

## Winter blues hit early for retailers

At the end of a slow summer of trading, retailers are not feeling positive about their business prospects as they head into winter. The post-election optimism recorded at the end of 2023 has dissipated as retailers struggle with inflation and increasing costs. Skyrocketing insurance costs in particular are impacting on profitability.

As we enter the traditionally slower autumn and winter months, retailers will be tightening their belts in anticipation of slow sales and uncertainty.

## Business confidence drops, along with sales

Retail NZ's quarterly Retail Radar survey of members shows that a whopping 64% of retailers did not meet sales targets in the first quarter of the year, and almost a third of businesses are unsure whether they will survive the next 12 months. The first months of the year are typically important for many retailers, with holidaymakers and international tourists lifting spending. However, as the [Retail NZ Sales Index](#) shows, since October 2023 sales have been lower each month than they were 12 months earlier.

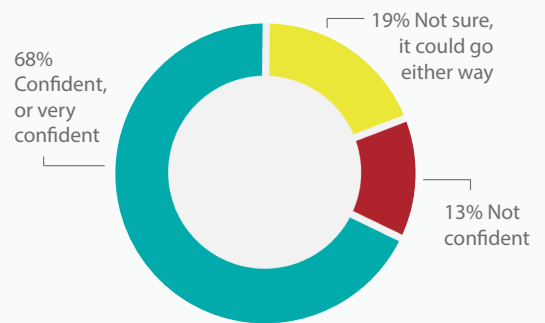
The survey shows that 32% of retailers are either unsure or not confident that their business will survive the next 12 months. This is more pessimism than we saw in both the equivalent period of 2023 (28%) and the last quarter of 2023 (29%).

The anxiety over the future is borne out by low levels of trade, with 64% of respondents saying they did not meet sales targets in the January-March quarter. Only 10% of retailers exceeded their targets for the quarter. This is a significant change from Q1 2023, when 44% of retailers reported they did not meet sales targets, and 20% exceeded their targets.

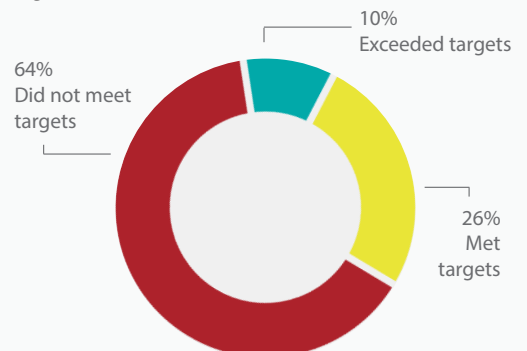
With no improvements expected in the near-term economic outlook for Aotearoa New Zealand, respondents do not expect their sales to improve in the coming April-June quarter, with more than half (55%) saying they do not expect to meet their targets.



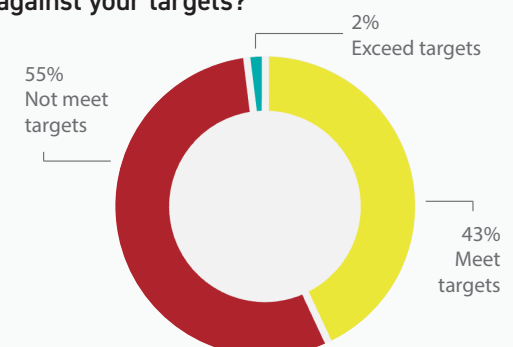
### How confident are you that your retail business will survive the next 12 months?



### 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?



## Inflation remains the big issue for retailers

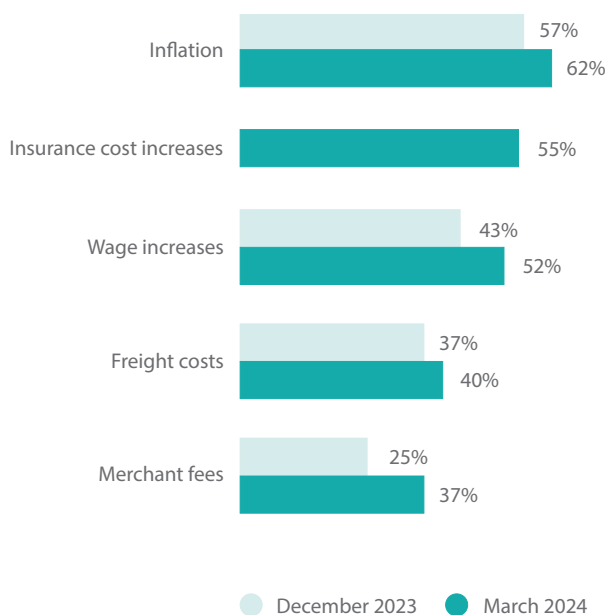
With New Zealand entering a technical recession in the last quarter of 2023, inflation remains the most significant issue (62%), followed by insurance cost increases (55%) and wage increases (52%). Inflation and wage increases were the top two issues in the previous quarter.

Inflation is affecting all business costs, plus consumer spending is slowing with retailers reporting that customers are shopping less and buying less when they do shop.

The top five issues for this quarter were rounded out by freight costs (40%), and the cost of payments and merchant fees (37%).

Of note, retail crime (23%) has fallen in importance compared to the same period of 2023 when it appeared among the top five issues.

## Top issues impacting retailers (quarter on quarter)



Methodological notes: \*This Retail Radar report presents the results of a survey of Retail NZ members.

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

## Huge increases in insurance costs

In this Retail Radar, we asked about how the costs of insurance were impacting on retailers.

Almost 60% of respondents said their insurance costs had increased significantly in the past year. Another 34% said their insurance had increased but in line with the Consumer Price Index (CPI).

A number of retailers also cited concerns over increasing council rates coming on top of other cost increases.

### Comments from retailers:

"There has been a decrease in some insurances due to reduced turnover."

"Insurance companies, and their excessive increases, are out of hand. If we (retailers) have a bad year, we can't just double our margin the next year, to regain the lesser profit we made (or lost)."

"A 20% increase has nearly crippled the business."

"Cost of insurance has increased so much and will carry on increasing that I have considered cancelling all policies. My rent has also increased all the while my income/sales have dropped."



## Lease/rent increases of less concern

We also asked about the cost of leases and rents to retailers. The majority of respondents (42%) said their leases or rents had stayed much the same over the last year. Another 34% said they had increased in line with CPI, while 18% reported significant increases.