

# Small Business Facts

## Supply Squeeze: Small Business Commodity Challenges

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<b>Table 1: Domestic Supply Delays June 7-13 2021</b>	
<b>Description</b>	<b>Percent Affected</b>
Manufacturing	61.6%
Construction	60.5%
Retail Trade	57.4%
Wholesale Trade	50.0%
Accommodation and Food	46.4%
Other Services	44.0%
Utilities	39.2%
Management	34.3%
Administrative Services	29.1%
Health Care	27.8%
Transportation	26.2%
Arts and Entertainment	20.8%
Real Estate	18.9%
Professional Services	17.8%
Information	17.1%
Educational Services	15.9%
Mining, Oil and Gas	14.9%
Finance and Insurance	7.6%
<b>National Average</b>	<b>37.2%</b>
<b>Source: Small Business Pulse Survey</b>	

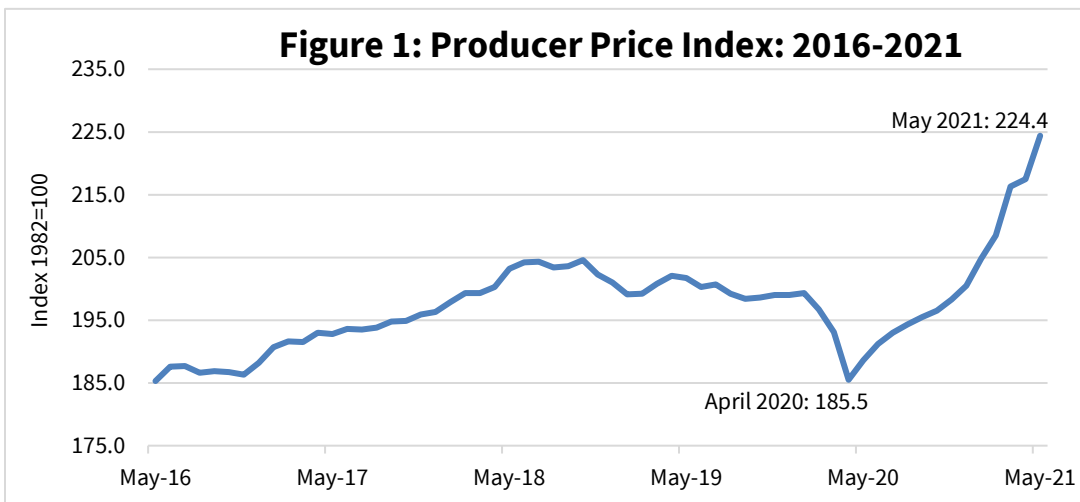
### Small Businesses are struggling to obtain key goods to operate, further financially impacting them as they recover from the pandemic

Table 1 shows estimates for the percent of small businesses with domestic supplier delays by industry. 37.2% of small businesses had domestic supplier delays for the week of June 7<sup>th</sup>-13<sup>th</sup> 2021. This figure has steadily increased since August 2020, when 29.4% had delays. In June 2021, the three most impacted industries were manufacturing (61.6%), construction (60.5%), and retail trade (57.4%). While a variety of sources have contributed to delays, slowdowns at inports and railyards have been a major problem. For example, according to CSX rail data, rail volume for the 26<sup>th</sup> week of 2021 is up almost 20% from the same week in 2020, and almost 10% from the same week in 2019, resulting in slower trains and longer dwelling times in rail terminals.

### Domestic supply delays are coinciding with higher commodity prices for small businesses

Figure 1 shows the Producer Price Index for all commodities 2016-2021. COVID-19 lockdowns in the spring of 2020 coupled with pent-up demand in the beginning of 2021 contributed to a particularly high year-over-year change of 19% for all commodities. Oil (135%), corn (152%), and lumber (143%) were some of the goods with the largest annual percentage change from May 2020-2021. While goods like oil and corn currently have prices not seen since 2018 and 2012 respectively, prices for copper and lumber are significantly higher than ever before.

The rise in commodity prices is now a significant concern for small business owners. According to a Q2 2021 CNBC small business survey, 48% of small business owners say the cost of materials will increase the most for their company over the next six months, which is more than labor (30%) and capital (18%). Also, the Federal Reserve’s Business Inflation Expectation Survey for June 2021 was 3%, the highest since the start of the survey almost 10 years ago. Going forward, these numbers will need to be monitored closely to further understand whether the rise in material costs will be short lived or part of a longer trend.



### Sources:

- Small Business Pulse Survey, US Census Bureau, <https://portal.census.gov/pulse/data/>
- Federal Reserve Economic Data (FRED), Producer Price Index, <https://fred.stlouisfed.org/series/PPIACO>
- CNBC Small Business Index, Q2 2021, <https://www.surveymonkey.com/curiosity/cnbc-small-business-q2-2021/>
- Federal Reserve Bank of Atlanta, Business Inflation Expectations, <https://www.atlantafed.org/research/inflationproject/bie>
- CSX Performance Measures, <https://www.csx.com/index.cfm/customers/performance-measures/#Data>