Sales declines at US department stores belie claims of economic recovery

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Major US retail chains this week reported continuing declines in same-store sales in the second quarter of 2017, sending their stock prices plummeting. On Thursday, Macy's, Kohl's and Dillard's all reported negative sales results.

Same-store sales declined 2.8 percent at Macy's and 0.4 percent at Kohl's. Since 2015, Macy's has experienced year-over-year sales declines in every quarter.

Macy's shares fell 10 percent Thursday and Kohl's dropped 5.8 percent. Macy's stock price is now down over 40 percent this year. Kohl's has fallen nearly 25 percent. On Thursday, Dillard's stock plunged 15 percent, wiping out all of its gains for the year.

The declines continued Friday, with Macy's losing another 0.24 percent, Kohl's dropping 2.18 percent and Dillard's closing with a loss of nearly 6 percent for the day.

On Friday, JC Penney, already teetering on the edge of bankruptcy, revealed a bigger quarterly loss than it had anticipated, sending its stock plunging more than 15 percent to close below $4 a share for the first time ever. The department store chain said it lost $62 million in the second quarter, a greater loss than in the same period of 2016. It also revealed that its same-store sales had fallen by more than 1 percent.

JC Penney stock has fallen by more than 50 percent so far in 2017 and plunged 85 percent over the past five years. At its peak in 1998, the firm's market capitalization was $30 billion. Today, its market value is just over $1 billion.

Major retail chains that cater to moderate- and low-income consumers such as Macy's, Kohl's, JC Penney, Sears, Target and Kmart have all announced large-scale store closures in recent months, eliminating tens of thousands of jobs and placing in jeopardy many thousands more as the survival of the commercial malls they anchor grows increasingly precarious.

Macy's is in the process of closing an additional 100 stores. Last month, Sears announced it was closing 43 more stores in the US on top of the 265 closings it announced earlier in the year. Its sales are down nearly 37 percent since early 2013.

In February, JC Penney announced plans to close between 130 and 140 stores as well as two distribution centers.

The wave of department store closings is part of a broader flood of retail closures and bankruptcies, on pace to surpass the numbers recorded at the height of the financial crisis and recession in 2008. As of July, US retailers had announced more than 3,200 store closures this year, with analysts expecting the figure to rise to more than 8,600.

Since October of 2016, retailers have eliminated more than 90,000 jobs. Since 2001, some 500,000 retail jobs have been slashed in the US.

Retail chains that filed for bankruptcy or liquidated so far this year include:

* Dollar Express, which closed all 323 locations, eliminating 3,000 jobs
* Payless Shoes, which filed for bankruptcy and announced plans to close 400 stores
* Clothing retailer Rue 21, HHGregg, Gordmans and Gander Mountain, which have either filed or are planning to file for bankruptcy
* American Apparel, which is liquidating its remaining stores and a factory in Los Angeles
* RadioShack, which filed for bankruptcy for the second time in two years and announced the closure of 552 stores

For the most part, those employed in retail are paid poverty-level wages. Currently there are over 32 million such workers, paid an average of $10.87 an hour, with cashiers receiving even less.

Two major factors are driving what *CNN Money* refers to as the “retail apocalypse.” One is the rise of online retailers, particularly Amazon, which are gaining increasing market share at the expense of so-called “brick and mortar” companies. Amazon, which accounted for 53 percent of all online sales growth in 2016, is expected to overtake Macy’s this year as the country’s largest apparel retailer.

More pervasive, however, is the impact of the devastating social crisis affecting broad layers of the working class. While President Donald Trump boasts of a booming economy, citing record high stock prices, and Federal Reserve Chair Janet Yellen talks of “full employment” and a full recovery from the post-2008 “Great Recession,” tens of millions are struggling to survive on the basis of poverty-level wages that have either stagnated or declined and part-time or temporary employment in place of full-time jobs that have been permanently eliminated.

Even as the stock market is driven upwards by unlimited subsidies from the Federal Reserve and unchecked financial speculation, real economic growth continues to stagnate. The US gross domestic product is rising at an anemic annual rate of 2 percent, far below the rates of previous post-World War II economic recoveries. And despite a nominal unemployment rate of just 4.3 percent, wages continue to rise a mere 2 percent on an annual basis, far more slowly than in previous post-recession periods and below the rate of prices increases for basic necessities.

Large sections of the working population lack the wherewithal to buy more than the bare necessities, which is why the retail slump is primarily hitting stores that cater to the working class.

That the destruction of decent-paying and stable employment is driving the retail crisis is confirmed by the announcement Thursday of plans to close up to 135 Applebee’s and up to 60 IHOP restaurants—two chains owned by parent company DineEquity. Both restaurant chains feature relatively low prices and appeal primarily to a working class clientele. Both recorded lower same-restaurant sales in the second quarter of 2017.