

Annual PNC Christmas Price Index Shows Cost of Goods on the Decline, Services on the Rise

Index Reveals Shift from Goods-Driven to Services-Driven Economy Over 20-Year-Period

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In 1984, after all the receipts were added up, the cost of "The Twelve Days of Christmas" would have set you back \$12,623 -- the goods alone accounting for 62 percent of your total bill. Today, the numbers tell a different story. The total cost has climbed to \$17,297, a 1.6 percent annualized increase over 20 years, but services now account for 74 percent of the index, indicating a steady rise in the cost of skilled labor while the price of two turtle doves and three French hens may be a little easier on your wallet.

(Photo: <http://www.newscom.com/cgi-bin/prnh/20041129/NYM027>)

Every year since 1984, PNC Advisors has provided a tongue-in-cheek economic analysis, based on the cost of goods and services purchased by the True Love in the holiday classic, "The Twelve Days of Christmas."

The Christmas Price Index has consistently reflected changes in the economy and continues to do so in the 20th anniversary version. The 2.4 percent year-over-year increase in the index closely mirrors that of the government's Consumer Price Index -- a widely used measure of U.S. inflation. Not only is the high cost of fuel reflected in the cost to deliver a pear tree, but this year's index also underscores the trend to outsource labor. Skilled labor mentioned in the song, such as wages for the dancing ladies have increased 5.5 percent annualized over 20 years versus the maids-a-milking, which have only seen a 2.2 percent annualized pay raise. In the broader economy, the outsourcing of less skilled labor is helping to keep those wages low.

"The Christmas Price Index reflects the changing economic mix in the U.S. away from manufacturing to a more service based economy," said Jeff Kleintop, chief investment strategist for PNC Advisors. "The abundance of cheaper labor in countries such as India and China has resulted in pressure on U.S. manufacturers to outsource unskilled labor. As a result the cost of skilled dancers has steadily increased while the unskilled milk maids haven't managed an increase in pay for their services in many years."

The supply and demand lessons of "Economics 101" are also apparent in this year's Index. Take, for example, the 29.4 percent decrease in the price of the five gold rings. International demand has driven the commodity price of gold to all-time highs, but demand for plain gold rings in the U.S. has seen a significant drop, forcing retailers to lower prices in order to move merchandise. So those considering a trip to the jeweler to find that special gift this year may want to consider adding a little sparkle or you could find yourself standing in the return line on December 26th.

The feathered friends in the song are flying at all altitudes and have proven to show the most fluctuation in price through the life of the index. The partridge and swans are relatively steady from last year according to

the Cincinnati Zoo & Botanical Garden. However the price for French hens and geese saw significant increases, which may be due to fewer hatchlings during this breeding cycle creating an imbalance in the supply-demand chain. Turtledoves, on the other hand, may have had a more fruitful breeding cycle creating an oversupply of birds and a 31.0 percent decline in price. All told, the cost of the birds in the Christmas classic totaled \$4,201, just 1.5 percent more than the \$4,138 it would have cost a year ago.

As part of its annual tradition, PNC Advisors also tabulates the "true cost of Christmas," which is the total cost of all of the items in the famous carol, including the repetitions. The price tag for the 364 items this holiday season is \$66,334 up from \$65,264 in 2003. The 1.6 percent increase pales in comparison to last year's 19 percent increase, which may be due to lower consumer confidence this season according to Kleintop.

As in the past, most items are more expensive to buy over the Internet, primarily due to the cost of shipping, which continues to go up because of rising fuel costs.

PNC Advisors is the wealth management unit of The PNC Financial Services Group, Inc., (NYSE: PNC), one of the nation's largest diversified financial services companies, operating businesses engaged in regional community banking, wholesale banking, wealth management, asset management and global fund processing services.

PNC Advisors' Christmas Price Index

	Traditional				
	1984	2003	2004	2004/03	
One Partridge in a Pear Tree	\$32.52	\$77.50	\$93.00	20.0%	
Partridge	12.57	15.00	15.00	0.0%	
Pear Tree	19.95	62.50	78.00	24.8%	
Two Turtle Doves	47.71	58.00	40.00	-31.0%	
Three French Hen	14.78	15.00	45.00	200.0%	
Four Calling Birds	280.00	400.00	396.00	-1.0%	
Five Gold Rings	275.00	361.25	255.00	-29.4%	
Six Geese-a-Laying	150.00	150.00	210.00	40.0%	
Seven Swans-a-Swimming	7,000.00	3500.00	3500.00	0.0%	
Eight Maids-a-Milking	26.80	41.20	41.20	0.0%	
Nine Ladies Dancing	1511.50	4230.89	4400.13	4.0%	
10 Lords-a-Leaping	1679.45	3921.44	4039.08	3.0%	
11 Pipers Piping	770.56	1982.40	2053.20	3.6%	
12 Drummers Drumming		834.78	2147.60	2224.30	3.6%
Total Christmas Price Index	\$12,623.10	\$16,885.28	\$17,296.91	2.4%	
% change					
True cost of Christmas in song	\$62,427.10	\$65,264.28	\$66,334.46	1.6%	
% change					
"Core" index, excluding swans		\$13,385.28	\$13,796.91	3.1%	

PNC Advisors' Christmas Price Index (continued)

	Internet			
	2003	2004	2004/03	
One Partridge in a Pear Tree		\$171.67	\$147.50	-14.1%
Partridge	66.67	67.50	1.2%	
Pear Tree	105.00	80.00	-23.8%	
Two Turtle Doves	100.00	105.00	5.0%	
Three French Hen	172.50	202.50	17.4%	

Four Calling Birds	330.00	429.00	30.0%
Five Gold Rings	183.75	240.00	30.6%
Six Geese-a-Laying	375.00	600.00	60.0%
Seven Swans-a-Swimming	4620.00	6125.00	32.6%
Eight Maids-a-Milking	296.00	296.00	0.0%
Nine Ladies Dancing	6450.00	6,600.00	2.3%
10 Lords-a-Leaping	10122.85	10,629.00	5.0%
11 Pipers Piping	1600.00	1,650.00	3.1%
12 Drummers Drumming	687.50	712.50	3.6%
Total Christmas Price Index % change	\$25,109.27	\$27,736.50	10.5%
True cost of Christmas in song % change	\$101,206.09	\$115,460.50	14.1%
"Core" index, excluding swans	\$20,489.27	\$21,611.50	5.5%

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