I-TEAM

Fewer deals and increased prices equal an expensive holiday season

By Samantha Kummerer

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As prices skyrocket across the country, the holidays will be more expensive this year.
From food to travel to presents, inflation and supply chain hiccups will cost consumers more.

Prices have shot up by 6.2% across the board over the last year, according to the U.S. Department of Labor. This is the highest yearly increase in three decades.

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Food, cars, shelter and energy were among the highest contributors to the rise.

Food prices are up 5.3%, which means if you usually spend $100 for a holiday meal, you'll now spend around $105.30.
"The supply is not what it should be. And when the supply is decreased, the price goes up," said Campbell Harvey, a professor of finance at Duke University.

He explained the higher prices consumers are forced to pay will have a detrimental domino effect on the rest of the economy and hit lower-income families the hardest.

"If you're well off, inflation is a bit of an annoyance. But if you're struggling, this is devastating," Harvey said.

He said many families will have less to allocate for holiday treats because of the increased cost of day-to-day necessities.

"The gasoline expense is largely a necessary expense. You need to get to work. Given the prices have gone up, you need to reallocate, so money that would usually be spent for discretionary activities; that might be holiday activities that is going to pay at the gas pump. So this has a knock on effect to the rest of the economy," he said.

Not only are prices higher this season, but experts also said the deals won't be as good.

The Adobe Digital Price Index released last week said online shopping remains a better option for saving money. However, the report also noted that even online discounts have shrunk compared to past years.

Adobe tracked 18 different categories and found prices are higher this year online compared to historical average for every category except books.

Adobe expects electronic discounts to be around 22%. Last year, Adobe reported discounts made electronics 27% cheaper. This means a $600 TV may only be marked down to $468, around $30 more than discounts consumers could have cashed in on last year.

Clothing is also reporting a big price increase from last year with prices close to 10% higher. Flowers and related gifts also reporting a 14% price increase.
"For a lot of people, that increase in the price of gasoline takes a big bite out of their income, and it leads to a different type of spending. So you don't do that discretionary spending," Harvey said.

And so far, the increase in prices has not impacted consumers' shopping habits.

A recent Gallup poll found Americans are likely to spend an average of $837 just on gifts this season. This is up around $22 from a similar poll in 2020.

On the business side, owners are also experiencing the struggle of rising prices ahead of the holiday season.

"It's been really, really tough. It's been tough on so many different levels. It's been tough getting supplies. It's been tough getting staff that want to stay," said Yvette West, owner of the Bulldega market.

West said she's had to raise prices of her goods and increase salaries of staff.

"It's not that we're, you know, all are driving rich expensive cars. It's what we have to do just to keep the lights on and to pay our staff," she said.

While usually, this time of year is busier than usual, she said she's unsure what this season will look like.

"So although I'm getting more sales, it is only in comparison to what I'm paying. So if I could pay what I paid a year ago for supplies and then get more sales, that'd be awesome. But that's not what's it is," she said.

On the consumer side, experts said to combat the higher prices, individuals should budget ahead of buying. Other tips include buying the less expensive version of an item, like an older version or store-brand vs. name brand.

Harvey also said these higher prices for daily necessities will continue to stay high, which means consumers need to start planning now to stay afloat even after the holiday season.
And inevitably that plan means that you need to be able to put some money aside to cover these extra costs, which are not going away.

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