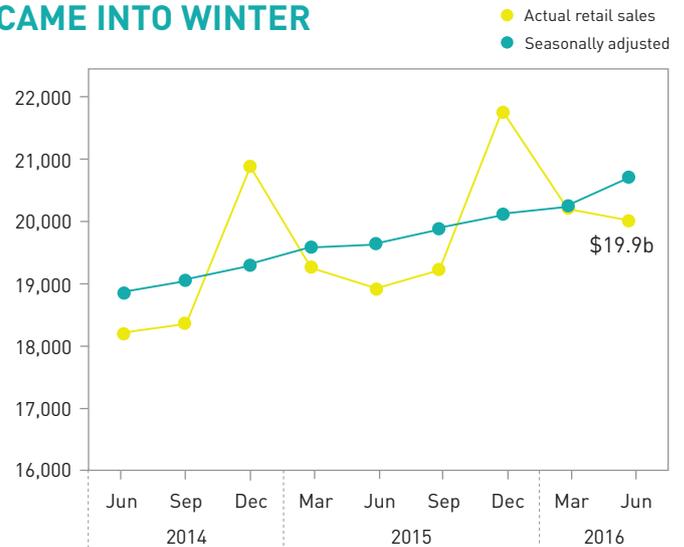


STRONG RETAIL GROWTH AS NEW ZEALAND CAME INTO WINTER

The official Retail Trade Survey results for the second quarter of 2016 were strong, building on continued, steady growth of previous quarters.

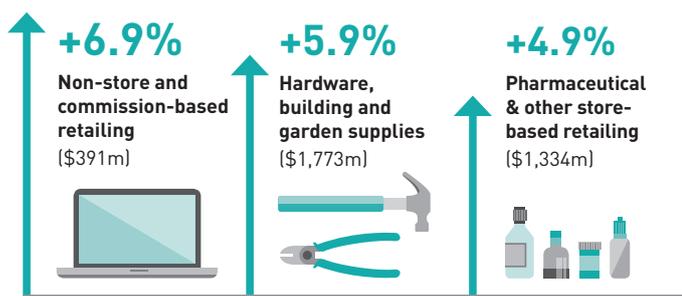
- Actual Sales were \$19.9 billion, up 5.5 per cent (\$1,038 million) on the same quarter of last year.
- When adjusted for seasonal effects this comes down to 2.2 per cent on the previous quarter.
- Core retail categories (which exclude fuel and motor vehicles) were up 2.5 per cent (\$16,036 million) in seasonal terms.
- In the core retail categories, it was again the 'Non-store and Commission-based Retailing', which includes online-only retailers, which saw the highest level of growth, up 6.9 per cent in seasonal terms on the previous quarter of 2016. DIY was popular this quarter, with 'Hardware, building, and garden supplies' also seeing a strong results (up 5.9 per cent on the previous quarter of 2016).
- The strongest regional growth was once again in Auckland (up 2.7 per cent or \$676 million in seasonal terms on the same quarter last year).



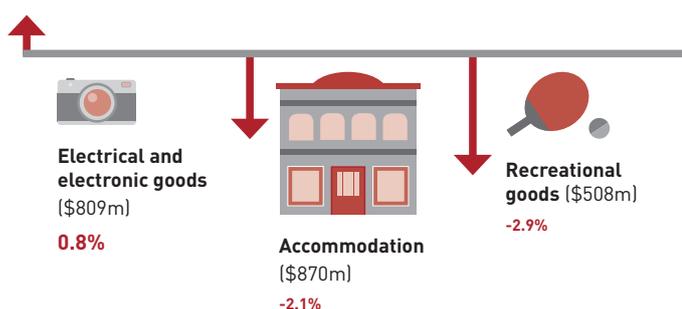
Lower fuel prices and the delayed start to winter over the quarter contributed to the strong growth in retail spending. The latest Retail Trade Statistics confirm the generally optimistic sentiment from retailers, with 75 per cent reporting that they met or exceeded sales targets in the second quarter of 2016. The quarter saw a solid lift in sales in the hardware, building and garden supplies category, reflecting continued low interest rates and New Zealand's ongoing love of housing and DIY projects. Non-store and commission-based retailing, which includes online retailers continued to grow during the quarter. However, online retailers based in New Zealand continue to face inequitable tax laws which effectively mean offshore retailers are not subject to the same domestic tax obligations.

CORE RETAIL CATEGORIES*

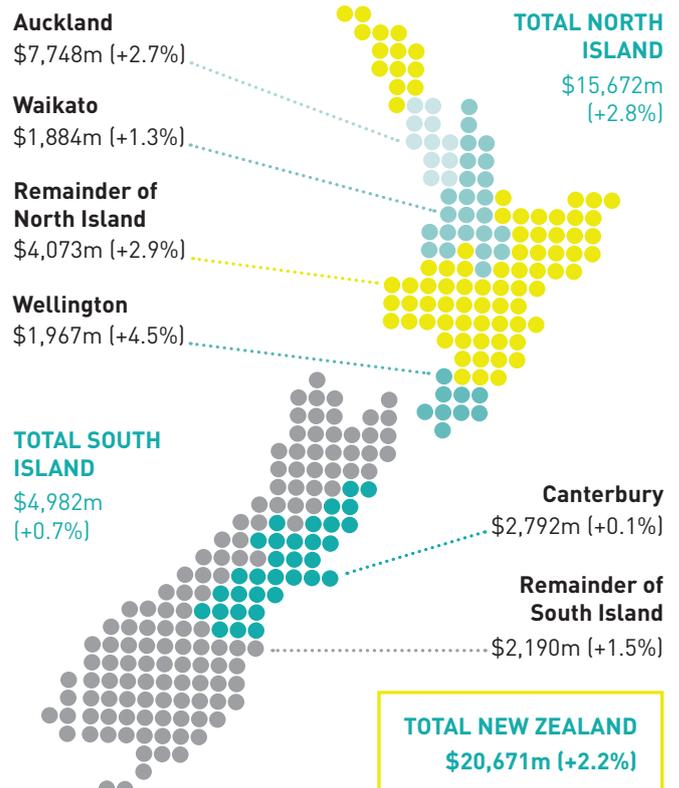
Best performing categories (total value of sales)



Worst performing categories (total value of sales)

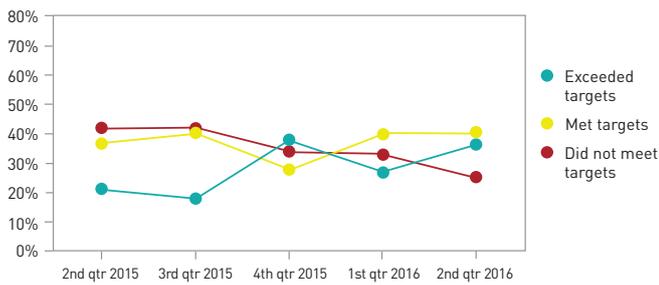


REGIONS*



* Seasonally adjusted values (% change on previous quarter)
For full results refer to the *Statistics NZ Retail Trade Survey*

Looking back over the past three months

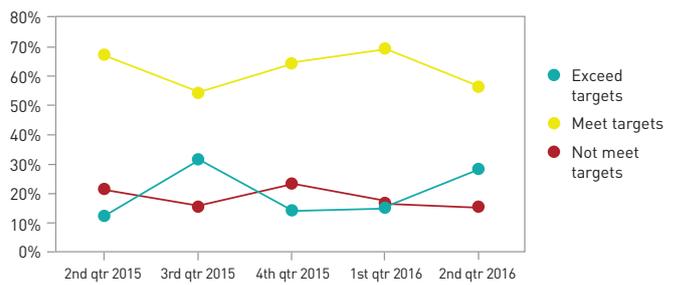


Overall, retailers reported better performance in the second quarter of 2016, with 75 per cent retailers meeting or exceeding targets.

Many retailers who exceeded their targets cited the warmer weather and longer summer temperatures as the single biggest positive influences on their businesses. For others, it was an increase in tourism. Sport, camping and recreation retailers found that the delayed start to winter had positive impacts for some in their category, while those waiting for snow were negatively affected.

The retail market remains highly competitive, and many retailers continue to find it hard to compete against foreign online traders who have the dual advantage of not having to charge GST and having large economies of scale.

What's coming up over the next three months



Despite the onset of winter, retailers are optimistic about the next three months, with 85 per cent of retailers predicting that they will either meet or exceed targets over the next three months. This may be due to New Zealand's population growth and the correlating booming housing market, which is putting money in the pockets of those able to cash up.

Excitement around new stock lines is also strong, with apparel retailers overdue to move through their winter stocks now that the cold weather has hit the country, and getting ready to bring in the upcoming spring/summer lines.

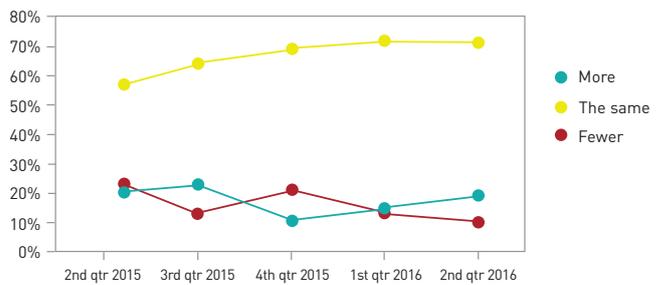
Interestingly, it seems that Brexit has caused some uncertainty amongst retailers, with reports that the state of the global economy, variation in exchange rates and unpredictable consumer confidence are concerns for some.



“85 per cent of retailers predicted that they will either meet or exceed targets over the next three months”

Employment intentions

The majority of retailers are reflecting a confidence in their employment intentions, expecting strong and steady staff levels looking forward over the next three months. Over two-thirds of retailers are predicting to maintain their staff levels, with almost 20 per cent anticipating employing more staff.



Retail Prices

Over the previous quarter the dollar has risen strongly against the Pound and marginally against the US Dollar. As the NZ Dollar is recovering from its fourth quarter 2015 slump, a sizable 78 per cent of retailers expect prices to remain static over the next quarter, with 19 per cent predicting a rise in prices.

