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BUSINESS
PART OF THE RSA GROUP

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).

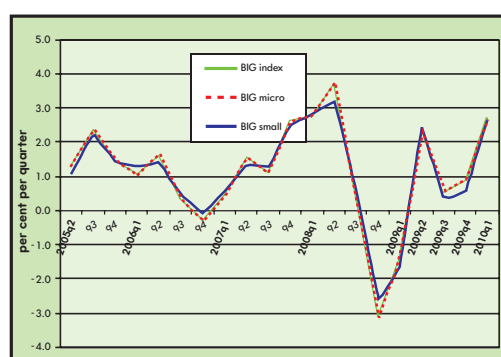
The Business Inflation Guide from MORE TH>N BUSINESS is compiled and published quarterly and has been developed in conjunction with Warwick Business School. For further information on the development of the Business Inflation Guide please see 'Notes to Editors'.

Business Inflation Guide, Quarter 1 2010

The results of the Business Inflation Guide include data over the 2005 to 2010 period. The most recent results included here relate to the period January 2005 to March 2010.

Key Findings

- Overall, small business costs rose by around 2.7 per cent in 2010 Q1, which represents a sharp increase in the cost pressures faced by small and medium enterprises. Increases in the price of energy, materials and labour were the primary causes of the cost rises.
- Four quarters of consecutive cost rises since the deflationary period of late 2008 and early 2009 now mean that small business costs have risen around 6.5 per cent over the last year.
- Micro firms – with less than 10 employees – experienced price rises of around 2.7 per cent during 2010 Q1 with costs rising around 6.5 per cent over the year.
- Small firms (defined as those with 10-50 employees) fared slightly worse than micro firms in Q1 with costs rising 2.8 per cent. Over the last twelve months costs for these firms have risen 6.2 per cent.



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.

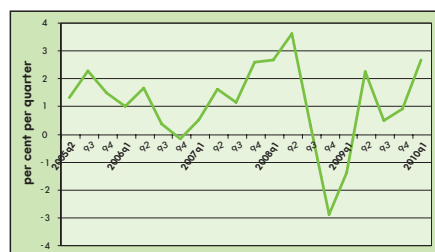
Southern Regions

Small business costs in Southern regions rose 2.8 per cent in 2010 Q1 and 6.3 per cent over the last year.



Midlands and Wales

The 2.7 per cent rise in prices in the Midlands and Wales over 2010 Q1 was marginally smaller than that in the Southern regions. Over the year ending March 2010, small business costs in the Midlands also rose 6.3 per cent.



Northern regions

Price rises of 2.8 per cent in 2010 Q1 were some of the highest of the UK regions. This reflects the greater volatility of small business costs in these regions which are around 7.3 per cent higher than a year earlier.



Scotland

Scottish small firms have had the smallest rises in the last year compared to the rest of the UK. Costs rose 2.4 per cent over the quarter and are now 6.1 per cent above that of a year earlier.



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 provides data relating to businesses in Great Britain with less than 50 employees.

Services

Costs for services firms rose 2.7 per cent over the quarter, slightly less than that for manufacturing. Over the year costs have risen by 6.2 per cent.



Manufacturing

Costs rose 2.9 per cent over the quarter and nearly 7.6 per cent over the year.



Business Inflation Guide from MORE TH>N BUSINESS Results Summary 2010, Quarter 1

	2006	2007	2008	2009	2009 Q2	2009 Q3	2009 Q4	2010 Q1
Business Inflation Guide (% change per quarter)	0.7	1.4	0.9	1.3	2.3	0.5	0.9	2.7
Micro businesses (% change per quarter)	0.7	1.4	0.9	1.3	2.3	0.6	0.9	2.7
Small businesses (% change per quarter)	0.8	1.5	1.0	1.1	2.5	0.3	0.6	2.8
Southern (% change per quarter)	0.7	1.4	0.9	1.2	2.3	0.5	0.7	2.8
Midlands and Wales (% change per quarter)	0.7	1.6	0.9	1.2	2.2	0.5	0.9	2.7
Northern (% change per quarter)	0.7	1.6	0.9	1.5	2.6	0.8	1.2	2.8
Scotland (% change per quarter)	0.6	1.3	0.8	1.2	2.1	0.5	1.1	2.4
Manufacturing (% change per quarter)	0.7	1.8	0.9	1.6	2.9	0.6	1.2	2.9
Services (% change per quarter)	0.7	1.4	1.0	1.2	2.2	0.5	0.8	2.7

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:

<ol style="list-style-type: none"> 1 Professional Services 1.1 Advertising services 1.2 Insurance 1.3 Financial services 1.4 Other services (accountancy, legal) 	<ol style="list-style-type: none"> 4 Vehicle Costs (current) 4.1 Vehicle insurance and tax 4.2 Vehicle repair and maintenance 4.3 Fuel costs
<ol style="list-style-type: none"> 2 Telephone, Communications 2.1 Business Telecomms 2.2 Post and delivery services 	<ol style="list-style-type: none"> 5 Staffing Costs 5.1 Labour costs (including social security costs)
<ol style="list-style-type: none"> 3 Establishment Costs 3.1 Premises costs (rent/mortgage) 3.2 Premises costs – business rates 3.3 Gas used by the business 3.4 Electricity used by the business 3.5 Water and sewerage charges 	<ol style="list-style-type: none"> 6 Materials and Services 6.1 Raw materials 6.2 Cost of services
	<ol style="list-style-type: none"> 7 Capital Items 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 for response 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

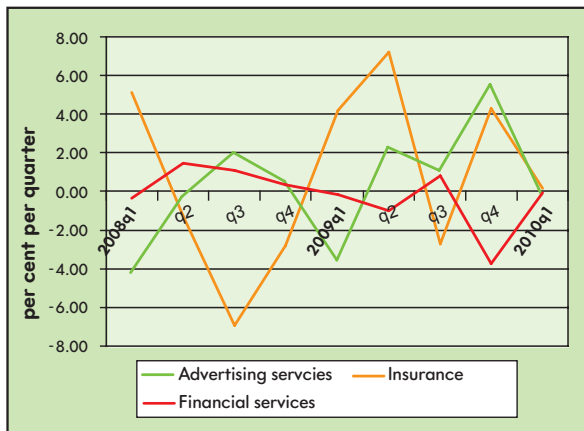
Business Inflation Guide Expenditure Item	Series Identifier/Name	Provider	Publication
1 Professional Services			
1.1 Advertising services	I5OE – 7440000000: Advertising Index	ONS	SPPI
1.2 Insurance	D7F2 – Index 12.5.2 : Buildings Insurance	ONS	CPI
1.3 Financial services	D7CZ – Index 12.6.2 : Financial 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	DECC	Table 4.1.1
5 Staffing Costs			
5.1 Labour costs	LNKY – 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)

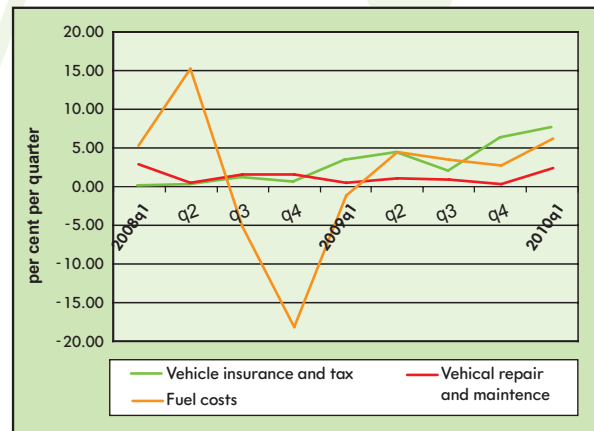
	2006	2007	2008	2009	2009 Q2	2009 Q3	2009 Q4	2010 Q1
1 Professional Services								
1.1 Advertising services	0.18	0.87	-0.57	2.88	2.21	0.98	5.44	-0.28
1.2 Insurance	0.57	0.17	-1.48	2.90	7.21	-2.76	4.26	0.18
1.3 Financial services	0.68	-0.77	0.63	-1.31	-0.96	0.77	-3.74	-0.10
1.4 Other services (accountancy, legal)	1.46	0.94	0.94	0.06	-1.03	0.35	0.87	2.15
2 Telephone, Communications								
2.1 Business Telecomms	-2.20	0.24	-0.27	-1.58	0.11	-1.56	-3.28	-0.47
2.2 Post and delivery services	1.39	1.37	1.31	0.57	1.71	0.00	0.00	0.00
3 Establishment Costs								
3.1 Premises costs (rent/mortgage)	0.98	1.04	0.51	-0.67	-0.27	-0.90	-0.82	0.18
3.2 Premises costs – rates	0.77	1.01	1.12	0.91	1.05	0.82	0.86	0.00
3.3 Gas	-1.15	2.43	9.82	-9.71	-29.31	-17.07	17.25	3.60
3.4 Electricity	5.32	-1.84	10.11	-3.15	-11.42	0.21	1.77	-1.69
3.5 Water and sewerage charges	1.84	1.67	1.66	0.55	1.64	0.00	0.00	0.00
4 Vehicle Costs (current)								
4.1 Vehicle insurance and tax	0.15	0.96	0.38	4.14	4.39	1.84	6.19	7.53
4.2 Vehicle repair and maintenance	1.49	1.09	1.64	0.76	0.99	0.90	0.40	2.50
4.3 Fuel costs	-0.61	3.08	-0.66	3.56	4.46	3.42	2.81	6.28
5 Staffing Costs								
5.1 Labour costs	1.07	0.97	0.75	0.62	3.70	-0.22	-1.63	3.12
6 Materials and Services								
6.1 Raw materials	0.55	3.28	1.60	2.81	3.15	1.65	3.62	3.87
6.2 Cost of services	0.69	0.72	0.72	0.18	0.09	0.00	0.46	0.46
7 Capital Items								
7.1 Office equipment furniture	-1.64	-1.83	-0.50	3.53	-5.19	3.18	12.59	5.81
7.2 Production equipment/tools – purchase or leasing	0.51	1.25	1.74	0.60	1.55	0.00	0.25	0.08
7.3 Vehicle purchase or leasing	0.00	-0.15	-0.92	3.04	3.95	3.70	1.49	0.68

Figure 1: Index Price Series

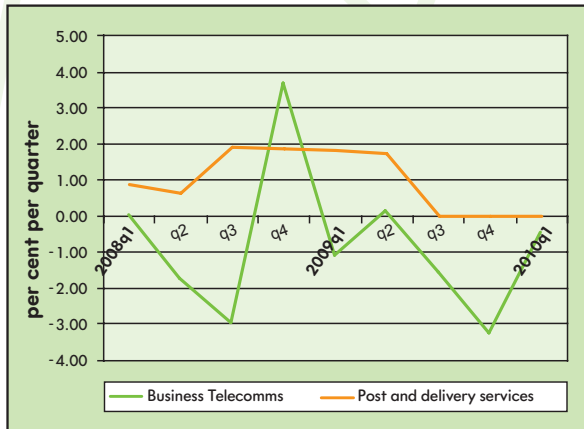
Professional Services



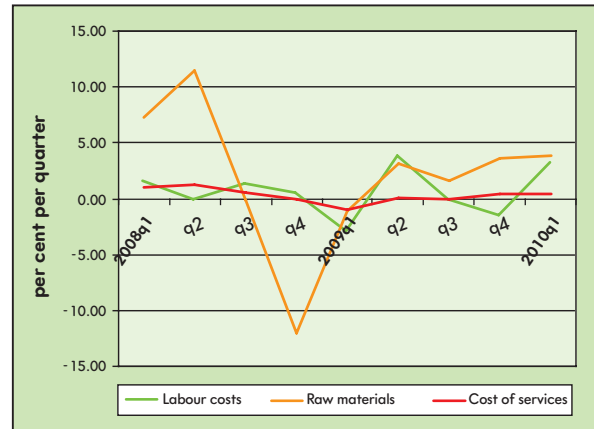
Vehicle Costs (current)



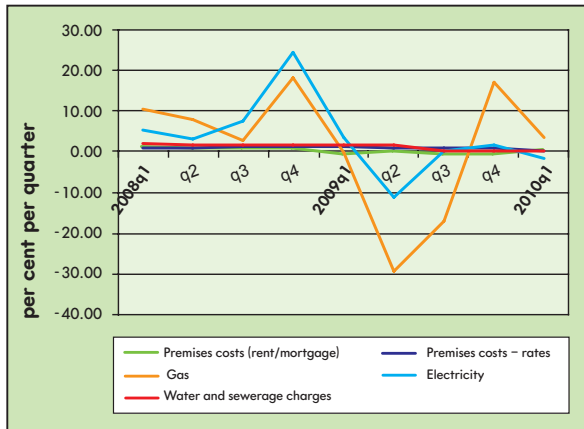
Telephone, Communications



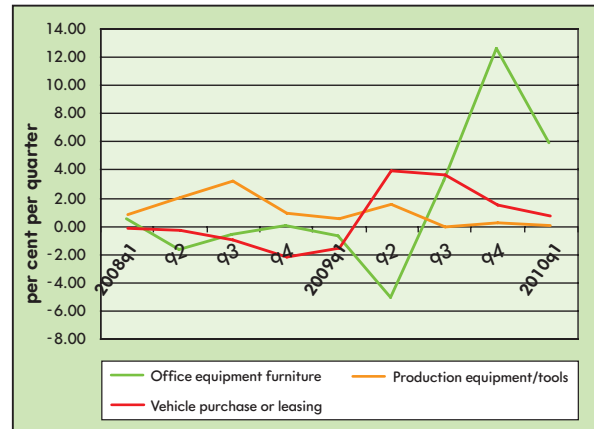
Staffing and Materials Costs



Establishment Costs



Capital Items



About MORE TH>N BUSINESS

MORE TH>N BUSINESS, part of RSA's direct financial services arm MORE TH>N, 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.

For more information about MORE TH>N BUSINESS's products and services, visit www.morethanbusiness.co.uk or call **0800 294 1818**.

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