CALIFORNIA FASHION ASSOCIATION

The California Fashion Association (CFA) is focused on building a knowledge base to identify and meet the needs of the various constituents of the industry.

As Seen In: California Apparel News

Excerpted from: INDUSTRY FOCUS: FINANCE

August 25, 2022

"Financial Experts Weigh in on the Economy and Next Steps"

"Given the state of the economy, what do you recommend your apparel clients do between now and the end of 2022?"

Darrin Beer

Western Regional Manager
CIT Commercial Services

Throughout most of 2021, retailers took in product despite certain deliveries being late, as retailers needed goods on the floor to meet demand. This year purchases of apparel and other discretionary items have softened while retailers work through excess inventory. As a result of these high inventory levels, many apparel companies are facing deferred orders and cancellations.

In the current environment, companies with strong overseas supplier relations, or with local production capabilities, have been able to navigate these shifting inventory challenges better.

Sydnee Breuer

Executive Vice President
Western Regional Manager
Rosenthal & Rosenthal

Effectively managing inventory—which should always be a priority regardless of the environment—and keeping costs in check are both critical right now. At best, consumer demand is unpredictable and seems to be declining. Consumers with discretionary incomes choose to spend their dollars differently than they had been over the past two years.

While consumer spending hasn't quite bottomed out, with inflation still climbing and high freight costs—but at least seemingly stabilized—companies should be laser focused on cash-flow management.

Gino Clark

Executive Vice President and Managing Director
Los Angeles Region Manager
White Oak Commercial Finance, LLC

Manufacturers and importers may experience an uptick in dilution in the form of increased markdowns and allowances in certain categories as

retailers try to rebalance and manage their inventory levels. We expect this rebalancing to continue over the next six to nine months.

The best strategy to smooth out changing trends is to maintain a well-capitalized company and ensure you have access to credit lines to help bridge these fluctuations. During these times it is necessary to monitor each deduction to ensure it is consistent with the agreed-upon markdown money. I would expect we will see retailers and consumers return to more demand in 2023.

David M. Reza

Senior Vice President, Western Region
Milberg Factors

It is difficult to script any more of a downside scenario for apparel companies than what they have already been through over the past two years. Today's clothing companies have managed to survive the pandemic, staffing shortages, ever-changing health regulations, shifting sales channels, and unprecedented freight costs and delivery challenges

It is hard to suggest that apparel companies do anything other than what they have been doing for the past two years. This includes culling old and slow-moving inventory; managing purchasing to support confirmed orders and sourcing via proven suppliers and logistics resources; and doing everything possible to be prepared for the unexpected.

Kevin M. Sullivan

Senior Vice President, Regional Credit Manager
Commercial Services Group
Wells Fargo Capital Finance

The back half of 2022 has become very difficult to project. We continue to see inflation in the 9% range, but unemployment remains pretty low. Our economists do see a recession in early to mid-2023, although it's not likely to be a severe one.

Given the challenges in projecting how strong the economy will be, it makes good sense for companies only producing confirmed orders while seeking ways to reduce production-cycle times to better respond to whatever needs arise in the second half of this year

Read Full Article Here

California Fashion Association
578 Washington Blvd., Suite 827, Marina Del Rey, CA 90292 | Tel: 213 688 6288
email: info@calfashion.org | Website: www.californiafashionassociation.org