

Retail RADAR

The REPORT

A quarterly Retail NZ Report - 30 Sept 2015

SOLID RETAIL QUARTER WITH CHRISTMAS ON THE HORIZON

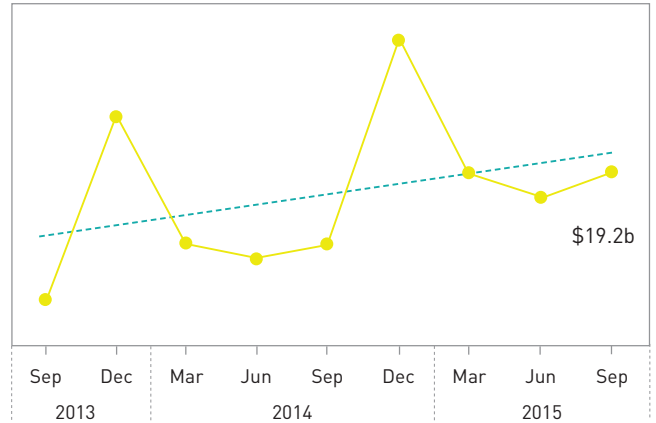
Retail business has been steady through July, August and September and improved on the last quarter's results.

- Actual sales were \$19.2 billion, a 4.8 per cent (\$874 million) increase on the same quarter last year.
- However, when adjusted for seasonal effects we only saw a 1.4 per cent increase on the previous quarter.
- In the core retail categories, 'non-store and commission-based retailing', which includes online-only retailers, saw significant growth again this quarter. It hit \$304 million, up 45 per cent in actual terms on the same quarter of last year (7.4 per cent seasonally adjusted on the previous quarter). 'Electrical and electronic goods' and 'food and beverage services' also had a lift.
- Auckland had the strongest growth, up 8.8 per cent or \$574m on the same quarter last year (2.8 per cent seasonally adjusted on previous quarter).

This quarter's results show New Zealanders are continuing to embrace online shopping and that it is more important than ever for retailers to be available wherever and whenever customers want to shop. Spend by New Zealanders on foreign websites is not reported in the Statistics New Zealand data – but other sources show it also continues to increase rapidly in terms of value and the number of transactions.

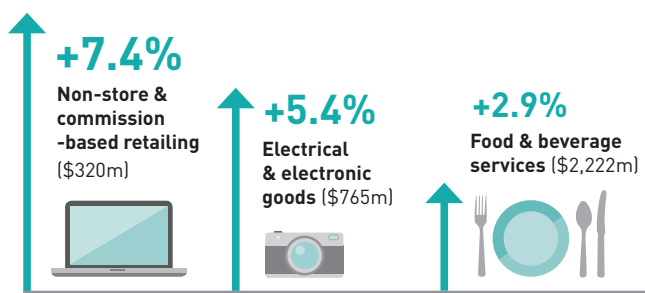
Retailers are reporting that while they've been mostly been hitting sales targets for the past quarter, global etailers continue to compete aggressively for domestic business. Retailers are looking forward to trade picking up in the lead up to Christmas. The outlook for the next three months is more positive with 85 per cent of domestic retailers saying they will meet or exceed targets.

Actual retail sales

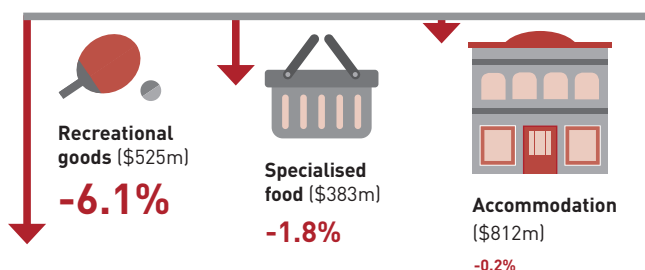


CORE RETAIL CATEGORIES*

Three biggest percentage gains

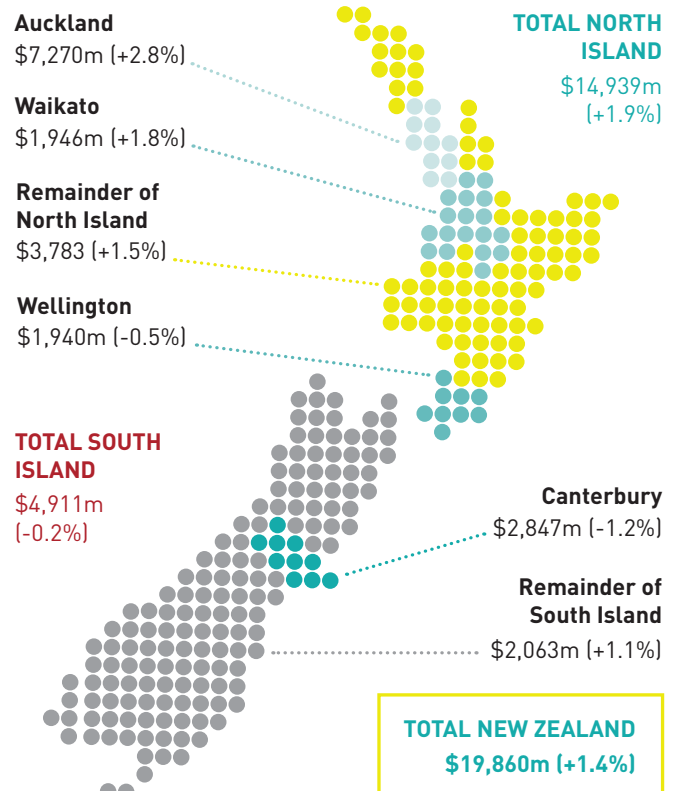


Three biggest percentage falls



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

REGIONS*



RETAIL BUSINESS SENTIMENT

Looking back over the past three months:

The majority of retailers met or exceeded targets during the quarter, but a subset, mainly in rural or smaller centres, are finding business more difficult. This may reflect greater economic uncertainty in the regions. Dairy prices, despite the small recovery, are continuing to cause concern and offshore internet retailers also continue to compete aggressively.

On the positive side, during the period the Reserve Bank again lowered interest rates and some retailers reported that this improved results with more money in shopper's pockets. Daylight saving kicking in also saw a lift in summer merchandise as shoppers prepare for the warmer months.

Retailers in areas including Nelson, Wellington and Queenstown noted the positive effects of tourism and increased visitors over the period.

Hardware, building, and garden supplies retailers reported that the building and DIY markets are doing well. These retailers are employing more staff and meeting or exceeding sales targets.

What's coming up over the next three months:

Retailers are certainly looking forward to better results over the next three months, which include the important Christmas period. The summer school holidays will also see an increase in visitor numbers in many parts of the country which benefits retailers.

Despite the positive outlook, retailers note that they are operating in a highly competitive environment, with some reporting that Christmas discounting had already started in the third quarter.

A number of retailers are investing in new or upgraded websites and stock management IT systems, improving capability to compete in the burgeoning online market.

EMPLOYMENT INTENTIONS

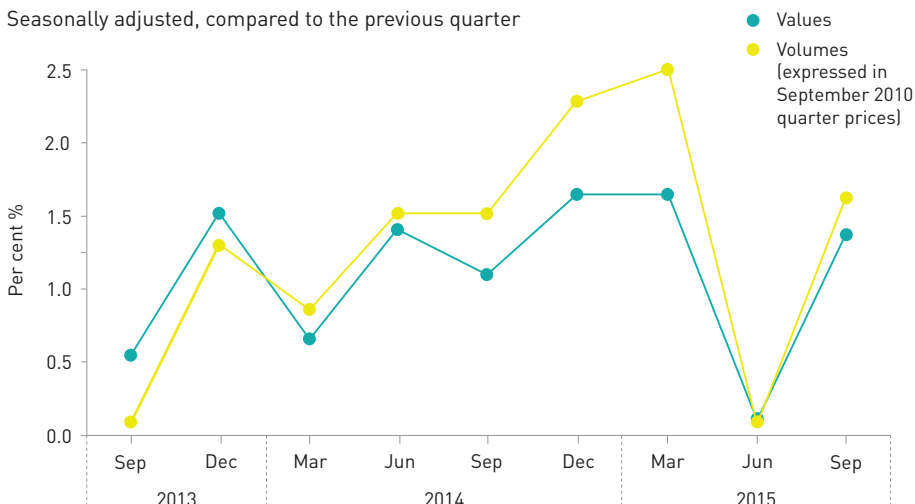
Another marker that the industry is in relatively good health as we head into the summer months are positive employment intentions. The majority of retailers will be maintaining staff levels, while almost a quarter will be looking to bring on new staff. This is not unexpected as many retailers need extra hands to deal with the busy Christmas period. These are generally fixed-term or casual staff that finish when the season ends.

RETAIL PRICES

In this quarter's member survey we included a question about retail prices, given the falling value of the NZ dollar, particularly against the USD, which is putting pressure on wholesale prices for New Zealand retailers. During the quarter the NZD fluctuated up to 0.05 cents against the USD, but value recovered somewhat in mid-October. Our results show that, on the whole, retailers are absorbing the cost increases and keeping retail prices steady, however a larger proportion are looking to raise prices over the next three months.

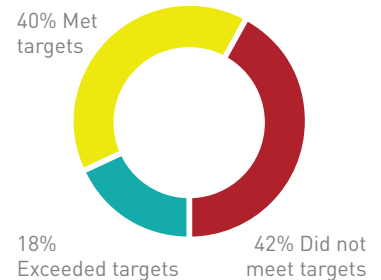
PERCENTAGE CHANGES IN SALES

Seasonally adjusted, compared to the previous quarter

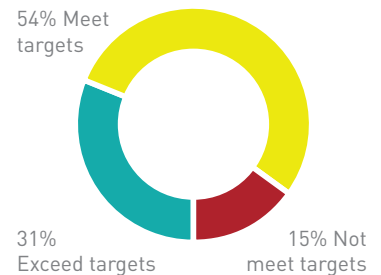


RETAIL SECTOR PERFORMANCE

Past three months



Next three months

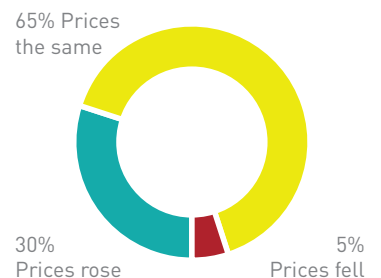


EMPLOYMENT INTENTIONS

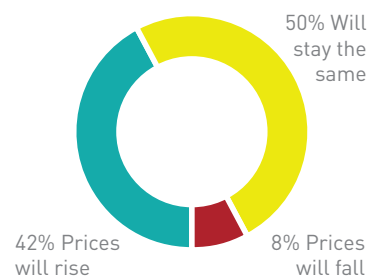


RETAIL PRICES

Past three months



Next three months



Any questions? Email us at: retail.radar@retail.kiwi