

Q4 2019

Consumer Market Monitor

Overview Fourth Quarter



THE IRISH ECONOMY IS CONTINUING TO GROW STRONGLY, WITH CONSUMER SPENDING PROVIDING THE MAIN STIMULUS TOGETHER WITH PROPERTY INVESTMENT. PERSONAL SPENDING GREW BY 3.4% IN 2018 AND BY 3.3% IN 2019, A STRONG PERFORMANCE THAT EXCEEDED ESTIMATES.

Consumer demand is expected to remain strong this year and next driven by continuing growth in employment and incomes, but also helped by the removal of uncertainty in relation to Brexit.

2.33 MILLION EMPLOYMENT



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



Earnings growth has also played a part in recent years as wages have begun to rise. Wages increased by 2.5% per annum from 2015 to 2017, by 3.5% in 2018 and 2019, and are forecast to rise 4% this year and next, as the labour market tightens.

EMPLOYMENT IS EXPECTED TO CONTINUE GROWING THIS YEAR BUT AT A MODERATING RATE AS THE ECONOMY APPROACHES FULL EMPLOYMENT.

There are now 2.33 million people at work, up 54,000 (2.4%) year-on-year, and up by 500,000 (28%) from the low point in 2012. Employment is expected to continue growing this year but at a moderating rate as the economy approaches full employment. Forecast growth of 1.5% in 2020 and 2021 will add another 70,000 people to the workforce.



DISPOSABLE INCOME



€117bn

The combination of more people at work and higher wages has led to substantial increases in the amount of disposable income circulating in the economy. Aggregate disposable income increased by 5% a year from 2015 to 2017, by 6% in 2018 and 2019 amounting to €117 billion for the year. This momentum is continuing in 2020 although forecasters suggest some moderation as employment growth slows. Growth of even 3% would lead to aggregate disposable income of €120 billion for this year.



6% up

HOUSING NEED



57,000

An estimated 57,000 homes were sold in 2019 which was 4% higher than 2018. In contrast, the number of mortgages approved was up 7% indicating that demand is still stronger than supply. 65% of those mortgages went to first time buyers showing that this is still the predominant need. New homes are playing an increasing part in fulfilling that need - 10,300 were sold in 2018 compared to 8,800 in 2017. 20,000 new homes were completed in 2019 and housing starts rose to 26,000 suggesting a higher completion rate in 2020.

7% up



NEW LENDING



€2bn

Irish consumers are also beginning to supplement their incomes by taking on some debt, mainly to support the purchase and furnishing of homes. Following a decade of deleveraging with repayments exceeding new borrowing every year, borrowing is beginning to increase again at a modest rate. New lending of €2 billion was advanced to Irish households in 2019, an increase of 2%. €1.2 billion of this was for the purchase of residential property with the balance for other personal consumption.

2% up



A final point to note is the broad-based deterioration in the UK consumer economy on foot of Brexit. There has been a weakening in virtually every metric tracked in this monitor, from property to cars to retail and services from mid-2016 to the end of 2019. Recent data show that this negative trend may be easing, however, with more clarity around Brexit and a slight lift in the value of Sterling.



Recent Trends



2019: 113,305

The market for cars is the most troubled sector right now; sales of new cars were down by -6.5% in 2019 to a total of 113,305. This continues the negative trend of the previous two years.

In contrast, the number of imported used cars has been increasing every year since 2005, with sales of 109,000 in 2019, almost equalling new car sales. In sum, car registrations have been more or less static for the past three years at about 220,000 per annum (222,000 in 2019). This compares to a total of 240,000 in 2007, of which 180,745 (75%) were new cars.

Retail sales were strong in 2019, up by 4.3% in volume and 2.7% in value. Sales revenue for 2019 amounted to €47 billion which was back to the levels last seen in 2007.



Non-specialised stores (supermarkets) up 3.6% in volume and 3.0% in value

Pharmaceuticals and cosmetics up 3.9% in volume and 1.6% in value



Household equipment up 10.8% in volume and 3.2% in value

Clothing, footwear & textiles up 4.4% in volume and 1.9% in value



Books, newspapers, stationery up 0.1% in volume and 1.9% in value

Consumer Confidence

Confidence has picked up in January 2020 and the picture looks more promising for the rest of this year.



Confidence dropped through 2018 reflecting continuing worries about the negative implications of a "hard Brexit". This downward trend continued through 2019 and, by the end of the year, confidence here was only marginally higher than the UK and the wider EU. Confidence has picked up in January 2020, however, and the picture looks more promising for the rest of this year.

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 6% in 2018 to a total of €110 billion, significantly overtaking the last peak of €101 million in 2007. Disposable income grew by a further 6% in 2019 reaching an estimated €117 billion for the year as a whole and the momentum is continuing this year, although perhaps at a slowing rate.



Household spending grew by 3.4% in 2018 to €105 billion, and this positive trend continued in 2019 with spending up by 3.3% to a total of €108 billion. Household spending is forecast to grow by a slightly lower rate this year, of 2.7%, to about €111 billion, and by a further 2.4% in 2021.



Earnings growth has also played a significant role in recent years; wages increased by about 2.5% per annum from 2015 to 2017, and by 3.5% in 2018 and 2019. Average weekly earnings stood at €768 last year, equivalent to annual pay of €40,000.

Consumer Borrowing

Loans for house purchase, which account for 83% of all household loans, peaked in 2008 at €125 billion but reduced to a low of €73 Billion by 2016, a cumulative decline of 40%. Mortgage lending has resumed growth since then, increasing by over €1 billion in 2018 (+1.4%) and by €1.5 billion in 2019 (1.6%).



Borrowing by Irish households grew at a record level from 2000 onwards and peaked in 2008 at €150bn. It then declined steadily- down 40% by December 2016 to €88bn. This downward trend levelled off in 2017, after almost a decade, the first sign of a return to normal conditions. Household debt increased by 2% per annum in the last two years and stood at €92bn in December 2019.



Credit and borrowing are not major contributors to recent spending, however, unlike in the last boom. The ratio of debt/disposable income of Irish households has continued to fall, down from 215% at the peak in 2012 to 115% in September 2019, a reduction of almost 50%. Also, savings are continuing to increase - bank deposits grew by almost €6 billion (+5.5%) in 2019.

Retail Spending

SALES REVENUE FOR 2019 AMOUNTED TO €47 BILLION WHICH WAS BACK TO THE LEVELS LAST SEEN IN 2007



Retail sales were strong in 2019, up by 4.3% in volume and 2.7% in value. This continued the positive trend from 2018 when sales were up by 3.7% in volume and 2.7% in value but was lower than 2017 (+5.8% in volume and +3.5% in value).

Online sales represented just 3.3% of total sales for traditional (bricks and mortar) retailers operating in Ireland, although it was higher in some categories such as books (13.5%). This does not include online retail sales going to exclusively digital retailers (eg Amazon) which amounted to about 11% of total retail sales.

Household equipment continued to be the fastest growing category this year, up by 11% in volume and 4% in value in Q4. Sub-categories within that - electrical goods and furnishings did exceptionally well, up by 12% and 7% respectively. Supermarkets and other food stores also performed well, as did pharmaceuticals and cosmetics.

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/>



THE MARKETING INSTITUTE OF IRELAND
Marketing House, South County Business Park, Leopardstown, Dublin 18, Ireland
Email: editor@mii.ie Web: www.mii.ie
Contact: Gaele Robert Email: gaelle@mii.ie



UCD MICHAEL SMURFIT GRADUATE BUSINESS SCHOOL
University College Dublin, Carysfort Avenue, Blackrock, Co. Dublin, Ireland
Email: info@smurfitsschool.ie Web: www.smurfitsschool.ie
Contact: Prof Mary Lambkin Email: mary.lambkin@ucd.ie

Web: www.mii.ie