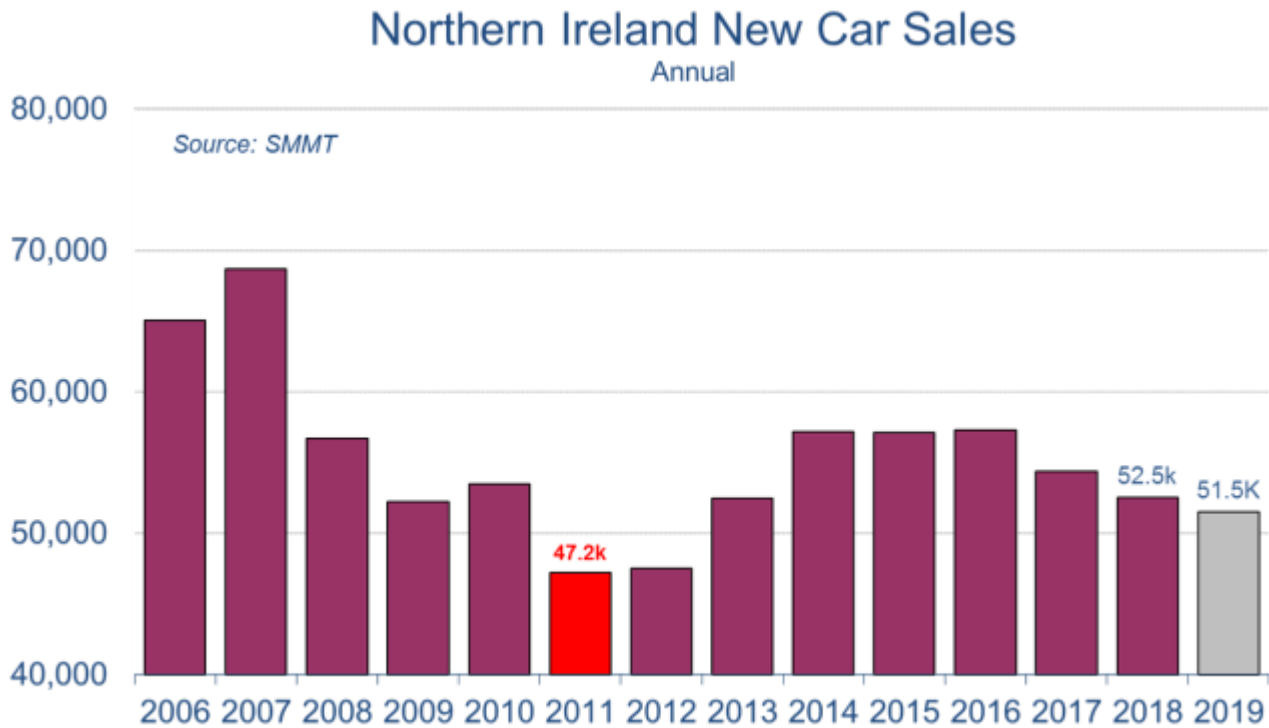


At sixes and sevens?... (UK and NI new car sales fall to six and seven-year lows respectively) | 1

Last year was a record year for both the UK and Northern Ireland labour markets. Employment has never been higher and unemployment (for Northern Ireland) has never been lower. Given these labour market conditions one would assume that consumer confidence must be strong too? Not so. Previously having a job, or not having one, was a key determinant of whether a household or individual was in poverty. Over the last decade, however, a sustained period of below inflation wage growth and cuts to working-age welfare benefits has squeezed disposable incomes for those in work too.

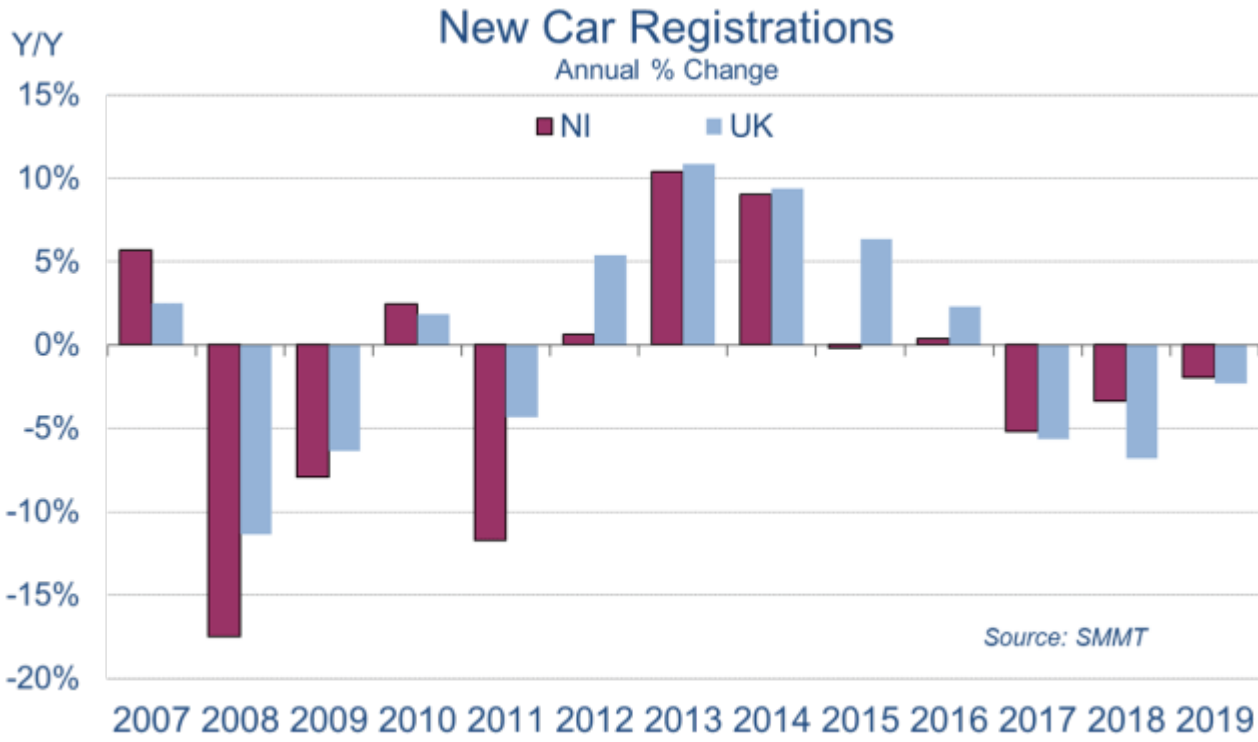


At sixes and sevens?... (UK and NI new car sales fall to six and seven-year lows respectively) | 2



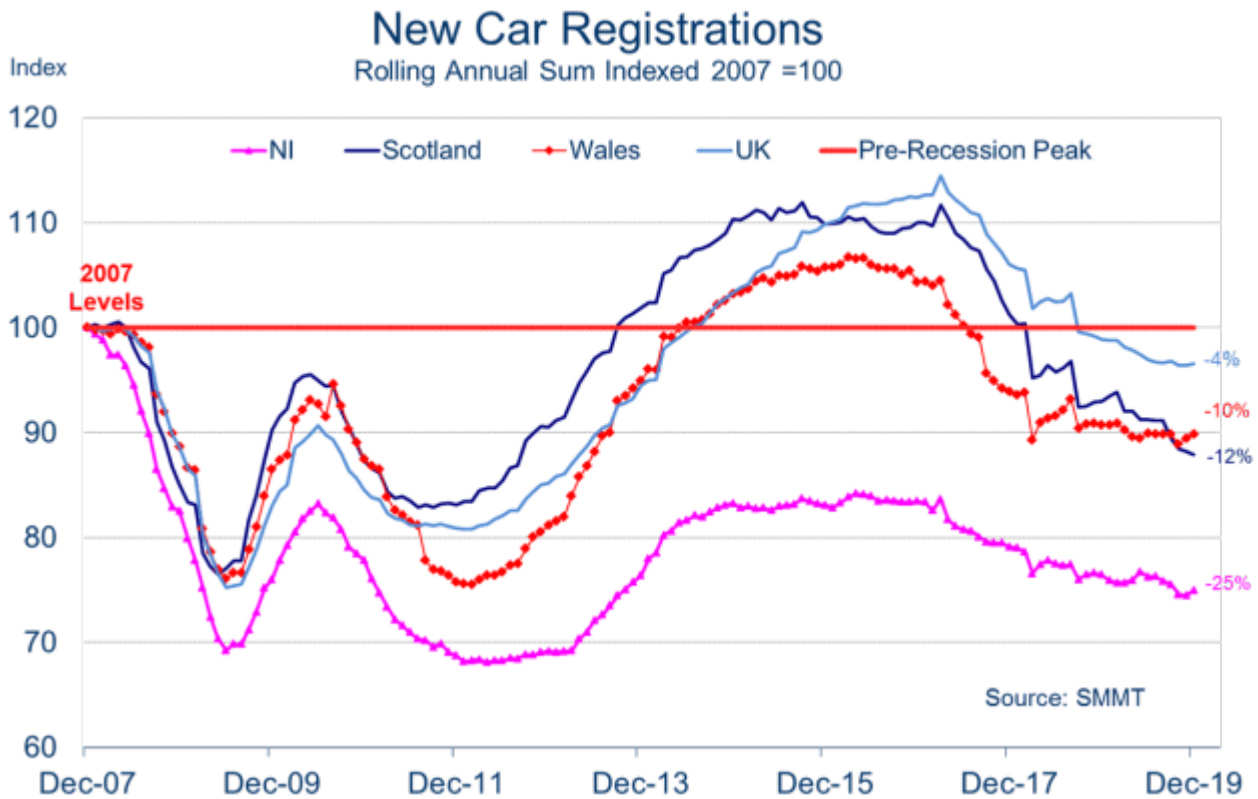
Whilst the labour market figures pointed to robust consumer sentiment, new car sales – traditionally a barometer of consumer confidence – signal consumer stress or at least concern. 2019 was a year to forget for many UK and NI car dealers with showrooms seeing new registrations fall to six and seven year lows respectively. Despite local dealers posting their best December for sales in five years (+21% y/y) it wasn't enough to prevent an overall decline for the year as a whole. Both the UK and NI notched up their third successive year of falling car sales. Squeezed disposable incomes and uncertainty linked to both Brexit and the future of diesel engines has impacted negatively on sales volumes.

At sixes and sevens?... (UK and NI new car sales fall to six and seven-year lows respectively) | 3



Last year UK new car sales fell by 2.3% y/y and are down 14% cumulatively over the last three years. Over the same period, Northern Ireland’s decline in new car sales have been less severe at under 2% y/y (equates to around 1,000 fewer vehicles) and 10% over the last three years (equates to close to 6,000 cars). Unlike the UK, however, Northern Ireland new car sales never recovered from the last recession. NI sales volumes have been flat or falling for the last five years. The total number of new cars sold in 2019 (51,512) is (1.3%) lower than the figure a decade ago and the total number of cars sold last year is 25% below 2007’s pre-recession high. In comparison, the volume of new car sales in the UK is less than four per cent below 2007’s levels.

At sixes and sevens?... (UK and NI new car sales fall to six and seven-year lows respectively) | 4



We have already seen a variety of indicators pointing to a lack of consumer confidence in Northern Ireland. These include the notable falls in retail sales activity within Ulster Bank’s Northern Ireland PMI and last week’s RICS & Ulster Bank Commercial Property Market Survey. The latter highlighted demand for retail property in Q3 was the weakest since 2008. This weakness has continued into Q4.

With economic conditions deteriorating markedly in recent months the outlook for consumer sensitive sectors is set to weaken too. Indeed, it is noted that personal insolvencies have rebounded off 2018’s eight-year low with a 17% y/y rise during the first three quarters of 2019. 2020 could well see new car sales fall below the 50,000 mark for the first time since 2012.

Our Big Economic Review of 2019 is still available to watch:

At sixes and sevens?... (UK and NI new car sales fall to six and seven-year lows respectively) | 5

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