

California Apparel News

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INDUSTRY FOCUS: FINANCE

As Manufacturers, Retailers, Consumers Enter With Caution, What Will 2023 Bring?

Dorothy Crouch, Contributing Writer | Thursday, February 2, 2023

As inflation soared during 2022, speculation regarding an impending recession was rampant and consumers tightened their belts. Retailers hoped for a blockbuster holiday 2022 sales season to serve as an indicator of a healthier 2023, but projections missed the mark. Holiday 2022 sales totaled \$936.3 billion—a 5.3 percent increase over 2021—but couldn't reach the **National Retail Federation's** forecasted growth of between 6 and 8 percent.

Amid the Federal Reserve's .25 percentage point rate increase on Feb. 1 to between 4.5 percent and 4.75 percent, the U.S. central bank cautiously noted that inflation is slowly easing but emphasized significant challenges remain. With continued supply-chain issues, excess inventory, high customer-return rates and reduced consumer spending on goods, the apparel industry is facing additional challenges during the start of 2023. To prepare for the financial hurdles ahead, *California Apparel News* asked industry leaders: *With lackluster holiday 2022 sales signaling a slowdown in consumer spending on goods, what new challenges can the apparel industry expect, and how can businesses in this sector navigate the resulting economic hurdles?*



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During the second half of last year, apparel manufacturers were faced with supply-side challenges and high costs of containers to bring goods to the ports in Los Angeles and Long Beach, Calif. In 2023, last season's merchandise must be liquidated to provide cash flow to produce and deliver new merchandise. Gross profits will not be the primary concern for manufacturers; moving older inventory at any margin is their top priority.

Projections and business plans are essential, and staying on-plan is mandatory for your business to succeed. A projection should provide you with the roadmap to move old inventory and bring in fresh goods. Your accountants should be guiding you through this process as you will need someone to challenge your assumptions for reasonableness and feasibility.

A final suggestion: Review your overhead and especially your payroll costs. We discovered during the pandemic that most companies are able to work with fewer employees and still get the job done.