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SIGNS OF TROUBLE IN THE LAP OF LUXURY

By RICHARD WILNER

October 1, 2007 -- The red-hot luxury retail sector is showing its first signs of a slowdown.

Upscale brands - Giorgio Armani, Hugo Boss, Gucci and Versace - are seeing orders or parts of orders put on hold by retailers nervous about the holiday shopping season, sources said.

"This is the first time I've heard these upper-end vendors getting any push back [on delivery] from retail," one person said.

The upscale brands were not yet seeing orders canceled, but delivery delays only weeks before the busy holiday season could be an ominous sign for the economy.

Until now, luxury goods have been immune to the mortgage meltdown and credit crunch. The Merrill Lynch Luxury & Lifestyle Index is up 11.7 percent this year.

Economists have said a recession would become likely should consumers, who comprise 70 percent of the spending in the U.S. economy, tighten their purse strings.

Last week, Target Corp., the bellwether for middle-class consumer spending, trimmed expectation for September amid a slowdown in sales. In addition, Escada, the Germany-based luxury goods manufacturer, last week trimmed its 2007 profit and sales forecast for the second time this year.

Neiman Marcus Group, the country's leading upscale retailer, with its flagship nameplate and its Bergdorf Goodman brand, refused to comment on specific orders, but said it's "always monitoring the trends and making appropriate adjustments."

"Stores this year are buying more conservatively and watching inventory closer than ever," said Steve Buxbaum of the Buxbaum Group, a retail consulting firm.

An Armani spokesperson said the company hasn't yet seen any delivery delays in its women's lines. The men's reps were at the Milan fashion show and unavailable for comment.

Hugo Boss did not return calls for comment. Versace and Gucci could not be reached for comment.

