

# **Xero Small Business Index**

## **United Kingdom Update**

April - June 2024

---

*Published 25 July 2024*



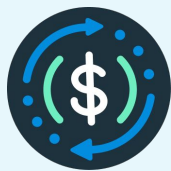
# Small business performance dips in June quarter

## Average results for three months to June



**Index**

83 pts



**Sales**

+1.7% y/y



**Jobs**

+1.0% y/y



**Wages**

+3.1 % y/y



**Time to be paid**

29.1 days

*The latest UK Xero Small Business Insights (XSBI) data shows a deterioration in all of the tracked metrics over the June quarter. The quarterly average for the Index is at its lowest level since the September quarter 2020, when the country was coming out of the initial pandemic lockdowns.*

The Xero Small Business Index averaged 83 points in the June quarter, down 12 points compared to the March quarter. The month of June reading was even lower, at 80 points - the lowest monthly Index reading since December 2023. The fall in the Index was due to a decline in performance in all four metrics that make up this measure.

Sales growth was little changed, at 1.7% y/y in the June quarter, after a 1.8% y/y rise in the March quarter. The monthly breakdown revealed more volatility, with sales rising 8.9% y/y in April (due to the early timing of Easter<sup>1</sup>), rising 1.3% y/y in May but then falling 5.2% y/y in June. The fall in June is the largest decline since January 2021.

Jobs grew only 1.0% year-on-year (y/y) in the June quarter, well below the pre-pandemic average of 3% y/y for this series. This is the fourth consecutive quarter of growth, but the latest result was slower than the 1.5% y/y rise in the March quarter. Wages growth also slowed, down to 3.1% y/y in the latest quarter, from 3.5% y/y in the March quarter.

Small businesses are also waiting longer to be paid, 1.2 days longer in the June quarter at 29.1 days. This is the equal highest quarterly average since the June quarter 2023. Average late payments rose by even more, up 1.8 days to 7.3 days in the June quarter. In June this was 7.5 days - the longest late payment time since September 2020.

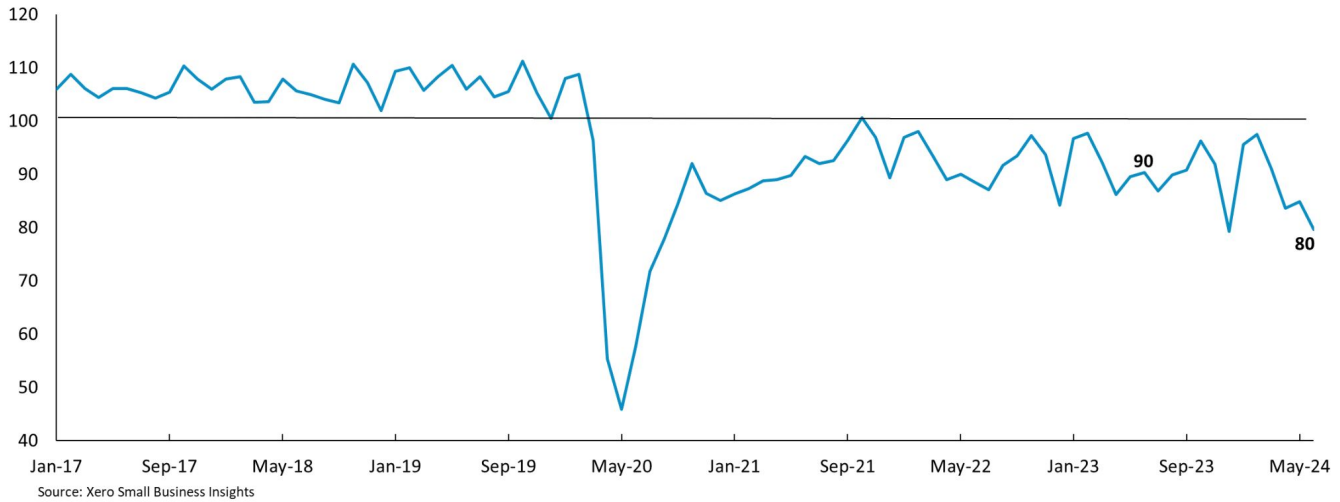
Some of the June weakness could be due to the UK election campaign (22 May to 4 July). Voters, both business owners and customers, often defer big decisions until after election day. Overall, though, this result is disappointing and reflects a step backwards in small business performance, following some tentative signs of improvement in the first quarter of 2024. The results show that small businesses are under pressure from many sides. Sales and jobs are both hardly growing and cash flow is being squeezed by longer waiting times to be paid for work already done.

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 continue to navigate through these challenging economic conditions. The rise in late payments is a reminder about the steps business owners can take to improve payment times such as setting up automatic invoice reminders and offering multiple ways for customers to pay your bills.

<sup>1</sup> 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.

## United Kingdom Small Business Index

Index, average = 100, standard deviation = 15



## Sales growth steady in volatile quarter

The national sales results looks similar at the quarterly level but there was a lot of volatility between months. The expected rebound in April (+8.9% y/y) was Easter-related and so short-lived. Sales then rose only 1.3% in May and fell 5.2% in June.

The industry data shows the month of June weakness was widespread with only education (+2.7% y/y) recording a rise in the month. The quarterly results were better, led by education (+5.9% y/y), healthcare (+4.9% y/y) and other services<sup>2</sup> (3.4% y/y). Interest rate sensitive industries had a more difficult quarter. Retail sales fell 3.3% y/y, the second consecutive quarterly decline, and hospitality fell 0.6% y/y, not helped by a poor start weather-wise to the summer.

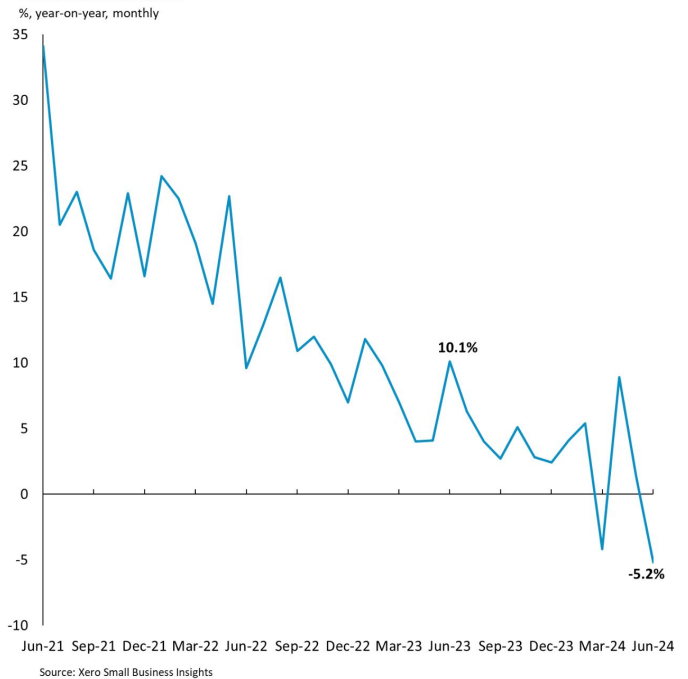
All regions had a decline in sales in the month of June, led lower by Wales (-9.3% y/y). Wales was the only region to record a fall in sales in the June quarter (-0.4% y/y). Better sales results were recorded in North East (+5.4% y/y), Yorkshire and the Humber (+3.7% y/y) and Scotland (+3.1% y/y).

## Tepid jobs recovery slows even further

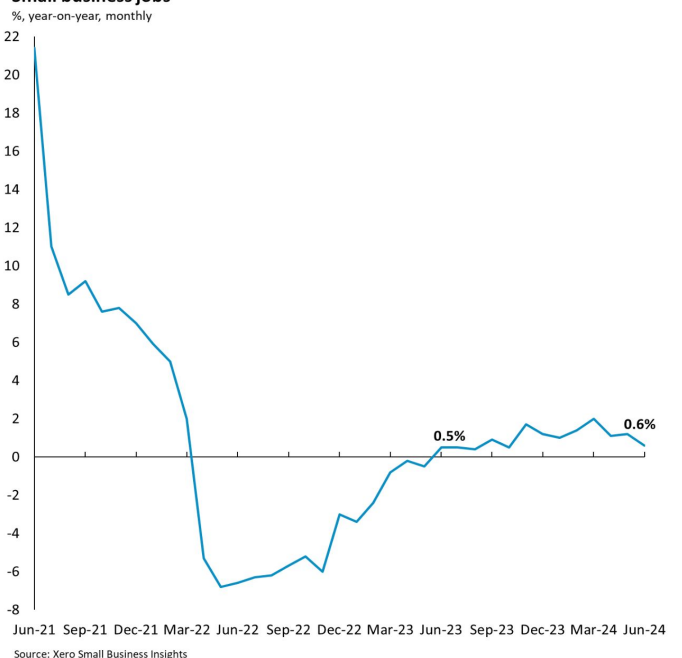
Jobs growth has been weak but had remained positive and had been getting stronger since mid-2023. Unfortunately this slowed in the June quarter, at just 1.0% y/y compared to 1.5% y/y in the March quarter.

Admin services was by far the weakest sector for jobs in the June quarter (-6.3% y/y), with professional services (+0.2% y/y) and hospitality (+0.4% y/y) both little changed. Healthcare (+4.5% y/y) had the largest rise, followed by information media and telecommunications (+3.9% y/y), manufacturing (+2.5% y/y) and construction (+2.5% y/y).

### Small business sales



### Small business jobs



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

There was considerable variation in jobs outcomes across the regions in the June quarter. Jobs fell in the West Midlands (-2.6% y/y) and Yorkshire and the Humber (-0.4% y/y). As with sales, the strongest region for jobs was the North East (+5.3% y/y) followed by East Midlands (+4.1% y/y) and Wales (+2.6% y/y).

## Payment times lengthen

The improving trend in payment times seen between June quarter 2023 and March quarter 2024 has been completely unwound in the latest quarter of data.

The 1.8 day increase in average late payment times, to 7.3 days in the June quarter, is the largest quarterly increase since June quarter 2020 (when the pandemic caused a short-term spike in late payments). The largest increase in late payments was in two industries that are usually paid the fastest - retail trade (+3.1 days to 5.5 days) and hospitality (+3.0 days to 4.4 days).

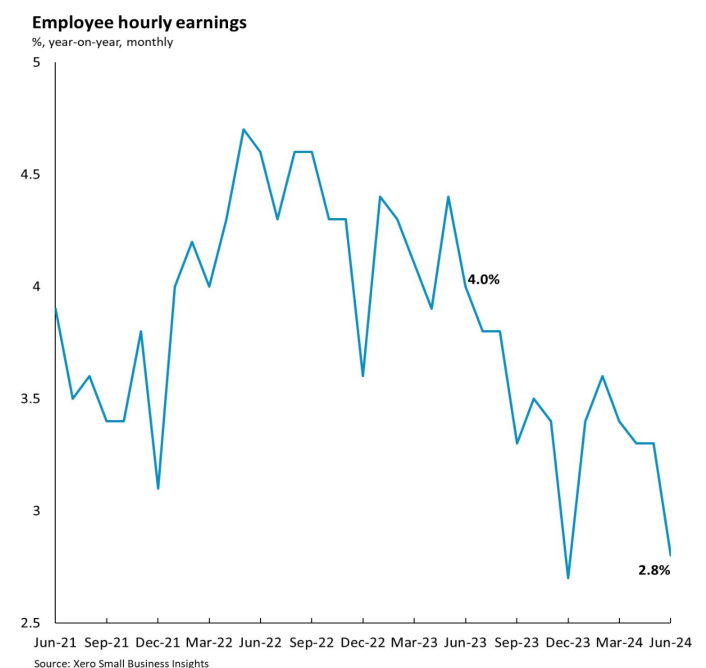
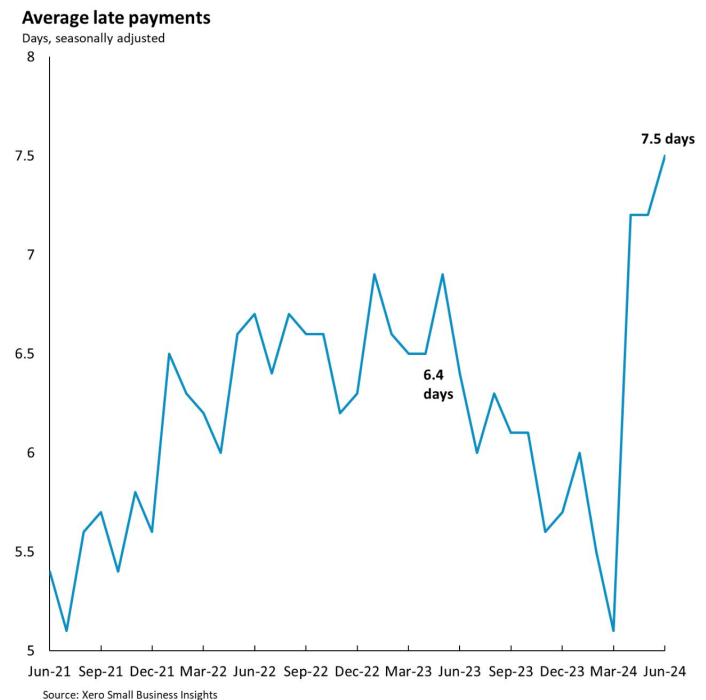
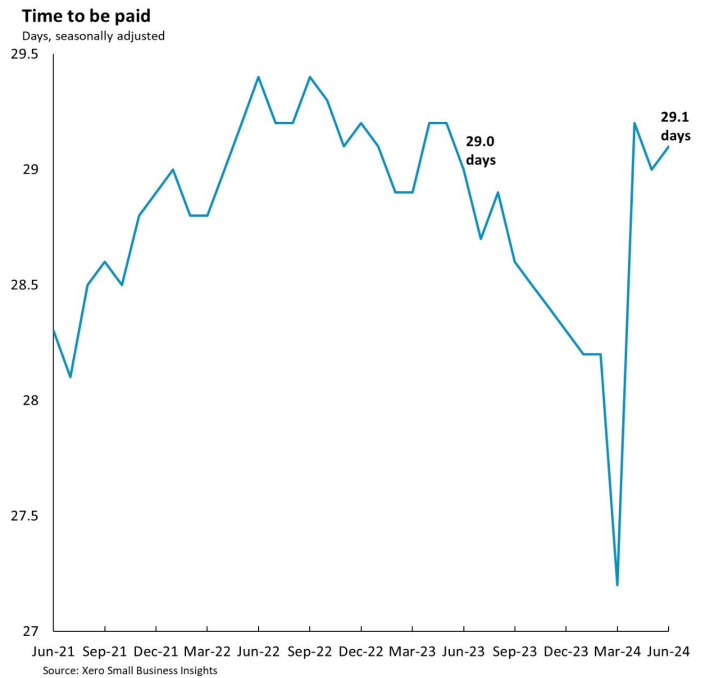
The length of time small business waited to be paid was 29.1 days in the June quarter, 1.2 days longer than in the March quarter.

## Wages growth slows

Wages rose 3.1% y/y in the June quarter, down from a 3.5% y/y rise in the March quarter.

The largest wage rises were in hospitality (+4.1% y/y) and other services (+4.0% y/y). Four industries had wage growth below 3% in the June quarter - construction (+2.6% y/y), information media and telecommunications (+2.7% y/y), real estate (+2.7% y/y) and admin services (+2.7% y/y).

Yorkshire and the Humber (+3.6% y/y), North East (+3.4% y/y), Scotland (+3.4% y/y) and London (+3.4% y/y) had the largest wage rises in the June quarter.



## 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](https://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.