

## Hopes for growth and positivity in 2025

Retailers are continuing to feel confident about their businesses' staying power in 2025, despite not meeting sales targets over the Christmas season.

This continued positivity could be due to inflation staying steady at 2.2% for the last two quarters – within the RBNZ's target band – and the prospect of further OCR cuts. The Government's intention to make economic growth its top priority this year is also playing a part.

Looking forward, interest rate cuts will start to be felt by mid-year, with positive impacts on consumer confidence and spending expected.

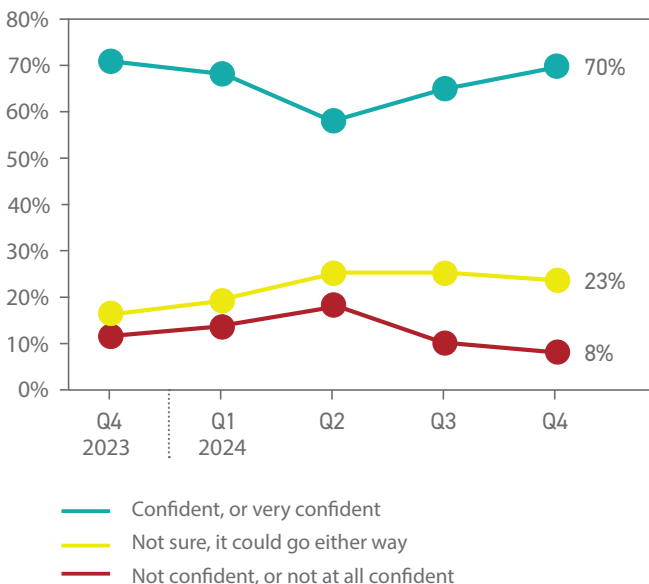
## Confidence in survival continuing its upward trend

70% of respondents are confident or very confident their retail business will survive the next year, up from 65% last quarter.

This confidence is despite Stats NZ<sup>1</sup> reporting that total retail sales were down 1% in December 2024 compared to December 2023, continuing the declining sales trends the retail sector experienced throughout 2024.

The value of what was actually spent in December 2024 was also down by \$80,402,000 compared to the same month of the previous year.

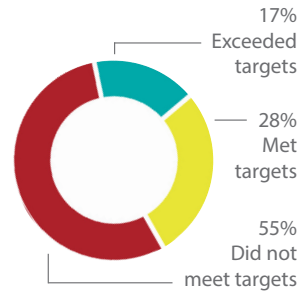
### How confident are you that your business will survive the next 12 months?



<sup>1</sup> Stats NZ Electronic Card Transactions December 2024

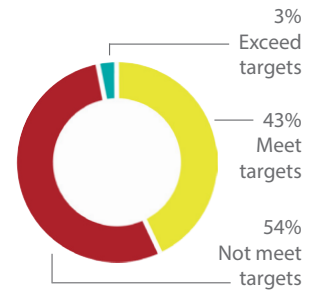
## Past three months

How did your business track against targets?



## Next three months

How do you expect to track against targets?



In the Quarter 3 (Q3) Retail Radar, a surprisingly high number (57%) of retailers predicted meeting or exceeding their Q4 targets. The actual results for Q4 are a game of two halves, with only 45% meeting their targets, but 17% of them exceeding targets, well ahead of the 5% who expected to.

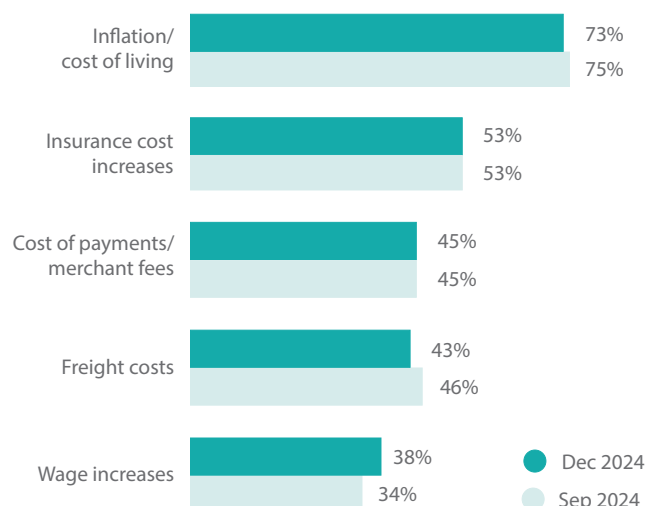
Despite confidence in their businesses' longevity, retailers are exercising caution for the first three months of 2025, with only 3% expecting to exceed their targets for the quarter. An increase in consumer confidence will be key to growing sales, hopefully occurring mid-year when interest rate cuts are expected to result in more discretionary spending in consumer wallets.

## Little change in big issues

Continuing the trend of the last 12 months, inflation/cost of living still has the biggest impact on businesses (73% compared to 75% in Q3, 2024).

Concerns about wage increases have risen slightly to reach the top five issues (up from 34% in Q3 2024). This nudged out the concerns about leases and rents (37%).

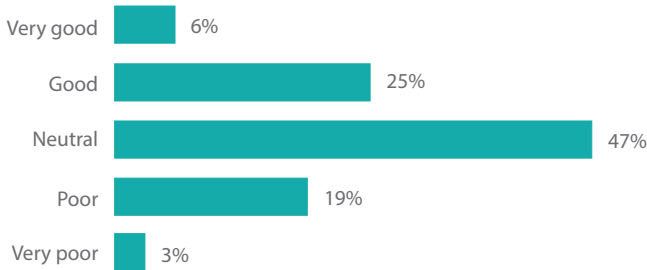
### Top issues impacting retailers (quarter on quarter)



## Cautious start to 2025

Almost half of businesses are neutral about the outlook for calendar year 2025 and taking a cautious approach to forecasting what lies ahead. The other half are balanced between a positive or a negative outlook, with slightly more being positive.

### What is the outlook for your business in 2025?



Businesses are doing what they can to survive while waiting for increased consumer confidence.

Retailers told us that consumers were not spending as much as they used to, due to job uncertainty, unemployment, interest rates, and the high cost of living.

Some retailers are buying less or different stock to meet consumers' changing needs. Some business owners are working more unpaid hours.

Businesses are also looking to enhance their digital platforms to generate more online sales.

However, some retailers are doing well. The key is remaining agile and ensuring the business meets the current market environment, as well as looking at how to reduce costs.



*"I expect 2025 to be similar to 2024 – very tough. Whilst interest rate reductions will help on the 'upside', the other costs of living continue to rise. I think unemployment and job uncertainty will also rise – all of which impact discretionary spend. We saw it at Christmas, people still buying presents but of lower value.*

*People are always expecting discounts (as a lot of retailers are consistently 'on sales' to try and grab business). Can't see any major things in the pipeline that will change things dramatically in the next 12 months"*

*"Retail has been below what we have budgeted for but operating costs continue to increase so erode any profit. Interest rates and cost of living effects on customers' pockets is the main reason for lower than expected sales.*

*We think the second half of 2025 will be better. Any interest rate cuts and stabilising of the cost of living will take time to make any impact of people's lives. We just need to keep reminding ourselves that slow sales are not from anything we are doing wrong they are just the reflection of where the economy is."*

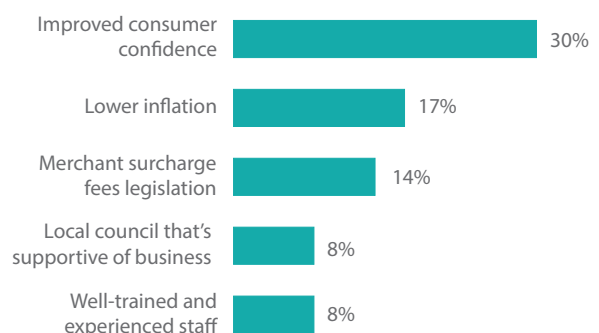
*"It all depends on whether a drop in interest rates will accelerate building growth and how people will spend money left over from reduced mortgage interest rates."*

## Consumer confidence is vital

To succeed in 2025, 30% of respondents said we need to see improved consumer confidence, followed by lower inflation (17%), and merchant surcharge fee legislation (14%).

Improved consumer confidence is vital to the retail outlook. Until consumers feel confident about their job prospects, and inflation and interest rates ease, they will continue to be cautious about discretionary spending.

### What do you need for success in 2025?



**Methodological notes:**

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

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