

Xero Small Business Index

Australia Update

April - June 2024

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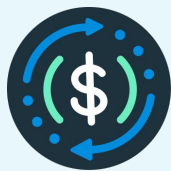
Hiring continues despite volatile sales growth

Average results for three months to June



Index

142 pts



Sales

+3.9% y/y



Jobs

+4.5% y/y



Wages

+2.9 % y/y



Time to be paid

21.3 days

The latest Xero Small Business Insights (XSBI) data for Australia shows overall small business performance improved during the quarter, driven by continued strength in jobs growth. Quarterly sales growth was similar to the March quarter but this hid a lot of volatility, with an Easter-driven double-digit rebound in April and a decline in sales in June.

The Xero Small Business Index averaged 142 points in the June quarter, 21 points higher than the March quarter. The Index was 125 points in April, 139 points in May and then surged to 162 points in June. The June rise is largely due to a big improvement in the payment time metric, something that is observed at the end of every financial year and gets unwound in subsequent months. Overall, the April and May average of 132 points, slightly up on the 121 point average for the March quarter, is likely more indicative of the current state of small businesses in Australia.

Small businesses hiring continues to strengthen, rising 4.5% year-on-year (y/y) in the June quarter. The gains were led by a 5.0% y/y rise in the month of June, which was the largest rise since October 2022.

Sales performance was 'bumpy' during the latest quarter. Sales grew 3.9% y/y in the June quarter, similar to the 3.8% y/y rise in the March quarter. The monthly breakdown revealed more volatility, with sales rising 12.8% y/y in April (due to the early timing of Easter¹), rising 2.5% y/y in May but then falling 3.5% y/y in June. The effect on sales of income tax cuts, which started on July 1, will be closely watched in the next round of XSBI data.

Wages growth cooled slightly, rising 2.9% y/y in the June quarter after a 3.3% y/y rise in the March quarter. Both payment times measures were impacted by the end of the financial year in June. Averaging the April and May results instead showed the average time small business waited to be paid was 22.5 days (the same as the March quarter) and small businesses were paid, on average, 6.5 days late (versus 6.4 days in the March quarter).

The ongoing strength in jobs highlights just how keen small business owners appear to be to hold on to staff, to avoid risking future staff shortages, despite the patchy sales performance of the past 12 months. Sales recorded average monthly growth of 3.9% y/y in the first half of 2024, down from 6.5% y/y in the second half of 2023, with both of these below the pre-pandemic average of 7.8% y/y for this series. In contrast, jobs averaged monthly growth of 4.0% y/y in the first half of 2024, up from 3.2% y/y for the second half of 2023 (pre-pandemic average is 3.0% y/y for this series). How long this mismatch can continue for is unknown. The longer it does though, the greater the likelihood that Australia can stay on the "narrow path" the [Reserve Bank of Australia is seeking](#), as it attempts to bring inflation back within its 2-3% target range without moving too far away from full employment or pushing the economy into recession.

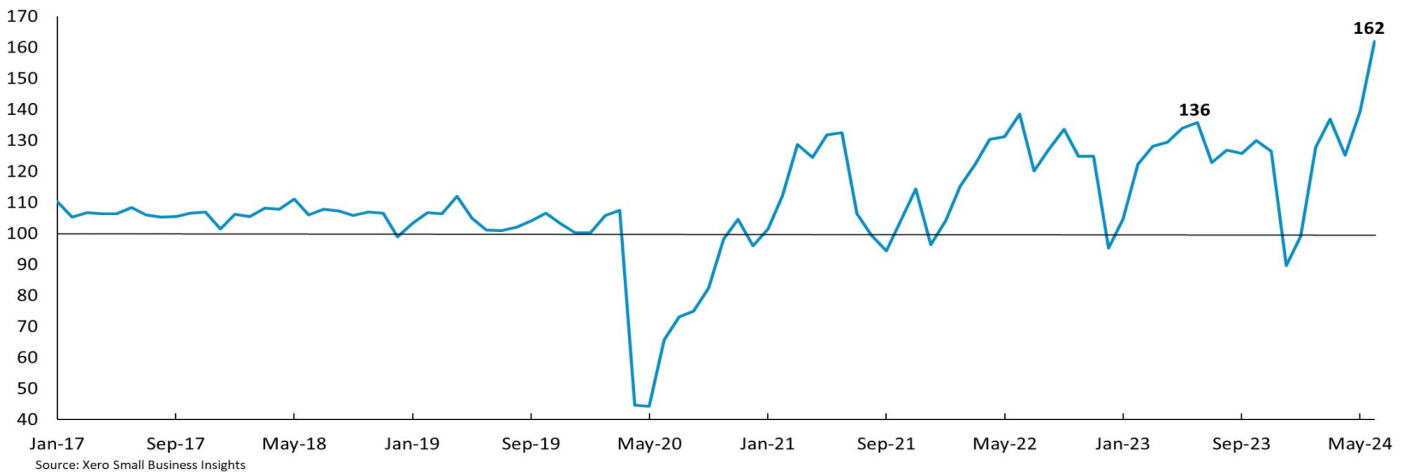
This latest data is a good reminder to small business owners about making sure you stay across the finances of your business and work closely with a financial advisor, so you can balance the risk of any current mismatch you may have in sales and workforce numbers against the risk of potential future skill shortages.

¹ Easter usually falls in April resulting in two public holidays that month. In 2024 Good Friday was in March and Easter Monday was in April. This change in the trading day pattern saw an unusually soft March sales result and an unusually strong April sales result.



Australia Small Business Index

Index, average = 100, standard deviation = 15



Keeping on hiring

Jobs rose an average of 4.5% y/y in the June quarter, up from 3.4% y/y in the March quarter. The monthly June result (+5.0% y/y) was the largest rise since October 2022. However, the industry and state data reveals that there is a lot of variation across the country when it comes to jobs growth.

Hospitality small businesses, where jobs fell 0.5% y/y in the June quarter, have had fewer jobs than a year ago for the past four quarters. The strongest two results in the quarter were public administration (+9.1% y/y) and healthcare (+8.8% y/y) - both industries that are underpinned by public sector spending. Other solid performers in the June quarter include financial services (+6.1% y/y), education (+5.9% y/y) and construction (+5.7% y/y).

Western Australia (+6.9% y/y), Queensland (+5.3% y/y) and South Australia (+5.3% y/y) had the best regional jobs growth results. The smallest rises were in the two smallest areas - Tasmania (+2.0% y/y) and the Australian Capital Territory (+1.3% y/y).

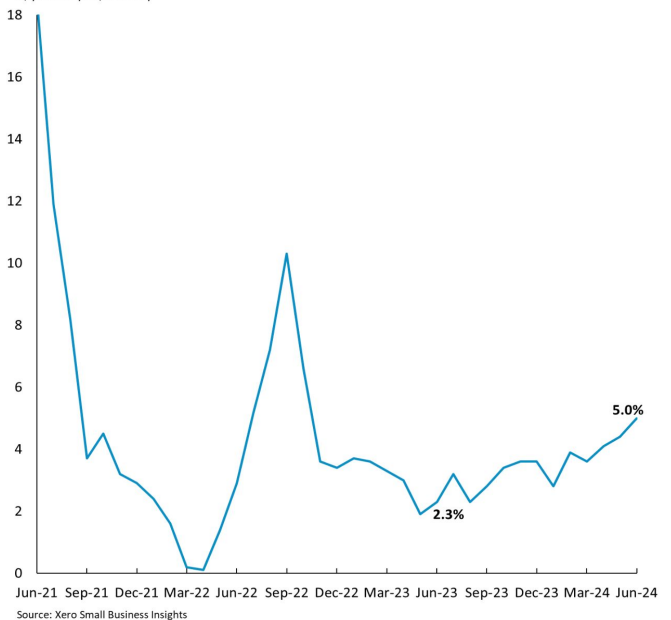
Wages growth slows to below 3%

Wages growth averaged 2.9% y/y in the June quarter, after a 3.3% y/y rise in the March quarter. This means real wages for small business employees continue to decline, with [inflation](#) currently around 4.0% y/y.

Wages growth is where the mismatch between sales and jobs growth is playing out. Strong jobs growth alongside slowing/falling sales growth means small businesses aren't able to keep up with the wage rises being offered by [larger businesses or the public sector](#).

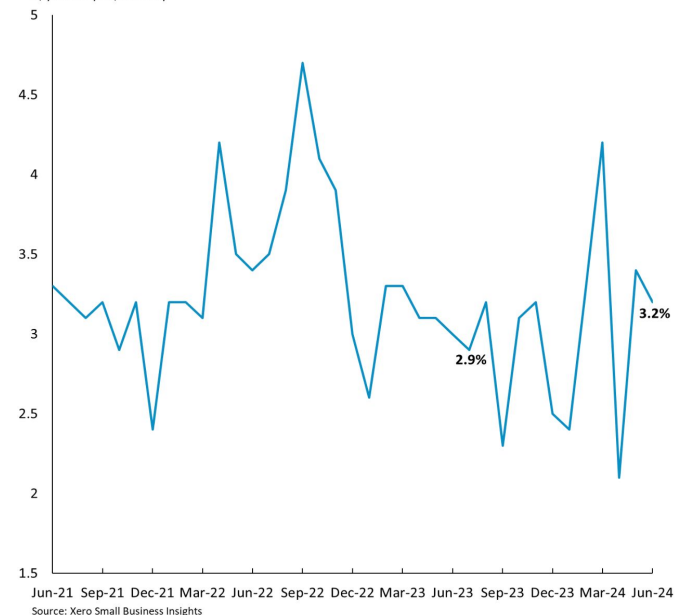
Small business jobs

% , year-on-year, monthly



Employee hourly earnings

% , year-on-year, monthly



The largest wage increases were offered in hospitality small businesses (+3.6% y/y). This suggests the weakness in jobs in this sector is due to a lack of skilled workers rather than small businesses not wanting to hire. Five other sectors offered wage increases above 3% in the quarter - other services² (+3.5% y/y), construction (3.5% y/y), education (+3.4% y/y), manufacturing (+3.1% y/y) and public administration (+3.1% y/y).

Only South Australia (+3.5% y/y) and Tasmania (3.2% y/y) offered wage rises above 3% in the June quarter.

Volatile sales performance

Sales growth was very volatile in the latest quarter - up 12.8% y/y in April, up 2.5% y/y in May but then falling 3.5% y/y in June. The June result is concerning and - setting aside the March 2024 Easter-related outcome - was the first decline in sales since January 2021.

The other worrying element of the June result is how widespread the weakness was. Only three sectors tracked by XSBI had a rise in sales that month - health care (+4.4% y/y), public admin (+2.9% y/y) and education (+0.9% y/y). The fall in sales was led by information media and telecommunications (-8.5% y/y) and manufacturing (-5.5% y/y). Similarly, all States and Territories had a decline in sales in June, including normally robust Western Australia (-1.6% y/y).

Quarterly results were better with only hospitality recording a decline (-0.6% y/y) in the industry data and only Tasmania (-0.3% y/y) in the regional data.

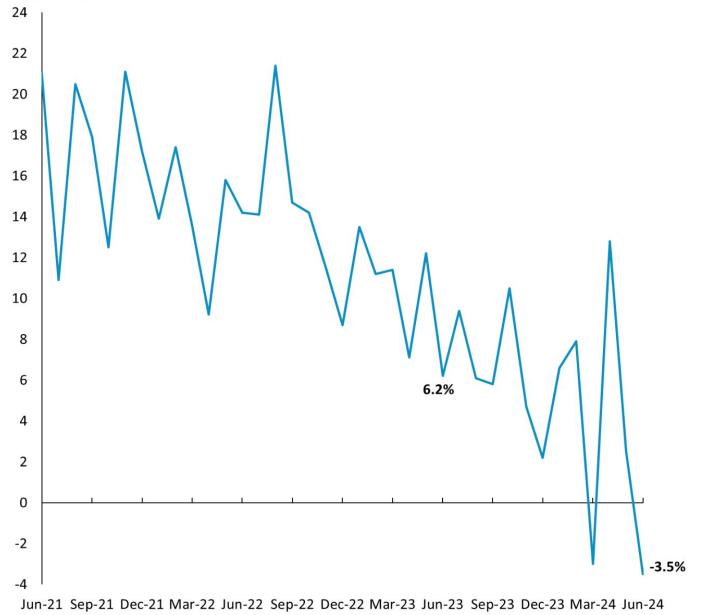
Payment times disrupted by EOFY

Small businesses waited an average of 21.3 days to be paid in the June quarter, down from 22.5 days in the March quarter. Small businesses were paid on average 5.8 days late in the June quarter, down from 6.4 days late in the March quarter.

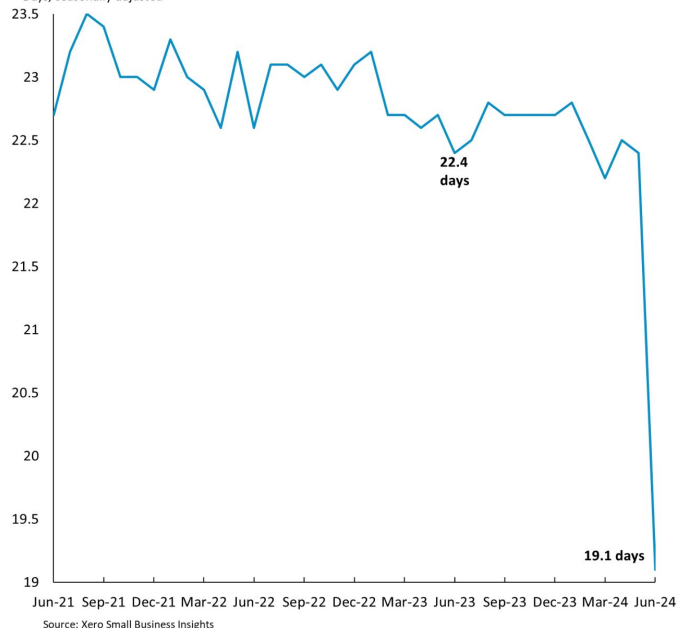
Both these results were impacted by the end of financial year which generally shows a big improvement in June at the initial time of reporting - likely due to businesses wanting to settle accounts quickly to close their books. These gains are generally reversed in the next month and eventually revised away as more data comes to hand.

² Other services includes a range of personal services such as hair, beauty, weight management, funerals and religious services

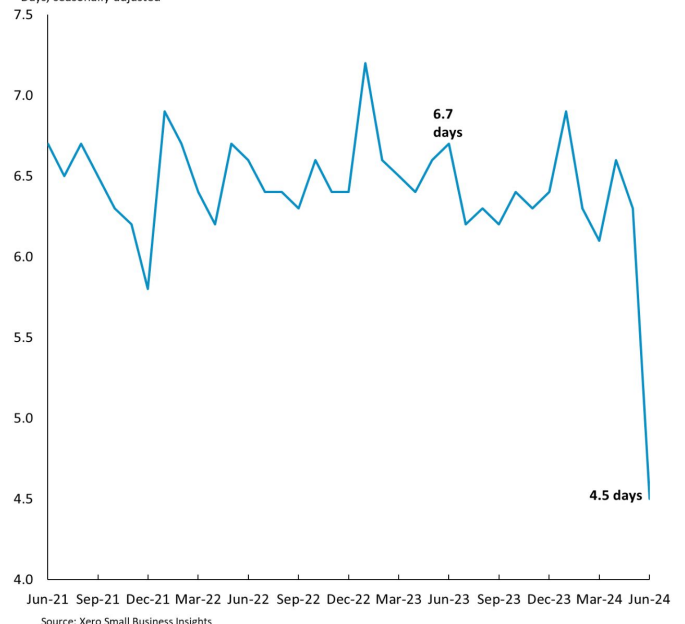
Small business sales
%, year-on-year, monthly



Time to be paid
Days, seasonally adjusted



Average late payments
Days, seasonally adjusted



Additional details about Xero Small Business Insights

About Xero

Xero is a global small business platform with 4.2 million subscribers. Xero's smart tools help small businesses and their advisors to manage core accounting functions like tax and bank reconciliation, and complete other important small business tasks like payroll and payments. Xero's extensive ecosystem of connected apps and connections to banks and other financial institutions provide a range of solutions from within Xero's open platform to help small businesses run their business and manage their finances more efficiently.

About Xero Small Business Insights

The aim of Xero Small Business Insights is to create insights to help inform decision makers in support of the small business economy as a whole. The principal source of small business insights in this report is customer data from Xero - a small business platform that supports online accounting and a range of other applications. Xero is a responsible custodian of our customers sensitive data and does not release any data that could identify individual businesses. The data used is aggregated and anonymised to ensure the privacy of Xero subscribers, and their counterparts.

As part of the program, we publish regular blogs and research notes and deep-dive Special Reports on specific small business topics. These can all be found at xero.com/xerosbi.

Methodology

Full details of the methodology used to construct the Xero Small Business Index can be found [here](#).

Disclaimer

This report was prepared using Xero Small Business Insights data and publicly available data for the purpose of informing and developing policies to support small businesses.

This report includes and is in parts based on assumptions or estimates. It contains general information only and should not be taken as taxation, financial, investment or legal advice. Xero recommends that readers always obtain specific and detailed professional advice about any business decision.

The insights in this report were created from the data that was available as at the date it was extracted. Data used was anonymised and aggregated to ensure individual businesses can not be identified.