

True loves given something to be happy about

PNC Christmas price index shows modest 1.8 percent increase

Thanks to the weak economy in 2009 the PNC Christmas Price Index increased by a modest 1.8 percent compared to last year in the whimsical economic analysis by PNC Wealth Management based on the prices of gifts in the holiday classic, "The Twelve Days of Christmas."

According to the 26th annual survey, the price tag for the PNC CPI is \$21,465.56 in 2009, just \$385.46 more than last year. It is the smallest increase since 2002, when the index fell 7.6 percent.

The PNC CPI exceeds the U.S. government's Consumer Price Index, the widely used measure of inflation calculated by the Bureau of Labor Statistics, which is down 1.5 percent this year.

Among the 12 gifts in the Index, three items fell measurably from last year while five increased in cost and four remained steady.

As part of its annual tradition, PNC Wealth Management also tabulates the "True Cost of Christmas," which is the total cost of items gifted by a True Love who repeats all of the song's verses. This holiday season, very generous True Loves will receive a bargain and pay \$87,402.81 for all 364 gifts, a mere 0.9 percent increase compared to last year.

The sharp rise in gold prices proved to be the main contributor to the dramatic 42.9 percent jump to \$499.95 for the Five Gold Rings. Typically when the value of the dollar decreases, as it has in the last year, investors buy more gold driving up prices.

The cost of the Seven Swans-a-Swimming, which generally provide the biggest swings from year to year in the PNC CPI, fell this year by 6.3 percent to \$5,200 following last year's eye-opening 33.3 percent rise. As the most volatile item in the Index, the swans are removed to determine the underlying inflation or core PNC CPI, which pushed the rate up 4.8 percent this year.

Should the Fed Be Fed Up?

Should Fed Chairman Ben Bernanke be concerned that the Core PNC Christmas Price Index is running hotter than the Government's measure of underlying inflation?

Not so fast, said James Dunigan, managing executive of investments for PNC Wealth Management.

"The core Consumer Price Index excludes volatile energy and food costs and is generally steadier than the headline figure," Dunigan said, adding "This year's PNC Christmas Price Index again reflects the patterns in the broader economy.

"In general, though, we saw a moderation in the PNC CPI and the Bureau of Labor Statistics' CPI due to the dramatic drop in energy, fuel and shipping costs. The reverse was true last year, which showed a major spike in transportation costs," he added.

The PNC CPI's sources range from retailers to the

National Aviary in Pittsburgh and the Pennsylvania Ballet Company in Philadelphia and a retail jeweler in suburban Indianapolis.

Birds Take a Dive

Declines in the cost of birds in the index were a major factor in the moderate increase. The Partridge in a Pear Tree is down 27.3 percent to \$159.99. The partridge came in 50 percent below last year at \$10.00 and the pear tree is \$149.99, off 25 percent. Also, the Six Geese-a-Laying are down a sizable 37.5 percent to \$150.00.

The cost of the Four Calling Birds was even with last year at \$599.96. The only birds to increase in price were the Two Turtle Doves, which rose a paltry 1.8 percent to \$55.98, and the Three French Hens, flying up 50 percent to \$45.00; the largest percentage increase in this year's index.

Another Pay Raise for the Milkmaids

As the only unskilled laborers in the PNC Christmas Price Index, the eight Maids-a-Milking received an automatic raise for the third straight year due to another increase in the federal minimum wage. Before 2007, they had not received a raise since 1997.

The federal minimum wage increased this year to \$7.25 per hour, following last year's increase to \$6.55. In the last two years, the Maids-a-Milking have seen their wages rise by \$2.10 per hour, a total increase of 33 percent. Hiring the maids this year cost \$58.00, only \$5.60 more than a year ago.

The cost of most performers in the index -- the Drummers Drumming (\$2,475.20), Pipers Piping (\$2,284.80) and Lords-a-Leaping (\$4,413.61) -- saw no increase at all from 2008, reflecting the labor market in which the unemployment rate rose to 10 percent after sitting around 5 percent for much of the decade. Only the price for the Ladies Dancing is higher this year, up 15 percent to \$5,473.07.

Cyber Prices: The Cost of Convenience

For those True Loves who prefer the convenience of shopping online, PNC Wealth Management calculates the cost of "The Twelve Days of Christmas" gifts purchased on the Internet.

This year, the trends identified in the traditional index are repeated in the Internet version, with the core rates significantly more than total rates.

True Loves will pay a grand total of \$31,434.85 to buy the items online. That is less expensive than last year, however it is still about \$10,000 more than in this year's traditional index.

"In general, Internet prices are higher than their non-Internet counterparts because of shipping costs for birds and the convenience factor of shopping online," Dunigan said.