The Marketing Institute

Q1 2020 Consumer Market Monitor

UCD Michael Smurfit Graduate Business School

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Mary Lambkin

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Consumer Market Monitor

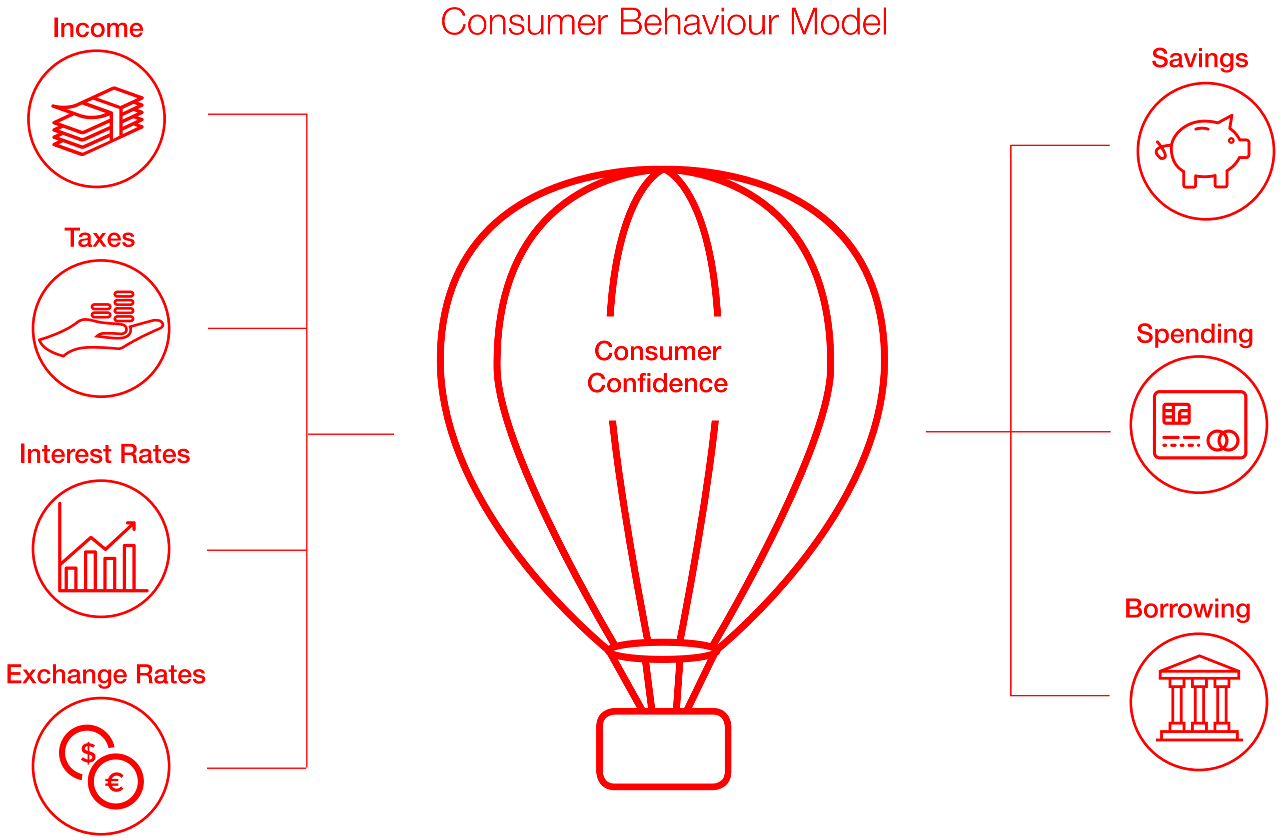
The Consumer Market Monitor is a publication provided by the Marketing Institute of Ireland in collaboration with the UCD Michael Smurfit Graduate Business School.

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 over 50% of GNP so it is an important indicator of the health of the 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 Marketing Institute website and the UCD Smurfit School website and is updated every quarter. This edition covers Q1 of 2020 and reviews the year to date.



Executive Summary

The world changed beyond recognition during the first quarter of 2020 as a result of the Coronavirus pandemic. While primarily a health crisis, it has also caused a severe economic shock affecting activity across all sectors of the economy. This shock has been felt first and foremost by consumers, especially the many people who have been laid off as a result of the shutdown of non-essential businesses since March 27.

We have gone from a situation where we had a record number of people at work (2.36 million) and very low unemployment (4.7%) at the end of 2019 to one where we now have more than 1 million people receiving support from special Pandemic support schemes.

There are currently 602,100 people receiving the special Pandemic Employment Payment of €350 per week on top of about 214,700 people on the live register who were receiving Job Seeker Benefit of €203. Combining these two groups, the current rate of unemployment is 28%. In addition, 52,000 businesses employing 425,200 people are having their pay subsidised under the Covid-19 wage subsidy scheme.

This situation presents a dramatically different outlook for the economy with a major decline in all areas of activity. Economic activity as a whole (GDP) in Ireland is forecast to decline by 8-9% in 2020. This assumes strong growth in the first two months of the year, a sharp decline in the second quarter and a gradual recovery in the third quarter which gathers more momentum in the final quarter. This reduction is greater than the 2008-9 economic crisis.

Assuming a similar pattern for consumer spending, a drop of 9% is expected for the full year 2020. This average assumes a strong first quarter followed by a drastic drop in the second quarter, a modest recovery in the third quarter, and a good final quarter.

Card spending data gives a good indication of the pattern experienced in recent months. Spending on debit and credit cards combined was up by 10% in March compared to the same month in 2019. This was probably because of the stockpiling that was witnessed in mid March. However, card spending fell by 36% year-on-year in April after the shutdown of all but essential retailers and most services outlets.

This overall trend varied considerably across spending categories. Retail sales of food and drink performed very strongly in March, up by 19% year-on-year, and up by 8% for Q1, partly because of stockpiling but also because people are staying at home and eating more of their meals there. It seems likely that this trend will continue and result in good growth for the year, of possibly 5-10%.

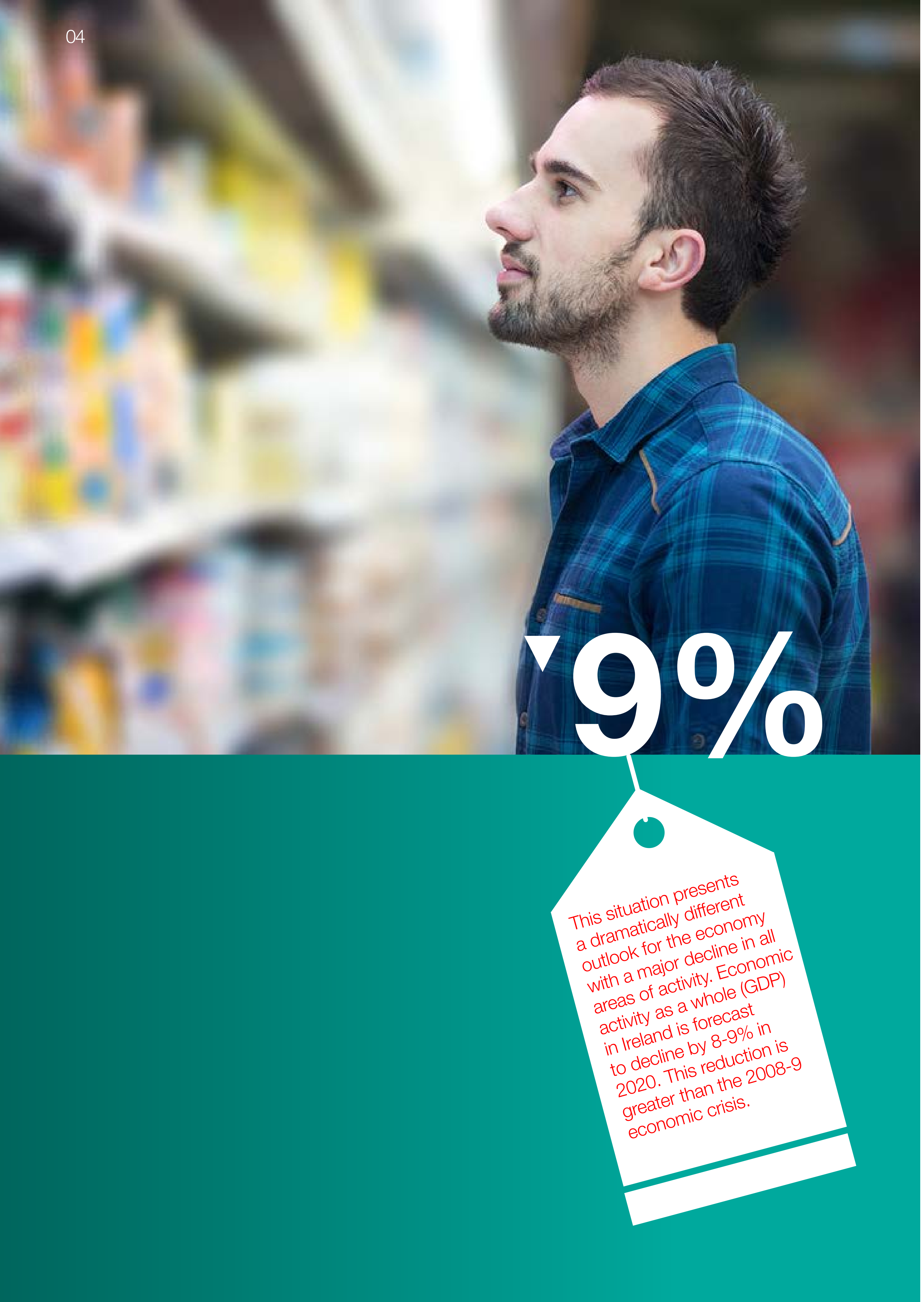
Sales of electrical goods and home furnishings also held up remarkably well in the first quarter, up by 12% year-on-year, and were especially strong online (15% of retail sales). Anecdotal evidence points to purchases of fridge freezers for storing food as a particularly vibrant category.

In contrast, clothing and footwear were hit badly, down 52% in March year-on-year, and down 21% for the quarter. Department stores were also badly affected, down 28% in March and 12% for the first quarter year-on-year.

Services such as transport, hotels and restaurants, arts and recreation sectors have experienced drastic falls in business (80-90%) in Q1 2020 and it does not seem likely that they will be able to recoup this loss over the summer. The most likely outlook is for a major loss of business for the year, possibly of the order of 25%.

In contrast, some sectors such as information and communications, and finance and insurance have experienced relatively small declines in sales of 10-20% in Q1. This is because many of these services are considered essential and are subject to annual contracts which are paid by direct debit. However, banks and finance providers have moved to offer customers payment breaks on mortgages and personal contract plans (PCPs) where necessary.

Sales of big ticket items like cars and property have also been very badly hit. Sales of new cars were down 29% in March and sales of imported used cars were down 39% year-on-year. However, sales fell by 90% in April once motor dealerships were closed. On this basis, sales of new and imported cars combined look like they may end the year close to the record low of 104,000 experienced in 2009.



Sales of residential property started the year positively; there were 8,142 sales transactions filed in the first two months of this year which was slightly up on the same period in 2019 and the number of sales agreed was also up by about 10%. The number of mortgages approved in the first quarter of 2020 (8,130) was also 7% up on the same period in 2019, and 6,700 were drawn down (82%) which is about the normal percentage.

However, all indications suggest that sales have almost ground to a halt since March with agreed sales being put on hold in many cases. Industry experts are forecasting that sales will be down by 25-50% for the year.

Some of this lost spending may have been deferred and may come back later in the year. There is discussion in some quarters about the effect of pent-up demand and whether this may give a noticeable sales bounce across various sectors in the latter part of the year. This would be welcome if it happens but is unlikely to be enough to make up for almost a whole year of lost sales.

The shape of the recovery and the pace at which it occurs will depend on several things :

- the restoration of employment and the duration of employment supports;
- the opening up of retailers, restaurants, bars and other consumer services;
- consumer confidence to motivate spending versus saving.

Consumer Confidence

Consumer confidence in Ireland recovered from the last recession from 2013 onwards and grew strongly up to 2018 at which point it was considerably above that of the UK and the rest of Europe.

Confidence dropped through 2019 amid worries about a “hard Brexit” and negative implications for the economy. Confidence actually picked up in January 2020 once Brexit happened, and looked promising for the rest of this year until the coronavirus caused it to plunge to -24.2 in April (the March score was -3 suggesting that the survey pre-dated the shutdown).

Consumer confidence in the UK has been consistently negative since Q2 2016, reaching a low of -11 in September 2019. It stood at -7 in Q1 2020 before Covid19 caused it to plummet to -23 in April. Confidence in the EU has also been muted for several years, consistently in negative territory, although better than the UK. It dropped to -22.0 in April.

Consumer Incomes and Wealth

Disposable income has grown for the past five years by an average of 5% a year on the back of rising employment and incomes. It grew by 6% in 2019 to reach an estimated €119 billion for the year as a whole.

At the end of 2019, there were 2.36 million people at work, up 55,000 (2.4%) year-on-year, and up by 500,000 or 28% from the low in 2012. Earnings growth has also played a significant role in recent years; wages increased by about 3.5% in 2018 and 2019. Average weekly earnings stood at €768 last year, equivalent to annual pay of €40,000.

Household wealth has also recovered well from the recession, standing at €800 billion in 2019, €470,000 per household or €163,000 per person. This was up by 80% from the trough of €430 billion in Q2 2012. Household saving has also been increasing in recent years as finances improved; it increased by €1,472m in 2019 to €13 billion.

This healthy situation has been turned upside down by the coronavirus. This is not so much because of a drop in disposable income - it is estimated that three quarters of this loss is being made good by the special state supports. It is rather because the closures of shops, restaurants etc. has removed the opportunity for spending. In fact, it is likely that people will accumulate significant savings during this time, simply because their spending is curtailed.

Consumer Spending

Consumer spending turned a corner in 2014, and grew by an average of 3.4% each year up to 2018. The pre-Christmas peak in 2016 surpassed the previous peak of 2007.

Consumer spending grew by 2.8% for the full year 2019 to a total of €108 billion and was expected to continue on this trend this year and next.

Unfortunately, this positive scenario was overturned by the arrival of Covid19 which has halted everything except essential spending. Based on a detailed analysis of various scenarios concerning employment and other factors influencing consumption, the Central Bank has estimated that private consumption is likely to fall by 9% in 2020. Other forecasts are a bit more benign, eg. the ESRI suggests household spending may decrease by 4-6% depending on various assumptions.

Consumer Borrowing

The indebtedness of Irish households is continuing to reduce; the ratio of debt/disposable income of Irish households has fallen from 215% in 2012 to 115% in September 2019, a reduction of almost 50%.

Household debt increased by 2% per annum in the last two years and stood at €92 billion in Dec 2019.

Loans for house purchase, which account for 83% of all household loans, reached a low of €73 Billion in 2016, a cumulative decline of 40%. Mortgage lending has resumed growth since then, increasing by €1.5 billion in 2019 (+1.6%).

Lending for other consumption accounts for 17% of total borrowing. It resumed growth in 2017 amounting to €15 billion by December 2019.

Residential Property

There were 54,200 homes sold to private households in 2019, an increase of 4% on the 53,294 sold in 2018. This was a modest rate of growth under conditions of high demand in the market. There were 32,835 mortgages drawn down in 2019 which was 7% higher than the 30,630 in the previous year.

This year started positively; there were 8,142 sales filed in the first two months of this year which was slightly up on the same period in 2019 (8,049) and the number of sales agreed was also up by about 10%. 8,130 mortgages were approved in the first quarter of 2020 which was also 7% up on the same period in 2019, 6,700 were drawn down (82%) which is about the normal percentage.

However, all indications suggest that sales have almost ground to a halt since March with agreed sales being put on hold in many cases. Building has halted too and completions of new homes look set to come in much lower than the 25,000 planned. Industry commentators are suggesting that sales for the year will be down 25-50% on last year.

Services

Services spending grew by 7-8% per year in 2018 and 2019. This was closely matched by Vat returns which were up 7% in 2018 and by 6% in 2019 for a total of €15 billion.

The latest CSO statistics on services are for March 2020 and they do not show much impact from the Covid 19 crisis; overall services activity is up 1.3% in March year-on-year [01]. However, decreases were recorded in Accommodation and Food Service (-43%), Transportation and Storage (-21%) and other services (-24%). The AIB Purchasing Managers' Index also shows that activity in the services sector dropped at the fastest rate in March since 2009 [02].

The UK Services PMI dropped from 34.5 in March to 12.3 in April 2020, the steepest reduction since 1996. Hotels, restaurants and other consumer-facing business were the hardest hit, with many firms reporting a total halt in activity.

Car Sales

Sales of new cars have been weak for several years, down -6.5% in 2019 to 113,305. Unfortunately, 2020 is proving to be worse again with sales for the first quarter down by -13% to 50,861.

Sales of new cars were down -29% in March year-on-year and sales of imported used cars were also down -39% year-on-year. Sales of new cars fell by -90% in April once motor dealerships were closed and sales of imported cars fell by -85%.

On this basis, sales of new and imported cars combined look like they may end the year close to the record low of 104,000 experienced in 2009, making this a very difficult year for all dealers and distributors.

01. https://www.cso.ie/en/releasesandpublications/er/si/monthlyserviceindexmarch2020/
02. https://aib.ie/content/dam/aib/fxcentre/docs/resource-centre/aib-ireland-services-pmi/mar-2020-report.pdf

Retail Spending

Looking at quarter one 2020 as a whole, retail sales did not do badly, actually increasing by 1% year-on-year compared to Q1 2019. Most of the shutdown occurred in the second half of March, of course, so it should be more revealing to look at sales month-by-month rather than quarterly. In fact, however, the overall retail volume index for March 2020 was down by just -1.9% on February 2020 and by -0.6% year-on-year compared to March 2019.

These aggregate figures conceal enormous variation across retail categories, however, with positives and negatives more or less cancelling each other out. As can be seen in the table below, sales of food and drink were up by about 18% in March, year on year, as a result of stockpiling in anticipation of shortages. Sales of pharmaceuticals/medicines were also up by 12% as were sales of household goods (electrical goods were up by 24%).

In contrast, sales through bars dropped by 54%, and sales of clothing and footwear were down by 51% in March year-on-year. Books, newspapers and stationery were also very weak, down by 30% year-on-year. Sales of fuel were also noticeably down, by -13% in March, as a result of cars being off the road for part of the month. These are calamitous figures which have probably been even worse in April since it has been closed down for the whole month as compared to half of March.

Online Sales

It is widely speculated that some of the sales lost to traditional retailers have been substituted by online purchases, and the evidence bears this out to some extent. Online sales as a percentage of all retail in Ireland increased from 3.8% in March 2019 to 5.7% in March 2020. (Note: this does not include online retail sales going to exclusively digital retailers, eg. Amazon, which amounted to another 6% of sales, making online 12% in total).

As the following table shows, the percentage of sales made online has nearly doubled year-on-year in many of the largest retail categories. It is to be hoped that this growth has compensated traditional retailers to some extent for the loss of in-store sales.

Retail Sales

Retail Sales % change in Volume

Retail Sales by Category	March 2020 vs February 2020	March 2020 vs March 2019	Q1 2020 vs Q1 2019
Total *(Excl motor trade)*	-1.9	-0.6	+1.0
Supermarkets *(non-specialised stores)*	+14.0	+17.4	+8.7
All Food	+13.8	+17.6	+8.5
Food/drinks/tobacco	+17.0	+18.6	+6.8
Fuel	-8.0	-13.2	-7.5
Household equipment	+2.5	+12.7	+11.8
o *Electrical Goods*	+5.9	+24.3	+20.6
o *Furniture/lighting*	-18.6	-14.3	-1.1
o *Hardware/paints/glass*	+13.3	+12.0	+4.0
Pharma/medical/cosmetics	+8.8	+12.0	+5.8
Department stores	-25.8	-27.7	-11.7
Clothing/footwear	-49.2	-51.0	-21.4
Books/newspapers etc.	-29.2	-29.5	-13.4
Bars	-53.1	-54.7	-23.3

Online Sales

Online Sales as a Percentage of Total Retail Sales

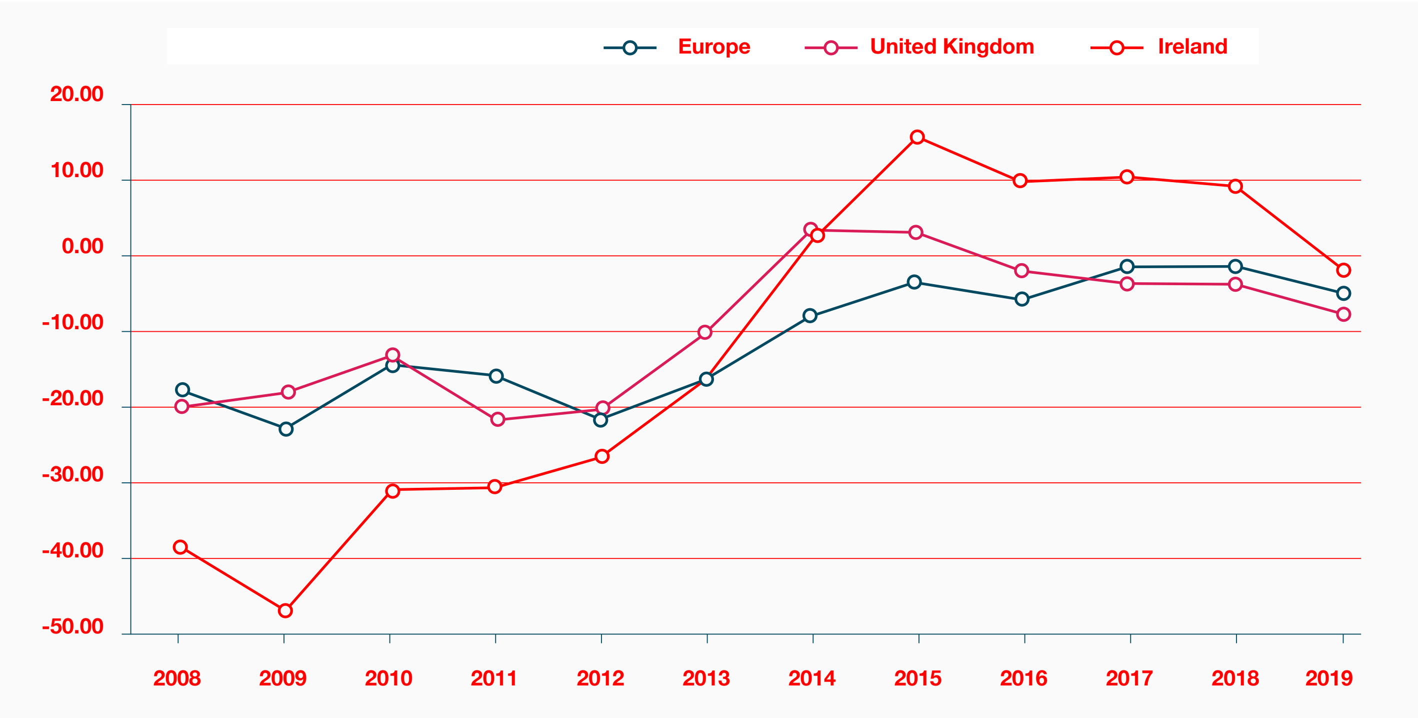
Online % Sales Value	March 2019	March 2020
All Traditional Retail *(excl. Motor Trade)*	3.8	5.7
Food businesses	1.7	2.3
Department Stores	3.8	10.1
Clothing/Footwear	5.6	7.8
Electrical Goods	7.3	15.3
Books/newspapers etc.	12.8	17.0
Pure Online Retailing	5.0	6.0
Online % All Retail Sales	**11.0**	**12.0**

Q1-20

Consumer & Retail Analysis

Consumer Confidence Annual

Consumer Confidence January 2008 - December 2019



Consumer confidence in Ireland fell dramatically in 2009 as the financial crisis unfolded, and remained low from 2009 to 2012. Confidence picked up in 2013 and rose further through 2014 and 2015 due to a steady flow of good news on employment.[03] At this point, we were well ahead of the last peak in 2007 and of our European neighbours.

Confidence fell slightly through 2016 reflecting uncertainly about Brexit, but it steadied again in 2017 and finished the year well above our neighbours. This positivity eroded slightly in 2018, and fell significantly through 2019 as anxiety about Brexit reached its zenith.

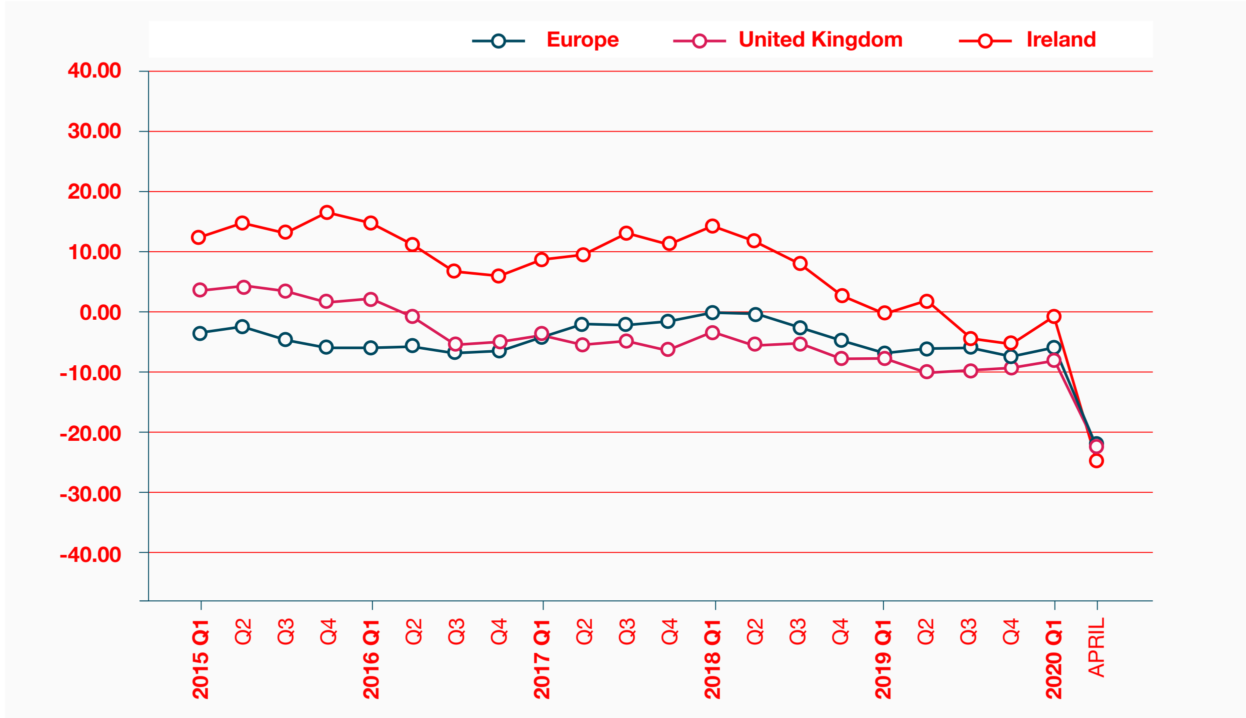
Consumer confidence in the UK has been negative since Q2 2016, reaching a low of -11 in September 2019. Consumer confidence in the EU has also been relatively weak but a few points stronger than the UK.

In contrast, confidence has been very high in the US, ending the year 2019 at an historically high level of 132, fuelled by good news on employment and the stock market.[04]

03. www.independent.ie/business/irish/irish-consumer-sentiment-nears-eightyear-high-in-december-30892291.html
04. https://markets.businessinsider.com/news/stocks/us-consumer-confidence-beats-forecasts-at-highest-level-since-august-2020-1-1028851474

Consumer Confidence Quarterly

Consumer Confidence Quarter 1 2015 - April 2020



Consumer confidence in Ireland began to recover from the last recession in 2013, improving steadily into strong positive territory by 2016 and exceeding our European neighbours by a wide margin. It fell slightly at the time of the Brexit vote but recovered again through 2017 and 2018 in response to strong employment data.

Confidence dropped through 2019 amid continuing worries about a "hard Brexit" and negative implications for the economy.

Confidence actually picked up in January 2020 once Brexit happened, and looked promising for the rest of this year until the coronavirus caused it to plunge to -24 in April (the March score was -3.1 suggesting the at the survey pre-dated the shutdown).[05]

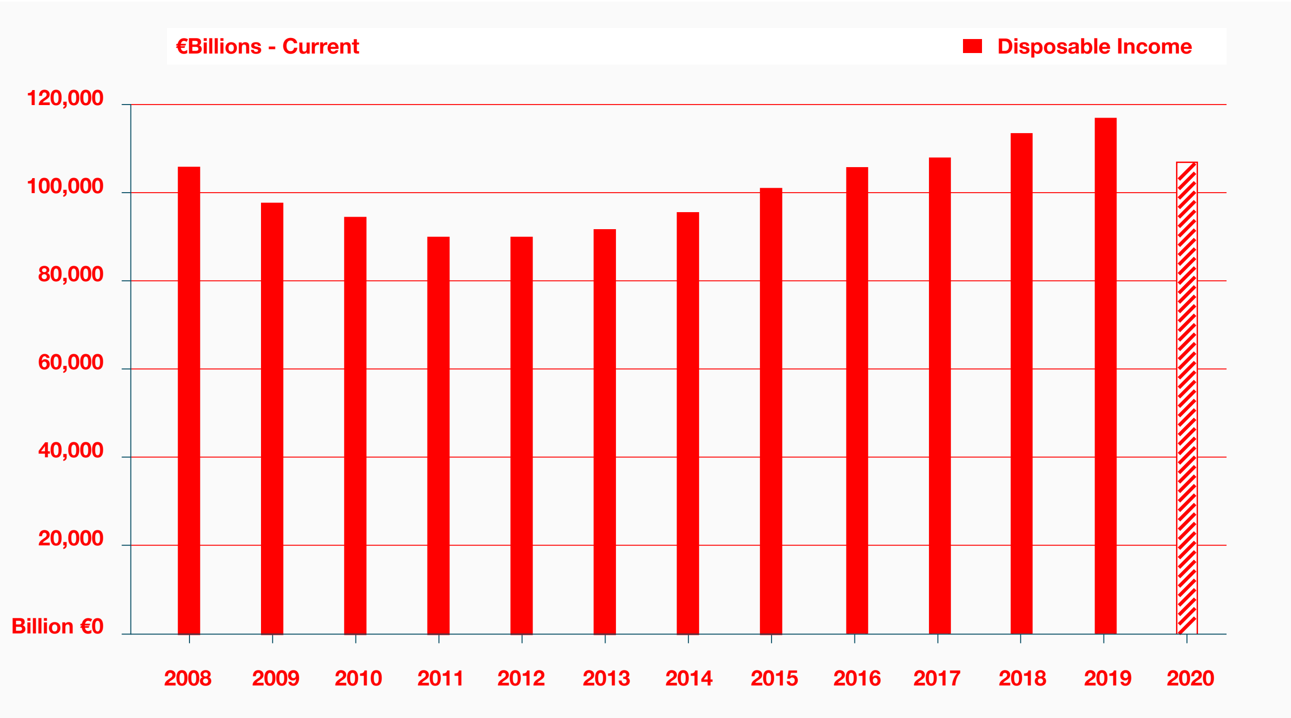
Consumer confidence in the UK has been consistently negative since Q2 2016, reaching a new low of -11 in September 2019. It stood at -7 in Q1 2020 before the Coronavirus caused it to plummet to -23 in April.

Consumer confidence in the EU has also been muted for several years, consistently in negative territory, although slightly better than the UK. It dropped to -22 in April.

05. https://ec.europa.eu/info/sites/info/files/full_bcs_2020_04_en.pdfl

Consumer Disposable Income Annual

Disposable Incomes of Irish Households



The spending power of the consumer economy is determined primarily by the number of people employed and the amount of money they earn. Net of taxes this represents disposable income.

The aggregate level of disposable income in Ireland increased by 60% from 2002 to 2008 –- from €65bn to €104bn, due to growing employment and rising incomes.[06] This trend reversed in 2009 and fell steadily until 2012, down -15% from peak to trough, as a result of the Great Recession.[07]

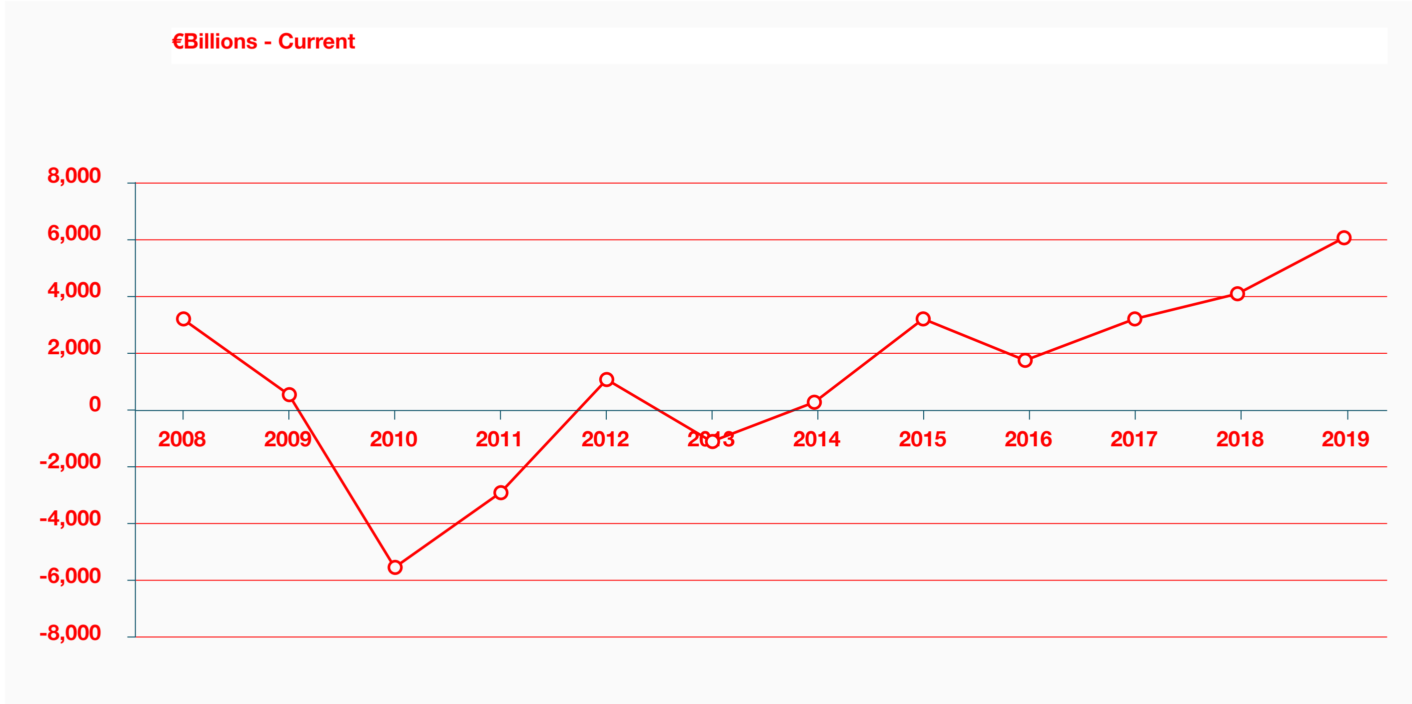
Conditions stabilised in 2013 and 2014 (+3%) and income rose strongly from 2015 to 2017, by about 5% per annum. Growth accelerated in 2018 and 2019 with income up by 6% per annum to reach a total of €119 billion.[08]

The Covid19 crisis has dramatically upset this scenario with all but essential services closed down since late March and 1.2 million people (51% of the workforce) now dependent on State supports. This is bound to cause a significant reduction in the amount of disposable income circulating, possibly of as much as 25%.[09]

06. CSO Institutional Sector Accounts, Q2, 2019.
07. http://danmclaughlin.ie/blog/record-rise-in-irish-household-real-incomes-in-2015/
08. https://www.cso.ie/en/releasesandpublications/er/isanf/institutionalsectoraccountsnon-financialquarter42019/
09. https://www.irishtimes.com/business/economy/what-will-people-do-with-their-lockdown-savings-1.4247750

Household Savings and Wealth Annual

Household Savings, Value of Deposits, 2008-2020



Household wealth has recovered gradually since the last recession , reaching a total of €800 billion in January 2020, up 85% from 2012. Net worth per capita stood at €163,000 in Q3 2019, or €470,000 per household.[10] This increase was driven by improvements in both financial assets such as pensions as well as housing assets (€545 Billion).

Household saving has also been increasing steadily in recent years as finances improved. Gross household saving increased by €1,472m in 2019 to €13 billion.[11]

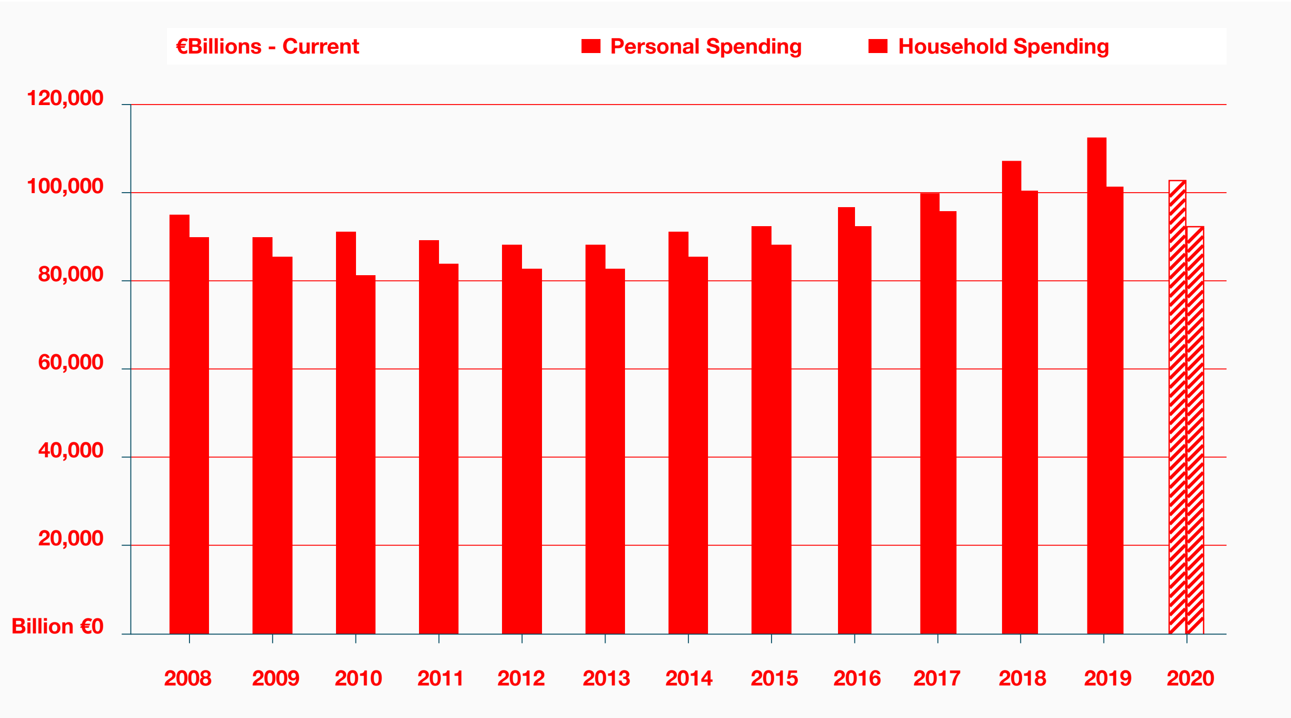
Household deposits in banks have also been increasing, up 5.5% in 2019 to €6 billion, the largest increase since 2006.[12]

These points combine to suggest that Irish households are, on average, in a stronger financial position as they face the Covid19 crisis than when the last recession occurred. They have more resources and are less heavily borrowed this time which they can draw on to help withstand the temporary loss of earnings that is being caused by this crisis.

10. https://www.centralbank.ie/statistics/data-and-analysis/financial-accounts
11. so.ie/en/releasesandpublications/er/isanf/institutionalsectoraccountsnon-financialquarter42019/
12. https://www.centralbank.ie/docs/default-source/statistics/data-and-analysis/financial-accounts/quarterly-financial-accounts-for-ireland-q2-2019.pdf?sfvrsn=2

Consumer Spending Annual

Consumer Spending, Constant Terms



Consumer spending closely mirrors income, and rose rapidly from 2000 to 2007, from €66 to €95 billion (+40%). Spending declined over the next five years, down -7% from 2007 to 2013.[13]

Personal spending grew steadily from 2014 to 2018 averaging 3.4% per year. Spending grew by 2.8% for the full year 2019 to a total of €108 billion.

Household spending amounts to about 95% of all personal consumption and amounted to €105 billion in 2019.

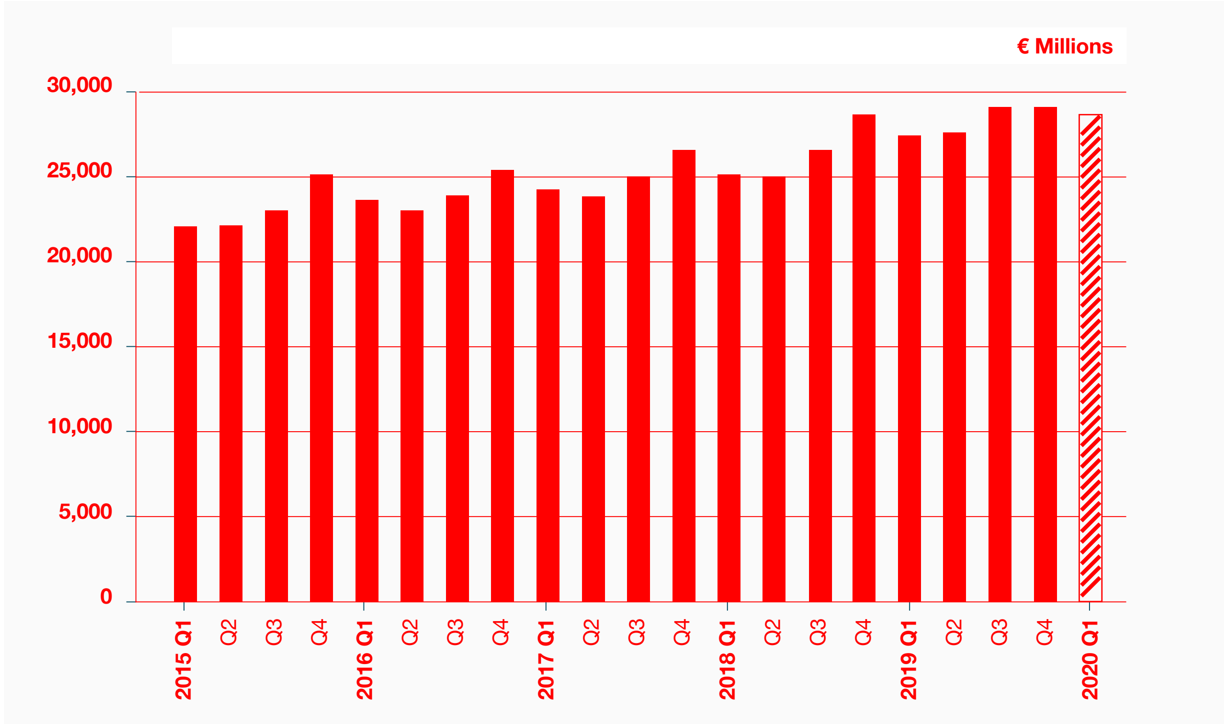
Consumer spending in the UK fell -4% from the 2007 peak to the trough in 2011, from £955 to £916 billion. Spending rallied between 2012 and 2016, up 2-3% per year. However, it slowed following the Brexit vote to 1.6% in 2017, 1.8% in 2018 and 1.1% in 2019.[14] Household spending for 2019 stood at £1,320 billion.

13. http://www.ibec.ie/IBEC/Press/PressPublicationsdoclib3.nsf/vPages/Newsroom~irish-economy-in-new-post-recovery-phase-08-01-2018/$file/Ibec+Economic+Outlook+Q4+2018.pdf
14. https://www.ons.gov.uk/economy/nationalaccounts/satelliteaccounts/bulletins/consumertrends/julytoseptember2019

Consumer spending grew by 2.8% for the full year 2019 to a total of €108 billion and was expected to continue on this trend this year and next. Unfortunately, this positive scenario was overturned by the arrival of Covid19 which has halted everything except essential spending.

Personal Spending on Goods/Services Quarterly

Personal Spending on Goods/Services Quarter 1 2015 - Quarter 1 2020



Personal spending peaks in the fourth quarter each year, in the run up to Christmas. This peak reached an all-time high in Q4 of 2007 but declined for six years after that.

Consumer spending turned a corner in 2014, and grew by an average of 3.4% each year up to 2018.[15] The pre-Christmas peak in 2016 surpassed the previous peak of 2007.

Consumer spending grew by 2.8% for the full year 2019 to a total of €108 billion and was expected to continue on this trend this year and next.

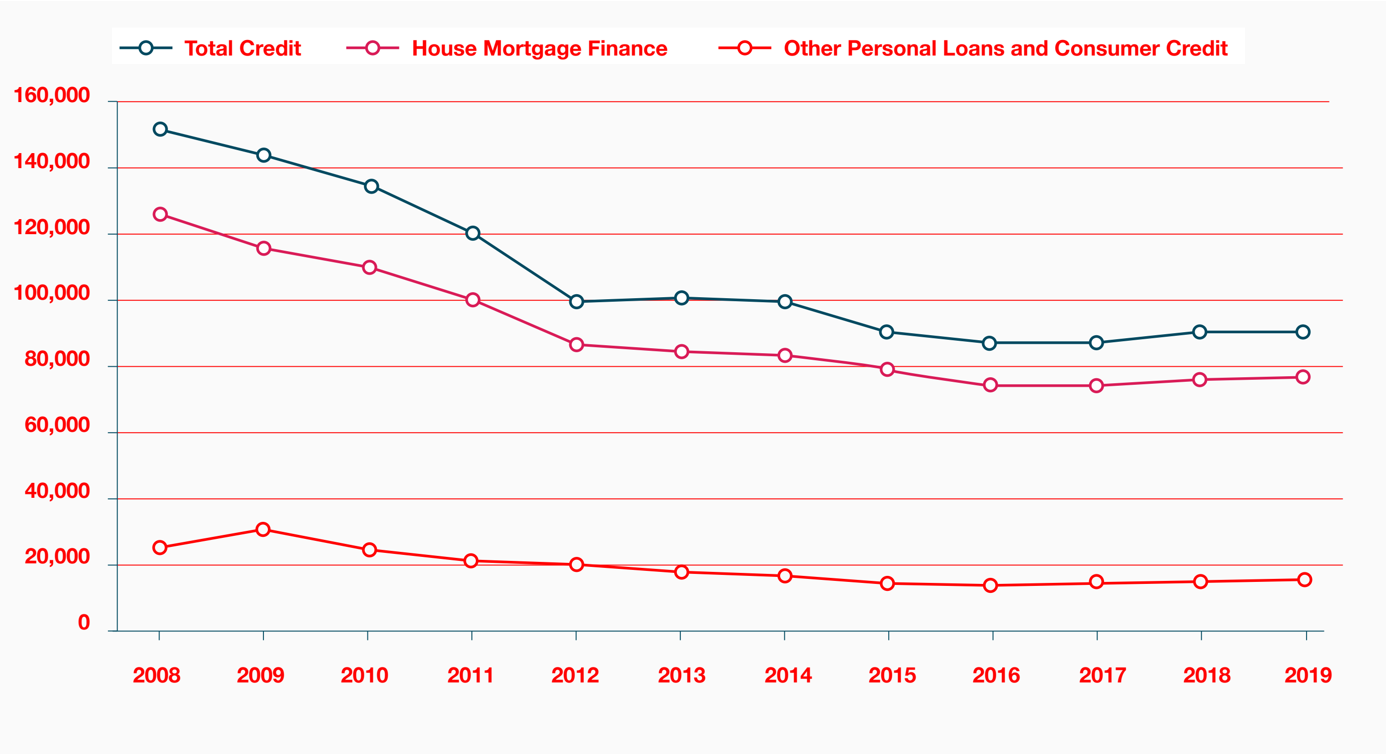
Unfortunately this positive scenario was overturned by the arrival of Covid19 which has halted everything except essential spending. Based on a detailed analysis of various scenarios concerning employment and other factors influencing consumption, the Central Bank has estimated that private consumption is likely to fall by 9% in 2020.[16] Other forecasts are a bit more benign, eg the ESRI suggests household spending may decrease by 4-6% depending on various assumptions.[17]

Similar forecasts have been suggested for the UK; Consumer spending is forecast to contract by 7-8% in 2020, before rebounding to grow 5% in 2021.[18]

15. Central Bank of Ireland, Quarterly Economic Bulletin, Quarter 1, 2017
16. https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/qb-archive/2020/quarterly-bulletin---q2-2020.pdf?sfvrsn=8
17. https://www.esri.ie/system/files/publications/QECSPRING2020.pdf
18. https://www.ey.com/en_uk/news/2020/04/uk-economy-not-expected-to-return-to-its-late-2019-size-until-2023-says-ey-item-club-forecast
https://www.gov.uk/government/statistics/forecasts-for-the-uk-economy-april-2020

Personal Borrowing Annual

Personal Borrowing, Outstanding Debt, 2008 - 2019



Borrowing by Irish households grew at a record level from 2000 and peaked in mid-2008 at €150 billion. It then declined steadily -- down 40% to €86 billion at its lowest point in December 2016.

The downward trend finally reversed in 2017 with debt increasing by 2%, the first sign of a return to normal conditions.[19] Household debt increased by 2% per annum in the last two years and stood at €91 billion in December 2019.

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 end 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%) to a total of €76 billion.

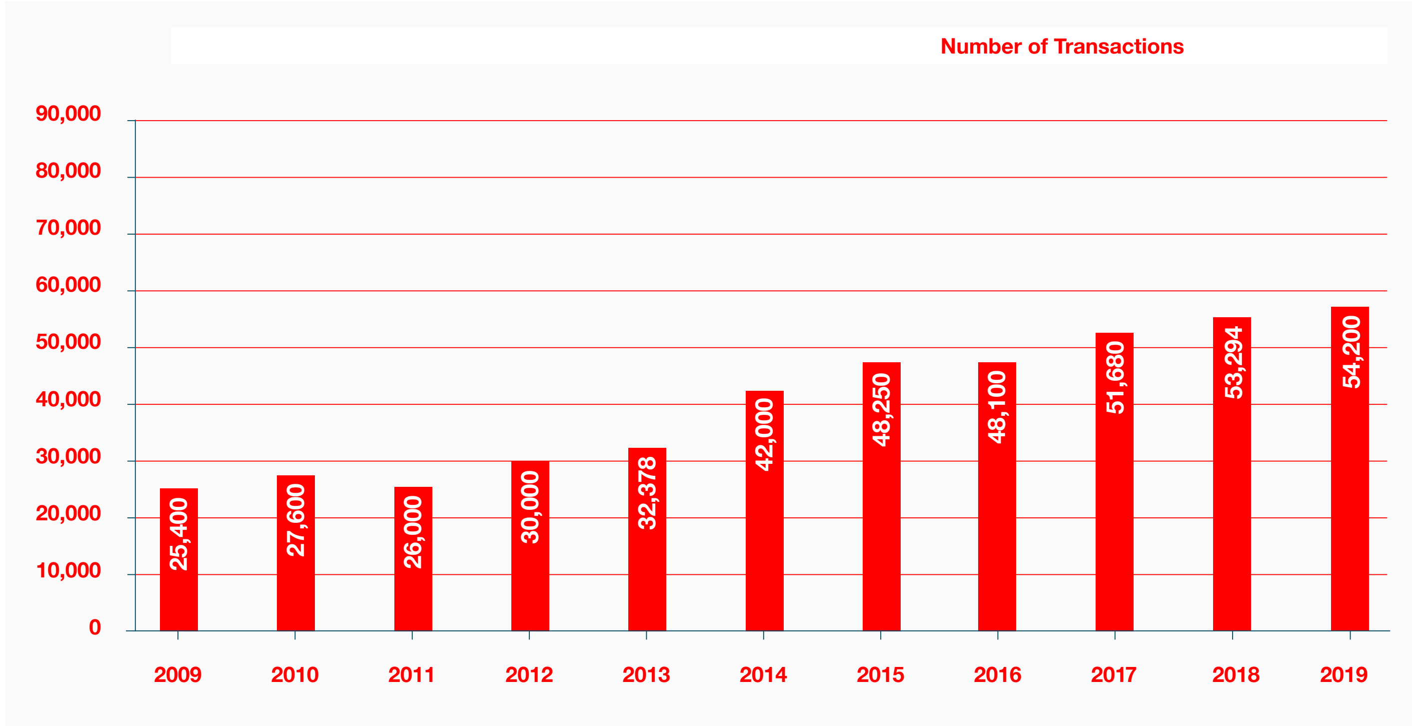
Lending for other consumption accounts for 17% of total borrowing. This category peaked in 2008 at €25 billion but declined to €12 billion by mid-2016, a reduction of 50%. It resumed growth in 2017 amounting to €14 billion by December 2019.

The indebtedness of Irish households is continuing to reduce; the ratio of debt/disposable income of Irish households has fallen from 215% in 2012 to 115% in 2019, a reduction of 40%.

19. http://www.rte.ie/news/business/2016/0818/810205-household-debt/

Residential Property Sales Annual

Number of Homes Sold 2009 - 2019



2009 was the worst year of the recession in terms of residential property sales, with just 25,4000 homes sold. The number of mortgages issued also fell to a low of 9,700 in 2011, having peaked at 85,000 in 2005.[20]

2014 was the first year to see a significant lift in the market, with 42,000 homes sold to household buyers and 19,125 new mortgages issued, an increase of 50%. This upward trend continued in 2015, with 48,250 sales and 22,767 new mortgages issued, up 19%.

Sales were flat in 2016, at 48,100, while there were 23,589 mortgages issued. Sales grew to 51,700 (+8%) in 2017, and were up by 5% in 2018 to 53,000 units, and by a further 4% in 2019 to an estimated 54,200.[21]

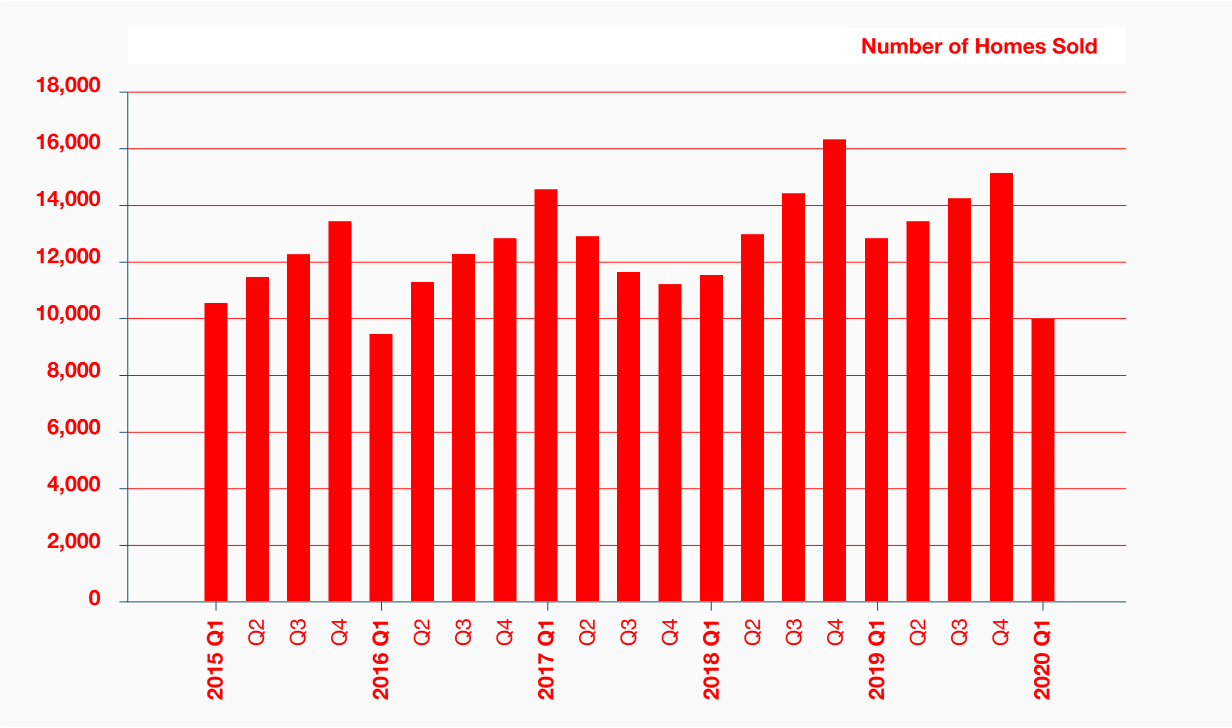
New homes are playing a part in fulfilling housing demand in recent years -- new homes accounted for about 11,000 sales in 2019, about half of the 21,000 units completed. This compared to 10,300 new homes sold in 2018 and 8,800 in 2017.

Sales of residential properties in the UK have been depressed by Brexit worries, down -1% each year since, from 1.24 million sales transactions in 2016 to 1.175 million in 2019.[22]

20. Data are not available for sales of residential properties prior to 2010, so we used the number of mortgages issued for house purchase as a proxy, adjusted for cash sales. New loans for purchase of private homes. Excludes top-ups and buy-to-let
21. https://media.myhome.ie/content/propertyreport/2018/Q42018/MyHomePropertyReportQ4-2018.pdf
22. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/674611/UK_Tables_Jan_2018__cir_.pdf

Residential Property Sales Quarterly

Number of Homes Sold Quarter 1 2015 - Quarter 1 2020



There were 54,200 homes sold to private households in 2019, an increase of 4% on 2018 This was a modest rate of growth under conditions of high demand in the market.

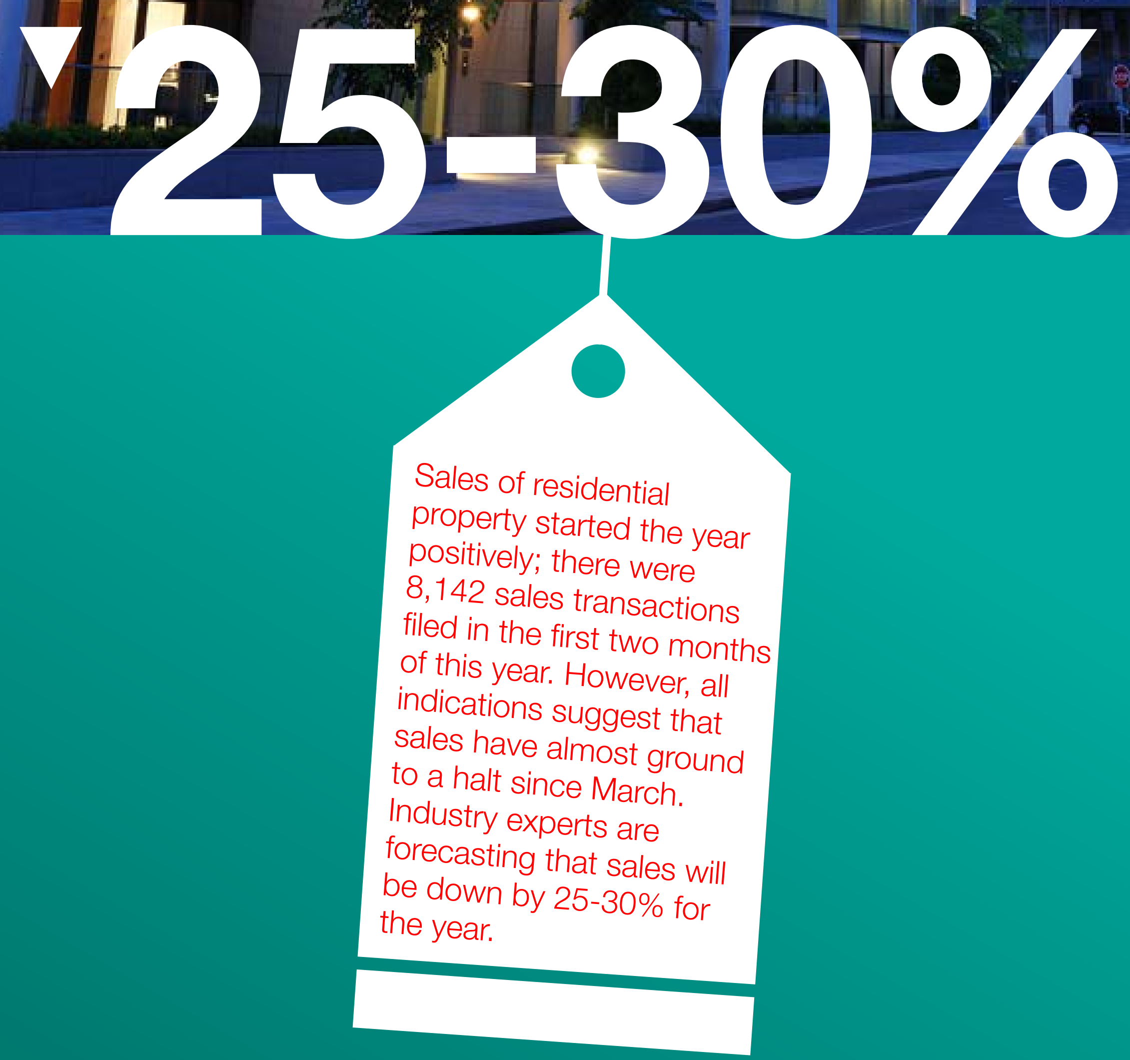
There were 32,835 mortgages drawn down in 2019 which was 7% higher than the 30,630 in the previous year. 65% of those mortgages went to first time buyers demonstrating that this is still the predominant need.

This year started positively: there were 8,142 sales transactions filed in the first two months of this year which was slightly up on the same period in 2019 (8,049)[23] and the number of sales agreed was also up by about 10%.[24] 8,130 mortgages were approved in the first quarter of 2020 which was also 7% up on the same period in 2019, 6,700 were drawn down (82%) which is about the normal percentage.

However, all indications suggest that sales have almost ground to a halt since March with agreed sales being put on hold in many cases. Building has halted too and completions of new homes look set to come in much lower than the 25,000 planned. Estimates suggest that sales transactions will be down by 25-30% this year.

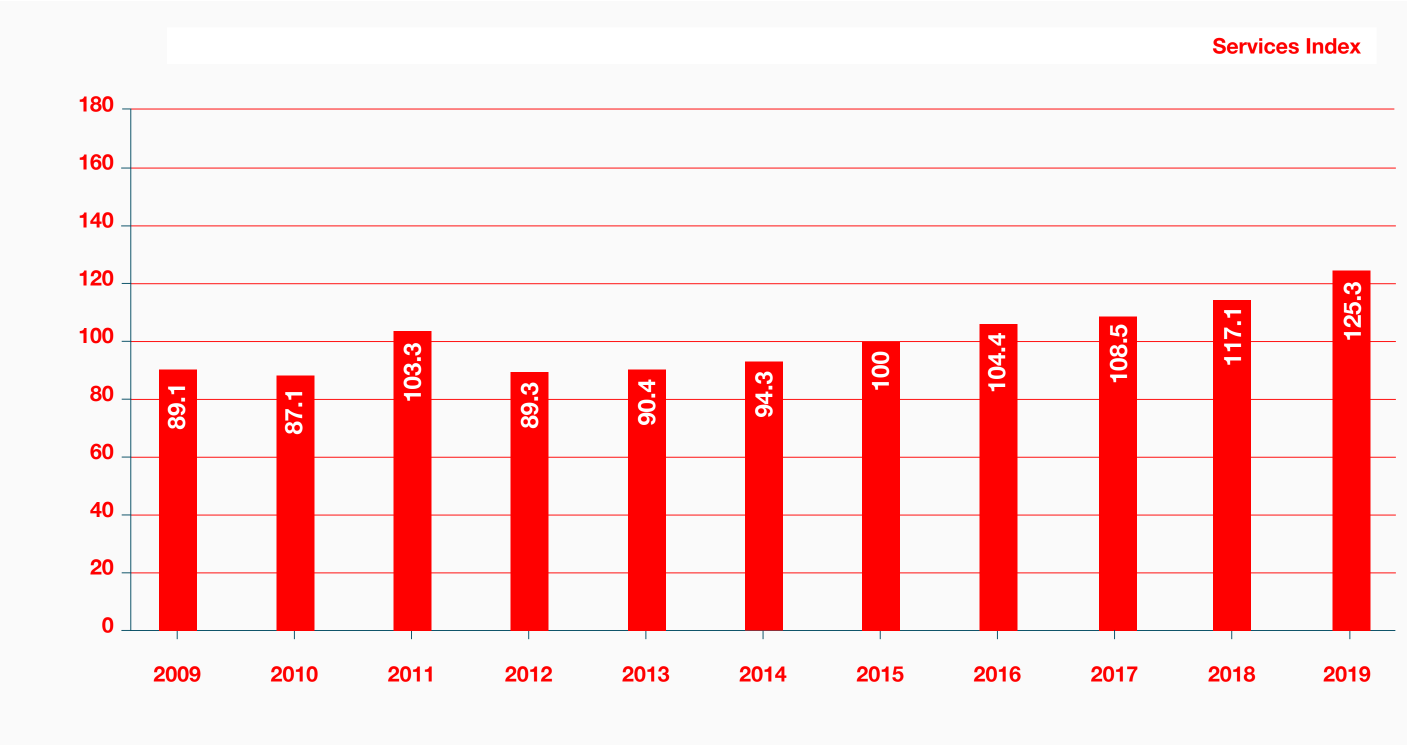
There were 1.24 million residential properties sold in the UK in 2016 but the market weakened since to 1.175 million in 2019. It is expected to fall this year to just 734,000.[25]

23. https://www.cso.ie/en/releasesandpublications/ep/prppi/residentialpropertypriceindexfebruary2020/
24. https://media.myhome.ie/content/propertyreport/2020/q12020/MyHomePropertyReportQ1-2020.pdf
25. https://www.theguardian.com/business/2020/apr/06/house-prices-will-not-fall-far-despite-lockdown-says-study



Services Index Annual

Services Index 2009 - 2019



The services sector accounts for about 40% of all personal consumer spending, with retailing accounting for another 40%, and housing the remainder. The services sector includes accommodation and food service, professional and technical services, information and communication, wholesaling and transportation.

The services sector recovered more quickly from the recent recession than the retail sector, showing modest growth from 2011 onwards, and recovering more rapidly in recent years. The index overtook the 2007 peak in 2014 and made further gains since then with growth averaging 4% per annum for the three years to 2017.

Services growth accelerated in 2018, up 8%, and this strength continued through 2019 which was up by 7% year-on-year. This was closely matched by Vat returns which were up 7% in 2018 and by a further 6.2% in 2019 to a total of €15 billion.

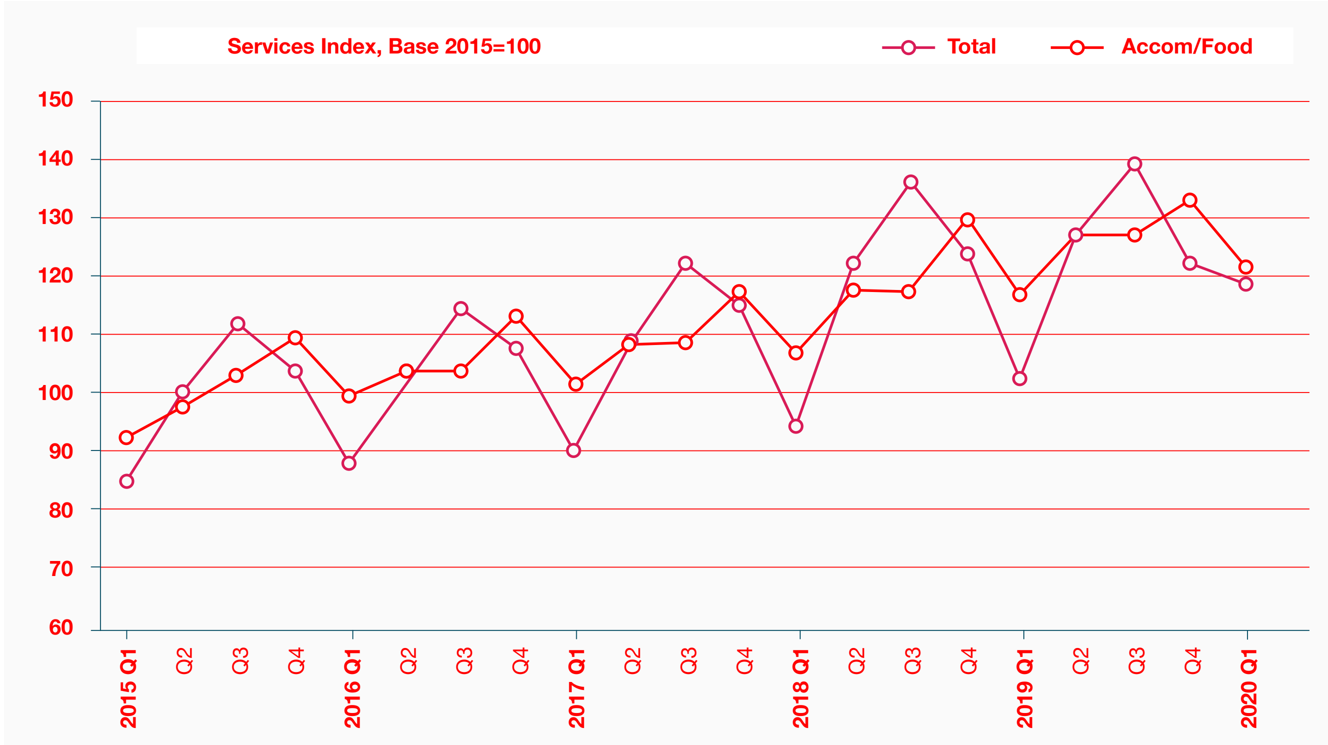
The fortunes of individual service sectors have varied widely, however, Information/ communication services did best, up by an astonishing 28% in 2019. Other services were up by 12%, and accommodation and food service were also strong, up 3% and 9% respectively in 2019.

The UK Services Index grew steadily from 2009, up by around 3% per year. This levelled off in 2017, to 1.3%, and that weaker trend continued through 2018, with growth at a record low of 1.2% in 2019.[26]

26. https://www.ons.gov.uk/economy/economicoutputandproductivity/output/bulletins/indexofservices/november2019

Services Index Quarterly

Services Index Quarter 1 2015 - Quarter 1 2020



The services sector has a marked seasonal trend, with the highest sales occurring in Q4 each year, reflecting the spending pre-Christmas and New Year.

The service index grew through 2014, 2015, 2016 and 2017 by 4% per annum on average. Services growth accelerated in 2018, up 8%, and this strength continued through 2019 which was up by 7% year-on-year. This was closely matched by Vat returns which were up 7% in 2018 and by a further 6.2% in 2019 for a total of €15 billion.

The latest CSO statistics on services are for March 2020 and they do not show much impact from the Covid 19 crisis; overall services activity is up 1.3% in March year-on-year.[27] However, decreases were recorded in Accommodation and Food Service (-43%), Transportation and Storage (-21%) and other services (-24%). The AIB Purchasing Managers' Index also shows that activity in the services sector dropped at the fastest rate in March since 2009.[28]

The UK Services PMI dropped from 34.5 in March to 12.3 in April 2020, the steepest reduction since 1996.[29] Hotels, restaurants and other consumer-facing business were the hardest hit, with many firms reporting a total halt in activity.

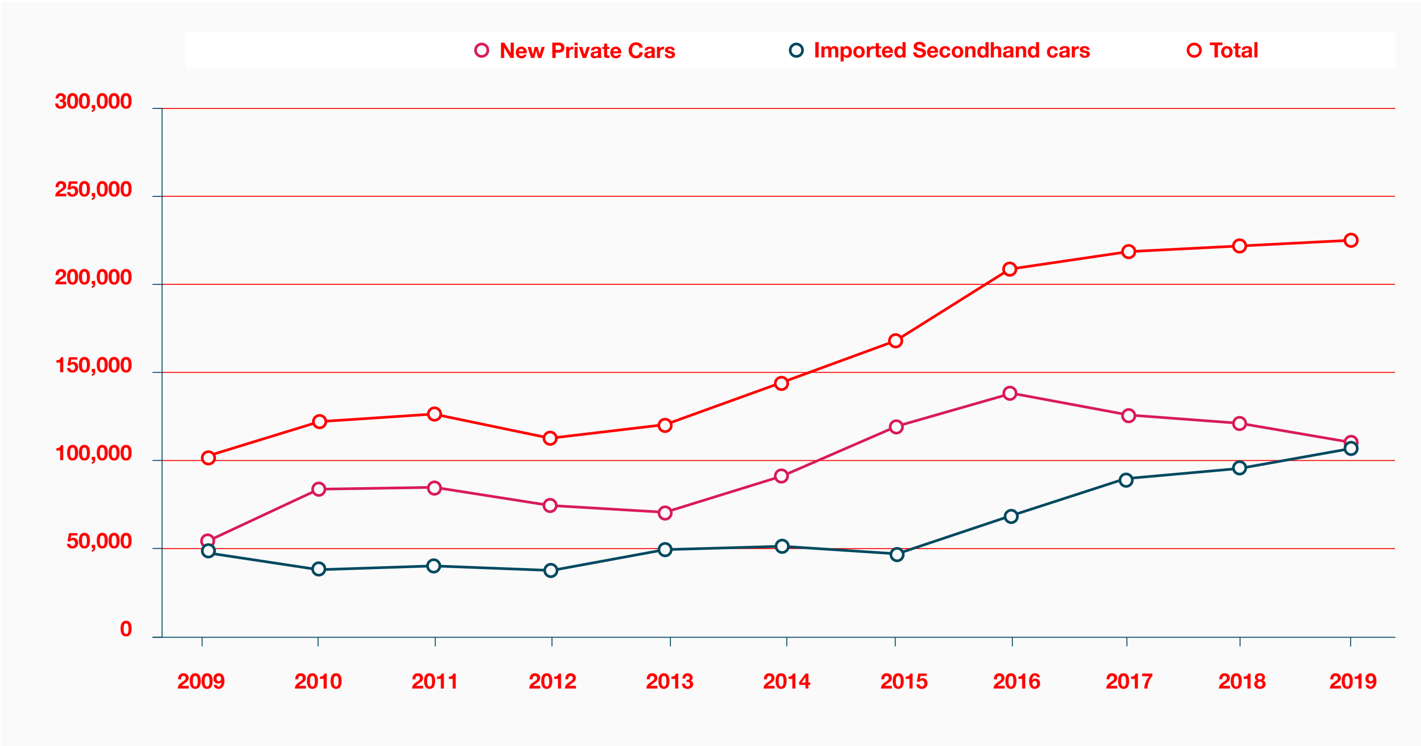
27. https://www.cso.ie/en/releasesandpublications/er/si/monthlyserviceindexmarch2020/
28. https://aib.ie/content/dam/aib/fxcentre/docs/resource-centre/aib-ireland-services-pmi/mar-2020-report.pdf
29. https://tradingeconomics.com/united-kingdom/services-pmi

▼90%

Sales of new cars were down 29% in March and sales of imported used cars were down 39% year-on-year. However, sales fell by 90% in April once motor dealerships were closed.

Sales of Private Cars Annual

Sales of Private Cars 2009 - 2019



New car sales peaked in 2007 with 180,754 sold. Sales dropped dramatically since then, with the lowest point in 2009 when just 54,432 new cars were sold. Sales remained sluggish from 2010 to 2013, averaging 75,000 per year. The market picked up in 2014 with 92,361 new cars sold (+30%) and in 2015 to 121,110 (+31%). 142,688 new cars were sold in 2016, a smaller increase of 18%.

Sales of new cars fell by -10.5% in 2017, to 127,045, and dropped by a further -4.6% in 2018 to 121,157. This was due to a major increase in imports of used cars, totalling 99,456 in 2018, double that of 2015. Taking new cars and imported used cars together, sales were flat in 2017 and 2018 at about 220,000, with 2019 at 222,000.

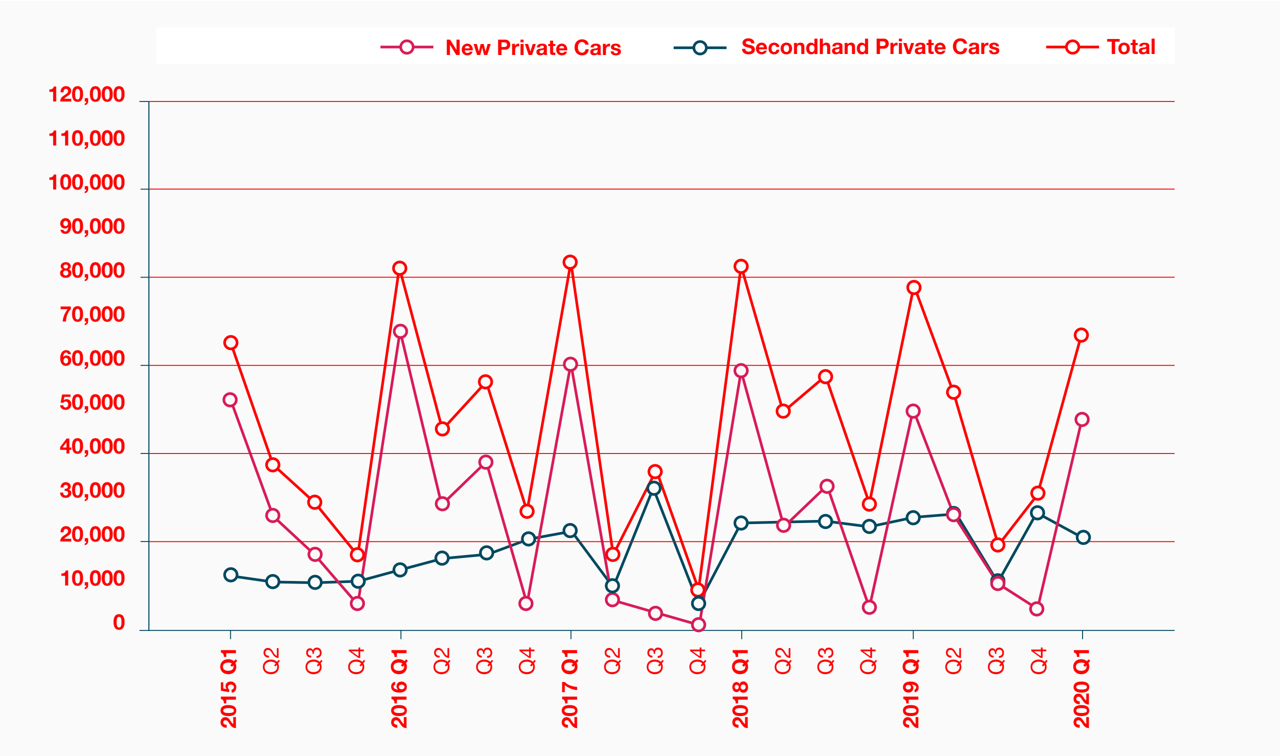
In addition, private sales of used cars amounted to 350,000 in 2013, 425,000 in 2014 (+ 22%), 450,000 in 2015 (+6%), and 475,000 in 2016 (+6%) which was a peak. Private sales of used cars have declined steadily since then to 410,000 in 2019.[30]

Sales of new cars in the UK reached a 12-year high in 2016, at 2.7 million, but sales fell to 2.54 million (-5.4%) in 2017, to 2.37 million in 2018 (-6.8%), and to 2.3 million in 2019 (-2.4%).[31] Sales to private buyers were even weaker at 1.05 million (-3.2%).[32]

30. https://www.cartell.ie/2019/08/used-car-sales-down-4-2/
31. https://www.carmagazine.co.uk/car-news/industry-news/uk-2017-car-sales-analysis-winners-and-losers/
32. https://www.best-selling-cars.com/britain-uk/2019-full-year-britain-new-car-market-overview-and-analysis/

Sales of Private Cars Quarterly

Sales of Private Cars Quarter 1 2015 - Quarter 1 2020



Sales of new cars have traditionally been concentrated in January and February. 65% of sales are still occurring in the first half of the year under the dual registration system.[33]

New car sales began to recover in 2014, and grew strongly in 2015 and 2016 to 142,688. This trend reversed in 2017, with car sales down -10.5% to 127,045, -4.6% in 2018 to 121,157, and down -6.5% in 2019 to 113,305. This decline was blamed on Brexit and the resulting weakness of Sterling.

2020 is worse again with sales for the first quarter down by -13% to 50,861, and just 344 cars sold in April,[34] this time the cause as a result of coronavirus shutdown.

Sales of imported used cars are also significantly lower this year, down -21% to 20,352 in Q1. This contrasts with an increase in the number of imported used cars every year since 2005, with sales of 109,000 in 2019 almost equalling new car sales.

Adding these two together suggests total sales in the low 100,000s, possibly half of the 222,000 sold last year.

UK car sales have been very weak also, down -44% in March 2020 to 254,684 units. Sales for the first quarter decreased 31%, with 483,557 cars registered [35]

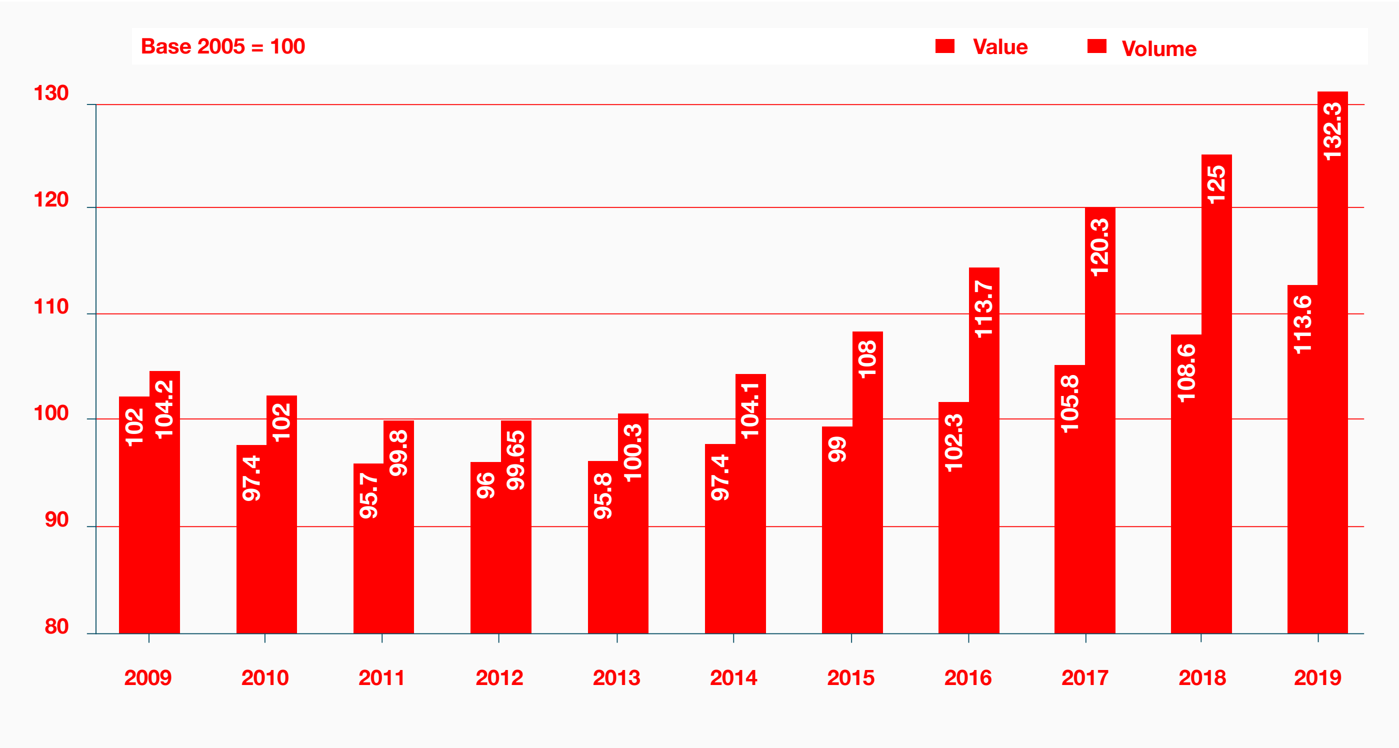
33. http://www.rte.ie/news/2015/0811/720529-new-cars-licensed-in-july-up-over-50-on-last-year/
34. Irishtimes.com/business/retail-and-services/irish-army-is-biggest-buyer-of-new-cars-in-april-as-sales-collapse-96-1.4242677
35. Society of Motor Manufacturers and Traders (SMMT),UK, April 6

104,000

Sales of new and imported cars combined look like they may end the year close to the record low of 104,000 experienced in 2009.

Retail Sales Annual

Retail Sales Index 2009 - 2019



Following the last recession, retail sales stabilised in 2012 and 2013 and resumed growth in 2014 and have grown steadily each year since then. The years from 2015 to 2018 averaged growth of 4% per annum in real, volume terms, reaching a total of €45 billion in 2018, close to the last peak in 2007.

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

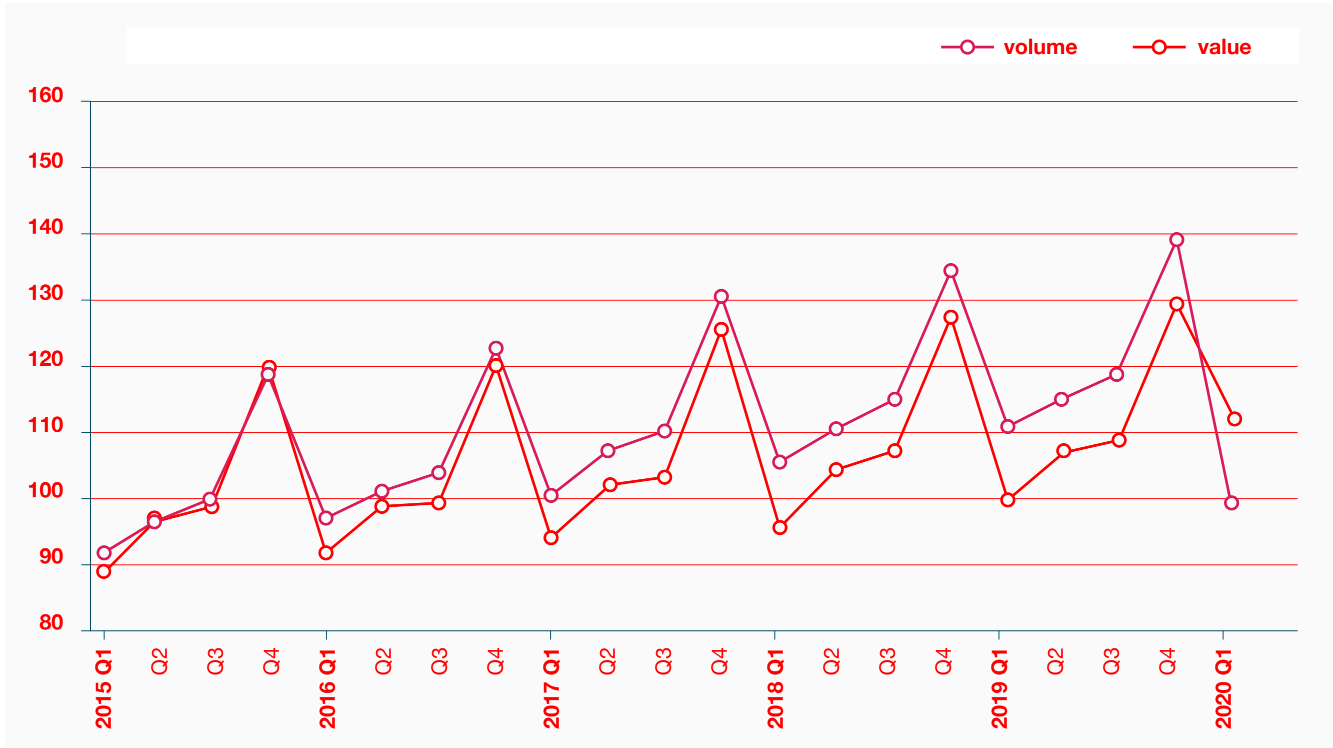
Online sales have been taking an increasing share of retail each year, amounting to €6 billion in 2019, or 11%.

Retail sales in the UK remained flat from 2008 until 2012, picked up from 2013 to 2016, with volume up 3% per annum.[36] Growth fell back in 2017 and 2018, to 2%, and softened further in 2019 to 1.6%. Online sales accounted for 19% in 2019 up 6% year-on-year.[37]

36. http://www.ons.gov.uk/ons/rel/rsi/retail-sales/november-2018/stb-rsi-nov-15.html
37. https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/december2019

Retail Sales Quarterly

Retail Sales Index Quarter 1 2015 - Quarter 1 2020



Retail sales have a major seasonal peak in November-December, 50% above the monthly average for the rest of the year. Sales growth was strong from 2016 to 2019, up 4% in volume and 3% in value each year, on average. Sales revenue for 2019 amounted to €47 billion which was back to the levels last seen in 2007.

Looking at Q1 2020, retail sales did not do badly, actually increasing by 1% year-on-year compared to Q1 2019. Most of the shutdown occurred in the second half of March, of course, so it should be more revealing to look at sales month-by-month rather than quarterly. In fact, however, the retail volume index for March 2020 was down by just -1.9% on February and by -0.6% year-on-year compared to March 2019.

These aggregate figures conceal enormous variation across retail categories, however, with positives and negatives more or less cancelling each other out; these differences are examined on the next page.

This pattern was very similar to the UK where retail sales volume in Q1 fell by just -1.8% year-on-year. However, sales in March fell by -5.1% from February and by -5.8% on the same month last year. These were the largest monthly falls since the series began and varied widely across categories.[38]

38. https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/june2019

Retail Sales by Category

Retail Sales % change in Volume

Retail Sales by Category	March 2020 vs February 2020	March 2020 vs March 2019	Q1 2020 vs Q1 2019
Total *(Excl motor trade)*	-1.9	-0.6	+1.0
Supermarkets *(non-specialised stores)*	+14.0	+17.4	+8.7
All Food	+13.8	+17.6	+8.5
Food/drinks/tobacco	+17.0	+18.6	+6.8
Fuel	-8.0	-13.2	-7.5
Household equipment	+2.5	+12.7	+11.8
o *Electrical Goods*	+5.9	+24.3	+20.6
o *Furniture/lighting*	-18.6	-14.3	-1.1
o *Hardware/paints/glass*	+13.3	+12.0	+4.0
Pharma/medical/cosmetics	+8.8	+12.0	+5.8
Department stores	-25.8	-27.7	-11.7
Clothing/footwear	-49.2	-51.0	-21.4
Books/newspapers etc.	-29.2	-29.5	-13.4
Bars	-53.1	-54.7	-23.3

The figures in the table above show total retail sales volume for Q1 2020 to be down quite modestly compared to the previous quarter and year-on-year. However, these summary figures conceal enormous variation across retail categories with positives and negatives more or less cancelling each other out.

Sales of food and drink were actually up by about 18% in March, year on year, as a result of stockpiling in anticipation of shortages. Sales of pharmaceuticals/medicines were also up by 12%, as were sales of household goods (electrical goods were up by 24%).

In contrast, sales through bars dropped by -54%, and sales of clothing and footwear were down by -51% in March year-on-year. Books, newspapers and stationery were also very weak, down by -30% year-on-year. Sales of fuel were also significantly down, by -13% in March, as a result of cars being off the road for part of the month. These are very weak figures which were undoubtedly worse in April since it has been closed down for the whole month as compared to half of March.

Similar variation occurred in the UK; sales of food were up 10.1% and alcoholic drink up 31.4% in March year-on-year, while clothing and footwear were down -35%, fuel was down -22% and household goods were down -10%.

Online Retail Sales

Online Sales as a Percentage of Total Retail Sales

Online % Sales Value	March 2019	March 2020
All Traditional Retail *(excl. Motor Trade)*	3.8	5.7
Food businesses	1.7	2.3
Department Stores	3.8	10.1
Clothing/Footwear	5.6	7.8
Electrical Goods	7.3	15.3
Books/newspapers etc.	12.8	17.0
Pure Online Retailing	5.0	6.0
Online % All Retail Sales	11.0	12.0

It is widely speculated that some of the sales lost to traditional retailers through the shutdown have been substituted by online purchases, and the evidence bears this out. As the table above shows, online sales almost doubled year-on-year in many of the largest retail categories. Online sales as a percentage of all sales by traditional retailers (retailers with a physical store presence) in Ireland increased from 3.8% in March 2019 to 5.7% in March 2020.

Note: this does not include online retail sales going to exclusively digital retailers (eg Amazon). This sector is estimated to account for at least as much again as the traditional retail sector. Adding both together, total online retail sales are estimated to be about 12% of all retail spending this year. This is in line with the United States and most other European countries except the UK.

Online sales in the UK have been higher than most other countries for several years reaching 19% of all retail spend last year. This trend has accelerated further during the Covid 19 crisis, increasing to a record high of 22.3% of all retail in March 2020 as consumers switched to online purchasing during the shutdown.[39] This figure is split almost equally between pure online retailers (10.8%) and traditional bricks and mortar retailers (11.5%).

Similar to this country, some categories increased by much more than average, eg household goods were up 50% and department stores were up 34% year-on-year in March.[40]

39. https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/march2020
40. https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/march2020

Q1 2020

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