Hundreds of Sears, Kmart stores to close

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Sears Holding, the fourth largest broadline retailer in North America, with over 4,000 full-time and specialty stores in the US and Canada, announced Tuesday it was closing 100 to 120 Sears and Kmart stores. Shares of Sears Holding fell 27.7 percent Tuesday and are down more than 50 percent from earlier in 2011.

The company did not disclose the number of jobs that would be destroyed, but warned that the closures would probably not be the last. “We will carefully evaluate store performance going forward,” said a Sears Holding statement, “and act opportunistically to recognize value from poor performing stores as circumstances allow. While our past practice has been to keep marginally performing stores open while we worked to improve their performance, we no longer believe that to be the appropriate action in this environment.”

Burt Flickinger III, managing director of Strategic Resource Group, suggested that another 5 to 10 percent of Sears and Kmart stores—200 to 400—might close, and blamed economic conditions, including lowered wages, and increased competition from online competitors. Sears has closed 171 of its large US stores since merging with Kmart in 2005.

Kmart and Sears stores sales were down a combined 5.2 percent for the eight weeks leading up to Christmas Day, 4.4 percent at Kmart and 6 percent at Sears.

Money.msn.com asked whether this was “the beginning of the end” for the retailer. Sears Holding, controlled by hedge fund manager Edward Lampert, has been “losing customers and bleeding red ink forever, and the past few months were no exception.… But more disturbing than the store closures is the context. Sears is losing money, and no profits are expected anytime soon. It makes you wonder if this really is just the beginning of the end for the once-iconic department store.” Sears Holding has lost money in five of the last six quarters, and in November 2011 the firm marked the 19th straight quarter of declining sales.

Even selling stores is not much of an option, according to Credit Suisse analyst Gary Baiter. “There is not enough value in the real estate to do much with,” Balter told *Business Week*. “Who is going to buy the stores? There are no buyers. There is no one growing in US retail.”

Final 2011 holiday sales for US retailers overall are expected to be flat or slightly lower than last year, when higher prices for goods, including clothing, are taken into account. Some retailers, such as Best Buy, have seen sales rise, but profits have suffered as a result of discounts and promotions needed to attract customers.

Bloomberg notes that, according to Christ Christopher, an IHS Global Insight economist, “sagging home prices and 8.6 percent unemployment continue to weigh on US consumers … ‘People are not doing that well. What’s happening with personal income and consumption is disheartening.’”

Personal spending increased only 0.1 percent in November, according to the US Commerce Department, while wages and salaries fell 0.1 percent from October.

Retail chains resorted to especially desperate measures, whose burden of course fell on overworked and underpaid employees, in an effort to counteract slowing sales or flat profits. Toys”R”Us, for example, kept nearly all its 600 stores open from December 20 to Christmas Eve, 112 consecutive hours. About half of Family Dollar’s 7,000 stores opened their doors on Christmas for the first time, from 10 a.m. to 3 p.m.

In other downsizing or layoff news, banker Morgan Stanley revealed Tuesday that 580 of 1,600 job cuts, which began December 15, would take place in New York City. The bank’s shares have fallen 44 percent this year. Bloomberg reports that financial firms have announced more than 200,000 job cuts in 2011.

Maryland-based RG Steel, the country's fourth-largest flat-rolled steelmaker, may be in the process of idling its Sparrows Point integrated sheet mill near Baltimore. Workers told the media that the plant, which employs 2,200, shut down suddenly December 23 as it struggled to pay bills and win back customers.

The *Baltimore Sun* reports that managers began meeting with workers December 22 telling them not to report to work this week. Managers told the employees that the mill's shutdown was "indefinite."

The *Sun* continues: "It is unclear how much of the plant will be shut down. The workers, who didn't want their names used in fear of retribution, said that the entire plant would close, including the tin, hot and cold mills. Also idled will be the blast furnace, which is used to extract and melt iron and is a primary part of the operation." The shutdown comes nine months after RG Steel purchased the mill from Severstal, a Russian company.

Steel has been made in Sparrows Point since 1889; in the middle of the last century, the mill was the largest in the world, employing tens of thousands.

The Economic Policy Institute pointed out December 20 that recent improvements in jobless figures, including the Bureau of Labor Statistics' announcement that 43 states witnessed a decline in unemployment rates in November, were in part due to discouragement on the part of the unemployed. The EPI notes that, "mirroring national trends reported earlier this month, unemployment rate reductions in several states (16 of the 43 states showing a decline in the unemployment rate) were in part a reflection of reduced state labor forces, as unemployed workers dropped out of the labor force."

The jobless rate in seven states and the District of Columbia remains at or above 10.0 percent (led by Nevada at 13.0 percent, California at 11.3 percent and the District of Columbia at 10.6 percent), while 15 states, plus D.C., have unemployment rates of 9.0 percent or higher. The Midwest region continues to lose jobs, 34,000 since August; Minnesota has lost 22,900 and Wisconsin 28,000 during that period.

The Chicago Fed National Activity Index showed that November economic activity slowed and the current level is below its historical trend. Industrial production declined 0.2 percent in November, and manufacturing production decreased 0.4 percent. The index is a composite of 85 monthly indicators.

Three-dozen private, corporate and academic economists, surveyed by the Associated Press (AP), recently predicted that the US economy would continue to stagnate in 2012. The economists forecast growth of 2.4 percent next year, as opposed to lower than 2 percent this year, but the unemployment rate "will barely fall from the current [official] 8.6 percent rate … by the time President Obama runs for re-election in November."

Even without new economic shocks, job creation will hardly stay ahead of population growth and the return of discouraged workers to the labor force in 2012. "I just don't know if it's going to be enough to bring the unemployment rate down," Chad Moutray, chief economist for the National Association of Manufacturers, told the AP.

In a further indication of the economic morass, 19 of 20 cities covered by the Standard & Poor's/Case-Shiller home price index showed decreases in October 2011 over the month before. Measured from their June-July 2006 high points, the declines for the 10-City Composite and 20-City Composite indices are 31.9 percent and 32.1 percent, respectively.

Average home prices in Atlanta, Cleveland, Detroit and Las Vegas are below their January 2000 levels, and Atlanta and Las Vegas posted new lows in October. Existing home sales rose nationally in November, but remain at a low annual rate of about 4 million, down from more than 7 million in 2005.