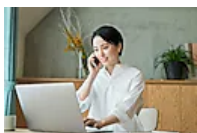


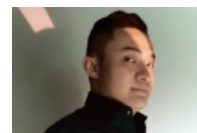
Most Popular



Passengers are two to three times as likely to get COVID on a plane due to Omicron



PAID CONTENT
Cloud power
FROM AWS



C
S
a
l
\$
ir

RETAIL • HOLIDAYS

Here's how inflation and a supply chain crunch are already affecting the holidays

BY MAX UFBERG

December 18, 2021 11:22 AM EST



Never miss a story: **Follow your favorite topics and authors** to get a personalized email with the journalism that matters most to you.

A surge in COVID cases, coupled with the **new Omicron** variant has cast a shadow over the holiday season in the U.S. But even before that, the economics behind the festivities was far from normal.



PAID CONTENT

How business leaders can turn employee trust into loyalty

FROM PWC

Consumer prices in November **jumped 6.8%** over the previous year, according to the Bureau of Labor Statistics' Consumer Price Index—the largest spike in **nearly four** decades. The main culprits: **inflation** and a lingering supply chain crunch.

Here's how that economic instability could affect the rest of your year.

So what's more expensive?

The 12 days of Christmas, for one.

Or at least the gifts are. If you try to buy all the presents mentioned in the famous holiday song, you would have to fork over \$41,205.58—a **5.7% increase** from 2019, according to PNC's annual **Christmas Price Index**.

Never miss a story about **inflation**

FOLLOW

MORE TOPICS:

+ CRYPTOCURRENCY

+ CAREERS

+ SUPPLY CHAINS

VIEW MORE

But beyond that, many items that people buy regularly have increased in price. Men's outerwear, for example, is up 14.1%, and TVs cost 7.9% more than last year.

For anyone driving for the holidays, gas prices could be tough to stomach. The [national average](#) for a gallon of gas is \$3.30, according to the American Automobile Association, compared to \$2.21 last year.

Holiday meals are more expensive, too: Beef and ham jumped 20.9% and 11.1% respectively, according to the CPI. Even gift wrapping paper costs 7.3% more than it did last year.

“A lot of the prices that people see every day are the ones that have gone up the most,” Gus Faucher, chief economist at PNC, told *Fortune*. “You go to the grocery store every week, you fill up your car twice a week. You're more attuned to those prices.”

Some big ticket items have seen the biggest price increases.



The price of new cars and trucks is 11.1% higher than it was this time last year, and used cars have seen a whopping 31% price increase, according to the CPI. Jewelry is also up 6.7%.

Spending is still going strong

Higher prices haven't slowed down consumers.

In fact, spurred by concerns about the broken supply chain, people are likely to buy more than they did last year, in part because they started [buying presents earlier](#). Though the Commerce Department said U.S. retail sales were less than expected in November, that's in large part because Americans [kicked off the shopping season](#) the month prior. Retail sales in October were up 16.3% year-over-year, according to [U.S. Census Bureau data](#).

Americans overall had [more savings](#) this year than they did pre-pandemic, due to wage increases, government stimulus programs, although that [nest egg is now shrinking](#).

“At least until this point, people had tons of money saved up, and from a psychological perspective, they were feeling deprived that they hadn’t purchased stuff [earlier in the pandemic],” Monga said.

But inflation means that people are paying more for the same items (including necessities like food and gas) that they were buying before. Compounding the matter, some people continue to overbuy items for their household out of fear there will be a shortage, and that can raise prices.

“We are in a self-fulfilling prophecy,” Ashwani Monga, a marketing professor at Rutgers University, told *Fortune*. “People think there are shortages, so they go and they buy more, and there is low supply for others, and prices go up.”

Supply chain problems are real, but hope could be on the horizon

There’s no one explanation for the [supply chain crisis](#). The COVID pandemic caused manufacturers to put a stop on production in 2020 as the world essentially crawled to a halt. Nearly two years later, companies are still struggling to contain the virus and to recover after their global processes were [thrown into disarray](#).

Those problems have been exacerbated by a manufacturing worker shortage that’s part of the so-called “[Great Resignation](#).”

“The supply chain doesn’t have any resilience, and when COVID came along, it created uncertainty at all levels,” Chip White, a transportation and logistics professor at Georgia Tech, told *Fortune*.

On the bright side, the U.S. is still [far ahead](#) of where it was last year, when lots of people were still staying in their homes and relying solely on overburdened [FedEx](#) and UPS networks.

“Last year, there was a big concern whether anything would actually get to the house in time. There was such an overload on the delivery services,” said Jeffrey Schott, a senior fellow with the Peterson Institute for International Economics, a centrist think tank. “We don’t seem to have any of those stories this year. The logistical network has begun to adjust.”