Fiserv Small Business Index®

Introducing Inflation-Adjusted Measurements

May 2025

Fiserv has introduced a new capability to view the Fiserv Small Business Index (FSBI) in inflation-adjusted terms, offering a more accurate lens on the real economic activity of small businesses. Understanding inflation-adjusted sales data is essential for accurately assessing the true health of small business – especially during times of economic fluctuation and uncertainty.

Nominal sales figures can mask underlying trends when prices are rising or falling rapidly. What may appear to be growth could simply reflect higher prices rather than increased consumer demand. By adjusting for inflation, we gain a clearer view of real purchasing activity and business performance, making it easier to distinguish between resilience and vulnerability in the small business sector. By offering this enhanced view within the FSBI, users can better interpret sales momentum and the economic realities facing small business.

Price Increases vs. Inflation

Sales are measured in real time, so price changes over time can affect their true value. When we're analyzing growth or training a model, price fluctuations might not be the signal we need to understand.

It's important to distinguish between relative prices and inflation. Relative prices compare the cost of one item to others, while inflation is a general increase in prices. For example, if the price of a dozen eggs jumps from $7.49 to $12.50, it might not be due to inflation. It could be because of higher demand or lower supply, or both, as was the case over the past year when an avian flu outbreak devastated the U.S. egg supply. This price increase is relative to other goods and services. Consumers often change their habits based on these relative prices, though they might mistakenly associate it with inflation.

Inflation measures the change in the overall price consumers pay. One main way to measure this is the Consumer Price Index (CPI), which tracks the prices of a basket of goods and services that households commonly buy. The CPI helps us understand price fluctuations in different markets, like restaurants or grocery stores.

Economists believe some inflation is good, which is why central banks, like the Federal Reserve in the U.S., aim for a 2.0% inflation rate. When prices fluctuate a lot, it can be hard to tell if steady sales or revenue increases are due to real growth or just price changes.

Inflation Adjustment Approach

Sales results reported without adjustments for inflation are referred to as “nominal.” When we adjust these amounts for inflation to remove currency fluctuations, they become “real.” Applying this adjustment helps to reveal how the true value of money changes over time and to get an understanding of how much goods and services actually cost. To deflate (or “adjust”) for inflation, we use the Consumer Price Index (CPI) from the Bureau of Labor Statistics, adjusting the Fiserv Small Business Index to 2019 prices.

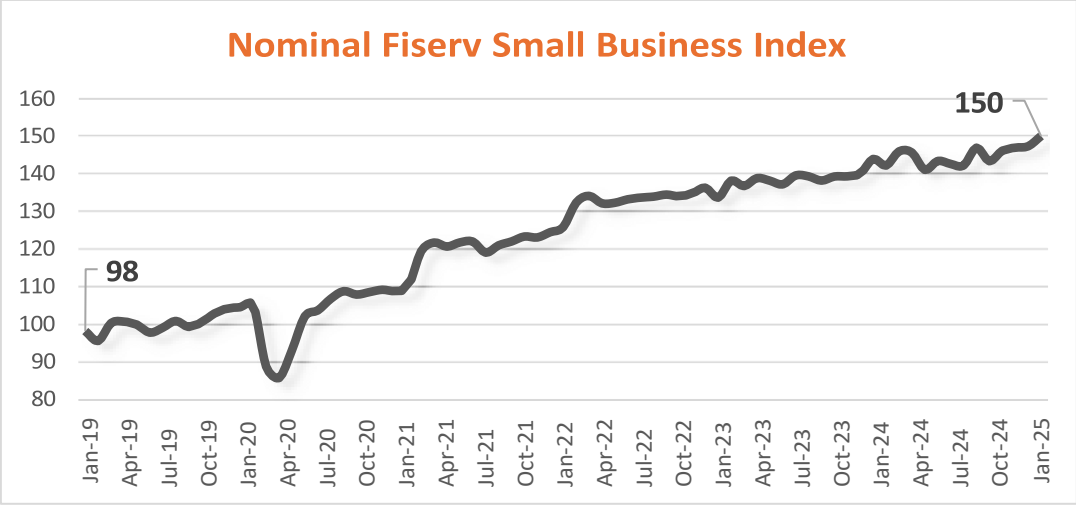
The Fiserv Small Business Index is released at least 2 weeks before the Consumer Price Index update for the same month. To account for this lag, we use the following CPI estimates for each month's release:

1. For headline inflation, we use the Cleveland Federal Reserve’s CPI NowCast as an estimate for the month’s inflation.
2. If there's no forecast for market-level inflation, we carry over the previous month's inflation. For example, if there's no forecast for restaurant inflation (Food-Away-From-Home CPI) for March 2025, we use February 2025's CPI.
3. The next month, we update the data with the federal government’s published CPI for each market. This means the inflation estimate holds until the next Fiserv Small Business Index release.

Keep in mind, estimates may change as the Bureau of Labor Statistics updates CPI numbers. It's recommended to download each month’s Fiserv Small Business Index due to seasonality and CPI adjustments.

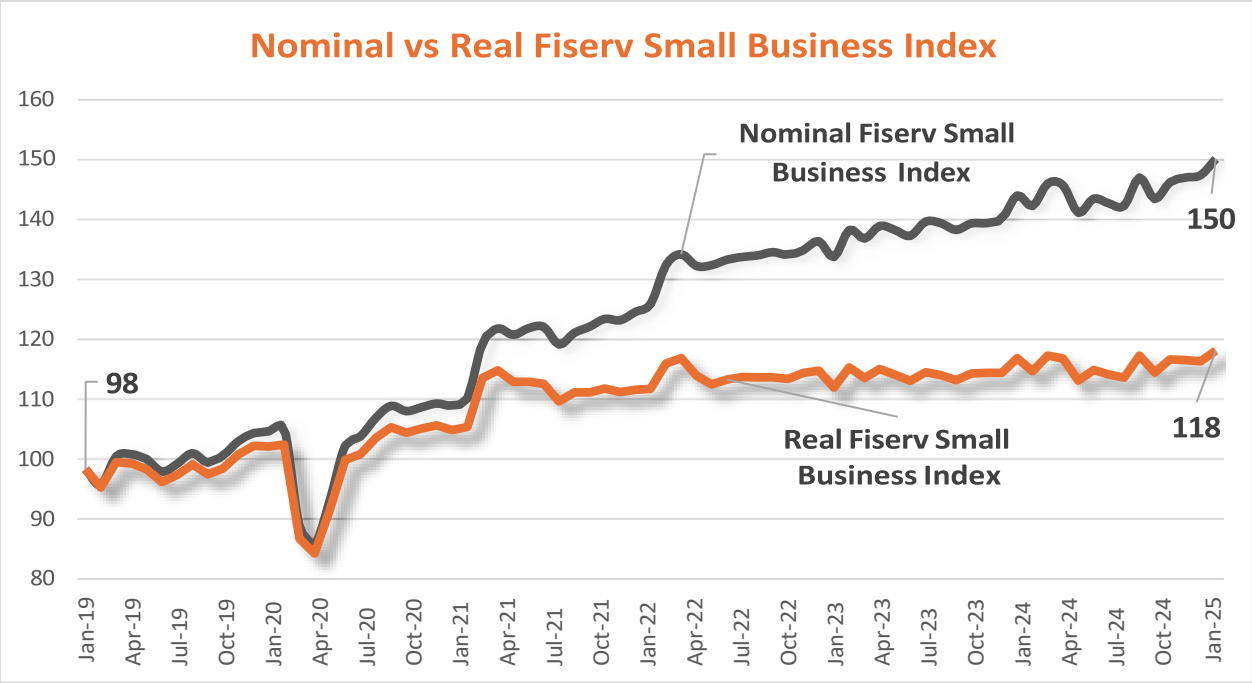
Deflating the Fiserv Small Business Index

To illustrate the impact of inflation adjustments, the following chart shows the “nominal” results of our sales index (without any adjustments made for inflation). The base period for the index is 2019. It’s easy to see the gradual climb of the index – representing nominal sales growth month over month (MoM) and year over year (YoY). As an example, the Fiserv Small Business Index results for March 2025 showed a value of 150, which was a 3-point gain from February 2025. This constituted a +1.8% increase MoM, and a +5.5% increase YoY.



The Fiserv Small Business Index® does not represent Fiserv financial performance.

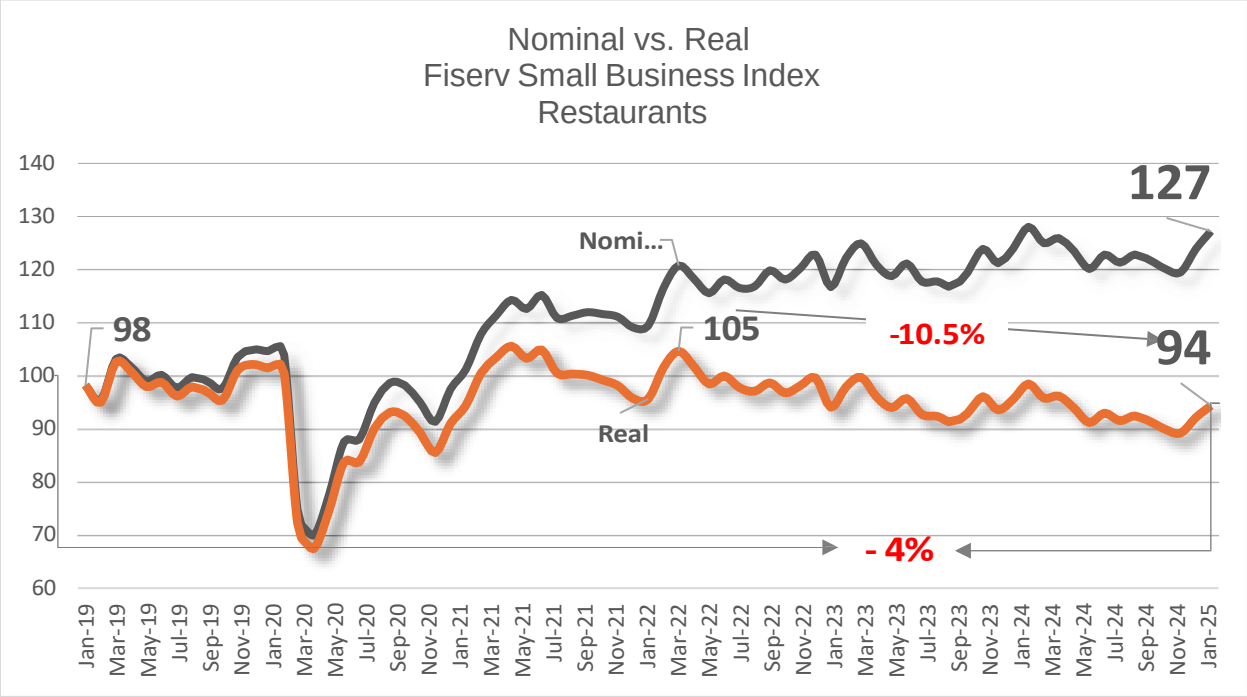
Now consider the next chart, which plots the same nominal results, but this time adjusted for inflation. Instead of an index value of 150, the Real March 2025 index value becomes 118. This is a 2-point gain compared to February's "real" results. The pace of sales growth was less aggressive than the nominal results, achieving only +1.5% MoM and +3.0 YoY.



Restaurants

Deflating the Fiserv Small Business Index for specific categories reveals real growth and the real prices consumers pay per transaction, without the distortion of price fluctuations. This analysis highlights trends in growth and average transaction amounts. Restaurants were hit hard during the COVID pandemic; adjusting their sales for inflation helps us see if they've returned to pre-pandemic levels.

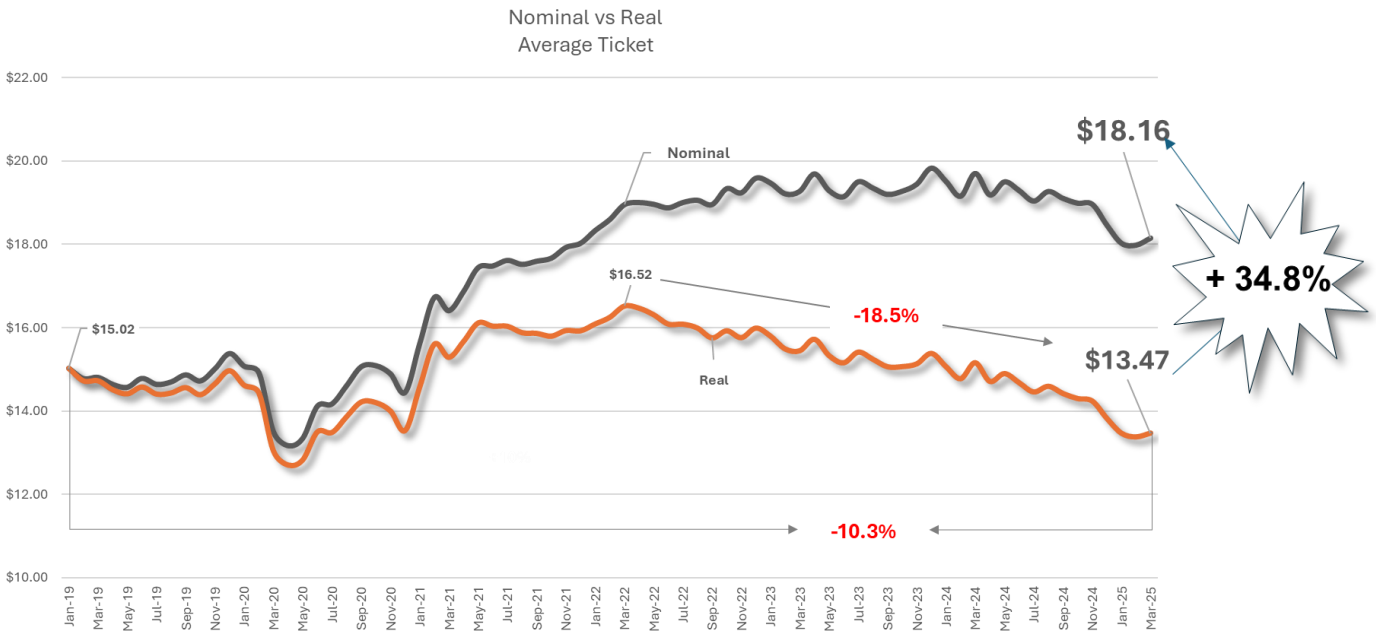
As the chart below shows, the January 2019 (base period) index was 98. About two years after the pandemic disruption, the nominal (unadjusted) index reached 121 in April 2022. The real (inflation adjusted) index reached 105, a +7.1% gain in real dollars over January 2019. Unfortunately, this was the peak for restaurants nationally, and the inflation-adjusted index has mostly declined since then. The real index was 94 in March 2025, which was -4.0% lower than January 2019. Nominal (unadjusted) results show an index of 127, a +30% increase in sales over January 2019. However, in reality, the purchasing power of those dollars is considerably less in March 2025 than in January 2019.



Average Sales Per Transaction

Inflation impacts the average amount spent per transaction, known as "average ticket size." In January 2019, the average ticket size at restaurants was $15.02. After the pandemic began in March 2020, inflation quickly affected this average. By April 2022, the nominal average ticket size had risen to $19.01, but when adjusted for inflation, it peaked at $16.52. Unadjusted averages continued to rise, reaching nearly $20 in April 2024 before declining to $18.16 in March 2025. However, adjusted for inflation, this $18.16 only buys $13.47 worth of real merchandise, which is -10% less than in January 2019. Essentially, at $18.16 consumers are paying a +26% premium over the real average ticket size ($13.47).

This "sticker shock" has led consumers to adopt coping strategies, such as choosing cheaper menu items or lower-cost alternatives and sometimes reducing their buying frequency.



Understanding inflation and its impact on sales is crucial for accurately measuring economic growth and consumer spending patterns. By adjusting nominal sales figures for inflation, we reveal the true value of money and gain insights into real growth. This highlights the importance of distinguishing between relative prices and inflation and shows how deflating sales data can provide a clearer picture of economic trends. The Fiserv Small Business Index offers valuable insights into spending and the performance of specific sectors like restaurants. Despite nominal increases, real purchasing power has declined, revealing the reasons why consumers have modified their spending habits in many cases. This analysis demonstrates the significance of inflation adjustments in understanding the true economic landscape and making informed financial decisions.