Gap Inc on Thursday withdrew its annual forecasts as the apparel chain struggles to sell its outdated Old Navy items, while inventory builds up as red-hot inflation forces people to cut discretionary spending.

"Our elevated inventory and pressured margins are current realities against unsettled market conditions," Gap interim chief executive officer Bob Martin said.

Gap, which beat quarterly revenue estimates, said sales trends improved in July and August, coinciding with a drop in gas prices.

While higher prices of essentials have hit apparel demand, people have particularly been shunning activewear, fleece and other casual clothing as they increasingly venture out for social events, offices and travel.

The change in consumer choices led to a 13% decline in second-quarter sales at Gap's Old Navy brand.
The company's net loss stood at $49 million, or 13 cents per share, compared with a net profit of $258 million, or 67 cents per share, a year earlier.

Gap, which recorded an inventory impairment charge of $58 million, said stocks at the end of the second quarter were 37% higher from a year earlier.

Overall revenue of $3.86 billion topped estimates of $3.82 billion, according to IBES data from Refinitiv, buoyed by a 9% jump in sales at the Banana Republic division which sells suits, dresses and skirts.

Gap in May had forecast fiscal 2022 adjusted earnings per share between 30 cents and 60 cents and revenue to decline in low- to mid-single digit percentage.