Spate of retail closures underscores deepening Australian economic slump

By Terry Cook
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Amid deepening economic slump and a growing slide toward recession internationally, companies in Australia, large and small, are declaring bankruptcy or implementing job cuts to slash costs and maintain profits.

While the Australia's stock market this month hit record highs, the downturn in the real economy has been revealed by a sharp retail crisis. According to a report in the *Sydney Morning Herald* yesterday, there have been 169 closures across the sector in the first several weeks of 2020. Experts have warned that the figure is among the highest in several decades.

The crisis in retail has emerged even before the full impact of low sales over the Christmas and holiday period has been felt. Devastating bushfires across the country are also expected to have a flow-on effect that will likely last for months.

In an indication of the breadth of the downturn, stores announcing closures range from high-line to budget clothes retailers, computer games distributors and shops specialising in science products. The slump is bound up with a deepening social crisis caused by a soaring cost of living, and stagnating or declining wages, leading to a marked reduction in consumers' spending power.

Last week, national denim chain Jeanswest, which employs 988 people and has 146 stores across the country, went into administration. The company, which was established in 1972, has outlets around the world, including in New Zealand.

In a move that may herald a broader cost-cutting restructure, major retail chain Myer has shed 35 head office jobs, including management, business and administration positions. A spokesman for the company said that the sackings were made with the aim of ensuring the business operated in "the most efficient and productive way."

Women's fashion retailer Bardot has announced it will shut 58 of its stores across the country over the next two months, at the cost of 530 jobs. The company, which operated 72 stores nationally and employed around 800 people, went into administration last November.

Administrators from KPMG, who are at present attempting to find a buyer for the remaining Bardot business, have not ruled out further store closures and job losses, stating only that "it is not our intention to close further stores at this point in time."

US-owned electronics and video game retailer EB Games has stated that it will close 19 stores in what it termed "unprofitable" locations across the country, causing an as yet unspecified number of job losses. Curious Planet, formerly known as Australian Geographic, will shut its 63 stores over the next two months. The company was placed into voluntary administration in December, owing more than $15 million.

These failures follow the collapse of giant retail chain Harris Scarfe, after it went into voluntary administration last December. The $380 million retail chain operated 66 stores across five Australian states and employed more than 1,800 people. The company was acquired by private equity firm Allegro Funds in November.

Scarfe, the largest retail operator to go under so far, joins a list of failures across the clothing and fashion sector during last year. Others include menswear retailer Ed Harry, sportswear company Skins and footwear retailer Shoes of Prey. Fashion retailer Karen Millen Australia closed seven independent stores along with its eight concessions housed in major department stores.

Just two weeks before the collapse of Scarfe, the smaller Victorian discount retail chain Dimmey's, which had 31 stores, failed. The same factors have forced the closure of other retail businesses, including fast food outlets such as Melbourne burger chain Benny Burger and Big Rooster's Queensland operation.

SWC Management group was also placed into administration in December, after reportedly suffering a severe liquidity crisis and dwindling margins. Some 400 jobs have been destroyed as a result. The company operated a newly redeveloped warehouse in Melbourne's western suburbs and managed a number of subsidiaries that supplied and installed stone, tile and glass on construction projects.

The SWC failure is a sharp warning of looming collapses and job cuts across the ailing construction sector, which is experiencing falling demand.

According to the latest Australian Performance of Construction Index (PCI), construction activity fell in November by 3.9 points on the previous month to 40.0. The decline, the 15th consecutive monthly fall, leaves the measure well below the 50-point mark separating expansion and contraction. At the same time, the PCI employment sub-index fell 8.4 points over the month, indicating substantial job losses occurring across the sector.

According to figures released in September last year, some 50,000 construction jobs have been destroyed over the past 12 months. The sector's share of the total labour market shrank to 9.1 percent, from a peak of 9.5 percent early last year.

Also in December, Bounty Mining went into administration and closed its Cook Colliery in the Queensland's Bowen Basin, directly impacting on more than 250 mainly contractor jobs. The losses came on top of 21 jobs axed at the mine in November.

Further job cuts and closures across the mining sector are extremely likely in 2020 as a result of an economic slowdown in China, which is the major export market for Australian coal and other mining commodities.

While at this time China is not considering cutting back on the usage of coal, it is moving to reduce the amount it imports and boost domestic operations.

According to analysts with Bloomberg Intelligence, China is likely to cut net coal imports by 8 percent in 2020. This could put downward pressure on profits in the Australian coal mining sector, creating the conditions for cuts in production and job losses as companies seek to slash costs to offset the impact of reduced international demand.

Numbers of employers across other sectors have either imposed job cuts over the last few months or are moving to shed jobs over the coming period.

Airline Emirates announced it would close its call centre in Melbourne in October at the cost of 81 jobs. Qantas, Australia's main airline, could axe as many as 400 jobs in a restructure flagged by the company in early November. Financial services business Evans Dixon closed its Australian arm Dixon Projects and eliminated an undisclosed number of jobs, as part of a global restructure of its operation.

Amid falling profits, Japanese holding company Dentsu announced in December that it will shed 11 percent of its staff, around 1,400 jobs, across seven key areas, including Australia.

The New South Wales state Liberal-National government will axe an undisclosed number of jobs from its Department of Customer Service to cut more than $100 million from its workforce-related expenditure. The government has also released plans to destroy 200 jobs at Technical and Further Education (TAFE) facilities.

The job shedding flows from the budget handed down by the NSW government in June which was designed to slash almost $3.2 billion from the state public sector, including over 3,000 jobs as a result of a one percent reduction in its workforce of around 330,000 employees. Similar austerity measures are being imposed by big business governments at every level across the country, whether state or federal, Labor or Liberal-National.