



INFLATION AND SMALL BUSINESS

INFLATION

Inflation is a general increase in the prices of goods and services in an economy. The most commonly used measure of inflation in the U.S. is the Consumer Price Index (CPI) which tracks the cost of a basket of goods and services typically purchased by consumers. July's report showed the CPI was unchanged at 1.3% month-over-month. Over the last 12 months the index increased 8.5% in July.

"Our fuel costs are horrible. They're up 25% now over last year at this time and I know it's only going to get worse and there's so much uncertainty as to the taxes we'll be paying."

KELLY LOUDIN
SMALL BUSINESS OWNER AND NFIB MEMBER, OHIO

NFIB'S SMALL BUSINESS ECONOMIC TRENDS SURVEY - PRICES

The NFIB Research Center conducts a monthly survey and has been collecting Small Business Economic Trends data with quarterly surveys since the 4th quarter of 1973 and monthly surveys since 1986. Survey respondents are randomly drawn from NFIB's membership. The report is released on the second Tuesday of each month.

Thirty-seven percent reported that inflation was their top business problem in July, an increase of three points from June and the highest level since the fourth quarter of 1979.

HIGHLIGHTS FROM NFIB'S INFLATION SURVEY

NFIB conducts a monthly inflation survey to assess the impact inflation is having on small businesses. A random sample of NFIB's membership was drawn for these findings.

- All small employers reported inflation was impacting their business to varying degrees. Over half (56%) reported that inflation is having a substantial impact on their business while about a third (35%) reported it had a moderate impact. Only 8% of owners report it having a mild impact.
- Owners reported that "inventory, supplies, and materials" and "fuel (gasoline, diesel, fuel oil, etc.)" are the top contributing factors to higher costs in their business.
- Over half (54%) of small employers reported that increasing fuel costs have a substantial negative impact on their business.
- 86% percent of owners are reporting increasing prices to absorb higher input costs.
- One-third (33%) are assessing the price levels of their goods or services weekly, another 23% are reevaluating their prices monthly.
- Almost half (45%) of small employers have fixed price agreement contracts with customers that make it even more difficult to manage inflation pressures.