

### Retail sales and confidence on the rebound again after lockdown

The retail sector is broadly recovering from the second Level 3 lockdown in Auckland in August, and sales rebounded in September as restrictions were eased. Reported sales in September were up 19.6 per cent compared to last year, although total sales from March to September are down 2.7 per cent. However, sales activity is spread unevenly across the sector, and just over a third of retailers report that their sales are down.



45 per cent of retailers reported an improvement on sales compared to the same time last year, and a further 19 per cent recorded that sales were about the same. This is a significant improvement on last month, which saw sales plummet for the majority of retailers across the country.

Over the last month, retailers trading online fared better than those who do not trade online. 60 per cent of respondents with an online presence reported that sales were up, compared to 35 per cent for bricks and mortar only businesses.

### Online sales come into their own

One bright spark among the gloom of COVID-19 is the opportunities that trading online can bring. 77 per cent of retailers are now trading online. This is a significant increase in digital capability since the start of the year. 24 per cent of respondents say that they have moved to establish online trading since COVID-19.

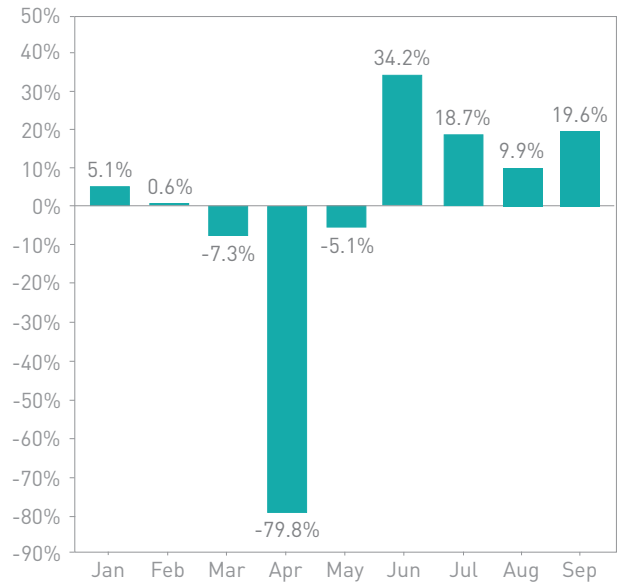
There remain significant challenges to trading online, particularly for smaller retailers. The cost and time commitments are large and ongoing, it also requires technical skills and knowledge to get up and running. Another serious challenge is competing with the size and reach of international retailers. When asked about the most significant issues facing their business 18 per cent of retailers said adapting to trading online.

Despite these challenges, retailers in New Zealand have moved online at great pace and should be congratulated for the innovative ways they have come up to do business in a safe way during this global pandemic.

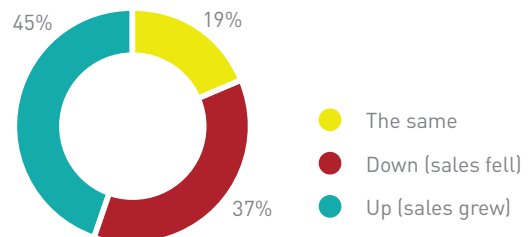
There will always be some retailers for whom selling online simply does not make sense. This may be because of the type of business or product offered, or they may be part of a franchise or other business structure where online sales are managed from a head office.

### Retail NZ Sales Index

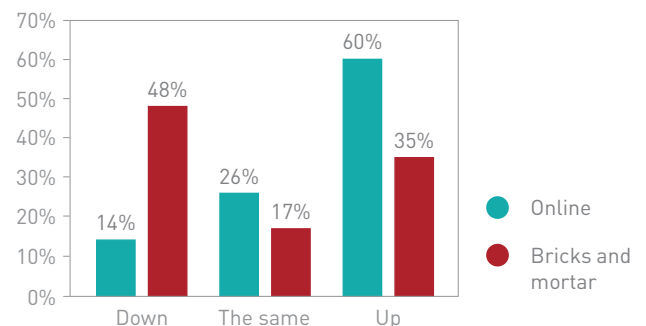
nationwide spending compared to the previous year\*



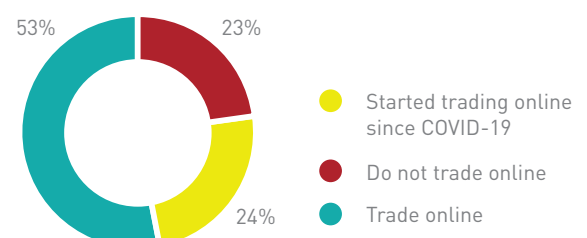
### September 2020 sales compared to last year



### September 2020 online sales compared to last year



### Proportion of retailers trading online



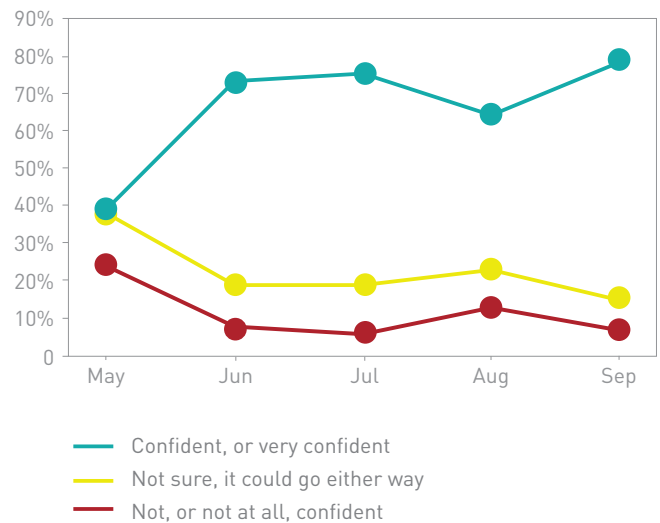
## Retailer confidence also rebounds

Retailer confidence bounced back as the Government eased restrictions after the second smaller COVID-19 outbreak.

78 per cent of retailers are now reporting they are confident or very confident that their business will survive the next 12 months, which is an increase from 64 per cent recorded last month. Seven per cent are not confident that they will survive, while 15 per cent think that it could go either way. These results are consistent across the country, including for those businesses operating in Auckland.

The significant fluctuations in retailer confidence that we have seen associated with COVID-19 point to the overall fragility of the retail market. Retail businesses typically operate on very low net margins, and if customers are unable to shop, there are real cashflow issues that threaten the survival of retail businesses.

Retailer confidence - next 12 months



## Maintaining staff levels despite the challenges

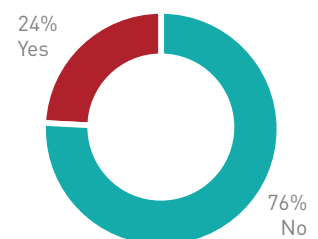
During September, the Government Wage Subsidies ended. Both of these subsidies paid employers to keep staff in employment through the lockdown period, when sales were significantly down.

This appears to have been broadly successful. Almost all retailers had taken up the Wage Subsidy, and 76 per cent report that they had not had to reduce employee numbers. 24 per cent have reduced employee numbers since 1 April 2020, and 15 per cent are planning to do so over the next few months. Without Government support this number would doubtless be much larger.

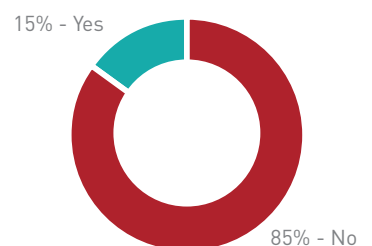
COVID-19 is not the sole cause of retail job losses however. A \$1.20 increase to the Minimum Wage came into effect on 1 April 2020, at almost the same time and the entire country went into the highest level of COVID-19 lockdown (Alert Level 4 started on 25 March 2020). This impacts not only those on the Minimum Wage, but also relativities with those paid at higher rates. 21 per cent of respondents that had to reduce employee numbers said they did so because of the Minimum Wage increase. When asked about the most significant issues facing their business 19 per cent of retailers cited challenges in paying employees.

Businesses are already under real pressure to keep staff on due to COVID-19 and, with Government assistance, most have achieved this. Looking ahead, however, the added pressure of the further Minimum Wage increases planned for 2021, will almost certainly mean more cuts to retail employees.

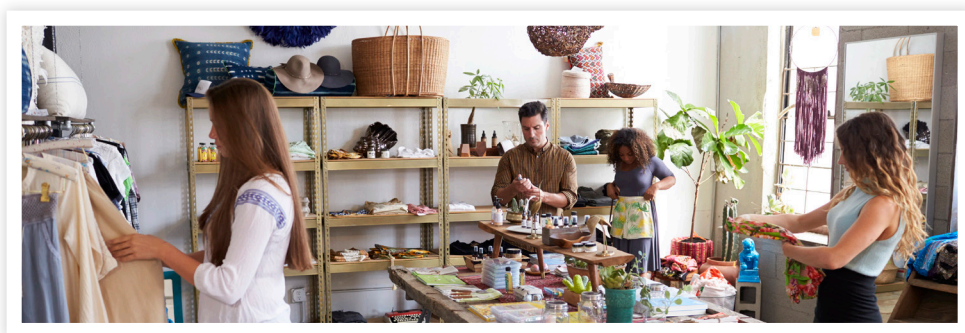
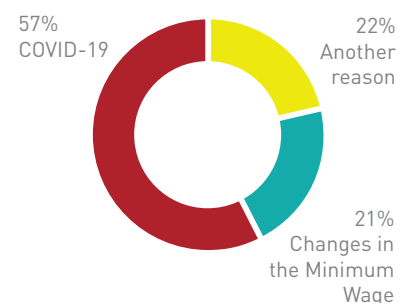
Proportion of businesses that have reduced employee numbers since 1 April 2020



Businesses that plan to reduce employee numbers



Primary reason for job losses



**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. The Retail NZ Sales Index reports changes in average credit and contactless debit card spend per site at Retail NZ members which process their sales with Westpac.