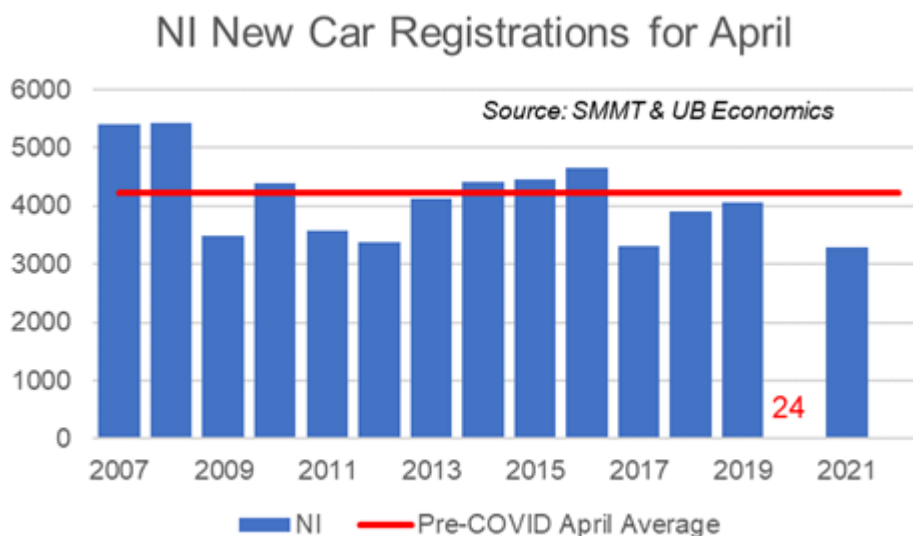


May has already brought with it April showers and some weather warnings. The first week of May has brought in the first economic data for April and we should brace ourselves for some startling year-on-year growth rates for April and for Q2 in due course. Two indicators worth watching concern residential property transactions and new car sales.

Today's SMMT new car sales for April confirmed that UK new car sales increased by 3,177% year-on-year last month. But this growth rate paled into insignificance relative to the 13,629% year-on-year rise for the Northern Ireland new car market. Context is everything here. The huge increase is a reflection of how bad April 2020 was rather than how strong activity is this year. This is what economists call 'base effects' in this case rebounding off an extremely low base. For example, there were just 24 cars sold last April during the first full month of lockdown. That represented a 99.4% y/y decline on the previous year. Despite a near 14,000% y/y in April 2021, last month's sales of 3,295 new car sales were still disappointing. Local dealers sold 20% fewer new cars in April 2021 than they sold on average each April during the decade before COVID-19 struck. Indeed, last month's car sales figures represent the second worst April on record.



After buying a house, a new car is the biggest purchase consumers will make. While lockdowns have led to an estimated £3.7bn of additional or forced savings amongst Northern Ireland's consumers, there is no sign yet that consumers are rushing in sufficient numbers to splash their surplus cash on a new set of wheels. Now that lockdown restrictions have been lifted for car showrooms May might see a more encouraging set of sales figures. Until then we should prepare for some more crazy growth rates. For example, HMRC's residential property transactions for April 2021 due on 21st May should see year-on-year growth rates of between 500-750%. Again that is a result of April 2020's 80% y/y slump to just 410 residential sales. So hearing growth rates in the several hundreds and thousands in the coming weeks should be treated with caution. The huge increases are primarily a reflection of how bad the corresponding month / quarter was last year rather than how strong activity is this year.

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