

## **About the PNC Christmas Price Index**

Now in its 26th edition, the PNC Christmas Price Index has educated and entertained bankers, consumers and students alike with its tongue-in-cheek look at the economy.

### **History**

For 26 years, PNC Wealth Management has calculated the cost of the items in the song “The Twelve Days of Christmas” if purchased at current prices.

Over the years, trends have emerged and the Christmas Price Index has often increased or decreased at a rate consistent with the other CPI, the Consumer Price Index, a measure of inflation produced by the U.S. Department of Labor. Showcasing the cost of items from a partridge to drummers, the Christmas Price Index is a fun way for students, children and adults to measure consumer spending and trends in the economy.

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### **Frequently Asked Questions**

#### **Q: What is the Christmas Price Index?**

A. The Christmas Price Index shows the current cost for one set of each of the gifts given in the song “The Twelve Days of Christmas.”

#### **Q: What is the True Cost of Christmas?**

The True Cost of Christmas is the cumulative cost of all the gifts when you count each repetition in the song—so it reflects the cost of 364 gifts.

#### **Q: Why did PNC start tabulating the Christmas Price Index?**

A. It all started 26 years ago as a way to engage clients of PNC’s predecessor, Provident Bank, during the traditionally light holiday weeks. What hatched as the creative brainchild of the bank’s then chief economist has since grown into one of PNC’s most popular and anticipated economic reports.

#### **Q. Who is the holiday shopper at PNC?**

A. Since 1986, Rebekah McCahan of PNC Wealth Management has handled our shopping duties, putting a price tag on French hens, maids a-milking, gold rings

and all the other items in the PNC CPI, and evaluating some distinctive economic trends along the way.

**Q. Where does McCahan do her shopping?**

A. This year, the National Aviary in Pittsburgh provided the cost of some of the birds in the song, including the partridge, geese and swans. National pet chain PetCo provided the price of the calling birds, or canaries.

The pear tree price came from Waterloo Gardens, a Philadelphia nursery. Gordon's Jewelers provided the cost of five 14-carat gold rings, and Philadanco, a modern dance company in Philadelphia, offered the price of ladies dancing. The Pennsylvania Ballet gave the price of the lords a-leaping. Prices for the musicians in the song—the drummers and pipers—were provided by a Pennsylvania musicians union.

Lastly, maids a-milking are the only unskilled laborers in the Index, and as such, they reflect the minimum wage.

Year after year, the sources for the prices remain the same for the most part to ensure consistency, but they have changed on occasion due to changes in the market or business landscape.

**Q. What has changed since 1986?**

A. Many things. First off, the Internet. Today, it's easier for us to find the goods and services listed in the song online. This convenience comes at a price, however: Goods and services from the survey that are purchased online tend to be more expensive than those purchased in a more traditional transaction, mainly due to added shipping costs.

Second, the price of swans has dramatically decreased since the eighties. Seven swans a-swimming would have set the "True Love" back \$7,000 in 1984; but today, they cost around \$5,250, which is \$350 less than in 2008. Swans have proven to be the most volatile part of the Index, with wild swings up and down over the years. That's why they are not included in the "core" PNC CPI, which is usually lower than the real PNC CPI, though not in 2009, a rare exception. The federal government removes volatile energy and food prices for its CPI.

Third, over the last 26 years, the price of services in general has increased, while the price of goods has decreased. In the 1984 Christmas Price Index, goods were by far the more expensive component of the Index. Today, services are a much bigger piece of the Index. The cost of entertainment in particular has greatly increased over the last 20 years. As a result, the Ladies Dancing and Lords a-Leaping have seen a 300% increase in their fees.

Also related to services, in 2007, federal laws increased the minimum wage and gave the Maids a-Milking their first raise since 1997. The wage increased again in both 2008 and 2009, and is now \$7.25 per hour.

Fourth, fuel costs. As fuel prices go up and down, they have a major effect on the cost of shipping, and as we all know, 2009 has been an especially volatile year.

**Q. Will shoppers spend more than ever before . . . again?**

A. In keeping with inflation, the Christmas Price Index usually gets a little more expensive each year. The True Cost of Christmas, however, has fluctuated a bit more over the years. This year is the most expensive year at \$87,402.81 for that measure, and last year was just a bit less expensive at \$86,608.51. Prior to that, the costliest year was 1994.

The increase in this year's PNC CPI over the previous year was just 1.8%, but the largest jump in our history was an incredible 16.0% in 2003. However, this year's Core PNC CPI (with the cost of swans excluded) is up 4.8%.

**Q. Which year could shoppers afford to be a scrooge?**

A. The cheapest cost of Christmas in dollars occurred in 1995, when the True cost of Christmas was only \$51,000.