

# Retail RADAR

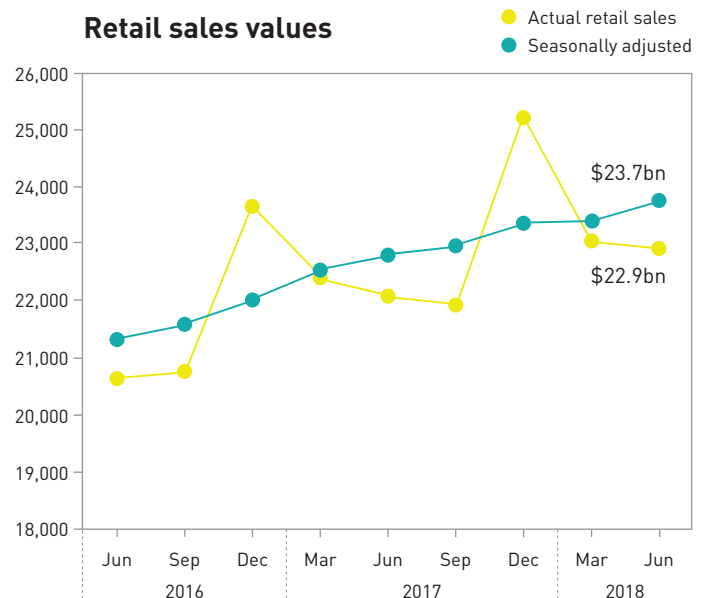
# The REPORT

A quarterly Retail NZ Report // 30 June 2018

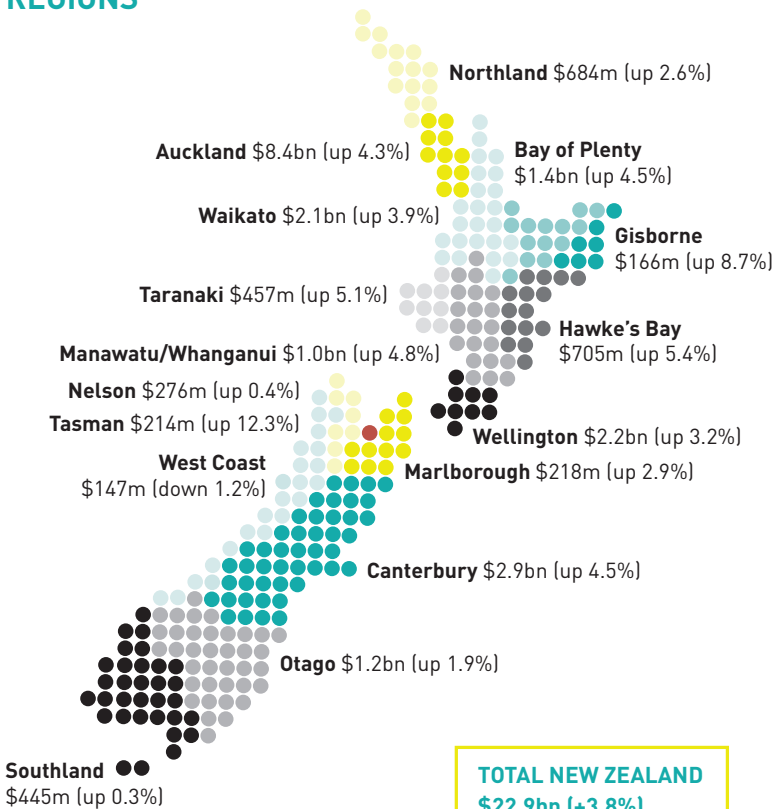
## IMPROVING RESULTS DURING THE SECOND QUARTER OF 2018

- Retail sales results improved on the same quarter of last year. Sales across the sector in actual terms were \$22.9 billion, up 3.8 per cent (\$834 million) on the same quarter of last year.
- This is traditionally a slower quarter for retailers but a 1.3 per cent increase in sales was recorded in seasonally adjusted terms.
- Core retail categories (which exclude fuel and motor vehicles) were up 4.4 per cent (\$732 million) on the same quarter of last year or 1.5 per cent in seasonally adjusted terms.
- Increases were seen for all sectors in actual terms except for a small decrease for motor vehicle and parts retailers.
- The increases were also evenly spread across the country with just the West Coast recording a small decrease in actual terms.
- 50 per cent of retailers did not meet their own sales targets over the past three months.
- Retailers' are less positive about the next three months with 36 per cent not expecting to meet sales targets, the lowest level recorded by this survey.

### Retail sales values



## REGIONS



### FOCUS ON: ONLINE SHOPPING

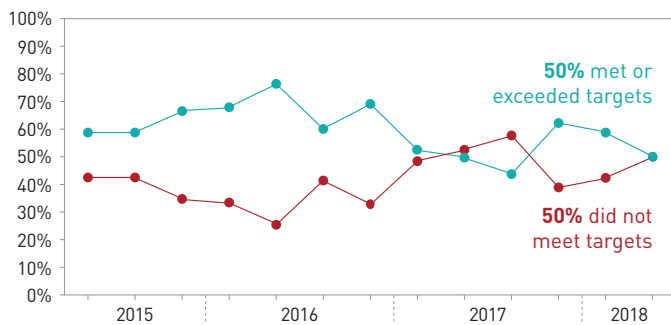
New research by NZ Post has showed that New Zealanders spent \$3.6 billion NZD online in 2017 and which was 8.1 per cent of equivalent total New Zealand retail spend. 1.5 million New Zealanders shopped online in 2017.

- The average online shopper spends over \$2,350 online each year, with rural online shoppers the largest spenders, each spending over \$2,500 online.
- eCommerce is still growing. Globally it is twice the size it was five years ago and by 2021 it is projected 17.5 per cent of all global retail spend will come from eCommerce.
- Shoppers are buying cheaper items offshore. The average international basket size was \$79 versus domestic basket size of \$135 in 2017.
- Local retailers' online revenues increased 9 per cent, outstripping 'bricks and mortar' sales.

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.

## Looking back over the past three months



Retail performance dropped again in the June quarter however this is traditionally a slower time of year. Half of retailers reported that they did not meet their sales targets which is the same level as last year.

Concern about cost pressures is increasing among retailers. The minimum wage increased on 1 April from \$15.75 to \$16.50, and further increases are planned for the next two years. Fuel and freight costs are also increasing, and not just in Auckland where a regional fuel tax came into effect on 1 July. The recent weakness of the US dollar has also negatively impacted retailers.

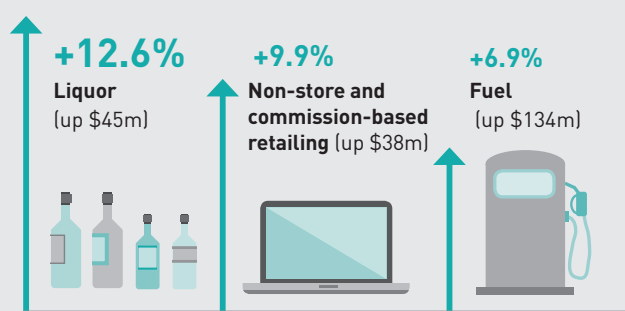
Public holidays generally benefit retailers with holiday makers and locals making the most of the opportunity to go shopping. The quarter included the first Easter Sunday that retailers could choose to open in local council districts that have permitted it. It also included the Queen's Birthday long weekend.

Increasingly retailers are noting improved eCommerce results and benefits from marketing online and on social media platforms. Some respondents were optimistic about the recently announced changes which will ensure GST is charged on all online purchases whether from local or domestic retailers – finally levelling the playing field for New Zealand business owners.

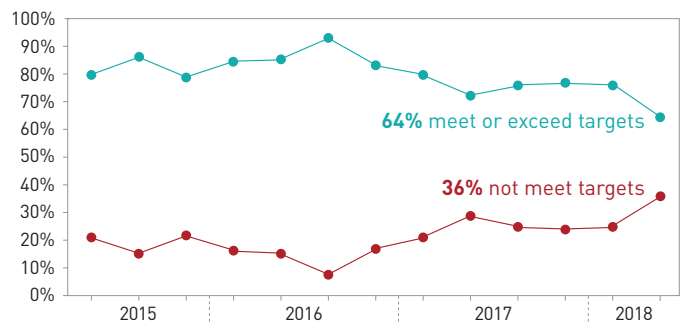


## BEST PERFORMING CATEGORIES

(Actual values)



## What's coming up over the next three months



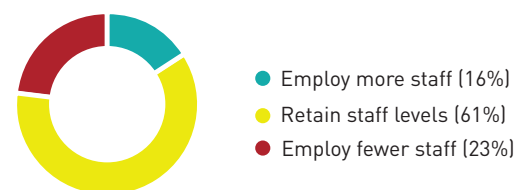
The outlook for the next three months has taken a negative turn with just 64 per cent expecting to meet or exceed targets in the next quarter. This is a significant drop from 75 per cent last quarter and is the lowest level we have recorded since the survey began.

As mentioned above, cost pressures are ongoing for business owners with no sign of letting up over the next three months. This is compounded by the highly competitive retail environment, meaning that even small cost increases can be strongly felt by retailers operating on very tight margins.

On a more positive side, the Reserve Bank has indicated that it will keep interest rates at the current historically low level, and may even drop rates lower, over the next 12 months. This will keep money in shoppers' pockets and has been encouraging investment in home improvements.

Indications that this government is intending to lift wages for low to middle income earners could also be positive for the retail sector in future. Nurses, carers, teachers, and support workers will all see increases. Core public servants will all earn at least the 'living wage' and may see further pay increases too. The Working for Families tax credit also increased on 1 July alongside other welfare payment increases.

## Employment intentions



Retailers' employment intentions are largely unchanged with most expecting to retain staff levels through the next quarter (61 per cent, down from 63 per cent last quarter). The increased cost of labour is not yet resulting in retailers planning to decrease staff levels over the next quarter.

## Retail prices

18 per cent of retailers reported that retail prices rose over the past three months, compared 11 per cent last quarter. While this is still a small proportion, it is a jump after just under two years of stability.

Over the next three months we are again seeing a strong indication that price inflation will occur with 39 per cent of retailers expecting their prices to increase (up from 32 per cent last quarter). There is a strong correlation in our survey between expected and real increases over time. For the reasons, and because of the growing cost pressures on retailers, we expect to see another jump in the number of retailers increasing prices again next quarter.