

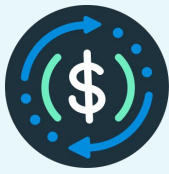
Xero Small Business Insights United States Update April - June 2024

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Sales continue to decline and late payments rise

Average results for three months to June 2024



Sales
-0.9% y/y



Late Payments
9.5 days



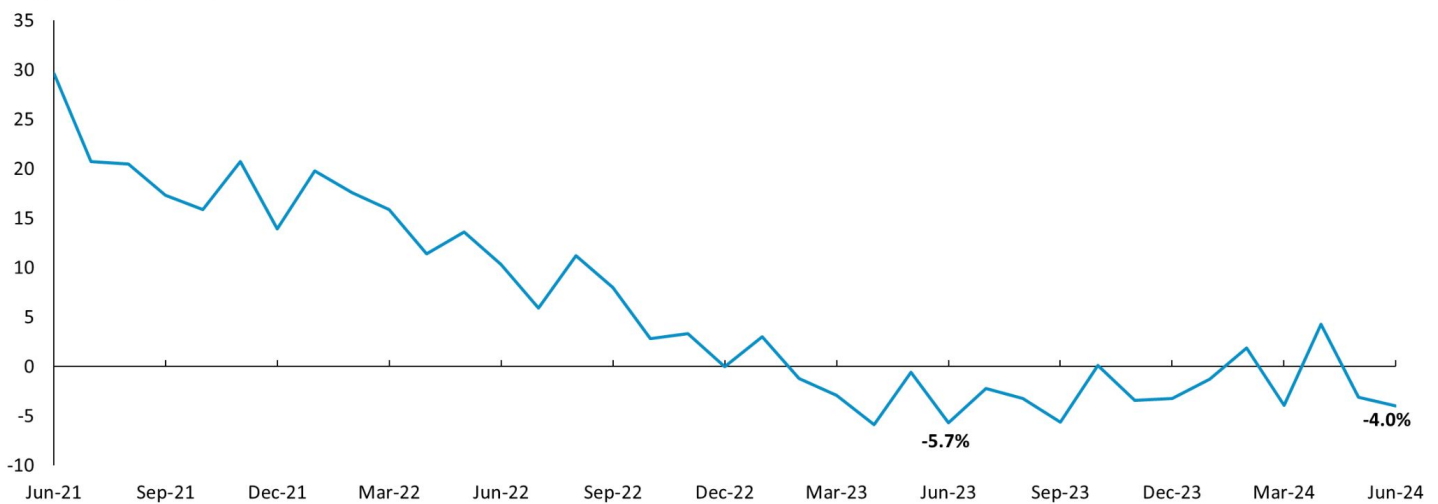
Time to be paid
29.6 days

The latest Xero Small Business Insights (XSBI) data for the US shows small business sales continued to be lower than a year ago. The payment data was more mixed, with a slight improvement in the length of time small businesses waited to be paid but a deterioration in the average late payment metrics.

Small business sales fell an average of 0.9% y/y in the three months to June, which was only a marginally better outcome than the 1.1% y/y decline in the March quarter. **Positive sales growth has only been recorded in four months during the 18 months to June.** Unfortunately these quarterly results are distorted by the Easter-impacted¹ March (-3.9% y/y) and April (+4.3% y/y) outcomes. Setting aside these two months, there was a clear improving trend underway at the start of the year, when sales rose an average of 0.3% y/y in January and February, after a 2.2% decline in the December quarter. But this improvement was short-lived, with sales declining an average of 3.6% y/y in May and June.

Small business sales

% , year-over-year, monthly



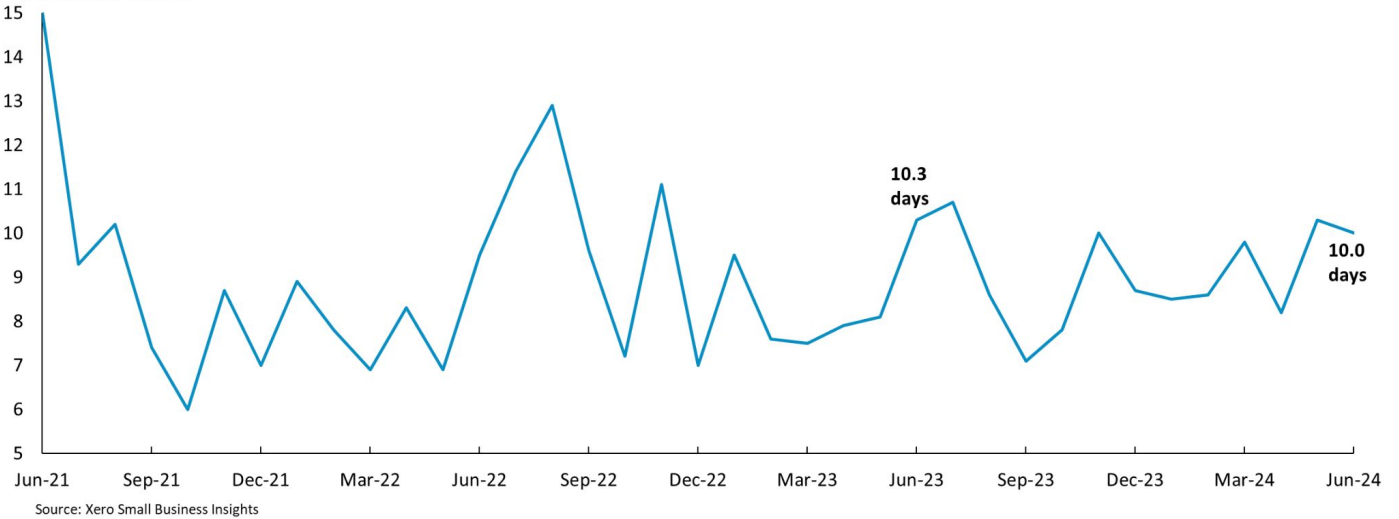
Source: Xero Small Business Insights

Sales volumes (which removes the effect of price changes from the XSBI series so that we can measure changes in how many goods and services have been sold) have been weaker than the nominal-based XSBI series. Using the US CPI as a proxy for prices, sales volumes declined an average 4.2% y/y in the three months to June after declining an average of 4.4% y/y in the three months to March.

Late payment times deteriorated in the June quarter. Small businesses were **paid an average of 9.5 days late** in the June quarter, which is 0.5 days longer than the March quarter and 0.8 days longer than the 2023 average (8.7 days). Monthly late payments results are generally quite volatile. This June quarter deterioration was largely due to May and June, when payments were made 10.3 and 10.0 days late. May's result was the longest late payment time since July 2023.

Average Late Payments

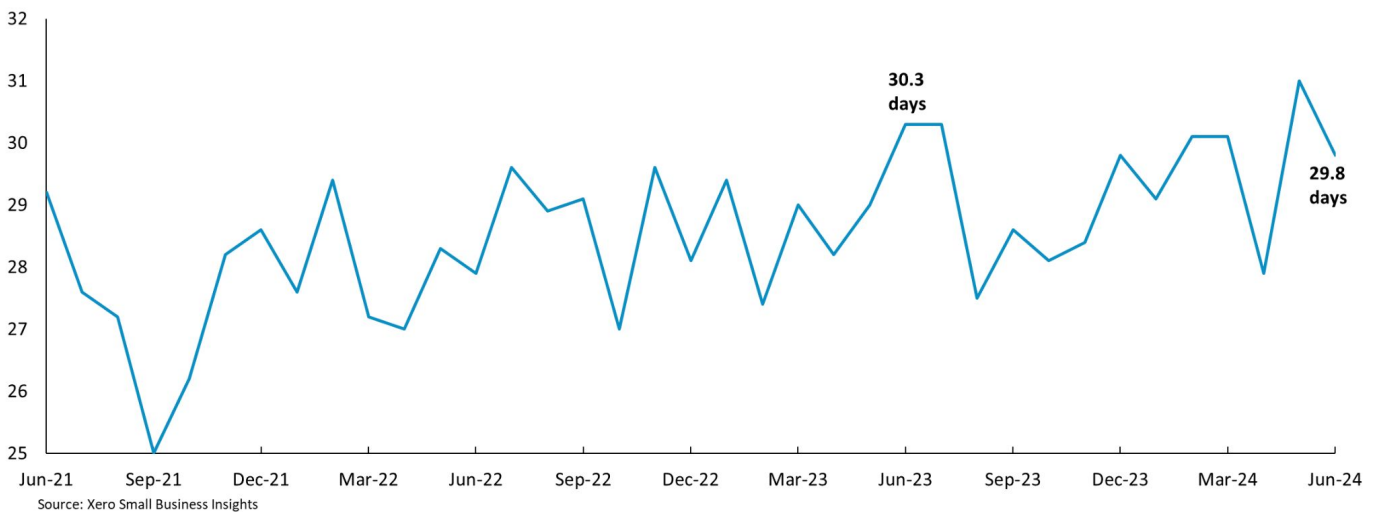
Days, seasonally adjusted



Small businesses **waited an average of 29.6 days to be paid** in the June quarter, 0.2 days shorter than the March quarter but 0.8 days longer than in the December 2023 quarter (28.8 days). This improvement was particularly impacted by the April result, when payment times dropped to 27.9 days.

Time to be paid

Days, seasonally adjusted



Looking at the regional results, **the best performing major US region is the West** which had a rise in sales of 0.3% y/y in the June quarter following a 0.5% y/y average rise in the March quarter. All the other regions continued to experience declining average sales in the quarter. **The Midwest (28.3 days) had the shortest quarterly payment times across four major regions**, but the Northeast (28.5 days) and the South (30.7 days) both had payment times that were shorter than in the previous quarter.

What are the prospects for US small businesses over the remainder of 2024? Small businesses will likely be relieved by the recent 50 bps cut in the Federal Funds target by the Federal Reserve (now 4.75% to 5%). While only the start of the interest rate cutting cycle, this decision should in theory start to ease the squeeze on both household budgets and small businesses. In comments made in late September, the [Federal Reserve Chair noted](#): “if the economy evolves broadly as expected, policy will move over time toward a more neutral stance. But we are not on any preset course.” This suggests the Bank has an easing bias but will be closely watching how the economy responds. How quickly rate cuts flow through the economy is always uncertain. The latest [National Federation of Independent Business Survey](#) shows there was no bounce in business optimism following the rate cut and small business uncertainty is at an all time high, with the Uncertainty Index rising 11 points to 103 in September. This is likely to be at least in part due to the November election, but the survey also highlights that US small businesses aren't yet reporting a strong positive response to the Federal Reserve's interest rate cut.

¹Easter 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 artificially depressed the March sales result and inflated the April sales result.

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 anonymized 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 Xero Small Business Insights 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 anonymized and aggregated to ensure individual businesses can not be identified.