Gap Inc on Thursday forecast 2022 earnings above estimates, betting on strong demand for its Old Navy and Athleta clothing brands as Americans return to offices and social events thanks to declining Omicron cases.

Shares of the apparel retailer jumped 7.2% to $15.67 in extended trading, as it also posted a smaller-than-expected loss for the fourth quarter.

Many apparel chains have struggled to keep up with rising demand though, as port congestion and tight capacity delay shipments.

Gap has had to use pricier air freight to bring in goods, and said its inventory at the end of the first quarter would rise in the mid-20s percentage range as it orders early to counter longer in-transit times.

"(Customers are) leaning into categories like dresses or new silhouettes and pants for back-to-work ... as well as denim with new leg shapes. It's a pretty radical change from last year," Chief Executive Sonia Syngal said on an earnings call.

Gap forecast fiscal 2022 adjusted earnings per share between $1.85 and $2.05, above Refinitiv IBES estimates of $1.86.

It also expects to benefit from tie-ups with Walmart to sell home goods and with rapper Kanye West to launch new styles.

The strong outlook contrasts those from rivals Abercrombie & Fitch and American Eagle Outfitters, which have warned of freight expenses pressuring their margins in the first half of 2022.

In the near term, Gap is not immune to the industry-wide supply snags either.

The Banana Republic parent, whose comparable sales growth in the quarter ended Jan. 29 missed estimates, indicated that sales pressure had continued into the current quarter.
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It projected net sales to fall in the mid- to high-single-digit percentage range, compared with estimates for a 3.8% decline.