US retail sales plunge as layoffs mount

Kate Randall
15 November 2008

Retail sales in the US fell 2.8 percent in October, the fourth straight monthly decline, the Commerce Department reported Friday. The decline was much worse than the 2.1 percent drop forecast by economists in a *Bloomberg News* survey.

Sales declined across virtually all sectors of the retail economy, with auto sales worst hit. Car dealerships and parts stores saw sales plunge 5.5 percent in October, following a 4.8 percent drop in September.

Retailers have now registered the longest string of monthly declines since the Commerce Department began compiling comparable data. Sales fell at furniture, electronics, clothing, sporting goods and department stores. Macy's Inc., Target Corp. and Gap Inc. all reported drops in sales. Only discount chain Wal-Mart reported an increase.

According to research company RetailMetrics, the retail industry is expected to see an overall earnings drop of 14 percent for the third calendar quarter. Excluding Wal-Mart, that figure is estimated to be sharply down, by 22 percent.

Richard Hastings, a consumer strategist at Global Hunter Securities, predicted a huge 6 to 8 percent drop in holiday retail sales this year, far bleaker than the modest 2.2 percent increase projected by the National Retail Federation.

More than half a million workers have been cut from payrolls in the past two months. Analysts predict that consumer spending will continue to falter as the job-cutting continues and US households run out of credit as home values fall and banks tighten access to mortgages, auto loans and credit cards.

Ellen Zentner, economist at Bank of Tokyo-Mitsubishi in New York, told *Bloomberg*, "The September-October credit jolt in the economy is showing up in all of the numbers now. We're expecting the worst recession, possibly, post-World War II."

Layoff announcements affecting tens of thousands of workers continued on Friday. **Citigroup** is cutting at least 10,000 jobs in its investment banking and other divisions globally. A Reuters report Friday afternoon said the figure could rise to as many as 35,000 jobs, or about 10 percent of the bank's global workforce.

In a company memo, CEO Vikram Pandit said he will host a "town hall" meeting for Citigroup employees at 8 a.m. Monday morning, New York time, at which he plans to discuss the bank's plans, including "the money we spend." According to the *Wall Street Journal*, Pandit has instructed managers to slash their budgets for employee compensation by at least 25 percent.

The new layoffs at Citigroup come on top of the 11,000 announced by the bank in the third quarter. The New York City-based bank employed approximately 352,000 workers at the end of the third quarter.

The *Wall Street Journal* also reported that Citigroup is notifying some credit card customers that their interest rates are being hiked by an average of 3 percent.

Sun Microsystems Inc. announced Friday it was cutting up to 6,000 jobs, citing falling demand for its high-end computer servers. Sun said it was cutting 15 to 18 percent of its global workforce to "align its cost model with the global economic climate."

The layoffs come two weeks after the Santa Clara, California-based company reported a quarterly net loss of $1.66 billion, compared to a net profit of $89 million a year earlier.

OfficeMax Inc. announced Thursday it is eliminating about 245 North American corporate staff and field management positions in an effort to save $20 million in operating costs. The job cuts at the Naperville, Illinois-based office supply store chain are in addition to 2,700 store management jobs cut in June.

Susquehanna Financial Group, the investment bank division of Susquehanna International Group (SIG), has shut down its Manhattan office and fired about 30 people, mostly bankers and research analysts. The Pennsylvania-based firm has more than 1,500 employees worldwide.

Eric Noll, SIG's global head of strategic relationships, pointed to the slump in biotech and healthcare stocks as the reason for the closure. "Earlier this week we changed the focus in our institutional business, he said. "We were trying to provide banking and research to a sector of the market that's been demolished."

Mutual fund seller **American Century Investments** will cut its workforce by 17 percent, or about 270 jobs. Most of the cuts will come at the company's Kansas City, Missouri headquarters.

American Century laid off 90 workers in May, mostly among those involved in direct selling to customers. CEO Jonathan Thomas had warned last month that more layoffs were coming due to the fall in the value of mutual funds in the equity markets.