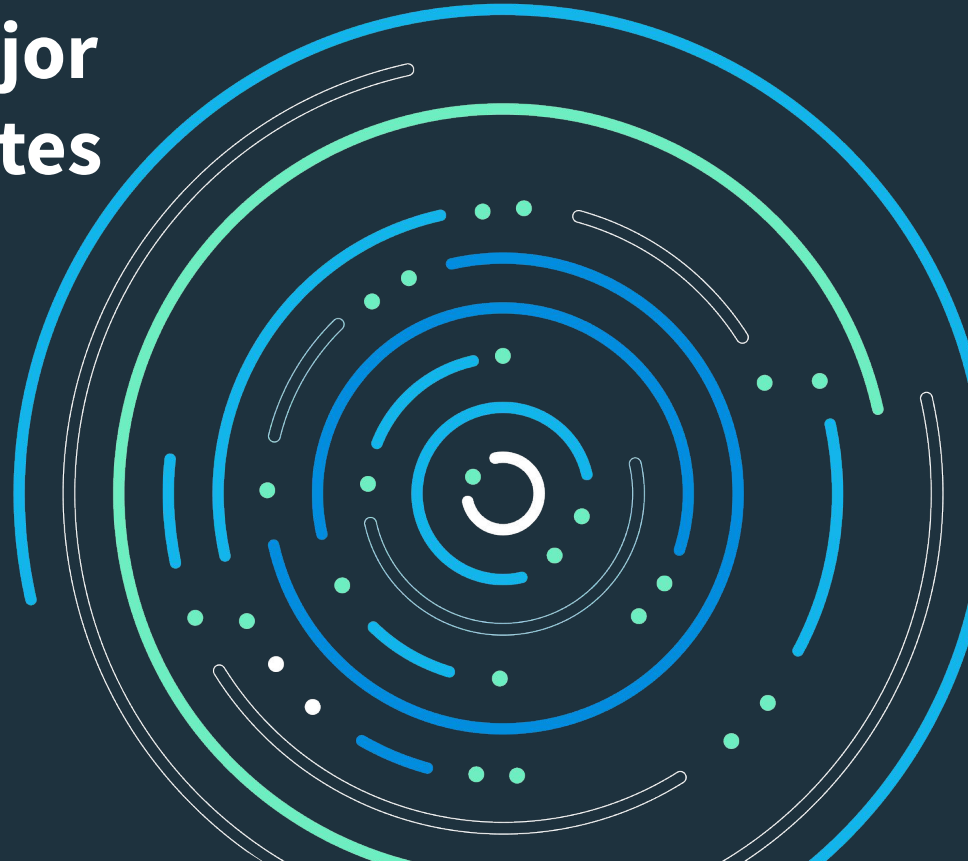


# Small business in the major regions of the United States

Research note  
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Prepared by  
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In April 2024 the Xero Small Business Insights (XSBI) program expanded its data series to include small business sales and time to be paid measures for the [four major regions of the United States](#), as defined by the US Census Bureau. These are the Northeast, Midwest, South and West. This paper provides a summary of the long-term trends in these series, which started in January 2017.

## Major region-level XSBI data

XSBI uses anonymized and aggregated data from over 600,000 small businesses across five countries to track the performance of, and improve understanding about, small businesses. The program first launched in Canada and the US in August 2022, after already being well established in Australia, New Zealand and the United Kingdom. The metrics tracked in North America are small business sales growth (year-over-year percentage change) and time to be paid (days).

Initially only national level data was published in the US but, as the program has matured, data is now available for the four major regions of the US - Northeast, Midwest, South and West. This paper reviews the performance of these regions since January 2017, covering three periods - pre-pandemic (Jan 2017 - Feb 2020), during the pandemic when vaccines were not widely available (Mar 2020 - Dec 2021) and post-pandemic (Jan 2022 - Mar 2024).

This extra level of granularity highlights the differences in the performance of small businesses across the US. Our intention is that this will ultimately result in better quality policy decisions and advice for small businesses in these major regions.

### Key trends

- The **Northeast** has shown the biggest improvement in payment times of the four major regions since 2017, improving by around 3 days, after having the longest wait time in the earlier years of the XSBI series
- The **Midwest** was the least impacted by the pandemic, in terms of sales, of the major regions, possibly due to its strong agricultural industry
- The **West** had the strongest pre-pandemic sales growth average, but since the pandemic it has struggled to recover and has been one of the weakest sales performers
- The **South** had the shallowest slowdown in sales of any of the major regions during 2023 and the early months of 2024

All the US and major region data is available to download, for free, [HERE](#)

# Northeast

The Northeast has large finance, healthcare, education, and technology industries. This includes three major US cities that are world leaders in education (Boston), finance (New York) and pharmaceuticals (Philadelphia). The region is also a key trading hub with several major ports and airports.

Sales growth averaged 7.2% y/y in the period before the pandemic but then fell by 18.0% y/y in May 2020 in the early period of the pandemic (Figure 1). There was a strong recovery in early 2021, so over the whole pandemic period the region was able to record a solid monthly average sales growth of 11.5% y/y. The region's large pharmaceuticals research industry likely played a part in this strong rebound during the period of Covid-19 vaccine development (late 2020 & 2021). In the post-pandemic period sales growth has averaged 3.0% y/y, less than half of the average growth rate prior to the pandemic.

Since January 2017 the region has been able to improve its payment times (Figure 2). Prior to the pandemic small businesses had to wait an average of 33.0 days to be paid. There was a clear improvement in payment times when the pandemic hit, possibly as customers focused on the importance of supporting local small businesses at this time. This improving trend continued through 2020, recording a record low of 25.3 days in April 2021. Payment times rose again from this low, but remain below pre-pandemic levels, and averaged 30.6 days between January 2022 and March 2024.

Figure 1: Small business sales growth

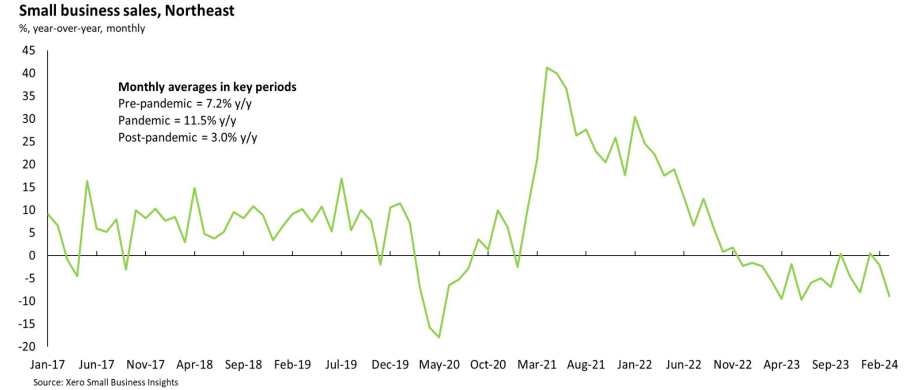
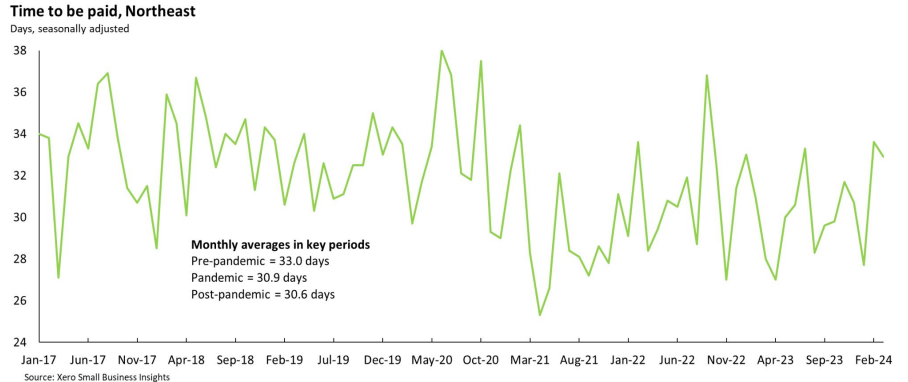


Figure 2: Small business time to be paid



# Midwest

The Midwest economy has a strong agricultural base, producing a significant portion of the country's corn, soybeans, and livestock. Manufacturing is also a critical industry, including the automotive industry in Michigan, machinery in Illinois, and aerospace in Ohio.

Sales growth averaged 5.5% y/y in the years prior to the pandemic, before falling by 12.0% y/y in May 2020 amid the impact of the pandemic (Figure 3). There were only two months of declining sales in this period though, with sales growth recovering to average 8.9% y/y over the main pandemic period. This may, in part, be due to the influence of agriculture which was one of the least impacted industries by temporary business trading restrictions. More recently there has been little growth in sales. In the post-pandemic period (Jan 2022 to Mar 2024) sales growth averaged just 1.8% y/y and there were only three months of positive sales growth in the 15 months to March 2024.

The length of time small businesses are waiting to be paid, on average, has trended longer, by three days, since January 2017 (Figure 4). This has been a fairly consistent worsening trend and, unlike some other US major regions, the pandemic did not result in any meaningful reduction in payment times.

Figure 3: Small business sales growth

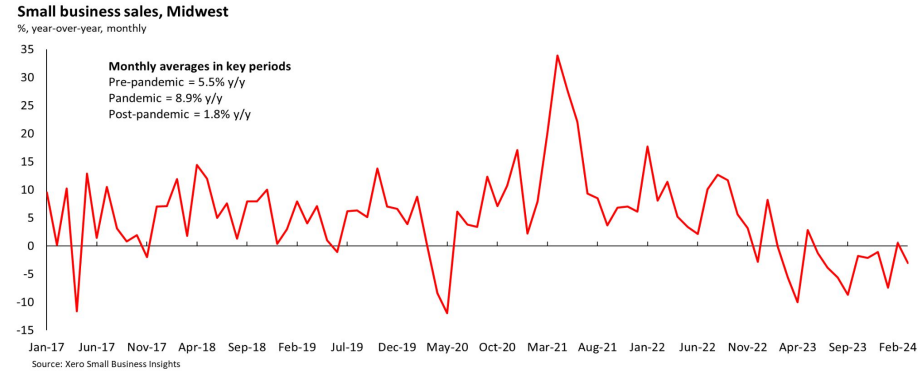
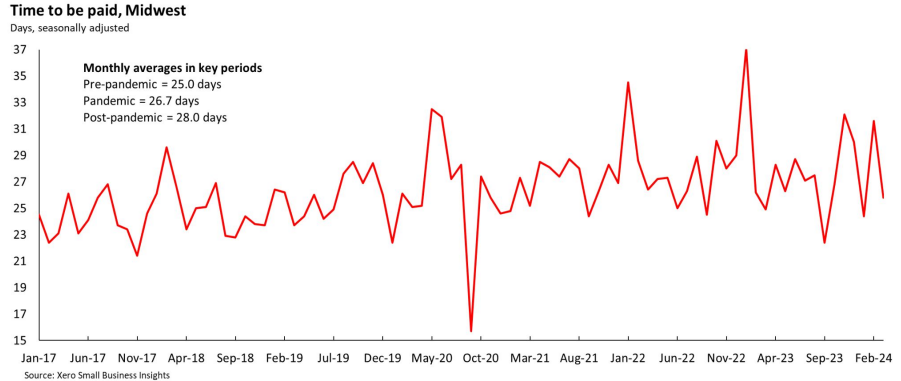


Figure 4: Small business time to be paid



## West

This region's diverse economy includes a range of industries such as technology, entertainment, agriculture and energy. Silicon Valley in California stands as a global center for technology and innovation. Los Angeles dominates the entertainment industry. The Central Valley of California is an important agricultural center, producing fruits, vegetables, and nuts. California and Oregon are renewable energy leaders covering solar, wind, and hydroelectric power. Tourism is another significant contributor, as millions of people are drawn to the region's national parks and major cities.

Sales growth averaged 7.6% y/y in the pre-pandemic period before falling by 15.8% y/y in May 2020 when the pandemic started (Figure 5). Disrupted international travel impacted both tourism and the entertainment industry, which likely contributed to the region having the lowest average sales growth rate of any US region during the pandemic (Mar 2020 to Dec 2021), at 8.1% y/y. Sales growth had been on a clear downward trend since mid-2021 but, after bottoming out at a 7.1% fall in April 2023, the declines in sales have been trending smaller and sales actually rose in October 2023 (+2.0% y/y) and February 2024 (+2.4% y/y).

Before the pandemic the average length small businesses waited to be paid was 28.4 days. Since January 2022 this average has been marginally longer at 28.9 days (Figure 6). Payment times did get as low as 25.0 days in July 2021, possibly reflecting increased focus on paying small businesses on time during this pandemic disrupted period. However, these gains were unwound through 2022 leaving the post-pandemic average similar to pre-pandemic levels.

Figure 5: Small business sales growth

### Small business sales, West

% , year-over-year, monthly

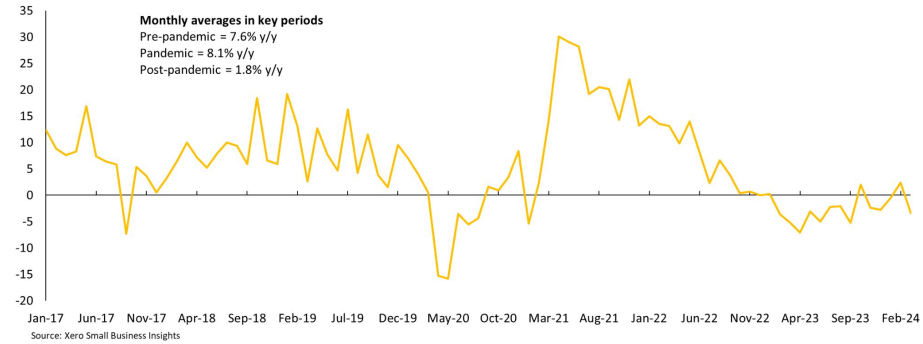
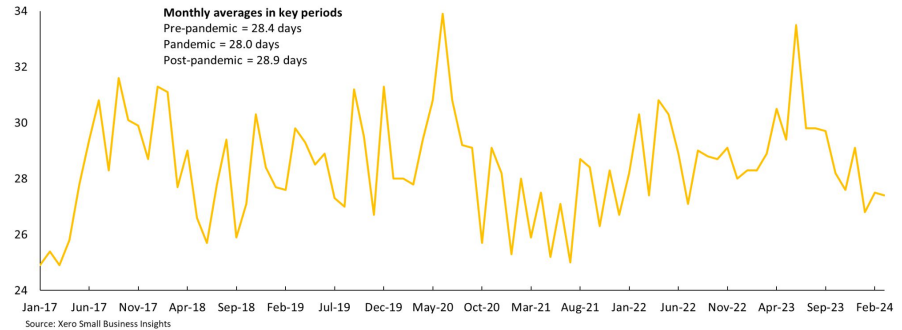


Figure 6: Small business time to be paid

### Time to be paid, West

Days, seasonally adjusted



# South

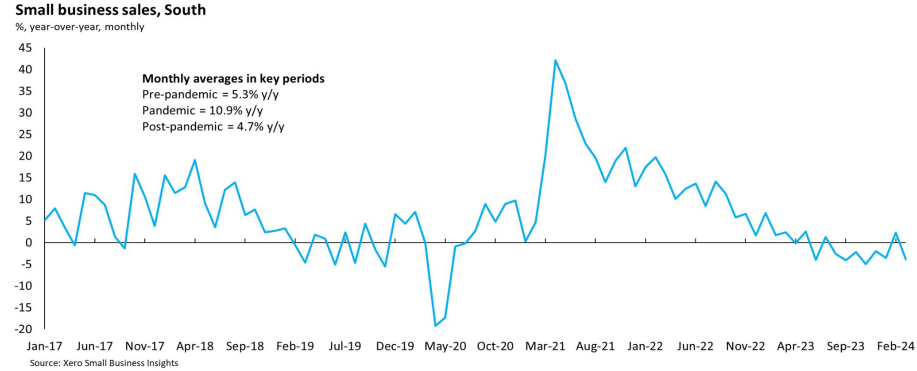
Traditionally known for agriculture, the region has transformed in recent decades and is now a diversified economy underpinned by energy, car manufacturing, tourism, finance and technology. During this time the South has also seen substantial population growth, especially in the region's major cities, as people are attracted by the warmer weather and more affordable living costs. It now accounts for around a third of the US economy.<sup>1</sup>

Sales growth averaged 5.3% y/y in the pre-pandemic period before falling by 19.2% y/y in April 2020 when the pandemic started (Figure 5). Sales growth rebounded strongly within a few months and average 10.9% y/y between March 2020 and December 2021. Like other major regions, the South has had a period of declining sales, in year-over-year terms, during 2023. However, the South was the last region to start recording sales declines and has had smaller sales falls than other areas. In the post-pandemic period sales growth averaged 4.7% y/y.

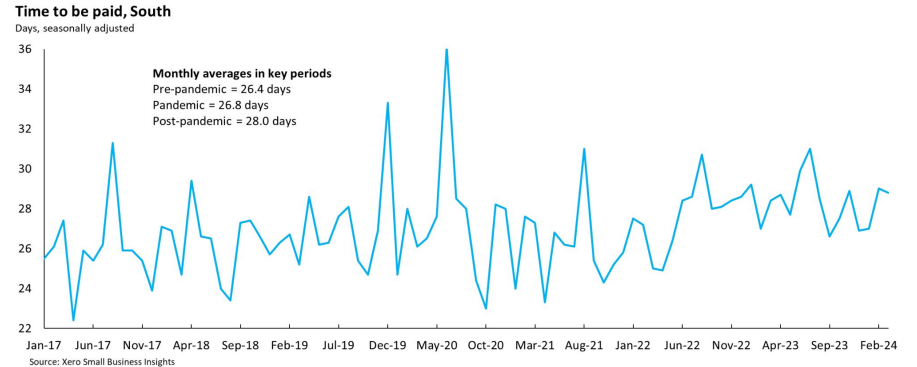
The average time small businesses wait to be paid (Figure 8) is higher in the post-pandemic period (28.0 days) than it was between 2017 and Feb 2020 (26.4 days). The rise is not as large as that seen in the Midwest, but the overall trend is similar and one of increasingly long payment wait times for small business owners.

<sup>1</sup> [Bank of America Institute \(2023\)](#)

**Figure 7: Small business sales growth**



**Figure 8: Small business time to be paid**



## Regional comparisons

It can be useful to compare the regions against each other to understand differences between the regions and what is driving national trends.

Figure 9 shows the sales performance of the four major US regions:

- The West had the strongest **pre-pandemic** sales performance (+7.6% y/y), likely supported by the global tech hub of Silicon Valley. The South had the slowest sales growth over this period (+5.3% y/y), particularly in 2019 when small businesses in the region recorded multiple months of falling sales
- The South was the region most impacted in the **early months of the pandemic**, while the Midwest was the least impacted, possibly due to its agricultural base which was less affected by temporary business closures than some industries
- For the **post-pandemic period**, in 2022 it was the Northeast that recorded the strongest sales growth, especially in the first half of the year, but in 2023 and into 2024 the South had the strongest sales performance

Figure 10 highlights the differences in average payment times between the major US regions. Prior to the pandemic, small businesses in the Northeast had to wait the longest to be paid. But there have been improvements in recent years and it is now only just above other regions. The Midwest and the South both have average payments in the post-pandemic period that are two to three days longer than pre-pandemic. The West made some improvements in late 2020 and early 2021 but these have since been unwound and averages are around where they were in the years before the pandemic.

Figure 9: Small business sales growth

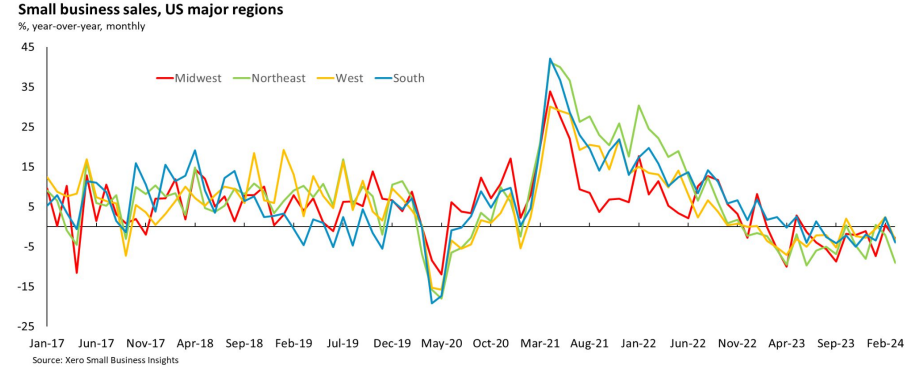
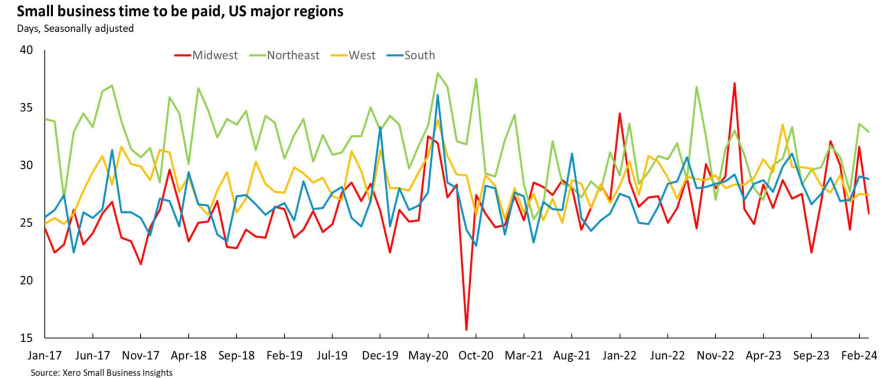


Figure 10: Small business time to be paid



## About the data in this report

### Sales growth

Sales data is drawn from businesses who use Xero to issue invoices (including via apps linked to a Xero account) to customers. We measure sales growth based on the face value of invoices issued by firms within each month. We also apply a number of filters to both the sample of invoices and the sample of firms to achieve a high quality sample of small businesses which we analyze and draw our insights from. In particular: we exclude trusts, clubs & societies, and other unclassified organizations; and we restrict to small businesses by excluding firms who recorded annual sales greater than each country's small business revenue threshold.

We measure growth as the growth in the face value of invoices issued in the relevant month compared to the same month a year earlier. In doing so, we restrict the sample of firms to those who also appeared in the sample 12 months ago. This approach has two benefits: (1) it allows us to measure sales growth independent of changes in Xero's subscriber base and (2) it removes seasonality in sales by comparing to the same period a year earlier. We adjust the most-recent month of the sales metric to account for sales that may have occurred toward the end of the month but have not yet been recorded. This adjustment is equal to the average degree of late reporting observed in previous months; however, this adjustment is imperfect, and estimates may be subject to revisions in future months.

### Base effects

The Covid-19 crisis in 2020 resulted in some very weak outcomes in some months during the year. This inflated estimates of year-over-year growth in 2021 (i.e. 'base effect') for some submetrics in some months.

### Time to be paid

The average time to be paid for small businesses is calculated from a dataset of invoices that were marked as fully paid in the relevant month. We exclude invoices issued without payment terms (ie due / paid the same day as issue) and invoices which are not yet fully paid. A number of filters are applied to the paid invoices dataset. In particular we exclude: trusts, clubs & societies, and other unclassified organizations; and invoices paid more than a year after issue.

How long small businesses are waiting to be paid after issuing an invoice is determined by calculating the weighted average of payment times. In calculating this weighted average, we weight invoices by (1) the value of the invoice (2) a firm-level sample weight, which reweights the Xero sample to match the industry distribution of small businesses within each country. Data on the industry distribution of small businesses comes from national statistics agencies. We then seasonally adjust the time to be paid metric to remove seasonal trends.

### Regional data

Regional information is an optionally provided field that a subscriber must populate in Xero. If populated, the information [or 'data'] supplied by the subscriber has not been verified by Xero. The underlying sample sizes for the industry and region insights are of sufficient size to be representative, but these are smaller than our headline metrics so could be more likely to fluctuate and/or susceptible to change.



## 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](https://xero.com/xerosbi).

### Methodology

Full details of the methodology used by 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.