



Q2

2018

Consumer

Market Monitor





Q2

The Author

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Mary Lambkin

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Consumer Market Monitor

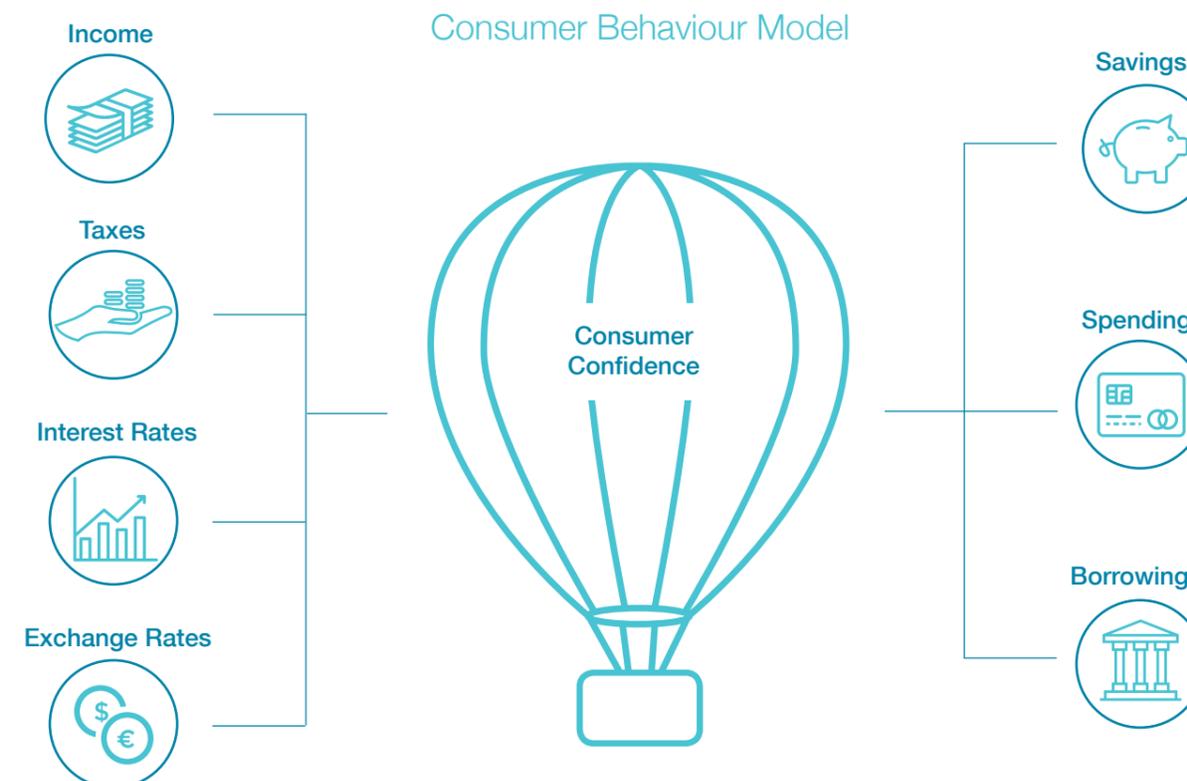
The Consumer Market Monitor is a publication provided by the Marketing Institute of Ireland in collaboration with the UCD Michael Smurfit Graduate Business School.

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 two of 2018 and reviews the past year as a whole.



Executive Summary

Consumer spending is growing at a steady pace and continues to be one of the main drivers of economic growth in Ireland, along with construction. Growth continued in both sectors in 2017 and this pattern is continuing in 2018. Consumer spending was up 3% for 2017 in current terms, while construction grew by an even higher 4.2%.

Consumer spending is projected to increase by 4% this year in current terms, equal to 2.6% in real terms. This pattern is also expected to continue through 2019 with growth of 4% in current terms or 2.5% in real terms.

The main drivers of this growth are population expansion, along with increasing employment. Employment growth has averaged 3% every year since 2012. Employment is forecast to increase by a further 2.6% this year, followed by 1.9% in 2019. There are now 2.2 million people at work, up 48,000 year-on-year, and up by 344,000 (+19%) from the low point in 2012.

The increasing numbers of people employed, as well as increases in hours worked, is leading to a substantial increase in the amount of disposable income circulating in the economy. There has been a remarkable increase in gross disposable income - it has increased up 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 continuing to grow in 2018, at about the same rate of 5%, and this is expected to continue in 2019.

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 forecast for this year, and a similar rate for 2019.

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 in recent months reflecting concerns about global risk factors and higher fuel costs, but it remains largely positive.

Retail sales were strong in 2017, up by 4.3% in volume and by 2% in value, following growth of 3% in volume in 2016 with value static. All retail categories performed well with household goods growing by double digits and out-performing all other categories.

Sales of new cars are one important exception showing significant weakness, down by 10.5% in 2017 for a total of 127,045. New car sales are continuing to be weak this year, down 4.9% in the first half for a total of 83,037.

In contrast, there was a dramatic increase in the number of imported second hand cars, up 47% in 2016 and up the same again in 2017, to a total of 92,508. This growth is continuing in 2018, up 12% in the first half year suggesting a total of more than 100,000 for the year as a whole.

Sales of services are also strong, up by 4% a year for the last three years. Vat returns were correspondingly strong, up by 7.1% for 2017, and by a further 5.5% for the first half of 2018.

Service sectors such as accommodation and food, and information/communications have grown by double digits in recent years. Others such as wholesale and transport have had mixed fortunes, possibly influenced by the bad weather early in the year.



2%

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



+12

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 in recent months reflecting concerns about global risk factors and higher fuel costs, but it remains largely positive.

Residential property is the sector under most pressure, as is well known. There were 50,000 homes sold in 2017, up by 11% on 2016, despite an acute shortage of supply - just 18,900 properties were for sale in December 2017, or 1% of the national housing stock of 2 million homes. This strong demand is continuing in 2018, with 60,000 sales expected for the year.

Consumer Confidence

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

Confidence fell slightly through 2016, reflecting uncertainty about Brexit and industrial unrest. It picked up again in 2017, however, and ended the year on a high level, well above the EU average.

Consumer confidence is remaining strong in 2018 although there has been a slight weakening in recent months. The current level is still consistent with a growing economy, with increasing employment and economic benefits expanding across the country.

Consumer confidence in the UK has been negative since Q2 2016 due to worries about Brexit as well as general political uncertainty. Confidence declined steadily through 2017, reaching a low of -8 in December. In contrast, consumer confidence has improved across the rest of the EU, reflecting strengthening economies.

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.

Personal consumption, of which household spending is over 90%, closely mirrors income, increasing from €62bn to €95bn (+48%) from 2002 to 2008. Spending then declined for five years, a reduction of -15% in current terms and -7.5% in real terms.

Personal spending began to recover in 2014, up 2%, and up 4.5% in 2015. It continued to grow in 2016, up 4% in real terms, and was up 3% in 2017 to €100 billion, of which households accounted for €94 billion.

Consumer spending is continuing to grow this year, with forecasts suggesting that spending will be up by 2.6% for 2018 as a whole, and by 2.5% for 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 from there, 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. Total household borrowing stood at €88.5 billion in Q1 2018.

Loans for house purchase, which account for 84% of household borrowing, peaked in Q1 2008 at €124 billion, but dropped to a low of €73 Billion by Q4 2016, a cumulative decline of 40%. Mortgage lending has begun to increase again since then, up to €75 billion by the end of 2017, an annual growth of 5%. 72,489 (10%) of accounts were still in arrears at the end of the 2017.

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 2016 and grew by 5% in 2017 to €13.5 billion.

Overall, the ratio of household debt to disposable income has fallen by 60%, from a peak of 215% in mid-2011 to 140% in Q3 2017. Despite this improvement, however, Irish households are 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 actually lower than the 47,313 sold in 2015 in a situation of very short supply.

Sales strengthened in 2017, up 10% to 50,000, 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 20,000 sales transactions in the first five months, and 60,000 sales expected for the year. This will be assisted by the increase in new homes being built, estimated at 20,000 this year, up 58% from 2015.

Services

The services sector recovered more quickly from the recession than the retail sector, showing modest growth from 2011 onwards, and overtaking the 2007 peak in 2014.

The services index grew by 4-5% per annum on average for the past four years, including 2017.

Growth accelerated in Q2 2018 to 9.3% year-on-year, a considerable lift. Vat returns were also up more than expected, by 5.5% for the first half of the year.

The fortunes of individual service sectors have varied considerably over recent years; for Q2 2018 year-on-year: accommodation and food service are up 12.5%, wholesaling (+12.9%), administrative and support services (+19.8%), information and communication (+15.5%), transportation/storage (+11.2%), professional/technical services flat (-0.8%), while other services fell (-14.8%).

Car Sales

Car sales began to recover in 2014, with sales of 92,361, a 30% increase, and this rate of growth continued in 2015 with 121,110 sold. Sales continued upwards in 2016, with 142,688 cars sold, a slightly lower growth rate of 18%.

New car sales were weaker in 2017, down 10.5% year-on-year, for a total of 127,045. 83,037 new cars were sold in the first half of 2018, down 4.9% year-on-year, suggesting a figure of 138,000 for the year as a whole. In contrast, there was a dramatic rise in the number of imported second hand cars, up by 47% in 2016, and by a further 46% in 2017 to a total of 92,508. This reflects the weakening of sterling which made imports better value.

Imported used cars are continuing to increase in the first half of 2018, up 11.9% to 50,272, suggesting a total of more than 100,000 for the year.

2.2 million people at work

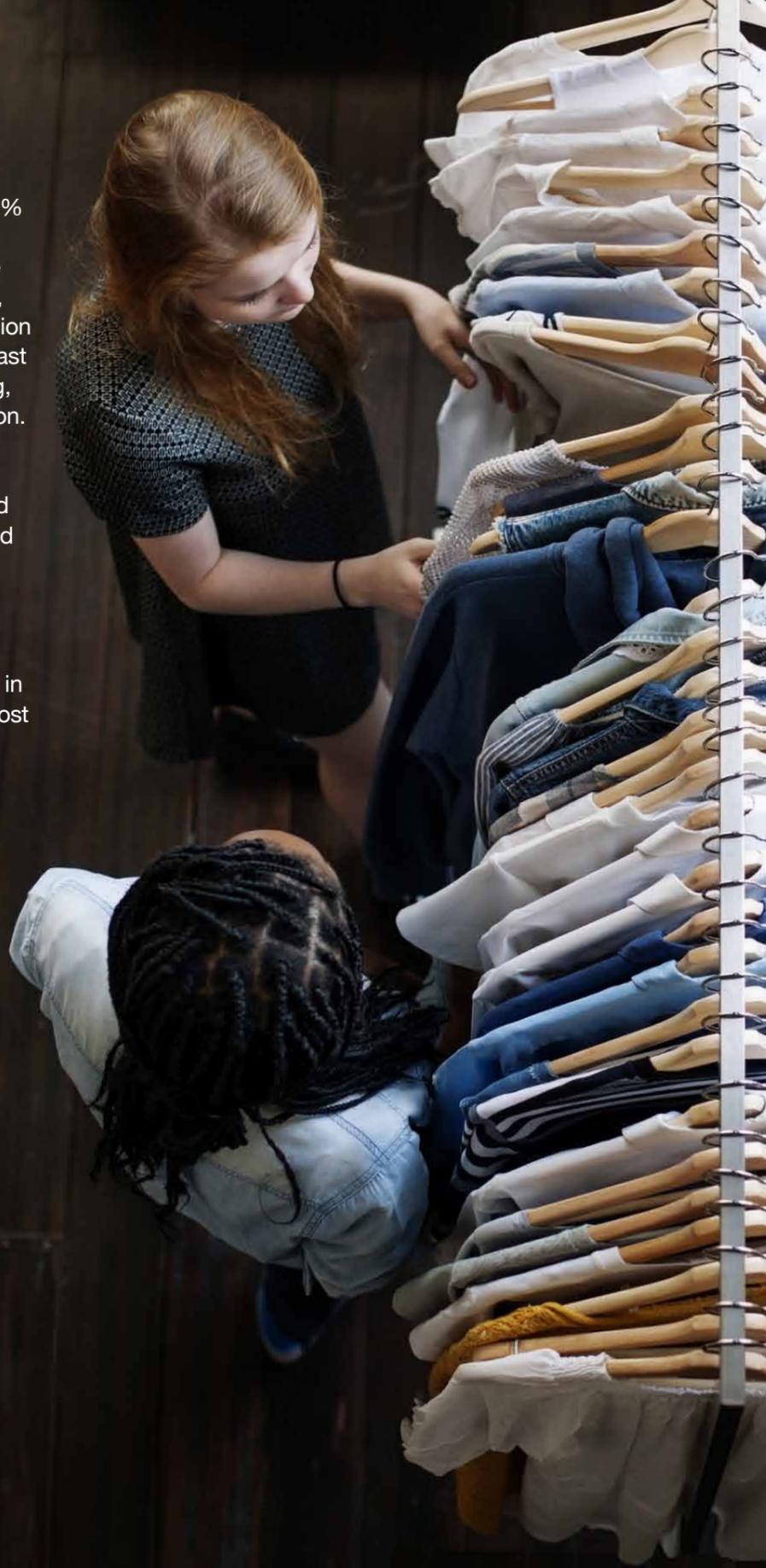
Employment growth has averaged 3% every year since 2012. Employment is forecast to increase by a further 2.6% this year, followed by 1.9% in 2019. There are now 2.2 million people at work, up 48,000 year-on-year, and up by 344,000 (+19%) from the low point in 2012.

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, summing to annual 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 4.5% in volume in Q1 2018 and by 3% in value, year-on-year. Household equipment continued to be the fastest growing category, up 9.7% in volume and 3% in value. Supermarkets and other food stores also performed well and newsagents enjoyed a lift of 5.8% in volume and 6.7% in value, a positive boost after several years of negative figures.

Retail sales were strong in 2017. All retail categories performed well with household goods growing by double digits and out-performing all other categories.



Fuel up 1.6% in volume and 6% in value



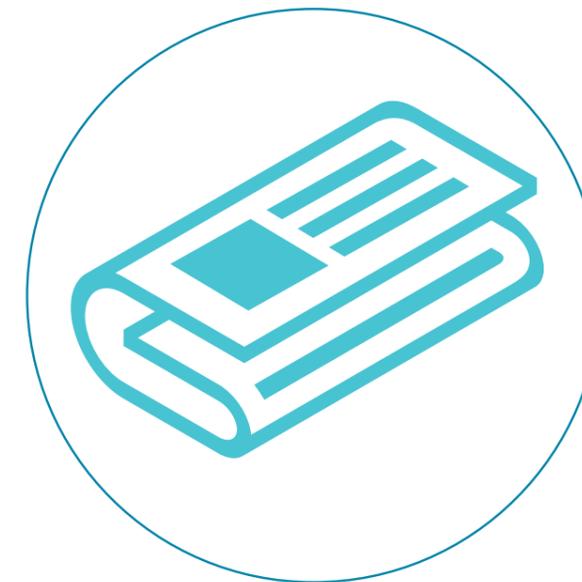
Bar sales up 1.1% in volume and up 3% in value



Department stores up 4.2% in volume and 1.0% in value



Non-specialised stores (supermarkets) up 5.6% in volume and 4.1% in value



Books, newspapers, stationery up 5.8% in volume and 6.7% in value



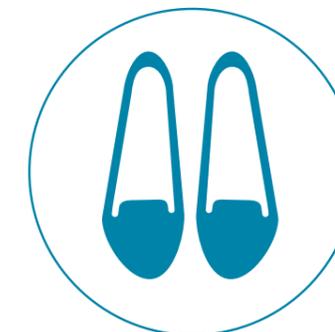
Household equipment up 9.7% in volume and 3% in value



Food sales up 4.9% in volume and up 3.3% in value



Pharmaceuticals and cosmetics up 5.9% in volume and 1.2% in value



Clothing, footwear and textiles up 2.3% in volume and 0.5% in value

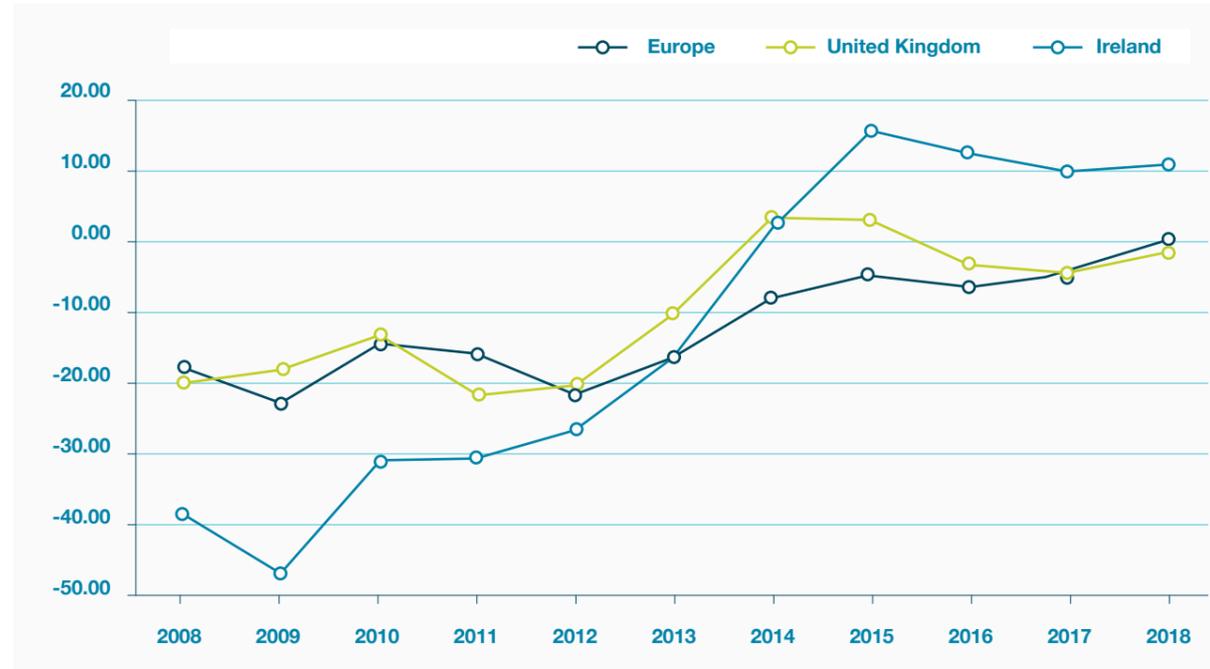
Q2-18

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.⁰¹

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

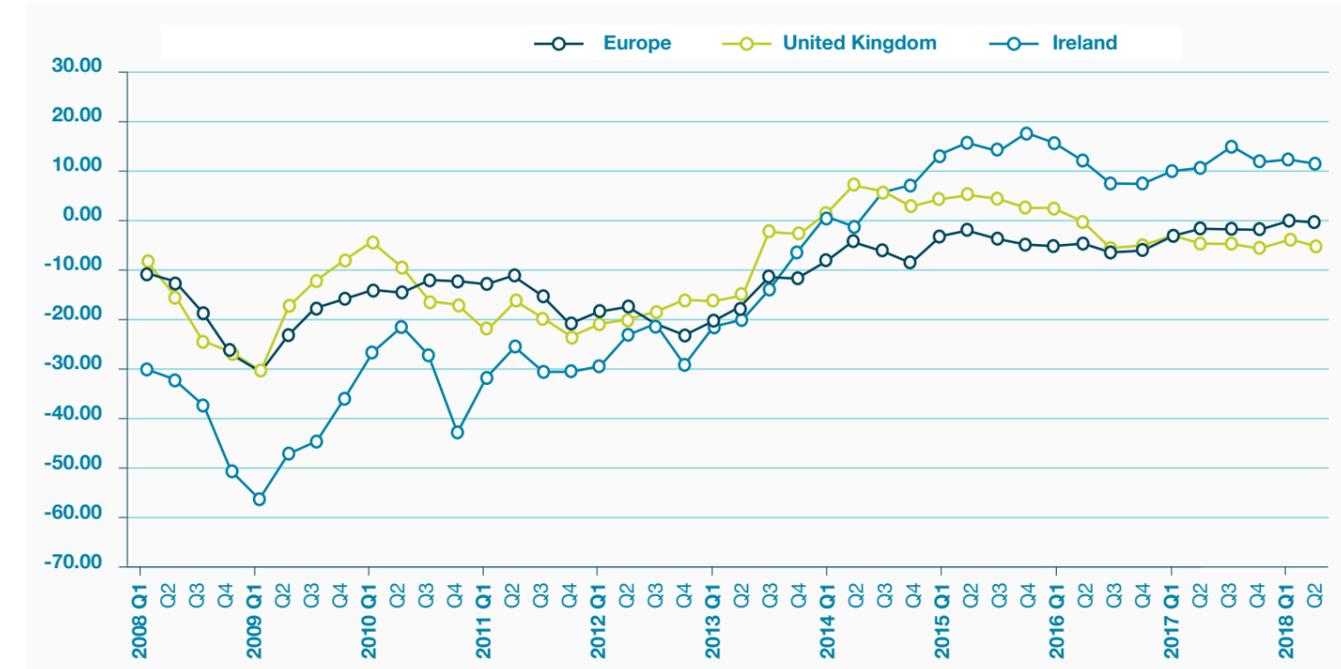
Confidence fell slightly through 2016 reflecting uncertainty about Brexit. However, it picked up again in 2017 and finished the year very positively, well above our neighbours.

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.⁰²

2016 was a tumultuous year for US consumers due to the Presidential election, which reduced confidence.⁰³ 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.⁰⁴

Consumer Confidence Quarterly

Consumer Confidence January 2008 - June 2018



Consumer confidence in Ireland has been recovering since 2013, reaching a record high in June 2015. 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, reflecting uncertainty about Brexit and industrial unrest at home. However, it picked up again in 2017, in response to strong employment data.

Confidence remains strong in 2018 although it has dropped by two points (from +14 to +12) between Q1 and Q2, indicating a slight anxiety about economic conditions.

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 has fallen by a further 4 points in H1 2018, continuing the weak trend.

Consumer confidence in the EU has also been weak, although it has climbed back to a neutral point this year indicating a positive trend.

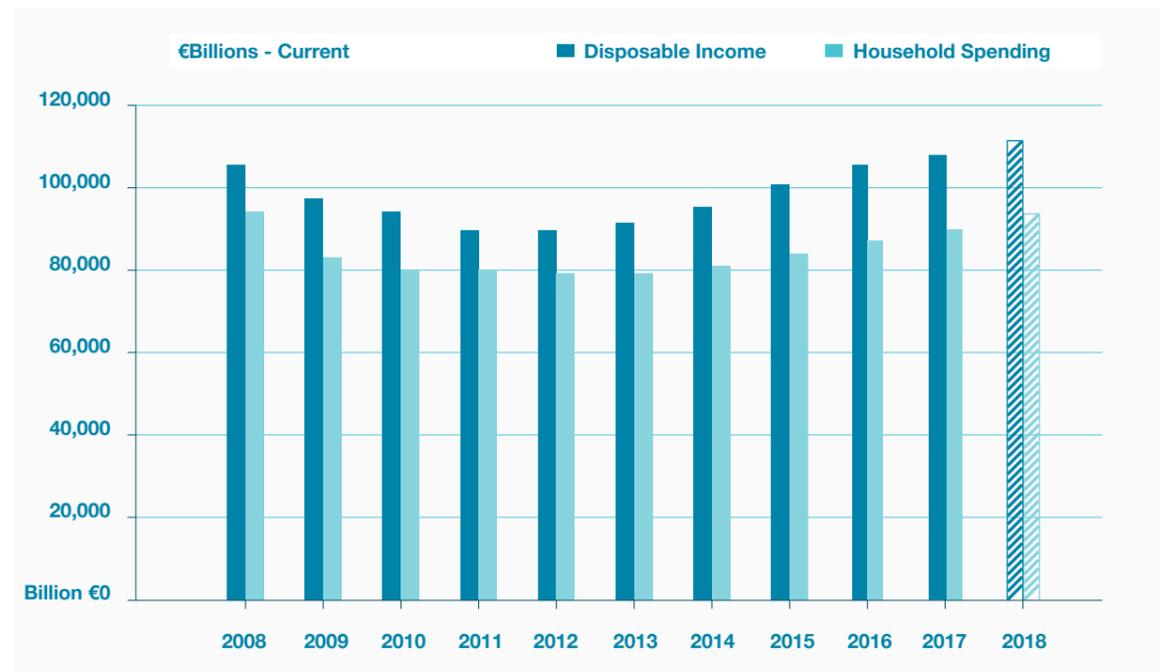
American consumer confidence reached 129 in December 2017, the highest in 17 years.⁰⁵ It remains high this year although it dropped a few points to 126 in June.⁰⁶

01. www.independent.ie/business/irish/irish-consumer-sentiment-nears-eightyear-high-in-december-30892291.html
 02. <https://www.irishtimes.com/business/economy/consumers-having-a-good-rather-than-a-great-economic-recovery-1.3349510>
 03. <http://www.usatoday.com/story/money/business/2016/04/28/consumer-confidence-april/26475567/>
 04. <http://money.cnn.com/2017/12/27/news/economy/us-consumer-confidence/index.html>

05. <https://www.bloomberg.com/news/articles/2017-10-31/u-s-consumer-confidence-index-rises-to-highest-level-since-2000>
 06. <https://www.wsj.com/articles/u-s-consumer-confidence-drops-in-june-1530022642>

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.⁰⁷ 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.⁰⁸

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. Disposable income is continuing to grow in 2018, up 4.9% in Q1, suggesting a final figure of €107 billion.

Personal consumption, of which household spending is over 90%, closely mirrors income, increasing from €62bn to €95bn (+48%) from 2002 to 2008. Spending then declined for five years, a reduction of -15% in current terms and -7.5% in real terms.

Personal spending began to recover in 2014, up 2%, and up 4.5% in 2015. It continued to grow in 2016, up 4% in real terms, and up 3% in 2017 to €94 billion. Forecasts suggest that spending will grow by 2.6% this year and by 2.5% in 2019 maintaining the positive trend.^{09,10}



102bn

The disposable income of Irish households rose by 5% in 2017 to a total of €102 billion. Consumer spending is continuing to grow this year, with forecasts suggesting that spending will be up by 2.6% for 2018 as a whole, and by 2.5% for 2019.

07. CSO Institutional Sector Accounts, Q4, 2016

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

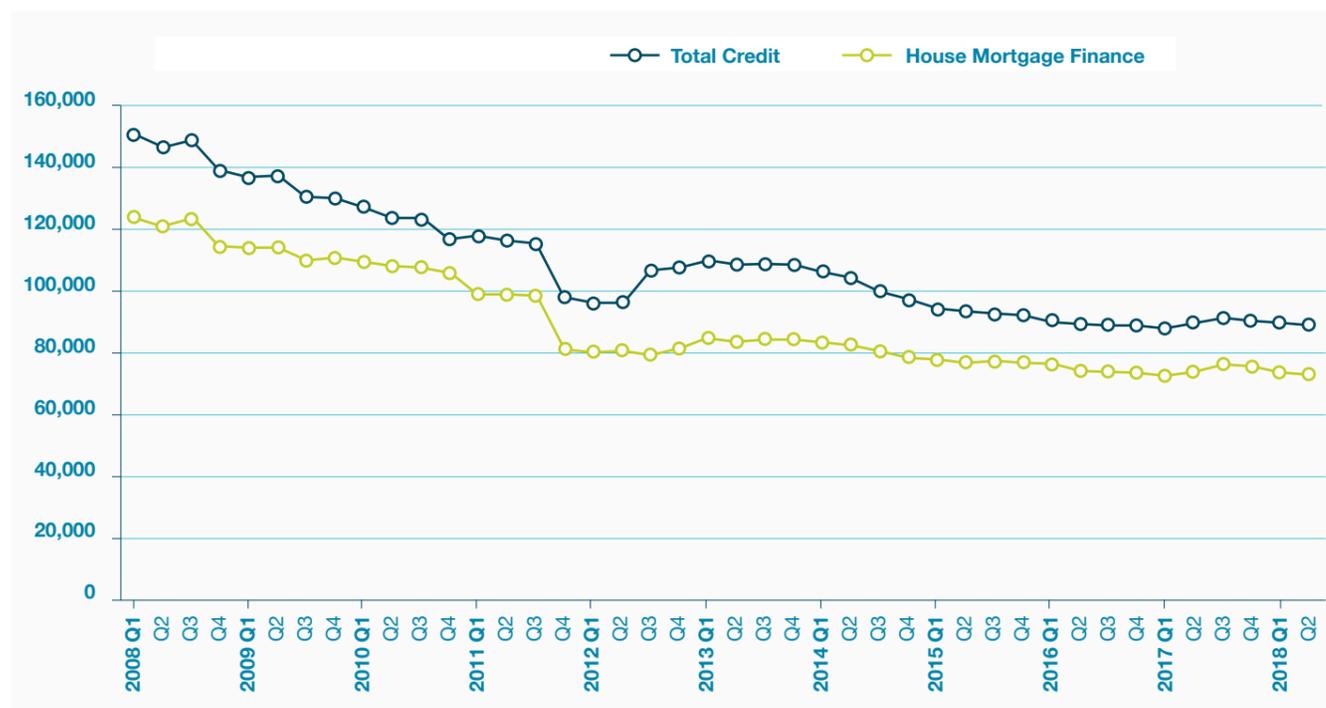
09. <https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/qb-archive/2018/quarterly-bulletin---q3-2018.pdf?sfvrsn=10>

10. [http://www.ibec.ie/IBEC/Publications.nsf/vPages/Economic_Outlook-economic-outlook---april-2018-10-04-2018/\\$File/ibec_Q1_2018.pdf](http://www.ibec.ie/IBEC/Publications.nsf/vPages/Economic_Outlook-economic-outlook---april-2018-10-04-2018/$File/ibec_Q1_2018.pdf)



Personal Borrowing Quarterly

Personal Borrowing January 2008 - June 2018



Borrowing by Irish households grew at a record level from 2000 and peaked in March 2008 at €150 billion, but declined steadily from then, down 40% to €86 billion by Q1 2017. The trend reversed in 2017 with debt increasing by 2%, the first sign of a return to normal conditions.¹¹ Total household borrowing stood at €88.5 billion in Q1 2018.

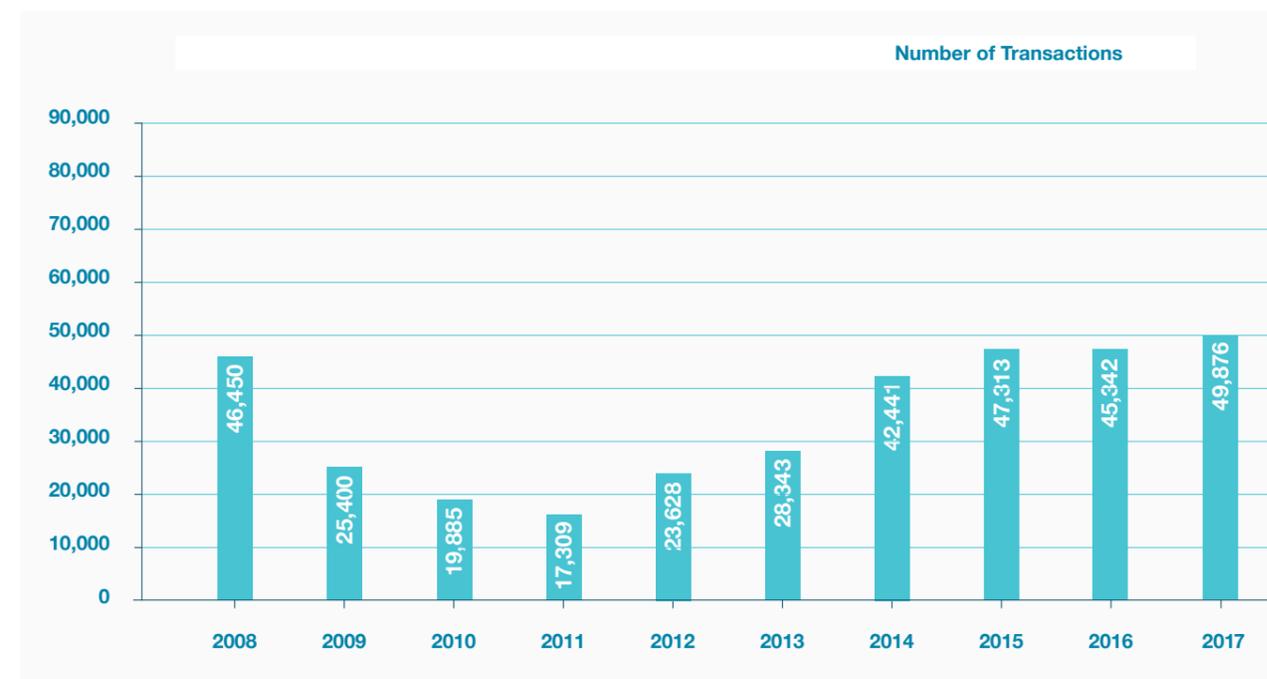
Loans for house purchase, which account for 84% of household loans, peaked in Q1 2008 at €124 billion, but decreased to €73 Billion by Q4 2016, a decline of 40%. Mortgage lending has begun to increase since then, up by €4 billion by end 2017 to €75 billion, an annual growth of 5%. 72,489 (10%) of accounts were in arrears at the end of the 2017.¹²

Lending for other personal use accounts for 18% of total borrowing. This category peaked at €30 billion in Q1 2008 but declined to €12 billion by December 2016, a reduction of 60%. It resumed growth in 2016 and grew by significant 5% in 2017 to €13.5 billion.

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.¹³

Residential Property Sales Annual

Number of Homes Sold 2008 - 2017



2011 was 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 2011.¹⁴

Housing sales picked up slightly in 2012 and 2013, but 2014 was the first year to see a major lift, 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 mortgages issued (+19%).

Sales fell to 45,342 in 2016 (-4%), with 23,589 mortgages issued. Growth resumed in 2017, up 10% to 54,000, 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 trend is continuing in 2018, with 60,000 sales expected for the year. This will be facilitated by the increasing construction of new homes, estimated at 20,000 this year, up 58% from 2015.¹⁵

There were 1.2 million residential properties sold in the UK in 2017, down 1% on the previous year, partly because of the imposition of higher tax rates.¹⁶

Sales of residential property in the US were up 1% in 2017, at 6.2 million.¹⁷

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

12. <http://www.thejournal.ie/mortgage-arrears-ireland-2-3751423-Dec2017/>

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

14. 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.

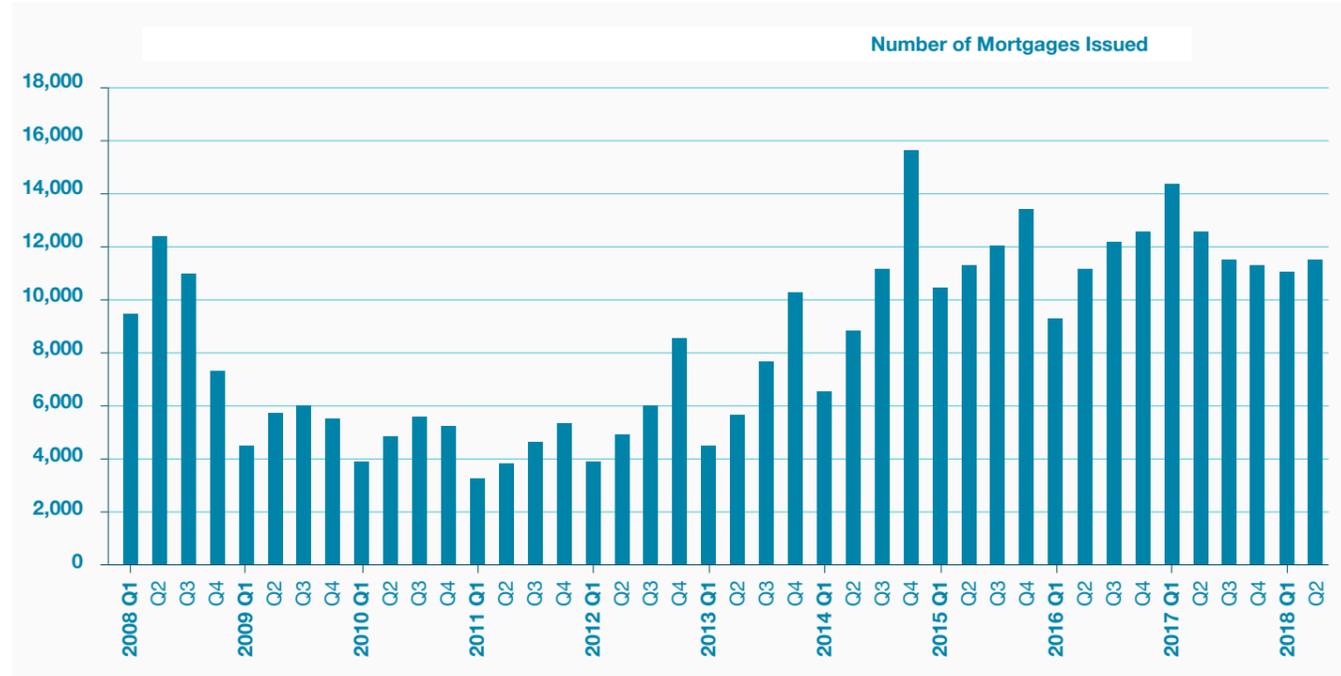
15. <https://www.irishbuildingmagazine.ie/2017/07/28/construction-industry-will-complete-18000-homes-this-year/>

16. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/674611/UK_Tables_Jan_2018_cir_.pdf

17. <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 - June 2018



There were 45,342 residential sales transactions in 2016, down 4% on 2015, partly because of a shortage of supply. Just 19,400 homes were for sale in Q4 2016 (1% of the national housing stock), the lowest since the series started in January 2007.

Sales were up 10% to almost 50,000 for the full year 2017. 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 accounted for 60%.

Q1 of 2018 saw almost 11,500 transactions, 4% above the same quarter in 2017 and the highest first quarter since the launch of the Property Price

Register (2010).¹⁸ Sales of 60,000 are forecast for the year, up 20%. This will be facilitated by the increasing rate of construction of new homes, estimated at 20,000 this year, up 58% from 2015.¹⁹

There were 1.2 million residential properties sold in the UK in 2016, an increase of 4.5%, but the market slowed in 2017 to 1.2 million, as the number of homes for sale hit new lows.²⁰ 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.²¹ Sales and prices are continuing strong this year, with supply being a limiting factor.²²

18. <http://www.daft.ie/report/2018-Q2-houseprice-daftreport.pdf>
 19. <https://www.irishbuildingmagazine.ie/2017/07/28/construction-industry-will-complete-18000-homes-this-year/>
 20. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/674611/UK_Tables_Jan_2018_cir_.pdf
 21. <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>
 22. <https://www.statista.com/statistics/275156/total-home-sales-in-the-united-states-from-2009/>



Sales strengthened in 2017 with 50,000 homes sold, up by 11% on 2016, despite an acute shortage of supply. This upward sales trend is continuing in 2018, with 20,000 sales transactions in the first five months, and 60,000 sales expected for the year. This will be assisted by the increase in new homes being built, estimated at 20,000 this year, up 58% from 2015.





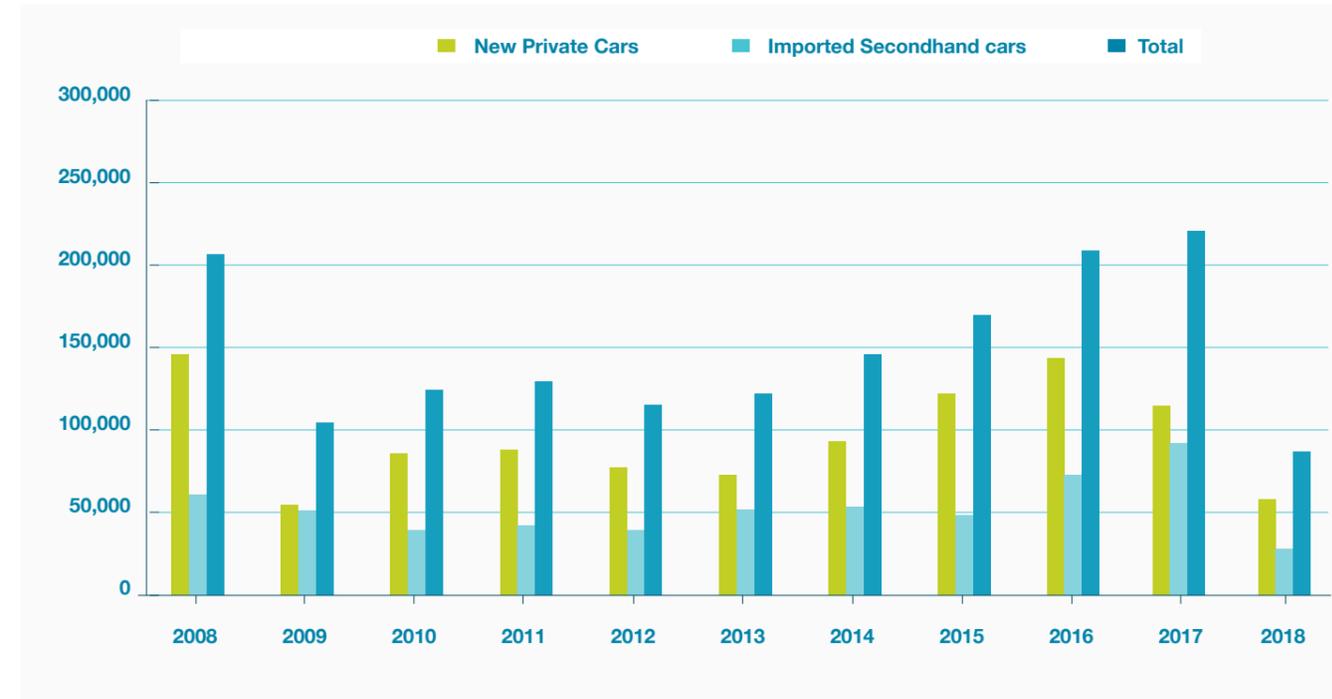
-4.9%

Sales of new cars are one important exception showing significant weakness, down by 10.5% in 2017 for a total of 127,045. New car sales are continuing to be weak this year, down 4.9% in the first half for a total of 83,037.



Sales of Private Cars Annual

Sales of Private Cars 2008 - 2018



New car sales peaked in 2007 with 180,754 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 back by 10.5% in 2017, to 127,045. This was not an indication of economic weakness so much as a result of an 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 2017.²³

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%.²⁴

US car sales peaked at 17.4 million in 2005 and bottomed out at 10.6 million in 2009. Growth resumed in 2010, averaging 4% a year, reaching 18.4 million in 2016. Sales slowed to 17.2 million in 2017, a drop of 1.9%.²⁵

23. <https://www.cartell.ie/2017/02/used-car-market-breaks-one-million-2016/>
 24. <https://www.carmagazine.co.uk/car-news/industry-news/uk-2017-car-sales-analysis-winners-and-losers/>
 25. <https://countryeconomy.com/business/car-registrations/usa>

Sales of Private Cars Quarterly

Sales of Private Cars January 2008 - June 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.²⁶

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 sold.²⁷ Sales continued to grow in 2016, with 142,688 cars sold, a lower growth rate of 18%.

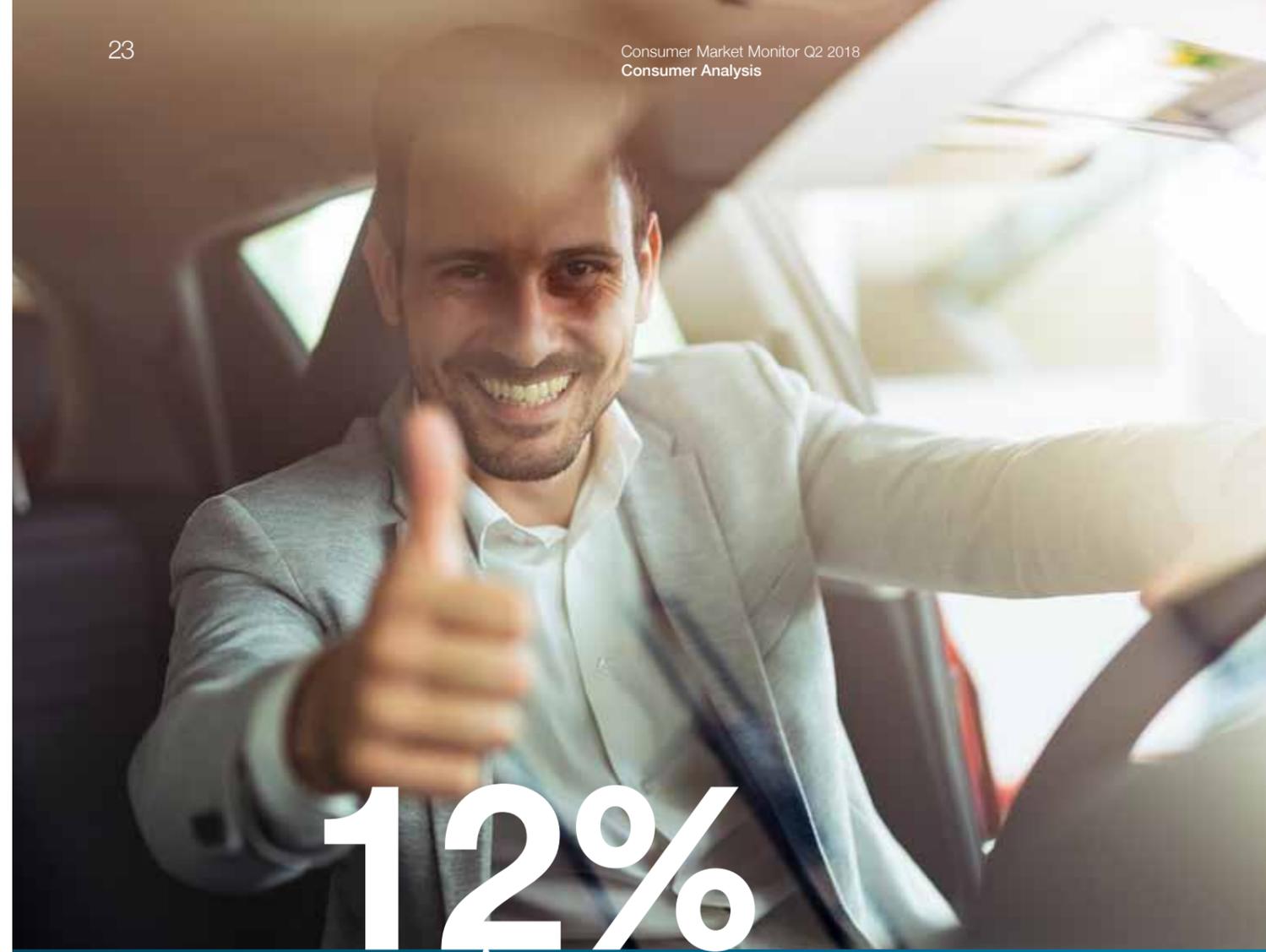
New car sales were weaker in 2017, down 10.5% year-on-year, for a total of 127,045. 83,037 new cars were sold in the first half of 2018, down 4.9% on last year, suggesting a figure of 138,000 for the year.

In contrast, there was a dramatic rise in the number of imported second hand cars, up 47% in 2016, and by 46% in 2017 to a total of 92,508. Imported used cars totalled 50,272 for the first half of 2018, up 11.9%, suggesting a total of over 100,000 for the 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, 2.7 million in 2016, but 2.5 million in 2017, a drop of 5.4%.²⁸

US car sales grew by around 4% a year for several years, reaching a total of 18.4 million in 2016. Sales slowed slightly in 2017 to 17.2 million, a drop of 1.9%.²⁹

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



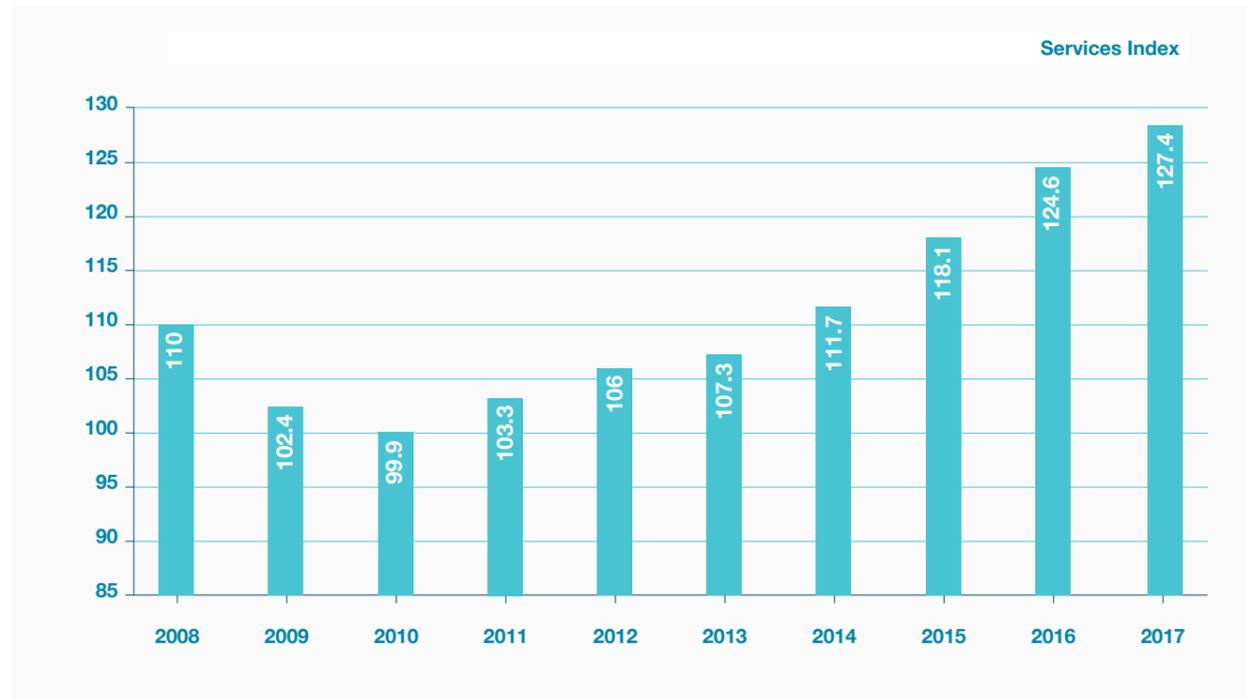
12%

there was a dramatic increase in the number of imported second hand cars, up 47% in 2016 and up the same again in 2017, to a total of 92,508. This growth is continuing in 2018, up 12% in the first half year suggesting a total of more than 100,000 for the year as a whole.



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, technical and administrative services, information and communication, wholesaling and transportation.

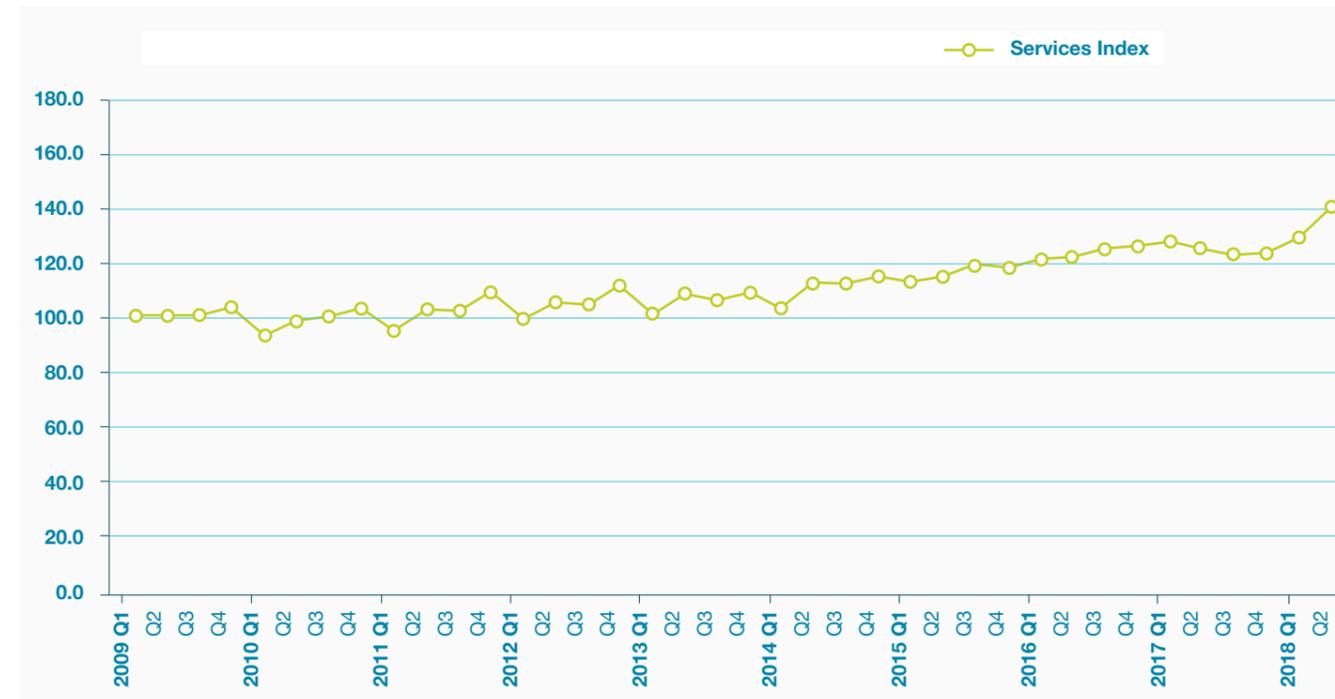
The services sector recovered more quickly from the recent recession than the retail sector, showing modest growth from 2011 onwards, and recovering more rapidly in the last two years. The index overtook the 2007 peak in 2014, and made further gains in 2015, up by 5.8% for the year. This trend continued in 2016 and 2017, although at a slightly lower rate, with annual growth of 4% in both years.

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

The services sector in the UK reached a 17 month low in 2014, although it picked up in 2015 and 2016 by 2-3% per year.³⁰ Growth slowed since Brexit, with 2017 up by just 1.3% year-on-year.³¹

Services Index Quarterly

Services Index January 2009 - June 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. Following a drop of 7% in 2009, the services index recovered steadily from 2010 onwards.

The services index grew through 2014, 2015, and 2016, by 4-5% per annum on average, and continued to grow in 2017, at a rate of 4%.

Growth accelerated in Q2 2018 to 9.3% year-on-year, a considerable lift. Vat returns were also up more than expected, by 5.5% for the first half of the year.³²

The fortunes of individual service sectors varied considerably; accommodation and

food service is up 12.5% in Q2 2018 year-on-year, wholesaling (+12.9%), administrative and support services (+19.8%), information and communication (+15.5%), transportation/storage (+11.2%), professional/ technical services flat (-0.8%), and other services (-14.8%).

The UK Services Activities Index has grown steadily since Q3 2009, up by around 3% per year in recent years. However, there was a levelling off in 2017, to 1.3%.³³

Europe continues to lag in terms of growth in the services sector, reporting less than 1% in the three years up to 2015.³⁴ Growth began to pick up in 2016 and 2017, to 3%.³⁵

30. http://www.ons.gov.uk/ons/dcp171778_431487.pdf

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

32. <http://www.finance.gov.ie/wp-content/uploads/2018/01/180103-End-December-2017-Exchequer>Returns-Presentation.pdf>

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

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

35. 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 strongly from 2000 to 2007, with volume up by 32% and value by 52%, stimulated by growing employment and incomes, as well as by low interest rates and high levels of borrowing.

Retail sales fell each year from 2007 to 2012, down -10% in real terms for the five years. Value declined even more, by 16%, due to price discounting. 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 3.2% volume growth with value static (0.1%). Growth continued in 2017, up 4.3% in

volume and 2.0% in value. At this point, the retail index was back to the peak level of 2007.

Online retailing is also growing very rapidly, up 20% a year over the last three years, for a total of €5 billion in 2017.³⁶ 60-70% of this is going to overseas suppliers.³⁷

Retail sales in the UK remained flat from 2008 until 2012, picking up slightly in 2013 and 2014, and accelerating in 2015 and 2016, with volume up 5%.³⁸ Growth weakened in 2017, up by just 1.9%.³⁹

Retail sales in the US were on an upward trend from 2011, up by 3% per annum in 2014, 2015 and 2016.⁴⁰ Sales rose by 5% in 2017.

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

37. https://www.virginmedia.ie/pdf/VM_IE_Digital_Insights_Report.pdf

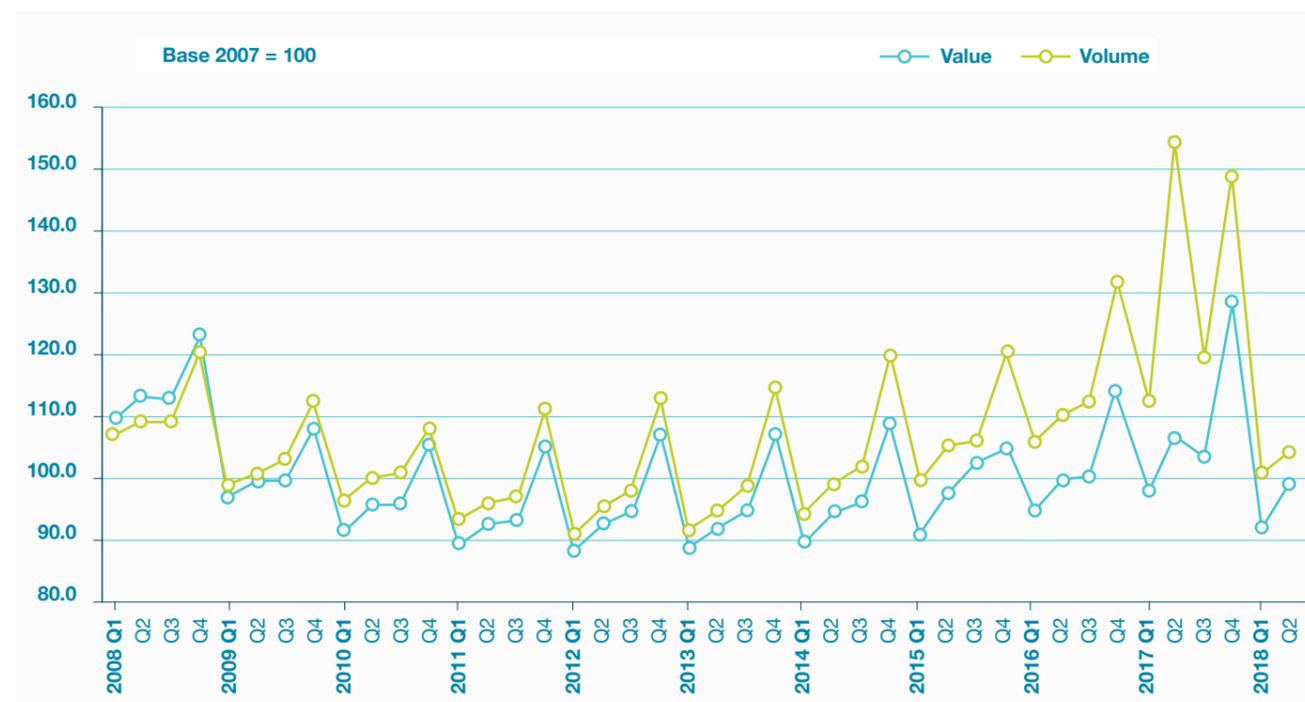
38. <http://www.ons.gov.uk/ons/rel/rsi/retail-sales/november-2015/stb-rsi-nov-15.html>

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

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

Retail Sales Quarterly

Retail Sales Index January 2008 - June 2018



Retail sales have a major seasonal peak in November and December, 50% above the monthly 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; this equated to annual 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 grew by 4.5% in volume in Q2 2018 and by 3.3% in value, year-on-year, following a

strong first quarter. Individual retail categories all did well; household equipment continued to be the fastest growing, up 9.7% in volume and 3% in value. The sub-sectors within this group all did well too—hardware, paints and glass up 10.7%, furniture and lighting up 7.7% and electrical goods up 8.7% in volume terms.

Following a relatively weak 2017 (up 1.9%), and a sluggish first quarter of 2018 (up by 1.4%), UK retail sales picked up in Q2 to 2.8% in volume and 5.1% in value.⁴¹

Retail sales in the US were up by 4.5% in Q1 of 2018, and this accelerated to 6% in Q2 year-on-year.⁴² This is a continuation of 2017, which had growth of 4.2%.

41. <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/june2018>

42. <https://tradingeconomics.com/united-states/retail-sales-annual>



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