

Retail trading challenges continue

Slow sales and uncertainty are continuing to dog the retail sector, with low consumer confidence and rising costs impacting customers' willingness to open their wallets. Retail NZ's quarterly 'temperature check' shows that tough economic conditions have continued to impact retail sales and confidence through the second quarter of 2024 (April-June). This is in line with wider economic data, including [retail card transactions](#) for the June quarter which were down 3.4% from the same quarter of 2023.

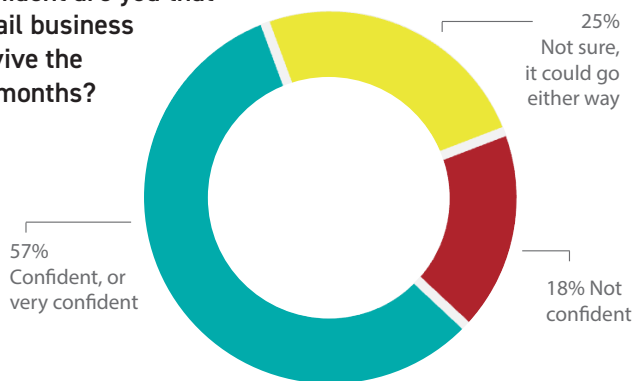
On a more optimistic note, New Zealand's [consumers price index](#) increased 3.3% in the 12 months to June 2024. This was a lower rate of increase than we have seen recently, suggesting the economy is heading in the right direction. We hope this will translate into a turnaround in consumer confidence and a greater willingness to support local retail businesses.

Tough trading conditions persist into winter

Retail NZ's quarterly Retail Radar survey of members shows that both confidence and sales are at even lower levels than earlier in the year.

Almost 43% of respondents are unsure whether they will survive the next 12 months, a substantial jump from 32% in the previous quarter, and also compared with the 36% recorded in the second quarter of 2023.

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



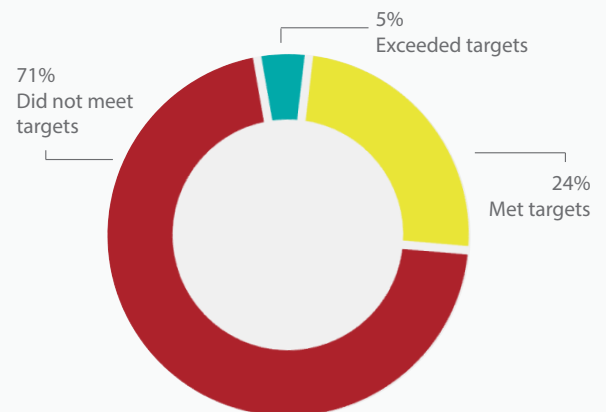
In a traditionally quieter trading period, 71% of retailers reported that they did not meet sales targets for the quarter. This was a significant increase from the 64% who failed to meet their targets in the first quarter of the year.

Less than a third (29.1%) of retailers met or exceeded their sales targets in the April-June quarter. This was lower than the first quarter of 2024, when 36% reported their sales were on track.

Retailers are not expecting trading conditions to improve through the July-September 2024 quarter, with 68% saying they do not expect to meet their targets (up from 59% in the previous quarter). Only 2% say they expect to exceed their targets.

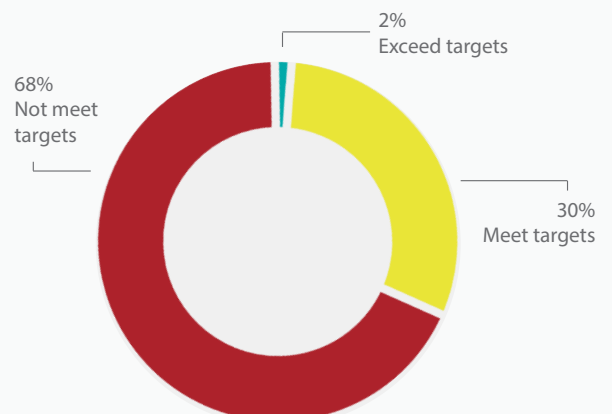
Past three months

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



Next three months

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

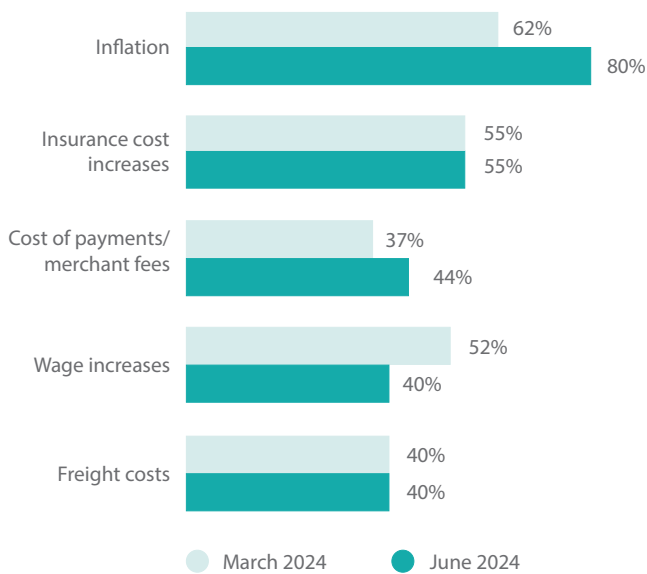


Inflation concerns soar

Although commentators are increasingly expecting inflation to drop back into the Reserve Bank's target range of 1-3%, retailers continue to cite inflation/cost of living as their biggest issue (79%). This was well above the 62% who placed it as their number one concern in the previous quarter, and also well ahead of the next biggest issue – insurance cost increases (54.9%).

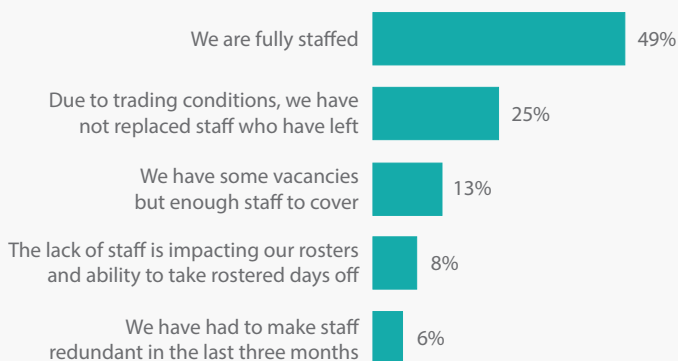
The top five issues for this quarter were rounded out by merchant fees (43.9%), freight costs (40.2%) and wage increases (39.6%).

Top issues impacting retailers (quarter on quarter)



As retailers' costs rise with increases in wages, insurance, freight and other business expenses, decreases in sales are eating into margins and profitability. This in turn impacts on their confidence to achieve sales targets and maintain a viable business.

Do you have the staff and skills you need?



Retail staff still required

Despite the tough trading conditions, many retailers continue to seek staff with good skills in sales and customer service. But training is difficult when businesses are quiet.

"I can't afford to hire staff as it takes over three months to train them and we do not have the customers coming in for them to learn".

"It is really difficult to staff for the random levels of activity we are getting... staff can be idle 85% of the time and then they are busy 15% when they say they need more support."

Almost half (48.5%) the respondents' businesses were fully staffed, and another 12.6% said they had some vacancies but enough staff to cover.

However, 25.2% had not replaced departing staff, while 5.5% had to make staff redundant during the quarter. Concerningly, 8.3% said the lack of staff was impacting their ability to take rostered days off, raising fears over their mental and physical wellbeing.

"We are running on the leanest team ever (in 24 years in this location) with no back-up staff for holidays or sick leave. We plan to recruit soon, but waiting for signs of trade picking up first."

"The owners have stopped paying themselves in order to retain current staff."

Looking ahead, a number of respondents plan to recruit for the summer season.

"I would like another staff member but hesitate to take that step for another month or so while trading and client visits are well down."

"Holding full time staff is huge over winter with the wages now so high. But without them we do not have enough trained staff for summer trade."

Basic sales and service skills were cited as the most important training need (78.8%). Managing people was also important, at 33.7%, followed by skills in de-escalation and personal safety (19.6%).

"My business relies on staff that know the production processes and products. Replacing staff with the right mindset to learn and achieve has been a battle over the past 12 months."

Methodological notes:

*This Retail Radar report presents the results of a survey of Retail NZ members.

Got questions? Email us at research@retail.kiwi