



Fireworks Industry Braces for a Challenging Season

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Small businesses across the nation are experiencing the uncertainty of the economy due to ongoing supply chain challenges and a surge in inflation. From consumer product retailers, to manufacturers, to fireworks display companies and live special effects entertainment, our various industry segments have all been impacted.

In October 2021, the Consumer Price Index, which tracks the prices consumers pay for goods and services, rose by the highest amount since 1990. Other measures of inflation show prices rising at the highest rate in 13 years. In a fourth quarter survey conducted by CNBC, 74% of small business owners said that were experiencing rising costs of supplies and 47% of those businesses were passing those costs on to their customers with another 32% indicating that they will have to raise prices soon if inflation persists.

While the fireworks industry proved to be recession resistant in the late 2000's, will the industry be able to weather the supply chain disruptions and surge in inflation?

Some of the areas where inflation has hit the fireworks industry include:

- The rising cost of supplies and raw materials has risen conservatively at approximately 20%, increasing the cost of producing safe, high-quality pyrotechnic products.
- Shipping costs have risen dramatically since 2019 from \$8,000-10,000 per shipping container to approximately \$45,000 per container which impacts the overall cost of the product by roughly 50%.
- Insurance has significantly increased during the past year including product liability, auto, truck, and hazardous materials insurance.
- Transportation costs have dramatically increased as well. Gas prices are the highest since 2015, almost doubling from just over a year ago for diesel fuel. This especially impacts truckers transporting containers from ports to warehouses as well as affecting the very high cost of tugboat fees for moving barges which consume 100-200 gallons per hour inside ports and up to 500 gallons consumed per hour when pushing a barge against a current.
- Operational costs, including labor, have increased as well.
- Domestic shipping/rental rates have skyrocketed. Truck and auto rental prices have nearly doubled from just a year ago, due to limited supply combined with high demand, especially in the early summer. Due to the supply chain crisis, the fireworks industry is competing with corporations like FedEx and Amazon to meet the high seasonal demands associated with Independence Day and other summer festivals, with limited rental companies and an increased demand. Just like empty car dealership lots due to lack of computer chips, truck rental companies also are dealing with a 4 to 6 month backlog waiting for cargo boxes to be mounted on truck chassis.

The entire fireworks industry is faced with these challenges and overall costs are up 35%+ across the fireworks industry.

As the industry prepares for unprecedented demand and a post-pandemic full recovery in Independence Day celebrations, will it be able to weather the ongoing supply chain crisis and the economic impact of rising costs and inflation?