

The early months of the year gave retailers reasons to be cheerful. Retailers who were able to ride out the disappointing 2025 were buoyed by positive sales and consumer confidence trending upward. Unsurprisingly, a turbulent March where fuel prices went through the roof, has scuppered what was shaping up to be a good quarter, with both business and consumer confidence dropping significantly.

Uncertainty is now the trending mood. The ongoing situation in Iran has hobbled the optimism that was only just beginning to creep back into the economy. Ultimately, such a brief window of good news early in the year was not enough to fill the tank; many retailers have been running on empty since the Covid-19 pandemic, operating from a low base with very little in the way of a financial buffer.

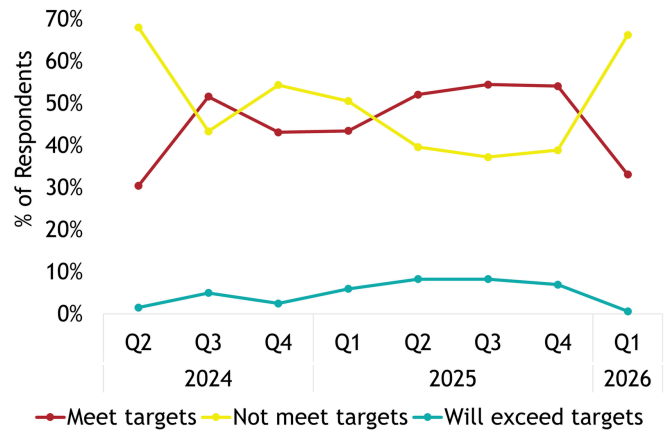
Confidence in business survival

Each quarter we ask our members how confident they feel about the survival of their business over the next 12 months. The majority (61%) of Retail Radar respondents claim to be confident of surviving, but the number answering "Really not sure - could go either way" is the highest it's been in over two years (29%). On a positive note, 51% say they were able to meet their targets from January to March 2026.

Sales target expectations

Looking forward, however, retailers are overwhelmingly sceptical that this positive trend will continue (Fig 1). Just 33% of those surveyed think they'll meet targets next quarter, with a significant 66% of respondents predicting they will not meet their targets - a level we've not seen since Q2 2024. Less than 1% estimate they will exceed targets. It is clear the rising cost of fuel, and in particular diesel, is squeezing already tight margins, with lower consumer confidence and discretionary spending impacting sales and profitability.

Fig 1: How do you expect your business to track against your targets over the next three months?

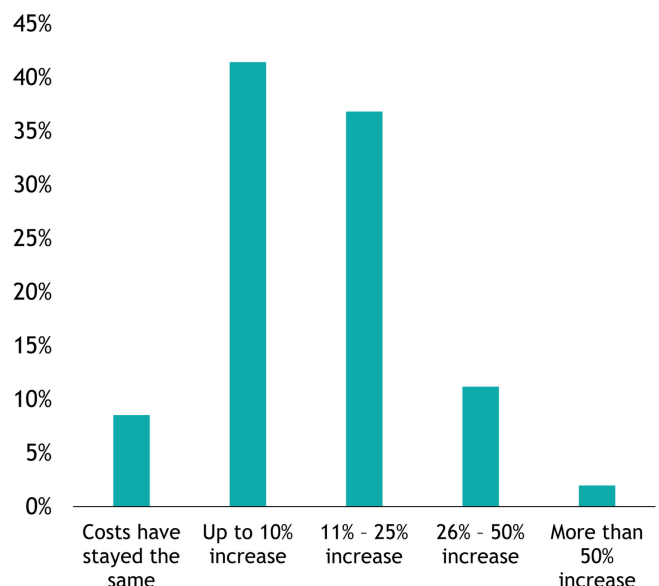


Impacts of fuel on retail

We asked members to tell us what was worrying them most in the coming months and unsurprisingly, freight costs have become a major concern for retailers, with 79% citing it as a worry, however, this still lags behind inflation and cost of living - both of which trouble 85% of respondents. These concerns are well-founded as the inflationary impacts of the Iran war are likely to be felt in the months ahead, not only through direct freight costs, but also other overheads, such as waste removal or the rising price of plastic packaging.

48% of retailers in the survey told us they have seen an increase in freight costs of between 11-50% this quarter (fig 2).

Fig 2: Compared to this time last year by roughly what percentage have your total freight costs increased?



Retailers tell us they will mitigate these price rises in a number of ways:

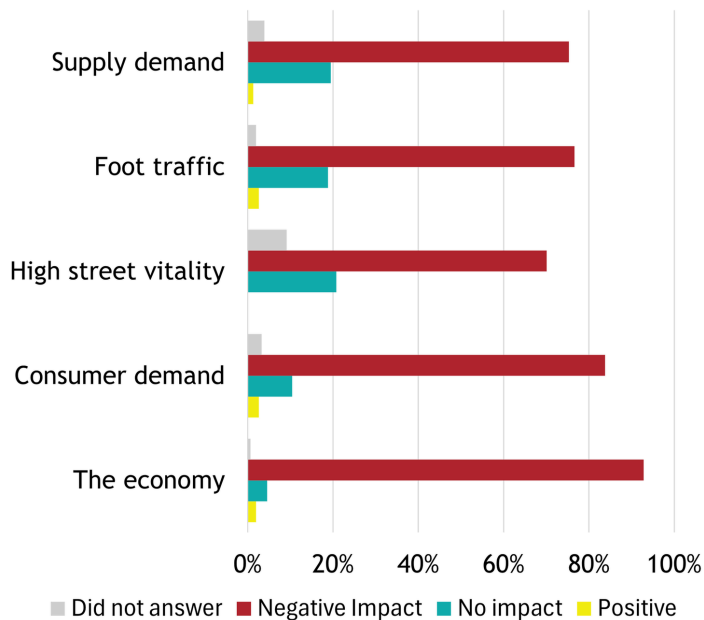
- 53% plan to put up their prices
- 49% intend to absorb what they can
- 18% are considering reducing staff hours
- 16% plan to cut back on some business offerings

The challenges that come with a potential fuel shortage would certainly be felt by retailers. We asked members to describe the impact of the Middle East conflict on five retail-specific issues (Fig 3).

Overwhelmingly, respondents are most concerned about the broader economy (92.9%) and are worried that increased pressure on consumer budgets will reduce demand (83.8%). However, the responses clearly demonstrate that retailers are concerned the knock-on effects of the conflict and fuel shortages will be wide-ranging and harm Kiwi businesses right across the board.

“Most of our customers are on a limited budget. As fuel prices rise, customers have a choice between their spending on fuel or on our products.”- Retail NZ member.

Fig 3: What impact do you believe the ongoing Middle East conflict will have on the following over the next six months?



‘Working from home’ impact on foot traffic

Since the conflict with Iran began in March, there have been strong messages for consumers to reduce fuel consumption. The ongoing tensions and potential escalation of the current situation may lead to a reduction in the number of workers heading into the office each day, in an effort to make those cutbacks. Retailers in town centres rely on the commuter economy to stay afloat and our survey bears this out, with many reporting they were worried about a reduction in foot traffic.

In our survey, retailers told us loud and clear that they are looking for support with fuel costs from Government. Here are some of the anonymous comments left by survey respondents as to what action they feel can be taken to help:

“Reduce taxes on fuel immediately and pause RUC (Road User Charge) for 12 months”

“Help freight companies with cost of fuel.”

“Encourage people to shop local, and not buy off-shore to protect our local economy.”

However, this sentiment was balanced somewhat by concern that any ‘hand-outs’ to businesses now will come back to bite the economy down the track.

A number of respondents called for Government to champion Buy Local campaigns to support Kiwi businesses, and take action against offshore giants like Temu.

The overall mood is weary but determined. As one owner put it, they need the Government to “act like a Government” and “say something positive... make it seem like our glass is half full, not half empty.”

“Small businesses are the backbone of New Zealand’s economy — yet with the weight of these growing costs... many are being pushed to a breaking point.”- Retail NZ member.



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