

2015

Q3

2015

Consumer

Market Monitor



UCD Michael Smurfit
Graduate Business School



The
Marketing
Institute

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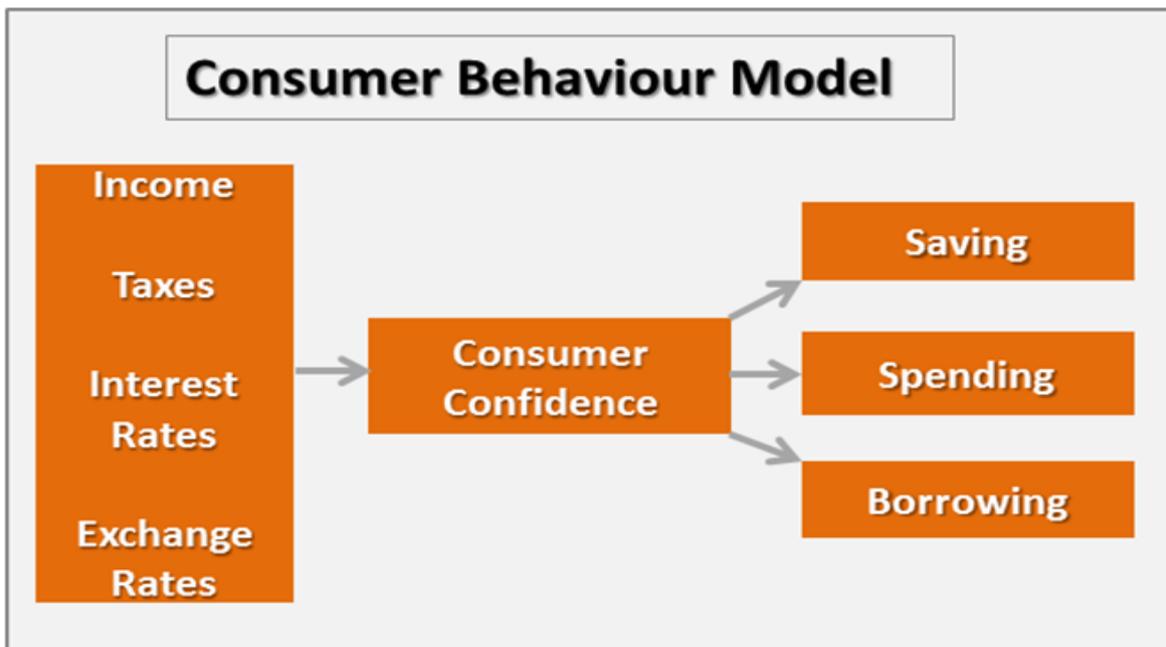
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CONSUMER MARKET MONITOR

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 63% of GNP so it is an important indicator of the health of the overall 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 MII website and the UCD Smurfit School website and is updated every quarter. This edition covers quarter three of 2015 and also provides a review of last year.

EXECUTIVE SUMMARY

The rebound in domestic demand that is finally happening has now become the dominant source of economic growth. Much of this reflects “pent up demand” in the economy following a long period of stagnation, and this can be seen most clearly in growing sales of “big ticket” items -- homes and home furnishings, new cars, clothing and other consumer durables-- all of which are up very strongly in recent quarters

All of this is enabled by increasing disposable income, driven by the steadily increasing numbers in employment, wage increases, and reducing costs. There are now 1.96 million people at work, up by 130,000 extra people at work since the low point in 2012. Lower fuel prices have also helped, as will the reductions in tax and social charges coming through in January 2016.

Consumer spending which was up by 2% last year, and is on track to rise by at least 3% for this year as a whole, and by a similar level next year.

Consumer confidence began to recover in 2013 and continued to improve through 2014, reaching a record level in Q4, higher even than the boom years of 2006-2007. The feel good factor is continuing into this year, with the first half up again, to a level significantly above that of neighbouring countries. This strong consumer confidence is now feeding through into consumer spending.

Sales of new cars experienced a major turnaround in 2014, with 92,361 units sold, a 30% increase on 2013. This buoyancy is continuing this year, with 114,446 new private cars licensed in the first three quarters of the year, an increase of 31%. New car sales have exceeded 120,000 for the year to end October, which is more than double the trough year of 2009, although it is still 25% below the annual rate of 160,000 achieved in the boom years from 2001-2007.

Property sales are also buoyant, with 40,000 residential property sales transactions in 2014, an increase of 38% over the prior year. This rate of increase is continuing in 2015; there were 21,876 residential properties sold in the first half, up 31% on the same period last year.

Retail sales are also improving significantly; sales volume rose by 3.7% in 2014 while value increased by 1.6% indicating a significant upturn in activity. This upward trend has continued into 2015, with sales volume up by 7.6% in Q3, year-on-year, and 6.2% for the year to end September.

Sales of household goods have been particularly remarkable, with furniture and lighting up by 18.7% in volume in Q3 year-on-year, electrical goods up 13%, and hardware, paints and glass up 4.5%. This reflects the increasing number of property transactions and demonstrates the interdependence of these sectors.

All other retail categories also got a boost in recent quarters, and the evidence suggests that 2015 is delivering sales growth for most retailers. Sales of services have also been strengthening, up 4.1% for the year 2014, and up by 6.8% for the first quarters of 2015.

Reflecting the increasing consumer spending, VAT receipts were up 7.9% for the year 2014, and this growth is continuing; VAT receipts for the year to end September were up by 8.2% compared to the same period in 2014.

All in all, the indicators are that the consumer economy is recovering rapidly, with all types of spending increasing significantly, although the evidence points to some regional variation, with the greater Dublin area recovering more quickly than the rest of the country. However, the other regions are catching up, with expectations of a broadening recovery.

Consumer Confidence

Consumer confidence began to recover in 2013 due to strong employment growth and our exit from the bailout programme. Confidence increased further through 2014 due to a steady flow of good news on employment, tax receipts, and growth in services and manufacturing.

This upward trend has continued into 2015, reaching a record high of +16.7 in June 2015. Consumer confidence has faltered slightly in Q3, fuelled by the negative economic outlook abroad, but confidence in Ireland has dropped less than in other Western economies.

Consumer confidence in the UK rose steadily through 2014 and this has continued into 2015, reaching a high of +6 in June. Similar to Ireland, confidence dropped slightly in Q3, due to a more pessimistic view of the home economy and that of the rest of Europe.

Consumer Incomes and Spending

Household disposable income rose by 3% in 2013 on the back of growing employment --the first increase since 2008. Disposable income rose by a further 3% in 2014 and is likely to increase by a higher percentage this year and next, in response to continuing increases in employment, and factors such as falling oil prices and a reduction in taxes and social charges.

Household spending closely mirrors income, and recorded growth in 2014 for the first time since 2008. Personal consumption expenditure was up 2.9% for the year. Reflecting the increasing expenditure, VAT receipts were up 7.9% for the year 2014, and this growth is accelerating, up by 8.2% for the year to the end of September 2015. Spending on services was also up by 4.1% for the year 2014, and by an even higher 6.8% for the first three quarters of 2015.

Looking ahead, consumer expenditure is expected to continue to grow due to continuing growth in employment and stronger consumer confidence. The Central Bank is predicting an increase of 3% in personal spending for 2015 as a whole, and a similar growth of 2.5% for 2016. Other forecasters are more optimistic, forecasting growth in consumer spending of over 3.5% in 2016 and onwards.

Consumer Borrowing

The rate at which Irish households have reduced their debt is quite remarkable, surpassing most other countries except for the US. Household debt as a percentage of income has decreased 33 percentage points in Ireland and 26 points in the US from 2007 to 2014. However, household debt levels in Ireland remain relatively high by international standards, at 167% of disposable income. This compares with a Eurozone average of just over 90%. Total lending to Irish households continued to fall in 2014, decreasing by -8.2% for the year to the end of Q4 2014, as households tried to get their borrowing down. Loans outstanding to Irish households decreased by -3.2%.

Borrowing by Irish consumers peaked in March 2008 at €150 billion, but has declined steadily since then, down -39% from 2008 to €92 billion in Q3 2015.

Loans for house purchase, which accounts for 82% of household loans, peaked in Q1 2008 at €124 billion. Since then, we have seen a net decrease to €77 Billion by September 2015, a cumulative decline of 38%. Household debt is reducing at a rate of about 2.8% per annum.

Lending for other consumption accounts for approximately 18% of total borrowing. This category peaked in Q1 2008 at €30 billion but declined to €19 billion by year-end 2014, a reduction of -38%. This category continued to decrease to the end of Q3 2015, standing at just over €15 billion in September 2015.

Retail Spending

Following four years of decline, retail sales stabilised in 2012, and increased very slightly in 2013, up by 0.8% in volume terms. This represented a turning point in the economic cycle, with sales growth continuing to accelerate in 2014. Retail sales volume (excluding motor vehicles) rose by 3.7% in 2014, while value increased by 1.6%.

This upward trend has continued into 2015, with sales volume up by 6.6% in Q2, year-on-year, following 4.8% in Q1. Value was up 3.4%, also an improvement of the increase of 1% in Q1. Sales of household goods were particularly strong, with electrical goods up 9.5% in volume in Q2, hardware, paints and glass up 6.2%, and furniture and lighting up 5.9%. All other retail categories also got a boost in recent quarters, and the evidence suggests that 2015 is delivering sales growth for most retailers.

Recent Trends

Sales of new cars experienced a major turnaround in 2014, with 92,361 units sold, a 30% increase on the previous year. This buoyancy is continuing this year, with 114,446 new private cars licensed in the three quarters of 2015, a rise of 31% compared with the 86,894 sold in the same period last year. Sales of second hand cars are doing less well, down 12% on 2014 due to lack of supply.

Retail sales excluding the motor trade are also improving; sales volume rose by 3.7% in 2014 while value increased by 1.5% indicating a significant upturn in activity. Retail sales have continued this upward trend in the first three quarters of 2015, with volume up by 7.2% in Q3, year-on-year, and value up 3.5%.

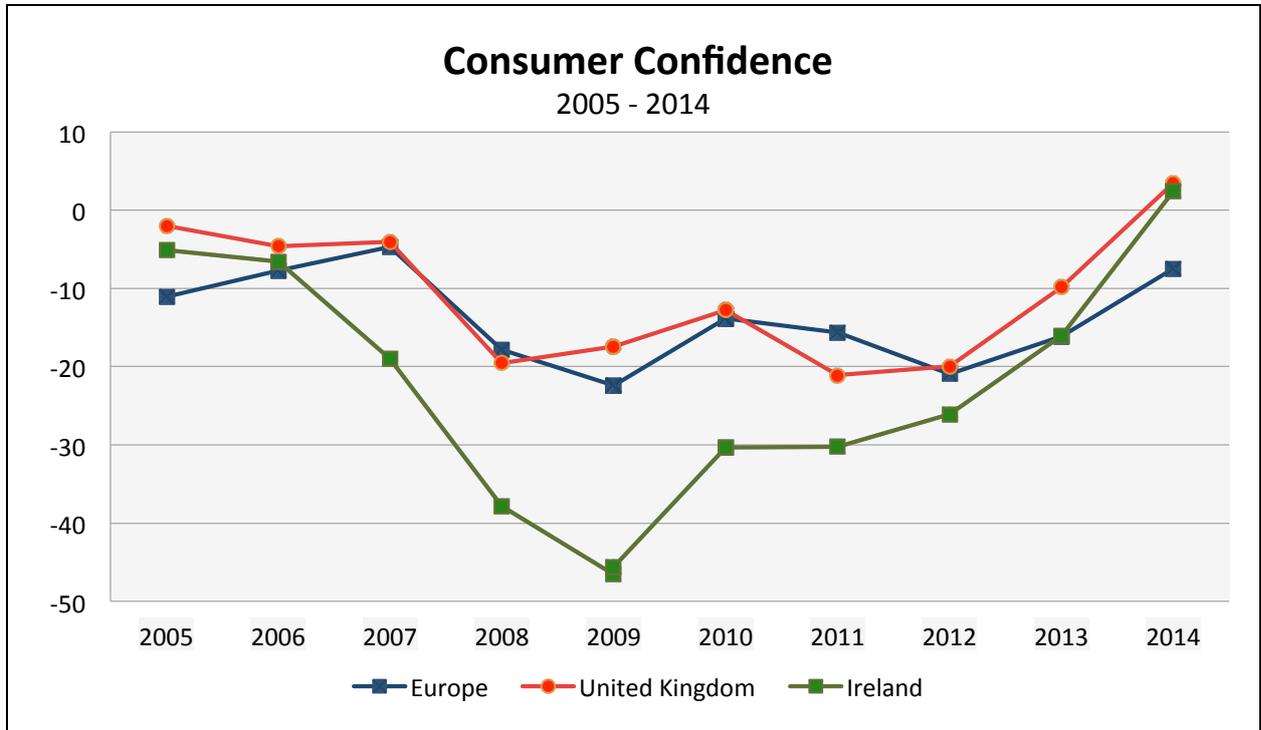
All product categories experienced growth in Q3 2015, with furniture and lighting up the most at 18.7% in volume, followed by electrical goods at 13%, year-on-year. More remarkable, however, is the significant growth displayed by sectors that have been particularly weak throughout the recession, such as bars and newsagents. In summary:

- Food sales up 5.1% in volume and up 3.4% in value;
- Non-specialised stores (supermarkets) up 5.3% in volume and 3.5% in value;
- Fuel up 2.5% in volume but down -6.3% in value;
- Clothing, footwear & textiles up 12.6% in volume and 8.6% in value;
- Household equipment up 18.7% in volume and 12.6% in value;
- Department stores up 7.9% in volume and 4.2% in value;
- Pharmaceuticals and cosmetics up 6.7% in volume and 3.2% in value;
- Bar sales up 7.1% in volume and up 7.4% in value.
- Books, newspapers, stationery up 0.6% in volume and 2.1% in value;

Overall, we can conclude that retail sales are back on a strong growth path, accelerating each quarter of this year. This positive momentum augurs well for continuing growth through the rest of 2015 and into future years, reflecting the broad-based strengthening of the economic fundamentals in the Irish consumer market.

CONSUMER CONFIDENCE

ANNUAL



Consumer confidence reached an all-time low in Ireland in 2009, following the financial crisis, and this was mirrored in the UK and the rest of the EU. Confidence remained low in 2009 and 2010, particularly around the time of the IMF bailout. The downward trend continued in 2011, and confidence remained low throughout 2012.

This trend reversed in 2013, and confidence increased steadily through 2014, due to a steady flow of good news on employment, increasing tax receipts, and strong services and manufacturing growth.¹

Confidence levels in the UK reached an all-time low in 2011, and remained low in 2012, due to a combination of higher living costs and a weak jobs market. Confidence in the rest of Europe also fell in 2011 and remained low in 2012 due to anxiety about the Eurozone crisis.

These trends reversed in 2013, and this improvement continued throughout 2014. All countries in this index have now surpassed the confidence levels experienced in the years preceding 2007. For example, the UK averaged 3.5 in 2014 compared to -4.6 in 2006.

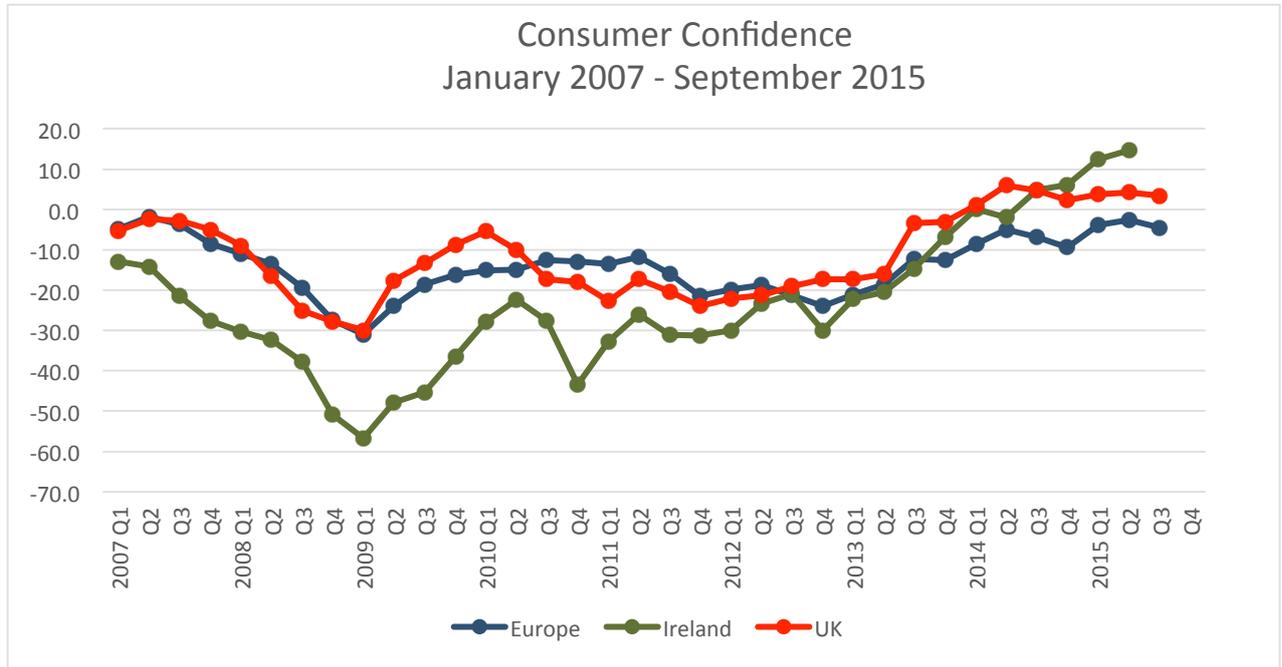
US consumer confidence reached an all-time high of 145 in January 2000 and a record low of 25 in February 2009.² The US index averaged 84 in 2014 compared to 78 in 2013.

¹ www.independent.ie/business/irish/irish-consumer-sentiment-nears-eightyear-high-in-december-30892291.html

² www.tradingeconomics.com/united-states/consumer-confidence

CONSUMER CONFIDENCE

QUARTERLY



Consumer confidence in Ireland fell dramatically in 2008 as the financial crisis unfolded, and remained low through 2009, the bailout in 2010, and the Eurozone crisis of 2011-2012. Confidence recovered somewhat in 2013 due to strong employment growth and our exit from the bailout programme.³

Confidence increased further through 2014 due to a steady flow of good news on employment, tax receipts, and growth in services and manufacturing.⁴

This upward trend has continued into 2015, reaching a record high of +16.7 in June 2015. Consumer confidence has faltered slightly in Q3, fuelled by the negative economic outlook abroad, but has dropped less than other Western economies.⁵

Consumer confidence in the UK rose steadily through 2014 and this has continued into 2015, reaching a high of +6 in June. Similar to Ireland, confidence dropped in Q3 due to a more pessimistic view of the home economy and that of the rest of Europe.⁶

Consumer confidence in the US also improved in 2014, reaching 95 in December, the best since January 2007.⁷ It has been fluctuating throughout 2015, dropping to a low of 91 in June and rising back to 103 in September.⁸

³ EU Business and Consumer Surveys, Monthly. ec.europa.eu/economy.../db.../index_en.htm

⁴ www.independent.ie/business/irish/irish-consumer-sentiment-nears-eightyear-high-in-december-30892291.html

⁵ http://www.rte.ie/news/business/2015/1001/731686-consumer-sentiment/

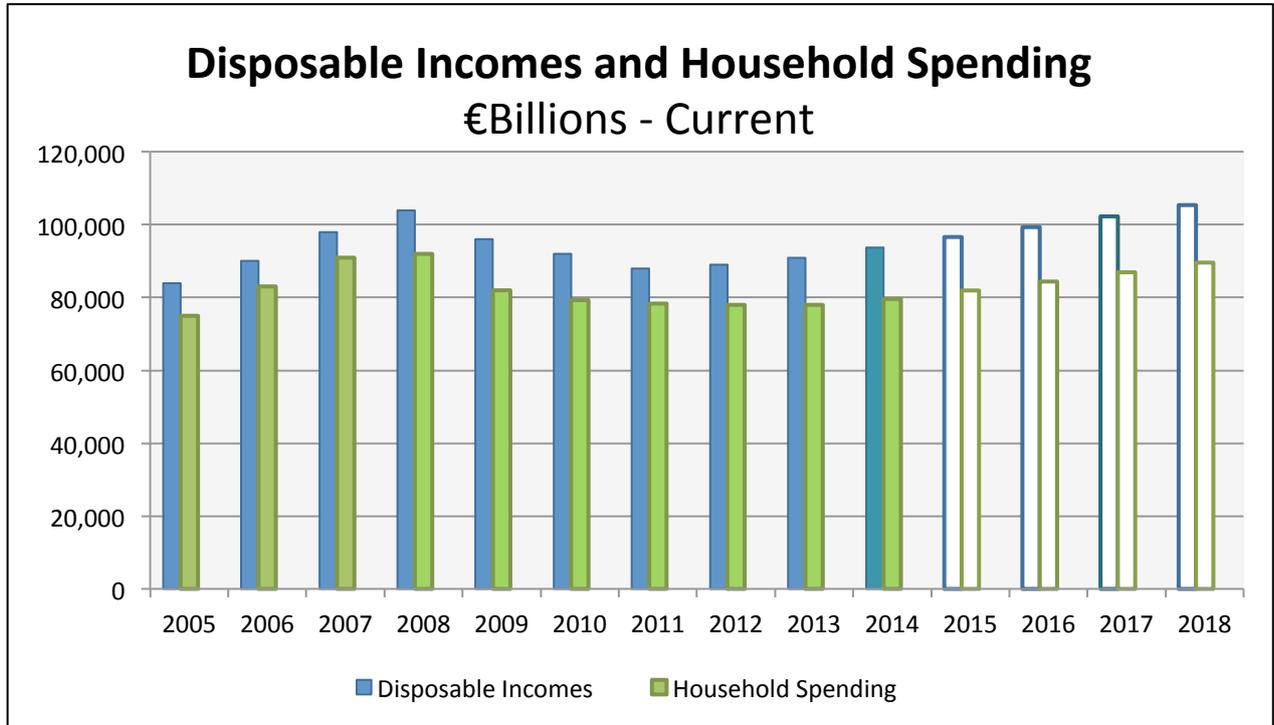
⁶ http://www.bloomberg.com/news/articles/2015-09-29/u-k-consumer-confidence-falls-as-economic-expectations-darken

⁷ http://www.usatoday.com/story/money/business/2015/04/28/consumer-confidence-april/26475567/

⁸ http://www.wsj.com/articles/u-s-consumer-confidence-index-falls-1445955164

CONSUMER INCOMES AND SPENDING

ANNUAL



Disposable income in Ireland increased by 60% from 2002 to 2008--from €65bn to €104bn, due to the combined effects of more people in employment and rising income levels.⁹ This trend reversed in 2009, and continued downwards until 2013. Average disposable household income fell by -18% in real terms between 2008 and 2012 as a result of rising unemployment, falling wages, higher taxes and lower social payments.

This trend turned in 2013, when household disposable income rose by 3% in current terms, the first increase since 2008. Disposable income continued to rise in 2014 as a result of increasing employment (up by 40,000 jobs for the year), and ended the year up by 3%.

Household spending closely mirrors income, increasing by a record 48% from 2002 and 2008, from €62bn to €92bn. Spending has since declined in line with income, to a low of €78 billion in 2011, resulting in five consecutive years of decline, which saw net consumption contract by -15% in current terms and by -7.5% in real terms.

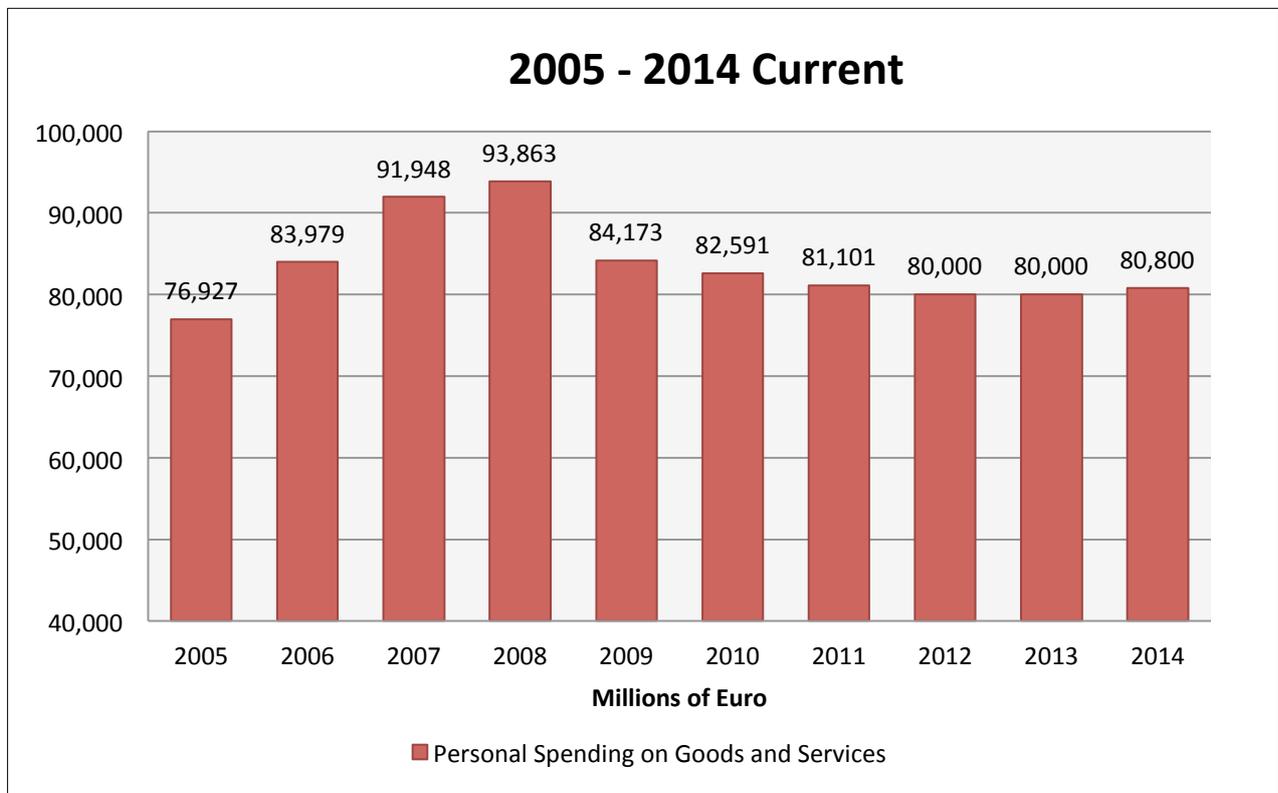
Household spending was more or less static from 2011 to 2013, hovering around €78bn over the three years. It is estimated to have increased by 2% for the full year 2014. Household spending amounts of about 90% of personal spending, and both are expected to end the year 2015 up by 3%, with continuing growth at a similar rate in 2016.¹⁰

⁹ CSO Institutional Sector Accounts, Q4, 2015.

¹⁰ Central Bank Quarterly Bulletin Q4 2015

PERSONAL SPENDING ON GOODS/SERVICES

ANNUAL



Personal spending in Ireland rose rapidly from 2000 to 2007, by 43% in total, or an average of 6% per year. Spending growth slowed in 2008, and declined steadily over the next four years; there was a record decline of -7.2% in 2009. In sum, personal consumption fell by -14% in current terms (-7% in real terms) over the six years from 2007 to the end of 2013.

Following these several years of decline, consumption expenditure grew by 2% in real terms in 2014.¹¹ As further evidence of this, VAT receipts were up 7.9% in 2014, compared with 2013.¹² Similarly, retail sales increased by 6.3% in volume terms (3.7% when motor trades are excluded), and activity in the services sector was 3.5% higher in 2014.

Consumer spending in the UK was also weak in the years after the financial crisis, but not as negative as in Ireland; it fell -4% from the 2007 peak to the trough in 2011, from £955 to £916 billion. Spending rallied again between 2012 and 2014, rising approximately 2% per year, and is now back at about the same level as in 2007.¹³

US consumer spending continues to be in recovery mode, with U.S. personal spending increasing by 3.9% for 2014 as a whole, similar to the 3.6% growth in 2013, largely due to cheaper oil and employment gains.¹⁴

¹¹ Central Bank of Ireland, Quarterly Economic Bulletin, Quarter 4, 2015

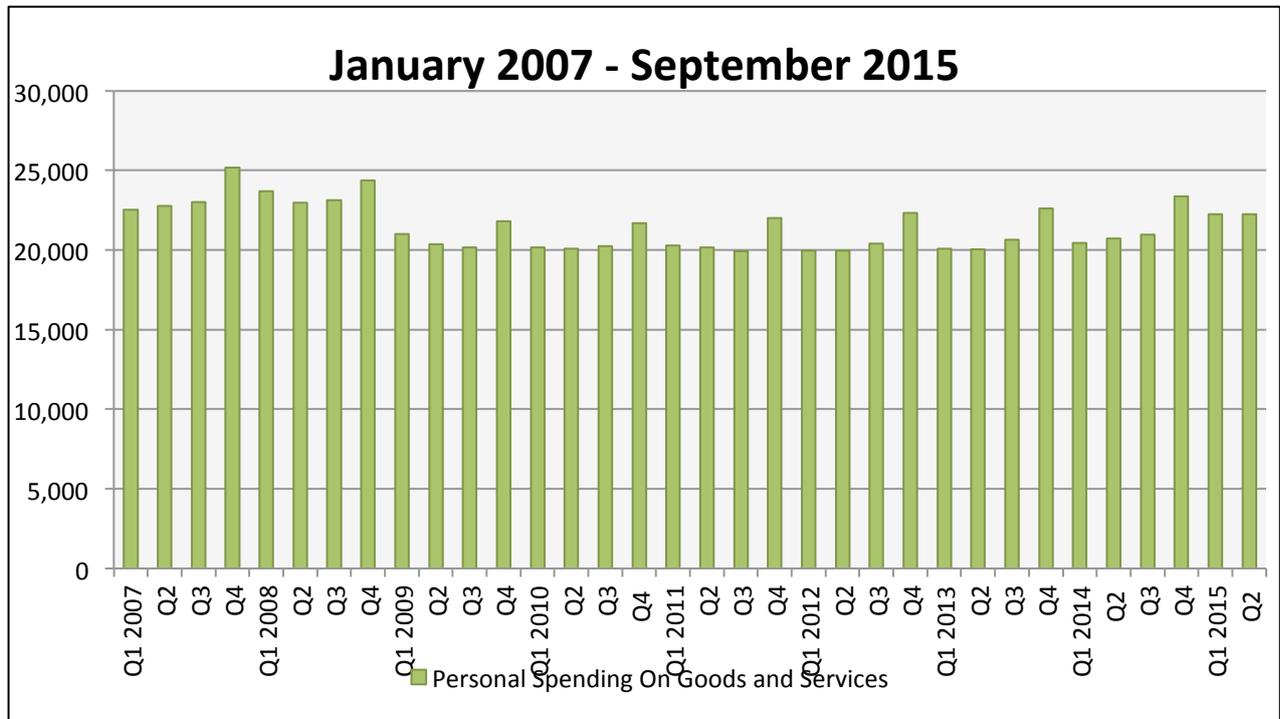
¹² www.finance.gov.ie/sites/default/files/Irish%20Monthly%20Economic%20Bulletin%20-%20December%202014.pdf

¹³ www.ons.gov.uk/ons/dcp171778_357940.pdf

¹⁴ www.wsj.com/articles/u-s-consumer-spending-down-0-3-in-december-1422883888

PERSONAL SPENDING ON GOODS & SERVICES

QUARTERLY



Personal spending peaks each year in the fourth quarter, in the run up to Christmas. This peak reached an all-time high in the final quarter of 2007 but has been on a steady downward trend since then. The volume of personal consumption in Ireland declined in real terms by -7% from the peak in 2007 to the end of 2013.

Following successive quarter-on-quarter increases in 2014, consumer spending recorded growth of 2% for the year as a whole, the first since 2008.¹⁵ As further evidence of this, VAT receipts were up 7.9% in 2014, compared with 2013.¹⁶ Similarly, retail sales increased by 3.7% in volume terms (excluding the motor trade), and activity in the services sector was 3.5% higher in 2014.

The Central Bank is projecting an increase of 3% in the volume of personal consumption for 2015 as a whole, and growth of 2.5% for 2016.¹⁷ Other forecasters are more optimistic, suggesting growth in consumer spending of closer to 3.5% for the next two years.¹⁸

Personal spending in the UK has been showing positive growth each quarter since Quarter 4 2011. It was 3.1% higher in Quarter 2, 2015, when compared with Quarter 2, 2014.¹⁹

Consumer spending accounts for almost 70% of the U.S. economy and has climbed an average 2% per annum in the recovery that's now in its sixth year. Consumer spending advanced by 3.6% in Q3 compared to 3.2% in Q2.²⁰

¹⁵ Central Bank of Ireland, Quarterly Economic Bulletin, Quarter 4, 2015

¹⁶ www.finance.gov.ie/sites/default/files/Irish%20Monthly%20Economic%20Bulletin%20-%20December%202014.pdf

¹⁷ Central Bank of Ireland Quarterly bulletin, Q4, 2015

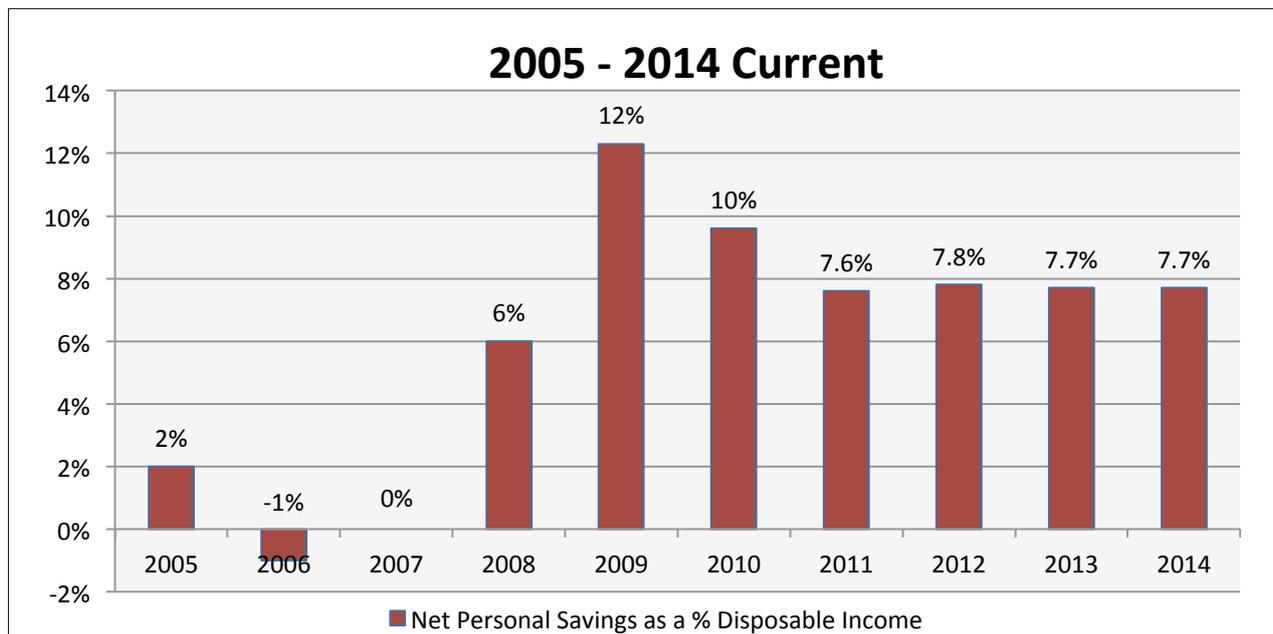
¹⁸ www.ibec.ie/IBEC/Press/Publicationsdoelib3.nsf/vPages/Newsroom

¹⁹ ons.gov.uk/ons/rel/consumer-trends/consumer-trends/q2-2015/stb--consumer-trends--q2--april-to-june--2015.html

²⁰ www.bloomberg.com/news/articles/2015-09-25/economy-in-u-s-picked-up-on-consumer-spending-construction

PERSONAL SAVINGS

ANNUAL



The level of net personal saving in Ireland increased dramatically during the recession, from a low of -1% of disposable income in 2006 to a high of 12% in 2009.²¹ The net savings ratio has remained high since 2009, as consumers tried to pay down debt to restore their finances. Over 80% of this saving represents repayment of loans.²²

2010 was the first year in which savings fell slightly and this decline continued in 2011. The net savings ratio stayed more or less static in 2012 and 2013 at just under 8%.²³

That trend has come to a halt, however, with an upward drift of late, to 8.2% in 2015. This was influenced by the fact that household wealth is rising again as property values rise. The net wealth of Irish households rose to €601bn, or €130,331 per capita, during the fourth quarter of 2014, up by 4.3%. Household wealth has now risen by 33% from its lowest level in Q2 2012 to the end of 2014.²⁴

The UK net savings ratio declined from the mid-1990s until 2007 when it reached 1.4%. It rose again following the financial crisis and reached a peak of 8.6% in Q2 2009 but has since fallen back to a more normal level of 4.7% in September 2015.²⁵

Personal savings in the US averaged 6.8% from 1959 through 2014, reaching an all-time high of 14.6% in May of 1975 and a record low of 0.8% in 2005.²⁶ The net personal saving rate was 4.8% in September 2015.²⁷

²¹ CSO Quarterly Institutional Sector Accounts, Q4, 2014

²² www.irishtimes.com/business/personal-finance/household-wealth-at-highest-level-since-2008-1.2203542

²³ CSO Institutional Sector Accounts, Q4 2014

²⁴ www.centralbank.ie/press-area/press-releases/Pages/QuarterlyFinancialAccountsQ32014.aspx

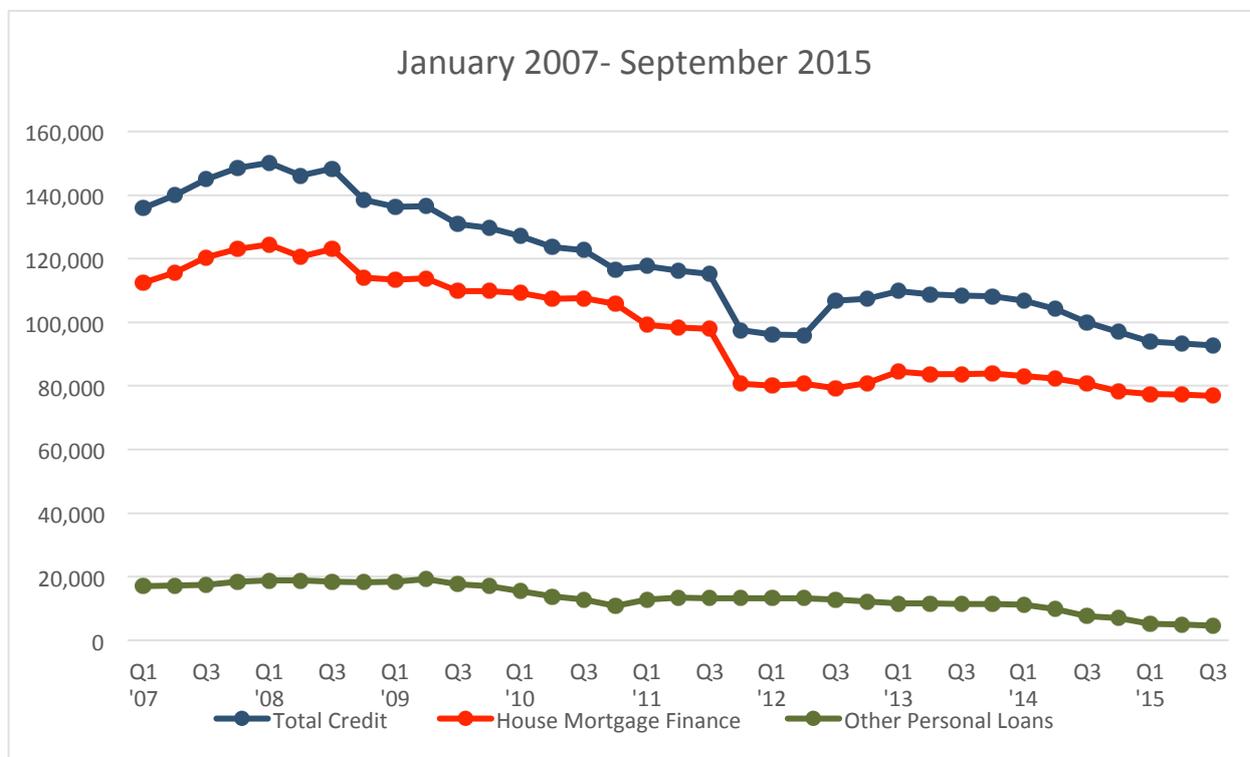
²⁵ www.tradingeconomics.com/united-kingdom/personal-savings

²⁶ US Bureau of Economic Analysis

²⁷ <http://www.tradingeconomics.com/united-states/personal-savings>

PERSONAL BORROWING

QUARTERLY



Borrowing by Irish consumers grew at a record level from 2000 onwards and peaked in March 2008 at €150 billion, but has declined steadily since then, down -39% from 2008 to €92 billion in Q3 2015.²⁸

Loans for house purchase, which accounts for 82% of household loans, peaked in Q1 2008 at €124 billion. Since then, we have seen a net decrease to €77 Billion by September 2015, a cumulative decline of 38%. Household debt is reducing at a rate of about 2.8% per annum.

Lending for other consumption accounts for approximately 18% of total borrowing. This category peaked in Q1 2008 at €30 billion but declined to €19 billion by year-end 2014, a reduction of -38%. This category continued to decrease to the end of Q3 2015, standing at just over €15 billion in September 2015.

The rate at which Irish households have reduced their debt is quite remarkable, surpassing most other countries except for the US. Household debt as a percentage of income has decreased 33 percentage points in Ireland and 26 points in the US from 2007 to 2014.²⁹ However, household debt levels in Ireland remain relatively high by international standards, at 167% of disposable income³⁰. This compares with a Eurozone average of just over 90%.

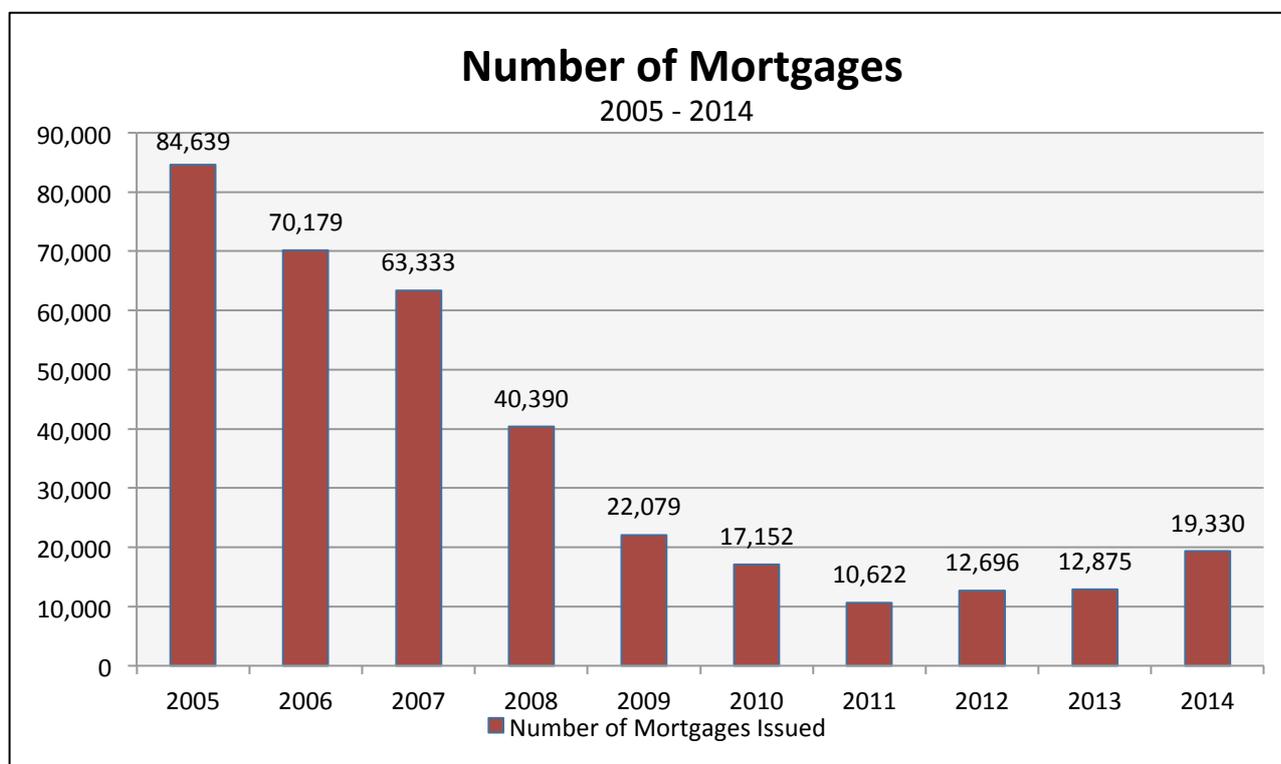
²⁸http://www.centralbank.ie/polstats/stats/cmab/Documents/ie_table_a.1_summary_irish_private_sector_credit_and_deposits.xls

²⁹<http://www.irishtimes.com/business/economy/growth-easing-irish-debt-burden-study-finds-1.2093279>

³⁰<http://trueeconomics.blogspot.ie/2015/03/25315-imf-on-irish-household-debt-crisis.html>

MORTGAGES ISSUED FOR HOME PURCHASE

ANNUAL



The number of new loans issued for house purchase is a good indicator of the number of homes being bought and sold in the market. This number peaked in 2005 with a total of almost 85,000 new loans issued, but fell dramatically since then, to a low of 10,622 in 2011.

This reflected the number of new house completions, which reached almost 137,000 in 2006, the peak of the property bubble. In contrast, there were 26,820 house completions in 2009, 21,772 in 2010, 15,800 in 2011, 8,500 in 2012 and 7,500 in 2013. The downward trend reversed in 2014, however, when the number of new house completions increased to 11,000, and are expected to reach 13,700 this year.³¹

2014 was the first year to see a major lift in the housing market, with 19,330 mortgages issued for house purchase, an increase of 50% over the prior year. In total, 26,576 mortgages for house purchase were approved in 2014, with a value of €4.7bn.

There were 1.1 million residential properties sold in the UK in 2014, a 22% increase on the previous year.³² Outstanding mortgage lending stood at £1.3 trillion at the end of February 2015, up from £1.282 trillion at the end of February 2014.³³

Sales of residential property in the US were relatively weak in 2014, totalling 5.3 million units, a reduction of -2.7% on 2013.³⁴

³¹ AIB Housing Bulletin, Q4, 2014

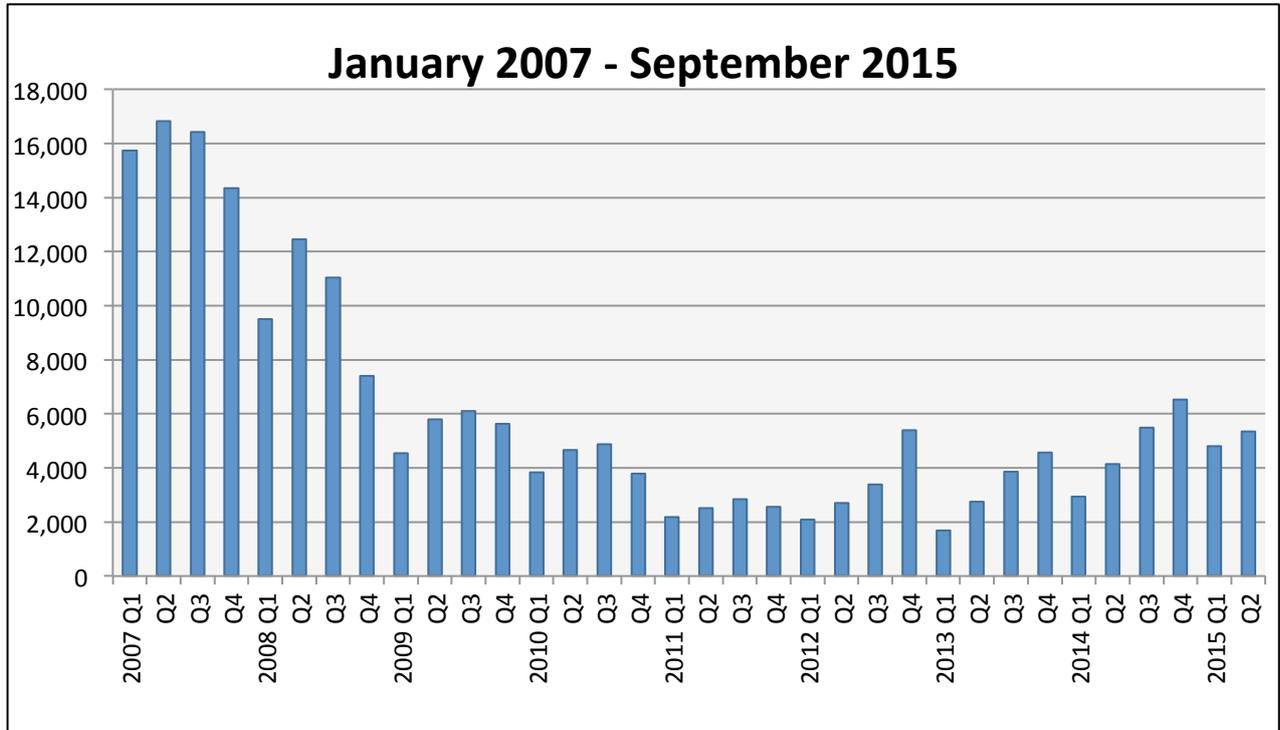
³² www.gov.uk/government/uploads/system/uploads/attachment_data/file/395763/UK_Tables_Jan_2014__cir_.pdf

³³ <http://themoneycharity.org.uk/money-statistics/>

³⁴ <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>

NUMBER OF MORTGAGES ISSUED

QUARTERLY



The slump in property sales in the recession began to reverse in 2012, with a 19% rise in the number of new mortgages issued, for a total of 12,696. This growth stalled in 2013, although the number of sales increased from 21,000 to 28,500 year on year.

There were 40,000 sales in 2014, an increase of 38% over the prior year.³⁵ This was caused by an increase in the number of properties coming on the market and the wider availability of finance.³⁶ 19,330 mortgages were issued in 2014, up 50% on 2013.

There were 21,876 residential properties sold in the first half of 2015, up 31% on the same period last year. Over the same period, there were 10,729 mortgage loans for house purchase, worth €1.9bn. Cash buyers are clearly still an important part of the market, accounting for 50% of transactions.³⁷

There were 1.1 million residential properties sold in the UK in 2014, a 22% increase on the previous year.³⁸ Property transactions have slowed in 2015, down 4.5% for the first half of the year, possibly as a result of tighter lending rules³⁹.

The US housing market remained fragile in 2014, with 5.3 million units sold, a reduction of -2.7% on 2013.⁴⁰ However, sales are recovering in 2015, up 6.6% in the first half.

³⁵ MyHome.ie Property Barometer Q4, 2014

³⁶ www.bpfi.ie/wp-content/uploads/2014/10/IBF-PwC_Mortgage_Market_Profile_Q2_2014_FINAL.pdf

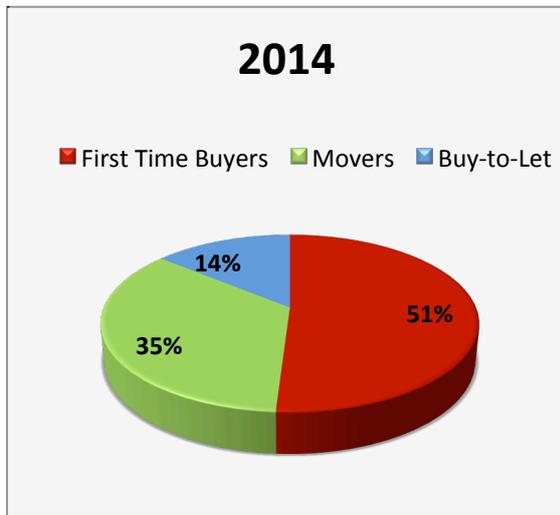
³⁷ <http://media.myhome.ie/content/propertyreport/MyHome-Property-Report-Q3-2015.pdf>

³⁸ www.gov.uk/government/uploads/system/uploads/attachment_data/file/395763/UK_Tables_Jan_2014__cir_.pdf

³⁹ <http://www.theweek.co.uk/house-prices/61987/house-prices-pre-boom-peak-passed-amid-sales-slide>

⁴⁰ <http://www.worldpropertyjournal.com/real-estate-news/usa/freddie-mac-mortgage-refinance-data-2015-refi-rates-lender-best-mortgage-rates-home-affordable-refinance-program-harp-refinance-loans-9058.php>

OWNERSHIP STATUS OF BORROWERS



The most notable change in the composition of mortgage lending has been the reduction in buy-to-let lending, from 25% in 2008 to 4% in 2013.⁴¹ However, this decline reversed in 2014, with buy-to-let jumping 10 percentage points to 14%.

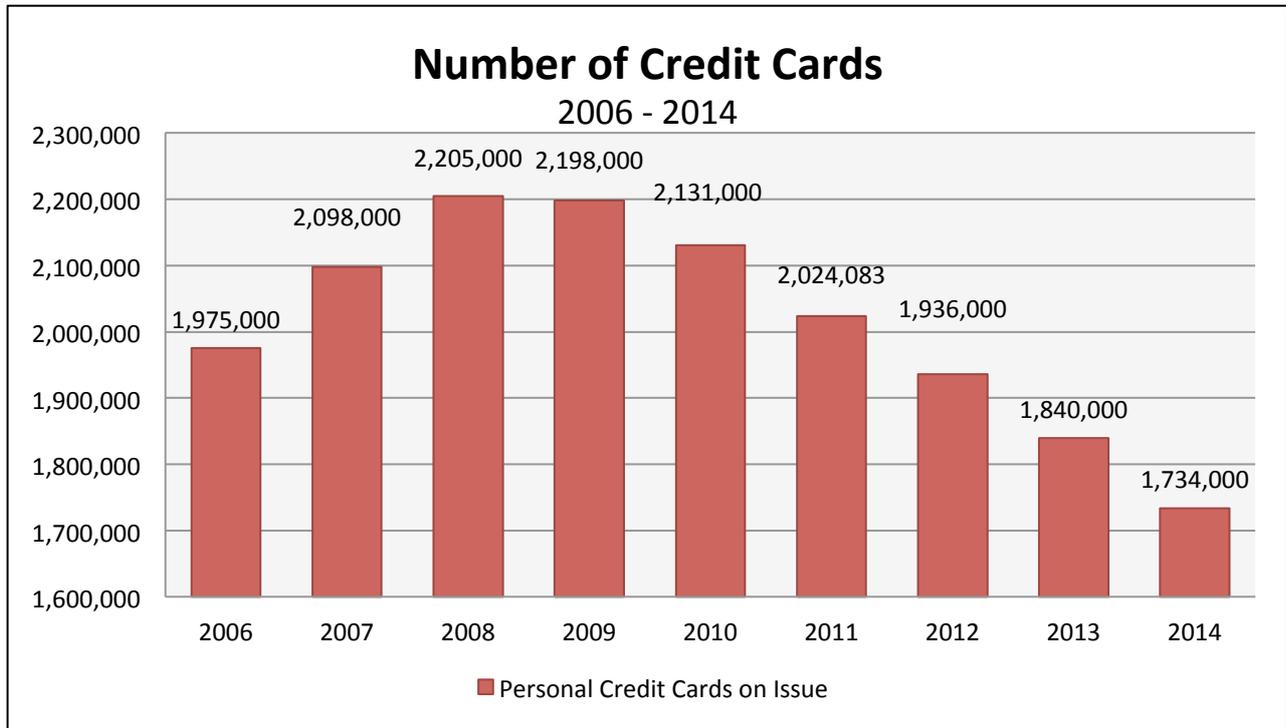
The sector which has shown the most buoyancy is first-time-buyers. First-time buyers remain the single largest segment of the market, accounting for almost 60% of the total in terms of number of transactions, and 55% in terms of monetary value.

The mover market has held relatively steady in percentage terms from 2007 to 2014, but this conceals a dramatic reduction in the number of transactions, from 32,864 in 2007 to 11,668 in 2014, a 64% decrease overall.

⁴¹ IBF/PWC Mortgage Report Q4, 2014

NUMBER OF CREDIT CARDS IN CIRCULATION

ANNUAL



There was a steady rise in the number of credit cards in circulation in Ireland from 2003 to 2008, peaking at 2.2 million, an increase of 22%. The number of personal credit cards in circulation has declined steadily since then. The number on issue at year-end 2014 was 1.7 million, which represents a decline of 23% from the peak.⁴²

Some of this decline is due to people abandoning cards, but the changeover to debit cards by the banks may also be contributing. €1 in every €3 of Irish consumer spending is now on a plastic card⁴³.

There are over 4.3 million debit cards in Ireland, more than twice as many as credit cards. The number of debit card payments increased by 13.4% during 2014, amounting to 386 million transactions, with a value of €20 billion. Debit card usage is expected to increase further this year, as credit unions begin rolling out debit cards in January 2015.

The number of credit cards in the UK has also fallen by 5 million between 2012 and 2014, with 58 million cards in circulation in February 2014. Of those, only 66% were active (had an outstanding balance).⁴⁴

There were 413 million credit card accounts in the US in Q4 2014, a 3.5% increase over the same period in the prior year.⁴⁵

⁴² Central Bank of Ireland, Money, Credit and Banking Statistics, November 2014

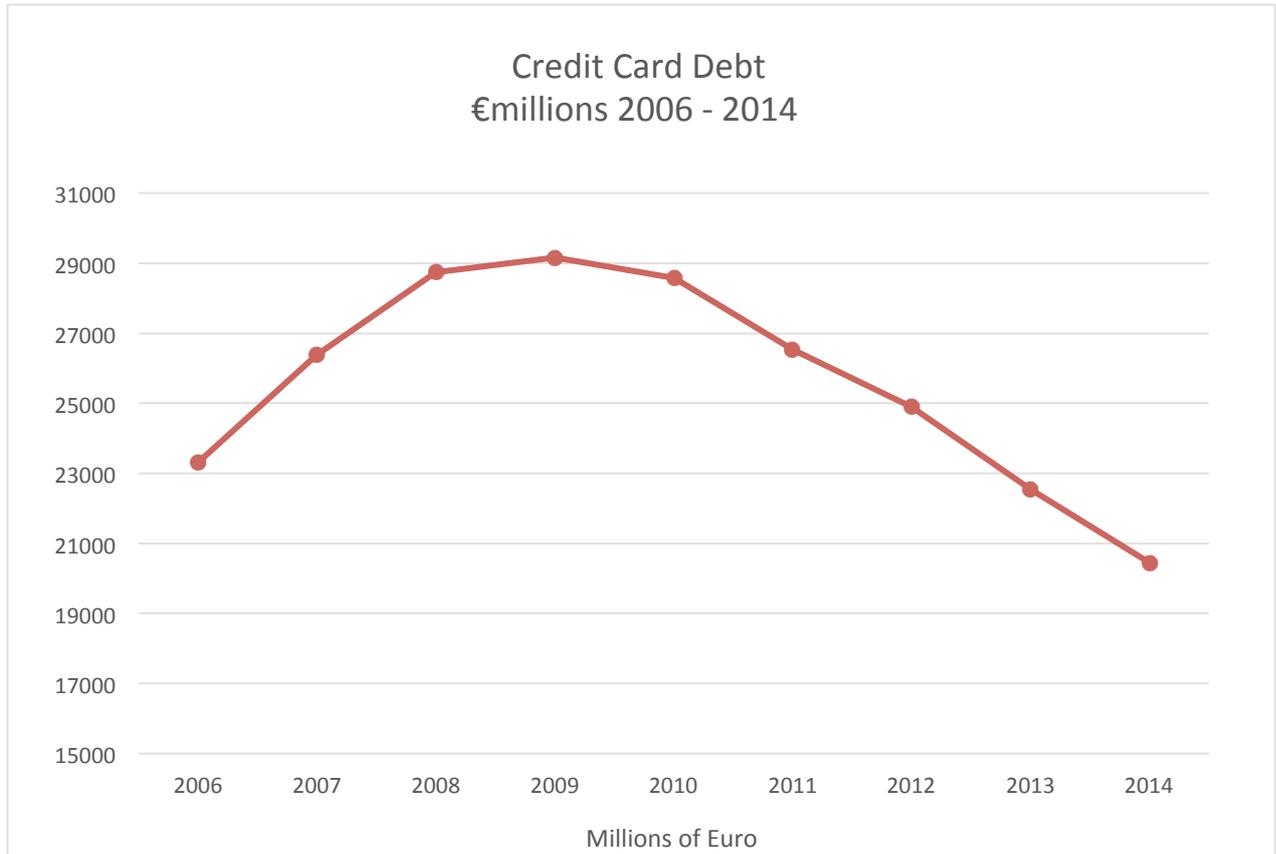
⁴³ <http://www.bpfi.ie/news/increasing-trend-towards-card-cash-continues/>

⁴⁴ www.uk.creditcards.com/credit-card-news/uk-britain-credit-debit-card-statistics-international.php

⁴⁵ <http://www.statista.com/statistics/245431/number-of-credit-card-accounts-in-the-united-states-2012/>

CREDIT CARD DEBT

ANNUAL



There was an increase of 31% in credit card debt from 2005 to 2008, or approximately 10% per annum. Growth continued into 2008 but at a slower rate of 8.2%, and reversed altogether in 2009 with a decline of -1% for the year.

Total outstanding debt on personal credit cards peaked at €3 billion in December 2008, but has fallen steadily since then. It was down to €2.25 billion by December 2013, and fell 9% further to a total of €2.04 billion by December 2014.

Credit card spending in the UK was also down; average unsecured credit (credit cards and personal loans) fell by -6% in 2010 and 2011, with a small recovery of 4% in 2013, the first rise for five years. This recovery continued in 2014, which was up 4%; the average credit card debt in the UK was £3,340 (€4,770) per capita in 2014.⁴⁶

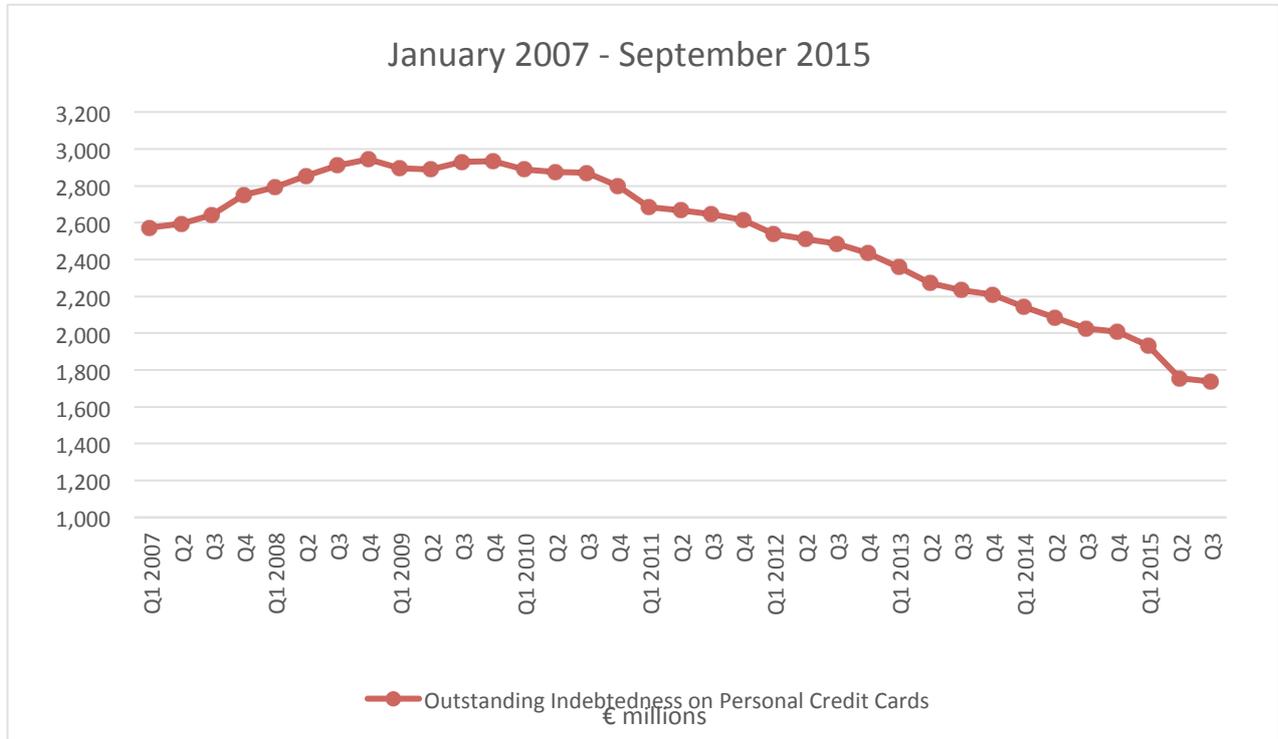
American credit card debt fell from a high of \$6,276 per person in mid-2008 to \$5,164 in Q1 of 2014, the lowest point in the six-year period. However, this began to creep up again in 2014, reaching \$5,363 in Q4.⁴⁷

⁴⁶ www.everyinvestor.co.uk/2015/02/02/britains-household-debt-higher-just-financial-crisis/

⁴⁷ www.creditcards.com/credit-card-news/credit-card-debt-statistics-1276.php#source8

CREDIT CARD DEBT

QUARTERLY



Credit card debt spikes each year in the pre-Christmas season. Having grown at a dramatic rate for several years, the level of debt levelled off in 2009 and began a steady decline from 2010 to 2014, with repayments exceeding spending every month for those four years.

Debt on personal credit cards has continued to decline through the first half of 2015, reflecting reduced consumer spending. Outstanding indebtedness on credit cards continued to fall through Q 3, down to €1.74 billion. This figure is 22% lower than the same period last year, and down -38% from the peak of €2.8 billion in 2008. Given that there were 1.7 million cards in circulation throughout Q3, the average balance per card was €980.⁴⁸

The UK is the biggest card payment market in the EU; cards account for 75% of all retail purchases. Consumer credit in the UK grew by 7.6% in the year to June 2015, the highest rise since April 2006.⁴⁹

US consumer credit has been increasing steadily since 2010, up 4% in 2011, 6% in 2012, 6% in 2013, and 7% in 2014.⁵⁰ Outstanding consumer credit has risen to \$16 billion, or a 5.6% annual rate, according to the US Federal Reserve.

⁴⁸http://www.centralbank.ie/polstats/stats/cmab/Documents/ie_table_a.13_credit_card_statistics.xls

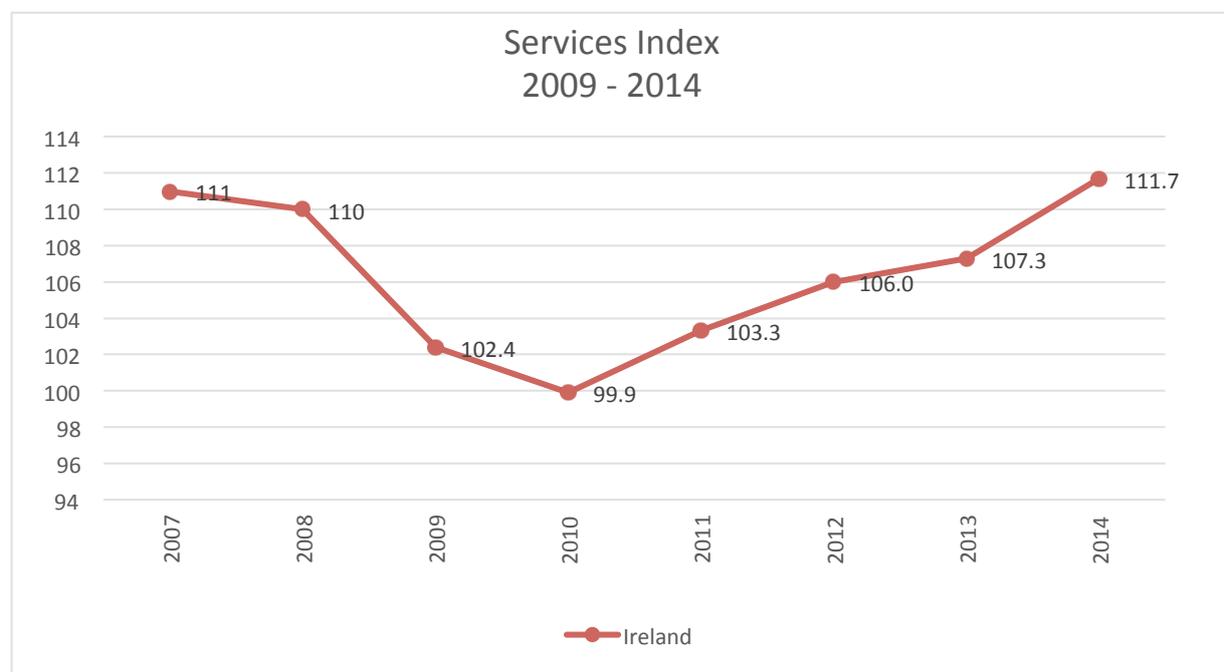
⁴⁹ <http://www.telegraph.co.uk/finance/economics/11770654/Is-the-UK-economy-on-another-credit-fuelled-binge.html>

⁵⁰ www.federalreserve.gov/releases/g19/current/

²⁴<http://www.creditcards.com/credit-card-news/credit-card-debt-statistics-1276.ph>

SERVICES INDEX

ANNUAL



The services sector accounts for about half of all personal consumer spending, with retailing accounting for the other half. This sector includes accommodation and food service, professional services, information and communication, and transportation.

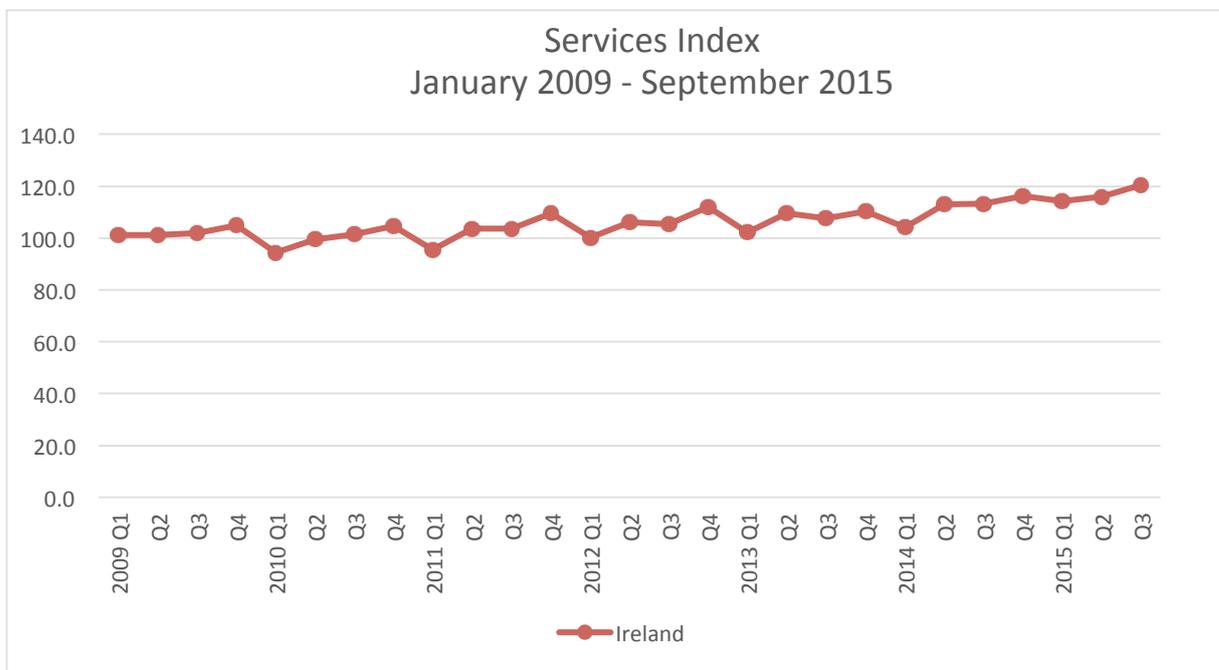
The services sector recovered more quickly from the recent recession than the retail sector, showing modest growth from 2011 onwards, and recovering to the 2007 peak level in 2014.

When compared to the UK, the services sector in Ireland is performing extremely well. The UK was hit by a 17month low in the services sector in 2014, highlighting the fragility of the euro zone's overall recovery from the financial crisis.⁵²

⁵² <http://www.independent.ie/business/irish/irish-services-sector-enjoys-further-growth-as-eurozone-pmi-makes-grim-reading-30722108.html>

SERVICES INDEX

QUARTERLY



The services sector has a marked seasonal trend, with the highest sales occurring in Q4 each year. This reflects the increased seasonal spending in the run up to the Christmas and New Year.

Following a substantial drop of 7% in 2009, the services sector in Ireland recovered steadily from 2010 onwards, culminating in a high of 120.5 in Q3 2015.

Ireland's services sector continued to grow in Q3 2015, driven by substantial growth in new business.⁵³ The recent softening of the euro against both sterling and the dollar has led to an increase in demand from the UK and US, which has been favorable for Ireland.⁵⁴

The UK Index of Services is estimated to have increased by 2.8% in August 2015 compared with August 2014. All of the 4 main components of the services industries increased in the most recent month compared with the same month a year ago.

Europe continues to lag behind in terms of growth in the services sector, reporting its weakest growth for business activity in Q3 2015 when compared to the previous quarter⁵⁵.

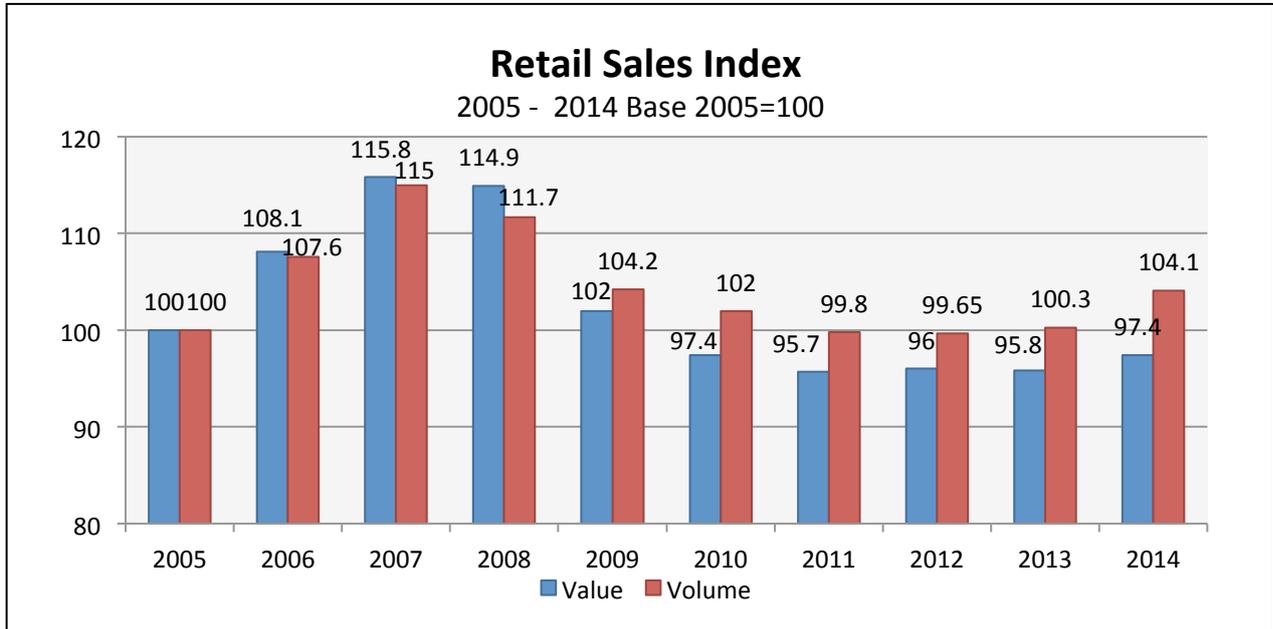
⁵³ <http://www.irishtimes.com/business/economy/irish-services-sector-expands-again-in-september-1.2379254>

⁵⁴ <http://www.rte.ie/news/business/2015/1104/739468-investec-services-pmi/>

⁵⁵ <http://www.irishtimes.com/business/economy/irish-services-sector-expands-again-in-september-1.2379254>

RETAIL SALES

ANNUAL



Retail sales, excluding the motor trade, grew exceptionally strongly from 2000 to 2007, with volume increasing by 32% and value by 52%. This was stimulated by increases in income and spending power, and facilitated by increases in shopping space from 2000 onwards, from 500,000 square metres to a current level of 3.3 million square metres.

Retail sales fell each year from 2007 to 2012. The decline in volume during this period was -10%, while value declined by -16%, reflecting extensive price discounting. Retail sales stabilised in 2012, with volume decreasing by just -0.2% for the full year, and value increasing by 0.4%. 2013 saw a very slight increase of 0.8% in volume, with value steady at -0.1%.

This negative trend reversed in 2014, with volume increasing by 3.7% and value by 1.6%. Online retailing has become an important feature in recent years, accounting for as much as 15% of business for many retailers. It is currently worth €4.1bn and is predicted to grow to €21bn by 2017.⁵⁶

Retail sales in the UK remained broadly flat from 2008 until 2012 during the economic downturn. Sales picked up in 2013, by 1.6% in volume and by 2.6% in value and increased further in 2014, with both volume and value increasing, by 4.1% and 3.7% respectively. Online retailing accounted for 12% of the total and grew by 12% in 2013.

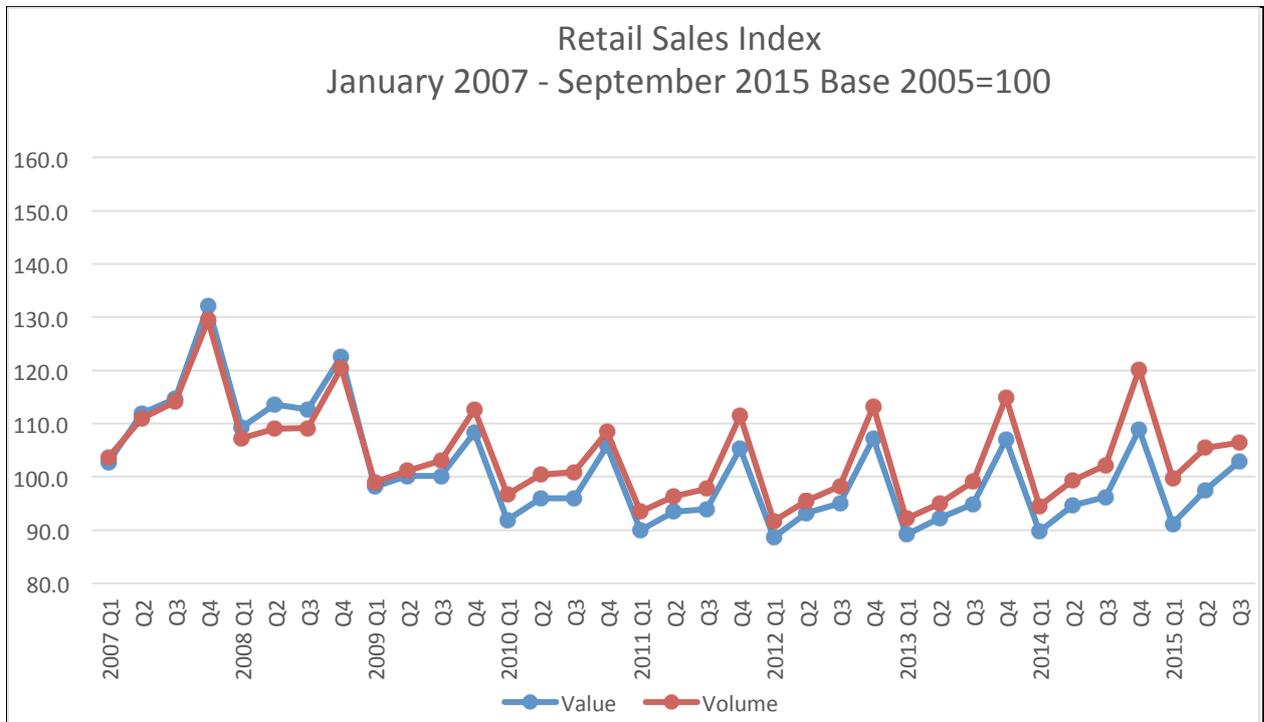
Retail sales in the US have been on an upward trend since 2011, when spending grew by 8%. Sales were up by a further 5% in 2012 and by 4% in 2013.⁵⁷ This momentum slowed slightly in 2014, to 3%.

⁵⁶ Retail Ireland, IBEC 2014

⁵⁷ All Businesses Excluding Motor Trade 2005 - 2011, Retail Sales Index Value and Volume Unadjusted (Base 2005=100), www.cso.ie
CBRE Richard Ellis Retail Reports

RETAIL SALES INDEX

QUARTERLY



Retail sales have a major seasonal peak in November and December, averaging 50% above the monthly average for the rest of the year. Following four years of decline, retail sales stabilised in 2012, with volume down by just -0.2% for the year. Sales volume increased by a very slight 0.8% in 2013, while value decreased by -0.1%.

For the year 2014 as a whole, retail sales volume increased by 3.7% while value increased by 1.6%. This improvement was reflected in VAT receipts which were 7.9% ahead of 2013.⁵⁸

Sales volume increased by 4.1% in Q3 of 2015, with sales value increasing by 6.9% indicating sustained recovery in the sector.

Retail sales in the UK increased 5% in terms of volume and 3% in terms of value in Q1 2015 year on year. Similarly in Q2, volume increased by 4% and value by 1% in comparison to last year. Retail sales for Q3 were strong, with an increase in sales volume by 4% and value by 2%. Falling shop prices and rugby world cup promotions in September greatly contributed to this growth.⁵⁹This is predicted to continue in the coming months following record low inflation and a strong labour market.⁶⁰

Retail sales in the US increased by 0.8% in Q1 2015, and 0.2% in Q2, year on year. Retail sales for Q3 increased by 6.1%.

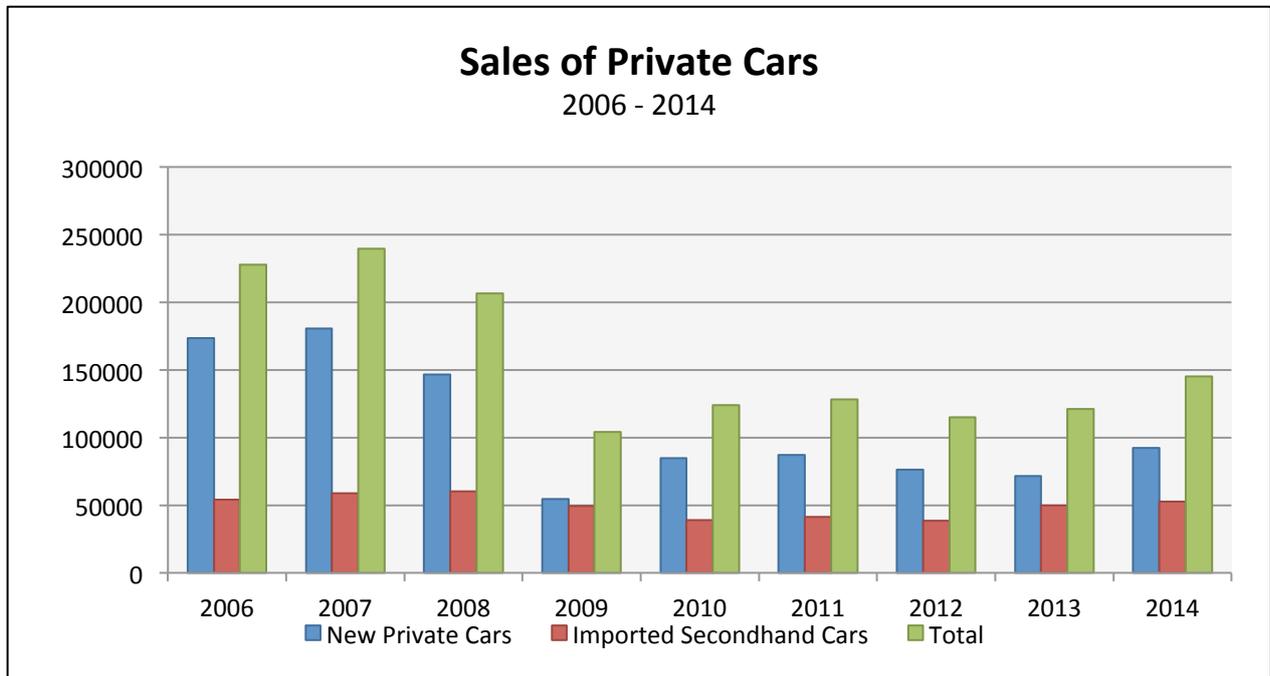
⁵⁸ www.finance.gov.ie/sites/default/files/Exchequer%20Returns%20end%20October%202014%20information%20note.pdf

⁵⁹ <http://www.theguardian.com/business/2015/oct/22/falling-prices-rugby-world-cup-boost-uk-retail-sales>

⁶⁰ www.ft.com/intl/cms/s/0/10a188ec-e99a-11e4-a687-00144feab7de.html#axzz3ZCT7brvf

SALES OF PRIVATE CARS

ANNUAL



Car sales are a leading indicator of activity in the wider consumer market. The motor industry in Ireland grew strongly during the economic boom, peaking in 2007 with 180,754 new cars sold. Sales of new cars have dropped steadily since then, with the largest fall from 2008 to 2009, when just 54,432 new cars were sold, a drop of -63%. There was a small revival in 2010 and 2011, but sales dropped again in 2012, with 76,256 new cars sold, a -12% decrease, and this trend continued in 2013 with 71,348 cars sold, a further reduction of -6.4%.

This downward trend reversed in 2014 as new car sales reached their highest level since 2008 with 92,361 new private cars licensed, an increase of 30%.

In contrast, second hand cars increased in popularity during the recession, with 85,000 sold in 2013, up 29% from 66,000 in 2012. This seems to reflect the reduced spending power of consumers, who opted to update their cars rather than buying new ones.

New car sales in the UK reached a 10-year high in 2014, with 2.5 million new cars registered, a year on year growth of 9.3%. This was a result of pent-up demand from the recession years combined with confidence in the economy.⁶¹ New car registrations in the EU remained steady at about 12 million in 2012 and 2013, about 20% below where it was before the economic crisis, when there were about 15.6 million cars sold annually in the EU.

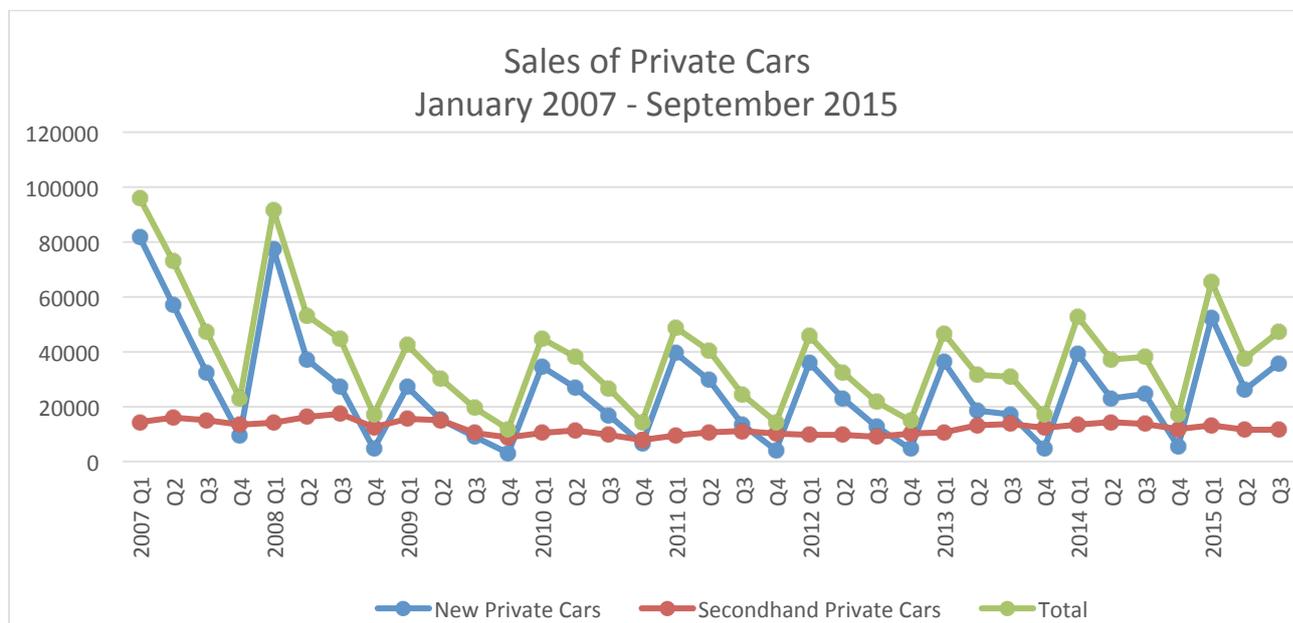
US car sales peaked in 2005 at 17.4 million, and bottomed out in 2009 at 10.6 million vehicles. Growth resumed in 2010, averaging 4% a year for the past four years, reaching 16.8 million vehicles in 2014, the first time sales approached pre-2007 levels.⁶²

⁶¹ www.smmmt.co.uk/2015/01/uk-new-car-registrations-december-2014/

⁶² www.thedailystar.net/business/carmakers-rack-up-big-gains-in-2013-us-sales-5461?archive=2014-01-06

SALES OF PRIVATE CARS

QUARTERLY



The variance in car sales over each year is due to seasonality, with new car sales traditionally concentrated in January and February. The recent introduction of a dual registration system is helping to even out sales across the year. From the peak of 180,754 new cars sold in 2007, sales dropped by 60% to 71,348 cars in 2013.

There was a major turnaround in sales of new cars in 2014, with 92,361 units sold in the full year, a 30% increase. This strong recovery has continued into 2015 as sales of new private cars increased by 33.5% in Q1, 14% in Q2 and 45.5% for Q3 year on year. This growth in sales is reflective of on-going improvement in consumer confidence, the labour market and the general economic climate.⁶³ In addition, incentive schemes to buy new cars and scrap old ones have contributed to the demand for cars.⁶⁴

A total of 835,000 second hand sales were made in 2014, up 6% from 785,000 in 2013 and 660,000 in 2012, an increase of 22%.⁶⁵ Sales of second hand cars actually decreased in Q1 2015, with 13,000 units sold, down -1.9% year-on-year. This trend continued and intensified into Q2 2015, with sales of second hand cars decreasing by 19.1%, and similarly in Q3 with sales down 15.1%. The strength of the Sterling and high second hand values are factors influencing this trend⁶⁶.

Sales of new cars in the UK were up 3.7% in Q2 of 2015, with 286,190 units sold. Sales were relatively constant for Q3 with an increase of 3% year-on-year.

Sales of new cars in the US have also experienced an upward trend with Q1 sales up by 7.2%, Q2 sales up 2.6% and Q3 sales up 7% year on year.

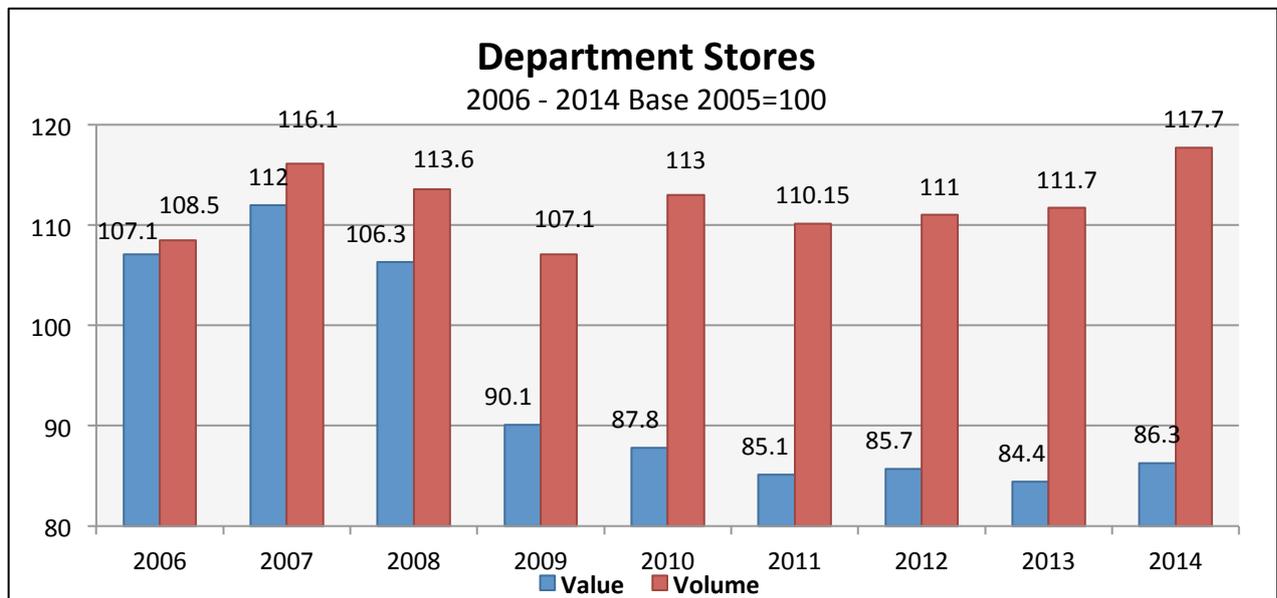
⁶³ <http://www.irishexaminer.com/ireland/car-sales-move-up-a-gear-in-first-three-months-of-year-325803.html>
⁶⁴ <http://www.rte.ie/news/business/2015/1016/735186-european-car-sales/>

⁶⁵ www.motorcheck.ie/blog/new-car-sales-2014-up-30-percent/

⁶⁶ <http://www.irishtimes.com/life-and-style/motors/ongoing-strength-of-sterling-is-choking-ireland-s-supply-of-used-cars-1.2145892>

RETAIL SALES – DEPARTMENT STORES

ANNUAL



Retail Sales Index – Department Stores, Base 2005 = 100⁶⁷

Department store sales increased continuously from 2000 to 2007, with an overall growth of 42% in volume and 49% in value.

Sales revenues declined every year from then to the end of 2012, down -23% in value over five years, reflecting price discounting used to stimulate sales. Sales volumes held up much better, down by just -4% over the five year period.

Sales through department stores saw a marginal increase in volume in 2013, of 0.5%, while value continued to drop, decreasing by -1.6% year-on-year. Volume increased by 5.5% for 2014 as a whole, while value saw a smaller increase of 2.3%.

Department store sales were also weak in the UK for several years, with a large drop in 2012, down -8.4% in volume and -6.6% in value. This reversed in 2013, however, when sales rose by 5.3% in volume and 4.4% in value,⁶⁸ and accelerated in 2014 as sales increased 10% in volume and 5.9% in value year-on-year.

Department stores in the UK have benefited particularly from internet sales, which now account for 11% of their total sales and which grew at a rate of 8% in 2014⁶⁹.

In the US, department store sales have been weak in recent times, down -4.7% in 2013, partly due to the unexpectedly bad weather, and continuing flat in 2014.⁷⁰

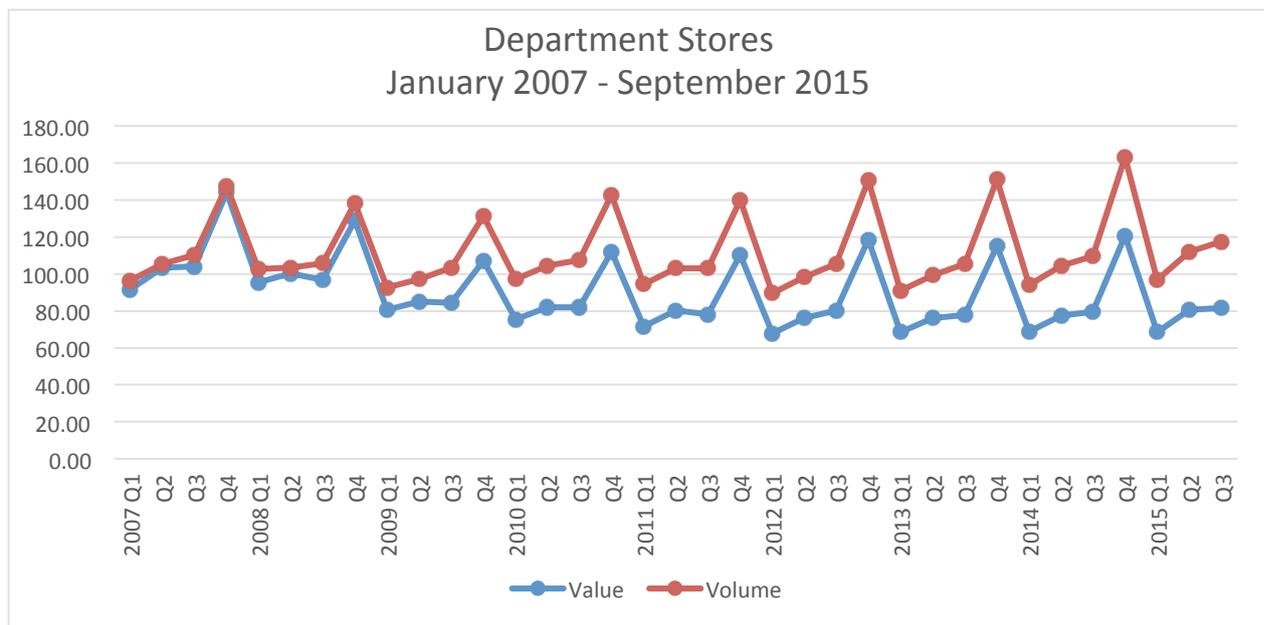
⁶⁷ Department Stores 2006 - 2014, Retail Sales Index, Value and Volume Unadjusted (Base 2005=100), www.cso.ie
⁶⁸ www.proactiveinvestors.co.uk/columns/beaufort-securities/15139/beaufort-securities-breakfast-today-nostra-terra-oil-gas-alecto-minerals-ithaca-energy-firstgroup-and-others-15139.html

⁶⁹ <http://www.ons.gov.uk/ons/rel/rsi/retail-sales/december-2014/sty-overview-of-internet-retail-sales-in-2014.html>

⁷⁰ <http://www.statista.com/statistics/293195/revenue-of-department-stores-in-the-us/>

RETAIL SALES – DEPARTMENT STORES

QUARTERLY



Retail Sales – Department Stores, Base 2005 = 100⁷¹

Department stores have a marked seasonal pattern, which peaks in the pre-Christmas period and to a lesser extent in July coinciding with summer sales. This peak was somewhat subdued during the recession years but has been recovering recently, with 2012 reaching a new peak and 2013 building on that gain.

Sales increased further in 2014, with sales volume up by 4% for the year, and value up by 2%, year-on-year. The rate of growth accelerated through the year with volume up 8% and value up 5% in Q4.

Sales in Q2 2015 have reflected this growth, with volume increasing by 4.1%, and value increasing by 7.5%. Similarly sales for Q3 rose in volume by 7.7% and value by 3.9% year-on-year.

Sales through UK department stores have followed a similar trend, increasing in 2013 by 5.3% in volume and 4.4% in value, and accelerating in 2014, with sales volume up by 8% and value by 7%.⁷² This trend is continuing in 2015 with sales volume up 5% and value up 7% in Q1, sales volume up 5.3% and value up 3% in Q2 and sales volume up 6% and sales value increasing by 4% in Q3 year-on-year.

Department stores have been weaker in the US, with no growth in 2014, following modest declines in each of the previous six years.⁷³ Q1 2015 showed optimistic signs with sales increasing by 1.1%, but sales for Q2 and Q3 did not fare so favourably with a decline in sales of 3.5% and 0.6% respectively. This downward trend is expected to continue, picking up perhaps in December.⁷⁴

⁷¹ Department Stores 2005 - 2014, Retail Sales Index Value and volume Unadjusted (Base 2005=100), www.cso.ie

*Visible data labels refer to value of sales

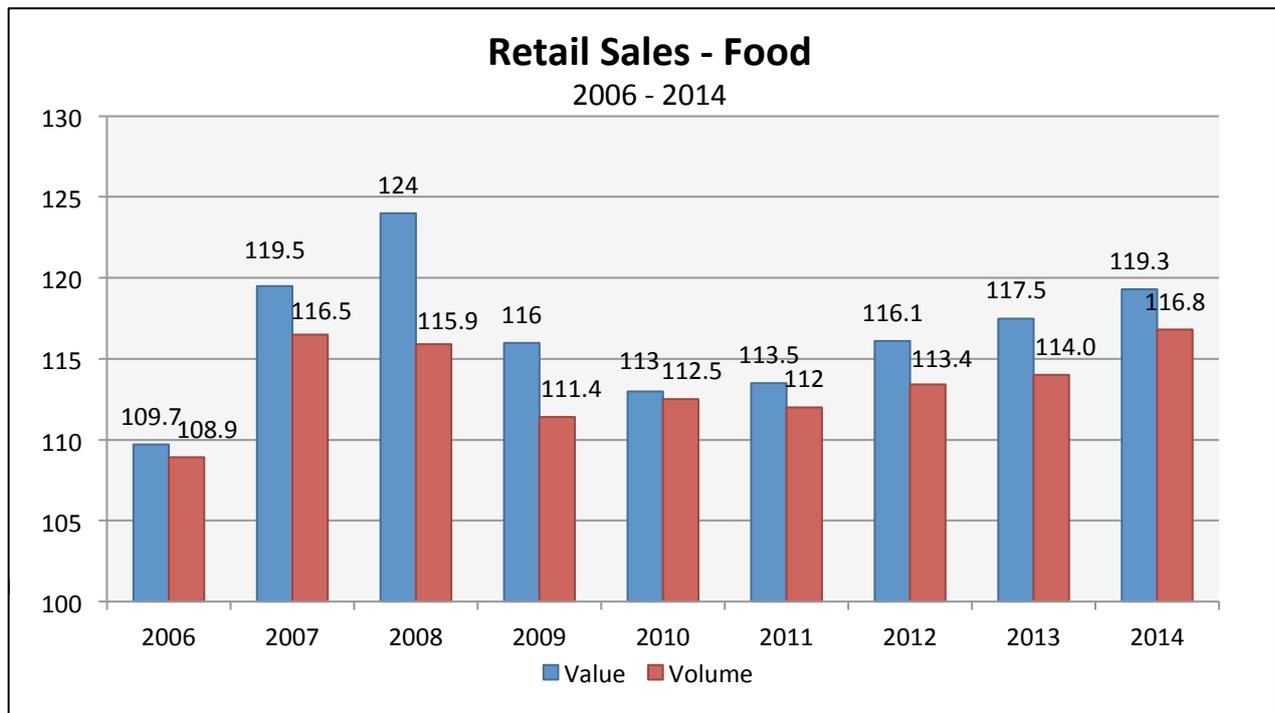
⁷² <http://www.theguardian.com/business/2014/sep/25/department-stores-john-lewis-house-of-fraser-record-september-sales-surge>

⁷³ www.statista.com/statistics/197712/annual-department-store-sales-in-the-us-since-1992/

⁷⁴ <http://www.reuters.com/article/2015/05/13/us-usa-economy-idUSKBN0NY1HC20150513>

RETAIL SALES – FOOD

ANNUAL



Retail Sales Index – Food, Base 2005 = 100⁷⁵

Food sales increased steadily between 2005 and 2008 along with most other retail categories, up by 16% in volume, an average annual growth rate of 5.3%. Sales value increased even more, by 24%, an average annual rate of growth of 7.9%.

As an essential item, sales of food have held up relatively well in the current recession. From the peak in 2007 to the end of 2012, volume declined by just -0.3%, and value by -4%.

Food sales stabilised in 2013, up slightly both in volume and value, by 0.6% and 1.2% respectively. Sales of food increased significantly in 2014 with volume up by 2.6% and value up 1.4%.

There has been considerable upheaval in the Irish grocery market in recent years with significant swings in market share. The discount chains, Lidl and Aldi, are continuing to grow their share of the market, reaching a combined share of 16.4% of the grocery market.⁷⁶ SuperValu have also increased their share to 24.5% due to their acquisition of SuperQuinn.⁷⁷

UK food sales have also been fairly stable overall, with volume increasing by just 1% in 2014 while value remained unchanged from 2013.

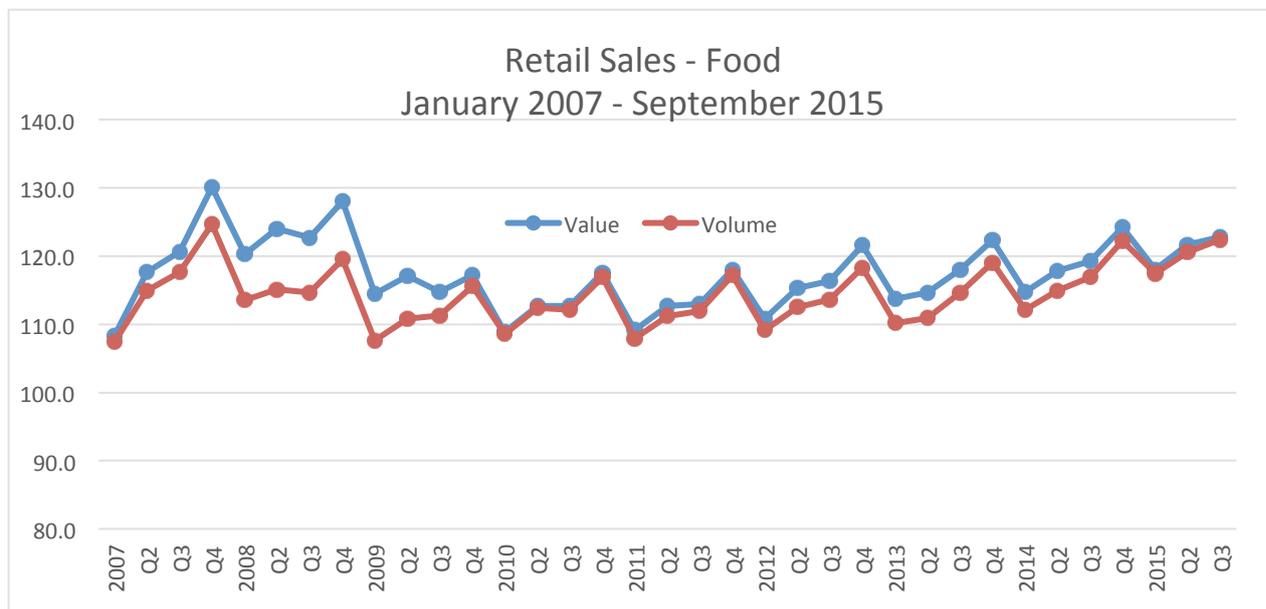
⁷⁵ CSO Retail Sales Index Value and Volume Unadjusted (Base 2005=100).

⁷⁶ www.shelflife.ie/wp-content/uploads/2014/11/KWGH.png

⁷⁷ www.irishtimes.com/business/sectors/retail-and-services/consumers-switch-to-discount-supermarkets-for-christmas-1.1661685

RETAIL SALES – FOOD

QUARTERLY



Retail Sales Index – Food, Base 2005 = 100⁷⁸

Sales of food are normally steady throughout the year with a small peak in the pre-Christmas period, followed by a return to trend in January.

Food sales grew steadily throughout 2014, reflecting the general recovery in the economy. For the year as a whole, food sales grew by about 2% in volume and by 1% in value. For Q4 volume up by 2.6% and value increased by 1.4%.

This upward trajectory has continued into the first quarter of 2015, with Irish food sales growing by 4.2% in volume, and 2.3% in value compared with last year. Similarly, this trend continued in Q2 2015 with a 4.4% increase in volume and 2.8% increase in value for food sales. Sales for Q3 increased by 4.7% in volume and 2.9% in value year-on-year.

Food sales in the UK have also been strong, increasing by 3% in volume for the year 2014, and 1% in value. However Q2 food sales have remained consistent with just a 0.4% increase in volume, but experienced a decrease of 1.5% in value. In Q3, volume of food sales increased by 2% with value remaining constant for the quarter year-on-year.

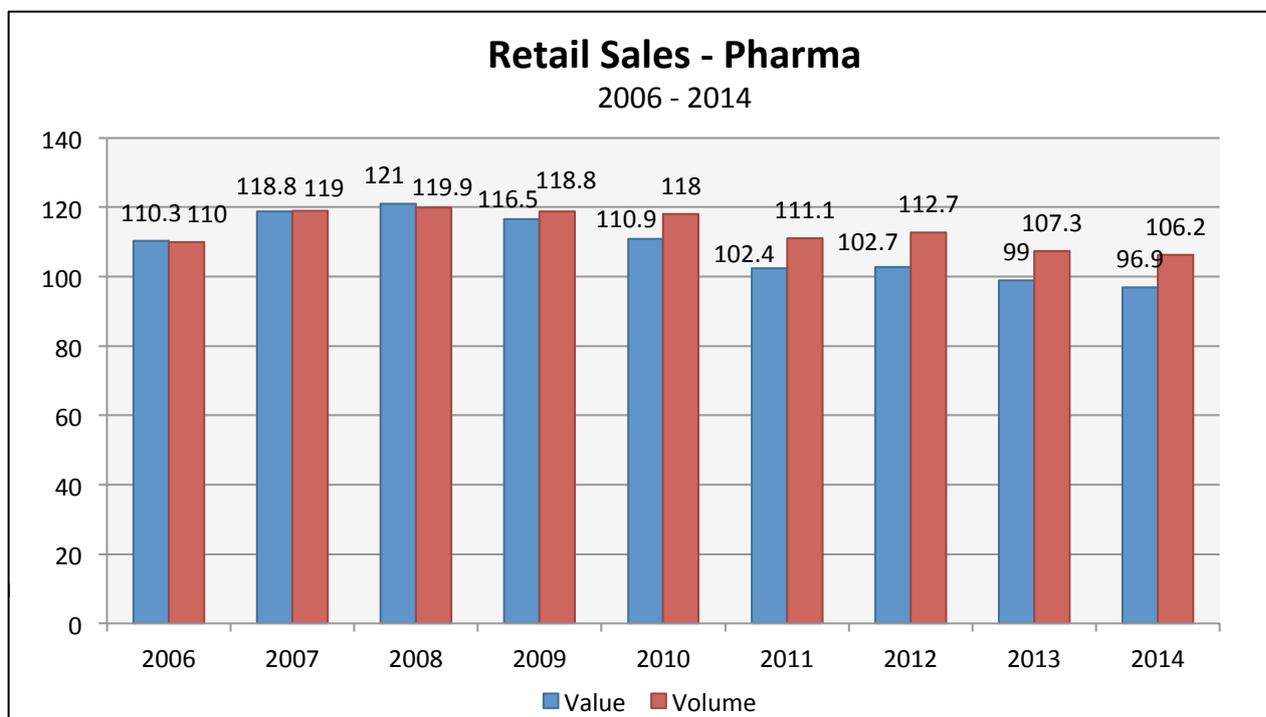
US food retail sales were up 3.5% in 2014 and up by 3.1% in Q1 2015.⁷⁹ Similarly, food sales were up 2.6% in Q2 2015, and 2.7% in Q3 2015.

⁷⁸ Food 2006 - 2014, Retail Sales Index Value and Volume Unadjusted (Base 2005=100), www.cso.ie

⁷⁹http://www.census.gov/retail/marts/www/marts_current.pdf

RETAIL SALES - PHARMACEUTICAL, MEDICAL & COSMETICS

ANNUAL



Retail Sales Index – Pharmaceutical, Medical and Cosmetic Articles Base 2005 = 100⁸⁰

Sales of pharmaceutical, medical and cosmetic goods increased substantially between 2000 and 2008, with sales volume up by 50%, an annual growth rate of 6%. The value of sales increased even more, by 79%, or an annual growth rate of 10%.

This sector suffered a decline in the recession years from 2008 although it suffered less than some others. Sales volume fell by -10% from 2007 to the end of 2013, an average annual drop of -2%. Value declined by -18% from peak to the end of 2013, an annual drop of -3.5%.

Sales in this category stabilised in 2012, up by 1.4% in volume and 0.3% in value. However, this trend reversed again in 2013, with sales decreasing by -4.5% and -3.3% respectively.

Sales improved slightly in 2014 but remained in negative figures with volume at -2% and value at -0.9%.

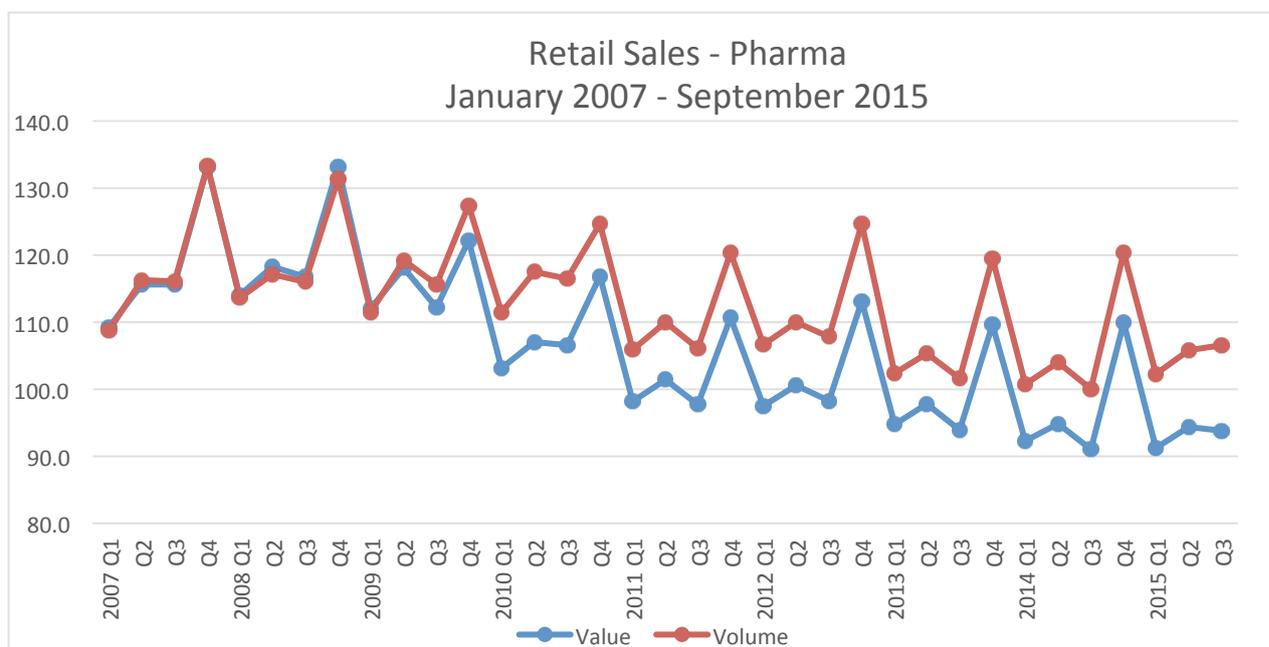
Pharmacies in the UK have also been under pressure, due to falling consumer spending and government cutbacks. This trend reversed in 2013 with an increase in volume and value of 9.8% and 9.4% respectively. Sales in this sector continued to increase in 2014 with volume up by 4.8% and value by 4.6%.

Pharmacies in the US have also performed well as sales increased by 6.1% in 2014.

⁷⁴ Pharmaceutical, Medical and Cosmetic Articles 2006 - 2014, Retail Sales Index Value and Volume Unadjusted (Base 2005=100), www.cso.ie

RETAIL SALES – PHARMACEUTICAL, MEDICAL, AND COSMETICS

QUARTERLY



Retail Sales Index – Pharmaceutical, Medical and Cosmetic Articles Base 2005 = 100⁸¹

Sales of Pharmaceutical, Medical and Cosmetic products are normally steady throughout the year with a significant increase in December, reflecting gift buying. This peak was much reduced in the three years from 2009 to 2012, but re-established itself in 2013.

There was a significant drop in sales in 2013, with a decrease of -4.4% in volume and -3.3% in value, year-on-year.

Sales through pharmacies saw a further decrease in 2014, with volume down -1% and value down -2% year on year, reflecting continuing price pressure. Sales stabilised in Q4, however, with volume up 0.6% and value up 0.1%, respectively.

Sales for Q1 2015 have continued to be fairly stable, up by 1.4% in volume although down by -1.2% in value. This growth in volume continued into Q2 with a 1% increase on 2014, with value decreasing by -0.2%. Q3 sales have increased in volume by 6.5% and in value by 3%. Ireland's export sector is experiencing the benefits of the weaker euro, with the main drivers of this growth being medical and pharmaceutical products.⁸²

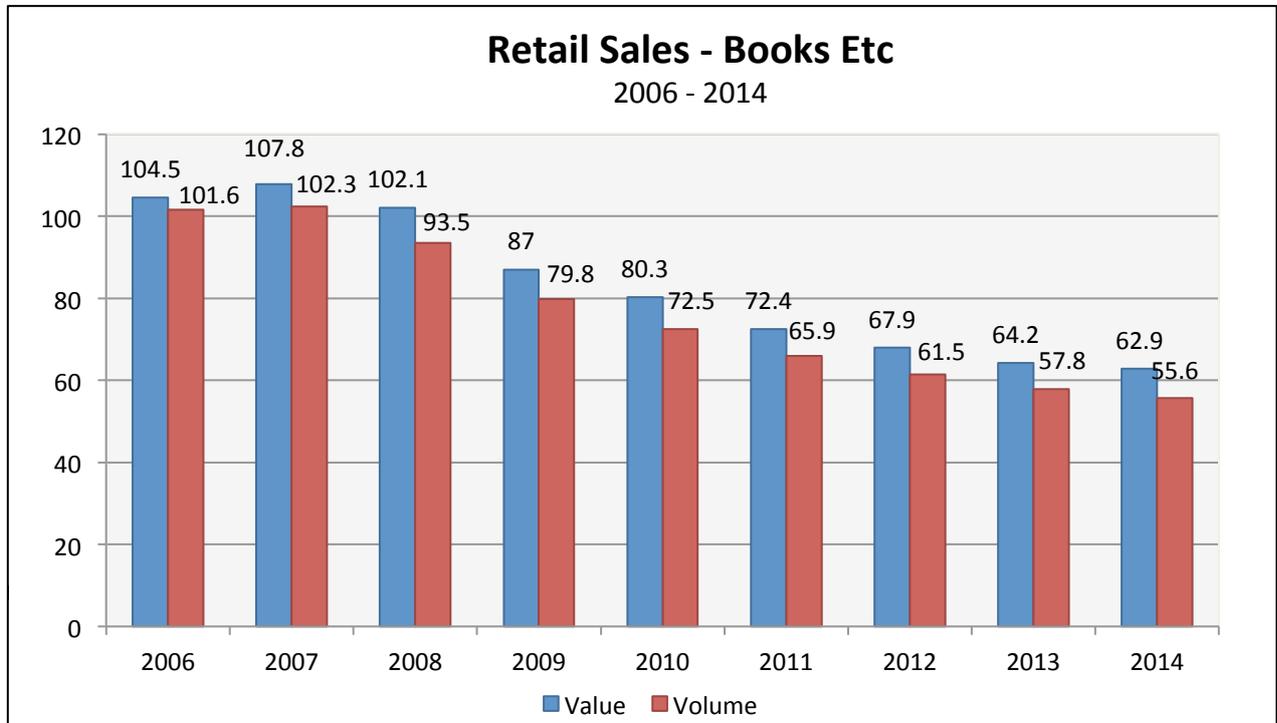
In contrast, pharmaceutical sales have grown strongly in the UK in 2015, with an increase of 7% in volume and 6% value in for Q1. Growth slowed down slightly in Q2, with volume recorded at 3.7% increase on last year, and value at a 2.9% increase. However growth increased in volume by 7% and in value by 6% for Q3, reflecting a return to form for UK pharmaceutical sales. In the US, sales value in the pharmaceutical retailing industry has increased by 5.7% for 2015 Q1. Q2 also experienced growth in value with a 2.7% increase, whilst Q3 saw sales grow by 3.9% year-on-year.

⁸¹ Food 2006 - 2014, Retail Sales Index Value and Volume Unadjusted (Base 2005=100), www.cso.ie

⁸² <http://www.independent.ie/business/irish/medical-and-pharma-exports-bolster-july-figures-31526754.html>

RETAIL SALES – BOOKS, NEWSPAPERS AND STATIONERY

ANNUAL



Retail Sales Index – Books, Newspapers and Stationery Base 2005 = 100⁸³

The books, newspapers and stationery sector, which includes specialist book stores as well as newsagents, has been one of the hardest hit sectors during the past six years. Sales volume declined by -43% from the peak in 2007 to the end of 2013, an annual decline of -8%, and value declined by -40%. This was partly due to the recession, but also because of a fundamental shift towards digital media.

The negative trend continued in 2014 with volume of sales down -3.7% and value down -1.8% for the year.

Book sales in the UK continued to fall in 2014 also, due to the ever increasing popularity of e-books.⁸⁴ A review of printed book sales for 2014 shows volume sales down -1.9% to 180 million, with value sales down -1.3% to £1.39bn.⁸⁵

Unlike the UK, US book sales increased by 4.1% in 2013 because e-book retailers become subject to more stringent pricing controls.⁸⁶ However, this positive trend was not sustained in 2014 as US book sales decreased by -0.1% year-on-year.

⁸³ CSO Retail Sales Index Value and Volume Unadjusted (Base 2005=100).

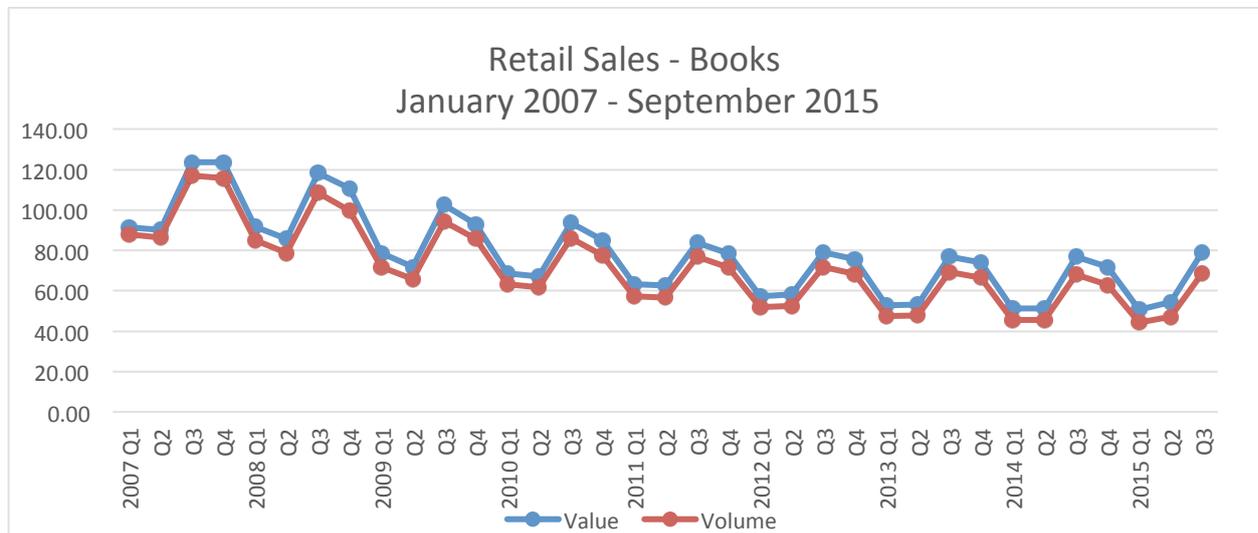
⁸⁴ www.theguardian.com/books/2015/jan/13/sales-printed-books-fell-150m--five-years

⁸⁵ Nielsen BookScan

⁸⁶ www.digitalbookworld.com/2013/ten-bold-predictions-for-ebooks-and-digital-publishing-in-2014/

RETAIL SALES – BOOKS, NEWSPAPERS & STATIONERY

QUARTERLY



Retail Sales – Books, Newspapers and Stationery Base 2005 = 100⁸⁷

Sales of books and stationery have two peaks in the average year, in August/September coinciding with back to school time, and a second in the pre-Christmas period. These peaks have been on a steady downward trend since the end of the peak in 2007.

Sales of books, stationary and newspapers continued to fall in 2014, with a decrease of -3.6% in sales volume and -2% in sales value.

Sales have continued on a downward trend for Q1 of 2015, with decreases of -2.9% and -1% for volume and value respectively, reflecting the on-going migration of books, news and magazines to online and digital formats.⁸⁸ However Q2 saw an increase in volume at 2.6% and value of 4.6%, reflecting the overall trend of surging retail sales⁸⁹. Q3 sees growth slow slightly to a 1.1% increase in volume and 2.9% increase in value.

Sales of books and newspapers in the UK have been undergoing a similar pattern but, for some reason, saw a large increase for Q1 2015, up 9% in both volume and value, with this trend continuing in Q2, recording an increase of 3.3% in volume and 2.8% in value. Q3 saw a significant increase with volume up by 7% and value increased by 5%. The downward trend of the e-reader is reportedly felt in many UK bookstores, with Waterstones in particular removing the Amazon Kindle from its shelves⁹⁰.

US books and newspaper sales also saw an increase in value for Q1 2015, up 5.3%, and up 6.8% in Q2 2015 when compared to 2014. Steady growth continued into Q3 with sales increasing by 5.9%.

⁸⁷ Books, Newspapers and Stationery 2005 - 2011, Retail Sales Index Value and volume Unadjusted (Base 2005=100), www.cso.ie
* Visible data labels refer to value of sales

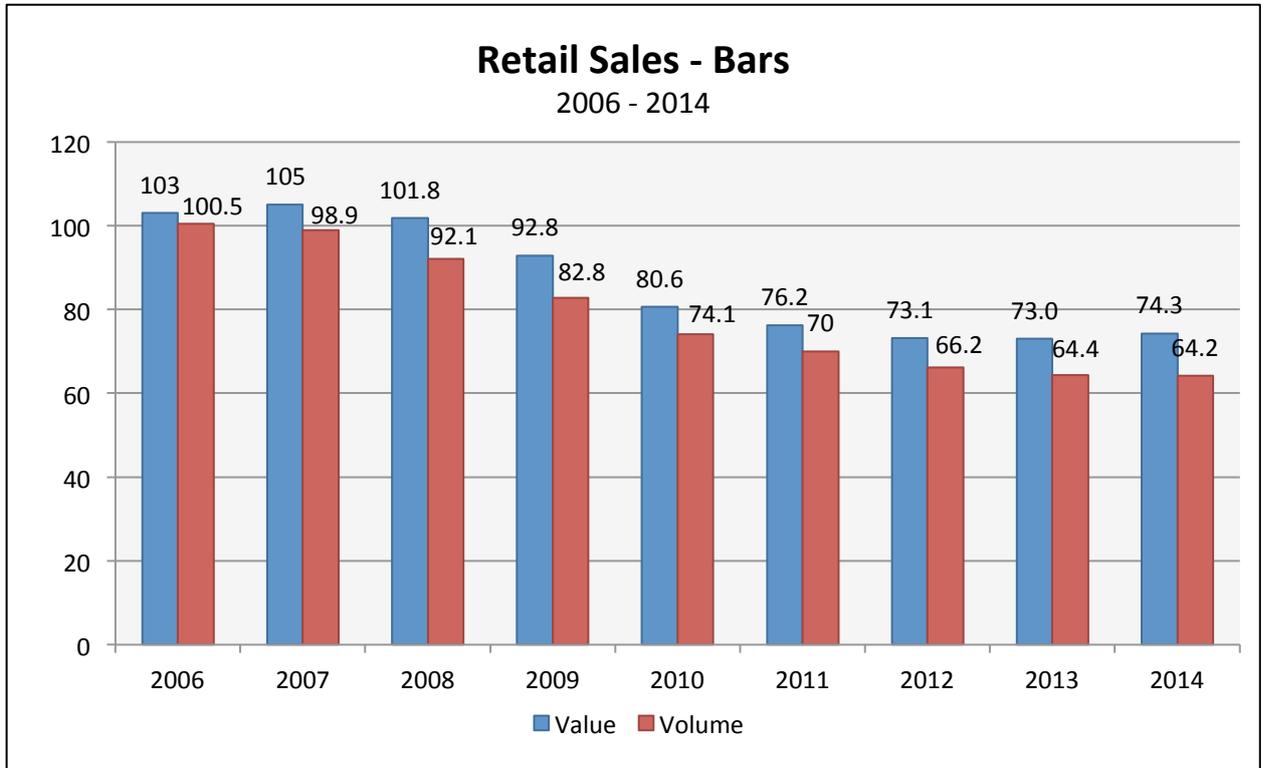
⁸⁸ [http://www.retailireland.ie/IBEC/Press/PressPublicationsdoclib3.nsf/wvRINewsByTitle/indicators-point-to-further-retail-recovery-in-2015-09-02-2015/\\$file/Retail%20Ireland%20Monitor%20-%20Issue%201%20-%20Press.pdf](http://www.retailireland.ie/IBEC/Press/PressPublicationsdoclib3.nsf/wvRINewsByTitle/indicators-point-to-further-retail-recovery-in-2015-09-02-2015/$file/Retail%20Ireland%20Monitor%20-%20Issue%201%20-%20Press.pdf)

⁸⁹ <http://www.irishtimes.com/business/retail-and-services/retail-sales-surge-5-4-per-cent-on-an-annual-basis-1.2299634>

⁹⁰ <http://www.theguardian.com/books/2015/oct/06/waterstones-stop-selling-kindle-book-sales-surge>

RETAIL SALES – BARS

ANNUAL



Retail Sales Index – Bars, Base 2005 = 100⁹¹

The bar trade in Ireland has been in decline for more than a decade as a result of a combination of factors including the introduction of the smoking ban and random breath testing, and changing consumer lifestyles.

From the peak in 2007 to the end of 2013, volume sales through bars decreased by -35% and value by -30%. Over the same period, the number of pub licences reduced from 9,500 to 8,300, a drop of -13%.⁹²

Sales in 2014 saw a small reversal with volume steady and value up by 1.8%. This marked the first time since 2007 that the value of sales did not decrease from the previous year.

Beer sales in the UK were also up 1.3% in 2014, ending a decade of decline⁹³. Beer sales in pubs have begun to stabilise, showing a small decline of -0.8% in 2014, the smallest decline since 1996. In contrast, off-trade sales grew by 3.5%, exceeding on-trade sales for the first time on record.

The number of bars in the UK has also been experiencing a steady downward trend over the past decade; the number of pubs in the UK is now down to 49,500 compared with 60,100 in 2002.

⁹¹ Bars 2005 - 2014, Retail Sales Index Value and Volume Unadjusted (Base 2005=100), www.cso.ie, All figures relate to on-trade sales

⁹² Drinks Industry Ireland, 2014

⁹³ <http://www.beerandpub.com/news/british-beer-sales-up-for-the-first-time-in-ten-years>

RETAIL SALES – BARS

QUARTERLY



Retail sales Index – Bars, Base 2005 = 100⁹⁴

Irish bar sales follow a seasonal pattern with a peak in the run up to Christmas followed by a trough in January each year. This conceals a long-term decline in the pub trade which is showing little sign of abating.

Bar sales in Q4 2014 grew by 1.4% in volume and increased in value by 2.6% year-on-year. The seasonal effect in December lifted sales, with volume up 0.4% and value up 0.9% compared to the same time in 2013.

Bar sales were relatively positive in Q1 2015, with sales volume up by just 0.1%, and sales value up by 1.3%, year-on-year. Q2 2015 has seen a more significant increase with volume up by 5.1% and 5.2% for value. This growth has continued into Q3 in 2015, with bar sales experiencing a significant increase in volume, at 7.4%, and value increasing by 7.7%.

Beer sales in the UK were also up 1.3% in 2014, ending a decade of decline⁹⁵. Beer sales in pubs have begun to stabilise, showing a small decline of -0.8% in 2014, the smallest decline since 1996. In contrast, off-trade sales grew by 3.5%, exceeding on-trade sales for the first time on record.

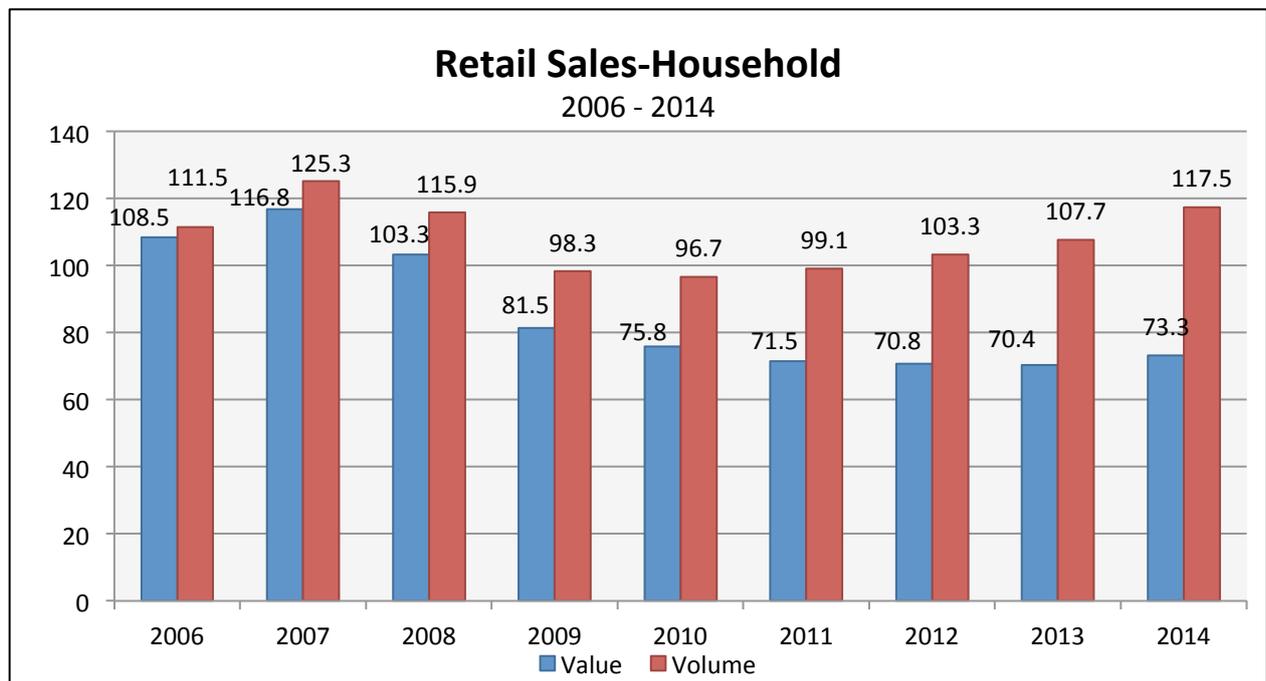
In the US, restaurants and drinking places reported an increase of 3.3% in sales value in Q4 of 2014. Sales saw a further substantial increase of 9.0% in Q1 2015, year-on-year, however slowing down to of growth of only 0.2% in Q2 2015. In contrast, Q3 reported a significant increase of 7.8% when compared to 2014.

⁹⁴ Bars 2006 - 2015, Retail Sales Index Value and volume Unadjusted (Base 2005=100), www.cso.ie/all figures relate to on-trade sales

⁹⁵ <http://www.beerandpub.com/news/british-beer-sales-up-for-the-first-time-in-ten-years>

RETAIL SALES- HOUSEHOLD EQUIPMENT

ANNUAL



Retail Sales Index – Household Equipment, Base 2005 = 100⁹⁶

Household equipment is the sum of three sub-categories: furniture and lighting; hardware, paints and glass; and electrical goods. All of these items are highly dependent on the housing market, particularly on the number of new homes built. Sales of household equipment grew rapidly in line with the boom in housing construction, reaching a peak in 2007. However, sales declined just as rapidly, falling by -18% in volume and by -40% in value from the peak in 2007 to the end of 2012.

Sales of household equipment saw a slight recovery in 2013, with an increase of 4.3% in volume, although value decreased by -0.5%. The recovery accelerated in 2014 with a 4.1% increase in overall sales of household equipment, while value rose by a much larger 9.1%. The largest increases were in furniture and lighting (up 20.6% in volume and 14.1% in value), followed by electrical goods (up 8.3% and 2.5%), and hardware (up 5.2 and 4%).

Despite the improvement in the UK property market in 2013, sales decreased both in volume and value, by -2.4% and -2.7% respectively.⁹⁷ This trend reversed in 2014 with sales up by 7.1% in volume and 6% in value.

In the US, sales of household goods increased by 8% in value in 2012, with a slightly lower rate of increase of 3% in both 2013 and 2014.⁹⁸

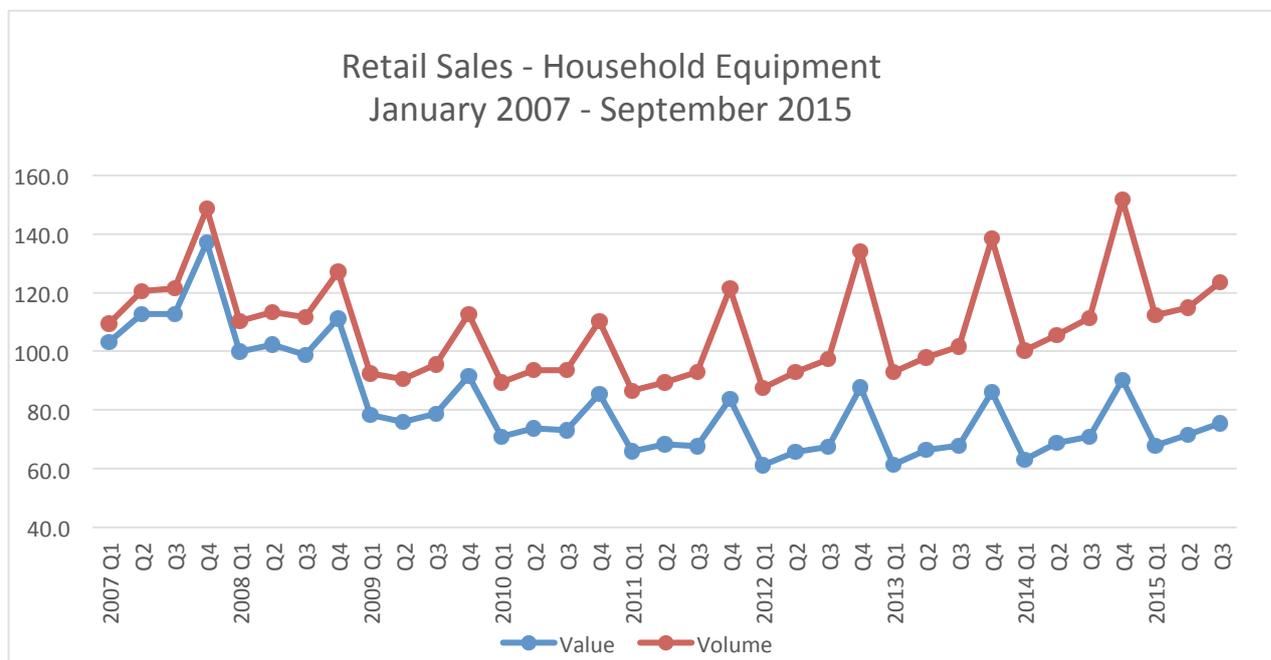
⁹⁶ Household Equipment 2006 - 2014, Retail Sales Index Value and volume Unadjusted (Base 2005=100), www.cso.ie

⁹⁷ www.bbc.co.uk/news/business-25745468

⁹⁸ www.postandcourier.com/article/20140124/PC05/140129750/1010/us-home-sales-in-2013-best-in-seven-years

RETAIL SALES - HOUSEHOLD EQUIPMENT

QUARTERLY



Retail Sales Index – Household Equipment, Base 2005 = 100⁹⁹

Sales of household goods are quite seasonal with a small peak in June/July each year, and a bigger peak in the pre-Christmas period. The annual peak in sales volume reached the highest level in December 2014, surpassing its previous peak in 2008.

In 2013, sales of household equipment saw an increase in volume of 4.3%, while value saw a decrease of -0.5%. Sales continued to increase in 2014, up by 9.9% in volume and 5.2% in value in the fourth quarter, year-on-year.

Sales increased further in Q1 2015, up by 11.9% in volume and 6.9% in sales value, compared to the previous year. This average conceals considerable variation, with some of the sub-categories showing even larger increases: furniture and lighting up 20.8% in volume and 14.8% in value; electrical goods up 11.9% in volume and 6.2% in value, and hardware, paints and glass up 6.9% in volume and 4.3% in value. These increases are directly related to the increase in activity in the Irish property market.¹⁰⁰ Growth has continued into Q2, with volume up 7.4% when compared to 2014, and value up 3.6%. Again, this trend can be attributed to the overall comeback of retail sales in Ireland¹⁰¹. This strong growth continued in Q3 2015, with volume increasing by 11.2% and value increasing by 6.5%, when compared to the same period last year, further illustrating an increase in consumer spending¹⁰².

UK sales of household equipment have also been strengthening, up by 6% in volume and 9% for value for the first three months of 2015. This continued into Q2 with an increase of 9% in volume and 6.1% in value. It was expected that the UK election will have a further

⁹⁹ Household Equipment 2006 - 2015, Retail Sales Index Value and volume Unadjusted (Base 2005=100), www.cso.ie

¹⁰⁰ <http://www.irishexaminer.com/business/bank-of-ireland-ups-sme-loan-approvals-by-24-328710.html>

¹⁰¹ <http://www.irishtimes.com/business/retail-and-services/furniture-and-homewares-lead-retail-sales-comeback-1.2291432>

¹⁰² <http://www.irishexaminer.com/business/retail-sales-increase-confirm-upturn-361961.html>

positive effect on the UK housing market ¹⁰³This positive effect further continued into Q3, with volume increasing by 10% and value up by 7% when compared to the same period last year.

US sales of household equipment increased by 4.3% in the fourth quarter of 2014 year-on-year, attributable to house sales and remodelling. Sales increased by just 2.7% in Q1 2015 and continued as such in Q2 with an increase of 1.8%. However household equipment sales only increased by 0.67% in Q3 2015, which reflects the overall sluggish growth that the US economy experienced in the third quarter of 2015¹⁰⁴.

103 <http://www.forbes.com/sites/carlapassino/2015/05/08/why-the-british-real-estate-market-will-rise-now-the-election-is-over/>
104 <http://www.wsj.com/articles/u-s-economic-growth-cools-in-third-quarter-1446122018>

RETAIL SALES - CLOTHING, FOOTWEAR AND TEXTILES

ANNUAL



Retail Sales Index - Clothing, Footwear and Textiles, Base 2005 = 100¹⁰⁵

Sales of clothing and footwear grew strongly during the boom years. Sales volume grew by 89% from 2000 to 2007 which is equivalent to 13% per annum, while value increased by 46%, or 7% per annum.

Sales volume held up quite well during the recession, down by just -5% from peak to the end of 2013, but value fell by far more, down -29%, due to price discounting.

Sales of clothing and footwear stabilised in 2013, with a small increase in volume, of 1.9% for the year, although there was a decline of -1.1% in value year-on-year.

Sales levels increased more significantly in 2014, with volume up by 5.2% in Q4 year-on-year, and value up by slightly less, at 2.3%.

UK sales also recovered slightly in 2013, with volume and value increasing by 1% and 2.4% respectively. In 2014, sales increased a bit more, by 2.7% in volume and 2.9% in value. Online sales account for 11% of this category and were up 10% year-on-year, in 2014.

Sales of clothing in the US increased by 5.5% in 2012 and this trend continued through 2013 and 2014 with further increases of 3.8% and 2.2% respectively.

¹⁰⁵ Textiles and Clothing 2005 - 2014, Retail Sales Index Value and volume Unadjusted (Base 2005=100), www.cso.ie

RETAIL SALES - CLOTHING, FOOTWEAR AND TEXTILES

QUARTERLY



Retail Sales Index – Clothing, Footwear and Textiles, Base 2005 = 100¹⁰⁶

Sales of clothing, footwear and textiles have a marked seasonal pattern with a large peak in the pre-Christmas period. Typically, sales volume increased by 50%+ from November to December each year, compared to the average for the rest of the year.

Following a marked decline in 2009, sales of clothing and footwear declined very slightly for the next three years. Sales volume held up relatively well during the recession, down by just -4% from peak to the end of 2012, although value fell by far more, down 26%, due to price discounting

Sales of clothing and footwear showed signs of recovery in 2013, up 3.9% in Q4, with value steady, year-on-year. This recovery continued into 2014, and in quarter Q4 volume increased by 5.6% and value by 2.6%.

Quarter one in 2015 saw this upward trend continuing, with a further increase in sales volume of 5.6% and value increasing by 2.8%, compared to last year. Similarly, in Q2 2015, sales continued to rise by 8.3% in volume and 4.7% in value. Growth further strengthened in Q3, with a 12.4% increase in volume, and value increasing by 8.4% when compared to Q3 2014.

UK clothing sales in Q4 2014 saw an increase of 2% in value and 3% in volume. This growth continued in 2015, with an increase of 4% in volume and in value in Q1 2015, when compared to last year. Q2 for 2015 stuck to this trend and clothing sales saw an increase of 5.8% in volume and 4.9% in value. A warmer than expected April stimulated this sales performance¹⁰⁷. Steady growth continued into Q3 with both volume and value increasing by 4%, when compared with the same period in 2014.

US clothing sales saw a 3% increase for Q1 2015 and a 1.8% increase for Q2. Q3 experienced strong growth this year with US clothing sales increasing by 3.31%.

¹⁰⁶ Textiles and Clothing 2006 - 2015, Retail Sales Index Value and Volume Unadjusted (Base 2005=100), www.cso.ie

¹⁰⁷ <http://uk.reuters.com/article/2015/06/18/uk-britain-retail-idUKKBN00Y0TH20150618>

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