



Q1

2018

# Consumer

Market Monitor





# Q1

## The Author

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Mary Lambkin

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# Consumer Market Monitor

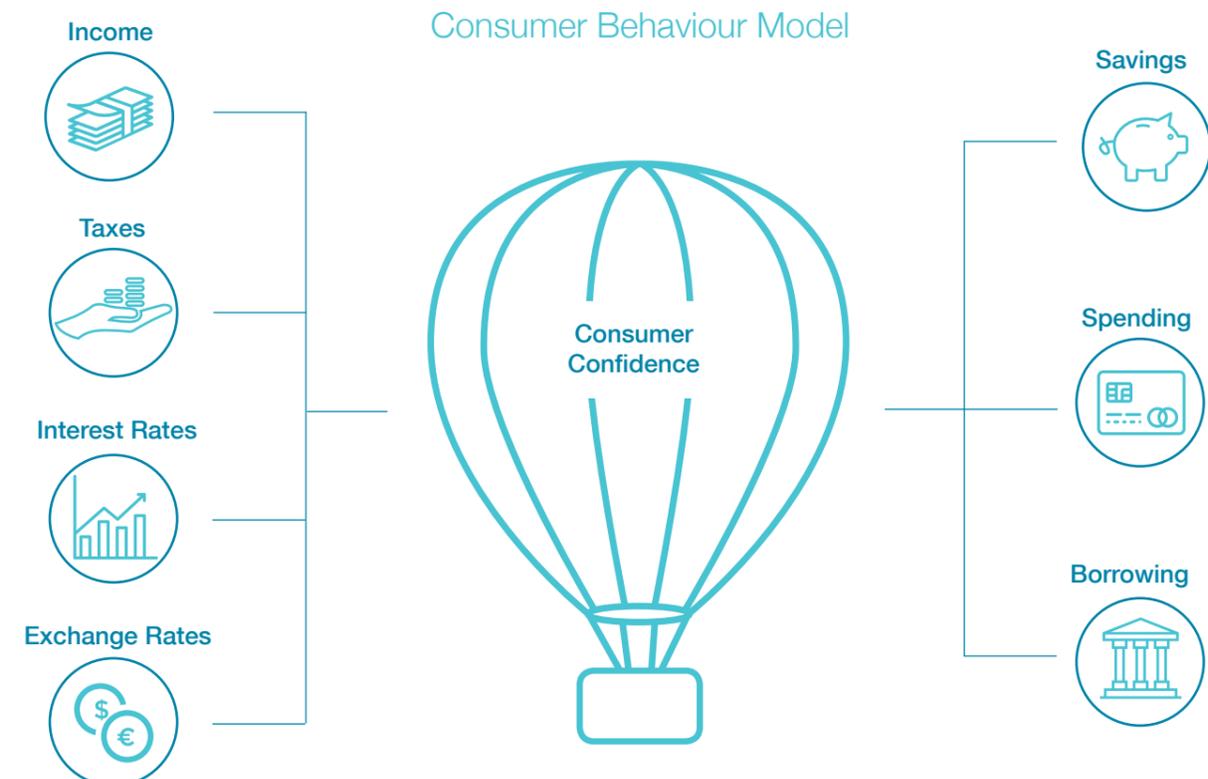
The Consumer Market Monitor is a publication provided by the Marketing Institute of Ireland in collaboration with the UCD Michael Smurfit Graduate Business School.

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 quarter one of 2018 and reviews the past year as a whole.



## Executive Summary

Consumer spending in Ireland has been growing strongly for the past three years and continues to be one of the main drivers of economic growth, along with investment in construction. Consumer spending was up 2.8% last year, while construction up by an even higher rate of 4.2%.

Consumer and investment spending are continuing to grow strongly in 2018 with overall domestic demand projected to grow by 4.9% over the period. Personal consumer spending is forecast to grow by 2.9% in 2018 and by 2.5% in 2019.

The main drivers of this growth are population expansion, along with increasing employment. There are now 2.2 million people at work, up 61,300 year-on-year, and up by 344,000 or 19% from the low point in 2012. Growth of 2.4% is forecast for 2018 and 2.0% for 2019 which would bring another 99,000 people into the workforce.

The increasing number of people employed is leading to a substantial expansion in the amount of disposable income circulating in the economy. Disposable income has increased by about 5% a year in each of the past three years. In sum, it reached €102 billion in 2017, eclipsing the 2008 peak of €101 billion. Disposable income is expected to continue growing in 2018 and 2019, at about the same rate of 5% per annum.

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 and increases of about 3% are forecast for this year and next. Households across the economic spectrum are now starting to gain from strong employment and wage growth.

Consumer confidence is also very strong here at present, and significantly higher than in the UK and the rest of Europe. It fell a little bit due to worries about Brexit in the second half of 2016 but was back in positive territory throughout 2017 and is remaining steady so far this year.

Retail sales were strong in 2017, up 4.3% for the year in volume terms, and 2% in value. Growth accelerated as the year progressed, to a level of 6.7% in Q4, suggesting strong momentum into 2018. Vat returns were also very strong, up by 7% in 2017.

The exceptionally bad weather conditions in Q1 of this year dampened spending but despite this, retail sales grew by 4.3% in volume and by 2% in value, year-on-year. Prospects of renewed momentum seem positive for the rest of the year.

Sales of new cars are one important exception; sales were down by 11% in 2017, for a total of 127,045. This trend is persisting in 2018 with new car sales down -3.9% in the first quarter for a total of 58,402.

In contrast, there has been a dramatic increase in the number of imported second hand cars, up 47% in 2016 and 46% in 2017 for a total of 92,508. Imports are up by a further 8.1% in the first quarter of 2018, suggesting a total of 100,000 for the year, a new record. This reflects the weakening of sterling making imports better value.

The services sector is another exception, with relatively muted growth of 4% for 2017, compared to 5% per year for the previous three years. Sectors such as accommodation and food service and telecommunications were relatively flat, although Professional and technical services grew strongly.



# 5%

The increasing numbers of people employed is leading to a substantial expansion in the amount of disposable income circulating in the economy. Disposable income has increased by about 5% a year in each of the past three years and is expected to continue growing in 2018 and 2019, at about the same rate.



# +11.4

Confidence picked up again in 2017 in response to strong employment data and has remained steady into Q1 of this year. The current high level is a response to the growing economy, the benefits of which are being felt by greater numbers of people.

Residential property is the sector under most pressure, as is well known. Sales strengthened to 51,688 in 2017, up 7%, the highest rate of sales since the recession. Transactions are up again in the first three months of this year, by about 5%, suggesting a final figure of about 55,000 for the year.

### Consumer Confidence

Consumer confidence in Ireland has been recovering since 2013, reaching a record high in June 2015. It fell slightly through 2016, reflecting uncertainty about Brexit and industrial unrest at home.

Confidence picked up again in 2017 in response to strong employment data and has remained steady into Q1 of this year. The current high level is a response to the growing economy, the benefits of which are being felt by greater numbers of people.

Consumer confidence in the UK has been negative since Q2 2016 due to worries about Brexit as well as political uncertainty. Confidence remained muted through 2017 but gained 3 points in Q1 of this year. In contrast, consumer confidence has improved across the EU, becoming positive in Q1 2018 (+0.3) compared with -6.4 in Q4 2016.

### 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 experienced in 2007. Increasing numbers in employment was the main driver of the increase in disposable income, with pay increases contributing slightly also. Lower fuel prices and a weakening in the value of Sterling also boosted disposable income.

There are now 2.2 million people at work, up 48,000 for the year, and up 344,000 from 2012.

Pay increases of 2% were common in 2015 and 2016; this rose to 3% in 2017 and looks to be similar this year.

Total personal consumption reached €100 billion in 2017, up 3.2% in current terms on 2016. This is a bit less than the growth rate of the two previous years, which averaged 3.8% per annum. The softening in 2017 reflects a weakness in spending on services.

Household spending, which accounts for about 94% of all personal spending, closely mirrors income. It began to pick up in 2014, increased by 4.5% in 2015, by 3.5% in 2016, and by 3.2% in 2017. Forecasts indicate a similar rate of growth in 2018 and 2019.

### 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 €86 billion in Q4 2016 or €30,199 per capita. Household debt turned a corner in 2017, growing by 2%, the first sign of a return to normal conditions.

Loans for house purchase, which account for 84% of household loans, peaked in Q1 2008 at €124 billion, but fell to a low of €73 Billion by Q4 2016, a decline of 40%. Mortgage lending has begun to increase again since then, up by €4 billion by end 2017, an annual growth of 5%. A total of 70,488 accounts (10%) were in arrears at end-December 2017.

Lending for other consumption accounts for approximately 18% of total borrowing. This category peaked in Q1 2008 at €30 billion but declined to €12 billion by December 2016, a reduction of 60%. This category resumed growth in mid-2016 and grew by a very significant 5% in 2017.

Overall, the ratio of household debt to disposable income has fallen by 60% from a peak of 215% in mid-2011, down more than any other EU country. This ratio stood at 140% in Q3 2017, which leaves Irish households still the fourth most indebted in the EU.

Household net worth stood at €712bn in Q3 2017, or €148,655 per capita. This was just 1% lower than the previous peak in Q2 2007, and this improvement is largely due to the recovery in property prices.

### 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 48,111 homes sold in 2016 which was actually lower than the 48,248 sold in 2015, in a situation of very short supply.

Sales strengthened to 51,688 in 2017 (up 7%), the highest level since the recession. Transactions are up again in the first two months of this year by 5% suggesting a final figure of about 55,000 for the year. This is a 300% increase since 2011 when just 18,400 properties were sold.

This increase in sales has occurred in spite of 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. However, this is being expanded by an increase in the number of new homes being built, estimated at 19,000 last year, and expected to be about 21,000 this year.

### 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 and 2016, up by 5% per annum.

Growth slowed slightly in 2017, to a rate of 4%, but picked up markedly towards the end of the year. Growth of 8% was experienced in January of this year, but this fell back to 1% in February and March possibly because of the exceptionally bad weather.

Despite this, most service sub-sectors have recorded growth for the first quarter, suggesting a positive picture for the rest of the year. Sales for sub-sectors were: Professional, Scientific and Technical Activities (+5.1%), Wholesale and Retail Trade (+5.2%), Accommodation and Food Service (+3.9%), Transportation and Storage (+5.2%), Information and Communication (+5.5%), and Administrative and Support Service Activities (+4%).

### Car Sales

Car sales began to recover in 2014 and grew strongly until 2016 when 142,688 cars were sold. Sales weakened again in 2017, down 10.5% year-on-year, for a total of 127,045. This trend is persisting in 2018 with new car sales down -4% in the first quarter for a total of 58,402.

In contrast, there has been a dramatic rise in the number of imported second hand cars, up 47% in 2016, and up again by 46% in 2017 for a total of 92,508. This trend is continuing in 2018, with imports up 8.1% in the first quarter. At this rate, imports should reach 100,000 for the year, a new record. This reflects the weakening of sterling which makes imports better value.

Taken together, car sales in 2017 were up 3.5%, which is reasonably healthy, and look like maintaining this level for 2018 rather than showing much growth.

# 2.2 million people at work

There are now 2.2 million people at work, up 61,300 year-on-year, and up by 344,000 or 19% from the low point in 2012. Growth of 2.4% is forecast for 2018 and 2.0% for 2019 which would bring another 99,000 people into the workforce.

## Retail Spending

Retail sales were strong in 2017, up 4.3% for the year in volume terms, and up 2% in value. Growth accelerated as the year progressed, to a level of 7% in Q4, suggesting strong momentum into 2018. This equated to spending of €40 billion which is back to the levels seen in the last boom. Vat returns were also very strong, up by 7% in 2017 for a total of €13 billion.

Retail sales excluding the motor trade grew by 4.3% in volume in Q1 2018 and by 2% in value, year-on-year, despite the exceptionally bad weather conditions over that period. Individual retail categories had mixed fortunes, with some up and others down in Q1. Household equipment continued to be the fastest growing category, up 10.2% in volume and 2.6% in value, year-on-year. Supermarkets and other food stores performed well but most other categories did badly, reverting to negative trends that haven't been seen for several years.

Retail sales were very strong in 2017. Growth accelerated as the year progressed, to a level of 6.7% in Q4, suggesting strong momentum into 2018.



Fuel down -1.7%  
in volume and  
-1.6% in value



Bar sales down  
-2.8% in volume  
and up -0.4% in  
value



Department stores  
up 4.9% in volume  
and 1.0% in value



Household equipment  
up 10.2% in volume  
and 2.6% in value



Non-specialised  
stores (supermarkets)  
up 5.7% in volume  
and 4.5% in value



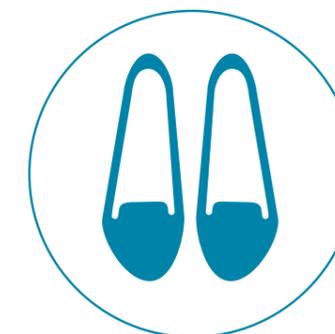
Food sales up  
5.2% in volume  
and up 3.9% in  
value



Books, newspapers,  
stationery down -1.2%  
in volume but up 0.3%  
in value



Pharmaceuticals and  
cosmetics up 2.6%  
but down 1.3% in  
value



Clothing, footwear  
and textiles up 2.2%  
in volume but down  
-1.0% in value

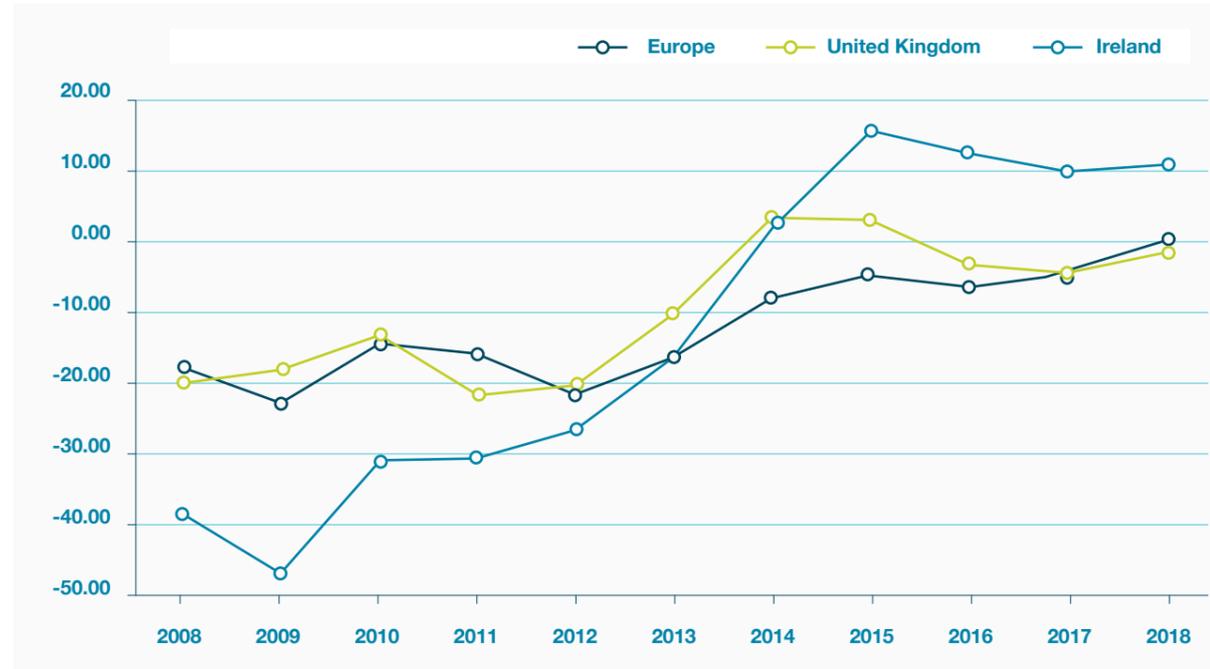
Q1-18

# Consumer & Retail Analysis



# Consumer Confidence Annual

Consumer Confidence January 2008 - March 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 steadily through the year.<sup>02</sup> At this point, we were well ahead of the last peak in 2007 and also our European neighbours.

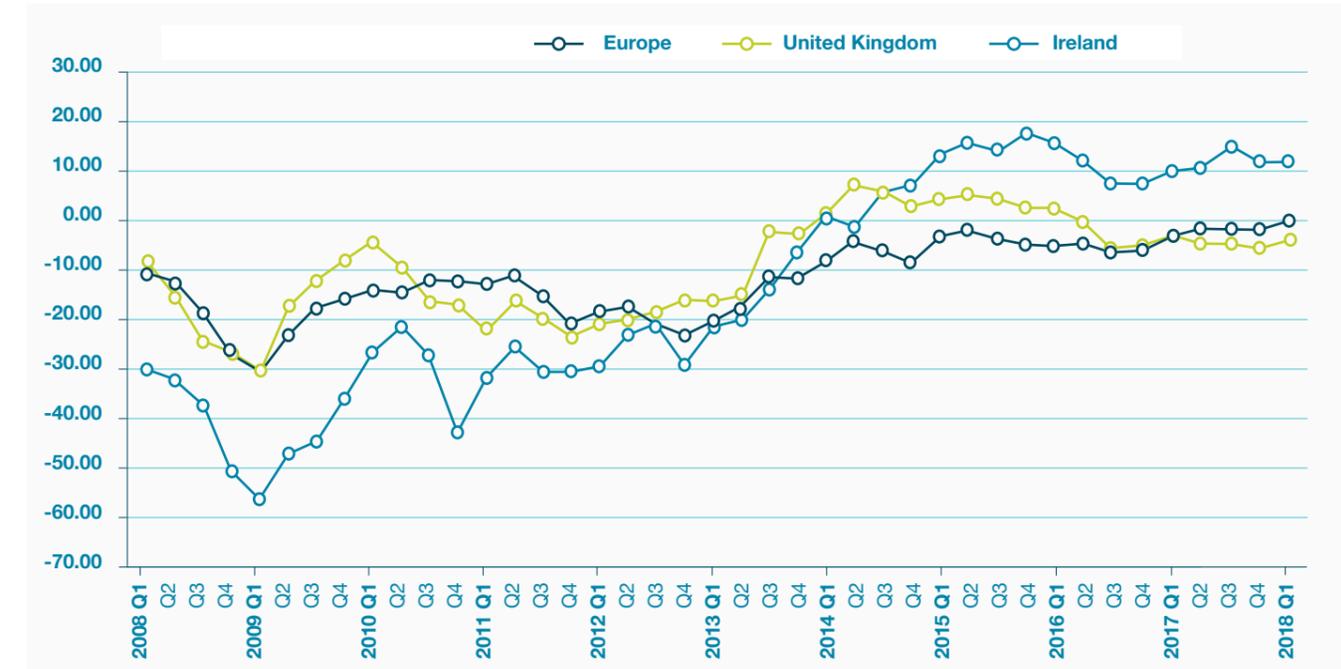
Confidence fell slightly through 2016 reflecting uncertainty about Brexit. However, it picked up again in 2017 and finished the year very positively, well above our neighbours.

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 consumer confidence reaching a low of -8 in December.<sup>03</sup>

2016 was a tumultuous year for US consumers due to the Presidential election, which reduced confidence.<sup>04</sup> However, it recovered in 2017, and ended the year at an historically high level of 129, fuelled by good news on employment and the stock market.<sup>05</sup>

# Consumer Confidence Quarterly

Consumer Confidence January 2008 - March 2018



Consumer confidence in Ireland has been recovering since 2013, reaching a record high in June 2015.<sup>06</sup> At that point, consumer confidence here was well ahead of the last peak in 2007 and, also, considerably higher than our European neighbours.

Consumer confidence fell slightly through 2016, with Q4 at 5.9 compared to 16.6 in Q4 2015, reflecting uncertainty about Brexit and industrial unrest at home.

Confidence picked up again in 2017 in response to strong employment data and has remained steady into Q1 of this year. The current high level is evidence of the growing economy, the benefits

of which are being felt by greater numbers of people.<sup>07</sup>

Consumer confidence in the UK has been negative since Q2 2016 due to worries about Brexit as well as general political uncertainty. Confidence has remained muted through 2017 but gained 3 points in Q1 of this year. In contrast, consumer confidence has improved across the EU, becoming positive in Q1 2018 (+0.3) compared with -6.4 in Q4 2016.

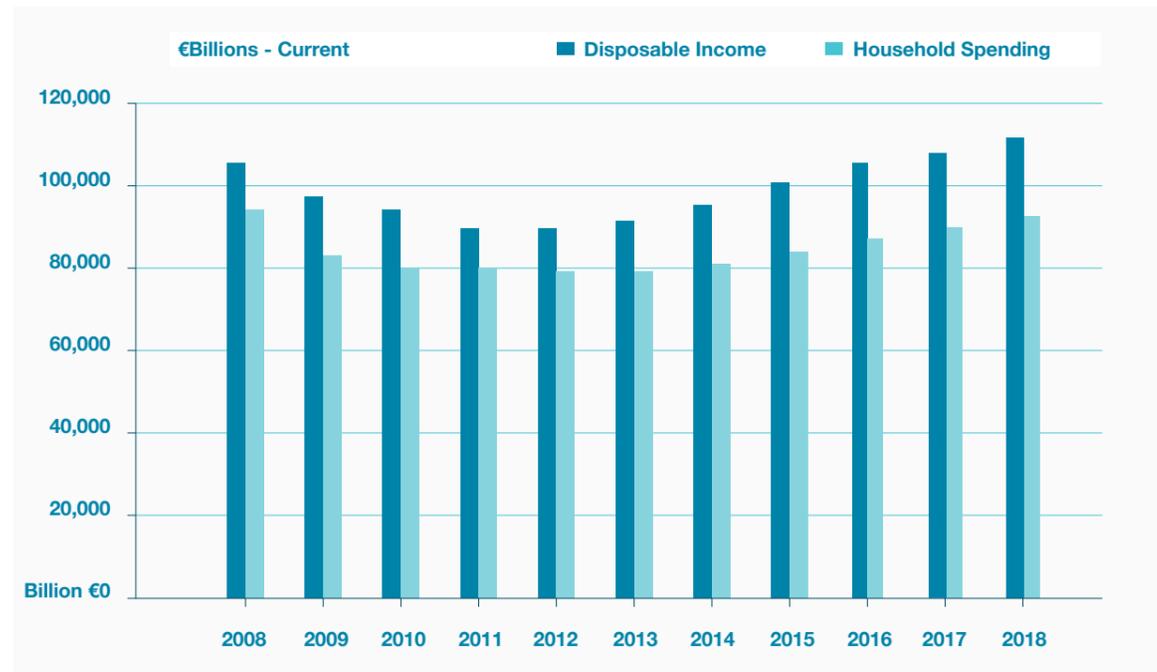
2016 was a tumultuous year for US consumers, which negatively affected confidence.<sup>08</sup> However, confidence recovered in 2017, up to 129 in December, the highest in 17 years.<sup>09</sup>

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. <https://www.irishtimes.com/business/economy/consumers-having-a-good-rather-than-a-great-economic-recovery-1.3349510>  
 04. <http://www.usatoday.com/story/money/business/2016/04/28/consumer-confidence-april/26475567/>  
 05. <http://money.cnn.com/2017/12/27/news/economy/us-consumer-confidence/index.html>

06. <http://www.rte.ie/news/business/2015/1001/731686-consumer-sentiment/>  
 07. <https://www.centralbank.ie/docs/default-source/publications/economic-letters/economic-letter-vol-2016-no-5.pdf?sfvrsn=6>  
 08. <http://www.usatoday.com/story/money/business/2015/04/28/consumer-confidence-april/26475567/>  
 09. <https://www.bloomberg.com/news/articles/2017-10-31/u-s-consumer-confidence-index-rises-to-highest-level-since-2000>

## 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. This trend reversed in 2009, and continued downwards until 2012, down by -15% in real terms from 2008 to 2012.<sup>11</sup>

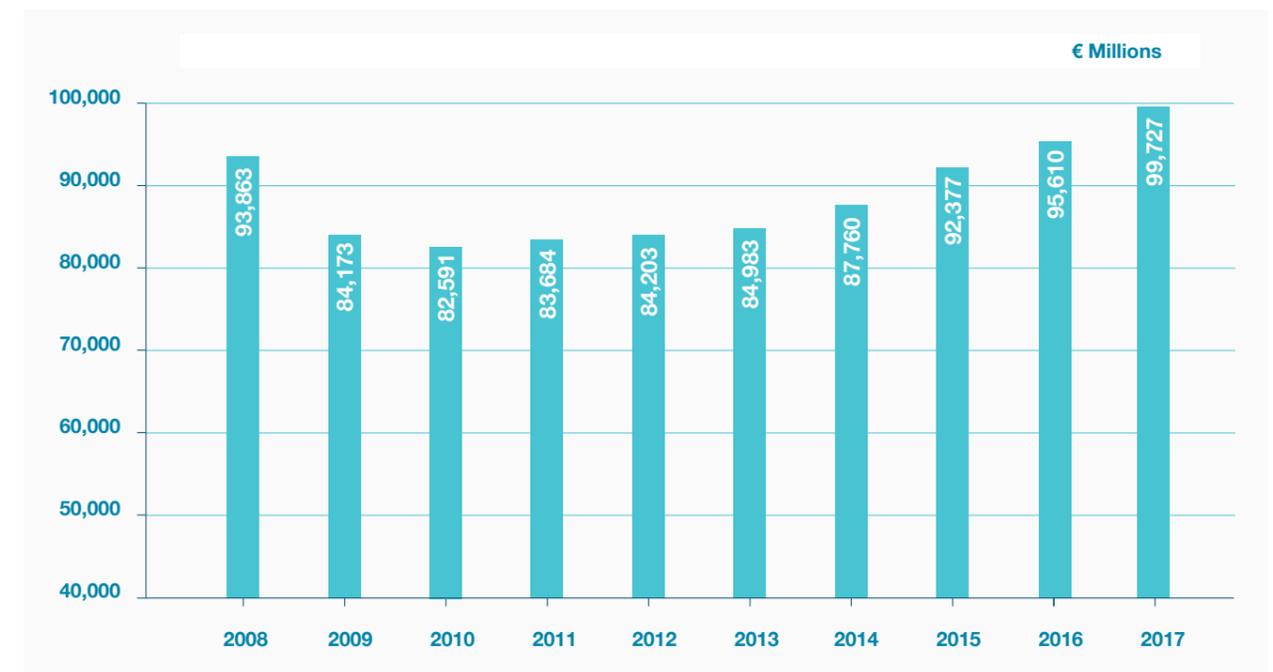
This trend reversed in 2013 and 2014, when disposable income rose by 3%. It continued to rise in 2015, 2016 and 2017, up by 5.5% per annum, to €102 billion. Increasing numbers in employment was the main driver of the increase in disposable income, with pay increases contributing slightly also. Lower fuel prices and a weakening in the value of Sterling also boosted disposable income.

Total personal consumption reached €100 billion in 2017, up 3.2% in current terms on 2016. This is a bit less than the growth rate of the two previous years, which averaged 3.8% per annum. The softening in 2017 reflects a weakness in spending on services.

Household spending, which accounts for about 90% of all personal spending, began to recover in 2014, up by 2%, and increased by 4.5% in 2015. It continued to grow in 2016, up by 3.5% and rose by a further 3.2% in 2017 to €91 billion. Forecasts are positive for similar growth in 2018.

## 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 steadily over the next four years. In sum, personal spending fell by -14% in current terms (-7% in real terms) from 2007 to 2013.<sup>12</sup>

Following six years of decline, personal consumer spending grew by 2% in 2014, by 4.5% in 2015, and by 4% in 2016 in current terms.<sup>13</sup> Consumer spending increased by a further 3.2% in 2017 which represented a slight softening, and this was down to a slight weakness in spending on services.

Consumer spending in the UK rallied between 2012 and 2014, rising about 2% per year, reaching the same level as in 2007.<sup>14</sup> Growth continued in 2015 and 2016 at 3% per annum but weakened to 1.7% in 2017.

US consumer spending continues to be in recovery mode, with personal spending increasing by an average of 3% every year for the past five years.<sup>15</sup>

10. CSO Institutional Sector Accounts, Q4, 2016.

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

12. [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)

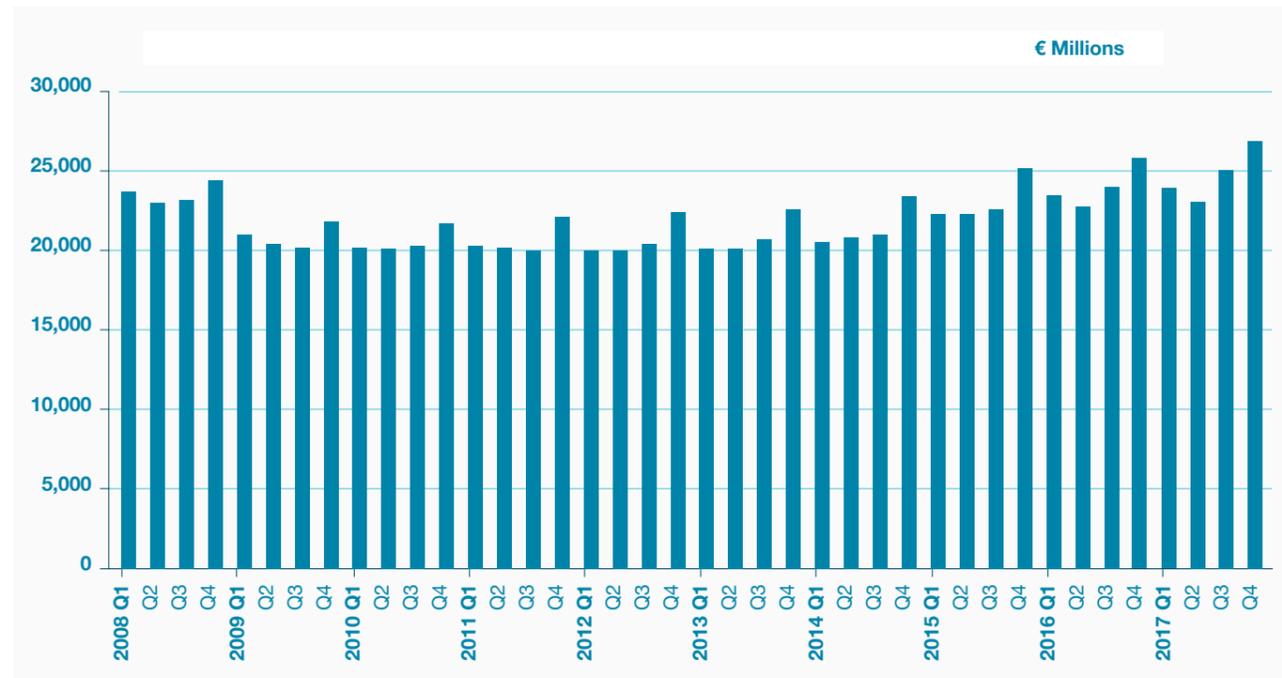
13. Central Bank of Ireland, Quarterly Economic Bulletin, Quarter 1, 2017.

14. [www.ons.gov.uk/dcp171778\\_357940.pdf](http://www.ons.gov.uk/dcp171778_357940.pdf)

15. [www.wsj.com/articles/u-s-consumer-spending-down-0-3-in-december-1422883888](http://www.wsj.com/articles/u-s-consumer-spending-down-0-3-in-december-1422883888)

# Personal Spending on Goods/Services Quarterly

Personal Spending on Goods/Services January 2008 - December 2017



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>16</sup>

Personal spending continued to grow strongly in 2016, ending the year up by 4%. The pre-Christmas peak in 2016 surpassed the 2007 peak for the first time in nine years.

Growth continued in 2017, up by 3.2% for the year in current terms, representing a slight softening in the positive trend, mostly attributable

to a weakness in the services sector.<sup>17</sup> However, the final quarter of 2017 was strong, up 4.5% year-on-year, suggesting good momentum going into 2018.

Consumer spending in the UK slowed to 1.7%, following several years with average growth of 3%. Spending weakened further in the first months of this year, down 1.2% year-on-year.<sup>18</sup>

US consumer spending continues to be in recovery mode, with personal spending increasing by an average of 3% every year for the past five years.<sup>19</sup> Spending has been a little bit weaker in Q1 of 2018, up by an annual rate of 2%.<sup>20</sup>

16. Central Bank of Ireland, Quarterly Economic Bulletin, Quarter 1, 2017.  
 17. <http://www.cso.ie/en/releasesandpublications/er/na/quarterlynationalaccountsquarter12017/>  
 18. <https://www.bloomberg.com/news/articles/2018-02-12/u-k-consumer-spending-slumps-again-at-the-start-of-2018>  
 19. [www.wsj.com/articles/u-s-consumer-spending-down-0-3-in-december-1422883888](http://www.wsj.com/articles/u-s-consumer-spending-down-0-3-in-december-1422883888)  
 20. <https://www.bloomberg.com/news/articles/2018-04-30/u-s-march-consumer-spending-picks-up-inflation-hits-fed-goal>



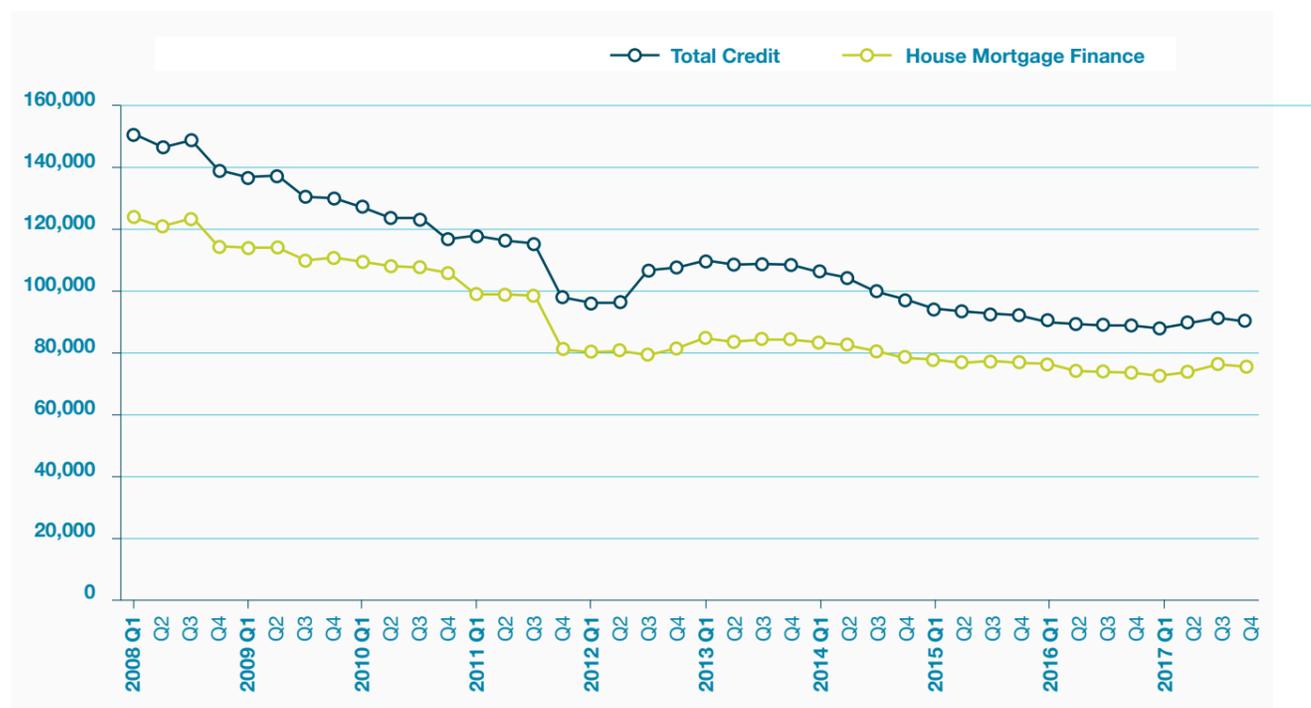
# 102bn

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



## Personal Borrowing Quarterly

Personal Borrowing January 2008 - December 2017



Borrowing by Irish households grew at a record level from 2000 and peaked in March 2008 at €150 billion, but declined steadily from, down 40% to €86 billion by Q1 2017. The trend finally reversed in 2017 with debt increasing by 2%, the first sign of a return to normal conditions.<sup>21</sup>

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 begun to increase since then, up by €4 billion by end 2017, an annual growth of 5%. 72,489 (10%) of accounts were in arrears at end-September.<sup>22</sup>

Lending for other consumption accounts for 18% of total borrowing. This category peaked in Q1 2008 at €30 billion but declined to €12 billion by December 2016, a reduction of 60%. It resumed growth in mid-2016, and it grew by a very significant 5% in 2017.

Overall, the ratio of household debt to disposable income has fallen by 60% from a peak of 215% in mid-2011, down more than any other EU country. This ratio stood at 140% in Q3 2017, which leaves Irish households still the fourth most indebted in the EU.<sup>23</sup>

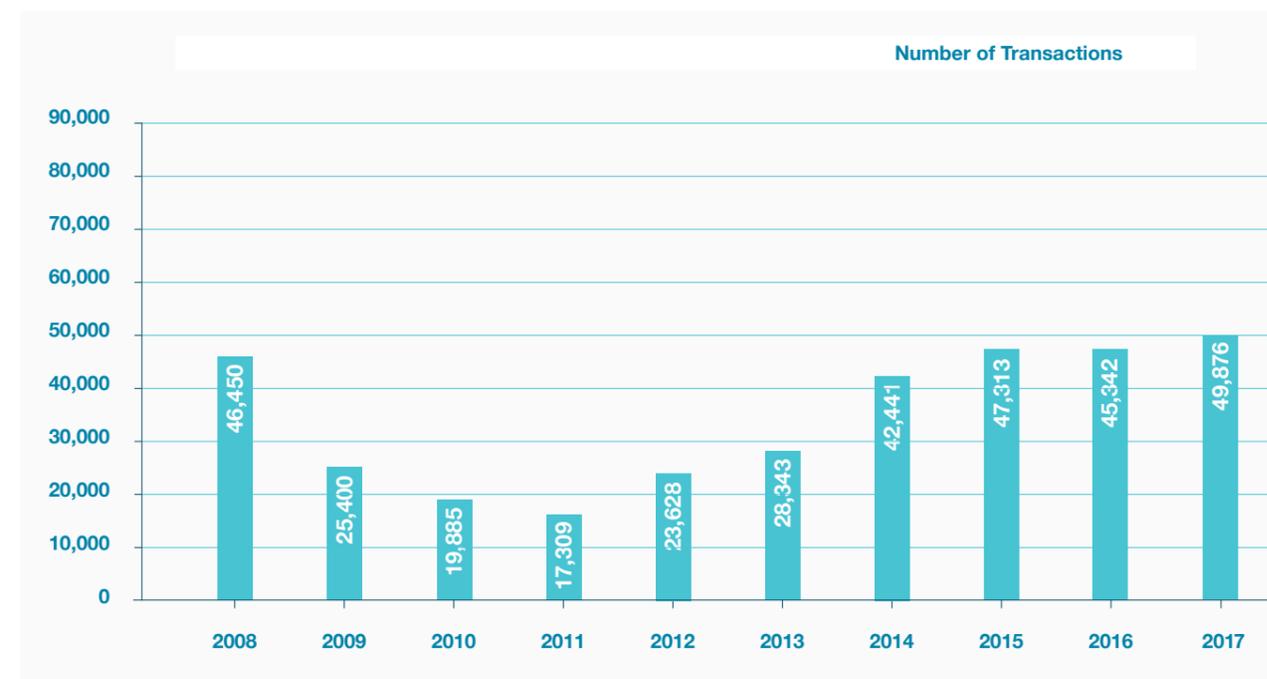
21. <http://www.rte.ie/news/business/2016/0818/810205-household-debt/>

22. <https://www.centralbank.ie/news/article/residential-mortgage-arrears-and-repossessions-statistics-q1-2017>

23. <https://www.centralbank.ie/docs/default-source/statistics/data-and-analysis/financial-accounts/quarterly-financial-accounts-for-ireland-2016-q4.pdf?sfvrsn=6>

## 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>24</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 48,248 sales and 22,767 new mortgages issued, up 19% on 2014. There were 48,111 homes sold in 2016 which was actually lower than 2015, in a situation of very short supply.

Sales strengthened to 51,688 in 2017 (up 7%), the highest level since the recession. Transactions are up again in the first two months of this year

by 5% suggesting a final figure of about 55,000.

These increases occurred 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. However, this is being expanded by the number of new homes being built, estimated at 19,000 last year, and expected to be about 21,000 this year.

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>25</sup>

Sales of residential property in the US were up 1% in 2017, at 6.2 million.<sup>26</sup>

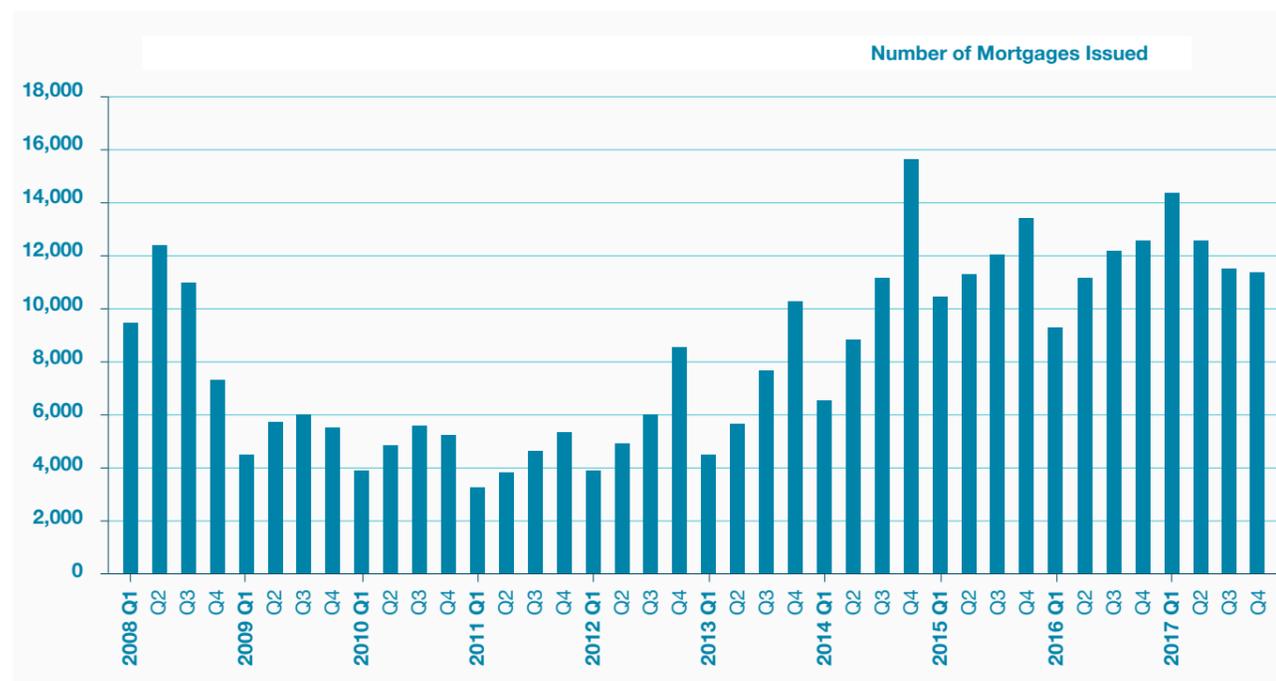
24. Data are not available for sales of residential properties prior to 2010, so we used the number of mortgages issued for house purchase as a proxy, adjusted for cash sales. New loans for purchase of private homes. Excludes top-ups and buy-to-let.

25. [https://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)

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

## Residential Property Sales Quarterly

Number of Mortgages Issued January 2008 - December 2017



This upward trend continued in 2015, with 48,248 sales and 22,767 new mortgages issued, up 19% on 2014. There were 48,111 homes sold in 2016 which was actually lower than 2015, in a situation of very short supply.

Sales strengthened to 51,688 in 2017 (up 7%), the highest level since the recession. Transactions are up again in the first two months of this year by 5% suggesting a final figure of about 55,000.

These increases occurred 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. However, this is being

expanded by the number of new homes being built, estimated at 19,000 last year, and expected to be about 21,000 this year.

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>27</sup> Prices are also under pressure and sales are depressed.<sup>28</sup>

Sales of homes in the US are growing steadily, up 3% in 2017, at 6.2 million. Sales and prices are continuing strong this year, with supply being a limiting factor.<sup>30</sup>

27. [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)

28. <https://www.theguardian.com/money/2017/apr/28/uk-house-prices-april-brex-it-inflation-wages-nationwide>

29. <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>

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



+7%

An increase in sales has occurred in spite of 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. However, this is being expanded by an increase in the number of new homes being built, estimated at 19,000 last year, and expected to be about 21,000 this year.





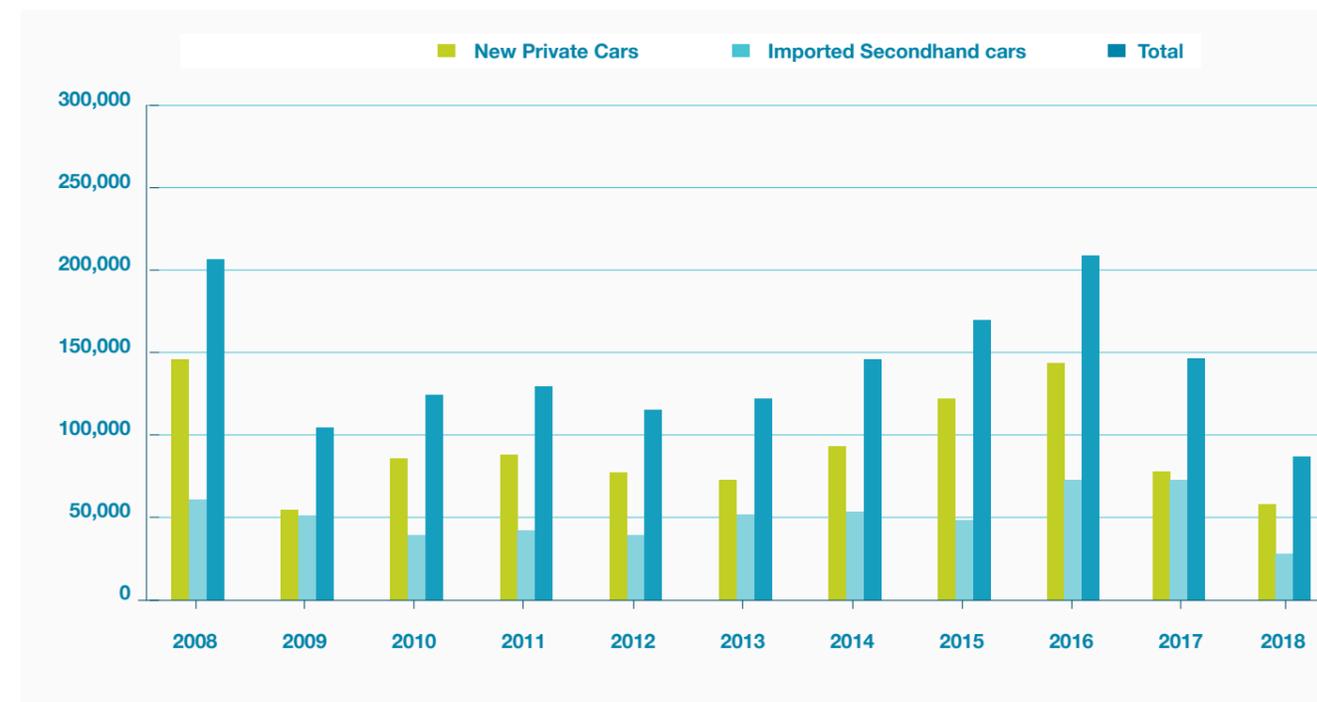
3.5%

New car sales were weaker in 2017, down 10.5%. In contrast, there has been a dramatic rise in the number of imported second hand cars, up by 47% in 2017. Taken together, car sales in 2017 were up 3.5%, which is reasonably healthy, and look like maintaining this level for 2018 rather than showing much growth.



## Sales of Private Cars Annual

Sales of Private Cars 2008 - 2018



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.

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>31</sup>

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.

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>32</sup>

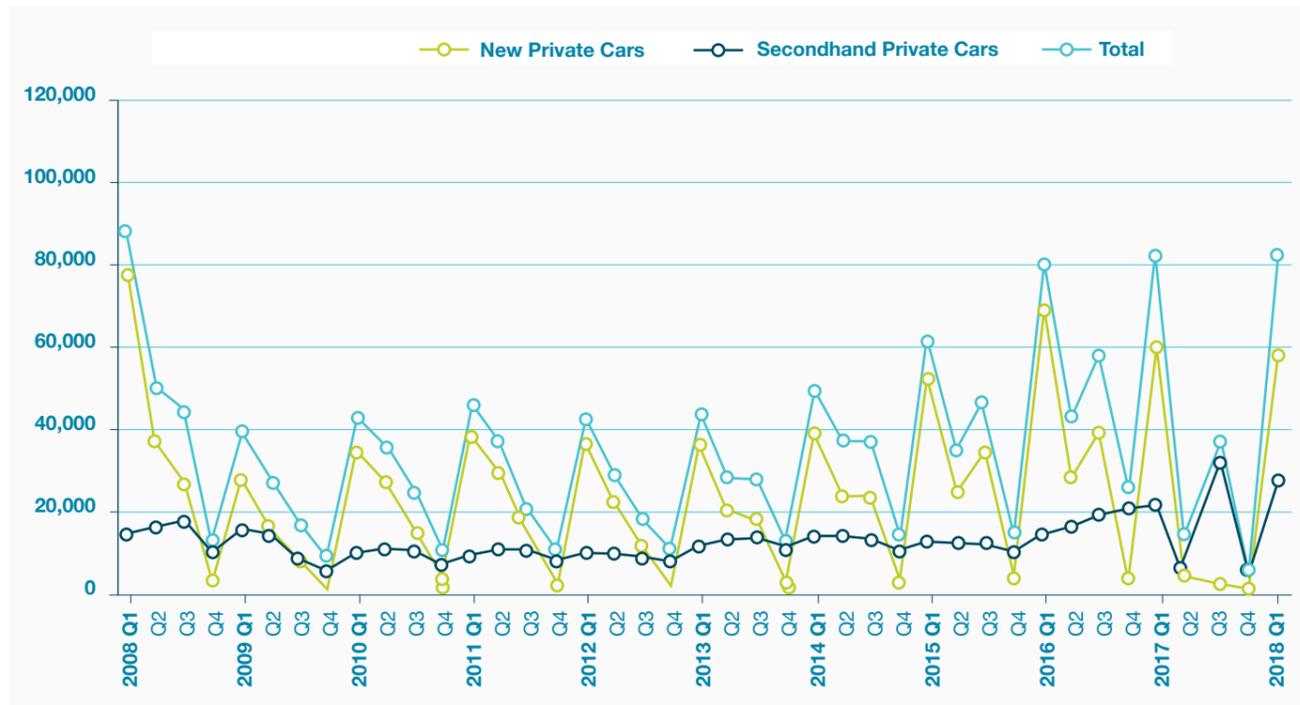
Sales of new cars fell back by 10.5% in 2017, to 127,045. However, this was not an indication of economic weakness, so much as a result of a substantial increase in second hand imports. This number was 92,508 in 2017, almost double the number in 2015.

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>33</sup> Sales slowed to 17.2 million in 2017, a drop of 1.9%.<sup>34</sup>

31. <https://www.cartell.ie/2017/02/used-car-market-breaks-one-million-2016/>  
 32. <https://www.carmagazine.co.uk/car-news/industry-news/uk-2017-car-sales-analysis-winners-and-losers/>  
 33. [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)  
 34. <https://countryeconomy.com/business/car-registrations/usa>

# Sales of Private Cars Quarterly

Sales of Private Cars January 2008 - March 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>35</sup>

Following the recession, car sales began to recover in 2014, with 92,361 sold, a 30% increase, and this rate of growth continued in 2015 with 121,110 cars sold.<sup>36</sup> Sales continued upwards in 2016, with 142,688 cars sold, a lower growth rate of 18%.

Sales weakened again in 2017, down 10.5% year-on-year, for a total of 127,045. This trend is persisting in 2018 with new car sales down -3.9% in the first quarter for a total of 58,402.

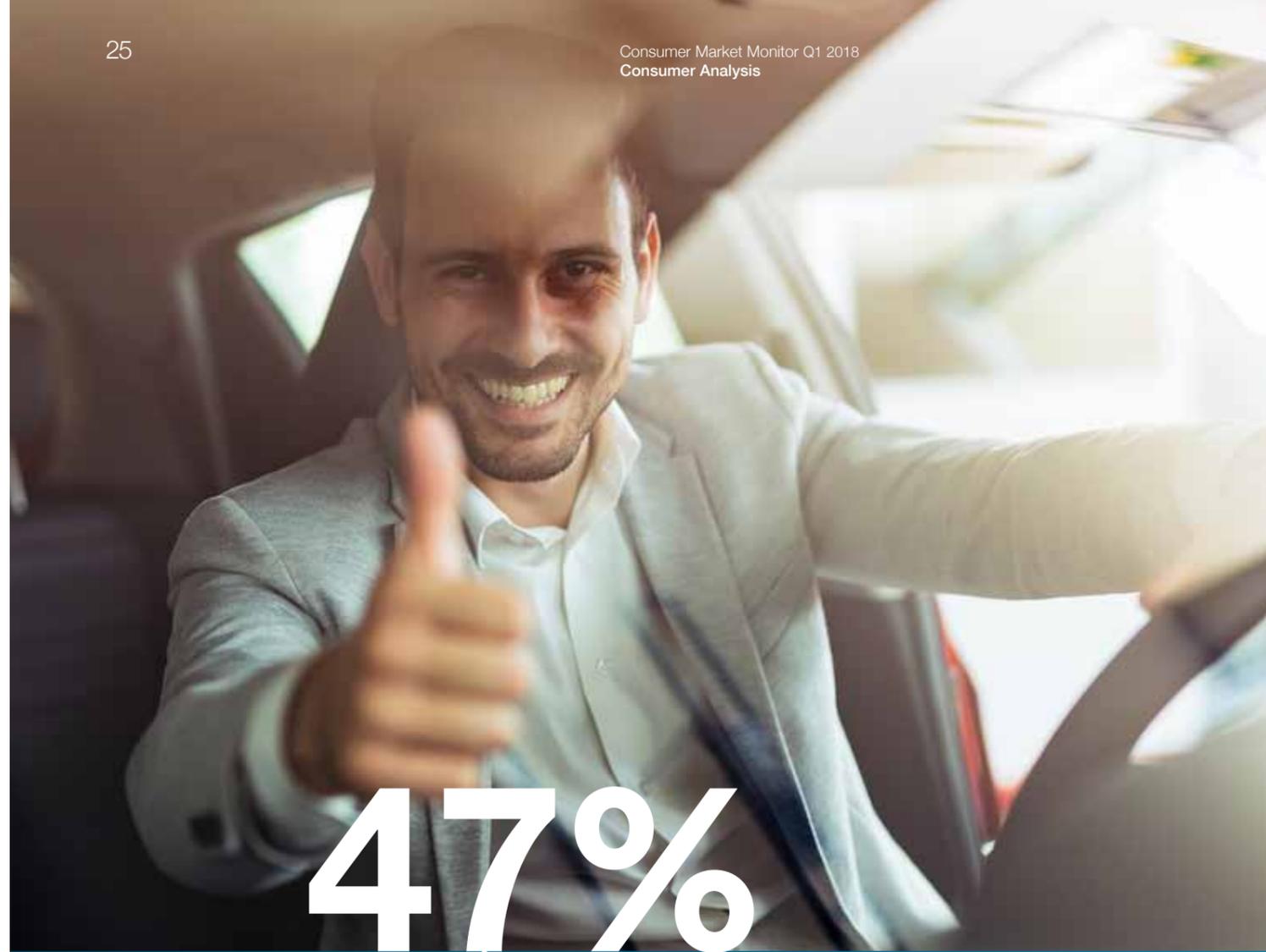
In contrast, there has been a dramatic rise in the number of imported second hand cars, up 47%

in 2016, and up again by 46% in 2017 for a total of 92,508. This trend is continuing in 2018, with imports up 8.1% in the first quarter. At this rate, imports should reach 100,000 for the year, a new record. This reflects the weakening of sterling which makes imports better value.

Sales of new cars in the UK have been weak, down by 5.4% in 2017 with 2.54 million cars sold.<sup>37</sup> Sales are down by a further 15.7% in Q1 this year, as a fall in the value of sterling pushed up prices.

Sales of cars in the U.S fell 1.8% in 2017 to 17.25 million, ending a seven-year streak of increases.<sup>38</sup> New car sales increased by 2% in Q1 2018, year-on-year.

35. <http://www.rte.ie/news/2015/0811/720529-new-cars-licensed-in-july-up-over-50-on-last-year/>  
 36. <http://www.rte.ie/news/business/2015/1016/735186-european-car-sales/>  
 37. <https://www.carmagazine.co.uk/car-news/industry-news/uk-2017-car-sales-analysis-winners-and-losers/>  
 38. <http://www.automobilemag.com/news/u-s-auto-sales-totaled-17-25-million-calendar-2017/>



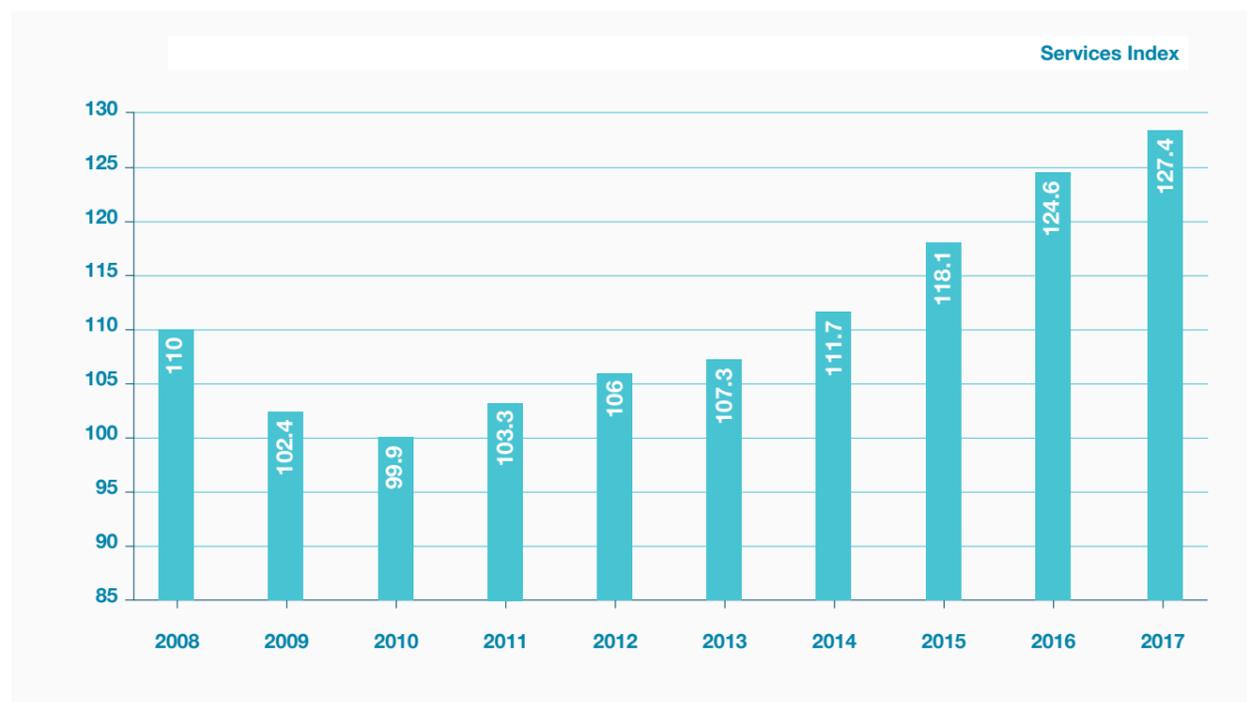
# 47%

There has been a dramatic rise in the number of imported second hand cars, up 47% in 2016, and up again by 47% in 2017 for a total of 92,508. This trend is continuing in 2018, with imports up 8.1% in the first quarter. At this rate, imports should reach 100,000 for the year, a new record. This reflects the weakening of sterling which makes imports better value.



## 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 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. The services index overtook the 2007 peak in 2014, and made further gains in 2015 and 2016, up by 5% per annum. By the end of 2017, the services index was up by 15% over the 2007 peak.

The chart below shows, however, that there has been considerable variation in the recovery

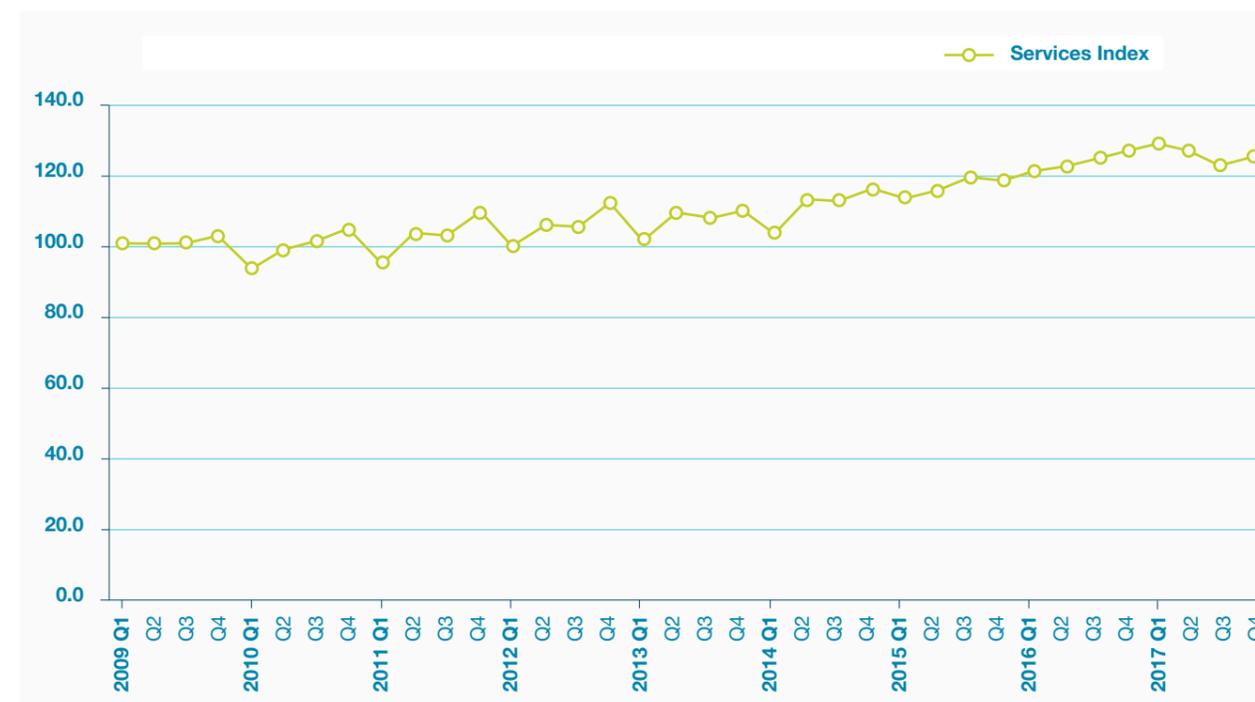
paths of different service sectors over the past ten years. Information and communication which include mobile phone and internet services have grown strongly and are now 60% higher than a decade ago, although this sector slowed in 2017.

Accommodation and food services did next best, growing rapidly from 2014 to 2016, but levelling off since then. However, the 2017 index is 30% up on 2008 which is a strong performance.

The services sector in the UK reached a 17-month 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>39</sup> Growth slowed since Brexit, with 2017 up by just 1.3% year-on-year.<sup>40</sup>

## Services Index Quarterly

Services Index January 2009 - December 2017



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. Q4 sales reached a new peak in 2016 but levelled off a little in 2017.

Growth slowed slightly in 2017, to a rate of 4%, but picked up towards the end of the year. Growth of 8% was experienced in January of this year, but this fell back to 2% in February and March, probably because of the exceptionally bad weather.

Most service sub-sectors have recorded growth for the past year, and again in quarter 1 2018, suggesting a positive picture for the rest of the year. Service sub-sectors grew as follows

in 2017: Professional, Scientific and Technical (+11.9%), Administrative Support (+8.5%), Wholesale and Retail (+5.2%), Accommodation and Food Service (+3.2%), Weaker sectors were: Transportation and Storage (+1.6%) and Information and Communication (+1.9%).

The UK Services Activities Index has grown steadily since Q3 2009, up by around 3% per year. However, there was a levelling off in 2017, to 1.3%.<sup>41</sup>

Europe continues to lag in terms of growth in the services sector, reporting less than 1%pa in the three years to 2015.<sup>42</sup> Growth began to pick up in 2016 and 2017, to 3%.<sup>43</sup>

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

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

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

42. <http://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=teis710&language=en>

43. [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)

## Retail Sales Annual

Retail Sales Index 2008 - 2018



Retail sales, excluding the motor trade, grew exceptionally strongly from 2000 to 2007, with volume up by 32% and value by 52%, stimulated by growing employment and income, as well as by low interest rates and high levels of borrowing.

Retail sales fell each year from 2007 to 2012, down -10% in volume, while value declined by -16%. Sales stabilised in 2012 and 2013, with volume and value static.

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.

Online retailing is also growing very rapidly, up 20% a year over the last three years, for a total of €5 billion in 2017<sup>44</sup>. Unfortunately, 60-70% of this is going to overseas suppliers<sup>45</sup>. Retail sales are down as of Q1 2018.

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>46</sup>. However, growth fell back in 2017, up by just 1.9%, the lowest since 2013.<sup>47</sup>

Retail sales in the US were on an upward trend from 2011, up by 5% in 2012 and 2013, but slowing to 3% in 2014, 2015 and 2016<sup>48</sup>. Sales rose by 5% in 2017.

44. <https://www.centralbank.ie/statistics/data-and-analysis/credit-and-banking-statistics>

45. [https://www.virginmedia.ie/pdf/VM\\_IE\\_Digital\\_Insights\\_Report.pdf](https://www.virginmedia.ie/pdf/VM_IE_Digital_Insights_Report.pdf)

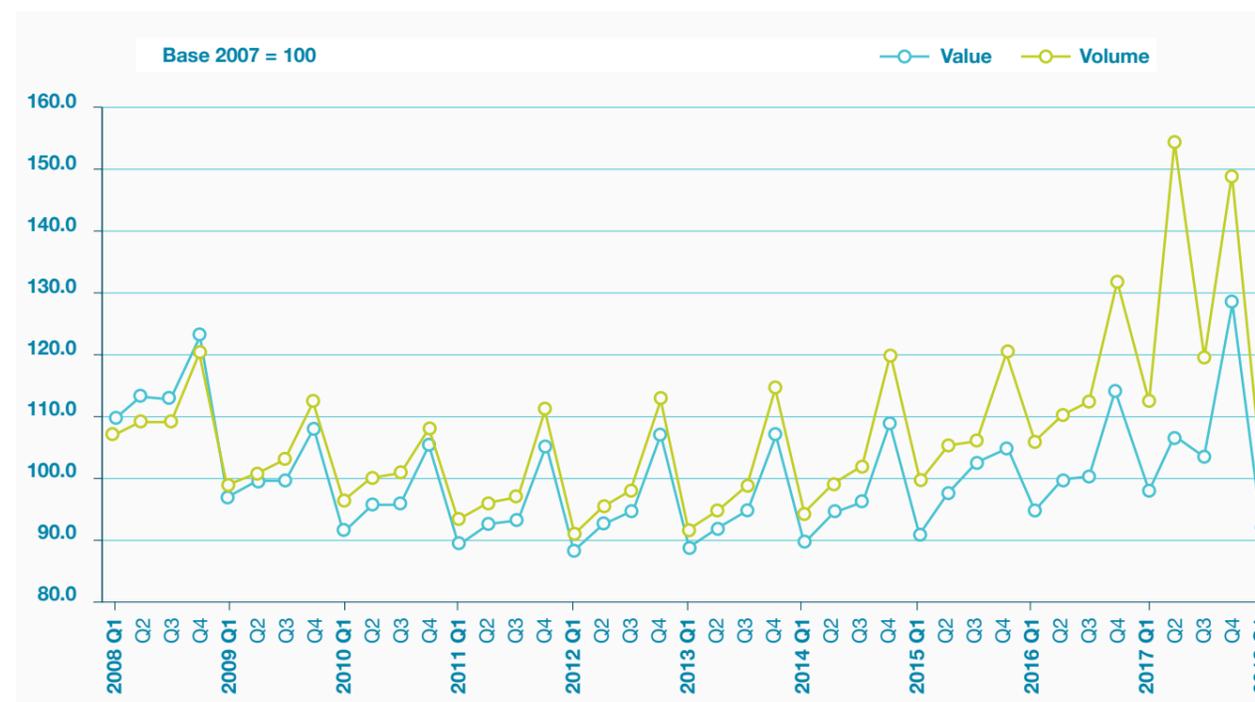
46. <http://www.ons.gov.uk/ons/rel/rsi/retail-sales/november-2015/stb-rsi-nov-15.html>

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

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

## Retail Sales Quarterly

Retail Sales Index January 2008 - March 2018



Retail sales have a major seasonal peak in November-December, 50% above the average for the rest of the year. This peak has been getting higher each year, reaching a record level in Q4 2017.

Retail sales were strong in 2017, up 4.3% for the year in volume terms, and up 2% in value. Growth accelerated as the year progressed, to a level of 6.7% in Q4, suggesting strong momentum into 2018. This equated to spending of €40 billion which is back to the levels seen in the last boom. Vat returns were also very strong, up by 7% in 2017 for a total of €13 billion.

Retail sales excluding the motor trade grew by 4.3% in volume in Q1 2018 and by 2% in value, year-on-year, despite exceptionally bad

weather conditions. Individual retail categories had mixed fortunes; household equipment continued to be the fastest growing category, up 10.2% in volume and 2.6% in value, year-on-year. Supermarkets and other food stores also performed well but most other categories did badly, reverting to negative trends that haven't been seen for several years.

Retail sales in the UK were up by 1.4% in volume terms in Q1 2018, which represented a further softening in that market, following a relatively sluggish 2017 (up 1.9%).

Following growth of 4.2% in 2017, retail sales in the US were up by 4.5% in the first quarter of 2018, year-on-year.<sup>49</sup>

49. [https://www.census.gov/retail/marts/www/marts\\_current.pdf](https://www.census.gov/retail/marts/www/marts_current.pdf)



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