



New car sales have been on the slide in the UK in 2017. November marked the eight successive year-on-year fall, with UK sales down 11%. England, Scotland and Wales posted double-digit declines last month with Scotland recording the sharpest fall (-24% y/y). The falls though conceal shifting patterns of demand between fuel types. Sales of petrol cars continue to grow (+5% y/y) while diesel sales plummeted by 31% y/y. Meanwhile the Alternative Fuelled Vehicles (AFV) sector saw sales volume surge by one-third in November.

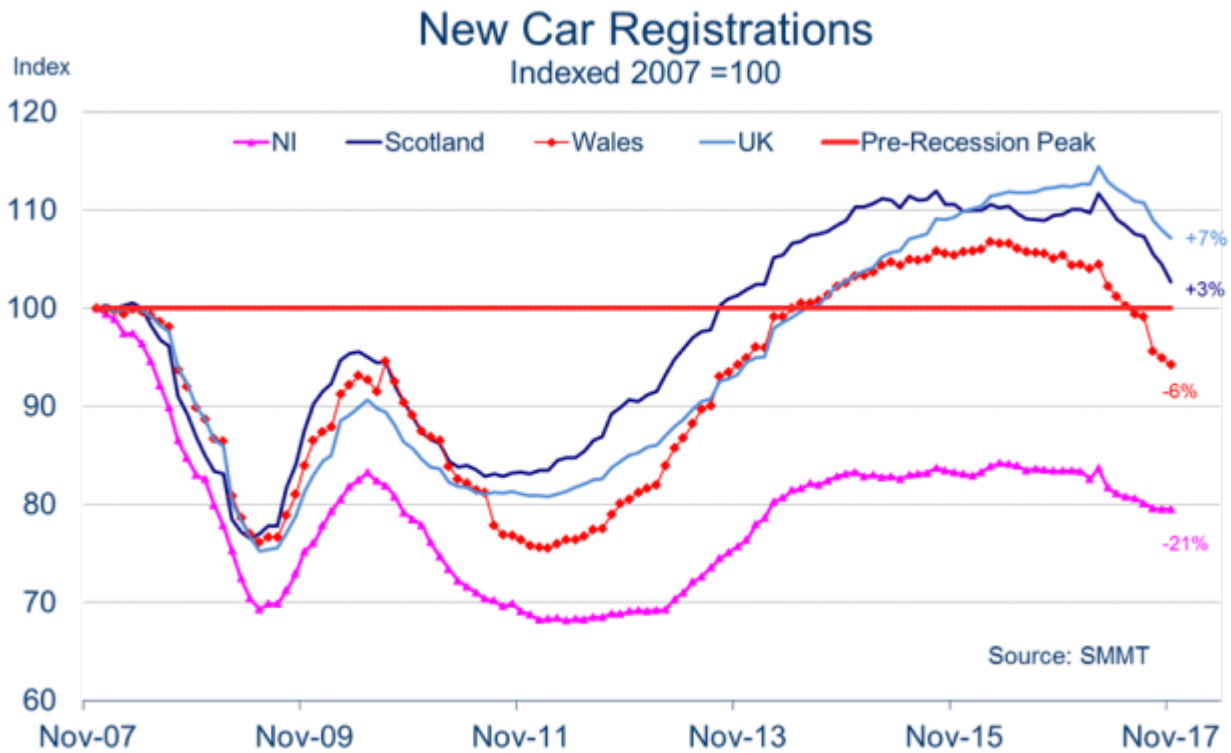
On the face of it, the Northern Ireland market fared relatively well last month. November and December are typically the quietest months for new car showrooms, however Northern Ireland dealers saw their seven month sequence of falling sales (y/y) pause in November, albeit with the smallest of gains +0.1%, or just an additional four cars. Nevertheless, new car registrations in the year to November are 5% below the corresponding period in 2016.

This is in line with the UK but compares favourably with Scotland (-7%) and Wales (-10%). It is worth noting that the fall in new car sales (2008 -2012) was steeper in Northern Ireland than the rest of the UK and the subsequent recovery has been significantly weaker.

New car registrations over the last 12 months to November in Northern Ireland were over 20% below 2007 levels. Conversely, UK sales are decreasing from a recent record high and are still some 7% above 2007 levels.

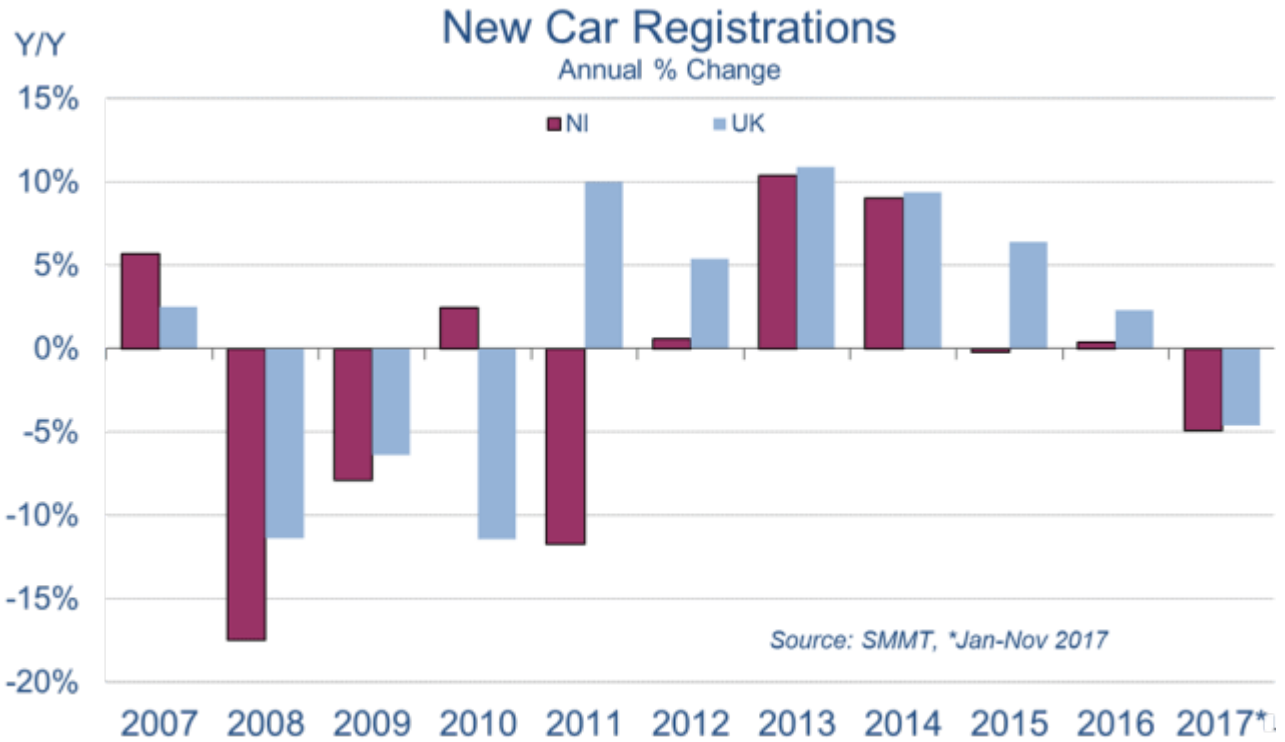
With one month remaining 2017 looks set to see the biggest fall in new car sales in Northern Ireland since 2011 (-12% y/y). Meanwhile the UK is set to record its first (and largest) annual decline since 2010 (-11%).

Looking ahead, with wage growth set to lag inflation for the next year or so, disposable incomes will continue to be squeezed. As a result, consumer spending growth will slow significantly. This expectation featured in last month's OBR forecasts for the UK economy. Nevertheless, even in a declining market there will be brands, fuel types and certain models that will outperform the market. The AFV market and premium brands are likely to fall into this category.



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