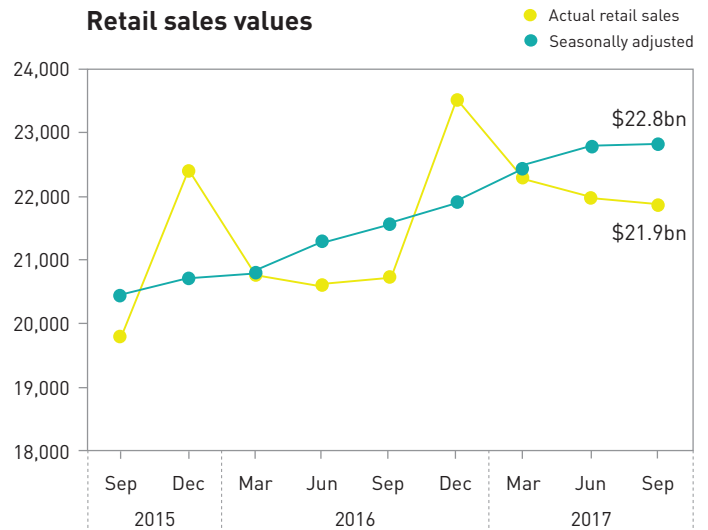


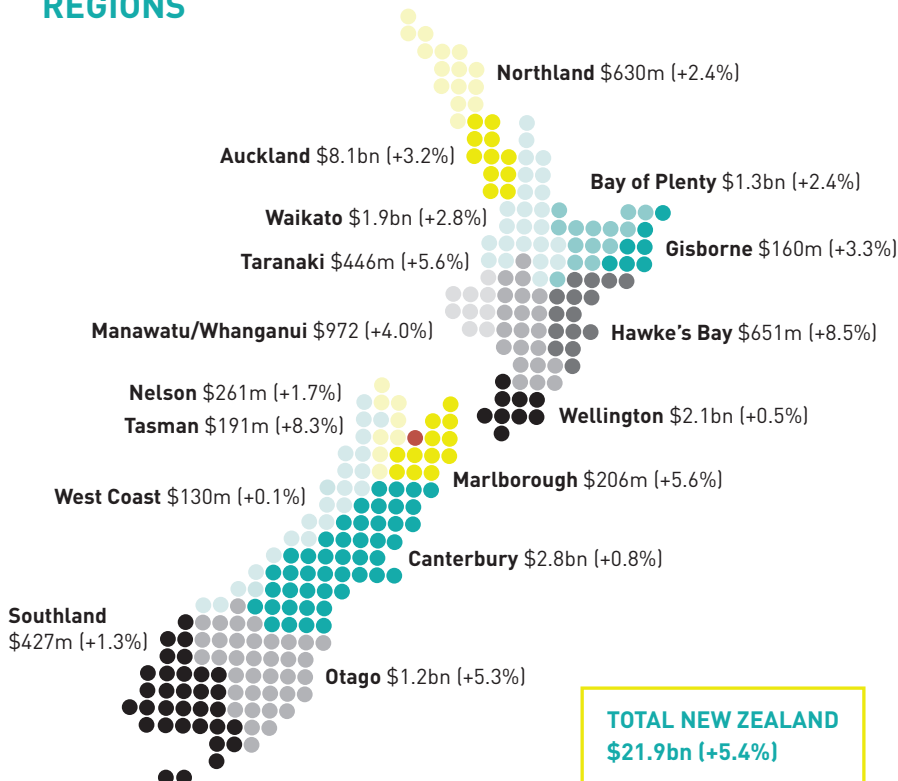
## RETAIL SECTOR UNDER REAL PRESSURE IN THE THIRD QUARTER OF 2017

- The retail sector is under significant and sustained pressure.
- The third quarter Retail Trade Survey showed almost no growth - the worst seasonally adjusted result in three years. This continues a sustained trend of suppressed growth, despite the best efforts of retailers to innovate and invigorate the market.
- 57 per cent of retailers in Retail NZ's survey of members reported that they did not meet their sales targets over the quarter, reflecting a continued and worsening trading environment in 2017.
- Sales across the retail sector for the quarter were \$21.9 billion, up 5.4 per cent (\$1.1 billion) on the same quarter of last year. This equates to a negligible 0.1 per cent increase in seasonally adjusted terms.
- Core retail categories (which exclude fuel and motor vehicles) were up 5.2 per cent (\$821 million) on the same quarter of last year, but this fell to 0.7 per cent in seasonally adjusted terms.
- The 'Non-store and commission based retailing' which includes online only retailers had the strongest growth. However, it is a small category and subject to volatility.
- Retailers are hoping for better results over the next three months, which include the crucial Christmas period. 48 per cent of retailers expect to meet targets during the fourth quarter, which is less positive than the same time last year.

Retail sales values



## REGIONS



## FOCUS ON: AMAZON

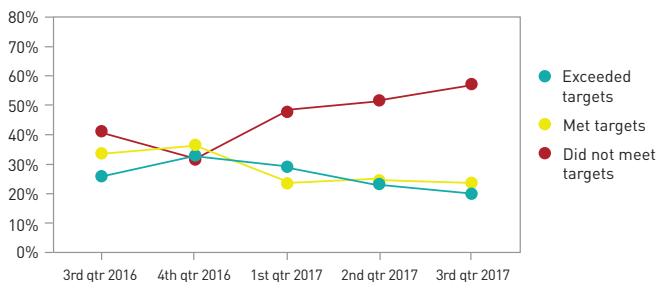
Amazon launched in Australia last week and Forsyth Barr recently assessed potential implications for the New Zealand retail market:

- Amazon typically grows ecommerce, taking share from physical stores.
- Retailers most at risk sell commoditised products such as media, toys, and electronics.
- Retailers with strong brands, scale, premium product, and/or strong service element have typically fared better.
- In NZ, online is currently around 7.4% of core retail sales, although much higher in some segments.
- Retailers like Amazon typically put greater scrutiny and pressure on price.
- In other markets, Amazon has led to consolidation as smaller players either go out of business or join Amazon's platform.
- Amazon offers a new sales platform to help Kiwi retailers reach a global market. Success is based on either having a unique product or having the most competitive offer in terms of value, selection and convenience.

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



Continuing the established trend for 2017, sentiment among retailers continues to be negative. 57 per cent of retailers in our survey reported that they did not meet their sales targets. For the third quarter in a row we have recorded the lowest result seen in our survey. The number of retailers hitting and exceeding sales targets both fell.

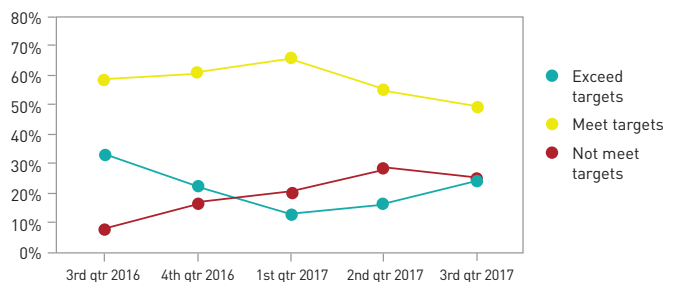
The quarter included the General Election and campaign period which traditionally brings uncertainty and many retailers cited this as the reason for their poor performance. However, the trend is sustained over the year and it cannot all be attributed to this.

A reduction in the number of house sales, and uncertainty in the Auckland housing market has slowed spending in the Hardware and Building supplies, as well as discretionary items for the house like furnishings.

A large number of retailers commented on a general decline in the number of shoppers or foot traffic in their area. For some this was attributed to bad weather, lack of parking or roadworks. Others put it down to lower consumer confidence and tightening household budgets.

Retailers across the board cited strong competition in the market, particularly from offshore retailers selling into New Zealand tax free as being a key issue driving poor performance.

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

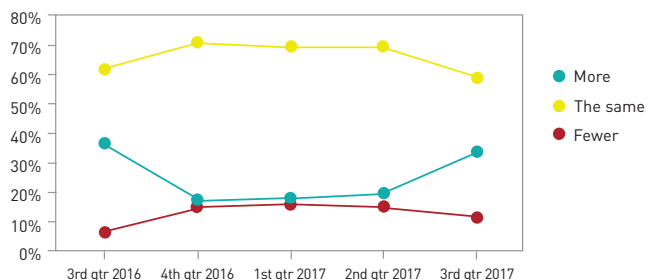


Retailers are hoping for better results over the next three months, which include the crucial Christmas period. Sentiment is improved however not as positive as it was at the same time last year. This year, 75 per cent of retailers are expecting to meet or exceed their sales target, compared to 92 per cent at the same time last year, but given poor performance over the year it is not clear whether this is realistic.

The number of retailers expecting not to meet targets is high at 25 per cent, substantially higher than the same quarter last year (8 per cent).

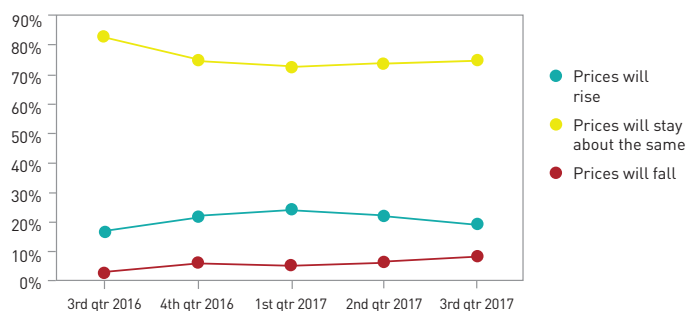
The summer period will see an increase in visitor numbers all over the country which benefits retailers. However, threat of Amazon's entry into Australia, and ongoing competitive pressure from foreign websites that trade without paying tax is causing ongoing concern.

## Employment intentions



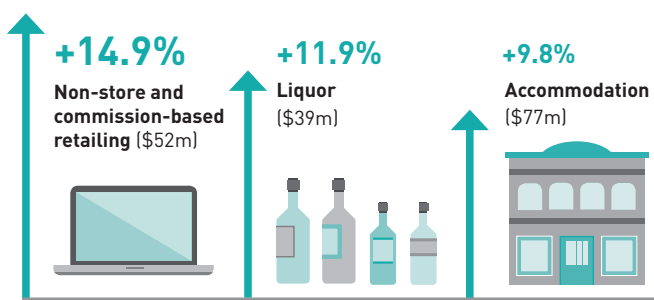
Retailers are looking to retain and increase staff levels to cater to the increased demand of the Christmas and tourist season. These are generally fixed-term or casual staff that finish when the season ends. The majority of retailers in our survey (57 per cent) will be maintaining staff levels over the next three months, and a third will be looking to bring on new staff.

## Retail prices



Again, we have seen very little movement on retail prices, with the majority of retailers reporting that prices will stay the same over the next three months (74 per cent). Ongoing and aggressive competition, cited by many respondents to our survey, is constraining retailers' ability to move on price.

## Best performing categories (actual values)



## Worst performing categories

