



MORE TH>N[®]
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 20 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).

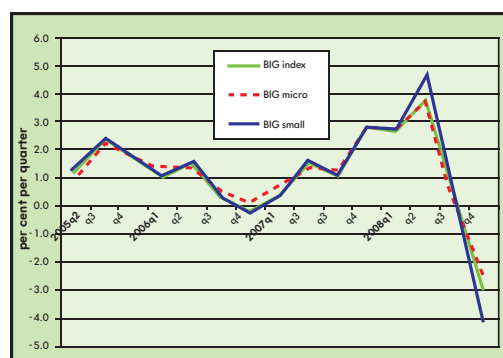
The Business Inflation Guide from MORE TH>N BUSINESS is to be compiled and published quarterly and has been developed in conjunction with Warwick Business School. For further information on the development of the Business Inflation Guide please see 'Notes to Editors'.

Business Inflation Guide, Q4 2008

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

Key Findings

- Small businesses across the UK experienced a 2.9 per cent fall in costs during Q4 2008 (compared to a 0.1 per cent rise in inflation in Q3 2008)
- The rapid onset of deflation is largely due to declining fuel costs (down 18.3%) and raw material prices (down 11.95%)
- Manufacturing and contractors recorded the strongest rate of deflation with costs falling by 4.3 per cent and 4.5 per cent respectively
- Costs for small services firms still fell around 2.6 per cent over the quarter
- Regionally, Northern England has experienced the largest rate of deflation, primarily due to its greater share of manufacturing firms
- Insurance costs for small businesses fell 2.8 percent over Q4
- Overall for 2008, UK small businesses experienced a 3.6 per cent cost inflation on the previous year
- Micro firms – those with less than 10 employees – fared better than other small firms experiencing a cost fall of nearly 3.0 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.

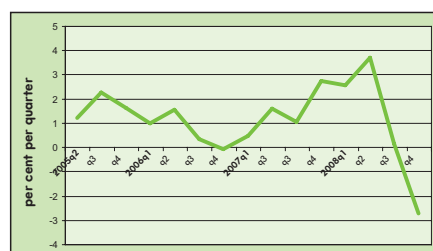
Southern Regions

Small business costs in Southern regions fell around 2.7 per cent in the last quarter of 2008, a slightly smaller fall than the national average. Costs over the year remained 3.7 per cent higher than at the end of 2007.



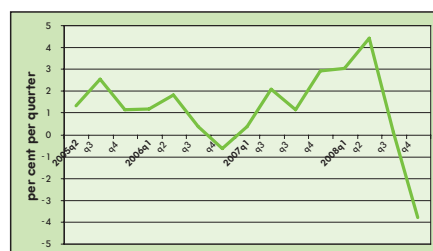
Midlands and Wales

The 2.8 per cent fall in small business costs in the Midlands and Wales in 2008 quarter 4 broadly followed the national average. Costs were still up 3.6 per cent over the year.



Northern Regions

Northern regions experienced the sharpest fall in regional costs over 2008 quarter 4, 3.8 per cent. Manufacturing costs fell particularly sharply (by 5.4 per cent). Over the whole of 2008 costs were up 3.7 per cent – in line with the national average.



Scotland

Scottish small firms benefitted slightly less from deflation in 2008 quarter 4 than other regions. Small business costs still fell an average of 2.4 per cent. Over the year Scotland has fared better with small business costs rising 3.1 per cent – the slowest regional growth.

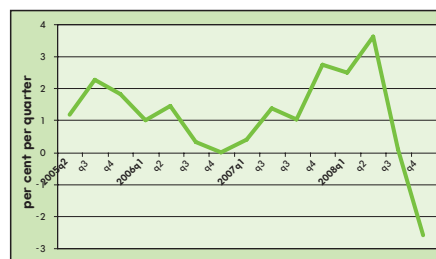


Sectoral breakdown

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

Services firms experienced a sharp reversal of the recent inflationary trend. In 2008 quarter 4, costs fell by around 2.6 per cent, although remained up 3.6 per cent on the year.



Manufacturing

Significant falls in input and fuel prices benefited manufacturing firms during 2008 quarter 4 leading to a fall in costs of around 4.3 per cent. Over the year costs were 3.9 per cent higher.



Business Inflation Guide from MORE TH>N BUSINESS Results Summary 2008, Quarter 4

	2005	2006	2007	2008	2008 Q1	2008 Q2	2008 Q3	2008 Q4
Business Inflation Guide (% change per quarter)	1.7	0.7	1.4	0.9	2.7	3.8	0.1	-2.9
Micro businesses (% change per quarter)	1.7	0.7	1.4	0.9	2.6	3.9	0.1	-3.0
Small businesses (% change per quarter)	1.6	0.8	1.4	1.0	2.7	3.4	0.3	-2.4
Southern (% change per quarter)	1.8	0.7	1.4	0.9	2.6	3.7	0.1	-2.7
Midlands and Wales (% change per quarter)	1.7	0.7	1.6	0.9	2.5	3.7	0.1	-2.8
Northern (% change per quarter)	1.6	0.7	1.6	0.9	3.0	4.4	0.1	-3.8
Scotland (% change per quarter)	1.5	0.7	1.2	0.8	2.3	3.1	0.0	-2.4
Manufacturing (% change per quarter)	1.6	0.7	1.7	1.0	3.4	4.7	0.1	-4.3
Services (% change per quarter)	1.7	0.7	1.3	0.9	2.5	3.6	0.1	-2.6

Notes to Editors

To view the Business Inflation Guide Online, visit www.morethanbusiness.com/BIG

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) 2 Telephone, Communications 2.1 Business Telecoms 2.2 Post and delivery services 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"> 4 Vehicle Costs (current) 4.1 Vehicle insurance and tax 4.2 Vehicle repair and maintenance 4.3 Fuel costs 5 Staffing Costs 5.1 Labour costs (including social security costs) 6 Materials and Services 6.1 Raw materials 6.2 Cost of services 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

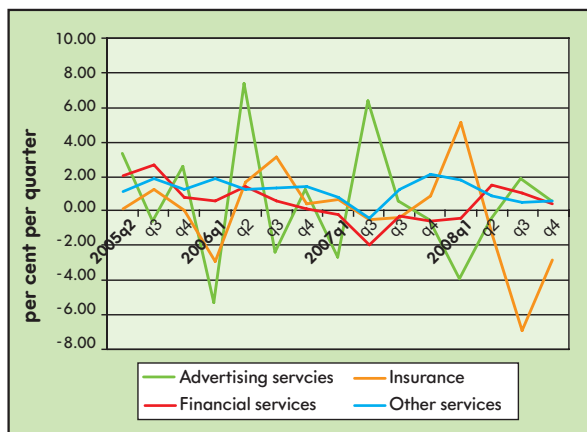
Business Inflation Guide Expenditure Item	Series Identifier/Name	Provider	Publication
1 Professional Services			
1.1 Advertising services	I5OE - 7440000000: Advertising Index	ONS	SPPI
1.2 Insurance	D7F2 - Index 12.5.2 : Buildings Insurance	ONS	CPI
1.3 Financial services	D7CZ - Index 12.6.2 : Financial Services	ONS	CPI
1.4 Other services (accountancy, legal)	D7FR - Index 12.7 : Other Services	ONS	CPI
2 Telephone, Communications			
2.1 Business Telecoms	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)

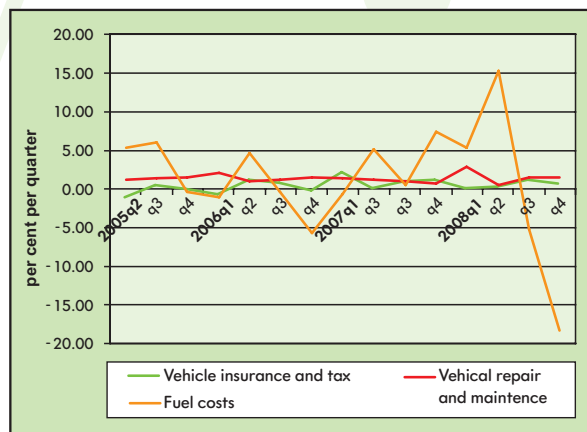
	2005	2006	2007	2008	2008 Q1	2008 Q2	2008 Q3	2008 Q4
1 Professional Services								
1.1 Advertising services	1.70	0.18	0.87	-0.57	-3.96	-0.59	1.78	0.49
1.2 Insurance	0.47	0.57	0.17	-1.48	5.12	-1.29	-6.95	-2.80
1.3 Financial services	1.83	0.68	-0.77	0.63	-0.39	1.48	1.07	0.38
1.4 Other services (accountancy, legal)	1.44	1.46	0.94	0.94	1.78	0.87	0.52	0.60
2 Telephone, Communications								
2.1 Business Telecoms	-0.82	-2.20	0.24	-1.18	0.00	-1.74	-2.99	0.00
2.2 Post and delivery services	1.40	1.39	1.37	0.59	0.88	0.61	0.43	0.43
3 Establishment Costs								
3.1 Premises costs (rent/mortgage)	0.81	0.98	1.04	0.51	0.79	0.45	0.45	0.36
3.2 Premises costs - rates	0.32	0.77	1.01	0.92	0.95	0.90	0.94	0.91
3.3 Gas	19.12	-1.15	2.43	9.82	10.61	7.81	2.78	18.09
3.4 Electricity	12.62	5.32	-1.84	10.18	5.46	3.13	7.45	24.66
3.5 Water and sewerage charges	2.38	1.84	1.67	1.43	1.82	1.55	1.18	1.18
4 Vehicle Costs (current)								
4.1 Vehicle insurance and tax	-0.33	0.15	0.96	0.38	0.00	0.10	0.96	0.47
4.2 Vehicle repair and maintenance	1.34	1.49	1.09	1.64	2.92	0.60	1.54	1.51
4.3 Fuel costs	3.69	-0.61	3.08	-0.66	5.34	15.41	-5.11	-18.30
5 Staffing Costs								
5.1 Labour costs	1.00	1.03	0.93	0.77	1.04	0.12	0.85	1.06
6 Materials and Services								
6.1 Raw materials	2.40	0.55	3.28	1.64	7.29	11.41	-0.21	-11.95
6.2 Cost of services	0.77	0.69	0.72	0.72	1.03	1.30	0.55	0.00
7 Capital Items								
7.1 Office equipment furniture	-3.16	-0.70	-1.91	-0.50	0.47	-1.75	-0.71	0.00
7.2 Production equipment/tools - purchase or leasing	0.51	0.54	1.24	1.74	0.83	2.02	3.15	0.96
7.3 Vehicle purchase or leasing	-0.37	0.00	-0.15	-0.92	-0.10	-0.30	-1.02	-2.26

Figure 1: Index Price Series

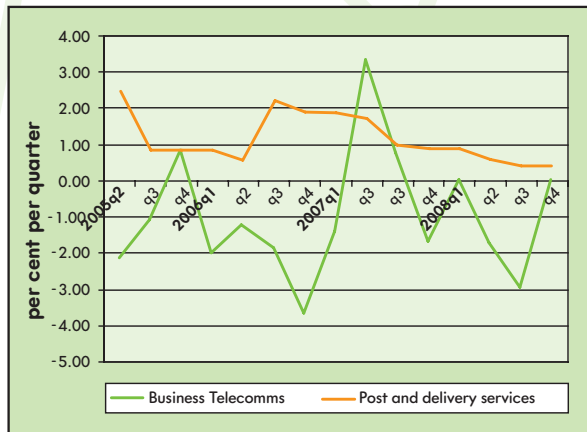
Professional Services



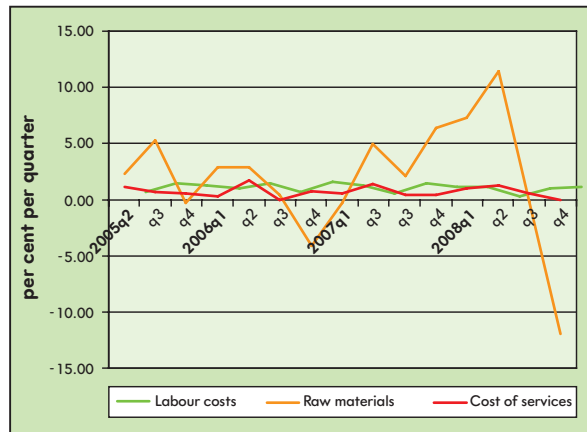
Vehicle Costs (current)



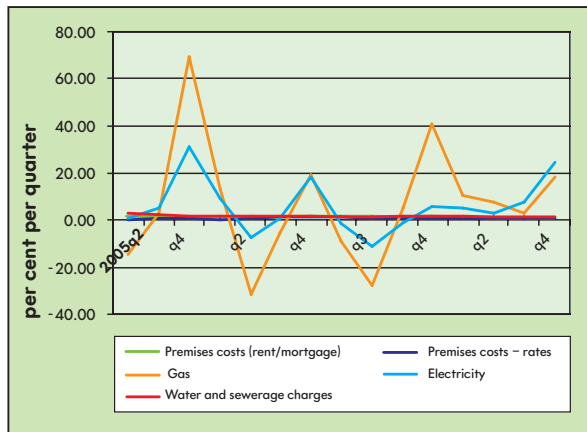
Telephone, Communications



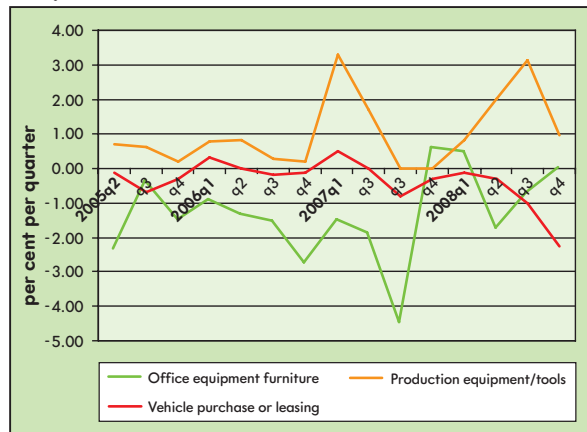
Staffing and Materials Costs



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**.

For more information please contact:

Carmel McCarthy

External Communications Manager

MORE TH>N BUSINESS

Phone: + 44 (0) 20 7337 5405

Mob: + 44 (0) 7717 294 529

carmel.mccarthy@uk.rsagroup.com

Nick Dear

External Communications Consultant

MORE TH>N BUSINESS

Phone: + 44 (0) 20 7337 5602

Mobile: + 44 (0) 7824 839 511

nick.dear@uk.rsagroup.com