Retail RADAR

The REPORT

A quarterly Retail NZ Report // to 30 June 2021

Retail NZ Sales Index numbers showed a positive month for retailers over the month of June, and sentiment was largely positive during the second quarter of 2021. This is good news in the face of significant uncertainly around COVID-19 which continues to rage beyond New Zealand's borders.

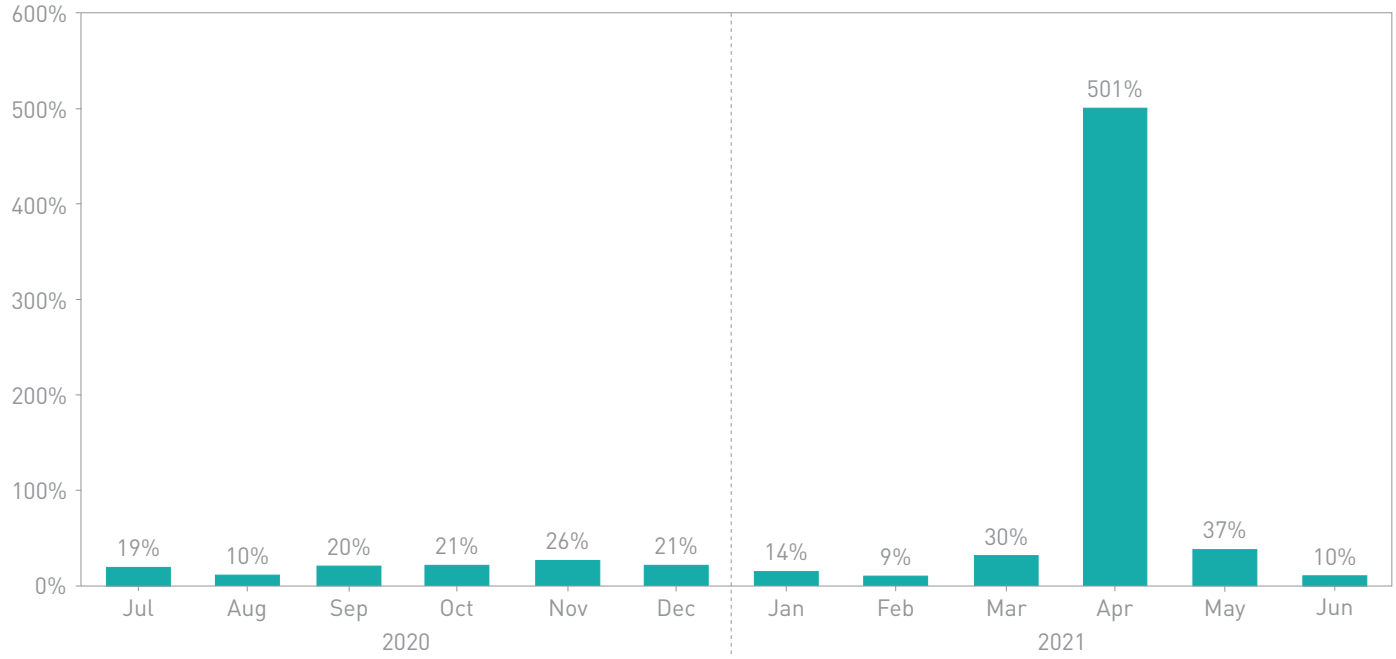
Spending in June

June saw an increase in spending of 9.8 per cent compared to June 2020, according to the latest Retail NZ Sales Index*. This is a very positive result, especially given that this time last year we were emerging from the first and most restrictive lockdowns which lifted in mid-May and saw spending lift significantly over the following period.

9.8%
increase compared to June last year

Retail NZ Sales Index

nationwide spending compared to the previous year*

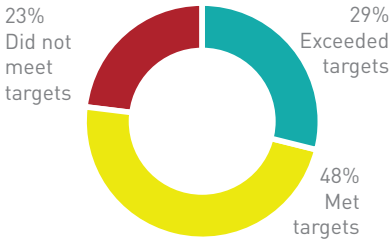


The second quarter of 2021 steady for retailers, despite global threat of COVID-19

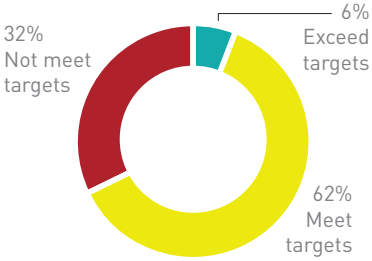
New Zealand has been fortunate to have avoided a further resurgence of COVID-19, and spending has continued to be relatively strong over the last quarter. 77 per cent of retailers reported that they met or exceeded their own sales targets during the quarter. This compares to 57 per cent previously.

A significant amount of uncertainty remains over the next three months, particularly with the widespread COVID-19 outbreak in Australia still unfolding. However, 62 per cent of retailers still expect to meet sales targets. Nearly a third do not expect to meet targets and likely these are retailers with strong central city footprints, and those most exposed to domestic and trans-Tasman tourism.

Looking back over the past three months, how did your business track against your targets?



Looking forward over the next three months, how do you expect your business to track against your targets?



Upwards pressure on prices remains strong

The COVID-19 related issues facing retailers continued throughout the second quarter, including delays and added costs along the supply chain, as well as rising overhead costs (including wages). These factors are increasingly likely to put upwards pressure on retail prices.

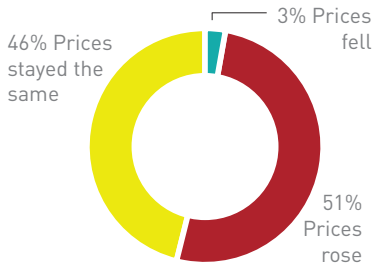
Just over half of retailers (51 per cent) stated prices rose in the last quarter. This was anticipated by responses to the most recent previous survey in March. At that time 65 per cent of retailers stated that prices were expected to rise over the next three months.

Further increases are expected over the next three months, with 68 per cent of retailers anticipating an increase in prices within their business. On average, retailers are expecting prices to increases by around 7.5 per cent over the next quarter, with some predicting increases of 10 per cent.

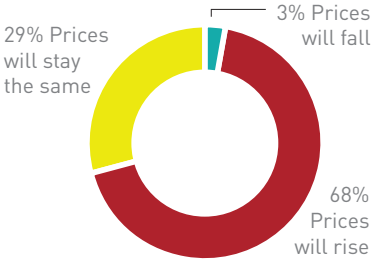
This quarter we also asked retailers about the amount of discounting, as this relates to movement in retail pricing and the pressure that retailers are under due to increased costs. Just over a third (34 per cent) of retailers did less discounting than in the previous quarter, reflecting tight supply chain conditions and strong demand.

Most retailers (90 per cent) are not planning any promotions or discounting around this year's Matariki celebrations. Next year Matariki will be a public holiday and it will be interesting to see how retailers celebrate this increasingly important cultural event in our national calendar.

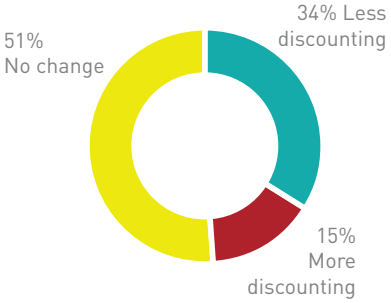
Retail price changes over the past three months



Retail price changes over the next three months



Changes to the amount of discounting over the last three months

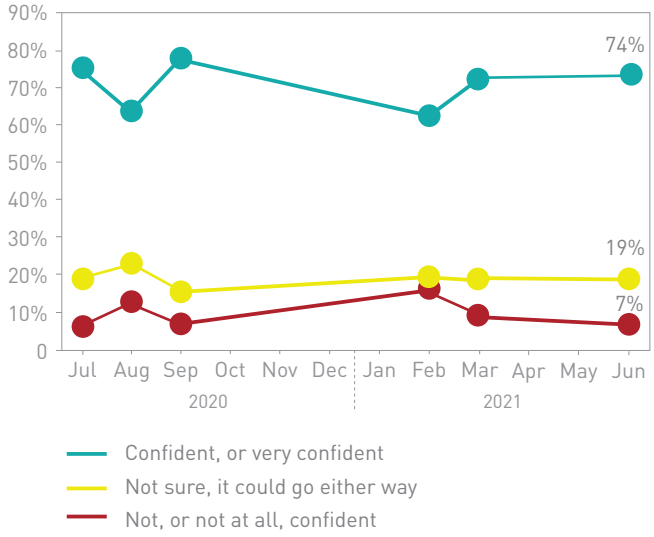


Confidence steady as New Zealand continues to avoid the most severe COVID-19 restrictions

Most retailers continue to feel confident that their businesses will survive the next 12 months. 74 per cent of retailers report being confident or very confident about future prospects, which is at almost the same level as was recorded in March. Retailer confidence is clearly very responsive to COVID-19 Alert Level changes, and tied closely to our ability to keep COVID-19 out of the community and keep businesses open.



How confident are you that your retail business will survive the next 12 months?

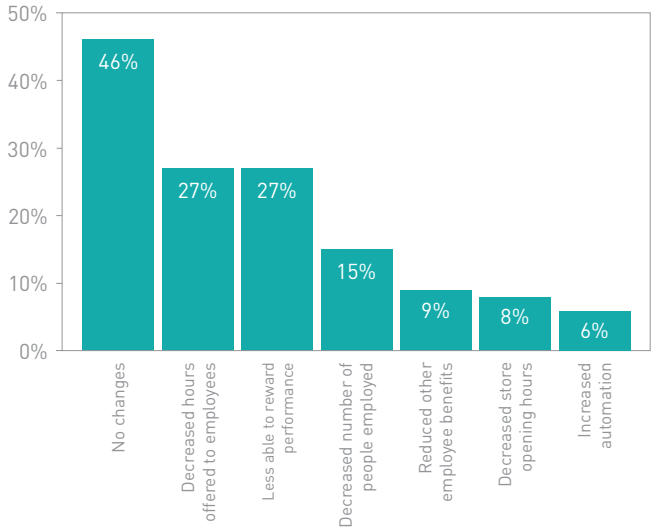


How has the Minimum Wage increase impacted retailers?

On 1 April the Minimum Wage increased to $20.00 an hour. Just over half (54 per cent) of retailers have made changes in their businesses to manage the increased costs.

The largest impact from the Minimum Wage rise has been a decrease in the number of hours offered to employees and less ability to reward employee performance. A number of other negative consequences have resulted from the increase, with retailers reporting price increases (see previous section) and less ability to hire unskilled staff. Many retailers are also reporting that they have made commensurate wage increases to staff already above the Minimum Wage to ensure the increases are fair and employees with skills and experience continue to be appropriately rewarded.

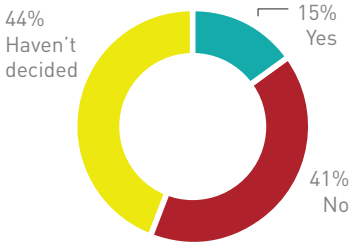
What changes have you made due to the increase in Minimum Wage?



Retailers' response to the increase in Sick Leave entitlements

This quarter the government announced another significant increase to employee entitlements, lifting the number of sick leave days for all full time and part time employees to a flat rate of 10 days. The change does not come into effect until the 24th of July, however 15 per cent of retailers already have changes planned to accommodate this change, and a further 44 per cent are considering changes. Among the changes retailers report are hiring full time workers over part timers, being more cautious about bringing on new staff, and reducing the number of employees.

Are you planning changes due to the increase in sick leave entitlements?

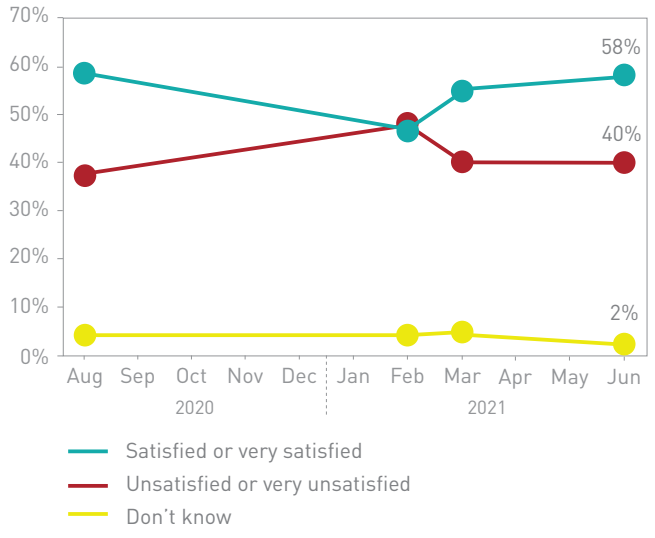


Retailers' satisfaction with the Government's response to the pandemic is steady

Retailers' overall satisfaction with the Government's handling of the COVID-19 situation has improved slightly this quarter, with 58 per cent reporting feeling satisfied or very satisfied (up from 55 per cent in March). Again, this result is clearly tied to our ability to keep COVID-19 out of the community and keep businesses open.



How satisfied are you with the Government's handling of the COVID-19 situation?



Methodological notes: **This 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 card and contactless debit spend per site at Retail NZ members which process their card sales with Westpac.*

Got questions? Email us at: **retail.radar@retail.kiwi**