US retail stores closing at record rate

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US retail store closures for 2017 are on pace to exceed 2008 when more than 6,000 locations were shuttered. In the first three months of this year 2,880 store closures were announced, compared to 1,153 in the same time period in 2008. If the current pace of retail bloodletting continues total store closures could top 11,000 by the end of the year, an unprecedented number.

Along with mounting store closures, retailers eliminated 30,000 jobs in March, with a similar number cut in February, making it the worst two-month period for workers in the retail sector since 2008, when the economy was in the depths of the recession caused by the bursting of the housing bubble and stock market crash.

According to Retail Metrics, the combined same-store sales for retailers in the first quarter of this year are expected to rise only 0.3 percent, the worst quarter in four years. Current expectations are well below the 0.8 percent growth in retail sales, which economists had predicted in February. Without positive sales growth posted by discount giant Walmart the retail industry would have posted negative figures. The dismal first quarter of 2017 follows poor in-store holiday sales at the end of 2016.

Traditional retailers are being slammed by competition from Internet retailers, in particular Amazon. Even as many companies are increasingly turning to online sales in an attempt to shore up their poor in store sales Amazon continues to dominate, accounting for 53 percent of all online sales growth in 2016.

Reviewing poor holiday sales figures last month Richard Hayne, the CEO of clothing retailer Urban Outfitters, told investors that too many stores had been built in the US inflating a massive financial bubble. “[L]ike housing, that bubble has now burst,” Hayne noted. “We are seeing the results: Doors shuttering and rents retreating. This trend will continue for the foreseeable future and may even accelerate.”

While market analysts point to the competition from Amazon as a key factor in retailer bankruptcies and store closures, another factor is the underlying weakness of the American economy and years of wage stagnation for the working class. Wage growth has been flat since the Great Recession and monthly year-on-year increases have not exceeded three percent since early 2009. According to the Economic Policy Institute average hourly wages are $3.22 behind where they would be if wages grew at 3.5 percent over the last decade.

Even as the stock market has boomed over the last nine years thanks to an infusion of unlimited cash through quantitative easing and other measures, the real economy has not recovered from the recession. The economic growth rate has not exceeded three percent in a decade and was a meager 1.2 percent in the first quarter of this year. Nearly all of the jobs created since 2008 have been either part time or temporary.

Retailers are shutting their doors and laying off thousands of workers in predominantly poor and working class neighborhoods in both urban and rural areas. Nearly a third of US shopping malls will be hollowed out by store closures or lose a key anchor, with many of these threatened with outright closure without major department store locations and smaller chain retailers.

The last decade has seen a series of buyouts, mergers and acquisitions by private equity firms as part of last ditch efforts by retailers to avoid bankruptcy and outright liquidation by corporate raiders squeezing every penny before liquidating or reselling them.

An overview of the companies that have announced closing or filed for bankruptcy this year gives a sense of the current crisis.

Discount retailer Dollar Express will close all 323 of its locations, including a number which operated under the Family Dollar brand, eliminating almost 3,000 jobs, after being bought out by rival Dollar General.

Payless Shoes filed for bankruptcy earlier this year and announced plans to close 400 stores, 10 percent of its stores nationwide. Rue 21, a clothing retailer targeting young adults, will soon file for bankruptcy, a few years after being bought by private equity firm Apax Partners

Indianapolis-based electronics and home appliance retailer HHGregg (liquidating all 132 stores), Omaha-based clothing retailer Gordmans (closing 48 stores) and St. Paul, Minnesota-based sporting goods retailer Gander Mountain (closing 32 of 162 locations) have filed for bankruptcy this year. Electronics retailer RadioShack has filed for bankruptcy for the second time in two years and announced the closure of 552 stores.

Major department stores Sears, Macys and JC Penney are on the verge of bankruptcy and are planning to close hundreds of locations.

Gamestop, which sells video games and consoles, is closing more than 150 stores in the US this year, nearly three percent of its locations worldwide. Office supply store Staples and the health goods and pharmacy chain CVS each announced plans to close 70 locations.

Family Christian bookstore, the largest Christian bookseller in the US, announced at the end of February it is closing all of its stores, more than 240 locations, two years after emerging from bankruptcy. Recent years have seen the failure and liquidation of most bookstore chains, including Borders and Walden Books, under pressure from Amazon and other online book retailers.

Hundreds of smaller retail clothing stores, mainstays of many shopping malls, are set to be closed this year, including Abercrombie and Fitch, Guess, Crocs, The Limited and Wet Seal locations. American Apparel is liquidating all 110 of its remaining stores and a factory in Los Angeles as the company completes the process of going out of business following years of legal and financial woes.