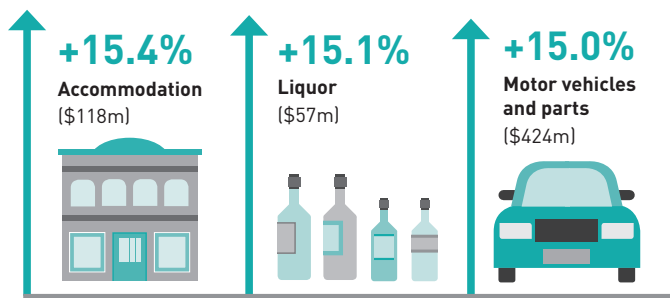


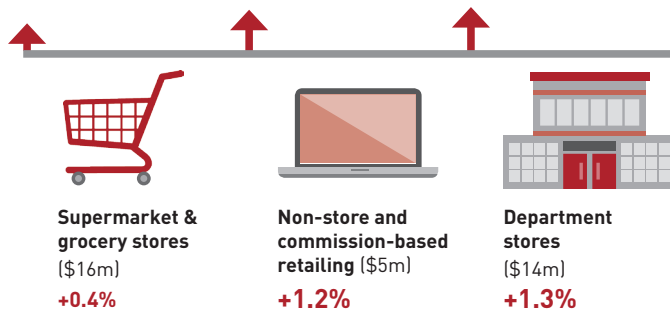
## NEGATIVE SENTIMENT DESPITE STEADY RETAIL TRADE RESULTS

- 51 per cent of retailers in Retail NZ's survey of members reported that they did not meet their sales targets over the quarter, even though Statistics NZ's Retail Trade Survey reports that sales across the retail sector for the quarter were \$21.3 billion.
- While spending in the quarter was up 6.7 per cent (\$1.3 billion) on the same quarter of last year, this fell to 1.6 per cent on a seasonally adjusted basis.
- Performance was stronger in the North Island than in the South, and the small positive result was strongly supported by the Lions tour and other events encouraging customers to spend.
- Core retail categories (which exclude fuel and motor vehicles) were up 5.4 per cent (\$822 million) on the same quarter of last year, but this fell to 2.0 per cent in seasonally adjusted terms.
- The 'accommodation', 'liquor' and 'motor vehicles and parts' categories had the strongest growth, all up around 15 per cent. This is where we recorded the biggest impact from major events including the Lions rugby tour.
- The North Island excluding Auckland, Waikato, and Wellington had the strongest performance of the regions, with a \$353 million or 9.0 per cent increase on the same quarter of last year.

### Best performing categories



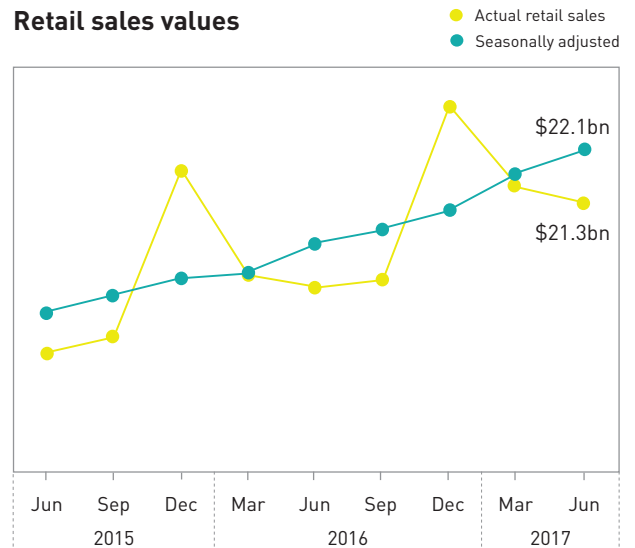
### Worst performing categories



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.

### Retail sales values



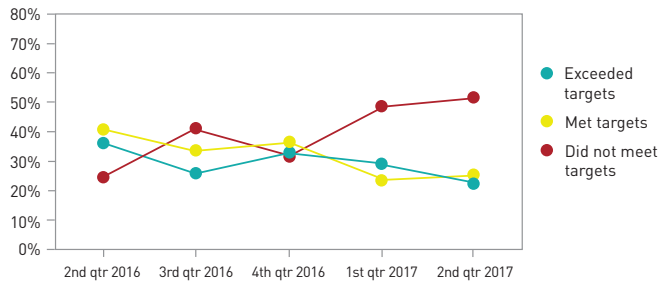
### FOCUS ON: SKILLS

**Economic consultancy firm, BERL and industry training organisations (ServiceIQ, Careerforce, Skills Active and HITO) published a new report on the service sector workforce this quarter. It contains some interesting insights into the retail workforce and how its needs are changing:**

- The service sector accounts for 29 per cent of New Zealand employment and 22 per cent of total GDP. The largest area of employment within the service sector is retail trade.
- The service sector is estimated to need more than 200,000 extra workers by 2020 as people leave and new jobs are created. There is a need to upskill the existing workforce, and for school leavers to see the service sector as an appealing career option.
- Skills gaps are being compounded by the service sectors appeal to young, mobile and transient workers, which makes training and upskilling more difficult.
- Changing customer preferences and technology are impacting on the service sector. This means existing workers need to undertake regular training to maintain and grow their skill base, gain qualifications, and meet customer expectations.
- Technological advances have given businesses better access to their customers, reduced the number of people required to complete manual tasks such as stocktake, and enabled the sector to better meet the needs of a range of customers. However, rapidly evolving technology also demands staff who have the skills and ability to use this technology and the adaptability to respond to changes.

[Read the full At Your Service Aotearoa report](#)

## Looking back over the past three months

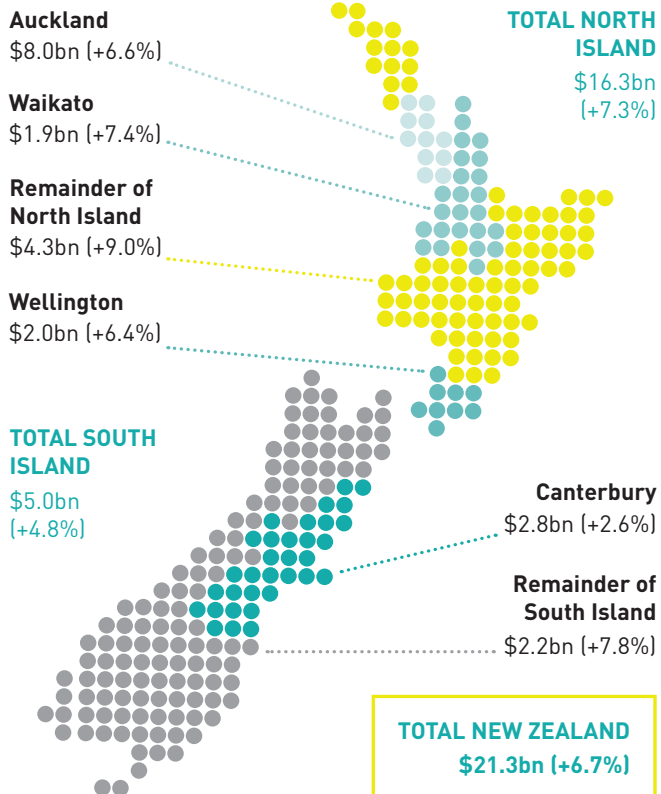


Sentiment is increasingly negative, with 51 per cent of retailers in our survey reporting that they did not meet their sales targets. For the second quarter in a row we have recorded the lowest performance that we have seen.

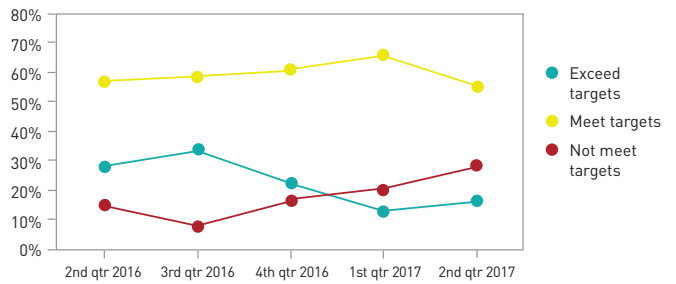
Some of these effects were seasonal, with lower visitor numbers and foot traffic expected in the cooler months. However, many retailers were concerned about aggressive competition and constant discounting which is putting pressure on margins, as well as the threat of online competition from foreign websites. The upcoming election was also cited as a reason for poor sales, causing nervousness and uncertainty for consumers.

Despite poor results, there were positives this quarter. Retailers are reporting that both the housing market and commercial construction is buoyant. It was also a busy quarter for events throughout the country, which encourage people to come into town and shop. The Lions tour was a standout, but the Adele concerts, the World Masters Games and Field Days were also cited as having positive effects.

## REGIONS



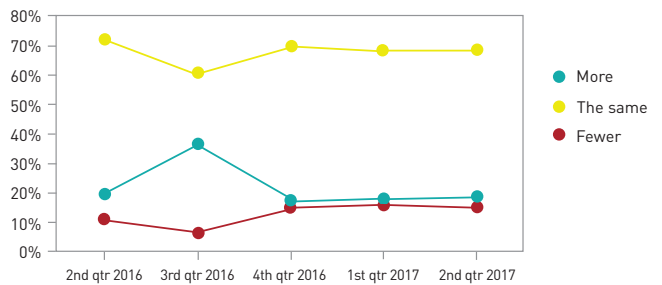
## What's coming up over the next three months



Outlook for the next quarter is also increasingly negative, with fewer retailers expecting to meet their sales targets (55 per cent). The number of retailers expecting to miss their targets continued to increase, hitting 28 per cent. The General Election will fall during this period and it traditionally slows economic activity. On the competition front, there appears to be no end in sight to ongoing discounting and pressure from offshore.

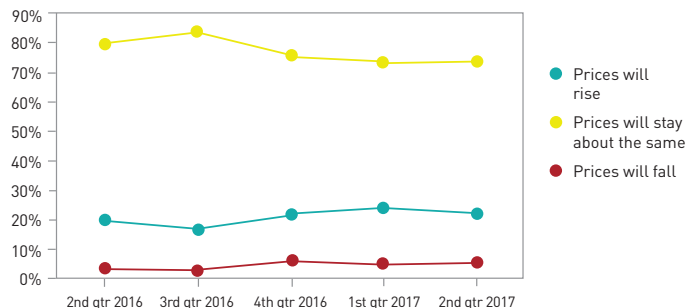
Some retailers are anticipating an increase in shoppers as the weather improves and daylight hours lengthen. Some retailers are hoping that new season products and improved product range will bring more shoppers instore and increase sales. Retailers in rural areas are noting that farmers have more money in their pockets now that dairy prices are recovering.

## Employment intentions



Results were consistent with the previous quarter, with 67 per cent of respondents stating that they expect to retain staff levels over the next three months (same as the previous quarter). Despite overall sentiment being negative it is not anticipated that this will affect staff levels.

## Retail prices



Again, retailers are recording very little movement on retail prices, with the majority of retailers (82 per cent) reporting that prices stayed about the same over the past three months. The majority are also expecting prices to stay the same over the next three months (73 per cent). While a price rise looked increasingly likely last quarter, this has dropped back to 21 per cent. The strong competition cited by many respondents to our survey is likely keeping a cap on prices, although given domestic cost pressures, there are questions about the long-term sustainability of retail pricing levels.