

Q4 2017

Consumer Market Monitor

Overview Fourth Quarter

POSITIVE MOMENTUM IS CONTINUING INTO 2018, WITH ALL FORECASTS INDICATING GROWTH OF CLOSE TO 3%

Consumer spending in Ireland is now growing at a strong pace and continues to be one of the main drivers of economic growth, along with investment in construction. Total consumer spending was up 2.8% for the year, while construction grew by an even higher rate of 4.2%.

It was a year of two halves; spending was relatively weak in the first half – up by just 1.5% year-on-year, reflecting a decline in new car sales as many consumers switched to second hand imports, as well as weaker spending on services. However, spending accelerated in the second half of the year, reaching an estimated growth rate of 5.3% in the final quarter. This positive momentum is continuing into 2018, with all forecasts indicating growth of close to 3% for the year.

The main drivers of this growth are population expansion, along with increasing employment. There are now 2.2 million people at work, up 48,000 year-on-year, and up by 344,000 or 19% from the low point in 2012. Growth of 2.2% is forecast for 2018 and 1.8% for 2019 which would bring another 90,000 people into the workforce.

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



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. 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.



RETAIL STRENGTHENS



Up 7%

Retail sales were very strong in 2017, up by 7% for the year in real volume terms. Furthermore, growth accelerated as the year progressed, suggesting continuing strong momentum into 2018. This equated to spending of €40 billion which is back to the levels seen in the last boom. This growth rate was matched exactly by the level of Vat returns which increased by 7.1% to a total of €13 billion for 2017.



PROPERTY UNDER PRESSURE



18,900 ↑

Residential property is the sector under most pressure, as is well known. There were just 18,900 properties for sale in December 2017, or 1% of the national housing stock of 2 million homes. Despite the tight market, sales strengthened in 2017, up 10% to 49,756, the highest rate of sales since the recession. This upward sales trend is expected to continue into 2018, with 55,000 sales expected for the year.



Recent Trends



SALES OF NEW CARS ARE ONE IMPORTANT EXCEPTION; SALES OF NEW CARS WERE DOWN BY 10.5% THIS YEAR

Sales of new cars are one important exception; sales of new cars were down by 10.5% this year, for a total of 127,045. However, there has been a dramatic rise in the number of imported second hand cars, up 47% in 2016, and up again by 46% in 2017 to a total of 92,508. The combined sales of new and imported second hand cars were actually up by 3.5% for the year.

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Non-specialised stores (supermarkets) up 5.7% in volume and 4.7% in value



Pharmaceuticals and cosmetics up 7.6% in volume and 6% in value



Household equipment up 13.7% in volume and 8.2% in value



Clothing, footwear & textiles up 5.7% in volume and 1.8% in value



Books, newspapers, stationery up 2.5% in volume and 3.4% 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 the second half of 2016 due to worries about Brexit but is now back in positive territory and has got a significant boost in recent months.”



Confidence fell slightly through 2016, reflecting uncertainty about Brexit and industrial unrest. However, it picked up again in 2017, and ended the year on a high level, well above the EU average. The current level is consistent with a steadily growing economy, with expanding employment and the financial benefits reaching more and more people around the country.

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.



There are now 2.2 million people at work, up 48,000 for the year, and up 344,000 from 2012. Pay increases of 2% were common in 2015, 2016, and again in 2017. Household spending, which accounts for about 94% of all personal spending, closely mirrors income. It began to pick up in 2014, up by 2%, increased by 4.5% in 2015, and by 3.5% in 2016.



Sales of services are showing a bit of weakness, with growth of just 2.3% for 2017, compared to 5% for the previous 3 years. Professional and technical services grew strongly but sectors such as accommodation and food service and telecommunications were relatively flat. This contrasts with Vat returns which were up 7.1%.

Consumer Borrowing

HOUSEHOLD DEBT CONTINUED TO FALL DURING 2016, DOWN BY 1% TO €30,199 PER CAPITA, BUT GREW BY 2% IN 2017, THE FIRST SIGN OF A RETURN TO NORMAL CONDITIONS.



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



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

Retail Spending

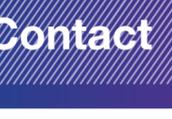
RETAIL SALES WERE VERY STRONG IN 2017, UP BY 7% FOR THE YEAR IN REAL VOLUME TERMS



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All product categories experienced growth in Q4 2017. Household equipment which combines furnishings, electrical goods, and hardware, continues to be the fastest growing category, up by 13.7% in volume and 8.2% in value, year-on-year. Even books/newsagents, which have been declining continually for 8 years, increased in Q4 by 2.5% in volume and 3.4% in value.

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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