

US department store sales plunge, jobless claims rise

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Major US department store chains reported a further fall in sales and profits last week, reflecting the growth of recessionary trends in the real economy and the impact of declining living standards for broad sections of the US population.

Macy's, Kohl's, JCPenney and Dillards, all of which depend largely on mid- and lower-income customers for the bulk of their revenues, reported sharply lower figures for the first quarter of 2016 and did worse than analysts had predicted. Nordstrom, which targets a more affluent clientele, also reported poor results.

The dismal results sparked a sell-off of the firms' stocks. They followed a wave of store closings and mass layoffs in recent weeks by Macy's, the country's largest department store chain, and discount retailers Walmart and Sears/Kmart.

Macy's, which announced 41 store closings and thousands of job cuts in January, reported its worst quarterly sales since the recession that followed the 2008 Wall Street crash. It was its fifth straight quarterly sales decline and sparked the firm's biggest one-day stock price loss since 2008.

The company cut its sales forecast for the year to a decline of between 3 and 4 percent from an earlier estimate of a 1 percent drop and announced it would intensify its cost-cutting.

The clothing chain Gap said it was considering closing more stores after its sales continued to drop and Fitch Ratings cut its credit to junk bond status.

While the Commerce Department reported Friday that overall retail sales rose 1.3 percent in April, the biggest monthly increase in a year, the gain was driven mainly by sales of autos and gasoline, along with a boost in online shopping. Mall traffic has continued to slump as most consumers face an increasingly difficult struggle to make ends meet.

The slump in major chain store sales reflects the impact of a vast reordering of class relations in the US, accelerated in the aftermath of the 2008 financial crisis, that has benefited the rich and the super-rich and devastated large sections of the working population. The policies of the Obama administration, Congress and the Federal Reserve—flooding the financial markets with virtually free cash while imposing brutal cuts in social programs and wages—have facilitated a further growth of financial parasitism and speculation.

Corporate profits and CEO pay have soared not on the basis of productive investment, but rather through new forms of financial gambling and the inflation of stock prices. The result is a further growth of social inequality and a deepening of the crisis of the real economy.

As Harvard economist and former Treasury Secretary Lawrence Summers is quoted as saying in the current issue of *Bloomberg Businessweek*, “The United States right now has the lowest infrastructure investment rate that it has had since the Second World War.” The further decay of American capitalism and the country's social infrastructure is reflected in the fact that American workers' productivity is rising at the slowest five-year rate since 1982.

Global recessionary trends are finding expression in slowing job creation and an accelerating pace of layoffs in the US. Last week, the Labor Department reported that initial jobless claims in the week ending May 7 shot up by 20,000 from the previous week, hitting 294,000, the highest level in more than a year.

The employment report for April recorded the smallest increase in US payrolls in seven months and an actual decline in the labor market. This followed the dismal report on US economic growth for the first quarter of this year, which showed an increase in the

gross domestic product of a mere 0.5 percent, the slowest pace in two years.

In the first four months of 2016, US employers announced more than 250,000 job cuts, the highest January-April total since the depths of the economic crisis in 2009.

These indices, along with a raft of reports exposing different aspects of the acute social crisis gripping the country—declining life expectancy and rising mortality rates, record rates of suicide and drug addiction, sinking household incomes for the vast majority of urban regions—did not prevent Obama from declaring recently that “America is pretty darn great right now.”



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