

# Nordstrom is the latest retailer to lower its outlook

## Article

**The news:** Nordstrom lowered its forecast for full-year sales to 5%-7%, which is down one percentage point from the 6%-8% range it announced just three months earlier.

- Nordstrom also trimmed its earnings-per-share forecast to \$2.45-\$2.75 down from \$3.38-\$3.68.

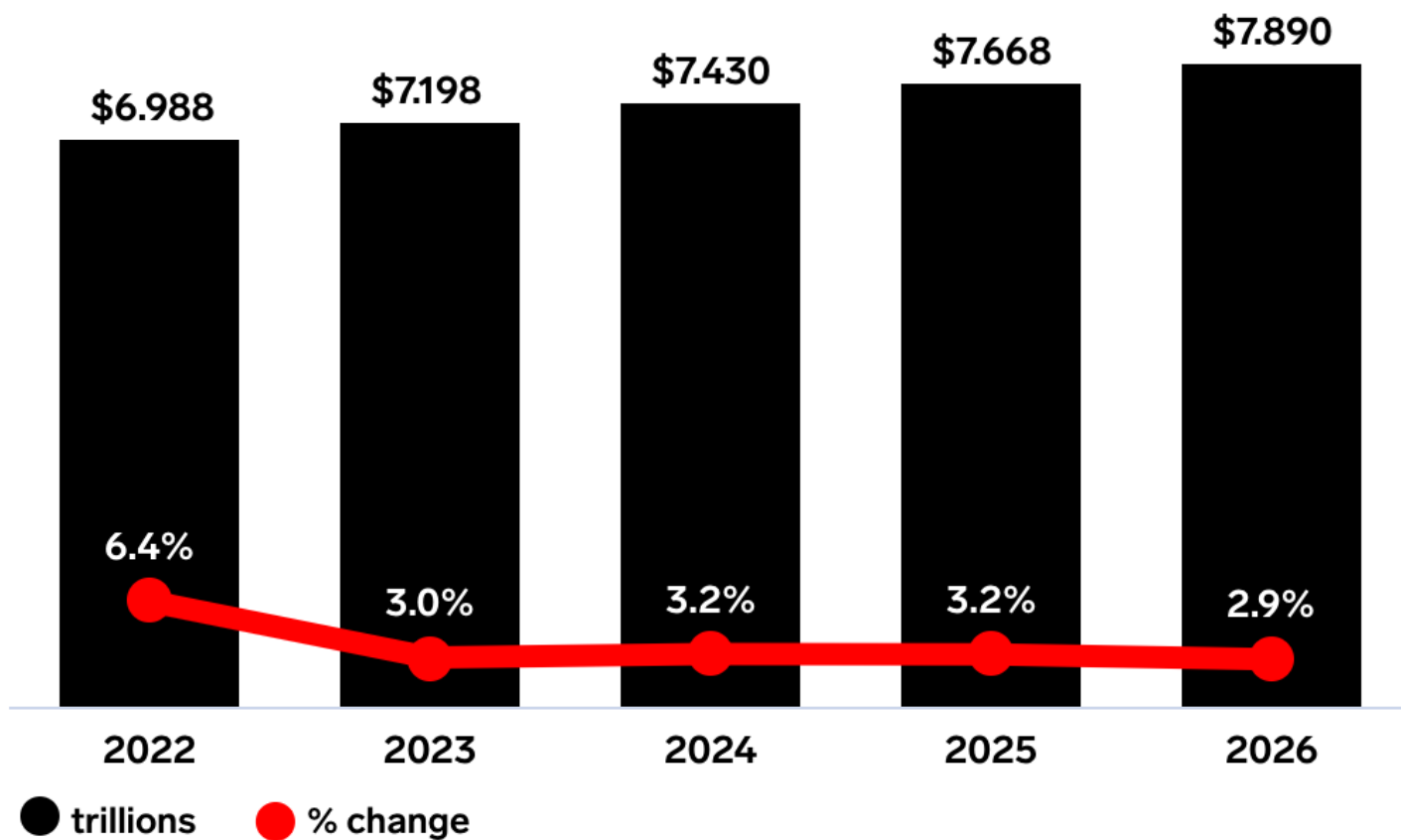
- While the retailer said during its Q1 earnings call that it did not anticipate macroeconomic pressures to adversely impact customer spending due to its affluent customer base, **demand began to soften in late June**, particularly at **Nordstrom Rack**, said CEO **Erik Nordstrom** during the retailer's latest earnings call.
- Compared to the first two months of the quarter, July sales decelerated 9 percentage points at Rack. The trend was particularly pronounced among lower-income consumers.

**It isn't just Nordstrom:** Nordstrom has plenty of company among retailers lowering expectations for the second half of the year.

- **Macy's** earlier this week lowered its outlook for the rest of 2022, noting that its inventory levels remain elevated as consumers shifted more discretionary spending to services.
- **Best Buy** cut its forecast for the rest of the year due to weakening demand for consumer electronics.
- Other higher-end retailers, including **Tapestry**, parent company of the **Coach** and **Kate Spade** brands, **Estée Lauder Companies**, and **Ralph Lauren Corp.** have also trimmed their outlooks or projected lower-than-expected growth in recent weeks due to the slowing Chinese economy and the strong US dollar, per Bloomberg.

## Retail Sales

US, 2022-2026



Source: eMarketer, June 2022

eMarketer | InsiderIntelligence.com

**Promising signs:** Despite Nordstrom and other retailers' reservations about the latter half of the year, there are a number of reasons to believe the holidays may not be so bleak.

- **Retail sales continue to rise.** Excluding gas and motor vehicle and parts sales, July retail sales grew 0.7% month-over-month (MoM), although the figures don't account for price increases.
- **Gas prices are falling.** The national average for a gallon of regular gas has dropped every single day since soaring to a record high of \$5.02 per gallon on June 14, per AAA. The national

average for regular gas dipped on Wednesday to \$3.88 a gallon, down from \$4.38 a month ago.

- **Consumer confidence is rising**, [according](#) to both the University of Michigan's consumer survey and the [Morning Consult/Axios Inequality Index](#). Notably, each component that makes up the University of Michigan survey's economic expectations index improved—particularly among low- and middle-income consumers for whom inflation is particularly salient.
- **The [global supply chain](#) is in its best position in several years** as multiple metrics that gauge both the time and cost of transporting items have recently moved in a promising direction.

**The big takeaway:** There's no question that the need to clear excess inventory will weigh down retailers like Nordstrom and Macy's in the latter half of the year. But there's plenty of reason for optimism: Nordstrom reported that its total sales rose 12% YoY in Q2, which shows that there are still plenty of consumers who are willing and eager to spend. And many economic indicators are pointing in a promising direction.

Yet after the abrupt slowdown in retail sales earlier this year, it makes sense for merchants to adopt a posture that allows them to underpromise and overdeliver.

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