GLOBAL SHOPPER TRENDS REPORT

Q2 2016
Bringing you the latest consumer behaviour trends from across the globe
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This latest edition of our Global Shopper Trends Report will provide retailers and shopping centres with granular and highly accurate insight into consumer activity across the world.

In Q2, APAC retail traffic dropped to -1.3% as confidence was affected by continued fluctuations in the Chinese economy’s recovery, uncertainty in the European market, as well as the yuan experiencing record lows and the rise in the yen’s value.

In contrast, European footfall saw a much smaller decline of -0.7% during the second quarter. This is partly the result of Europe's best performing economies seeing falls in unemployment and increasing wages, which had a positive effect on consumer spending. However, consumer and business confidence is cautious as concerns mount over the future effect of the UK's withdrawal from the EU.
During Q2 2016, footfall declined by an average of -1.3% across the Asia-Pacific region, with a significant fall in Chinese retail traffic growth.

India and Australia were once again at the bottom of the footfall league table, but the effect on retailers and shopping centres in the countries was not so marked due to Indian price inflation and Australians' spending savings, boosted by high house-prices. In Hong Kong and Japan, while consumer traffic fell less markedly, retail sales declined for a second quarter, reflecting ongoing spending reluctance among consumers.

Despite reporting the strongest footfall growth in the region, China continued to experience a decline compared to its previous quarterly performance. After a promising start to the year, China’s growth continued at a slow rate, with a +5.1% rise in consumer traffic during Q2. The government remains hopeful that fiscal planning will have an ongoing stabilising effect. However, in terms of sales, the country saw only a small decline, and retailers still experienced 9.8% increases Year-on-Year.

China’s growth appears to be slowing, with only a +5.1% rise in consumer traffic during Q2.
China’s economic growth dropped to a 7-year low of 6.6% during the second quarter of 2016, compared with 6.7% in Q1

As a result, analysts from Reuters and UBS amongst others are warning that efforts to move the economy away from factories and exports is causing continued fluctuations in growth.

For the retail industry, footfall was up by +5.1% Year-on-Year for the second quarter of 2016, which translated into a small boost for the retail sector. However, the industrial sector performed below analyst expectations, and private investment has sharply declined. Retail sales growth grew slightly in June to 10.6% Year-on-Year from 10.0% in May, while industrial production remained stalled in the first quarter at a 6% increase Year-on-Year. Growth in China’s fixed-asset investment slipped below 10% for the first time since 2000, despite efforts from the government to boost the economy.

Retail businesses across Asia will be worried that the uncertain economic outlook is likely to further weaken the yuan, which recently sunk to a 5-and-a-half-year low. While the Chinese government has emphasised that growth is stable, in the coming months retailers and manufacturers are likely to face a number of external forces. Exports will experience pressure from global uncertainties, including the Brexit decision in the UK, while China’s authorities are preparing for a possible U.S. Federal Reserve interest rate increase.
The outlook for the retail sector in Hong Kong remained unchanged in Q2 from the first quarter of the year.

Footfall fell by -0.9% Year-on-Year, while retail sales declined by 8.4%.

Despite increased tourist numbers resulting in strong sales growth across the three-day national holiday, Golden Week, sales in May fell sharply. As a result, the Hong Kong Retail Management Association is predicting double-digit decline for the first half of this year.

Retail’s poor performance has hit the luxury sector particularly hard. Jewellery sales plunged 18.7%, while department stores and apparel sales declined 5.9% and 5.7% respectively. This indicates that many of Hong Kong’s retail problems stem from an overreliance on tourism, and with continued uncertainty in China and Japan, this situation is not likely to change in the short-term.
JAPAN

Year-on-Year footfall decreased by -1.8% in the second quarter of 2016

Sales at department stores in Japan fell 3.8% Year-on-Year in April, and then by 5.4% in May, as consumers hold their nerve in hope of deflating prices.

As a result, Japan’s anticipated consumption tax hike – from 8% to 10% – due in April 2017 has been pushed back to October 2019. While a strong yen and weakening global demand continue to present growth problems, it is hoped that the postponement of this sales tax increase will boost the Japanese economy next year.

Retail sales saw a 14-month low in May

Footfall Year-on-Year

* Footfall Year-on-Year
Following stalling retail traffic in Q1, footfall in India has unexpectedly declined by -3.6% in the second quarter.

After only 0.1% growth in the first quarter, retail sales in India increased in May by 6.5% Month-on-Month, however these figures are still down on the previous year.

Despite efforts from the central bank to bring retail inflation down to 4% by March 2018, India’s retail inflation rose for the second straight month in May, due to a sharp spike in food prices. As a result retail sales may not improve in the latter half of the year.

The government has announced a new rule to encourage foreign retailers and investment. It is offering a three-year exemption for non-Indian retailers from a law which requires businesses to locally source 30% of their goods sold in brand owned stores. This reform will help retailers like Ikea and Apple, which are planning launches in the country. In addition, India has been lobbying Apple and its partner Foxconn to begin domestic manufacturing.
AUSTRALIA

Retail footfall saw a significant decrease of -4.5% in Q2

In the same period, retail sales growth stayed at 4% Year-on-Year, with the three months averaging only 0.1% Month-on-Month growth.

As these results indicate, the Australian economic outlook remains challenging for retail businesses.

Digging deeper, the slowdown in growth is a symptom of stalling wage increases, which had previously been masked by interest rate cuts, the most recent of which was put in place by the Reserve Bank in May. The effect of wages on retail growth has also been hidden by consumers spending their savings, boosted by continued improvement in housing prices. As a result, there is likely to be a decline in retail growth over the second half of the year.
After slight growth in the first quarter, European footfall declined -0.7% Year-on-Year during Q2 2016.

Only Switzerland, Spain and Poland showed growth in retail traffic, while Germany fell unexpectedly to the bottom of the league table. Switzerland saw a surprise return to footfall growth as consumer confidence rose, partly due to a strengthening labour market.

It will come as no surprise that the UK saw footfall and consumer confidence decline as the country braced itself for the EU referendum. While the pound has regained much of the value it lost following the leave vote, overall there is uncertainty among retail businesses across Europe as to what the long term effects will be.

As a result, over the next year, the Eurozone economy is predicted to see heightened volatility in financial markets and lower confidence levels. With the UK’s position unclear, potential barriers to trade and a projected slowdown in growth will likely be felt across the continent.
Defying expectations, Switzerland topped the footfall league table for Q2 2016

Retail traffic grew +1.8% in the first quarter. However, retail sales remained down Year-on-Year, with April seeing a 2.2% decline and May a 1.6% dip.

Over the second quarter of 2016, Swiss consumer confidence fell to -15. While the views towards personal finance are stable, a fall in savings has contributed to the lack of confidence.

Looking forward, any growth in the Swiss economy is expected to be the result of increased consumption expenditure from private households and investments in construction and equipment.

“While retailers and shopping centres are always happy to hear that footfall has risen, it will come as no surprise that sales are still down compared to the previous year. Despite very tentative signs of improvement, the strength of the Franc continues to drive shoppers to neighbouring countries to make big ticket purchases.”

Thomas Hillebrand
FootFall's Regional Director, CEE

* Footfall Year-on-Year
**SPAIN**

During Q2 2016, Spain once again saw Europe’s second highest growth in footfall, with retail traffic rising +1.1%

However this was down -0.7% on the previous quarter.

Despite hopes that June elections would ease the situation, the ongoing political deadlock is thought to be the cause of lower retail growth during the second quarter. In May, retail trade expanded by just 2.8% Year-on-Year, down from a 6.4% rise in April. Month-on-Month sales declined 0.9%, the first drop for six months.

However, there are positive signs including expanding gross domestic product, continued growth in the jobs market, and high tourism figures. For retailers and shopping centres, this is hopeful news, as a rise in employment could precipitate higher personal spending.

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**POLAND**

While footfall only increased by +0.2% over Q2 2016, retail in Poland performed strongly

Retail sales in Poland increased by 2.2% Year-on-Year in May.

Increasing confidence in the labour market and unemployment falling every month since January are both promising signs for sustained growth.

In August, Poland will introduce a new retail sales tax affecting larger retailers. The tax will be imposed on income from retail sales above the monthly PLN 17 million threshold. As a result, the new regulations may cause the level of rents in the market to change with retailers being less attracted to larger stores.

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* Footfall Year-on-Year
Europe

Overall retailers are hopeful that 2016 will see a better outlook than the previous year, encouraged by low inflation and tax reform. However, since spring, Austria has seen a steady increase in unemployment, which may affect consumer spending in the longer term.

Following low consumer confidence throughout 2015, the first half of 2016 saw significant increases. In June it grew dramatically to -3 from -18 in the previous month. It is currently at its highest point in two years, and households have noticed an improvement in their financial situation and savings.

AUSTRIA

Austrian footfall in Q2 was static at 0.0% Year-on-Year

In the same period retail sales were buoyant, rising 0.9% on the year in April, and by 2.2% in May.

ITALY

Footfall in Italy declined by -0.3% during Q2; there was a sharp and accelerated reduction in sales in Italy across the three months to June

However, June saw the largest fall in sales for two and a half years.

This raises concerns that recent tentative signs of economic recovery were short lived. In addition, unemployment rose in June for the fourth month in a row.

For Italian retailers, this means that only 5% were able to surpass their sales targets; inventories rose, and retailers were forced to reduce their spending on goods, which will have a knock-on effect on manufacturing. June saw the most marked drop off in buying since August 2014.*

* Footfall Year-on-Year
PORTUGAL

Portuguese footfall volumes saw a slight -0.5% decline in the second quarter of 2016

However, retail proved resilient. Sales rose 2.9% in April, against an average of 1.4% in the Eurozone, while May saw an increase of 1.2%.

Overall projections for Portugal's economy are positive, presenting retailers and shopping centres with a bright future. Annual average growth of gross domestic product is expected to be 1.3% in 2016, which means consumer prices are likely to gradually rise.

It is hoped that private consumption should grow robustly in 2016 as the country has seen employment increase, as well as the potential for a rise in minimum wage in the State Budget for 2016.
Europe

REPUBLIC OF IRELAND

In Q2, Irish retail performed strongly

Retail sales values increased by 3.7% in the year to the end of May, while sales volumes have increased 6.6% in the last 12 months.

However, the country saw an unexpected -1.2% decline in footfall for the second quarter of the year, perhaps due to the sharpest increase in ecommerce spending recorded to date.

For retailers and shopping centres in Ireland, despite a booming sector, there are worries about whether Brexit and the slump in sterling will impact sales growth. Internally, analysts expect spending to continue to rise, driven by ultra-low deposit-interest rates and increased disposable income.

“... consumer confidence declined sharply. The slowing growth in retail sales have been widely attributed to the uncertainty around Brexit and political instability following the February general election. However, retail did see a slight upturn in June, pointing to a more positive Q3.”

Steve Richardson
FootFall's Regional Director, UK & Ireland

FootFall

For further information connect with Steve Richardson on LinkedIn

* Footfall Year-on-Year
Despite the -1.9% decline in French retail footfall, there are positive signs of continued recovery.

Back-to-back increases in sales were recorded for the first time in two years and employment rose.

While tourism in general helps boost French retail businesses during the summer months, Euro 2016 may have had an impact in reducing footfall. France is thought to have had as many as 2.5m foreign football fans descend upon the country for the tournament, boosting spending in hotels and bars. But the success of the home team may have kept sports lovers away from stores.

Overall, retailers and shopping centres in France can expect continued retail sales growth in the second half of 2016. Economic growth is projected to reach 1.4% this year and 1.5% in 2017, with tax cuts for businesses and persistently low interest rates, good news for retail businesses. Employment is likely to rise again in response to new hiring subsidies, leading to a gradual fall in unemployment.

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<th>Economic Growth Projection</th>
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Europe

**UNITED KINGDOM**

**The UK’s footfall dropped by -2.2% Year-on-Year during Q2**

This is a significant decline compared to the first quarter of the year.

However, the outlook for retailers and shopping centres is positive, as sales remained resilient.

The retail industry will need to weather economic uncertainty in the second half of 2016, though with political deadlock around the EU referendum results and the fluctuations in the values of the pound likely to substantially affect retail performance. Following the leave decision, consumer confidence saw its sharpest fall in 20 years. Post referendum research showed 60% of consumers expected the general economic situation to worsen in the next 12 months, with 33% expecting prices to rise rapidly.

“Despite the fall in the pound, the time it takes for any input price increases to translate into higher shop prices will depend on a combination of factors including further changes in the pound, commodity prices and the challenge for retailers to move pricing given the intensity of competition. So, there won’t be any instant shocks as any changes would take time to feed through.”

Helen Dickinson OBE - Chief Executive, British Retail Consortium

**GERMANY**

**Germany fell to the bottom of the footfall league table this quarter**

Year-on-Year traffic declined by -6.2%, matched by slow growth in retail sales.

The Federal Statistics Office reported that retail sales declined 0.3% Month-on-Month in April, and then grew by only 0.9% in May. Overall Germany retail sales saw a continued slowdown in Q2, following an equally lacklustre Q1.

However, the good news for retailers and shopping centres is that German consumer spending power is currently at a record high, with unemployment unchanged at 6.1%, the lowest since German reunification in 1990. In addition, at the end of June, German consumer confidence reached its highest levels in 12 months, 10.1 points.
FootFall

About the Global Shopper Trends Report

All retail traffic figures used in this report are original insights from FootFall, the leading global retail intelligence service.

We believe it is not enough to collect data on consumer trends. We analyse the influences behind those trends so that retail organisations can deliver actionable change.

To find out more about how economic, social, cultural and political events are impacting your region, visit our online trends centre. This hub includes FootFall’s Global Retail Traffic Index, which provides a barometer of international shopper confidence.

We also offer the technology and consultancy to help retailers and shopping centres unlock the potential revealed in this data. We’ll support you with recommendations and action plans for tangible performance improvement, from pilot project through to full retail intelligence solution deployment.

To find out how FootFall can improve your profits visit www.footfall.com

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FootFall: know your customers inside and out to increase profitability

FootFall, the retail intelligence company, works with retailers and shopping centres around the world to provide actionable insight into customer behaviour, which delivers increased revenue and improved profitability.

Part of Tyco Retail Solutions, we provide 3D data for clear cut decisions. By analysing the most relevant mix of metrics from both store and online behaviour - including customer numbers, queues, sales, marketing and other key performance data - we can identify the widest range of profit drivers.

More than 1200 retail businesses across 64 countries partner with FootFall for long-term retail intelligence.

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