

Confidence up despite continued pressure

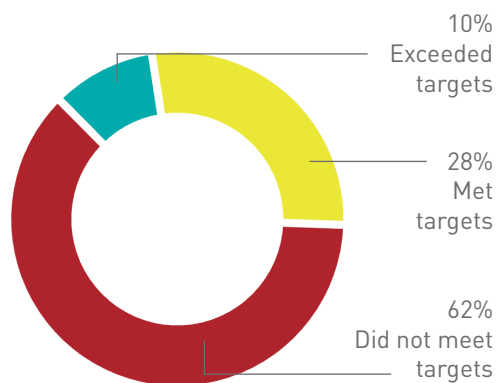
Against a backdrop of uncertainty in the economic outlook, retailers are showing confidence in the future, despite the pressures they're facing. There are reasons for optimism with card transaction spend slightly up in June, inflation at 2.7% and the OCR holding steady at 3.25%.

The total volume of retail sales is up 0.8% compared to the last quarter, according to StatsNZ. However, this quarter's figures are only up 0.65% on the same period in 2024, and still lower than the same period in 2023 (-1.97%).

In Retail Radar this quarter we also asked how likely retailers are to install facial recognition technology to help prevent retail crime.

Past three months

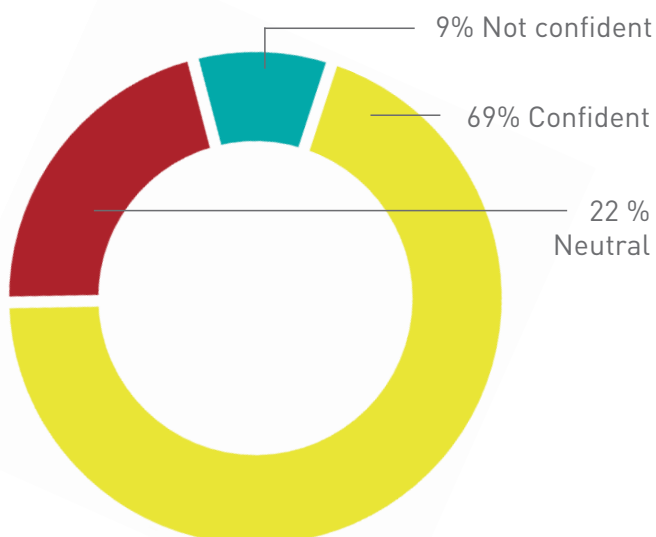
Looking back over the past three months, how did your business track against your targets?



In sharp contrast to their improved levels of confidence, our survey results show that 62% of respondents did not meet their targets in the last quarter.

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

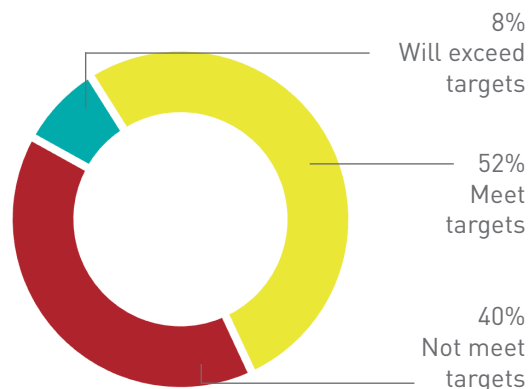
69% of respondents report being confident or very confident that their business will survive for the next 12 months. This is a significant increase in confidence compared to the same quarter last year, where confidence was down at 57%.



The NZIER Quarterly Survey of Business Opinion for Q2 2025 found retailers were 13% more likely to expect better general economic conditions over the coming months than the general business population. The cyclical nature of retail is likely to be supporting this optimism.

Next three months

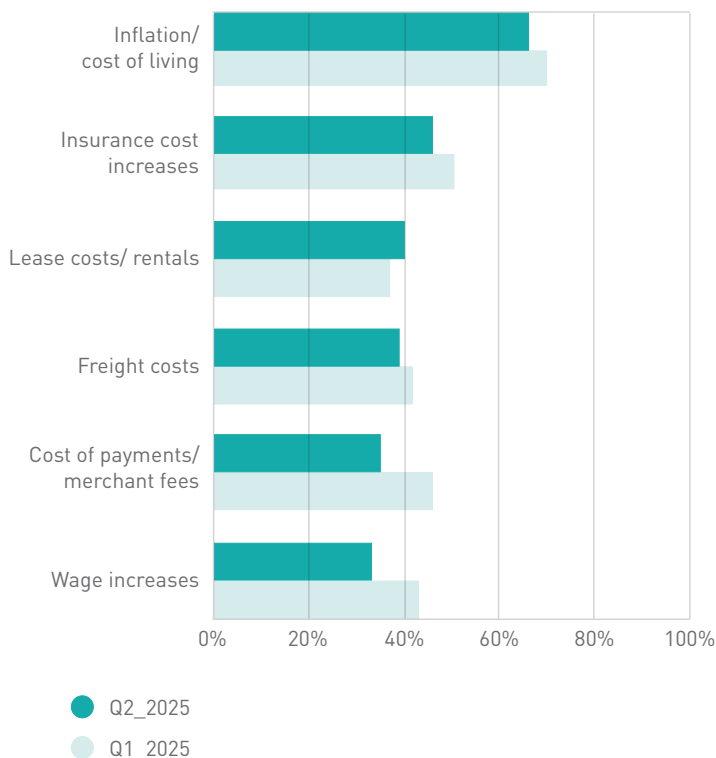
Looking forward over the next three months, how do you expect your business to track against your targets?



Expectations for meeting or exceeding targets in the next three months (60%) are well up on the same period last year (32%) and up on the January-March quarter of 2025 (49%), supporting a sense of growing confidence.

Retailers have been hoping for an uptick in consumer confidence, and recent figures from the latest Westpac McDermott Miller Consumer Confidence index show some green shoots may be appearing. There was a modest rise of two points to 91.2, but this still leaves consumer confidence below average levels (100 is average). There was also a small lift in the number of people who think it's a good time to purchase a major household item but overall, spending appetites remain at low levels.

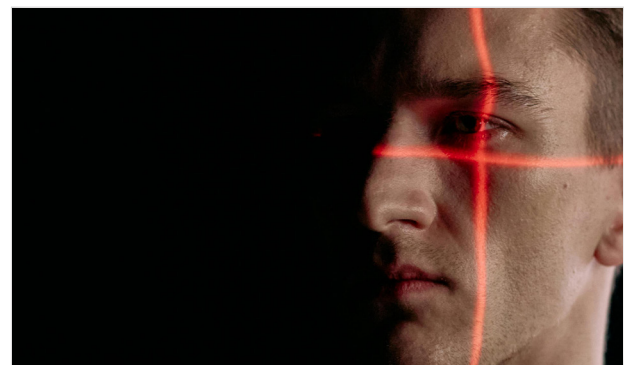
Top issues impacting retailers



In addition to the usual suspects of cost-of-living pressures, insurance, freight and cost of payments, lease costs and rent costs make an appearance in the top five issues impacting retailers.

"Currently my major issue is a suggested lease increase from our landlord due to insurance and rates increases. I have said that due to the nature of the area and the economy that it is likely that we would not renew our lease. Unfortunately, the costs of rates are getting completely out of hand for both businesses and customers."

Wage increases are having an impact on a third of respondents, and retail crime is cited by almost a quarter as one of the major factors affecting their performance.



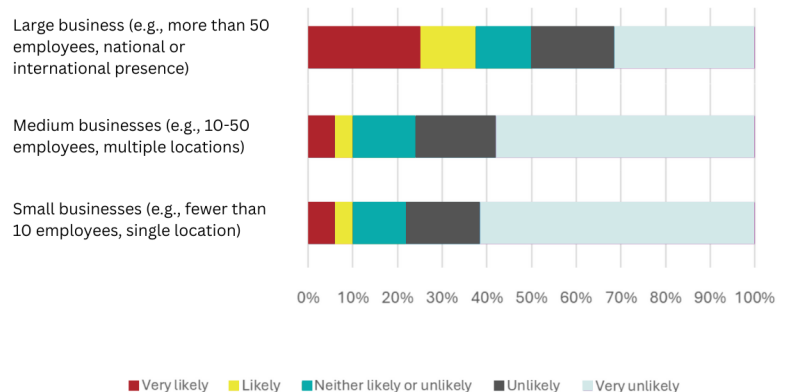
Facial Recognition Technology: A new tool in the toolbox, but it isn't for everybody

Following a recent trial by Foodstuffs North Island, Facial Recognition Technology (FRT) has been given a nod of approval by the Office of the Privacy Commissioner – if appropriate privacy safeguards are used. In its report, the OPC sets out the conditions where FRT may meet the 13 Privacy Principles and comply with the Privacy Act 2020.

We asked our members whether they would consider FRT as a solution to combat retail crime in their store.

Only a handful of retailers would consider installing FRT, mainly larger businesses. Most respondents cite the cost of implementation and ongoing maintenance as the primary reason for not considering FRT (69%), but many are also concerned about the backlash from the public (36%) and want to see more evidence before they can justify its use (32%).

This response aligns with Retail NZ's view that FRT is a solution for large retailers, given the investment and resourcing required. We also note that a survey by Foodstuffs North Island, to understand how New Zealanders feel about facial recognition being used in retail stores, found that up to 89% of Kiwis would accept the use of FRT, if it achieved a 10% reduction in harm.



Methodological notes:

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

Got questions? Email us at research@retail.kiwi