

Q1 2019

Consumer Market Monitor

Overview First Quarter

THE OUTLOOK FOR THIS YEAR IS FOR CONSUMPTION TO MODERATE FURTHER, GROWING BY 2.1% FOR THIS YEAR AND 2% FOR 2020. THESE FORECASTS ASSUME THAT CONSUMER CONFIDENCE WILL REMAIN SUBDUED WHILE THERE IS A CONTINUING RISK OF A DISRUPTIVE UK DEPARTURE FROM THE EUROPEAN UNION.

Strong growth in employment and disposable incomes in 2018 continued to provide the conditions to support growth in the Irish consumer economy. As counterpoint to this, however, consumer confidence weakened in the face of the protracted negotiations about Brexit and a pervasive anxiety that a hard Brexit would damage the Irish economy and employment.

Mary Lambkin
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Consumer spending increased by 3% in 2018 to €104 billion, well ahead of the last peak of €101 billion in 2007. However, growth slowed to 2.6% in Q4 reflecting a weakening of consumer sentiment towards the end of the year.

THE MAIN DRIVER OF GROWTH IN 2019 AND 2020 WILL CONTINUE TO BE GROWTH IN EMPLOYMENT AND INCOMES

There are now 2.281 million people at work, up 50,500 (2%) year-on-year, and up by 418,000 or 22% from the low point in early 2012. Employment is expected to continue to grow this year and next but at a moderating rate. Projected growth of 2.5% for 2019 and 2% in 2020 would add another 104,000 people to the workforce.

STRONG EMPLOYMENT



2.281mn

Strong growth in employment and disposable incomes in 2018 continued to provide the conditions to support growth in the Irish consumer economy. As counterpoint to this, however, consumer confidence weakened in the face of the protracted negotiations about Brexit and a pervasive anxiety that a hard Brexit would damage the Irish economy and employment.

2% up



WAGES



+3.6%

Wages have been increasing by around 2.5% per annum in recent years and are expected to rise further in 2019. As spare capacity in the labour market diminishes, wage growth is projected to pick up slightly, with wages forecast to increase by 3.6% this year and 3.7% next year.



PERCEIVED WEALTH



€158,000

Consumer spending has also been supported by improving household balance sheets mainly driven by the increasing value of peoples' homes. Household net worth per capita now stands at €158,000, up 70% from the low of 2012. Perceptions of increasing wealth feed confidence and encourage consumers to release some of their wealth for spending.



70% up



A final point to note is the broad-based deterioration in the UK consumer economy on foot of the Brexit confusion. There has been a weakening in virtually every metric tracked in this monitor, from property to cars to retail and services over the past two years. Only time will tell whether this downward trend is temporary.

Recent Trends



Q1: 50,861

THE MARKET FOR CARS IS THE MOST TROUBLED SECTOR RIGHT NOW; SALES FOR Q1 ARE DOWN BY -12.9%

The market for cars is the most troubled sector right now; sales for the first quarter of this year are down by -12.9% for a total of 50,861. Annualised, this suggests sales of 105,000 for the year. This continues a negative trend for the past two years, with sales down -10.5%, in 2017 to 127,045, and by a further -4.6% in 2018 to 121,157. In contrast, there has been a large increase in the number of imported second hand cars reaching 99,456 in 2018. This trend is continuing in 2019 with sales up 4.9% in Q1 to 25,906, suggesting a final figure of about 104,000.

2019 got off to a much stronger start, with sales up by 6.0% in volume and 4.3% in value in the first quarter and the positive momentum is continuing in quarter two.



Non-specialised stores (supermarkets) up 5.3% in volume and 4.7% in value

Pharmaceuticals and cosmetics up 7.1% in volume and 5.3% in value



Household equipment up 18.1% in volume and 10.4% in value

Clothing, footwear & textiles up 8.0% in volume and 6.5% in value;



Books, newspapers, stationery up 4.2% in volume and 6.7% in value

Consumer Confidence

Continuing uncertainty about Brexit and other economic prospects is weighing on consumer sentiment which is continuing to be subdued in the early months of 2019.



Confidence dropped through 2018 reflecting worries about a "hard Brexit" and negative implications for the Irish economy. This downward trend has continued in quarter one of 2019, with the confidence measure going into negative territory for the first time since 2014. However, confidence here is still higher than in the UK and the wider EU.

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 2018 to a total of €109 bn, significantly overtaking the last peak of €101bn in 2007. Disposable income per person exceeded its pre-crisis peak for the first time in 2017. It is expected that household incomes will grow by 5% again in 2019, especially if a Brexit agreement is reached and economic conditions stabilise.



All forecasts see continuing growth in consumer spending this year and next although the growth is expected to continue to lag slightly behind disposable incomes (2-3% compared to 5%). This is evidenced by the fact that growth slowed to 2.6% in Q4 reflecting the weakening of consumer sentiment towards the end of last year.



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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 resumed growth since then increasing by over €1bn (+1.4%) in 2018, the largest increase since 2009, to a total of €76bn.



Borrowing by Irish households grew at a record level from 2000 and peaked in March 2008 at €150 billion, but declined steadily since then, down 40% to €88 billion in Q4 2016. This trend reversed in 2017 - after almost a decade, with debt increasing by 2%, the first sign of a return to normal conditions. Outstanding household debt stood at €90 billion in December 2018.



It is important to note that credit and borrowing are not major contributory factors in recent spending, unlike in the last boom. The ratio of debt/disposable income of Irish households has gone down from 215% at the peak in 2012 to 126% this year, a reduction of 40%.

Retail Spending



2019 GOT OFF TO A MUCH STRONGER START, WITH SALES UP BY 6.0% IN VOLUME AND 4.3% IN VALUE IN THE FIRST QUARTER

Growth was a little softer in the fourth quarter, up 3.2% in volume and 2.0% in value year-on-year, considerably lower than the growth rate experienced in the final quarter of 2017 (6.7% in volume and 3.9% in value). This out-turn was probably a result of faltering consumer confidence due to the uncertainty caused by Brexit. Fortunately, 2019 got off to a much stronger start, with sales up by 6.0% in volume and 4.3% in value in the first quarter and the positive momentum is continuing in quarter two.

Most retail categories reported good growth in Q1, with the exception of the bar trade and the motor trade. Household equipment continued to be the fastest growing category, up by an exceptional 18.1% in volume and 10.4% in value. Supermarkets and other food stores performed well, as did clothing and footwear, but department stores were weaker with sales close to flat in Q4 2018 compared to last year.

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/cmnm/>



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