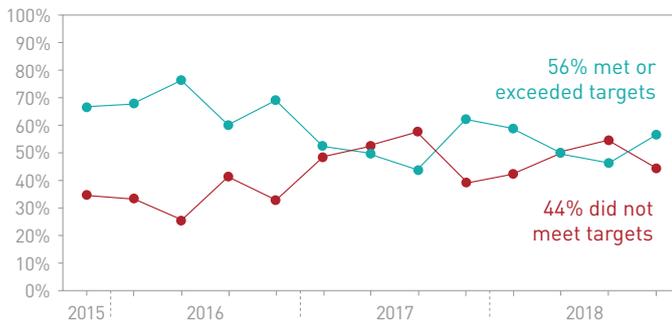


SUNNY CHRISTMAS SEASON, BUT CLOUDY EMPLOYMENT INTENTIONS

- Retail performance picked up substantially in the quarter ended 31 December 2018, and retailers are feeling positive heading into 2019.
- Competitive pressures are keeping a lid on inflation.
- Retailers are making productivity improvements which is translating into a long-term reduction in hiring intentions. This trend has been apparent since the 2017 General Election.

Looking back over the past three months

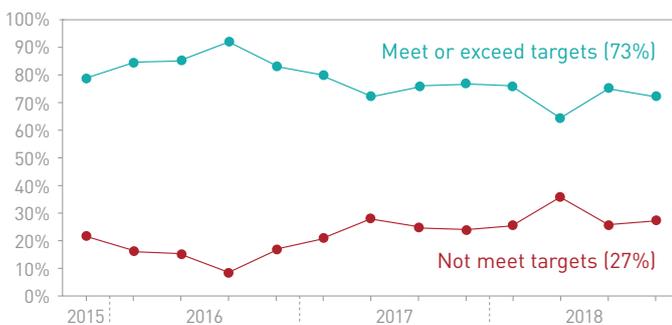


A busy Black Friday and Christmas trading period saw an improvement in overall retail performance for the last quarter of the 2018 calendar year, with 56 per cent of reporting that they met or exceeded their targets (up from 46 per cent in the previous quarter).

44 per cent of retailers reported that they failed to hit their targets, but this was a significant reduction on the 54 per cent which failed to meet targets in the previous quarter.

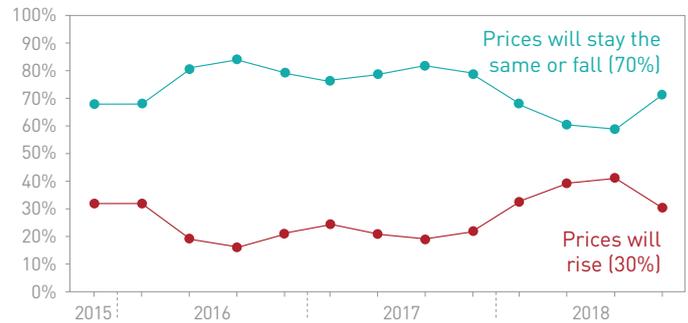
Across the sector, retailers pointed to strong spending by tourists, Christmas shopping, and an improvement in the weather in the lead-up to the New Year as positive factors, while an unwillingness by consumers to spend, heavy discounting in the market, and bad weather in some parts of the country contributed to negative results. A number of respondents pointed to economic uncertainty and pressure on household budgets as factors which impacted performance negatively over the quarter.

What's coming up?



73 per cent of retailers report that they expect to meet or exceed their sales targets in the first three months of 2019. The peak tourist season, combined with good summer weather is expected to get people out and about, although there is real concern about economic conditions and unreliable weather.

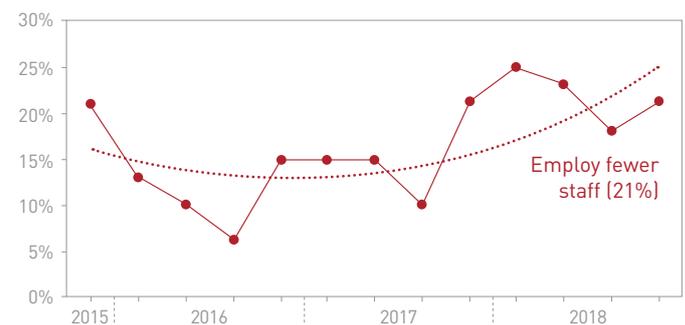
Retail price expectations



Competitive pressures are keeping a lid on inflation. Retail prices remained broadly steady at the end of 2018, with 71 per cent of retailers reporting that prices remained about the same, and 22 per cent reporting some kind of increase.

There continue to be inflationary pressures in the market, with 30 per cent of retailers expecting to see increases in prices during the first quarter of 2018. This is, however, a significant drop compared to the 41 per cent of retailers who expected to see prices increase last quarter.

Employment intentions



69 per cent of retailers report that they plan to retain staff levels, and 10 per cent plan to increase staff numbers over the next quarter.

However, 21 per cent of retailers report that they are planning to employ fewer staff over the next quarter, up from 18 per cent in the previous quarter. While this is not altogether unsurprising on the back of a seasonal jump in employment around Christmas, the longer-trend is towards reduced employment intentions in the retail sector. Indeed, since the 2017 General Election, the Retail Radar survey has recorded a significant increase in the number of retailers planning to reduce staff levels. This may be due to economic uncertainty, as well as concerns about the Government's intentions in relation to the Minimum Wage and the industrial relations framework.