

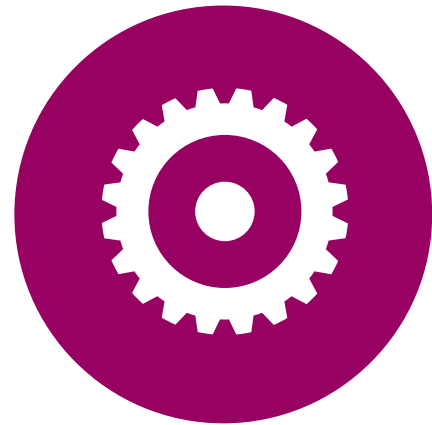


The **cost** of doing business

A summary of the results from our latest ballot.

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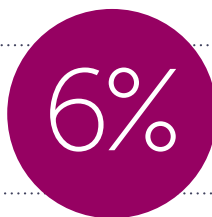
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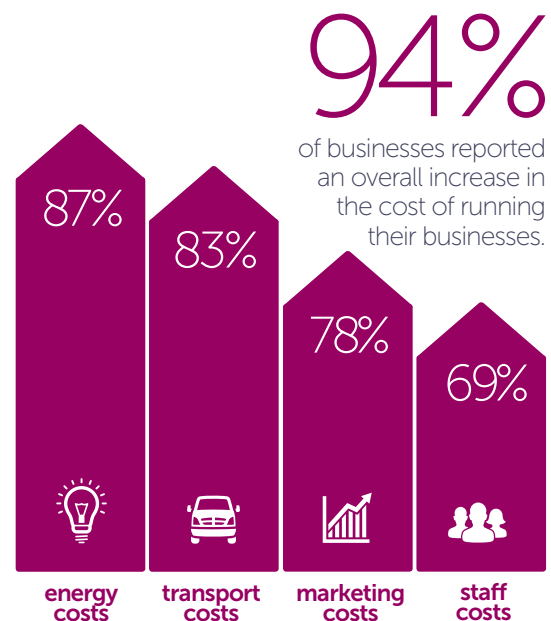
There has been a continued rise in the cost of doing business over the last year with 87% of businesses reporting an increase in energy costs, 83% in transport costs, 78% in marketing costs and 69% in the cost of staff.

Businesses report they have had to cut costs simply to keep prices at the same level. There is a reduction in the proportion of businesses reporting an increase compared to last year. However, in context to a longer period of time such percentages remain quite high.

Prices have risen far faster for micro, small and medium-sized employers than for the rest of UK society at



The table below shows various inflationary indicators with wage inflation around that of underlying inflation as reducing staff costs (after reducing their own take home pay) has been the only way for some businesses to continue trading.



Inflationary indicators

Inflationary indicators	2013	2012	2011
Wage inflation Source: Income Data Services Pay report	2.5% ↓	3.0%	2.5%
Consumer Price Inflation (CPI) Source: ONS	2.7% ↑	2.6%	4.5%
Annual inflation Source: ONS/Moneyfacts	3.1% ↓	3.2%	5.2%
Underlying inflation Source: ONS/Moneyfacts	3.2% →	3.2%	5.3%
Small business inflation Source: Forum of Private Business	6.0% ↓	6.7%	8.5%

“Maintenance costs, health and safety costs, energy costs, water charges, fuel costs – in a manufacturing business these are difficult to cope with...”

The overall impact of **rising costs**...

Businesses continue to absorb rising prices. Fewer have been able to pass on the costs to their customers this year, with 41% of businesses not feeling able to pass on any costs to their customers. Just 2% were able to pass costs on in full.

There is a significantly lower proportion of businesses concerned by credit restrictions this year, with a higher proportion seeing credit restrictions as irrelevant. Nevertheless, credit restrictions are still apparent with 26% of businesses feeling that they have less leeway than last year.

73% have had cash flow issues as a result and it has had a detrimental effect on 50% of business when looking at investment. 51% reported that it has been detrimental to employment levels and 63% feel that it has inhibited growth ambitions.

16% of businesses expect costs to increase significantly over the next year and 83% believe that prices will continue to increase. Fewer than 2% expected prices to decrease or remain the same.

The most frequently cited exacerbating factors were customers paying late (52%) and competitors offering products below cost price (51%). Excessive administrative demands forced on businesses by government, banks and customers have meant that 35% of businesses have not been able to focus on business activities. Changing payment terms had been a problem for 19% of businesses in dealing with suppliers and 25% in dealing with customers. Bad debt and phoenix companies had affected 16% of businesses.

To read the full report, go to www.fpb.org/Referendum205.



About the Forum

The Forum of Private Business is a proactive, not-for-profit organisation, providing comprehensive support, protection and reassurance to small businesses. We add value to businesses through the collective voice for members in local, central and European government, and the provision of tailored solutions that promote business success. Find out more at www.fpb.org.