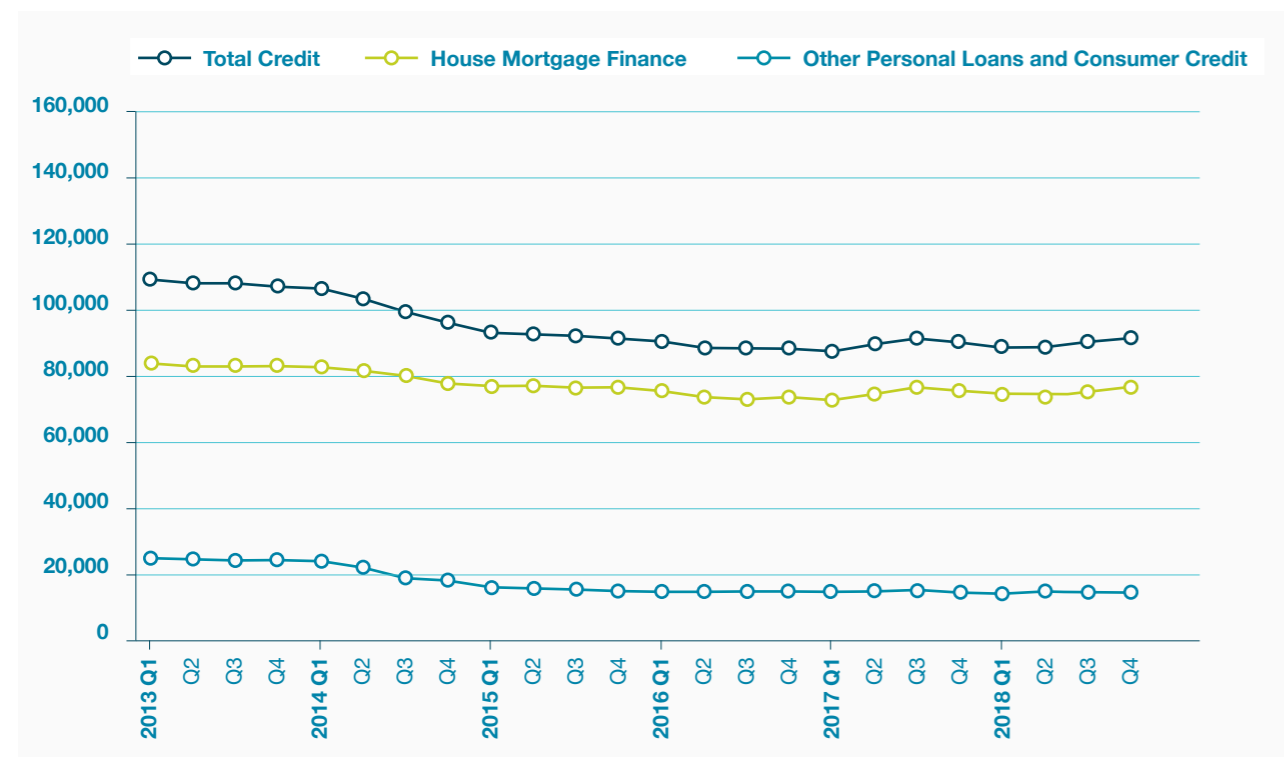
14. <http://www.cso.ie/en/releasesandpublications/er/na/quarterlynationalaccountsquarter12017/>

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

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

# Personal Borrowing Quarterly

Personal Borrowing January 2013 - December 2018



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 finally reversed in 2017 with debt increasing by 2%, the first sign of a return to normal conditions.<sup>17</sup> Outstanding household debt stood at €90 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

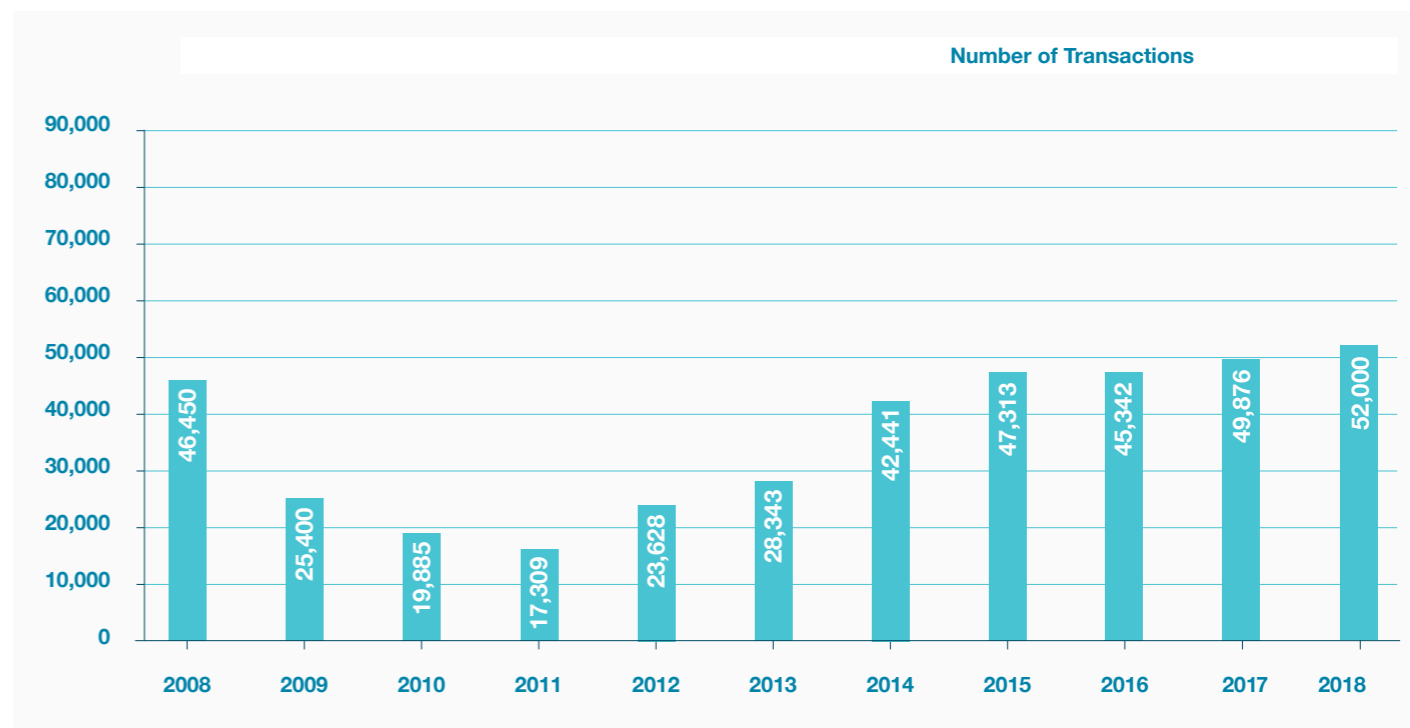
then, up 2.5% per annum to a total of €77 billion by September 2018.

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 was standing at €14 billion in September 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.<sup>18</sup>

# Residential Property Sales Annual

Number of Homes Sold 2008 - 2018



2011 was the nadir of the recession in terms of residential property sales, at just 17,309 in total. The number of mortgages issued also fell to a low of 9,700 in 2011, having peaked at 85,000 in 2005.<sup>19</sup>

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%.

The number of sales fell slightly in 2016, to 45,342 (-4%), while there were 23,589 mortgages issued. Sales grew again in 2017, to

49,756 (+10%), the highest rate of sales since the recession.<sup>20</sup> It is estimated that sales transactions were up by 5% in 2018 for a total of 52,000 units valued at €18 billion.<sup>21</sup>

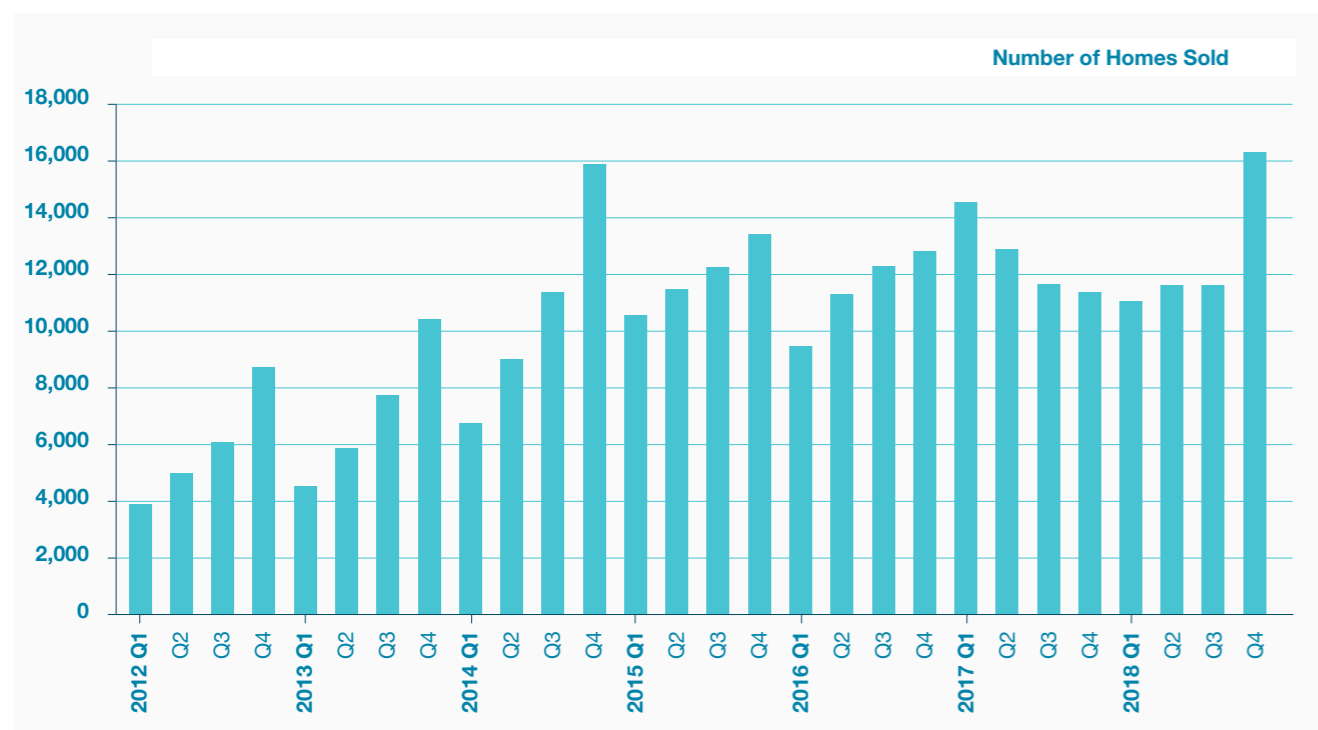
There were 1.23 million residential properties sold in the UK in 2017, down 1% on the previous year, and this fell by a further 2.75% in 2018 to a total of 1.19 million.<sup>22</sup>

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

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/2017/MyHome-Property-Report-Q4-2017>  
21. <https://media.myhome.ie/content/propertyreport/2018/Q42018/MyHomePropertyReportQ4-2018.pdf>  
22. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/674611/UK\\_Tables\\_Jan\\_2018\\_\\_cir\\_.pdf](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 - December 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>23</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>24</sup> First time buyers continued to be the largest group accounting for 60%.

This upward trend continued through 2018, with 52,000 sales for the year. There were 30,629 mortgages drawn down which is 9% higher than the previous year.

This upward trend is expected to continue in 2019, with sales of 55,000 (+5%). 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.<sup>25</sup>

There were 1.24 million residential properties sold in the UK in 2016, an increase of 4.5%, but the market slowed to 1.22 million in 2017 and 1.19 million in 2018.<sup>26</sup> Prices are also under pressure and sales are depressed.

23. <https://www.daft.ie/report/2018-Q4-dafthouseprice-report.pdf>

24. <https://www.bpfi.ie/news/mortgage-approvals-december-2018/>

25. <https://www.irishbuildingmagazine.ie/2018/07/28/construction-industry-will-complete-18000-homes-this-year/>

26. [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)



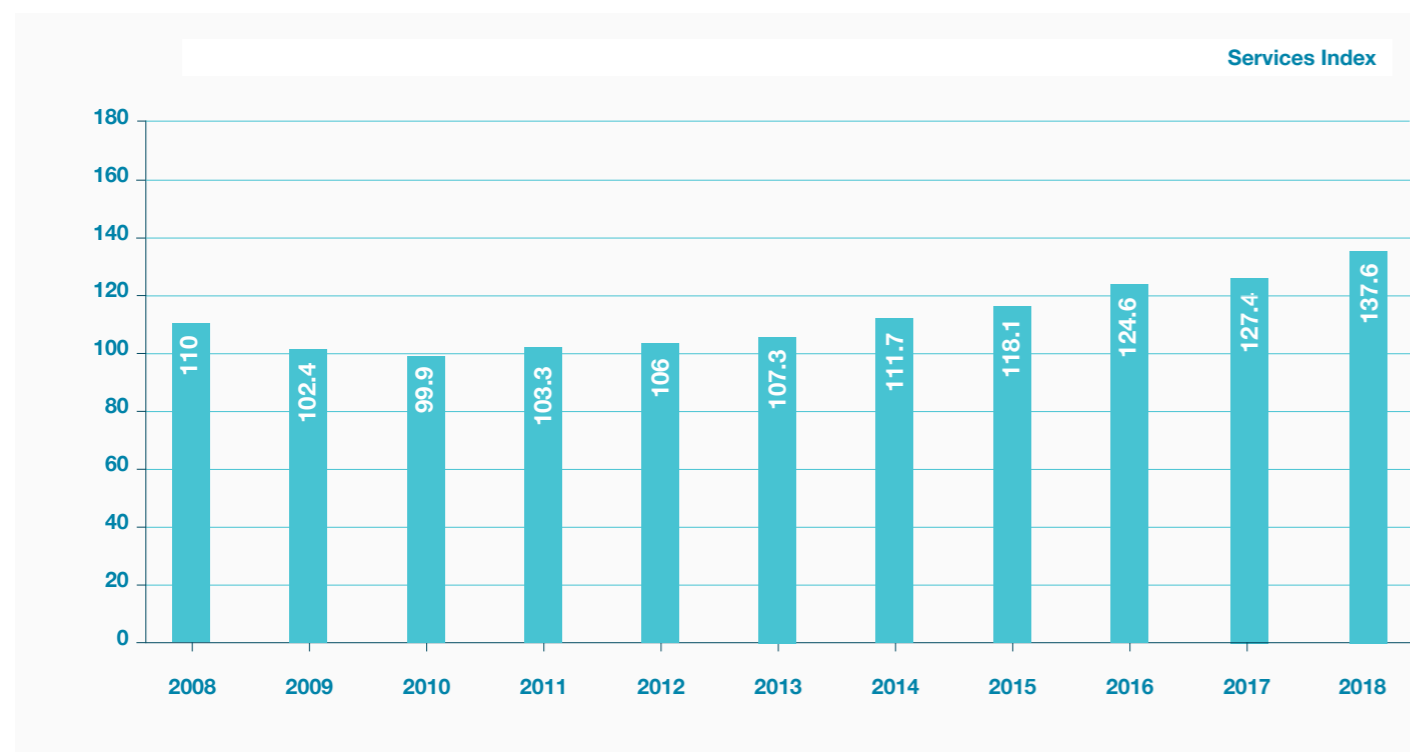
# +5%

There were 52,000 residential sales transactions in 2018, an increase of 5%. There were 30,629 mortgages issued for home purchase which was 9% higher than the previous year. This upward trend is expected to continue in 2019, with sales of 55,000 (+5%).



## 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.

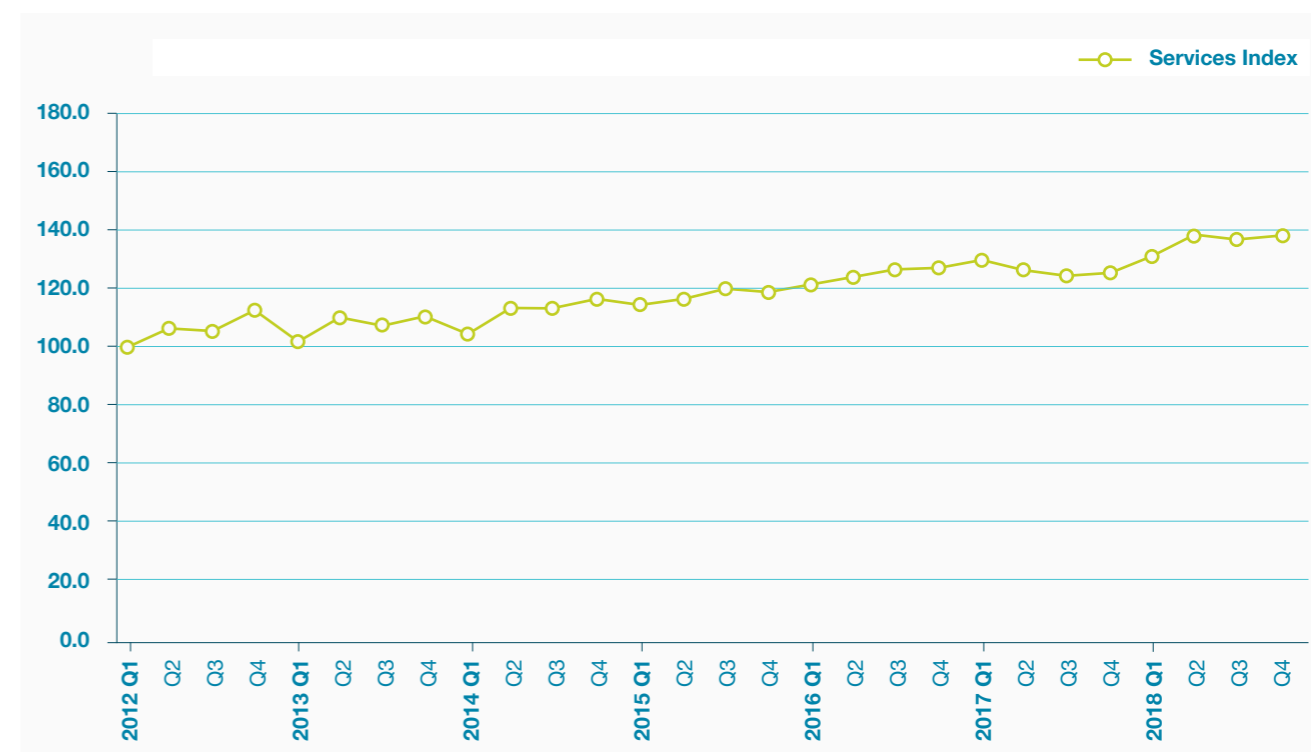
Growth accelerated to 8% in 2018 with most service sub-categories doing well. Information/communications did best, up 17.5% year-on-year and at an index level of 128.5 (2015=100). Accommodation and food service were up 9.1% and at an index level of 118.4. Wholesaling and transportation/storage were up 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%).<sup>27</sup>

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

## Services Index Quarterly

Services Index January 2012 - December 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 8%. This closely matched the growth in Vat tax raised which was up 7% for a total of €14 billion.

The fortunes of individual service sectors have varied more over time, with most sectors strong

in 2018. Information/communications did best, up 17.5% year-on-year. Accommodation and food service were up 9.1%, Wholesaling and transportation/storage were up 8% and Administrative services up 13% while Professional/Technical Services and Other Service Activities did poorly, down 4.5% and 9% respectively in 2018.

The UK Services Activities Index has grown steadily since 2009, up by around 3% per year for several years. However, there was a levelling off in 2017, to 1.3%, and 2018 has shown a similar trend (+1.8%) suggesting some weakness in this sector.<sup>28</sup>

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



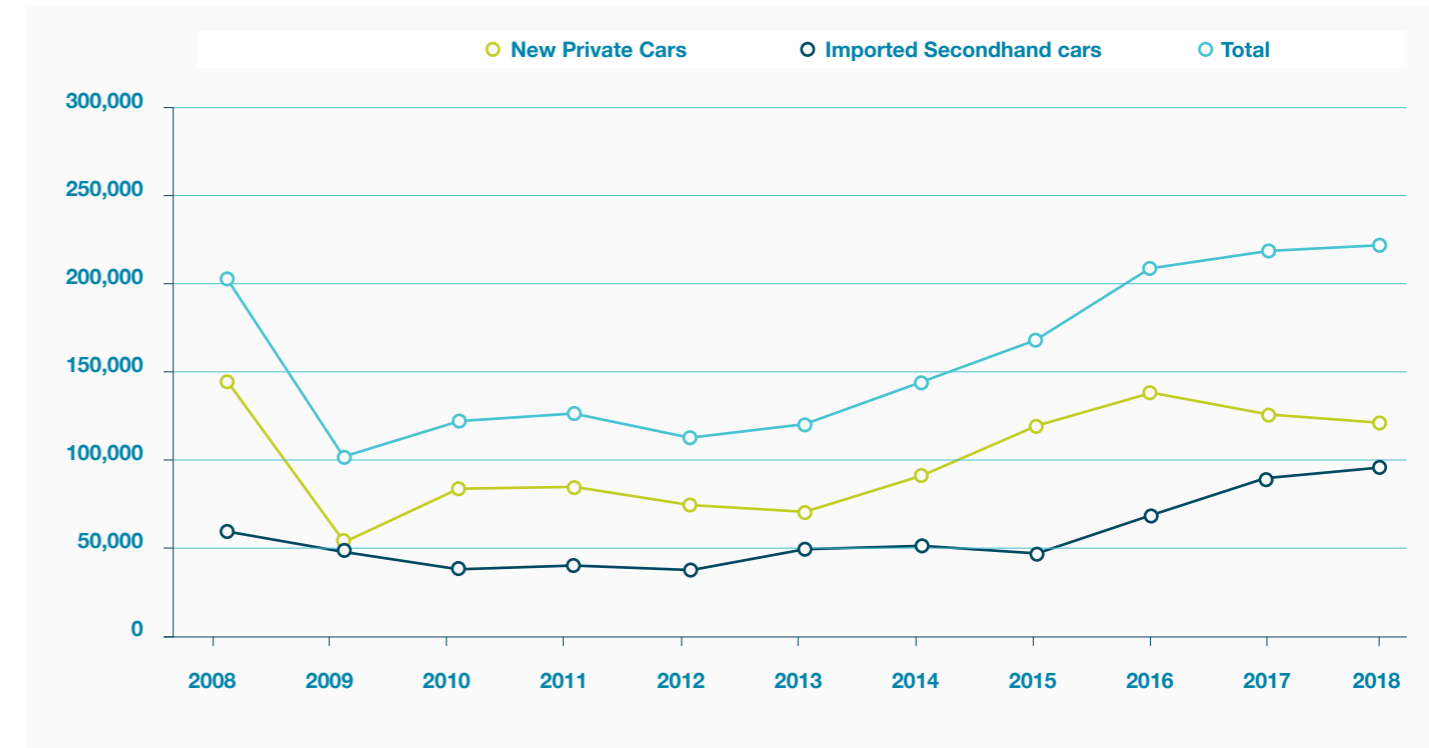
**-4.6%**

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, and weakened further in 2018, down -4.6% for a total of 121,157.



## 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 (+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 for a total of 121,157. This was as a result of a substantial increase in second hand imports, totalling 99,456 in 2017, double the number in 2015.

In 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, 2017 and 2018.<sup>29</sup>

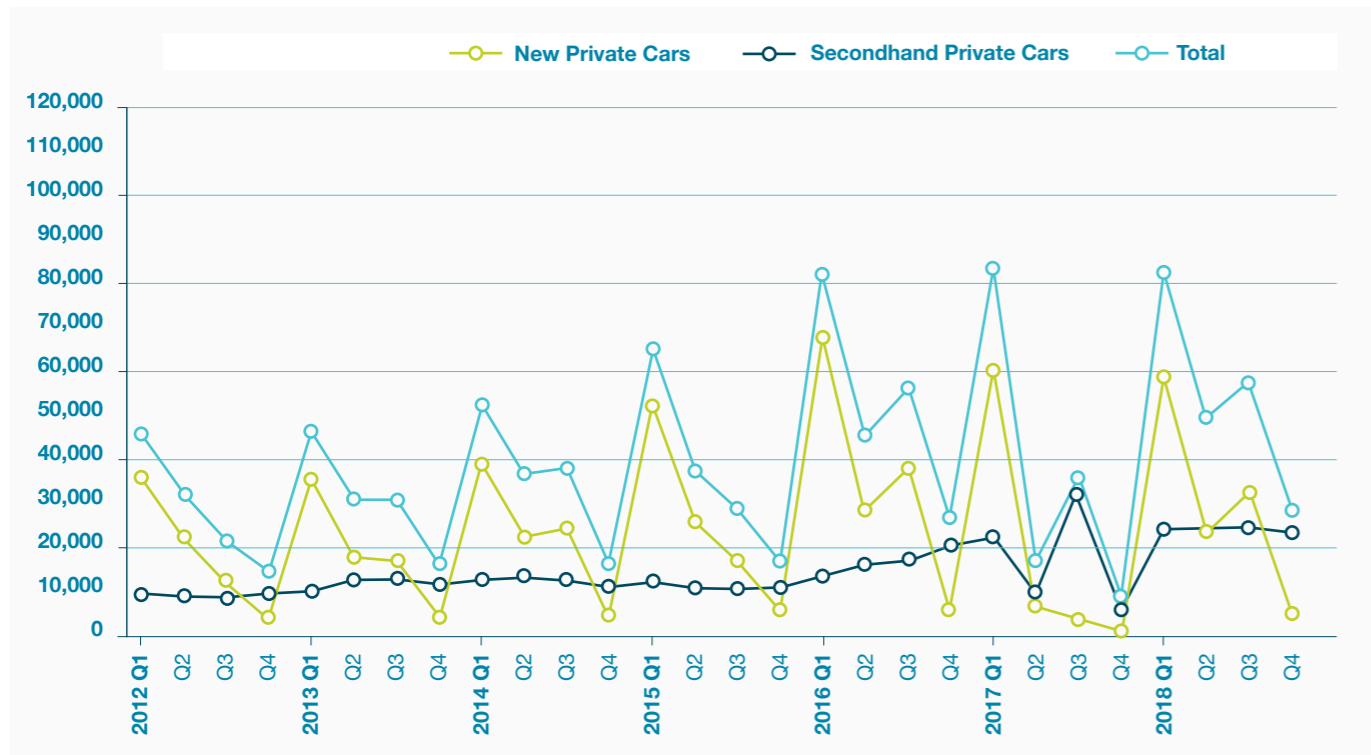
New car sales in the UK reached a 10-year high in 2014, at 2.5 million. There were 2.6 million cars sold in 2015, 2.7 million in 2016, but 2.54 million in 2017 (-5.4%) and 2.37 million in 2018 (-6.8%).<sup>30</sup>

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, to 18.4 million in 2016.<sup>31</sup> Sales slowed to 17.2 million in 2017, and remained flat at 17.3 million in 2018.<sup>32</sup>

29. <https://www.cartell.ie/2017/02/used-car-market-breaks-one-million-2016/>  
 30. <https://www.carmagazine.co.uk/car-news/industry-news/uk-2017-car-sales-analysis-winners-and-losers/>  
 31. [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)  
 32. <https://countryeconomy.com/business/car-registrations/usa>

# Sales of Private Cars Quarterly

Sales of Private Cars January 2012 - December 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>33</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 weakened further in 2018, down -4.6% for a total of 121,157.

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

cars, to a total of 99,456 in 2018. This reflects the weakness in Sterling which has made imports better value.

Taking new and imported cars together, sales have flat for the past two years at about 220,000. 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 2.69 million in 2016, but this fell to 2.57 million in 2017 and 2.37 million in 2018.<sup>34</sup>

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



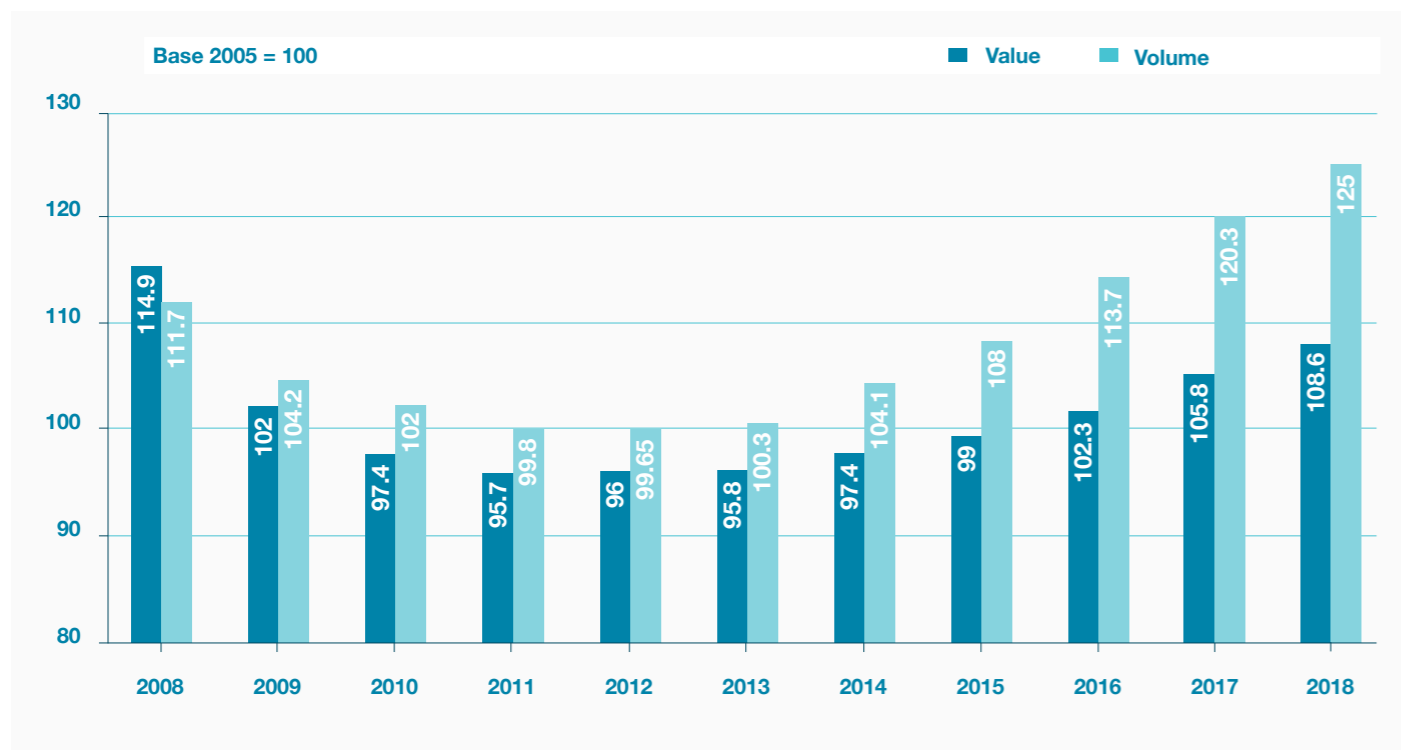
# 99,456

There has been a dramatic rise in the number of imported second hand cars, totalling 99,456 in 2018. This reflects the weakness in Sterling which has made imports better value. Adding new and imported cars together, sales have been flat for the past two years at about 220,000. This compares to 240,000 in 2007 of which 180,745 were new cars.



## 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.<sup>35</sup> However, growth fell back in 2017, up by just 2%, and remained slow in 2018, up by 2.7%. Online sales accounted for 20% in 2018 up 14% on the previous year.<sup>36</sup>

US retail sales were up by 5% in 2012 and 2013, slowed to 3% in 2014 and to 1.4% in 2015.<sup>37</sup> Growth picked up in 2016, to 3.3%, rose by 5% in 2017 and by 4.3% in 2018.<sup>38</sup>

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

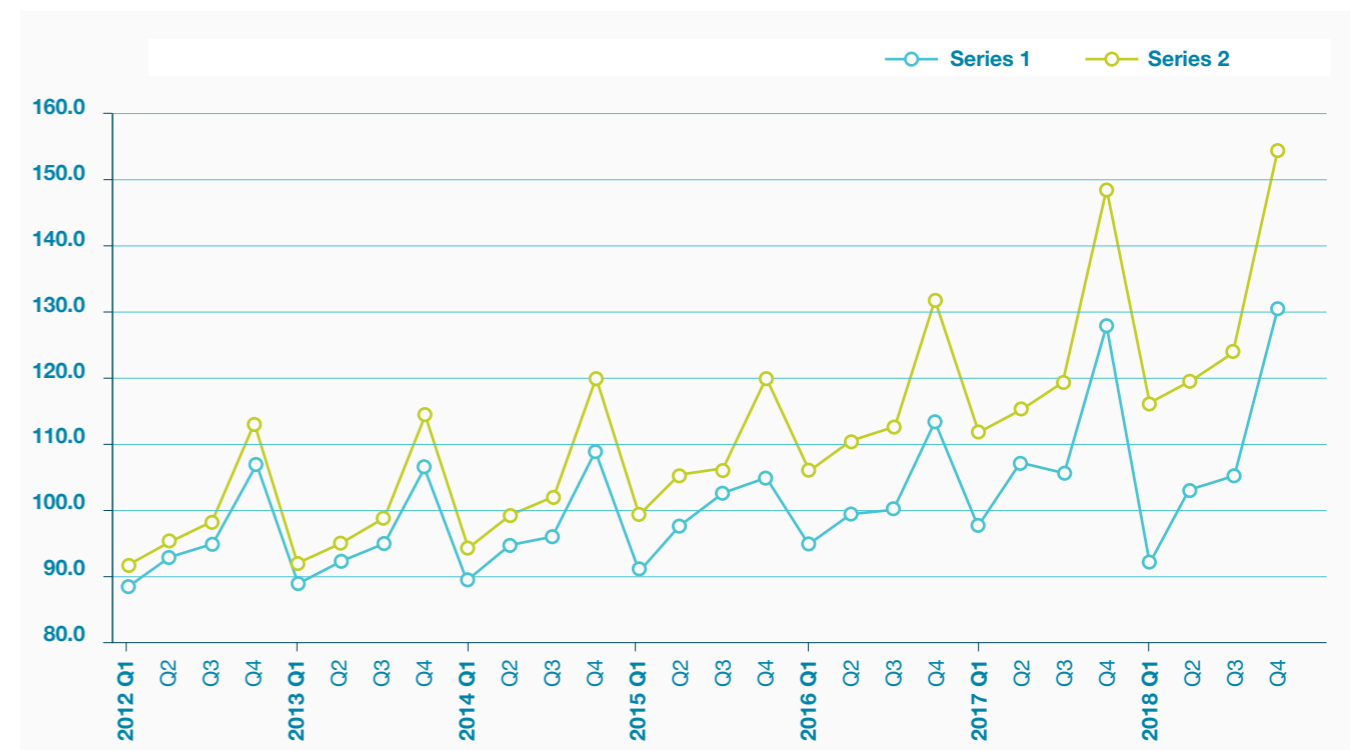
36. <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/december2018>

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

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

## Retail Sales Quarterly

Retail Sales Index January 2012 - December 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% in volume and 3% in value on average.

Growth continued in 2018 but at a slower rate, up by 3.9% in volume and 2.6% in value for the year. This amounted to spending of €45 billion which was back to the levels seen in the last boom. €5 billion of this spending was online, with an estimated €3 billion of that going out of the country.

All retail categories reported good growth in Q4 with the exception of the bar trade which dropped 3% in volume and 1% in value.4 year-on-year, with the exception of the bar trade which dropped by -3.2% in volume and -1.1% in value Household equipment continued to

be the fastest growing category, up 16.66% in volume and 7.57% in value, year-on-year. Supermarkets and other food stores performed well, as did pharmacies, but department stores and clothing/footwear retailers were weaker with sales close to flat in Q4 2018 compared to last year., with sales more or less flat compared to the same period last year.

Retail sales in the UK grew strongly in 2015 and 2016, with volume up 5% p.a.<sup>39</sup>. Growth fell back to 2% in 2017 and remained subdued in 2018 at 2.7%. Q4 sales fell by 0.2% year-on-year. Online sales accounted for 20% in 2018, up 14% year-on-year.

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





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