COVID-19 and Navigating the Path Ahead

NEW ZEALAND’S NEW NORMAL UNDER LEVEL 1

June 18, 2020
NZ Current Economic Backdrop
Challenging Economic Backdrop

- **POPULATION**
  - Total: 5M!
  - Expect Low Levels of Migration

- **GDP GROWTH**
  - Annual Change: -1.6%
  - Forecast Jun-YR: -4.6-10%
  - Recessionary Mindset

- **INFLATION**
  - Total Annual YOY: +2.5%
  - Food Annual: +3.3%
  - Rising Costs: Housing and Food

- **LABOUR**
  - Unemployment: 4.2%
  - Forecast Jun-QTR: 9-11%
  - Unemployment to Surpass GFC

- **CONFIDENCE**
  - Consumer: 97.3
  - Business: -41.8
  - Low Confidence Matching GFC

Source: Stats NZ; Reserve Bank of New Zealand; Roy Morgan/ANZ, ANZ Research, Treasury
Deep-Rooted Economic Concerns Due to COVID-19 Will Likely Alter Direction of Trends, Giving Rise to a More Cautious Approach to Consumption

Economic Concerns & Social Frustrations

Despite New Zealand succeeding in smashing the COVID-19 curve, deep rooted concerns prevail, particularly about long-term economic ramifications.

Vulnerability from Loss of Income

Current personal finances are a concern for Kiwis but we are more optimistic than AU. 45% of HHs have been income compromised and over half have seen hours reduced.

Inhibited Spend in Short and Long-Term

A majority of HHs are not maintaining regular spending, and just 1-in-5 expect spending habits to resume when the economy improves. Just over 31% anticipate their finances improving in the next year.

Heightened Price Sensitivity

Consumers report a stronger focus on finding the best deal at a time one-quarter report experiencing grocery affordability challenges. Shoppers are sensitive to perceived price rises and are adjusting what they buy (private label/larger packs).

Source: IRI analysis
COVID-19 in NZ
Restrictions & Numbers
"WE ARE DEEPLY CONCERNED BOTH BY THE ALARMING LEVELS OF SPREAD AND SEVERITY, AND BY THE ALARMING LEVELS OF INACTION"

Tedros Adhanom Ghebreyesus
– WHO Director General
NZ Implemented a 4-Level Alert System With Specific Measures to Be Taken Against COVID-19 at Each Level

ALERT LEVEL 4 – LOCKDOWN

Thursday 26 March 2020

Risk Assessment
- Disease is not contained
- Community transmission is occurring, widespread outbreaks and new clusters

Measures/Restrictions
- Instructed to stay at home, within immediate household bubble other than for ‘essential’ personal movement, follow physical distancing guidelines of 2 meters
- Safe recreational activity is allowed, restricted to local area
- Travel severely limited, gatherings cancelled, public venues closed, schools and education facilities closed, businesses closed except for essential services (ie, supermarkets, pharmacies, clinics, dairies, petrol stations and lifeline utilities)

ALERT LEVEL 3 – RESTRICT

Tuesday 28 April 2020

Risk Assessment
- Community transmission might be happening
- New clusters may emerge but can be controlled through testing and contact tracing

Measures/Restrictions
- Instructed to stay home within immediate household bubble other than for ‘essential’ personal movement (including work or school with limited capacity). Bubbles can be extended to include close family/caregivers but must remain exclusive.
- Physical distancing of 2 meters when out in public and 1 meter distancing in controlled environments like workplaces. People must work from home where possible
- Businesses can open premises, but cannot physically interact with customers. Public venues closed. Healthcare services use virtual/non-contact consultations where possible
- Inter-regional travel limited to essential workers

ALERT LEVEL 2 – REDUCE

Thursday 14 May 2020

Risk Assessment
- Household transmission could be occurring
- Single or isolated cluster outbreaks

Measures/Restrictions
- Limited restrictions on personal movements, gatherings of up to 100, able to go shopping, travel domestically, schools and early learning centers open
- Physical distancing of 2 meters when out in public and 1 meter distancing in controlled environments like workplaces
- Businesses can open to public if they adhere to physical distancing and record keeping guidelines
- Limit of 100 in a defined public space

ALERT LEVEL 1 – PREPARE

Tuesday 9 June 2020

Risk Assessment
- COVID-19 is uncontrolled overseas
- Isolated household transmission could be occurring in NZ

Measures/Restrictions
- Border entry measures to minimise risk of importing COVID-19 cases
- Intensive testing for COVID-19, Rapid contact tracing of any positive cases and Self-isolation and quarantine required
- No restrictions on personal movement, gatherings, domestic transport, workplaces or schools – but recommend maintaining records to enable contact tracing
- Recommend staying home if sick and reporting flu-like symptoms

Source: uniteforrecovery.govt.nz

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“THIS WILL REQUIRE ALL OUR EFFORTS AND I STRONGLY URGE ALL NEW ZEALANDERS TO PLAY THEIR PART”

Ashley Bloomfield
– Director-General of Health
New Zealand Timeline

31 Jan  COVID-19 declared as a ‘notifiable disease’ under the Health Act
28 Feb  NZ first case reported
9 Mar   COVID-19 declared a ‘quarantinable disease’, enabled epidemic notices to be issued if sick passengers at the border needed to be quarantined
14 Mar  Border controls; anyone coming into New Zealand to self-isolate for 14 days
19 Mar  New Zealand’s borders closed, except for Kiwis returning home, and mass gatherings were restricted to 100 indoors and 500 outdoors
21 Mar  A four-tiered alert level system is introduced, NZ officially at alert level 2
23 Mar  NZ moves to level 3
26 Mar  NZ moves to level 4 for a month-long lockdown of the whole country – apart from essential services
29 Mar  First death from COVID-19 recorded in the country
28 Apr  4 weeks and 5 days of strict lockdown, NZ levels down to Level 3 (2 weeks and 2 days)
14 May  Move to Level 2, domestic travel open (3 weeks and 5 days)
22 May  The last NZ COVID-19 case to be notified
8 Jun   Final day of Level 2, last remaining COVID-19 case reported as recovered
9 Jun   All domestic restrictions have been lifted, NZ moves to level 1
15 Jun  NZ enjoys over 3 weeks with no new cases
16 Jun  NZ has 2 cases from overseas, bringing NZ’s total cases to 1,506

Source: Stickybeak Insight – Nationally Representative COVID-19 Survey, n=562
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“Here in New Zealand we went hard and early with a single plan that had a dual purpose – to protect lives and livelihoods.”

– Jacinda Ardern
Prime Minister of New Zealand

How NZ Compares to the Rest of the World

Government Response Stringency Index (0 to 100, 100 = strictest)

Source: bsg.ox.ac.uk
The Majority of Kiwis Felt Positive About the Governments Response to COVID-19

Overall Government’s response to COVID-19

49% of Kiwis are ‘very’ or ‘somewhat concerned’ about the duration of lockdown

81% of Kiwis feel that the timing of moving down to Alert Level 1 was ‘about right’


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## Kiwis’ Efforts Helped Beat the Virus…

### Total COVID-19 Cases

<table>
<thead>
<tr>
<th>Date</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 Feb</td>
<td>0</td>
</tr>
<tr>
<td>1 Mar</td>
<td>0</td>
</tr>
<tr>
<td>15 Mar</td>
<td>0</td>
</tr>
<tr>
<td>29 Mar</td>
<td>0</td>
</tr>
<tr>
<td>12 Apr</td>
<td>0</td>
</tr>
<tr>
<td>26 Apr</td>
<td>0</td>
</tr>
<tr>
<td>10 May</td>
<td>0</td>
</tr>
<tr>
<td>24 May</td>
<td>0</td>
</tr>
<tr>
<td>22 May</td>
<td>22</td>
</tr>
<tr>
<td>27 May</td>
<td>0</td>
</tr>
<tr>
<td>07 June</td>
<td>0</td>
</tr>
</tbody>
</table>

**Control dates**
- 16 Mar 2020 (BR): Border restrictions, compulsory self-isolation following travel, cruise ship restrictions
- 21 Mar 2020 (L2): Alert Level 2 - Reduce
- 23 Mar 2020 (L3): Alert Level 3 - Restrict
- 25 Mar 2020 (L4): Alert Level 4 - Lockdown
- 28 Apr 2020 (L3): Alert Level 3 - Restrict
- 14 May 2020 (L2): Alert Level 2 - Reduce
- 9 Jun 2020 (L1): Alert Level 1 - Prepare

**Source:** nzcoviddashboard.esr.cri.nz

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**THE LAST NZ COVID-19 CASE TO BE NOTIFIED**

**MAY 2020**
…and New Zealand Flat-Lined

Cumulative COVID-19 Cases

Control dates
- 16 Mar 2020 (BR): Border restrictions, compulsory self-isolation following travel, cruise ship restrictions
- 21 Mar 2020 (L2): Alert Level 2 - Reduce
- 23 Mar 2020 (L3): Alert Level 3 - Restrict
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- 28 Apr 2020 (L3): Alert Level 3 - Restrict
- 14 May 2020 (L2): Alert Level 2 - Reduce
- 9 Jun 2020 (L1): Alert Level 1 - Prepare

Source: nzcoviddashboard.esr.cri.nz
NZ Had Recovered… Or So We Thought

THURSDAY
18
JUNE 2020

Global cases: 8,391,416
Global deaths: 450,436
Global Recoveries: 52%

NZ Rank: (Total Cases per million population) #118

MONDAY
15
JUNE 2020

24 days without cases
1,504 total cases
1,482 recovered
0 active cases
22 deaths

TUESDAY
16
JUNE 2020

2 new cases

Source: covid19map.co.nz, worldometers.info
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NZ ‘Levels Down’ & Restrictions Ease
Level 4 Emptied the Streets as Kiwis Were Confined to Their Homes

Auckland’s northern motorway
Mangere, Auckland
Cathedral Square, Christchurch
Devonport ferry terminal, Auckland
Ellerslie, Auckland
Wellington

Source: Images from RNZ
Level 3 – Effectively Level 4 With Takeaways + ‘Click & Collect’

Covid 19 coronavirus: Queues at McDonald’s drive-thru as Kiwis wake to level 3

Coronavirus: Images show Kiwis crammed outside takeaway outlets on the first day of alert level 3
Level 2 Welcomed Back Some ‘Normality’

Covid 19 coronavirus: Day 1, level 2 sees Kiwis cautiously creep out of lockdown, flock to hairdressers

New Zealand has eased its coronavirus restrictions back into Alert Level 2.

Shops have opened their doors but many are not as busy as they might have hoped on the first morning of Alert Level 2. Video / Supplied

More than a dozen Aucklanders were waiting patiently in line on the North Shore’s Birkhead Avenue to get a fresh haircut early today. Video / Brett Phibbs

Source: Images from RNZ
Level 1 Marked the Victory of a COVID-19-Free NZ

The sparkle is back to Auckland’s CBD: Commercial Bay’s opening excites shoppers and retailers

More than 200,000 people have visited the downtown Auckland shopping centre in just four days

I walked around Commercial Bay until my legs were sore.

What that says about my stamina I’m not sure, but it’s a testament to the sheer size of the $3 billion precinct picked for the Queen St building.

Eden Park in Auckland, saw the biggest Super Rugby crowd for a Blues home game since 2005

As 43,000 flock to Eden Park, is Covid-free NZ the freest place on the planet?

Tuesday 9 June 2020
Activity Across New Zealand is Returning to Pre-Lockdown Levels

Traffic flows were at or near 2019 levels at the end of the Level 2 period. The additional dips in the graph are due to Easter, ANZAC day, and Queen’s Birthday.

Traffic Flows in Main Centres

Source: NZTA

400k people returned to work when NZ moved to alert level 3

Source: treasury.govt.nz
As We Are Out And About More

New Zealand 12 June 2020 - COVID-19 Community Mobility Report

Retail and recreation
-9% compared to baseline

Supermarket and pharmacy
-7% compared to baseline

Parks
-45% compared to baseline

Mobility trends for places such as restaurants, cafés, shopping centres, theme parks, museums, libraries and cinemas.

Public transport
-36% compared to baseline

Mobility trends for places that are public transport hubs, such as underground, bus and train stations.

Workplaces
+0% compared to baseline

Mobility trends for places of work.

Residential
+7% compared to baseline

Mobility trends for places of residence.

Source: Google Mobility
Flights Lift Off Again

Source:: stats.govt.nz, flightradar24

Covid 19 coronavirus: Lowest number of arrivals to NZ since 1960s

Source:: stats.govt.nz, flightradar24

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Go NZ: Kiwis rushing to holiday hot spots, but how long will it last?

By: Ben Leahy
Ben Leahy is a reporter for the New Zealand Herald
Ben.Leahy@nzherald.co.nz
Consumer and Business Confidence Slowly Recovers

62% of Kiwis believe the economic impact will last more than 12 months

94% of Kiwis are ‘concerned’ about the NZ economy

28% of Kiwis expect their financial situation to be worse off next year

Source:: IRI COVID-19 Shopper Survey NZ April 2020, stats.govt.nz
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However, **Unemployment Expected to Rise Significantly, Compromising Kiwis’ Financial Position**

Percentage of the Estimated Working-Age Population Receiving Jobseeker Support

- **45%** of employed Kiwis have seen income compromised by COVID-19.
- There have been over 45,000 new Jobseeker recipients since 20 March.
- Over 1.6 million individuals are now being covered by the wage subsidy, and over $11 billion has been paid out.

Source: IRI COVID-19 Shopper Survey NZ April 2020, treasury.govt.nz, stats.govt.nz
But Some Jobseeker Growth Has Returned

18% TEMPORARILY LAID OFF

5% PERMANENTLY LAID OFF

Source: IRI COVID-19 Shopper Survey NZ April 2020, stats.govt.nz
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Retail Spending Bounces Back

19% of Kiwis agree with the statement “When the economy improves, I am going back to my old spending habits.”

Retail spending jumped $2.3b in May as shoppers returned to stores.

Source: IRI COVID-19 Shopper Survey NZ April 2020, paymark.co.nz, treasury.govt.nz
In the First Week of Level 1, Prepackaged Grocery Channel Continues to See Growth Levels Ahead of 2019 (Heading into GFC Territory)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2019</th>
<th>YTD 2020</th>
<th>Latest Week to 14th June [Level 1]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail (core industries)</td>
<td>+5.6%</td>
<td>+0.3%</td>
<td>+2.4%</td>
<td>+4.4%</td>
<td></td>
<td>+5.3% [Mar 2020 QTR]</td>
</tr>
<tr>
<td>Prepackaged Grocery</td>
<td>+4.0%</td>
<td>+6.5%</td>
<td>+7.0%</td>
<td>+4.0%</td>
<td>+14.6%</td>
<td>+5.3%</td>
</tr>
<tr>
<td>Prepackaged Grocery FOOD</td>
<td>+4.8%</td>
<td>+8.4%</td>
<td>+7.7%</td>
<td>+4.5%</td>
<td>+16.1%</td>
<td>+7.2%</td>
</tr>
<tr>
<td>Prepackaged Grocery NON-FOOD</td>
<td>+2.0%</td>
<td>+1.9%</td>
<td>+5.3%</td>
<td>+2.2%</td>
<td>+10.1%</td>
<td>-0.3%</td>
</tr>
</tbody>
</table>

Source: Statistics NZ, IRI Market Edge Grocery Data
‘Leveling’ Down Impact of NZ Prepackaged Grocery
Essential Channels Experienced **Mixed Fortunes** During Lockdown

% Growth by Dollars vs. YA / Total Store Sales by Channel / Weekly Growth Change

Source: IRI MarketEdge NZ, Grocery data to 14/06/2020, Pharmacy data to 17/05/20 & Route 2YRT Projected (Defined Sample) to 07/06/20

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Timeline of Events – Weekly Pre-Packaged Grocery Sales

First case announced in Wuhan, China

New Zealand announced first Case of COVID-19 on February 28, 2020

WHO declares COVID-19 a public health emergency (January 30, 2020)

WHO declares COVID-19 a pandemic (March 12, 2020)

COVID-19 alert level increased to 2 – reduce contact on March 21, 2020

NZ Gov’t announced tighter travel restrictions on March 13, 2020

Level 4 ‘Lockdown’

Level 3 ‘Restrict’

Level 2 ‘Reduce’

Level 1 ‘Prepare’

Source: IRI Market Edge NZ Grocery Data

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COVID-19 Shakes Up NZ Grocery Retail

% Growth by Dollars and Units vs. YA / Total Pre-Packaged Grocery

<table>
<thead>
<tr>
<th>Year</th>
<th>Dollars 000 Growth % YA</th>
<th>Units 000 Growth % YA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 2007</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Year 2008</td>
<td>6.5%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Year 2009</td>
<td>7.0%</td>
<td>19.8%</td>
</tr>
<tr>
<td>Year 2019</td>
<td>3.2%</td>
<td>11.8%</td>
</tr>
<tr>
<td>To YTD 14/06/20</td>
<td>8.6%</td>
<td>43.9%</td>
</tr>
<tr>
<td>Pre-Lockdown [2wks to 22/03/20]</td>
<td>13.0%</td>
<td>41.9%</td>
</tr>
<tr>
<td>Level 4 'LOCKDOWN' [5wks to 26/04/20]</td>
<td>18.7%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Level 3 'RESTRICT' [2wks to 10/05/20]</td>
<td>7.7%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Level 2 'REDUCE' [4wks to 07/06/20]</td>
<td>0.2%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Level 1 'PREPARE' [Rolling from 14/06/20 to current]</td>
<td>-1.1%</td>
<td>-1.1%</td>
</tr>
</tbody>
</table>

Source: IRI Market Edge NZ Grocery Data

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Prepackaged Grocery Value Growth Begins to Soften as NZ ‘Levels Down’

% Growth by Units and Dollars vs. YA / Total Pre-Packaged Grocery / Weekly Growth Change

Source: IRI Market Edge NZ Grocery Data

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What’s Happened Inside NZ Supermarkets?

% Growth by Dollars vs. YA / Total Pre-Packaged Grocery / Food vs. Non-Food

Source: IRI Market Edge NZ Grocery Data

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How Are **Food and Non-Food** Performing?

% Growth by Dollars vs. YA / Total Pre-Packaged Grocery / Food vs. Non-Food / Weekly Growth Change

Source: IRI Market Edge NZ Grocery Data

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All Food Departments Experienced Accelerated Growth YTD Compared to 2019

% Growth by Dollars vs. YA / Total Pre-Packaged Grocery Food Departments

- Year 2019
- Pre-Lockdown [2wks to 22/03/20]
- Level 2 ‘REDUCE’ [4wks to 07/06/20]
- Level 4 ‘LOCKDOWN’ [5wks to 26/04/20]
- Level 1 ‘PREPARE’ [Rolling from 14/06/20 to current]

Source: IRI Market Edge NZ Grocery Data

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Baby Only Non-Food Department to See an Accelerated Rate of Decline Compared to 2019

% Growth by Dollars vs. YA / Total Pre-Packaged Grocery Non-Food Departments

<table>
<thead>
<tr>
<th>Department</th>
<th>Year 2019</th>
<th>Pre-Lockdown</th>
<th>Level 1 'PREPARE'</th>
<th>Level 2 'REDUCE'</th>
<th>Level 3 'RESTRICT'</th>
<th>Level 4 'LOCKDOWN'</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Baby</td>
<td>-3.3%</td>
<td>-13.4%</td>
<td>-1.2%</td>
<td>-8.4%</td>
<td>-14.6%</td>
<td>-11.2%</td>
</tr>
<tr>
<td>Total General Merchandise</td>
<td>-3.2%</td>
<td>1.0%</td>
<td>16.3%</td>
<td>17.4%</td>
<td>17.4%</td>
<td>20.9%</td>
</tr>
<tr>
<td>Total Household</td>
<td>7.0%</td>
<td>10.6%</td>
<td>18.0%</td>
<td>27.3%</td>
<td>25.0%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Total Paper Products</td>
<td>-1.4%</td>
<td>-0.7%</td>
<td>4.8%</td>
<td>6.7%</td>
<td>15.0%</td>
<td>16.6%</td>
</tr>
<tr>
<td>Total Personal Care</td>
<td>2.5%</td>
<td>-7.1%</td>
<td>5.9%</td>
<td>11.4%</td>
<td>16.1%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Total Pet</td>
<td>2.9%</td>
<td>-5.2%</td>
<td>1.4%</td>
<td>11.7%</td>
<td>16.2%</td>
<td>11.7%</td>
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<tr>
<td>Total Tobacco</td>
<td>3.8%</td>
<td>-3.9%</td>
<td>-0.3%</td>
<td>-3.8%</td>
<td>4.7%</td>
<td>9.3%</td>
</tr>
</tbody>
</table>

Source: IRI Market Edge NZ Grocery Data
In NZ Buying Behaviour Has Undertaken a Metamorphosis

What We Saw as We Entered and Exited Lockdown –
Prepackaged Grocery Top 20 % Value Growth Categories vs. Year Ago

<table>
<thead>
<tr>
<th>[Pre-Lockdown - 2wks to 22/03/20]</th>
<th>[LOCKDOWN Level 4 - 5wks to 26/04/20]</th>
<th>[RESTRICT Level 3 - 2wks to 10/05/20]</th>
<th>[RESTRICT Level 2 - 4wks to 07/06/20]</th>
<th>[PREPARE Level 1 - 1wk to 14/06/20]</th>
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</thead>
<tbody>
<tr>
<td>Canned Meals</td>
<td>Toys</td>
<td>Toys</td>
<td>Vouchers</td>
<td>Frozen Meat</td>
</tr>
<tr>
<td>Canned Soup</td>
<td>Gardening</td>
<td>Stationery</td>
<td>Frozen Meat</td>
<td>Vouchers</td>
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<tr>
<td>Disinfectants</td>
<td>Stationery</td>
<td>Fashion Access</td>
<td>Kitchenware</td>
<td>Plasticware</td>
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<td>Rubber Gloves</td>
<td>Rubber Gloves</td>
<td>Gardening</td>
<td>Rubber Gloves</td>
<td>Coffee</td>
</tr>
<tr>
<td>Beans/Spag/Meals</td>
<td>Cider</td>
<td>Hardware/House</td>
<td>Apparel</td>
<td>Desserts</td>
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<tr>
<td>Analgesics</td>
<td>Canned Meals</td>
<td>Cider</td>
<td>Personal Wash</td>
<td>Nicotine</td>
</tr>
<tr>
<td>Respiratory Tract</td>
<td>Electrical</td>
<td>Kitchenware</td>
<td>Stationery</td>
<td>Kitchenware</td>
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<tr>
<td>Soup</td>
<td>Flour &amp; Mixes</td>
<td>Apparel</td>
<td>First Aid</td>
<td>Frozen Snacks</td>
</tr>
<tr>
<td>Dried Pasta</td>
<td>Frozen Meat</td>
<td>Manchester</td>
<td>Cider</td>
<td>Cider</td>
</tr>
<tr>
<td>Canned Meat</td>
<td>Hair Colourants</td>
<td>Vouchers</td>
<td>Canned Meals</td>
<td>Frozen Snacks</td>
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<tr>
<td>Rice</td>
<td>Cake Needs</td>
<td>Electrical</td>
<td>Candles</td>
<td>Hardware/House</td>
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<tr>
<td>Flour &amp; Mixes</td>
<td>Frozen Pizza</td>
<td>Candles</td>
<td>Cake Needs</td>
<td>Cake Needs</td>
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<td>Canned Vegetable</td>
<td>Kitchenware</td>
<td>Hair Removal</td>
<td>Frozen Meat</td>
<td>Gardening</td>
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<tr>
<td>Bleach</td>
<td>Frozen Pastry</td>
<td>Cosmetics Accessories</td>
<td>Cosmetic Accessories</td>
<td>Toys</td>
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<td>Toilet Tissue</td>
<td>Candles</td>
<td>Hair Removal</td>
<td>Nicotine</td>
<td>Cosmetics Accessories</td>
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<tr>
<td>Facial Tissue</td>
<td>Frozen Snacks</td>
<td>Ornamental</td>
<td>Nicotine</td>
<td>Fire Needs</td>
</tr>
<tr>
<td>Side Dishes</td>
<td>Hardware/House</td>
<td>Hardware/House</td>
<td>Nicotine</td>
<td>Stationery</td>
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<td>Personal Wash</td>
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<td>Haberdashery</td>
<td>Frozen Pastry</td>
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<tr>
<td>Dietary Supplements</td>
<td>Herbs &amp; Spices</td>
<td>Frozen Snacks</td>
<td>Asian Foods</td>
<td>Frozen Pastry</td>
</tr>
<tr>
<td>Household Cleaners</td>
<td>Hair Removal</td>
<td>Flour &amp; Mixes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: IRI Market Edge NZ Grocery Data
The Overall Outlook for the Rest of 2020 is Encouraging for Pre-Packaged Grocery

ACCELERATORS

- High unemployment/reduced pay, cautious spending and low confidence means we would expect spending to re-direct into Grocery and away from foodservice (eating out) and retail/salons
- Private label will be a key battleground and enjoy solid growth as shoppers look to more affordable solutions
- During lockdown Kiwis have created new habits and hobbies around food (cooking, baking) and non-food (grooming) focused on pre-packaged Grocery solutions
- New Zealanders have been re-introduced to centre aisle products while foodservice and salons have been closed
- In the new low-touch environment and the increase in online shopping trials during lockdown mean we expect to see online sales growth continue to be high
- Kiwis will be more conscious to support local brands

DECELERATORS

- Global and local uncertainty, ‘crisis of confidence’, unemployment/reduced pay will drive some shoppers to only buy ‘must have’ essential products
- Trading-down will be experienced as people switch to economy, basics or less frills segments
- Shoppers will look to buy larger, more economical bulk packs if possible, while some shoppers will only be able to afford smaller packs for immediate consumption
- Premiumisation will be negatively impacted where real value is not perceived
- Online sales growth will impact impulse categories
- Switching spend to more local/convenience stores as people avoid crowds and want to support local
Pricing / Affordability in the ‘New Normal’
### Inflation Expected to Drive Affordability Challenges, Similar to GFC

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2019</th>
<th>YTD 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CPI</strong> annual % change</td>
<td>+3.2% [Dec]</td>
<td>+3.4% [Dec]</td>
<td>+2.0% [Dec]</td>
<td>+1.9% [Dec]</td>
<td>+2.5% [Mar 20]</td>
</tr>
<tr>
<td><strong>FPI</strong> year-on-year % change (month)</td>
<td>+5.4%</td>
<td>+9.1%</td>
<td>+0.9%</td>
<td>+2.4%</td>
<td>+4.4% [Apr 20]</td>
</tr>
<tr>
<td><strong>Petrol Price</strong> (Average)</td>
<td>$1.56 +0.5%</td>
<td>$1.84 +17.7%</td>
<td>$1.61 -12.2%</td>
<td>$2.26 +2.0%</td>
<td>$2.00 [4wks to 07/06/20]</td>
</tr>
<tr>
<td><strong>Prepackaged Grocery</strong> (Price $/Unit)</td>
<td>+1.3%</td>
<td>+8.9%</td>
<td>+5.0%</td>
<td>+0.7%</td>
<td>+5.5% [YTD 14/06/20]</td>
</tr>
</tbody>
</table>

Inflation

- **CPI**
  - Annual % change:
    - 2007: +3.2% [Dec]
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  - YTD 2020: +5.5% [YTD 14/06/20]

**Source:** IRI COVID-19 Shopper Survey NZ April 2020, Statistics NZ, RBNZ, IRI Market Edge Grocery Data

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Kiwi Shoppers Are Highly Conditioned to Look for Value Cues

### Price Fixation
- 77% **Always compare prices** before choosing a product
- 61% **Say price is the most important factor** when purchasing a product

### Promotionally Loyal
- 78% **Actively look** for promotions or discounts
- 47% **Would buy a brand I wouldn’t normally**, if it is on promotion or discounted [2018]

Source: IRI NZ Grocery SOTI Survey 2019, IRI Market Edge NZ Grocery Data
Kiwis Making Deliberate Shopping Choices to Save Money and Have Gained More Appreciation for Private Label Brands During the COVID-19 Crisis

72% of Kiwis agree with the statement “my household looks for the best deal regardless of brand name”

Item price is the dominant driver of brand choice

[Ranked]

1. Item price
2. Previous usage and trust of the brands
3. Signs or displays in the store
4. Product label/packaging
5. Retailer catalogue

14% of Kiwis have been buying more Private Label products to save money

20% of Kiwis expect to buy more Private Label products to save money

Source: IRI COVID-19 Shopper Survey NZ April 2020

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Private Label Demand Surged During the GFC, Outpacing Branded
As We Are Already Seeing Play Out During COVID-19

% Growth by Dollars vs. YA / Pre-Packaged Grocery vs. Private Label vs. Branded

Source: IRI Market Edge NZ Grocery Data
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Final Thoughts

NZ Tackled COVID-19 Hard and Early
- A swift move to level 4 lockdown
- Boarder closures
- Benefited from our regional isolation
- Presumption that this leads to an earlier exit and faster recovery

Early Signs of Recovery at Level 1
- Kiwis’ ‘celebration’ expenditure significant
- Bars, restaurants enjoying good trade
- ‘Staycations’ boosting regional economies
- Rush to live sporting & cultural events

Full Economic Impact Yet to be Felt
- Q1 GDP down -1.6%, but only includes 1 week of lockdown
- A Tourism & Export based economy – Export recovering, international Tourism recovery a long way away
- Business restructuring still continuing

Will Australia’s more moderate approach win?
- Slight more liberal lockdown (similar to NZ level 3)
- AU Q1 GDP -0.3%
- Perception of a more active approach to re-igniting business
Insights and Strategic Guidance for Better Decisions

IRI’s Online Resources Include Real-Time Updates and Weekly Reports Which Track the Impact of the Virus on CPG and Retail

The IRI COVID-19 Impact
Includes COVID-19 impact analyses, dashboards and the latest thought leadership on supply chain, consumer behavior, channel shifts for the U.S. AND international markets

IRI CPG Economic Indicators Including the IRI CPG Demand Index™, IRI CPG Supply Index™ and IRI CPG Inflation Tracker™
Accessible through the insights portal to track the daily impact of COVID-19. This includes top selling and out-of-stock categories across the country and consumer sentiment on social media
The Latest COVID-19 Reports and Insights from IRI (click to see full report)

IRI COVID-19 IMPACT ASSESSMENT REPORTS

- Updates: CPG and Retail Impact of COVID-19
- Tracking the dramatic pivot of U.S. consumer and shopper behavior
- Consumer and shopper behavior: then and now
- Anticipating life after COVID-19

THE CHANGING SHAPE OF THE CPG DEMAND CURVE

- COVID-19 impact on CPG sales
- Changing shape of the CPG demand curve
- Changing shape of the CPG demand curve

LESSONS FROM THE GREAT RECESSION

- Special COVID-19 Series: Lessons from the Great Recession
- Part 1: How the Great Recession Reshaped the CPG Demand Curve
- Part 2: Maintaining pricing discipline during a recession
- Part 3: How big brands performed during the Great Recession
- Part 4: Recessionary lessons to apply to private label today
- Part 5: Building brands during recessionary times
- Part 6: Lessons from the great recession to apply today
The IRI CPG Demand Index™ provides a standard metric for tracking changes in spending on consumer packaged goods. It measures weekly changes in consumer purchases, by dollar sales, against the year-ago period across departments including fixed and random weight products, grocery aisles and retail formats. The IRI CPG Demand Index™ is available for eight U.S. regions and all U.S. states.
The IRI CPG Inflation Tracker™ provides the well-known price per unit metric for tracking changes in pricing of consumer packaged goods. It provides weekly changes in consumer prices, price per unit against the year-ago period across departments including fixed and random weight products, grocery aisles and retail formats. The IRI CPG Inflation Tracker™ is available for eight U.S. regions and all U.S. states.
IRI CPG Supply Index™

The IRI CPG Supply Index™ provides a standard metric for tracking changes in product availability (i.e. in-stock rates) in stores for consumer packaged goods. It measures weekly changes in product availability against the baseline across departments and retail formats. The IRI CPG Supply Index™ is available for eight U.S. regions and all U.S. states.
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