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Branch closures are on the rise: Here's why

Article

The trend: Last year, the US banking industry netted more new branches, per Federal Deposit Insurance Corporation (FDIC) data. But branch closures are back to pre-2023 levels, when they averaged approximately 1,600 per year, per Banking Exchange.

And while these closures started out slower this year, they're picking up.

- In Q1 through Q3, US banks shuttered 944 branches, per American Banker.
- In Q3 alone, there were 439 closings—the highest quarterly figure since early 2022.

How we got here: Aside from the continuous digitization of the industry, fueled by the pandemic, there's another factor at play.

Merger and acquisition (M&A) activity among banks has trended upward in 2024.

- There were 99 recorded bank mergers this year as of November, surpassing 2023's total of 98, per Alvarez and Marsal.
- Credit unions have also already broken the record for the number of bank acquisitions this year.

This activity forces the new, merged entities to reassess which brick-and-mortar locations to rebrand or close.

What's next: The Federal Reserve will likely drop interest rates for the third time this year later this month. This would continue to drive M&A activity—and therefore branch closures—as financing costs drop.

This also means banks that are maintaining or expanding their branch presence have an increasing opportunity to differentiate themselves with in-person services.

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