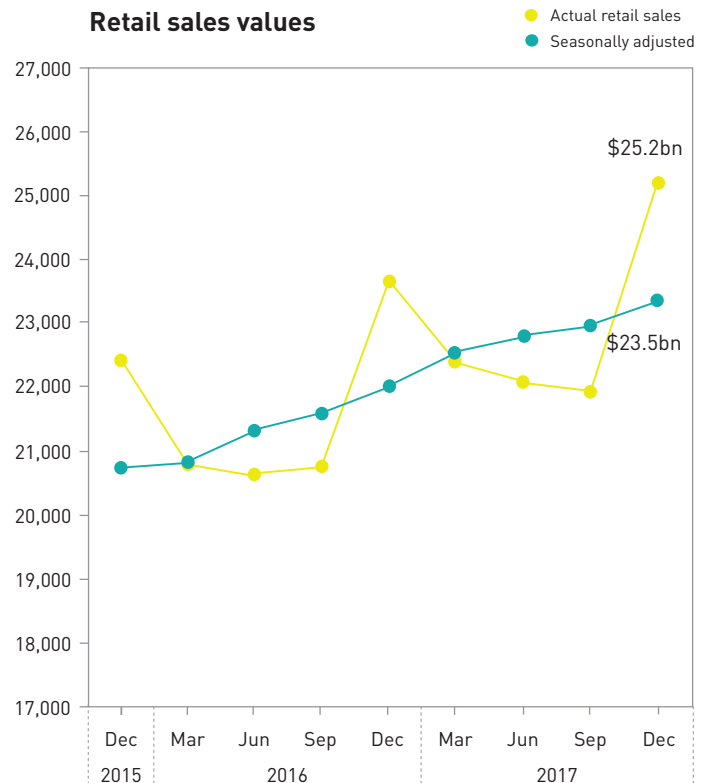


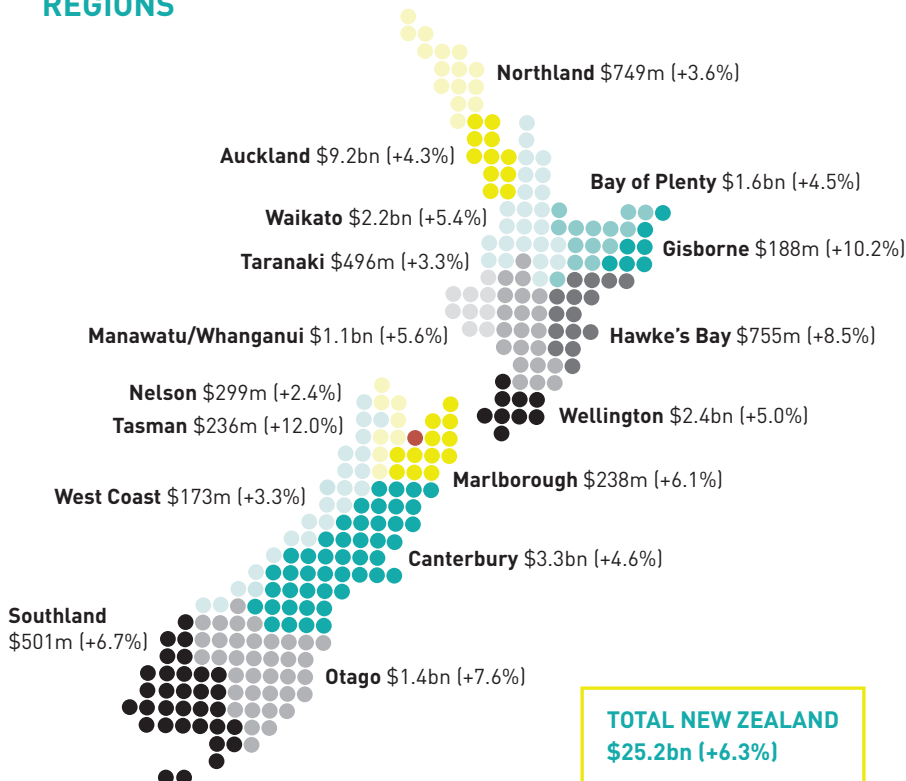
## IMPROVED RESULTS FOR THE RETAIL SECTOR FOR THE LAST THREE MONTHS OF 2017

- Retailers fared better in the last quarter of 2017 compared to earlier in the year, with 61 per cent meeting or exceeding their sales targets, up from 43 per cent in the previous quarter.
- Looking specifically at the Christmas trading period 43 per cent of retailers reported that business was better than the previous year, and 26 per cent said it was about the same.
- When we look at the official statistics on retail sales, spend across the sector was \$25.2 billion, up 6.3 per cent (\$1.5 billion) on the same quarter of last year. This equates to a smaller 1.9 per cent when adjusted for seasonal peaks.
- Core retail categories (which exclude fuel and motor vehicles) were up 6.2 per cent (\$1.15 billion) on the same quarter of last year, or 1.8 per cent in seasonally adjusted terms.
- The 'non-store and commission based retailing', which includes online only retailers, again had the strongest growth. 'Specialised food', 'liquor' and 'food and beverage services' also had strong sales befitting the festive season.

### Retail sales values



## REGIONS



### How did retail businesses perform over the Christmas trading period?

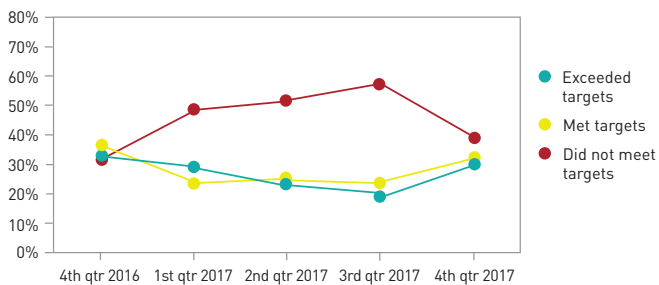


- Better than the year before (43%)
- About the same as the year before (26%)
- Worse than the year before (31%)

For full results refer to the Statistics NZ Retail Trade Survey

**Note:** all results are actual values, and in comparison with the same quarter of last year, unless otherwise stated.

## Looking back over the past three months



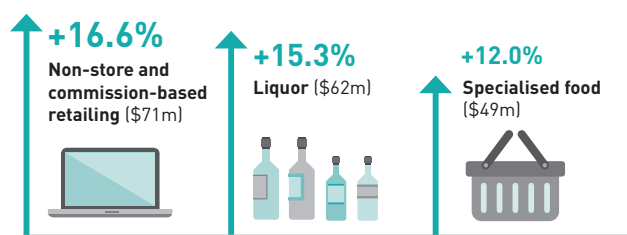
Retailer performance improved this quarter and is very similar to levels of achievement for the same quarter of last year. This was a busy time of year, with domestic and international holiday makers throughout the country, and of course the Christmas and New Year spending periods.

30 per cent of retailers are consistently not meeting their sales targets. These tend to be 'sport and camping' 'clothing and footwear' and 'newspapers and book' retailers. These categories are particularly exposed to competition from offshore websites. They are also substantially impacted by Government tax policies that offer foreign websites a substantial price advantage because they are not required to pay 15 per cent GST (plus, in some cases, up to 10 per cent duty) to the Government. While New Zealanders have been shopping on Amazon for many years, the launch of the Australian site in late 2017 was not seen itself as having a significant impact, although Amazon's global site continues to pose a significant competitive threat.

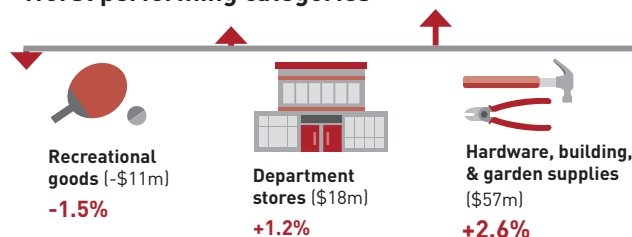
A new Government was formed during the quarter, on 26 October, and this was seen as both a positive and negative by retailers. On the positive side retailers noted a general sense of optimism among shoppers, this is perhaps more strongly felt after the election period and uncertainty about the election result which was broadly cited as a negative influence last quarter. There was a sense of nervousness from some retailers about the likely financial and compliance costs of new Government regulations.

Unusually settled weather throughout the country in November and December had people out and about and this benefited retailers. A number of retailers also spoke about improved loyalty and willingness to shop locally. The reopening of State Highway One north of Kaikoura on 15 December benefited many.

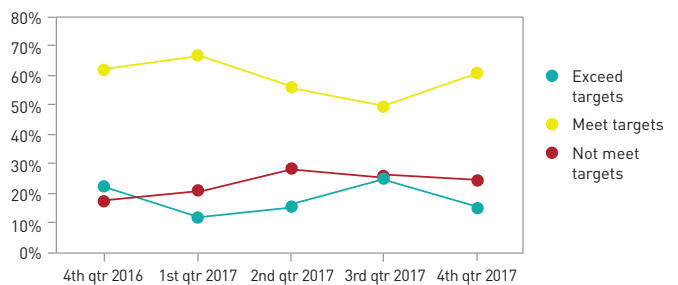
## Best performing categories (actual values)



## Worst performing categories



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



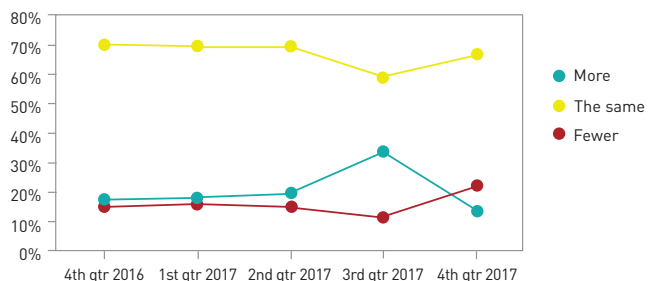
Overall retailers are feeling positive about the next quarter with 76 per cent expecting to meet or exceed targets. Tourist numbers continue to be high and this benefits many retailers, and not just those in tourist centres.

Many retailers cited consumer confidence and a willingness to spend that is creating optimism. Some also expect economic growth, particularly in the regions to improve business for them.

However, competition continues to be very strong, on the high street from larger brands, but particularly from online retailers. There is increasing frustration about the unfair tax advantage offshore retailers continue to enjoy.

There is nervousness about pressure on wages, including planned changes to the Minimum Wage Rate, and other changes to Government policy, and how these will impact already tight margins for smaller retailers.

## Employment intentions



Retailers are expecting to retain staff levels through the next quarter with 66 per cent saying they will employ the same numbers. Around 21 per cent of retailers are anticipating reducing staffing levels over the next quarter. This is likely to reflect both reduced sales demand after the Christmas period, but also Government-mandated increases in the Minimum Wage.

## Retail prices

An increasing majority of retailers (87 per cent) said that retail prices did not change over the past three months which reflects strong competition in the market. Over the next three months a smaller proportion of retailers (73 per cent) are expecting prices to stay level, with 21 per cent expecting an increase. However, similar levels have been recorded over the last year and increases have not been borne out. It is likely, however, that the proposed Minimum Wage increases will flow through into price inflation over the next few years, particularly in food and other goods which are produced within New Zealand.

Got questions? Email us at: [retail.radar@retail.kiwi](mailto:retail.radar@retail.kiwi)