

Xero Small Business Insights

United States Update

January - March 2026

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Cash flow pressure builds for small business

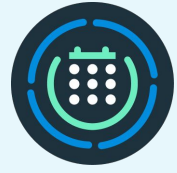
Average results for three months to March 2026



Sales
+2.5% y/y



Late Payments
9.0 days



Time to be paid
28.8 days

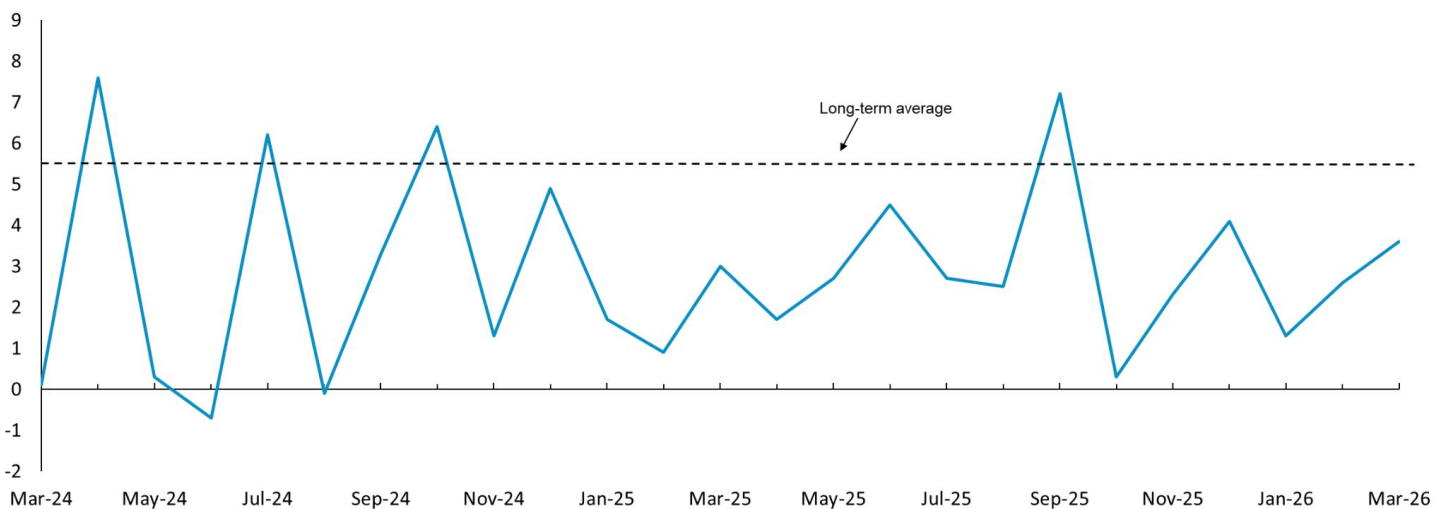
The latest Xero Small Business Insights (XSBI) data shows US small businesses were likely under increased cash flow pressure in the early months of 2026, as they waited longer to be paid and saw only a modest lift in sales. Small business owners will be hoping that some of the benefits of the tax cuts contained in the One Big Beautiful Bill Act (OBBBA) start to land in their registers soon. Unfortunately, the risk is that these get swallowed up by the impact of increased gasoline prices.

Small business sales rose 2.5% year-over-year (y/y) in the March quarter. This was similar to the December quarter result (+2.2% y/y, revised up from 0.9% y/y). While it is positive that sales are still growing, this growth is soft by historical standards, at less than half the average for this series (+5.4% y/y). Sales momentum built over the quarter, with sales rising 1.3% y/y in January, 2.6% y/y in February and 3.6% y/y in March.

The monthly March data is an early insight into how small businesses are being impacted by the gasoline price spike caused by the conflict in the Middle East. XSBI sales are measured in nominal terms, which includes changes in both sales volumes and prices. CPI data helps to understand how much of the March sales rise is due to prices and how much is due to higher sales volumes. Is the CPI showing broad based price increases or isolated spikes in gasoline prices? The [latest CPI data](#) shows prices paid by consumers rose an average of 3.3% y/y in March, up from 2.4% y/y in February and the biggest CPI increase in almost 2 years. However, three-quarters of this rise was due to gasoline prices (+21.2%) rather than reflecting broad based inflation. This suggests the latest month of XSBI sales growth is most likely reflecting a genuine improvement in activity rather than being due to higher prices.

Small business sales, United States

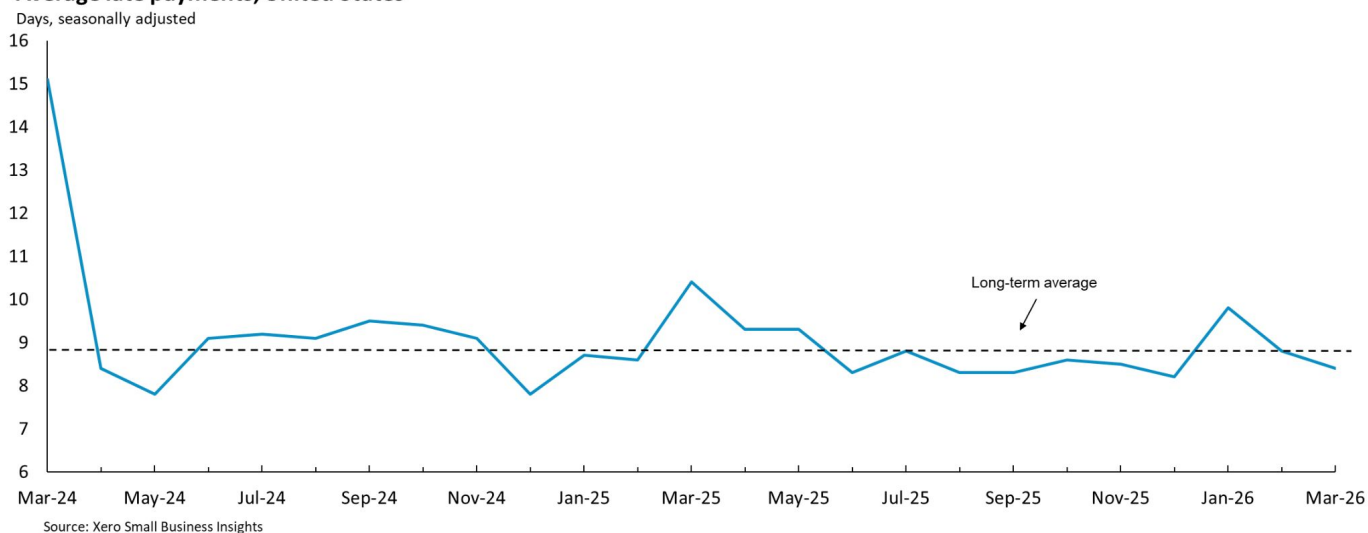
% year-over-year, monthly



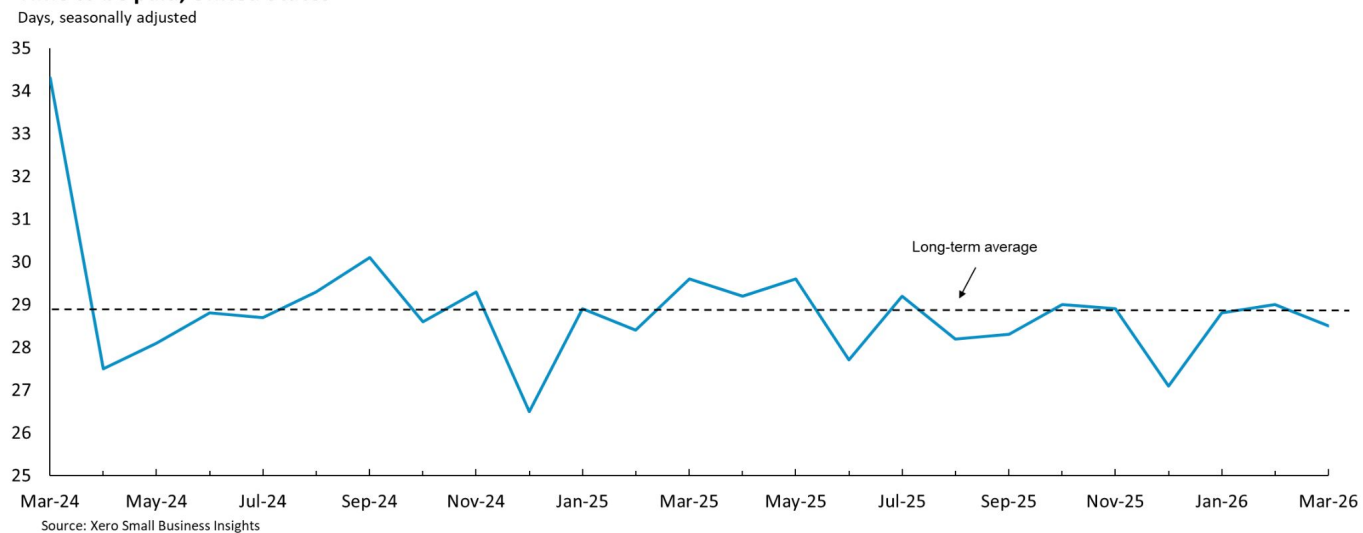
Source: Xero Small Business Insights

Small businesses were paid increasingly late in the quarter, suggesting cash flow pressure increased over the early months of the year. This is disappointing as it reverses the improving trend in payment times seen through 2025. Small businesses had to wait, on average, 28.8 days for their invoices to be paid, up from 28.3 days in the December quarter. Invoices issued by small businesses were paid, on average, 9 days late during the March quarter, up from 8.4 days in the December quarter.

Average late payments, United States



Time to be paid, United States



Overall, the XSBI data shows that while US small business sales grew in the early months of the year, the rise was much smaller than the historical average. They also had to wait longer for invoices to be paid than in the previous quarter. This combination likely put increased pressure on cash flow.

Looking ahead, there are both headwinds and tailwinds coming at small businesses. On a positive note, many of the provisions of the OBBBA came into effect on January 1. Small business owners will be hoping to see some of these tax cuts in their registers, estimated by the [Tax Foundation](#) to average around \$2,300 for individuals and \$1,500 for businesses in 2026.

Running against this, however, is the impact of the increase in gasoline prices. This sudden price spike hurts small businesses both directly, through rising costs of gasoline (and eventually many other inputs), and indirectly, as customers are left with less to spend on non-gasoline goods and services. Importantly, it is still early days in this crisis and the gasoline price impacts have not yet worked through the economy. To date much of the price impacts are in gasoline-exposed industries, such as transport and logistics. However, business profit margins can't absorb these dramatically higher gasoline prices indefinitely. These rising transport costs are likely to increasingly flow through to the price of goods and services across many industries in the coming months, spreading the economic damage and further squeezing household budgets.

Gasoline prices are unlikely to come down meaningfully any time soon, given it will take [many months](#) for the world oil market to return to 'normal', even after the Strait of Hormuz is reopened. In addition, the longer gasoline prices remain high the greater the risk that the Federal Reserve will respond with an increase in the Fed Funds rate to combat the inflation shock. The one positive for US small businesses is that, as a major oil producer, securing future supply is not a concern - which is not the case in many other countries.

During periods of major geopolitical upheaval that are outside their control, small business owners need to continue to focus on the aspects of their business they can influence - such as managing cash flow, using prompt payment practices and delivering great customer service.

Additional details about Xero Small Business Insights

About Xero

[Xero](#) is a global small business platform that helps customers supercharge their business by bringing together the most important small business tools, including accounting, payroll and payments — on one platform. Xero's powerful platform helps customers automate routine tasks, get timely insights, and connects them with their data, their apps, and their accountant or bookkeeper so they can focus on what really matters. Trusted by millions of small businesses and accountants and bookkeepers globally, Xero makes life better for people in small business, their advisors, and communities around the world.

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 of 2026, the XSBI sample size was over 1.1 million small businesses - 520,000 (Australia); 440,000 (UK); 144,000 (NZ); 32,000 (US) and 12,000 (Canada).

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

Changes were made to the XSBI methodology in 2025. This includes changing the definition used for a small business and the way we identify region-based businesses. 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 cannot be identified.