

Retail RADAR

The REPORT

A quarterly Retail NZ Report - 31 Dec 2015

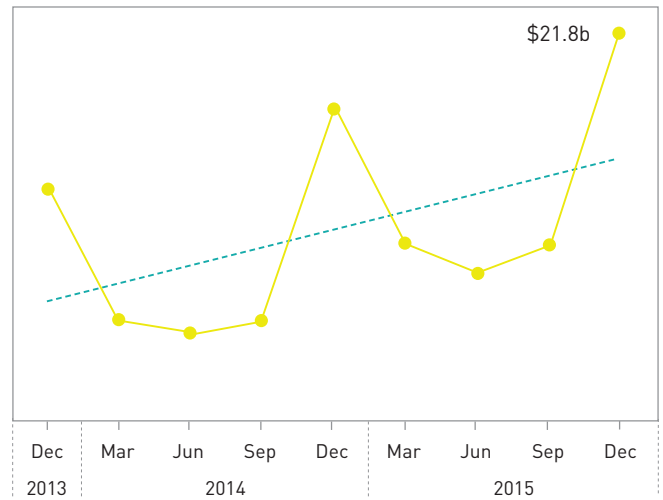
The fourth quarter Retail Trade Survey results show steady growth for retail businesses through October, November and December.

- Actual sales were \$21.8 billion, up 4.4 per cent (\$921 million) on the same quarter of 2014. Core retail categories (which exclude fuel and motor vehicles) fared slightly better, up 5.2 per cent (\$842 million). However, when adjusted for seasonal effects we saw a 1.2 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. The 'electrical and electronic goods', 'hardware, building and garden supplies' and 'accommodation' categories also had improved results.
- Auckland again had the strongest growth of the regions in actual terms.

The past three months are traditionally busy for retailers, coinciding with Christmas and the summer holiday period. The continuation of low-interest rates and lower fuel prices have seen more money in customers' pockets, and it was the season to enjoy it!

However, the results of our member survey showed that competition is as tough as ever for retailers with Christmas sales starting earlier and more frequent discounting across the board, resulting in bargains for shoppers.

Actual retail sales

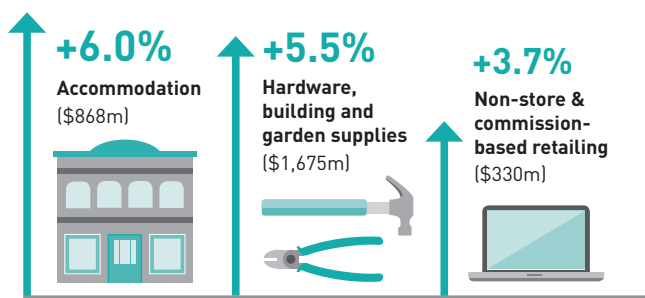


2015: In Review

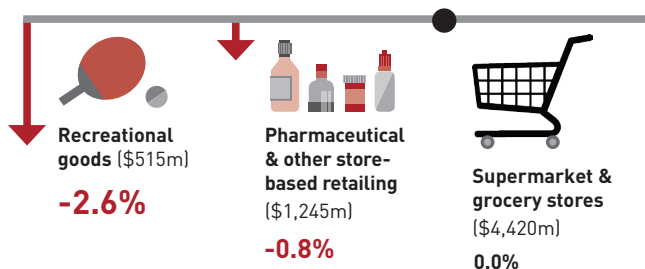
Total actual sales for the 2015 calendar year were just short of \$80 billion (\$79.1 billion), which compares to \$75.6 billion in 2014 (up 4.6 per cent). This was a solid result, particularly considering inflation over the period was very low (0.1 per cent). Low-interest rates, population growth and strong tourist numbers all contributed to the increase in sales over the year.

CORE RETAIL CATEGORIES*

Three biggest percentage gains (total value of sales)

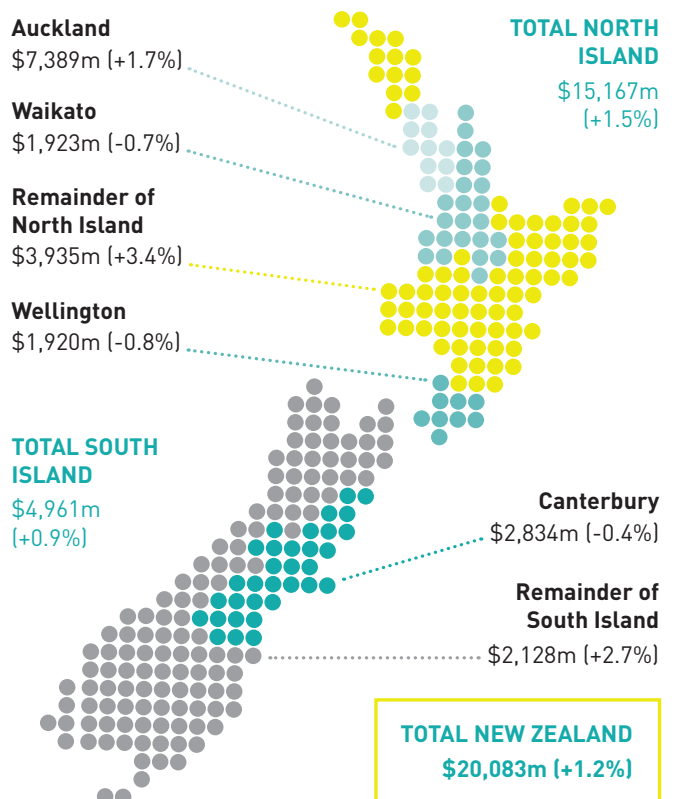


Three biggest percentage falls (total value of sales)



* 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:

Some retailers performed very well this quarter, with 38 per cent of respondents to our survey saying that they had exceeded their own sales targets. These retailers tended to be located in the major cities (Auckland, Wellington, Hamilton and Christchurch) and sold sports or camping equipment, hardware and building supplies, or clothing.

However, a similar proportion of respondents did not meet targets. A number of these retailers cited strong competition on the main street including early Christmas discounting by competitors.

Retailers in heartland New Zealand (including Southland, Taranaki and the West Coast) are continuing to feel the effects of low dairy prices, drought conditions in some areas, and a generally depressed rural economy.

What's coming up over the next three months:

Steady sales are expected over the next three months. The majority (64 per cent) of retailers in our survey expect to meet targets. This is traditionally a slower time of year as customer return to work and normal spending routines.

Hardware and building supplies retailers are continuing to predict positive results, with low interest rates and rising property prices in some areas encouraging new building and renovation projects. The cruise ship season continues into January and February and retailers in port towns and cities welcome the influx of visitors it brings. The 'back to school' period is also positive for stationery, electronics, and clothing and footwear retailers.

Despite a largely positive outlook, retailers did voice concern about the weakening New Zealand dollar and supply chain price rises which could have a negative impact on sales.

EMPLOYMENT INTENTIONS

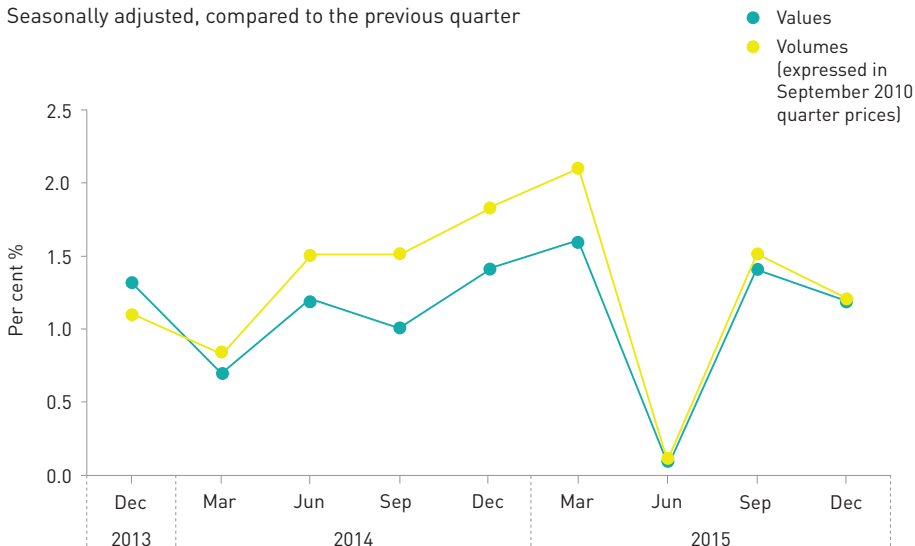
The solid but steady theme for the next three months was echoed in our survey of employment intentions. 69 per cent of respondents expect to retain staff levels.

RETAIL PRICES

We included a question about retail prices in our member survey again this quarter, given the continuing low-value of the NZ dollar. 19 per cent of respondents put prices up over the past three months, but the majority (70 per cent) were able to maintain price levels. Around two-thirds of respondents expect prices to remain static over the next three months, although 32% are anticipating price rises. Many respondents noted the highly competitive environment they are operating in and it is likely this competition that is keeping prices low for consumers.

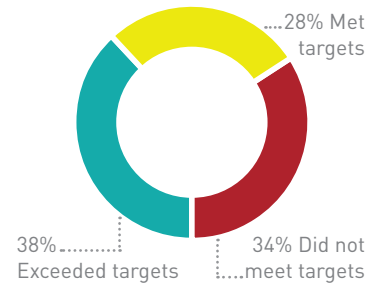
PERCENTAGE CHANGES IN SALES

Seasonally adjusted, compared to the previous quarter

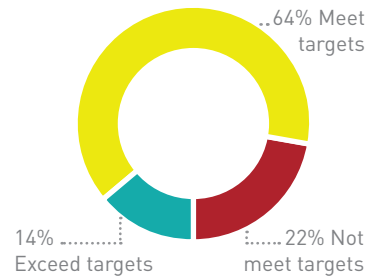


RETAIL SECTOR PERFORMANCE

Past three months



Next three months



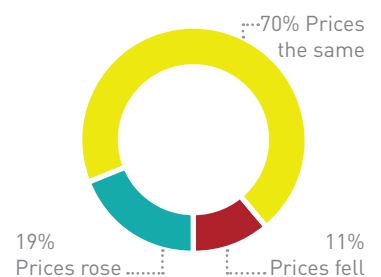
EMPLOYMENT INTENTIONS

Next three months

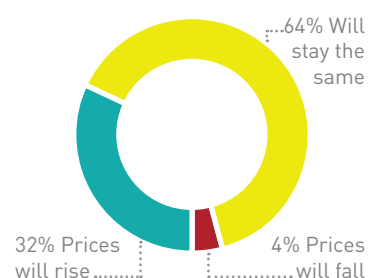


RETAIL PRICES

Past three months



Next three months



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