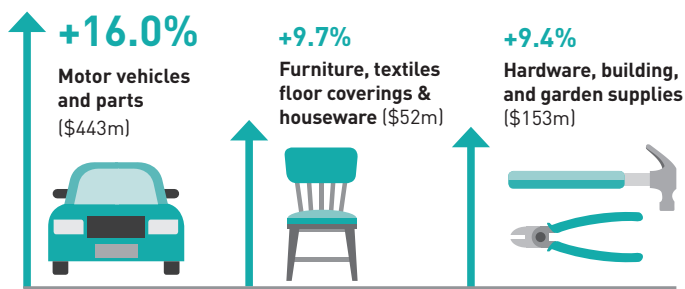


RETAIL TRADE SURVEY RESULTS SHOWED CONSISTENT GROWTH BUT RETAILER SENTIMENT IS LESS POSITIVE

- Sales across the retail sector for the quarter were \$21.5 billion, up 6.7 per cent (\$1.35 billion), or a seasonally adjusted 2.6 per cent. Performance was stronger in the North Island than in the South.
- Sentiment among retailers was less positive this quarter with 48 per cent reporting that they did not meet sales targets and 24 per cent meeting targets. Outlook for the next quarter is more positive with the majority of retailers expecting to meet sales targets (66 per cent).
- Core retail categories (which exclude fuel and motor vehicles) were up 4.8 per cent (\$749 million), but this fell to 1.6 per cent in seasonally adjusted terms.
- The 'motor vehicle and parts' category had the strongest growth, up 16 per cent.
- Consumers continue to invest in their homes, with 9.7 and 9.4 per cent growth in the 'furniture, floor coverings, houseware, textiles' and 'hardware, building, and garden supplies' categories.
- The Waikato region again had the strongest regional performance, with a \$220 million or 11.7 per cent increase.
- The quarter included the domestic and overseas tourist season, but a number of retailers reported that poor summer weather had negative effects on sales.

Best Performing Categories



Worst performing categories

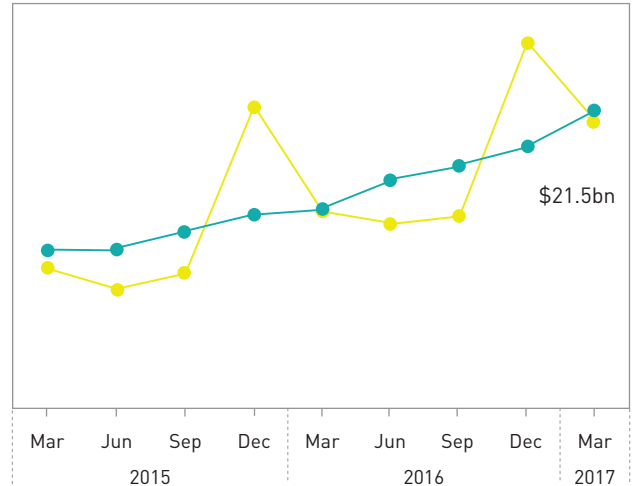


For full results refer to the Statistics NZ Retail Trade Survey

Note: all results are actual values, and in comparison with the same quarter of last year, unless otherwise stated.

Retail Sales Values

● Actual retail sales
● Seasonally adjusted



FOCUS ON: TOURIST SPENDING

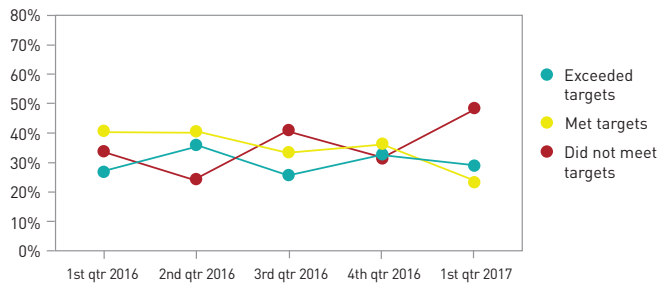
International tourism pumps around \$14.5 billion annually into the nation's economy with over 3.4 million visitors arriving every year.

It has huge benefits for retailers and, as we come out of the busy tourist season, it is a good time to reflect on just who these visitors are.

Visa recently published a new tourism report on international cardholder spending in New Zealand. While it only covers spending on Visa cards, and actual spending will be higher, it has some interesting insights:

- International tourist spending on Visa cards was up 12.3 per cent in value, or 23 per cent in transactions, on 2015.
- Shopping and retail accounted for \$349 million in face-to-face spend from the top ten visitor nationalities, up seven per cent on last year.
- Food and grocery is another significant area of expenditure for these visitors with \$187m in spending, up 15 per cent on 2015.
- Chinese and South Korean visitors spent more on food and groceries and retail goods in New Zealand than any other consumer category.
- Visitors from Australia, USA, China, UK and Germany spent the most in New Zealand overall, while visitors from the USA, South Korea, Japan and Germany delivered the greatest growth in spend.
- Several emerging markets such as Argentina, Philippines and Ukraine saw an increase in spend of more than 50 per cent.

Looking back over the past three months

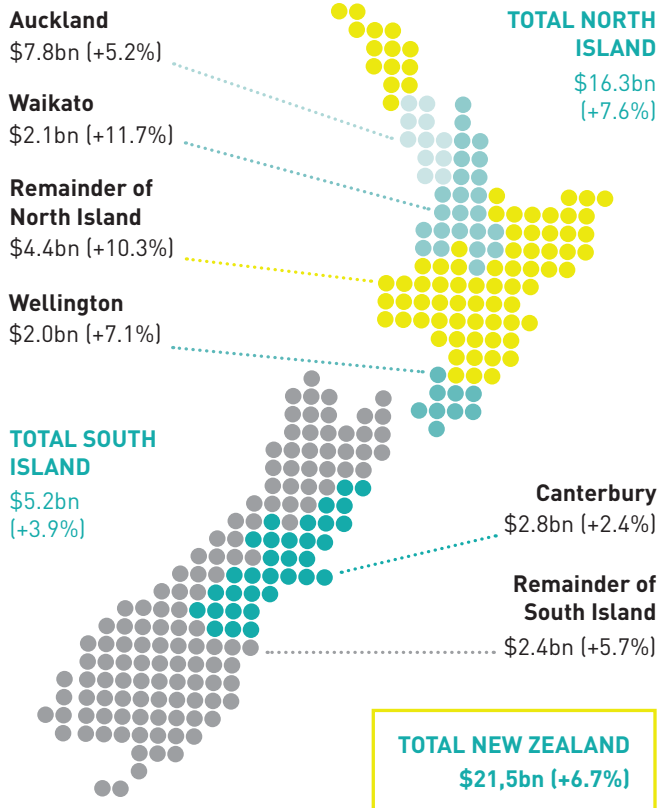


Sentiment among retailers was less positive this quarter with 48 per cent reporting that they did not meet sales targets, which is the lowest result that we have seen in this survey. Retailers are reporting significantly worse performance overall than they were at this time last year, despite the quarter including the busy domestic and overseas tourist season.

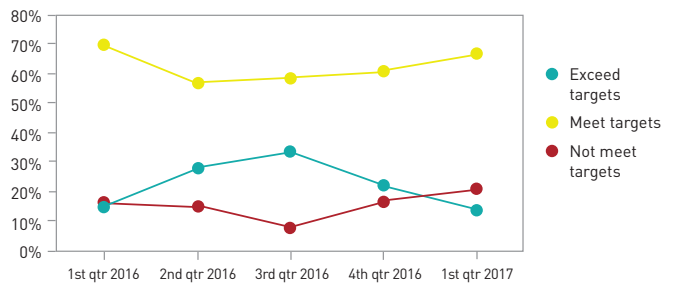
Retailers all over the country reported that poor summer weather had negative effects on sales, this particularly affected sellers of recreational goods. While the summer period, and associated events and promotions, brought people into shopping areas, and some retailers benefited from back to school-spending, this was not enough to see strong performance overall.

The Kaikoura State Highway One closure continues to affect retailers, positively or negatively depending on where they are located.

REGIONS



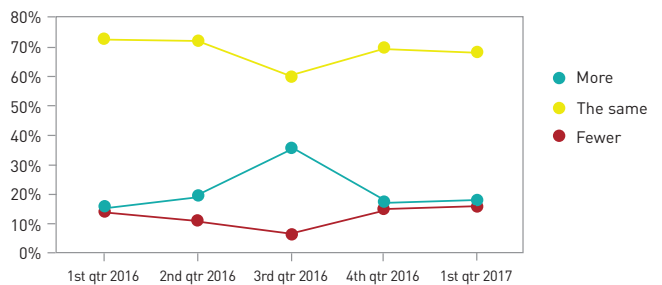
What's coming up over the next three months



Outlook for the next quarter is more positive with the majority of retailers expecting to meet sales targets (66 per cent), continuing the trend of the past four quarters. Slightly concerning is the drop again in the proportion of retailers that expect to exceed targets, which fell to 13 per cent. However, the cooler months traditionally see fewer visitors and local people staying at home in favour of going shopping. Steady but not exceptional performance is expected.

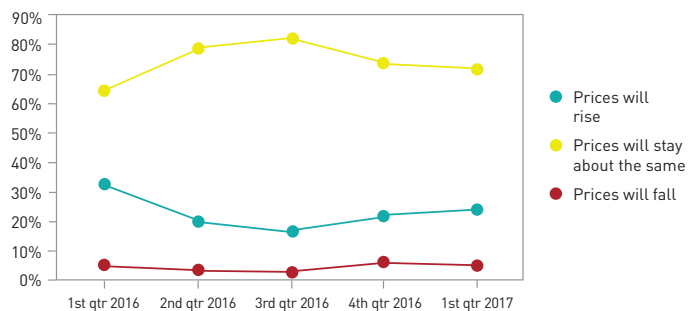
An ongoing concern among many retailers is tough competition from online retailers. Discounting from domestic competitors is also seen as a concern by some. A smaller number of retailers noted uncertainty around the outcome of the September General Election which may hold spending back.

Employment intentions



Results were consistent with the previous quarter, with 67 per cent of respondents stating that they expect to retain staff levels over the next three months. It is positive to see that despite overall sentiment being less positive, it is not anticipated that this will affect staff levels.

Retail prices



A sizable majority of retailers (86 per cent) reported that retail prices stayed 'about the same' this quarter, which is consistent with the past four quarters. However when we look at how retailers anticipate retail prices will go over the next three months we are seeing more movement and a clear trend towards a price rise. Political changes around the world, and particularly in the US and Europe, are creating economic uncertainty which could account for the anticipated price increase.