Retail RADAR

A Fragile Lift in Retail Confidence

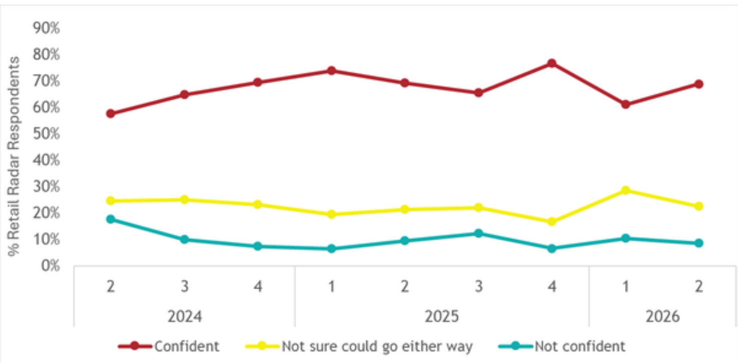
A quarterly report to 30 June 2026

Retail NZ

After a turbulent start to the year, retailers are cautiously exhaling. The instability that followed the Middle East conflict rattled both business and consumer confidence through the first quarter, but as the immediate shock has eased, so too has some of the anxiety that came with it. That said, the underlying economy remains tough. Electronic Card Transaction data for June showed actual core retail growth of just 0.4% year-on-year. With inflation at 4.1%, that's a real-terms contraction. Growth in consumables remains consistently positive, although below inflation, while other sectors remain unsettled. Apparel, for example has declined every month since March – a sharp reversal from what had been shaping up as its best run in years. The Reserve Bank lifted the OCR to 2.50% on 8 July, acknowledging the recovery had lost momentum through the quarter, a sign that, even as acute pressures like freight and fuel ease, households are still pulling back wherever they can.

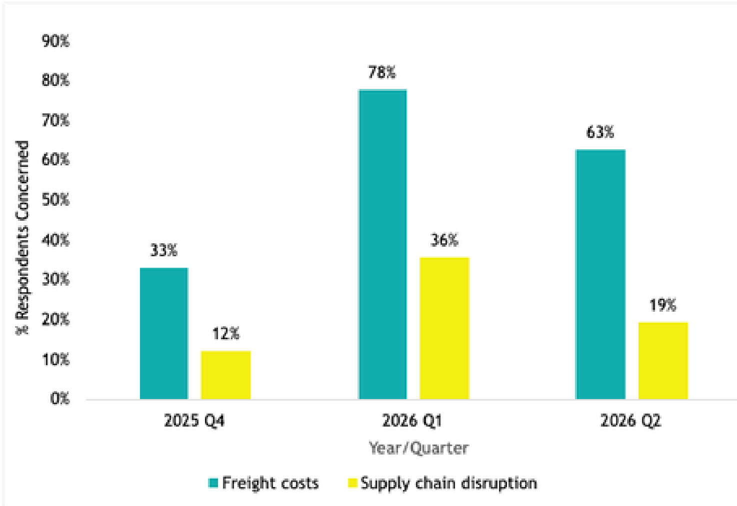
It's against this backdrop that our members' confidence is telling an interesting story of its own. Retailer confidence has bounced back slightly this quarter. After uncertainty peaked in March, Q2 2026 (surveyed in early July 2026) saw a return to something like normal, with confidence climbing from 61% to 69% and the "really not sure" cohort shrinking from 29% to 22%.

Fig 1. How confident are you that your retail business will survive the next 12 months?



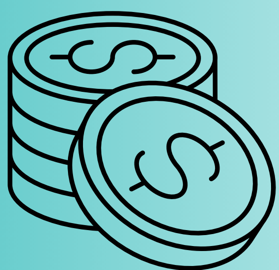
The timing lines up with a notable shift in what's worrying retailers. Each quarter we ask retailers what the biggest issues impacting their business are. Concerns about freight costs and supply chain disruption both spiked sharply in Q1 2026. At the time of the survey, tension in the Middle East seemed to be easing, and the proportion of retailers reporting freight costs and supply chain disruption as primary concerns dropped back slightly from their Q1 peaks to 63% and 19% respectively (Fig 2). At the time of writing, fighting between Iran and the US has resumed and this no doubt has retailers nervous.

Fig 2. In Q1 freight costs and supply chain disruption were big concerns, this dropped back in Q2.



In addition to fuel-related concerns, retailers once again reported cost of living to be the dominant worry by some margin (81%), continuing a trend we've seen for the past two years. We're also seeing a steady decline in concern around credit and debit card fees, down to 23% from a peak of 53% in Q3 2025. This follows December's fee changes and more recent noise from Parliament that the proposed surcharge ban has been kicked into touch for the foreseeable.

ISSUES HAVING THE BIGGEST IMPACT ON BUSINESS:

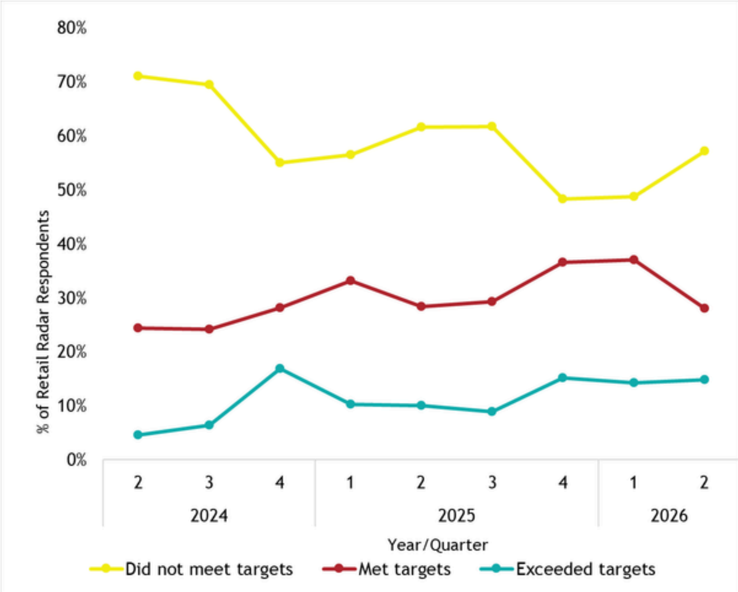


81%	Inflation/cost of living
63%	Freight costs
35%	Lease costs/rent increases
34%	Insurance cost
29%	Wage increases

Looking back at how the first quarter actually played out, the pessimism retailers expressed at the end of Q1 appears to have been justified (Fig 3). Performance weakened as consumers continued to pull back, with 57% of respondents saying they did not meet targets. However, viewed alongside results back to Q2 2024, the quarter looks less like a dramatic collapse, and more like a return to the weaker trading conditions seen through 2025. In other words, retailers were right to expect pain, but the outcome was a dip back to familiar territory rather than the severe downturn some may have feared.

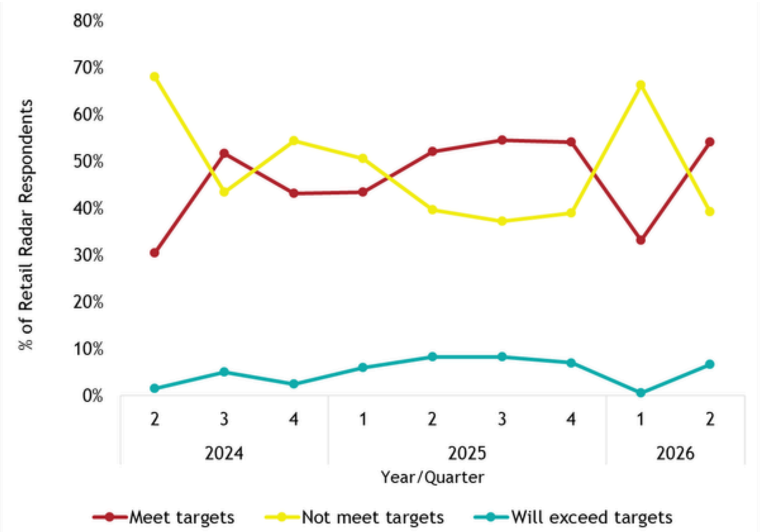
Retail NZ

Fig 3. Looking back over the past three months, how did your business track against your targets?



Retailers' expectations for the quarter ahead have swung just as sharply. At the tail end of Q1, 66% of retailers were expecting a poor quarter ahead. When asked in July, the majority of retailers (61%) felt they would meet or exceed targets, a return to levels reported in 2024 and 2025.

Fig 4. How do you expect your business to track against your targets over the next three months?



Buy Now Pay Later

Earlier in the year, Consumer NZ published a series of reports on how Buy Now Pay Later (BNPL) is affecting shoppers. But while there has been growing attention on the consumer impacts of BNPL, there has been far less focus on what it means for the businesses that offer it. We wanted to help fill that gap by asking retailers how BNPL is affecting their costs, customer behaviour, and overall business performance.

It's clear that BNPL is no longer a niche checkout option, with almost half (47%) of those surveyed accepting BNPL options such as Afterpay. Retailers told us that BNPL is now commonplace across almost the full range of purchases, from sub-$20 impulse buys through to items in excess of $1,000.

> "[People] will use it whenever they can. That's how 1/3 of our customers shop"

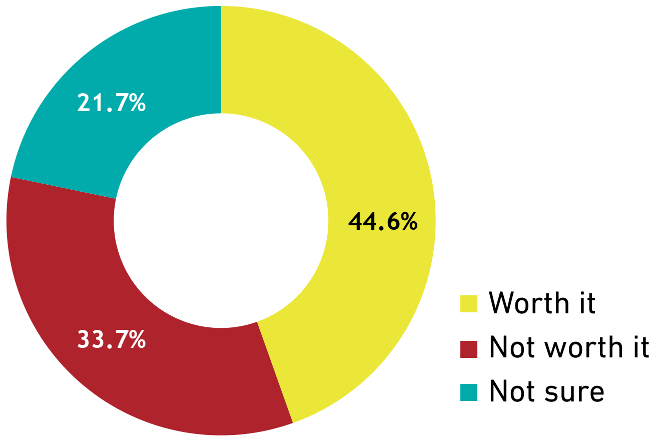
A significant portion of those surveyed observed customers (particularly younger or lower-income demographics) using BNPL as a daily payment method or credit card alternative, rather than just for large, planned purchases.

> "[BNPL is] being used by many in place of credit cards. [The] demographic is younger, and lower income people. They buy the same items as our other customers...We are seeing growth in the number of people choosing Afterpay when buying from us online."

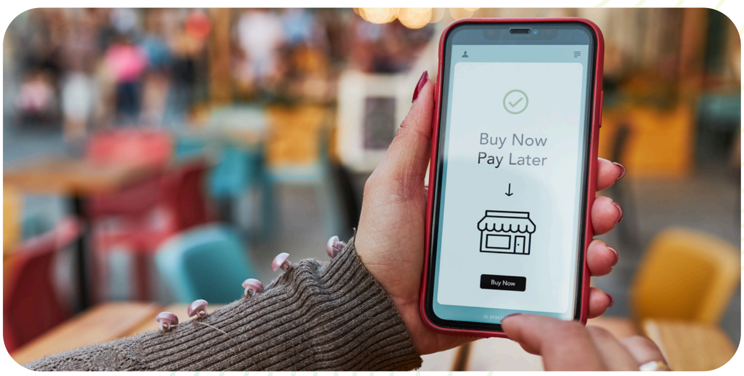
Some store owners noted that BNPL made it more likely a customer would purchase an extra item they might not have otherwise. However, the majority of retailers accepting BNPL (55.9%) haven't noticed any difference in overall basket size.

With this in mind and given that BNPL fees are significantly higher (~6%) than credit card fees (2% - 3.5%), the jury is still out on whether retailers think accepting BNPL payment options is worth it. In our survey, 44.6% believed offering BNLP was worth it, 33.7% believed it wasn't worth it, and 21.7% said they were not sure (Fig 5.).

Fig 5. Overall, do you think the benefits from offering BNPL are worth the cost?



When we asked what safeguards should be in place to make sure a customer can actually afford to buy something on BNPL, most retailers strongly agree that affordability checks and risk management sit solely with the BNPL providers or the consumers themselves (54.2%). Retailers supporting stronger safeguards (35.4%) call for strict credit limits, mandatory income checks, and automated holds on new purchases if previous instalments are overdue.



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

Got questions? Email us at research@retail.kiwi

Retail NZ