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BUSINESS

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The Business Inflation Guide (BIG) from MORE TH>N BUSINESS

The Business Inflation Guide (BIG) from MORE TH>N BUSINESS is a unique measure of small business inflation, created specifically to reflect the change in the prices of goods and services bought by small businesses across Great Britain.

The Business Inflation Guide is an index that includes twenty of the most important expenditure items for small businesses (defined as being businesses with less than 50 employees). The Guide includes separate measures of inflation for regions, industries and micro businesses (with less than 10 employees).

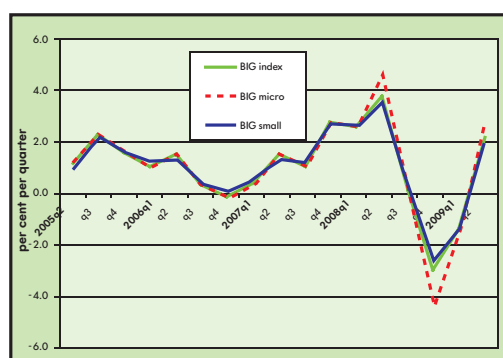
The Business Inflation Guide from MORE TH>N BUSINESS is to be compiled and published quarterly and has been developed in conjunction with Warwick Business School. For further information on the development of the Business Inflation Guide please see 'Notes to Editors'.

Business Inflation Guide, Quarter 2 2009

The results of the Business Inflation Guide include data from 2005, 2006, 2007, 2008 and 2009.

Key Findings

- Small firms' costs rose in 2009 Q2 by 2.2 per cent, reversing the deflationary trend of the previous two quarters (six months).
- Falls in energy costs (down - 11.4%) were more than offset by increases in labour costs (up 3.47%) and the cost of materials (up 3.23%).
- The BIG recorded price increases in 13 of the 20 small business expenditure items which calculate the BIG inflation figure.
- The Energy Effect – When energy prices are taken out of the BIG indices, overall inflation would be sitting at a significantly higher 2.6%.
- Overall, small firms' costs in 2009 Q2 remain about 2.1 per cent lower than a year earlier due to the deflation in late 2008 and early 2009.
- Micro firms – with less than 10 employees – experienced the mildest price rises over the quarter (+2.2 per cent) with prices for these firms now 2.2 per cent below a year ago.
- Small firms experienced slightly larger cost rises during 2009 Q2 of 2.4 per cent with costs now 1.4 per cent lower than a year earlier.



Regional breakdown

In addition to national data the Business Inflation Guide provides separate results for the South (the South East, South West and Eastern England), the Midlands and Wales (the East and West Midlands and Wales), Northern regions (Yorkshire and Humberside, the North East and North West) and Scotland.

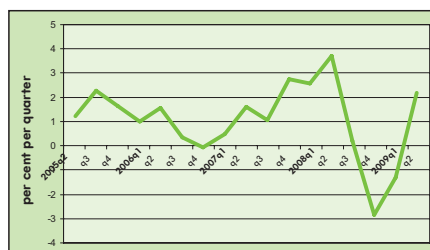
Southern Regions

Small business costs in Southern regions rose 2.2 per cent in 2009 Q2 remaining nearly 2.0 per cent lower than a year earlier.



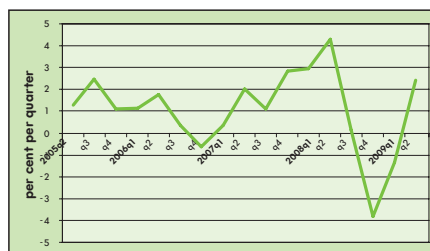
Midlands and Wales

The 2.1 per cent rise in prices in the Midlands and Wales over 2009 Q2 was among the smallest in UK regions. Prices remain nearly 2.0 per cent below those of a year earlier.



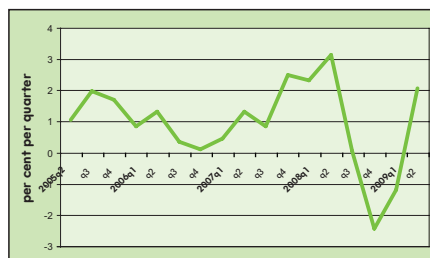
Northern regions

Price rises of 2.5 per cent in the Northern regions were the largest of any UK region. Over the year, however, prices remain around 2.8 per cent below a year earlier.



Scotland

Scottish small firms costs rose 2.1 per cent over the quarter but remain around 1.6 per cent below that of a year ago.

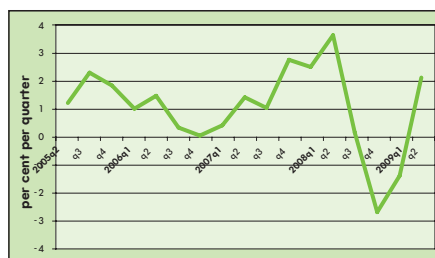


Sectoral breakdown

The Business Inflation Guide also provides an indication of the changing cost pressures on small businesses in private services and manufacturing. In each case the Index relates to businesses in Great Britain with less than 50 employees.

Services

Costs for services firms rose 2.1 per cent over the quarter, slightly less than that for manufacturing. Over the year costs remain 1.9 per cent lower.



Manufacturing

Costs rose 2.8 per cent over the quarter and nearly 3.0 per cent below their level of a year earlier.



Business Inflation Guide from MORE TH>N BUSINESS Results Summary 2009, Quarter 2

	2005	2006	2007	2008	2008 Q3	2008 Q4	2009 Q1	2009 Q2
Business Inflation Guide (% change per quarter)	1.7	0.7	1.4	-1.5	0.1	-3.0	-1.4	2.2
Micro businesses (% change per quarter)	1.7	0.7	1.4	-1.5	0.1	-3.1	-1.4	2.2
Small businesses (% change per quarter)	1.6	0.8	1.5	-1.1	0.3	-2.5	-1.6	2.4
Southern (% change per quarter)	1.8	0.7	1.4	-1.4	0.1	-2.8	-1.5	2.2
Midlands and Wales (% change per quarter)	1.7	0.7	1.6	-1.4	0.2	-2.9	-1.4	2.1
Northern (% change per quarter)	1.6	0.7	1.6	-1.9	0.1	-3.9	-1.4	2.5
Scotland (% change per quarter)	1.6	0.6	1.3	-1.2	0.0	-2.4	-1.2	2.1
Manufacturing (% change per quarter)	1.6	0.7	1.8	-2.2	0.1	-4.4	-1.5	2.8
Services (% change per quarter)	1.7	0.7	1.4	-1.3	0.1	-2.7	-1.4	2.1

* Please note: These figures are updated each quarter to ensure they are as accurate as possible and in line with the latest Government figures available.

Notes to Editors

1. The Business Inflation Guide (BIG) from MORE TH>N BUSINESS summarises information on twenty of the most important expenditure items for small businesses. Price changes for each item are taken from surveys conducted by National Statistics (see below). Expenditure shares or weights are based on data from 500 small firms gathered during July and August 2008.

2. The expenditure items covered by the Business Inflation Guide are:

1 Professional Services	4 Vehicle Costs (current)
1.1 Advertising services	4.1 Vehicle insurance and tax
1.2 Insurance	4.2 Vehicle repair and maintenance
1.3 Financial services	4.3 Fuel costs
1.4 Other services (accountancy, legal)	
2 Telephone, Communications	5 Staffing Costs
2.1 Business Telecomms	5.1 Labour costs (including social security costs)
2.2 Post and delivery services	
3 Establishment Costs	6 Materials and Services
3.1 Premises costs (rent/mortgage)	6.1 Raw materials
3.2 Premises costs – business rates	6.2 Cost of services
3.3 Gas used by the business	
3.4 Electricity used by the business	7 Capital Items
3.5 Water and sewerage charges	7.1 Office equipment furniture
	7.2 Production equipment/tools - purchase or leasing
	7.3 Vehicle purchase or leasing

3. A small business survey was conducted by OMB Research (www.ombresearch.co.uk) during July and August 2008 to establish the most important expenditure items for small businesses. Sampling frames were obtained from Dun and Bradstreet and quotas were imposed on responses to ensure results were robust by firm size, industry and region. Samples excluded agricultural businesses (Division 01/05) and those in mining and quarrying (Div 10/14). Interviews were conducted with the owner or another person in a position to provide the cost data required (e.g. accounts department). Final response included data from 500 small businesses with responses being weighted to correct bias and quota sampling.

4. No specific price data exists for small businesses so the Business Inflation Guide relies on national price indices for specific items. The majority of price data is taken from publications by the Office of National Statistics (ONS) including: the Services Producer Price Index (SPPI), the Consumer Price Index (CPI), the Producer Prices Index (PPI) and the Price Index Numbers for Current Cost Accounting (PINCCA). Source information for each price index used is given in Table 1 below with individual index values in Table 2 and Figure 1.

5. The Business Inflation Guide has been developed by MORE TH>N BUSINESS in association with the Centre for Small and Medium - Sized Businesses, Warwick Business School (www.wbs.ac.uk/csme).

Table 1: Price Indices - Sources

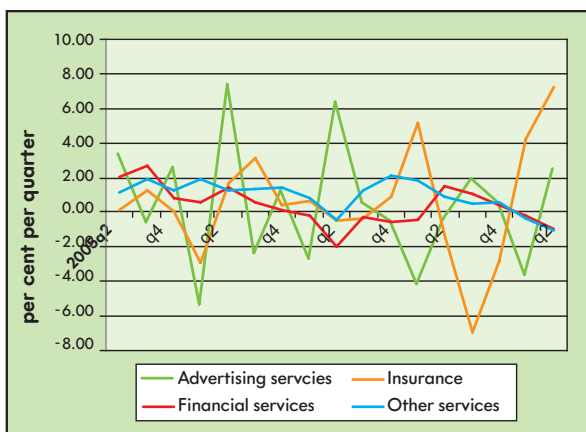
Business Inflation Guide Expenditure Item	Series Identifier/Name	Provider	Publication
1 Professional Services			
1.1 Advertising services	I5OE - 7440000000: Advertising Index	ONS	SPPI
1.2 Insurance	D7F2 - Index 12.5.2 : Buildings Insurance	ONS	CPI
1.3 Financial services	D7CZ - Index 12.6.2 : Financial Services	ONS	CPI
1.4 Other services (accountancy, legal)	D7FR - Index 12.7 : Other Services	ONS	CPI
2 Telephone, Communications			
2.1 Business Telecomms	I5M2 - 6420000000: Business Telecoms	ONS	SPPI
2.2 Post and delivery services	I5LK - 6411000000: National Post/ Parcel force	ONS	SPPI
3 Establishment Costs			
3.1 Premises costs (rent/mortgage)	I5M4 - 7020000000: Property Rentals	ONS	SPPI
3.2 Premises costs - rates	Changes in the business rate multiplier	GLG	
3.3 Gas	RCVW - 7167860000: Gas Including Climate Change Levy	ONS	PPI (MM22)
3.4 Electricity	RCVR - 7167850000: Electricity Incl. Climate Change Levy	ONS	PPI (MM22)
3.5 Water and sewerage charges	I5R3 - 9001000000: Sewerage Services	ONS	SPPI
4 Vehicle Costs (current)			
4.1 Vehicle insurance and tax	D7F3 - Index 12.5.4 : Insurance Connected With Transport	ONS	CPI
4.2 Vehicle repair and maintenance	I5IY - 50200 Maintenance Of Motor Vehicles	ONS	SPPI
4.3 Fuel costs	Quarterly Energy Price Indices - DERV	BERR	Table 4.11
5 Staffing Costs			
5.1 Labour costs	LNND - Average Earnings Inc Bonuses (3 Month Average)	ONS	
6 Materials and Services			
6.1 Raw materials	PLKX - 6292000010 - All Manufacturing: Materials Only	ONS	PPI
6.2 Cost of services	I5RX - 9972000000: All Services	ONS	SPPI
7 Capital Items			
7.1 Office equipment furniture	PQEK - 3002000000 :Computers & Other Data Processing Equipment	ONS	PINCCA (MM17)
7.2 Production equipment/tools - purchase or leasing	PPYR: 2862000000 :Tools	ONS	PINCCA (MM17)
7.3 Vehicle purchase or leasing	D7CO - Index 07.1 : Purchase Of Vehicles	ONS	CPI

Table 2: Price Indices Summary Values (percentage change per quarter)

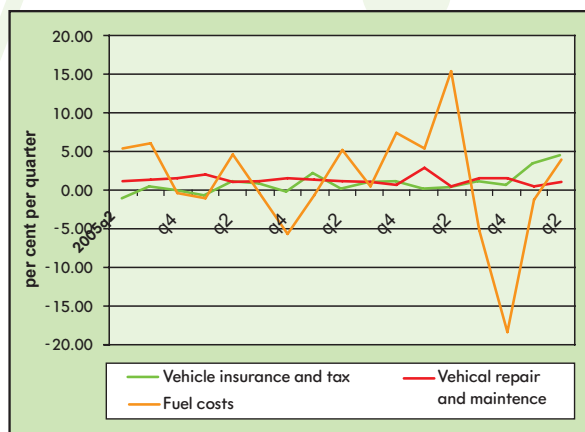
	2005	2006	2007	2008	2008 Q3	2008 Q4	2009 Q1	2009 Q2
1 Professional Services								
1.1 Advertising services	1.70	0.18	0.87	1.18	1.88	0.49	-3.67	2.41
1.2 Insurance	0.47	0.57	0.17	-4.88	-6.95	-2.80	4.22	7.21
1.3 Financial services	1.83	0.68	-0.77	0.73	1.07	0.38	-0.19	-0.96
1.4 Other services (accountancy, legal)	1.44	1.46	0.94	0.56	0.52	0.60	-0.34	-1.03
2 Telephone, Communications								
2.1 Business Telecomms	-0.82	-2.20	0.24	-1.50	-2.99	0.00	-0.46	0.00
2.2 Post and delivery services	1.40	1.39	1.37	1.88	1.90	1.86	1.83	1.71
3 Establishment Costs								
3.1 Premises costs (rent/mortgage)	0.81	0.98	1.04	0.40	0.45	0.36	-0.89	-0.27
3.2 Premises costs - rates	0.32	0.77	1.01	1.32	1.35	1.29	1.28	1.05
3.3 Gas	19.12	-1.15	2.43	10.44	2.78	18.09	-0.17	-28.97
3.4 Electricity	12.62	5.32	-1.84	15.93	7.45	24.42	3.65	-11.37
3.5 Water and sewerage charges	2.38	1.84	1.67	1.63	1.65	1.62	1.59	1.64
4 Vehicle Costs (current)								
4.1 Vehicle insurance and tax	-0.33	0.15	0.96	0.72	0.96	0.47	3.31	4.39
4.2 Vehicle repair and maintenance	1.34	1.49	1.09	1.53	1.54	1.51	0.58	0.99
4.3 Fuel costs	3.69	-0.61	3.08	-11.70	-5.11	-18.30	-1.27	3.89
5 Staffing Costs								
5.1 Labour costs	1.00	1.06	0.99	0.80	0.85	0.76	-2.89	3.47
6 Materials and Services								
6.1 Raw materials	2.40	0.55	3.28	-6.15	-0.21	-12.09	-1.12	3.23
6.2 Cost of services	0.77	0.69	0.72	0.27	0.55	0.00	-1.00	0.09
7 Capital Items								
7.1 Office equipment furniture	-1.42	-1.64	-1.83	-0.36	-0.71	0.00	-0.84	-5.19
7.2 Production equipment/tools - purchase or leasing	0.51	0.51	1.25	2.06	3.15	0.96	0.52	1.55
7.3 Vehicle purchase or leasing	-0.37	0.00	-0.15	-1.64	-1.02	-2.26	-1.58	3.95

Figure 1: Index Price Series

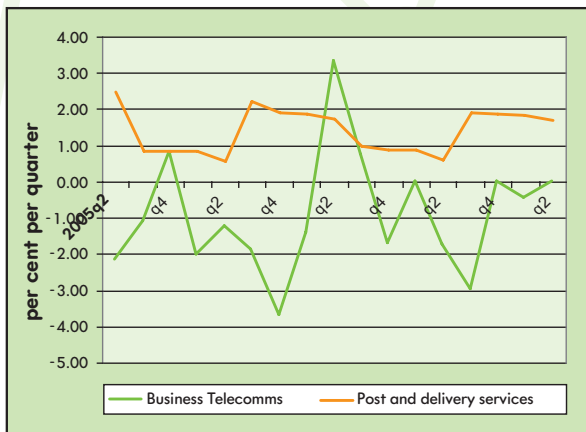
Professional Services



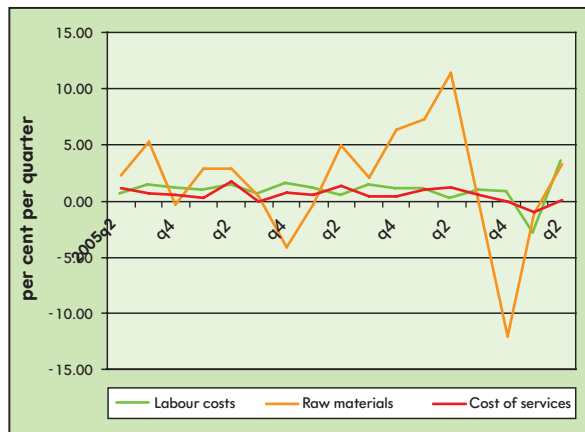
Vehicle Costs (current)



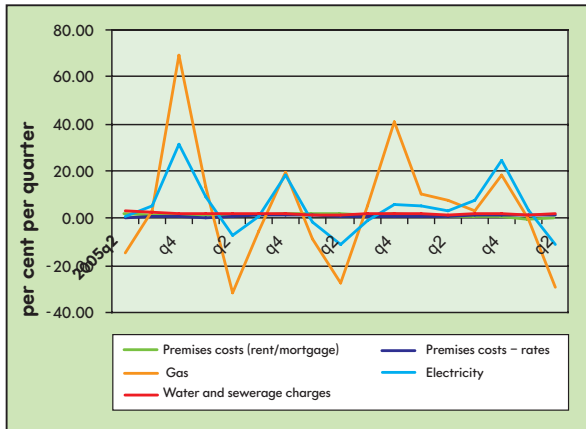
Telephone, Communications



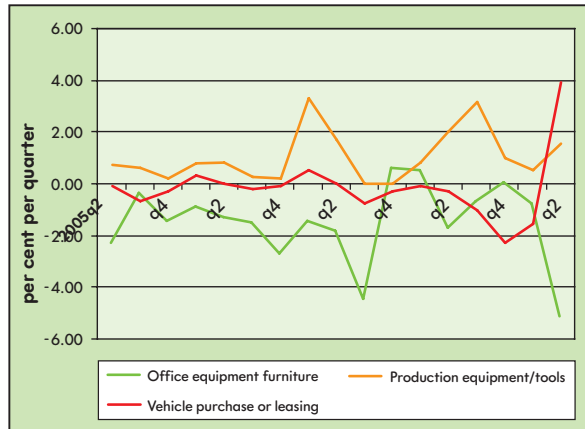
Staffing and Materials Costs



Establishment Costs



Capital Items





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About MORE TH>N BUSINESS

MORE TH>N BUSINESS, part of RSA, offers van, shop, office, business car, landlord, club, hotel and contractor insurance direct to small businesses. MORE TH>N also offers motor, home, pet, travel and life insurance.

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