

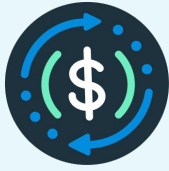
Xero Small Business Insights Canada Update April - June 2024

Published October 31, 2024



Sales keep falling and payment times improve

Average results for three months to June 2024



Sales
-3.7% y/y



Late Payments
6.3 days



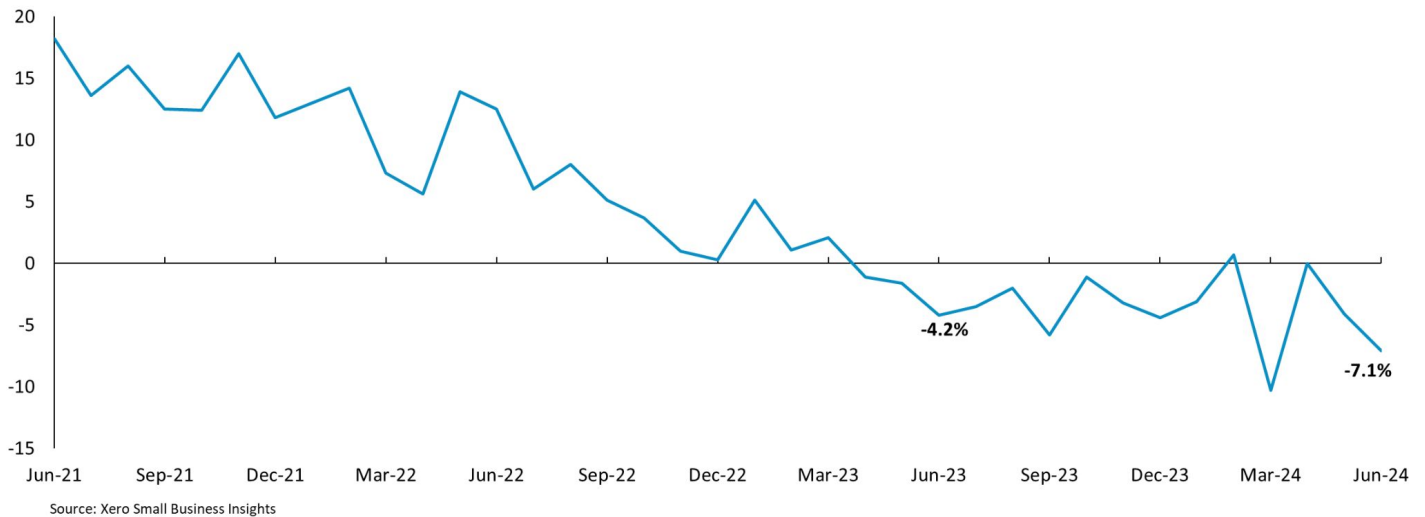
Time to be paid
28.5 days

The latest Xero Small Business Insights (XSBI) data for Canada shows small business sales remain weak. This is frustrating as there were tentative signs at the start of 2024 that sales might finally be starting to grow again. On a positive note, small business late payment times improved in the three months to June, to be the shortest in around two years.

The latest XSBI results show that making a sale remains hard for many small businesses in Canada, with **February and April the only months in which sales were not lower than a year ago in the 15 months to June 2024**. Sales fell an average of 3.7% y/y in the three months to June, after a 4.2% y/y decline in the three months to March. This is a slight improvement in performance in terms of quarterly averages, but these results are distorted by the Easter-impacted¹ March (-10.4% y/y) and April (unchanged) outcomes. Setting aside these two months, there was a clear improving trend underway at the start of the year, when sales fell an average of only 1.2% y/y in January and February, after a 2.9% decline in the December quarter. But this improvement proved short-lived, with sales declining an average of 5.6% y/y in May and June.

Small business sales

% , year-over-year, monthly

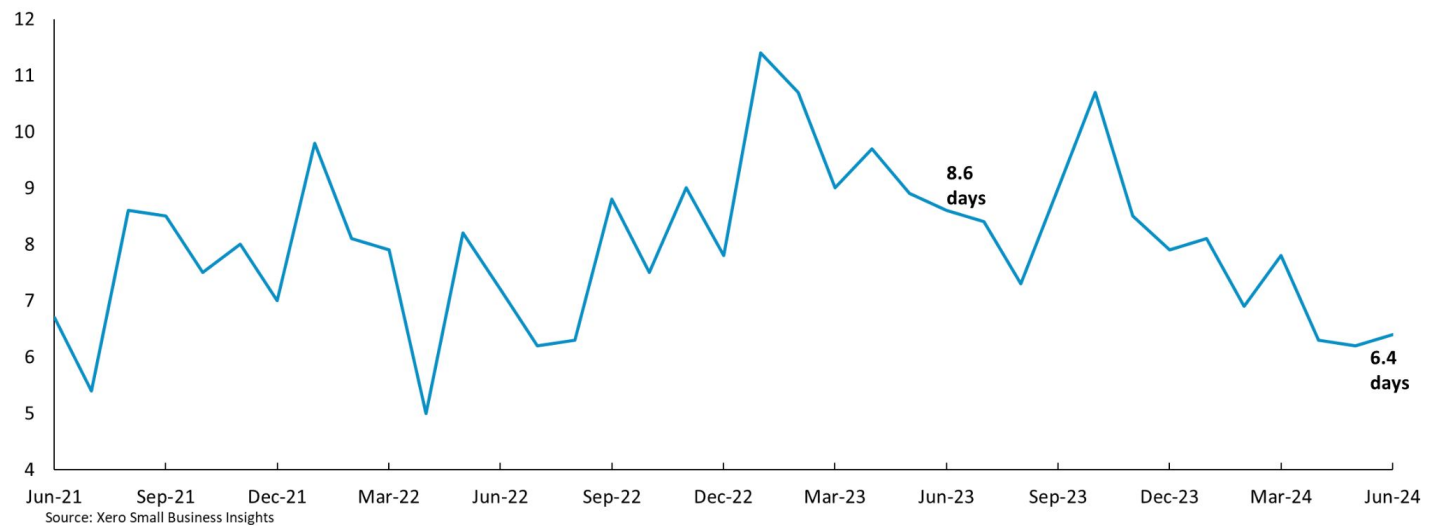


Sales volumes (which removes the effect of price changes from the XSBI series so that we can measure changes in how many goods and services have been sold) have been weaker than the nominal-based XSBI series. Using the Canadian CPI as a proxy for prices, sales volumes declined an average 6.5% y/y in the three months to June, after declining an average of 7.1% y/y in the three months to March.

In contrast to the sales result, **late payment times have continued to improve over 2024**. They averaged 6.3 days in the June quarter, down from an average of 7.6 days in the three months to March 2024. The best month in the quarter was May, when payments were made on average 6.2 days late - the shortest late payment time since July 2022 (also 6.2 days).

Average Late Payments

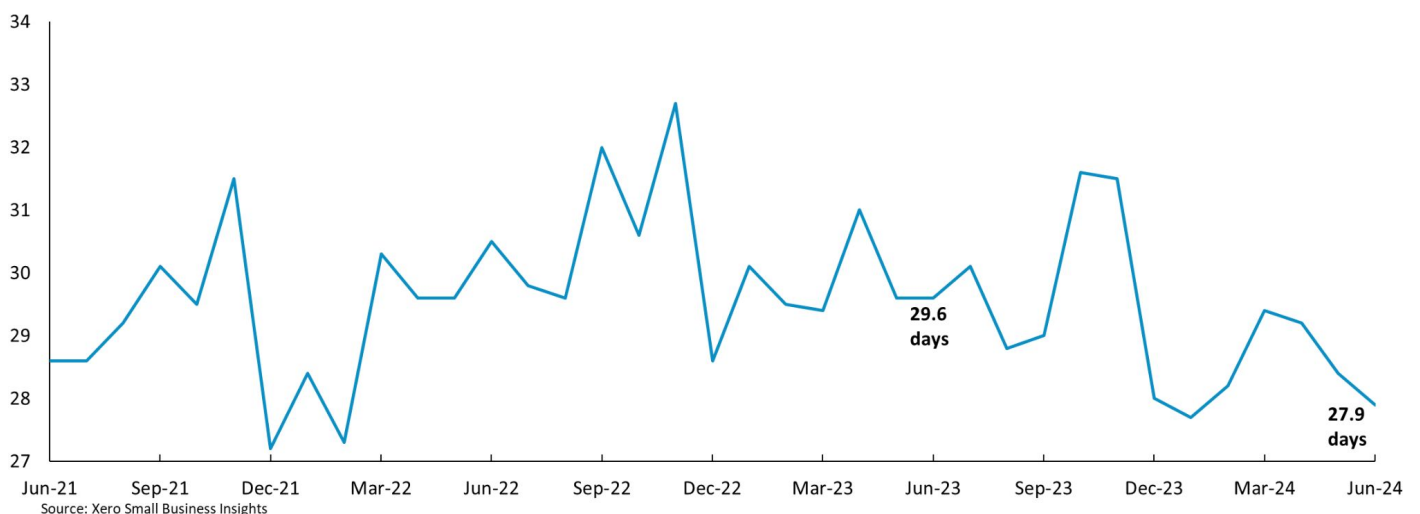
Days, seasonally adjusted



The **average time small businesses waited to be paid after issuing an invoice was little changed**, averaging 28.5 days in the three months to June and 28.4 days in the three months to March. The best month in the quarter was in June, at 27.9 days - the shortest time since January 2024 (27.7 days).

Time to be paid

Days, seasonally adjusted



In terms of regional results, **Alberta was the best performing Province for sales**, although they still fell an average of 0.9% y/y in June quarter. This is Alberta's best sales performance since the March quarter 2023.

British Columbia had the shortest quarterly payment times across three Provinces (26.6 days), although this was a little longer than in the March quarter (26.2 days). Both Alberta (28.0 days) and Ontario (28.6 days) saw improved payment times in June quarter, by 1.7 days and 1.4 days respectively.

What are the prospects for Canadian small businesses over the remainder of 2024? Starting in June, the Bank of Canada has cut the official cash rate four times, to 3.75%, and the [Governing Council](#) has said that: "If the economy evolves broadly in line with our latest forecast, we expect to reduce the policy rate further." In theory these interest rate cuts, and the prospect of more, should help households to spend a little more in small businesses and encourage more business investment. Unfortunately there is always a lot of uncertainty about how long it will take households and businesses to respond to rate cuts. So far business confidence has failed to move much despite the rate cuts. The Canadian Federation of Independent Business [Monthly Business Barometer](#) shows that there hasn't yet been much change in small business confidence since the start of the rate cutting cycle. The 12-month Small Business Confidence Index was at 55.0 points in September after being 56.6 points in May (before the rate cuts started). This result suggests small businesses do not yet feel like they are seeing the benefit of interest rate cuts.

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.