

Xero Small Business Index New Zealand Update April - June 2024

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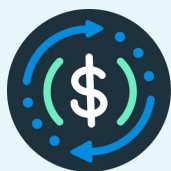
Sales decline for two consecutive months

Average results for three months to June



Index

133 pts



Sales

-1.5% y/y



Jobs

+6.7% y/y



Wages

+3.6% y/y



Time to be paid

23.9 days

The latest Xero Small Business Insights (XSBI) data for New Zealand showed a slight improvement in the overall performance of small businesses in the June quarter, as ongoing strength in hiring and wages were partially offset by declines in sales and a rise in payment times.

Overall small business performance improved slightly in the June quarter, up 10 points to 133 points. Most of the gains in the Index were in June, when it rose 22 points to 143 points, as a result of significantly stronger jobs and wages growth.

The labour market-related metrics underpinned the rise in the overall Index in the June quarter. Jobs rose 6.7% year-on-year (y/y) in the latest quarter, only slightly below the March quarter result (+7.0% y/y) and more than double the pre-pandemic average (3.0% y/y). Wages growth accelerated again in the most recent quarter, rising 3.6% y/y, after two quarters of 2.8% y/y rises.

In contrast, the sales metric, which was already soft, weakened further. Sales fell 1.5% y/y in the June quarter, following <1% gains in the previous two quarters. As anticipated, the early timing of Easter¹, which dampened the March result (-7.7% y/y), was reversed in April (+6.1% y/y). But this was short-lived. Sales fell 2.4% y/y in May and 8.3% y/y in June - the largest monthly fall since May 2020 when the pandemic lockdowns were in place. The effect on sales of income tax cuts, which will start on July 31, will be closely watched in the next round of XSBI data.

The length of time small businesses waited to be paid after issuing an invoice was 23.9 days in the June quarter, up slightly on the 23.1 day result for the March quarter. There was a smaller rise in the late payment metric, which averaged 6.1 days in the latest quarter, up 0.2 days compared to the March quarter.

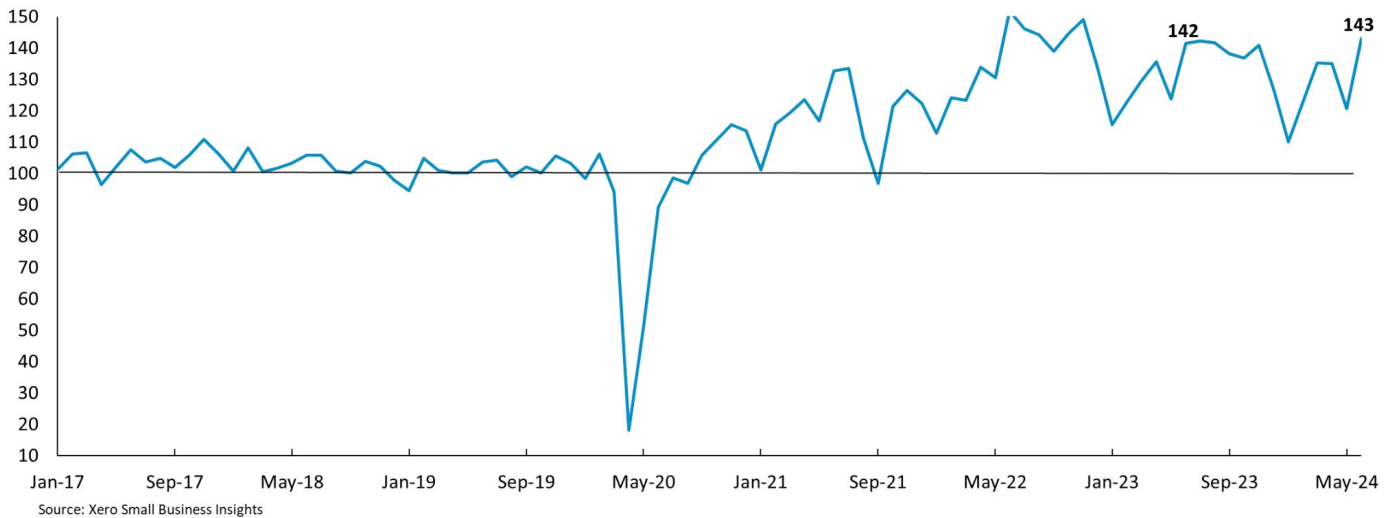
The ongoing strength in small business jobs growth potentially highlights small business owners wanting to hold on to staff to avoid risking future staff shortages, despite the poor sales performance of the past 12 months. Jobs growth, as measured by XSBI, is stronger than the closest national-level Statistics NZ's [employment indicators data](#), which shows filled jobs rose 4.1% y/y in May. The acceleration in wages growth also shows small businesses are willing, and currently able, to pay larger wage rises to secure staff as well. Sales fell an average of 0.5% y/y a month in the first half of 2024, after rising an average of only 1.1% in the second half of 2023. This means sales have hardly grown over the past year. In contrast, jobs averaged monthly growth of 6.9% y/y in the first half of 2024, which is almost as strong as the 7.4% y/y for the second half of 2023.

This latest data is a good reminder to small business owners about staying across the finances of your business and working closely with a financial advisor so you can make informed decisions and balance the risk of any current mismatch you may have in sales and workforce numbers against 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.

New Zealand Small Business Index

Index, average = 100, standard deviation = 15



Small businesses holding on to staff

Jobs rose 6.7% y/y in the three months to June, slightly slower than the 7.0% rise in the March quarter. Jobs growth has been gradually slowing for the past 18 months, after peaking at 9.0% y/y in the March quarter 2023. Nevertheless, it remains well above the pre-pandemic average of 3.0% y/y.

Not all industries are growing jobs as quickly as the national result though. Hospitality (+3.0% y/y) and agriculture (+4.7% y/y) had the smallest increases in jobs during the June quarter. Meanwhile, professional services (+7.4% y/y) and other services² (+10.2% y/y) had gains above the national average.

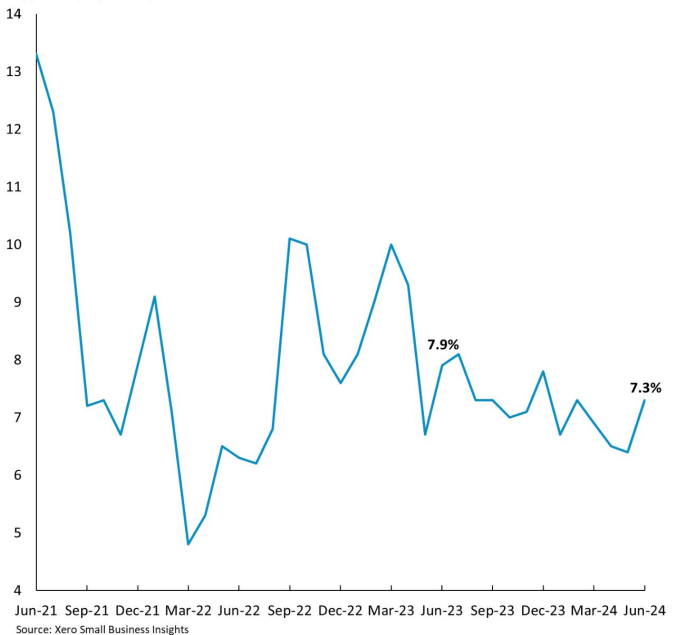
There is also some variation across regions. The largest job gains in the June quarter were in Hawke's Bay (9.7% y/y) and Waikato (+7.6% y/y). Manawatu-Whanganui (+5.4% y/y) and Auckland (+5.9% y/y) had the smallest rises - although both of these are still strong by historical standards.

Wage growth picks up again

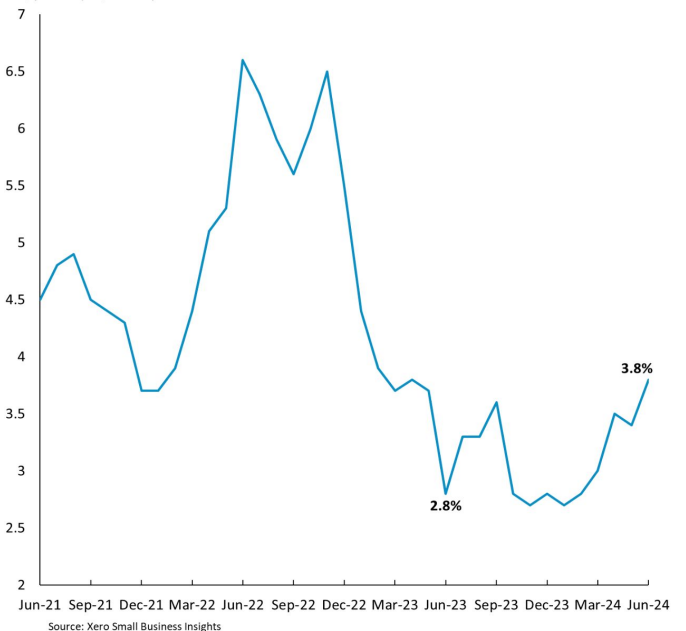
Labour market tightness has eased slightly in the past year but the latest wages result suggests small businesses, in aggregate, are still working to keep or attract staff. Wages grew 3.6% y/y in the June quarter, the largest rise since the March quarter 2023.

Construction (+4.1% y/y) and other services (+3.8% y/y) offered wages above the national average in the latest quarter. The smallest wage rises were in agriculture (+2.9% y/y).

Small business jobs



Employee hourly earnings



Sales stumble in May and June

After what looked like a more positive start to 2024 for sales in January and February, they declined in the June quarter (-1.5% y/y). The weakness was particularly clear in June, when sales fell 8.3% y/y. This is the largest monthly decline since businesses were temporarily closed during the start of the Covid-19 pandemic.

The weakness in the month of June was across all the industries tracked by XSBI. In the latest quarter only two industries recorded small positive sales growth - real estate (+0.9% y/y) and other services (+0.1% y/y). The largest declines in the quarter were hospitality (-3.7% y/y), construction (-3.4% y/y) and retail trade (-3.3% y/y). These industries are all particularly sensitive to the impact of high interest rates, as consumers switch away from non-essential purchases or delay major purchases.

All regions tracked by XSBI also recorded a decline in sales in the month of June. For the quarter the only rise in sales was in Northland (+1.5% y/y). The largest falls in sales were in Waikato (-4.7% y/y) and Taranaki (-2.6% y/y).

Small rises in payment times

Both payment time measures increased in the June quarter.

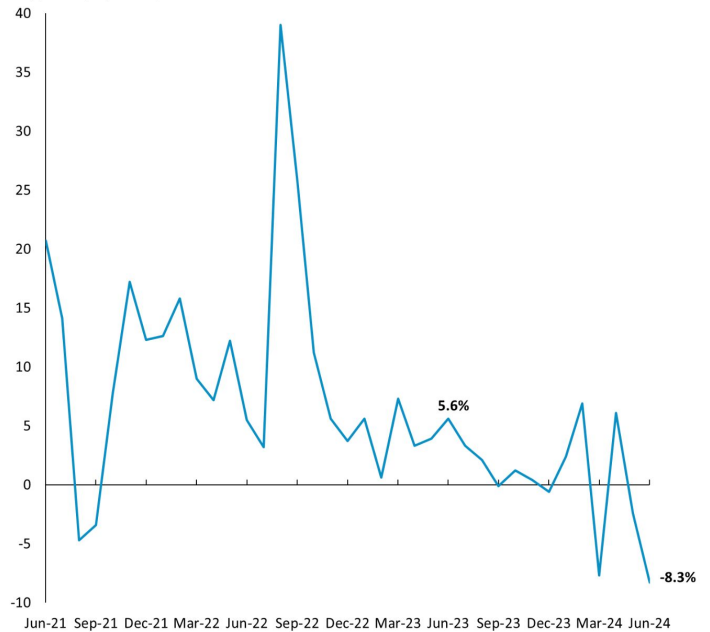
The rise in average late payments was small, only 0.2 days to 6.1 days for the quarter. The industry data reveals that manufacturing firms are paid, on average, more than a week late (8.0 days). Agriculture (4.5 days) and other services (5.2 days) are paid slightly less late.

The average length of time small businesses wait to be paid rose 0.8 days to 23.9 days. This is the highest reading since the September quarter 2023.

The industry breakdown of the time it takes small businesses to be paid reveals that construction firms are, on average, paid quickest (20.1 days in the June quarter). This is more than ten days quicker than the slowest paid industry, manufacturing (31.1 days).

Small business sales

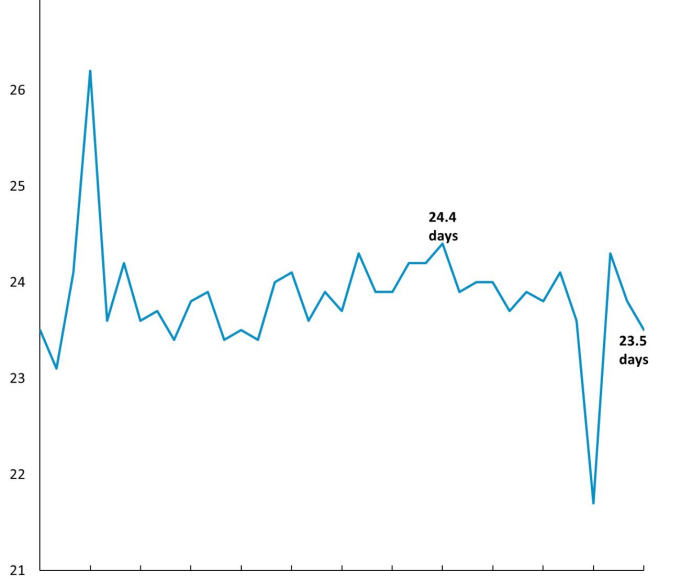
% , year-on-year, monthly



Source: Xero Small Business Insights

Time to be paid

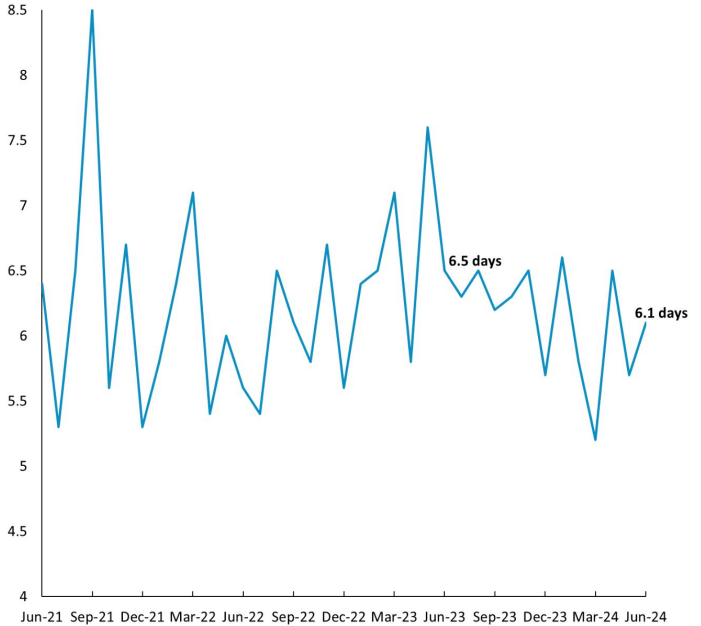
Days, seasonally adjusted



Source: Xero Small Business Insights

Average late payments

Days, seasonally adjusted



Source: Xero Small Business Insights

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.