

# Retailers combat global economic headwinds

## Article

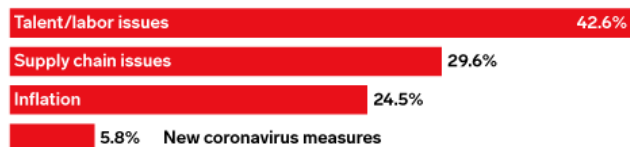


**The trend:** There are ample reasons for retailers to feel confident given that the **unemployment rate is near record low levels, workers' wages are rising, and corporate profit margins are approaching record highs.**

- Yet, at the same time, they're facing a **swirl of economic headwinds** from Russia's invasion of Ukraine, continued supply chain bottlenecks, and rising inflation that's limiting consumers' buying power.

## Potential Headwinds to Growth in 2022 According to US CMOs

% of respondents



Note: top 1 response out of a rank of 1 to 5  
Source: Chief Outsiders, "2022 CMO Survey," March 2022

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**More on this:** Economies around the world are struggling to fight back against the array of challenges before them.

- China's [zero-tolerance strategy](#) for combating COVID-19 has **dampened consumer spending** and **clogged up supply chains** due to shuttered factories, per The Wall Street Journal.
- Russia's invasion and the European Union's corresponding sanctions have resulted in **production halts and components shortages** for a number of suppliers and manufacturers, per Bloomberg.
- Sri Lankan garment manufacturers are **struggling to meet production targets** due to fuel shortages, power cuts, and rising costs as the island nation deals with its worst financial crisis in decades, per The Business of Fashion.

**The risk of recession:** The range of global challenges, along with the US Federal Reserve's attempts to combat rising inflation in the US, is **increasing the risk of recession**. **28%** of economists [surveyed by the Wall Street Journal](#) expect the US to be in recession some time in the next 12 months, a marked jump from 18% in January, and 13% a year ago.

- While there are a host of issues before **Levi's**—including many of its garments being manufactured in Sri Lanka—the company remains optimistic. It isn't seeing order cancellations by retailers, which is a strong indicator that retailers don't expect demand to slow, said CFO **Harmit Singh** on Yahoo Finance Presents.
- **General Mills** CEO **Jeff Harmening** said demand will continue to be greater than pre-pandemic levels for quite a while, during the company's recent earnings call.
- **Petco** CEO **Ron Coughlin** sees his industry as "resilient to inflation," because pet owners need to provide food and care to their charges regardless of rising costs.

**Why it matters:** Regardless of whether the US falls into a recession, an economic slowdown is likely.

- Retailers have a number of levers they can use to continue to engage shoppers in a challenging environment, including enabling consumers to purchase items in bulk, providing coupons or other price incentives, and/or private label or value brands or labels.
- The specific approach is less important than the objective—ensuring consumers don't abandon the retailer for another less expensive merchant.