

# WHY HOLIDAY SHOPPING SHORTAGES ARE SUCH A BIG DEAL THIS YEAR

By Chris Schildz, Content Editor, [commercetrustcompany.com](http://commercetrustcompany.com)

Americans are pretty impatient when it comes to waiting for what we want – and the holidays this year will likely push our patience to the limits. It's a pretty sure bet you've experienced shortage issues lately and find yourself lamenting to family, friends, and co-workers about waiting to get goods of all kinds. It seems as if everything from food and clothing to electronics and toys to appliances and cars are delayed in process and have yet to show up on shelves and in showrooms.

On-time delivery and availability of all things we take for granted in our lives has been affected by two terms no one wants to hear, especially by those of us with specific gift lists this holiday season: “supply chain disruption” and “bottlenecks.” As a result, our favorite retailers and websites cannot ensure the gifts we want to purchase for our loved ones will be in stock during the holidays – or even into next year, for that matter.

Here's the problem in a nutshell: the demand for goods is strong, and it's way ahead of available supply at a crucial time when inventories are extremely low or non-existent.

## HOW DID THIS HAPPEN?

Think back to when COVID first hit China. The Chinese government clamped down hard on almost all activities, including factory production. This caused the initial decrease in the supply of all kinds of goods produced and shipped around the world. When COVID hit the United States shortly thereafter, our economy also was devastated by the impact of the virus. The U.S. government approved massive fiscal stimulus, plugging holes in the economy and putting extra cash in consumers' pockets.

With limited ability to spend money on leisure travel and personal services, Americans shifted their wallets to purchasing goods. Consumers spent their paychecks and extra stimulus money on electronics to work and educate their kids from home, major home improvements and renovations, and all things to keep their families entertained – from exercise rooms to home theatres and tennis courts to inground pools.

Meanwhile, three separate crises were brewing that have added to the situation we're in today.

## PEOPLE ARE READY TO SPEND – BUT WILL THERE BE INVENTORY TO BUY?

During the pandemic, a huge amount of cash was sidelined by Americans – from money pumped into the system from the government, profits in investment portfolios, and income and personal savings stashed away because people couldn't go anywhere to spend it. But that's all changing.

According to forecasts from the National Retail Federation, this pent-up demand as we get the pandemic under control will generate increased economic growth, retail sales, and consumer spending this year. As our economy reopens, it anticipates retail sales will grow between 6.5 percent and 8.2 percent to more than \$4.33 trillion in 2021, versus \$4.06 trillion in 2020. This year's online sales, which are included in the total, are expected to grow between 18 percent and 23 percent to between \$1.14 trillion and \$1.19 trillion.<sup>1</sup>

**SHORTAGE OF WORKERS.** During the pandemic, initial public health restrictions on communities across the country caused labor shortages in businesses from all industries coast to coast. Many companies and businesses had to shut down for a variety of reasons, forcing workers out of jobs. This situation only worsened as the pandemic spread. When the economy began to reopen this spring, many workers decided to not go back to their jobs for personal or financial reasons, some opting to resign, retire, or start their own businesses. Others left the work force to care for family members or seek higher paying jobs with more work-life balance opportunities, such as shorter work weeks and work-from-home opportunities.

The good news for companies large and small that have reported difficulty finding workers for open positions caused by the pandemic is this: The jobs market over the past 18 months has recovered at a rapid pace. New jobless claims for the week ending October 23, 2021, fell to 281,000 – the lowest level since March 2020. However, there are still more than three million fewer workers in the labor force now than at the U.S. pre-pandemic peak in December 2019.<sup>2</sup>

**CARGO SHIP BOTTLENECKS.** Not only have worker shortages affected companies and businesses in the U.S., overseas COVID cases continue to affect businesses in China as well. With the return of the Delta variant, China had to shut down some ports and factories again, which only amplified previous bottlenecks and logistical mismatches of shipping containers and production.

One of the biggest culprits contributing to supply chain issues revolves around the number of container ships trying to unload goods at U.S. ports. For instance, in September the port of Long Beach/Los Angeles had more than 60 loaded ships waiting in line to get unloaded – normally there might be one waiting. Now that number has grown to more than 100.<sup>3</sup>

Because of the spread of the Delta variant in the U.S., it's been difficult to hire employees to unload merchandise at the docks so goods can be transported by trains and trucks to final destinations across the country. While the government has stepped in to help remedy some of the bottlenecks at the docks and with transport issues, logistics experts are estimating it may be months or even a year before the backlog of goods can be unloaded and make their way to warehouses.

**SHORTAGES OF SEMICONDUCTORS.** If you're planning on giving the latest and greatest mobile phone, computer, car, or truck this holiday season, you and your loved one may be sorely disappointed. The culprit? A severe shortage of semi-conductors is curtailing production on these popular items.

For example, vehicle production is currently near a 13 million-unit annual run rate – normally that rate would be between 17 to 18 million. With more sensors and technological connectivity in vehicles, companies need an increasing amount of semiconductor chips to produce a car. These chips also are needed in the production of goods in a variety of industries, which further aggravates the supply shortage issue. It's not a simple matter of upping production, as semiconductors require specific materials (that are also backlogged) and take long lead times to produce.<sup>4</sup>

### **ALTERNATIVES TO TRADITIONAL GIFTING**

First, consumers could consider getting their holiday shopping done as early as possible. We're not sure when supply chain issues and bottlenecks will be alleviated, but they are likely to persist well into the first and second quarters of 2022 and beyond. Next, forget the hassle – instead, try to be creative with your gifting this holiday season. Consider contributions to your grandchild's 529 plan, gift investments to your children, or donate to a loved one's favorite charity on his or her behalf.

Finally, it's important to seek the advice of your financial advisors to help you determine which types of gifting options are appropriate and advantageous for your financial situation. Contact Commerce Trust Company today — we're here to answer your questions and help make this a happy holiday season for you and your loved ones.

<sup>1</sup> NRF, National Retail Federation, “NRF Forecasts Retail Sales to Exceed \$4.33T in 2021 As Vaccine Rollout Expands,” <https://nrf.com/media-center/press-releases/nrf-forecasts-retail-sales-exceed-433t-2021-vaccine-rollout-expands>, press@nrf.com, February 24, 2021.

<sup>2</sup> Chris Matthews, MarketWatch, “U.S. jobless claims fall to new pandemic low of 281,000 as labor market continues to recover,” <https://www.msn.com/en-us/money/markets/u-s-jobless-claims-fall-to-new-pandemic-low-of-281-000-as-labor-market-continues-to-recover/ar-AAQ3rNN>, October 28, 2021.

<sup>3</sup> National Review, “Now More Than 100 Ships Are Waiting Outside the Ports of Los Angeles and Long Beach,” <https://www.nationalreview.com>, Nov. 1, 2021.

<sup>4</sup> Retrieved from Don McArthur, CFA®, Commerce Trust Company, “Supply Chain Disruption – Why the Bottlenecks?” <https://www.commercetrustcompany.com/news-and-insights/2021/supply-chain-disruption-why-the-bottlenecks>, September 30, 2021.

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Chris is the content/media relations manager with Commerce Trust Company. Chris joined Commerce in 2000. He started his career as a newspaper reporter. His experience includes corporate communications manager in the defense industry and financial marketing manager for several wealth management institutions. Chris earned his Bachelor of Journalism-News Editorial from the University of Missouri School of Journalism and his Master's of Science in management from Maryville University. Chris serves as a board member at CARE-St. Louis (Center for Animal Rescue and Enrichment of St. Louis) Animal Shelter.



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