

Q2

2018

# Consumer Market Monitor

## Overview Second Quarter

### CONSUMER SPENDING WAS UP 3% FOR 2017, WHILE CONSTRUCTION GREW BY AN EVEN HIGHER 4.2%.

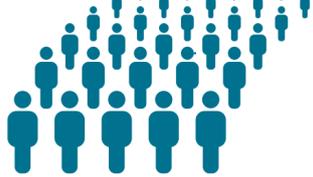
Consumer spending is growing at a steady pace and continues to be one of the main drivers of economic growth in Ireland, along with construction. Growth continued in both sectors in 2017 and this pattern is continuing in 2018. Consumer spending was up 3% for 2017 in current terms, while construction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

Mary Lambkin  
Professor of Marketing  
at UCD Michael Smurfit  
School of Business

### A REMARKABLE INCREASE IN DISPOSABLE INCOME, UP 5% A YEAR IN EACH OF THE PAST THREE YEARS.



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. 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.

#### STRONG EMPLOYMENT



2.2million

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



#### ACCELERATED GROWTH



Up 7%

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. Household equipment continued to be the fastest growing category, 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.



#### PROPERTY UNDER PRESSURE



50,000

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.



## Recent Trends

### 83,037 NEW CARS WERE SOLD IN THE FIRST HALF OF 2018, DOWN 4.9% YEAR-ON-YEAR



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.

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

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



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

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



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

## Consumer Confidence

“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.”



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 Dec.

Tom Trainor,  
Chief Executive, The Marketing Institute



## Consumer Incomes and Spending

### CONTINUING STRENGTH IN THE CONSUMER ECONOMY



The disposable income of Irish households rose by 5% in 2017 to a total of €102 bn, eclipsing the last peak of €101 bn 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 spending began to recover in 2014, up 2%, and up 4.5% in 2015. It continued, up 2%, and up 4.5% 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, forecasts suggesting that spending will be up by 2.6% for 2018 and by 2.5% for 2019.



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.

## Consumer Borrowing

Loans for house purchase, which account for 84% of household borrowing, peaked in Q1 2008 at €124bn, but dropped to €73bn by Q4 2016, a cumulative decline of 40%. Mortgage lending has begun to increase again, up to €75bn by the end of 2017, an annual growth of 5%.



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 €66 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.



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 European Union.

## Retail Spending

### GROWTH ACCELERATED AS THE YEAR PROGRESSED, TO 7% IN Q4, SUGGESTING STRONG MOMENTUM INTO 2018



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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.

## Contact



The Consumer Market Monitor is a publication provided by The Marketing Institute of Ireland in collaboration with the UCD Michael Smurfit Graduate Business School. Data from the Central Statistics Office (CSO), the Central Bank, the European Commission, and other secondary sources. View further information about the Consumer Marketing Monitor here: <http://www.mii.ie/cmm/>



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