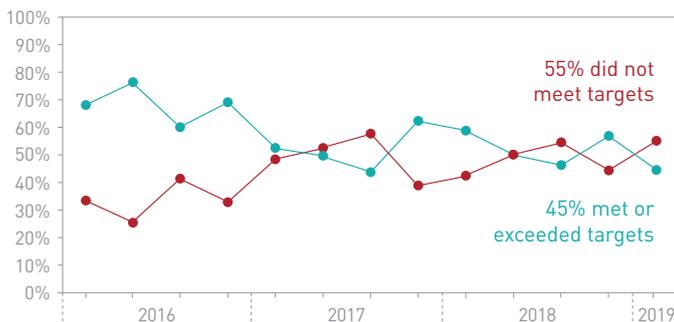


PRICES LIKELY TO INCREASE FOR CONSUMERS WHILE COSTS FOR BUSINESSES INCREASE

- Retail performance slowed down in the quarter ending 31 March 2019, and retailers are concerned about the overall cost of doing business.
- Retailers are projecting to increase prices and employ fewer staff in the coming months.

Looking back over the past three months

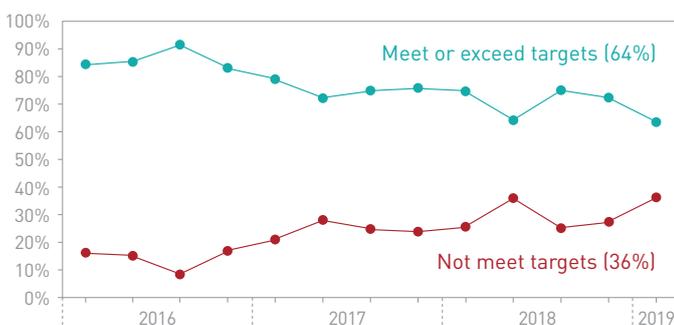


Unpredictable summer weather coupled with business uncertainty resulted in struggling retail performance for the 1st quarter of 2019, with 55 per cent of retailers reporting that they did not meet their targets (up from 44 per cent in the previous quarter).

45 per cent of retailers reported that they managed to meet or exceed their targets for the quarter, a reduction on the 56 per cent who met or exceeded their targets at the end of 2018.

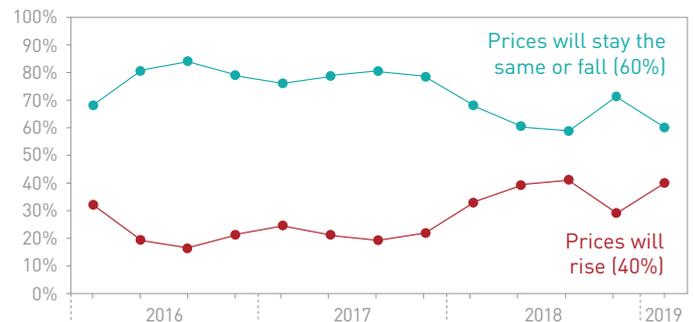
For some retailers, prolonged periods of good weather and high numbers of tourists saw an increase in sales, while in other parts of the country bad weather negatively impacted sales. Retailers across the sector are pointing to business and economic uncertainty as the largest issue that negatively impacted business over the last quarter, indicating that consumer unwillingness to spend is continuing. A significant number of retailers also indicated that the terrorist attack in Christchurch on 15 March had a negative effect on business.

What's coming up - expectations



64 per cent of retailers report that they are expecting to meet or exceed sales targets for the 2nd quarter in 2019. The upcoming school holidays are expected to get people out and about, coupled with the change of season. However, retailers are pointing to a continued lack of confidence in consumer spending and are concerned about increasing costs for the months ahead.

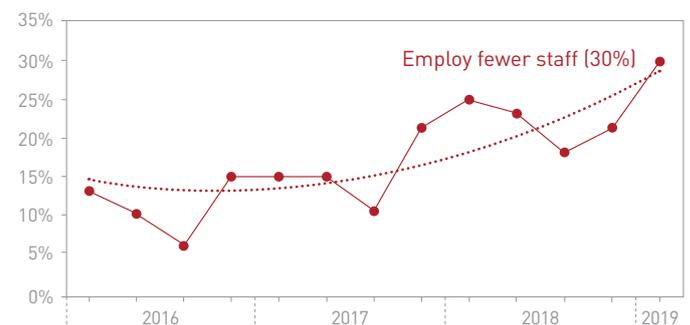
Retail price expectations



Competitive pressure, unreliable weather conditions and the high tourist season saw 85 per cent of retailers report that prices remained the same or fell for the last quarter of 2019. 15 per cent of retailers reported some kind of increase in prices.

Looking ahead, most retailers are concerned about the increased minimum wage and overall increased cost of doing business. 40 per cent of retailers expect to increase prices in the 2nd quarter of 2019, up from 30 per cent in the last quarter. This indicates that retailers are planning to pass additional costs onto consumers.

Employment intentions



30 per cent of retailers report that they plan to employ fewer staff over the next quarter, up from 21 per cent in the previous quarter. We are seeing a decline in business confidence. This is attributed to the increase in the minimum wage, changes to employment law and uncertainty about the Government's intentions in relation to "fair pay" sector wide accords.