

Retail sector the “real winner” after drawn Lions series

- The retail sector had a bumper June quarter.
- With the Lions Tour and World Masters Games leading much of the surge.
- Meanwhile, spending growth is continuing at a moderate pace in annual terms.

Summary

The All Blacks and the Lions drew the much-anticipated 2017 Lions tour series. Some would call this the “right result”, while others might label a drawn series as “boring.”

Turns out the real winner from the Lions series was the retail sector. Indeed, retail spending surged over the quarter, and surged in the categories where you’d expect Lions fans (and World Masters athletes) to have an effect. Namely, the accommodation, food and beverages services (read restaurants and pubs) and liquor retailing categories all saw spending growth leap higher over the quarter.

While noisy and jersey-clad Lions fans grabbed most people’s attention, **more under-stated World Masters Games athletes and their partners may have had a similarly large impact on spending earlier in the quarter.** After all, more international athletes descended on Auckland in late April than descended on Rio for the 2016 Olympic Games.

All up, both events have proved a boon for the retailers over the quarter.

Detail

Retail trade spending growth surged 2.0% over Q2, exceeding expectations. The result was well above the market’s and ASB’s forecasts of 0.7% and 1.2%, respectively. Core retail spending was also strong, jumping 2.1%.

The Lions tour and the World Masters games accounted for much of the spending boost over the quarter. In particular, the accommodation (up 7.8%), food and beverage services (up 6.0%) and liquor retailing (4.2%) components led the way over the quarter.

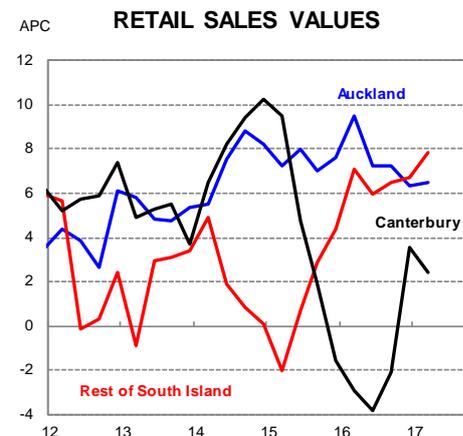
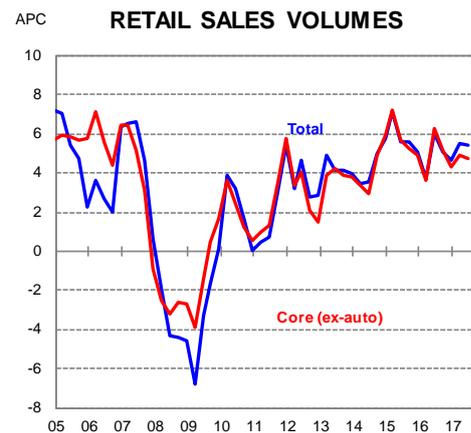
Looking at spending in the regions, **Auckland unsurprisingly led the way.** Indeed with two Lions games (the Blues and the 1st Lions test) combined with the World Masters Games over the quarter, spending values jumped 2.7% over the quarter. Meanwhile, spending in the Canterbury region continues to be soft compared to other regions, with spending falling 0.8% over Q2. The rest of the South Island fared better, seeing a healthy 2.6% spending lift as Lions and Masters Games visitors headed for tourist centres such as Queenstown.

The strength over the quarter was also broad based. 12 of the 15 categories recorded rises over the quarter. **On an annual basis, growth remains similar to last quarter, with total volume spending growth running at 5.5% and core spending at 4.7%.**

Meanwhile, **retail trade inflation softened over the quarter in line with the fall in general inflation.** Specifically, the annual figure dipped from 1.9% last quarter to 1.2% for Q2.

Implications

Looking through the Lions Tour and Master Games-related surge over Q2, **we expect moderate spending growth over the next year.** Specifically, we expect improving dairy incomes and the purchasing power boost from lower petrol prices to translate into higher spending over the remainder of 2017. However, we expect housing sector-related spending growth to remain modest on the back of the quiet housing market.



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