

Retail RADAR

Retail's Reluctant Realism

A quarterly report to 31 December 2025

Retail ^{NZ}

Economists are suggesting we are starting to see the first small signs of a recovery, with growth forecast to reach 3.0% in 2026. While interest rates ended the year at a low of 2.25%, the reality for most households is that money is still tight. Families - especially those with mortgages - are being very cautious with their discretionary spending as they wait for the lower rates to show in their bank accounts. Alongside a quiet job market, shoppers are clearly still hesitant to spend. Having said that, consumer confidence was moving in the right direction at the end of 2025 (Westpac McDermott Miller Consumer Confidence) and our quarterly survey of Retail NZ members showed that the final months of 2025 delivered a much-needed boost in business confidence.

After a challenging middle of the year where confidence dipped to 65.5% in Q3, 76.7% of retailers now say they are confident or very confident that their business will survive the next 12 months. This is the highest level of optimism recorded in the last two years, surpassing the previous peak of 73.9% in Q1 2025.

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

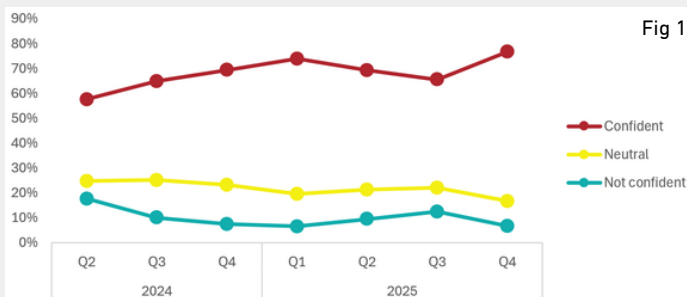


Fig 1

The proportion of retailers feeling 'not confident' has also dropped sharply to just 6.6%, nearly half of the 12.4% reported just three months ago (Fig 1). This is echoed in the NZIER Quarterly Survey of Business Opinion which showed business confidence is at the highest level since March 2014. While the noise around GDP growth and stabilising inflation is positive, many retailers may be feeling that after a long period of tough trading, surely the only way is up.

For the first time in 2025, the number of retailers failing to meet their sales targets has dropped below the 50% mark. In Q4 2025, 48.3% of retailers reported they did not meet targets - a significant improvement from the 61.7% seen in the previous quarter (Fig 2). 15.2% of businesses exceeded their targets - being slightly lower than the Q4 2024 peak (16.9%). This is a vast improvement over the single-digit performance seen in Q3 2025 (9%).

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

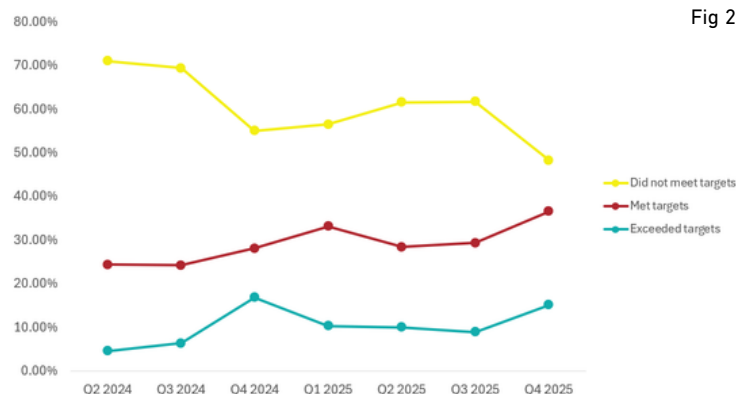


Fig 2

This shift suggests that businesses have made more accurate forecasts and consumer demand during the Black Friday/Christmas quarter was more reliable than earlier in the year. The 'glass half empty' interpretation is that businesses are being more cautious. We are hearing from members, particularly from the struggling apparel sector, that they are deliberately holding lower stock levels to match lower trade volume. By taking a lean approach to stock management this is helping them meet their sales targets, although this adds upward pressure to costs passed onto the customer. However, the fact that more than half of the sector (51.8%) either met or exceeded targets explains why survival confidence has surged to 76.7%.

"The cost of rates, rent and insurance far exceed inflation and are slowly eroding the companies' profit. Because of high competition and lower demand, we are unable to move much on our prices making trading difficult. We have seen an upward trend in sales in the last quarter compared to last year. Maybe things are on the improve." - Retail NZ member.

Looking Ahead

Retailers are approaching 2026 with caution, and this appears to be a 'new normal', with future expectations remaining level for the past three quarters. Our survey shows 67% of retailers are not planning to make any changes to their recruitment, while nearly 30% are either reducing hours or freezing recruitment entirely. Looking closer at the data, we see a distinct gap between retailers who are stable and those who are struggling. Those who met their targets in Q4 largely expect to hit them again in Q1 (81%). However, there has been a shift in thinking for those still missing the mark. In Q3, 43% of those who missed targets predicted they would turn it around by the next quarter. As we enter 2026, only 28% of those missing targets expect to meet them in Q1. For those in the 'miss' category, the optimism of a quick bounce-back has been replaced by a reluctant realism.

Black Friday spreads spending

While Black Friday dominated the media landscape in 2025, our data reveals a sector deeply divided on its long-term value.Despite the growth of November promotions, traditional Christmas and December trade remains the most vital period for 51% of retailers, whereas only 10% cite Black Friday as their primary sales period.

Q4 no longer has a single peak at Christmas, rather spending is stretched over two months:

- A significant 43% of respondents chose not to participate in Black Friday promotions at all. For smaller or specialty retailers, the heavy discounting required may be seen as a threat to brand value and sustainable margins.
- Participation does not guarantee profit. While 14% of retailers saw a revenue lift, 16% reported that the event actually reduced their overall Q4 profitability.
- For 21% of retailers, Black Friday didn't grow the pie; it simply pulled December sales forward. This 'cannibalisation' is confirmed by Seasonally Adjusted Stats NZ Card Transaction data, which showed healthy spending in November - up 2.5% on last year - but a 0.8% dip in December 2025 compared to December 2024 (Fig 3).

"It's a shame that Black Friday actually exists at all... No relevance to anything meaningful to New Zealanders. But it looks like it's here to stay!" - Retail NZ member

Stats NZ Seasonally Adjusted Core Retail Card Transactions

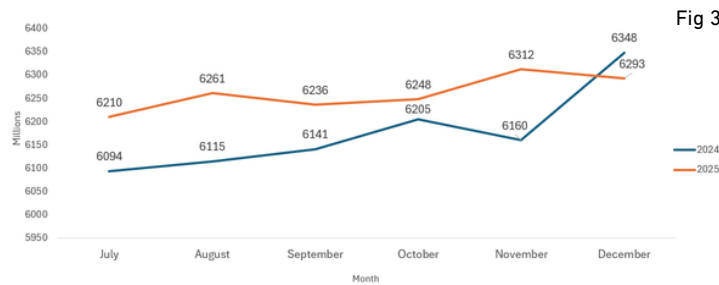


Fig 3

We are observing large-format and commodity retailers pivoting to a high-volume, low-margin November model. Meanwhile, a substantial traditional core of nearly half the sector (43% of survey participants) is effectively opting out of the discount race.

We suspect the stores opting out of Black Friday are hoping for higher margins and customers preferring the traditional holiday experience over pure volume. The risk for 2026 is that as the shift to November spending becomes more entrenched. This traditional core is left fighting for a shrinking December wallet as consumers exhaust their discretionary budgets earlier in the season.

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

"[We] have found with there being constant sales from October - December many people end up going to the mall and big retailers rather than small businesses so they can get the sales for their Christmas shopping. This greatly impacted the customers and spending in our store." - Retail NZ member

Shifts in NZ Card Spending

Annual card spend per person rose from \$15,898 in 2016 to \$21,166 in 2025. This 33.1% increase is effectively a slight decline in real terms when compared against the 35.6% inflation recorded over the same period. However, the true transformation is behavioral: New Zealanders are now swiping 22% more often (averaging 385 transactions per year), while the real value of each swipe has plummeted. As cards replace cash for smaller purchases, the average transaction value (\$51 in 2016, \$55 in 2025) has not kept pace with inflation, dropping 26.2% in real value.

Perhaps more serious is the dramatic shift to credit cards. For retailers, this means higher-cost cards now dominate at the checkout, and the resulting merchant fees are increasing pressure on the bottom line. This change may partially be down to the convenience of Paywave, Google/Apple pay, and incentives such as Airpoints. However, the concern is this signals households are increasingly relying on debt to pay for everyday living expenses.

Table 1: Structural Shifts in NZ Card Spending (2016–2025)

Metric (Average per Person)	2016	2025	2025 (Inflation Adjusted to 2026 Prices)	Trend
Annual Card Spend	\$15,898	\$21,166	\$15,794	-0.65% (Real Growth)
Number of transactions	315	385	N/A	+22.2% (Frequency)
Value per Transaction	\$51	\$55	\$41.04	-25.4% (Purchasing Power)
Credit card transactions as proportion of total	0.45	0.69	N/A	+24pp (Shift to Credit Cards)

Stats NZ card transaction data December 2025. RBNZ Inflation Calculator was used to adjust for inflation.

Further challenges for local shopping centres

As well as Black Friday drawing people to larger shopping centres, some Retail NZ members report frustration with regional infrastructure. One member felt their local council was inadvertently hurting small businesses by implementing parking charges in town centre shopping streets while malls offer free parking.

"In Petone... the Council allowed a free period in December which assisted our sales over December, but when they introduced the charges our customer numbers and sales dropped... 1-2 hours free parking for shoppers makes a huge difference. It is as much about convenience of not having to muck around on an app to pay, as it is the cost." - Retail NZ member