Wave of retail store closings in US as consumers pull back spending

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US retailers are expected to close 15,000 stores this year, more than double the 7,325 shuttered in 2024 and breaking a record set in 2020 at the height of the pandemic.

Last week, bankrupt fabric retailer Jo-Ann announced it is planning to close around 500 locations this year, over one-half its 850 stores. The cuts will impact 49 states.

Through January this year, there were already 2,000 reported closures, including bankrupt Party City (738) and Big Lots (601). Pharmacy chain Walgreens has closed 333 stores and has targeted 500 more for closure this year.

2024 saw a number of other high-profile bankruptcies, including department store chain Macy's. Bankrupt furniture retailer Conn's had 553 store closings last year while bankrupt American Freight closed 353 locations and LL Flooring closed 213 stores. Overall, retail bankruptcies doubled over 2023 going from 25 to 51.

One Jo-Ann employee posted on social media, "The higher-up's knew all along that stores would be closing, stringing store employees along that maybe... Corporate greed and major mismanagement above the store level in all its glory! Working our patooties off, hours cut, absolutely minimal staffing, customer complaints, that's what the last year and a half has been! The only store remaining open in MD is Annapolis, and it's more of a craft store than a fabric store."

Another posted, "Sad day at Joann's, I have worked with all my Joann family for 30 years. My heart is sad for all the employees and customers affected by these closings."

The largest store closings in 2024 were in discount stores and pharmacies. Leading the list was Family Dollar with 700 store closings. CVS Health had 586 pharmacy closures and, Rite Aid closed 408 stores, followed by Walgreens with 259. This has led to warnings of the creation of "pharmacy deserts," forcing people to travel out of the local area to fill prescriptions.

A number of factors are behind the mass of retail closures, such as the shift to online selling, but depressed spending amid growing social distress is certainly a key driving force.

Overall, January saw tepid job growth with employers adding 143,000 jobs, down significantly from the 261,000 added in November and 307,000 in December. The unemployment rate stood at 4 percent, still relatively moderate by historical standards, but concealing high levels of economic insecurity exacerbated by low-wage jobs and part-time and gig work.

The decline in job creation has been an ongoing trend. New jobs rose 2 million in 2024, down from 2.6 million in 2023 and the record 4.6 million in 2022, following the forced return to work during the pandemic. New job openings stood at 7.6 million in December, down from 12.2 million in March 2022.

After rising for the previous year, retail sales dropped 0.9 percent in January, the biggest decrease since March 2023. Sporting goods, hobby, musical instrument and bookstore sales were down 4.6 percent. Even online sales were down, falling 1.9 percent. Building material store sales fell 1.3 percent. There were declines in other categories as well.

The fall in sales was at least partially due to the unusually cold weather across much of the US and the fires in Southern California. However, other factors probably came into play as well, such as fears of harder economic times ahead with Trump's looming tariff war and federal job cuts. According to a University of Michigan Consumer Survey for February, one-year inflation expectations reached a 15-month high in early February as households perceived that “it may be too late to avoid the negative impact of tariff policy.”

Another factor in the downward pressure on spending is the growth in consumer debt. At the end of 2024, credit card debt stood at a record $1.21 trillion, according to the Federal Reserve Bank of New York. That was $45 billion more than at the end of the third quarter of 2024 and an $82 billion year-over-year rise, or 7.3 percent.

Credit card debt is made more burdensome by the continued high interest rates, with the typical average credit card interest payment now at around 20 percent.

Matt Schulz from Lending Tree told CNBC, “Stubborn inflation has shrunk a lot of Americans’ financial margin for error from slim to about none, forcing people to lean more heavily on credit card debt.”

Workers are increasingly struggling to make minimum credit card payments and delinquencies are rising. According to the Federal Reserve Bank of New York, levels of serious delinquency, defined as 90 or more days past due, remained stable for mortgages but was up slightly for auto loans and credit cards in the final quarter of 2024. It also reports that 3.5 percent of all outstanding debt is in some state of delinquency.

The continued high rate of inflation is also eroding workers’ incomes, as pay rates struggle to keep up. The official rate of inflation stands at 3 percent, but the effective rate is higher for most workers. For example, the cost of rent and housing, which takes a disproportionate share of many worker’s income, rose to over 4 percent in 2024. In fact, last year saw an 18 percent rise in homelessness. The impact of this was tragically visible by the recent freezing deaths of two young children who were sheltering with their homeless family inside a van in a Detroit casino parking structure.

Adding to pressures on consumers is the increasingly precarious state of employment. Supposedly record pay rises for autoworkers were accompanied by a wave of auto layoffs last year.

Facing the threat of tariffs, and uncertainty and higher costs in the transition to electric vehicles, automotive companies are retrenching globally. This was underscored by the announcement by German auto parts maker Continental that it will cut 3,000 jobs globally in its automotive research and development operations by 2026. This comes on top of 7,000 job cuts that it previously announced.

Michigan-based automotive seat supplier Lear Corporation cut 15,000 jobs globally last year and projects a similar number for 2025. The company saw net income fall 9 percent last quarter and is seeking further retrenchment ahead of anticipated tariffs and continued uncertainty in the auto sector related to EV production and development.

Last year also saw a global bloodbath in tech jobs. The recent advances in artificial intelligence (AI) presage even more cuts as companies utilize the new technology to replace workers. These cuts have been driven by both the effort to cut costs as well as the deliberate policy by the Biden administration and the Federal Reserve to drive up unemployment in order to forestall demands for higher wages.

The policies of the Trump administration, which is targeting hundreds of thousands of government jobs for elimination, and seeking to launch trade war against nominal allies as well as rivals, can only serve to drive up unemployment and economic destitution further.