

# Retail RADAR

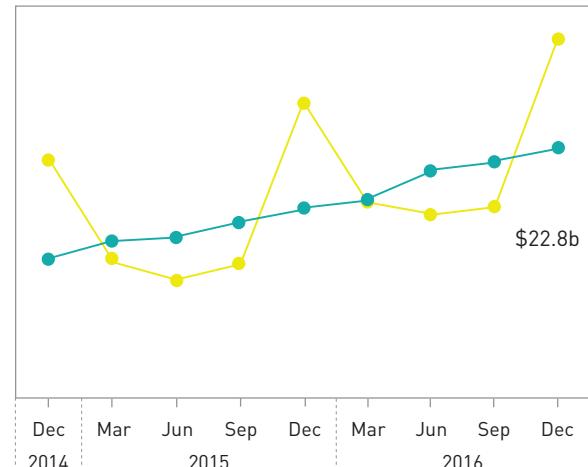
# The REPORT

A quarterly Retail NZ Report // 31 December 2016

## CONSISTENT GROWTH, BUILDING ON THE SMALL BUT POSITIVE TREND

**Despite inflationary pressures building in the economy, there has been little price movement in retail, and most retailers do not expect to see price inflation over the next quarter.**

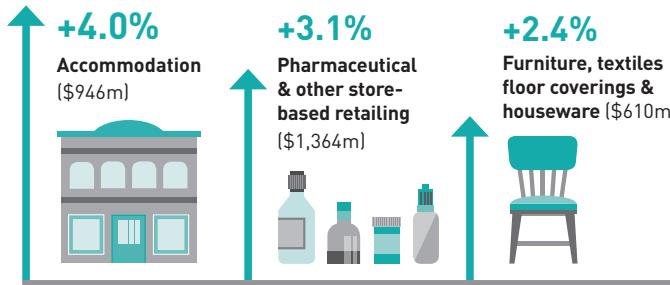
- Across the country, actual sales for the entire retail sector were \$22.8 billion, up 4.7 per cent (\$1,018 million) on the December quarter of 2015, but when adjusted for seasonal effects, this is a 1.1 per cent growth on the previous quarter.
- Core retail categories (which exclude fuel & motor vehicles) were up 4.5 per cent (\$774 million) in actual terms on the December quarter of 2015, but this fell to 0.8 per cent in seasonally adjusted terms.
- In the core retail categories, it was 'Accommodation' retailing which saw the highest level of growth, up 4.0 per cent in seasonal terms on the previous quarter, reflecting the ongoing boom in tourism.
- 'Pharmaceutical and other store-based retailing' was the next strongest retailing category for growth (up 3.1 per cent).
- Performance was highly variable across the regions. The Waikato region had the strongest regional performance this quarter, showing a 3.5 per cent increase on the previous quarter (September 2016), and a \$117 million increase on the December quarter of 2015, in seasonal terms. Outside Canterbury, the South Island also performed well (up 2.7 per cent), but performance around the rest of the country was patchy, including a 0.1 per cent drop in spending in the 'Remainder of the North Island' region.



The results of our survey show a steady sense of consumer confidence. Most retailers met or exceeded sales targets over the past three months, and expect to continue to do so over the upcoming quarter. This reflects strong consumer confidence built on the back of rising house prices. The strong New Zealand economy is what most of the respondents cite as the reason for the conservative, but certainly positive, outlook for the retail sector. However, retail remains highly competitive and the Christmas sales period was late to kick in for many stores. The 14 November 2016 earthquake has impacted retailers primarily in Wellington and Kaikoura for the worse; while, the unseasonably cooler, wetter weather has also exerted a negative influence on many retailers who were relying on the warm summer season to boost sales.

## CORE RETAIL CATEGORIES\*

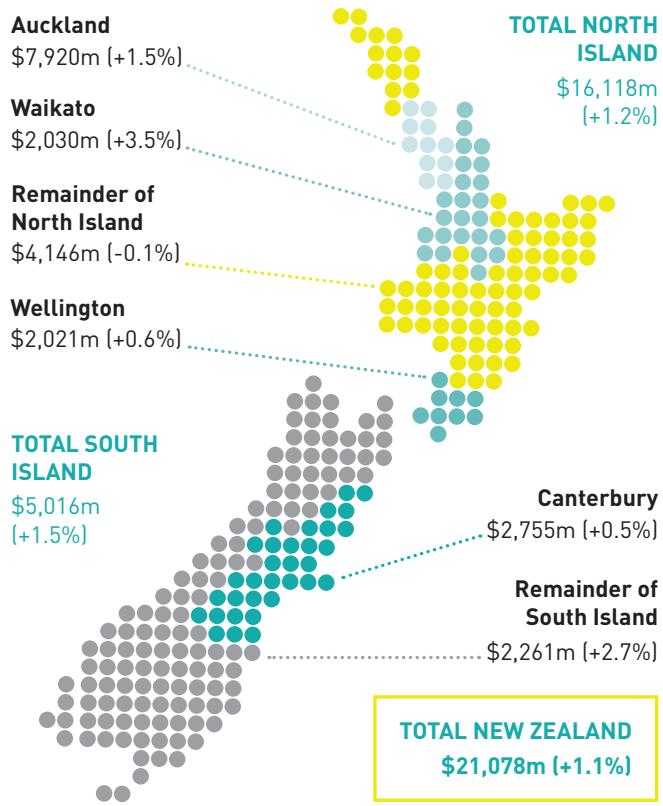
### Best performing categories (total value of sales)



### Worst performing categories (total value of sales)

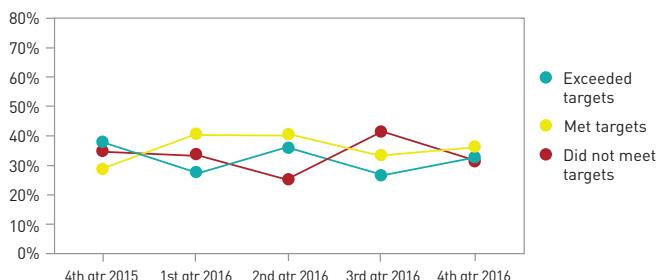


## REGIONS\*



\* Seasonally adjusted values  
(% change on previous quarter)

## Looking back over the past three months



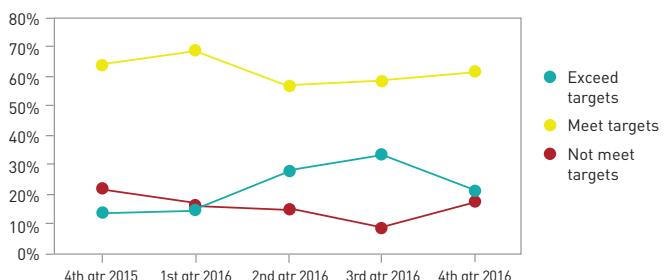
Although overall spending growth was modest, the fourth quarter of 2016 saw a return to steady retail performance, with 68 per cent of retailers reporting that they met or exceeded their targets. Many retailers who exceeded their targets cited the Christmas sales period, and increased tourist numbers are the biggest positive influences for their business. These retailers tended to be in the major cities (Auckland, Wellington and Christchurch). Sporting and camping retailing, and hardware and building supplies retailers were again the strongest sectors within the industry, finishing the sentiment which had been reflected across the year. Much of the growth in hardware has been driven by trade sales, reflecting ongoing consumer investment in their homes.

The total proportion of those who did not reach their targets fell this quarter, from 41 per cent to 32 per cent, showing a conservative confidence in the retailer industry. Those who did not meet targets attributed this to a combination of the effects of the November 14th earthquake, and online trading reducing customer foot traffic and purchasing, due to the tax advantage enjoyed by offshore retailers who are not required to charge GST at the point of sale or make GST returns to the Government.



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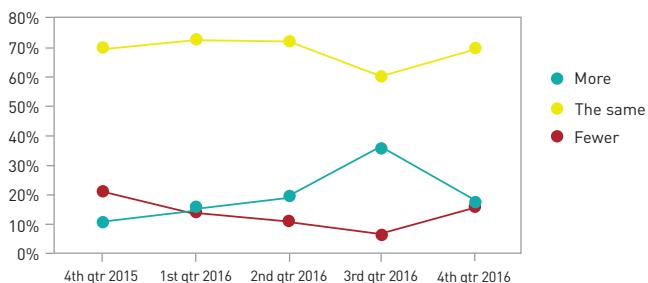
## What's coming up over the next three months



Outlook for the next quarter is reasonably positive, although unseasonable weather through the early part of summer has led some to expect poor performance. However, the majority (83 per cent) of retailers in our survey expect to meet or exceed targets next quarter, indicating a quiet buoyancy across the sector. Retailers are attributing better summer weather and tourism, in combination with the solid economy for this optimism. We recorded particular optimism in the Auckland and Canterbury Westland regions, with Auckland's retailers typically expecting to exceed targets, and the Canterbury Westlands retailers typically expecting to meet them.

## Employment intentions

69 per cent of retailers expect to retain staff levels over the next three months, with only 16 per cent reporting that expect to hire more staff. This is likely due to retailers' staff levels returning to an equilibrium after the busy Christmas period.



## Retail Prices

Despite inflation returning to the national scene, with CPI movement of 3.1 per cent over 2016, this has been largely driven outside the retail sector, with housing and housing utilities driving the movement.

Around three quarters of Retail radar respondents (74 per cent) expect that prices will remain static over the next quarter, which has fallen slightly for the 83 per cent reported last quarter. The current political climate in the US is creating economic uncertainty around the value of the US dollar, which could account for this.

