

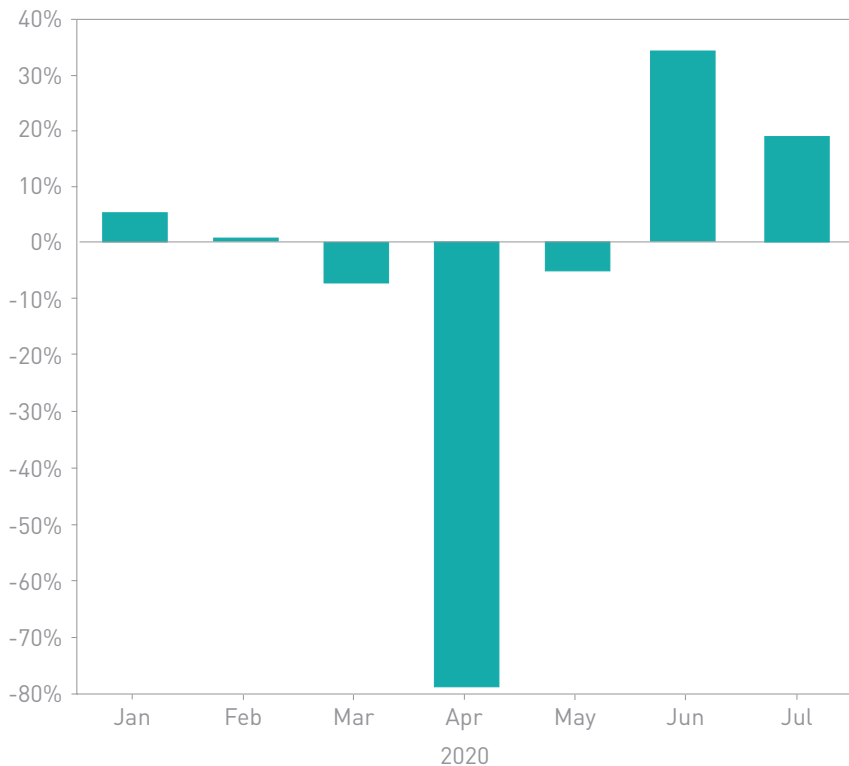
## Strong sales in July, but clouds on the horizon

Strong spending has continued through July in the wake of the COVID-19 lockdown. However, significant uncertainty remains for retailers about what lies ahead in the COVID-19 pandemic, and the election next month.

### Spending in July

Credit card spending in July, as measured in the Retail NZ Sales Index was 18.6 per cent higher than in July last year, but overall spending since March is down by 9.6 per cent. This suggests that the recovery is slowing, but there is still strong demand from consumers. However, the benefits of the recovery are not spread equally across the sector, and the average reported sales results mask the fact that there is a significant number of retailers whose business continues to be substantially negatively impacted by COVID-19.

### Retail NZ Sales Index - spending compared to the previous year\*



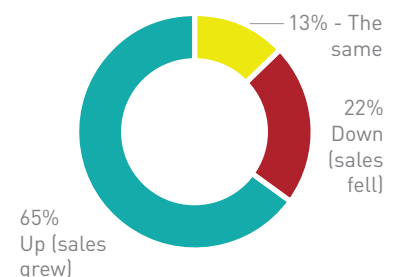
### Improved sales continue through July

Key drivers of increased spending are likely to be New Zealanders returning home after a period living overseas, and the fact that New Zealanders are unable to travel overseas. These factors are leading to greater levels of domestic spending.

A special COVID-19 Retail Radar survey showed 65 per cent of retailers saw sales rise compared to last year, while 22 per cent reported a decrease.

There remains a sizable group of retailers who are not seeing the benefits of increased spending and whose businesses remain at risk.

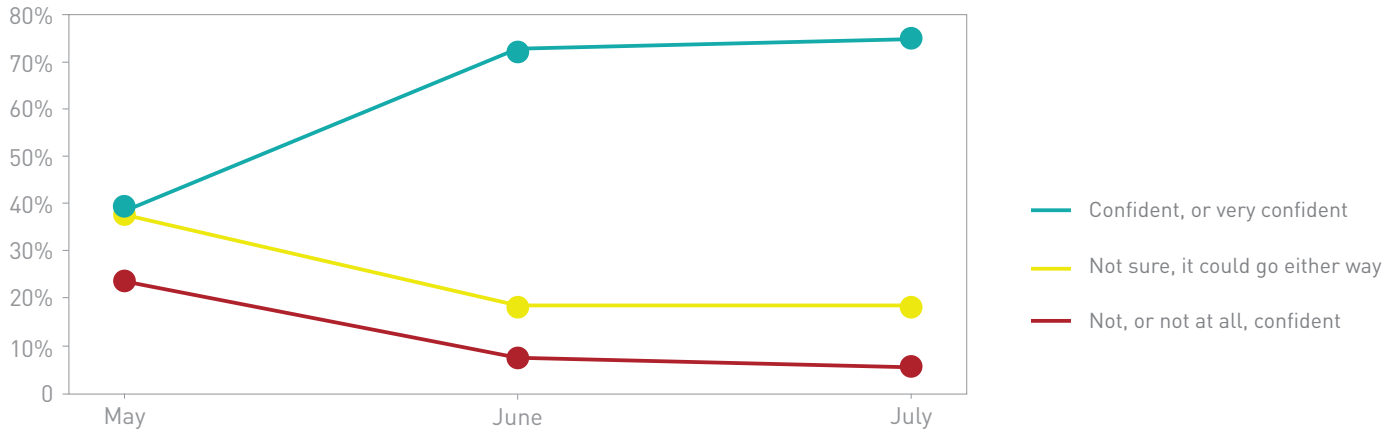
### July 2020 sales compared to last year



## Retailer confidence holds steady

Retailers confidence rebounded strongly in June following emergence from lockdown, and this has continued into July. New Zealand has continued to avoid community transmission and it appears that customers and retailers are relaxing into a “new normal”. 75 per cent of retailers report feeling confident or very confident that their business will survive the next 12 months. This is up slightly from 73 per cent in June, but up significantly from just 39 per cent in May.

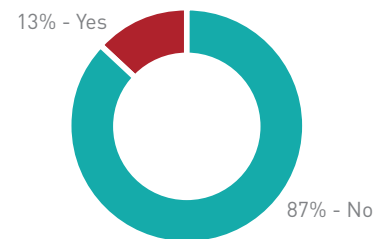
Retailer confidence - next 12 months



## Employment intentions

Improved sales results and retailer confidence are being reflected in employment intentions this month. Government support has allowed most retailers to see off the worst of the crisis and retain skilled employees. However, a significant number of retailers (13 per cent) are still facing real hardship and expect to make staff redundant when the government wage support ends. Retailers that serve the international travel market are especially severely impacted and will be for the foreseeable future.

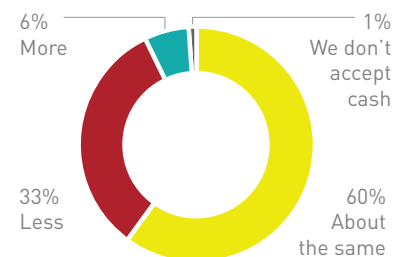
### Do you expect to make any redundancies as a result of the Wage Subsidy ending?



## Cash use in decline post COVID-19

32 per cent of retailers are reporting that cash use has declined since the COVID-19 crisis. Of these, 25 per cent are reporting decreases of more than half. Concerns about hygiene will be affecting cash use, and well as an increase in online transactions, both due to COVID-19. It is important to note that the decline of cash is part of the explanation for the increase in card spending recorded over the past two months.

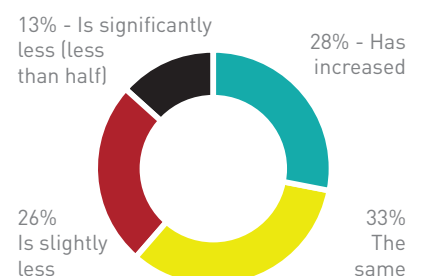
### Customers use of cash since the COVID-19 crisis



## Foot traffic is improving in our cities and town centres

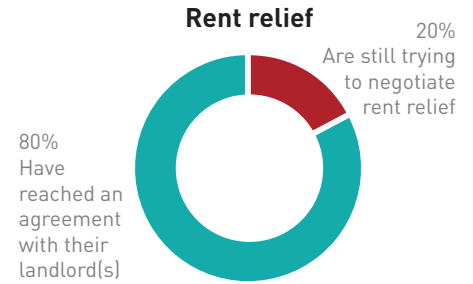
In another sign that recovery is underway, 61 per cent of retailers are reporting that foot traffic in town centres and cities is at the same level or has increased compared to the same time last year. A sizable proportion (13 per cent) however have seen a significant decrease in foot traffic, with less than half the people usually seen shopping. Again, these are largely retailers that serve international visitors, selling gifts, souvenirs and travel products.

### Foot traffic



## Landlord negotiations are ongoing

We have seen little movement in landlord negotiations over the past month. While most retailers have negotiated rent relief with landlords for the lockdown period, a significant proportion (20 per cent) are still yet to reach an agreement. This is a large number almost three months out from level three lockdown ending, and a sign that these are particularly difficult cases that will likely require mediation or other intervention to be settled.



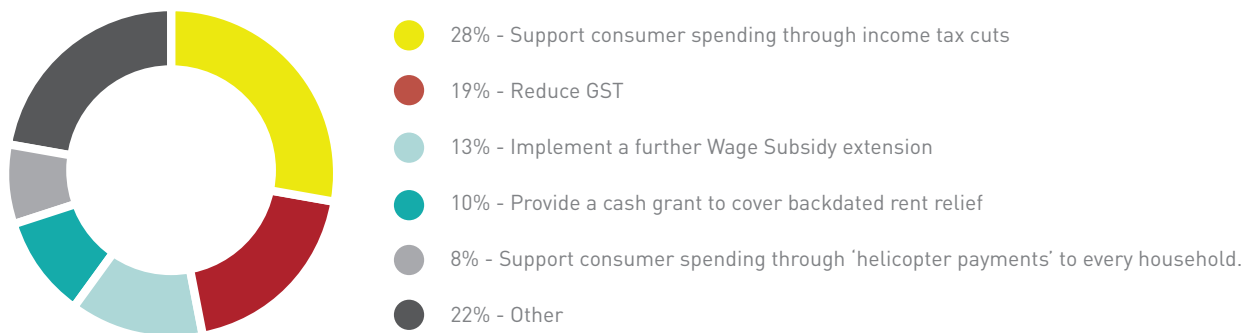
## What retailers need from government

While the recovery from COVID-19 is underway in New Zealand, these remain unprecedented times and many challenges remain for retailers. Consumers will be very cautious about spending in the coming months, with the uncertainty an election period brings, but especially as financial assistance such as the wage subsidy and mortgage holidays end. It is essential to the whole economy that spending continues to grow, and further assistance from government to stimulate the economy is strongly supported by retailers. 28 per cent of retailers support income tax cuts, and 19 per cent support a reduction in GST to stimulate consumer spending in the recovery period.

A number of retailers identified other areas where the Government can help support business. These include a focus on ensuring support is targeted to regions and businesses in the greatest need; investing and delivering infrastructure to keep the economy moving and create jobs; having effective contact-tracing systems in place; and keeping New Zealand COVID-19 free by effectively managing the border.

It is also absolutely essential that New Zealand continues to keep COVID-19 out and prevents any further community outbreaks, as recently seen in Victoria. A second lockdown would have devastating effects on all business owners.

## Most important thing Government can do



### Methodological notes:

\*This special Retail Radar report presents the results of turnover recorded in the monthly Retail NZ Sales Index, as well as a survey of Retail NZ members conducted after the end of July. The Retail NZ Sales Index reports changes in average spend per site at Retail NZ members which process their sales with Westpac.