

Xero Small Business Insights

United Kingdom Update

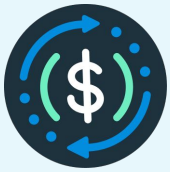
January - March 2026

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Soft sales growth ahead of likely fuel shock impacts

Average results for three months to March 2026



Sales

+2.9% y/y



Jobs

+2.1% y/y



Wages

+2.9% y/y



Time to be paid

29.0 days



Late payments

8.2 days

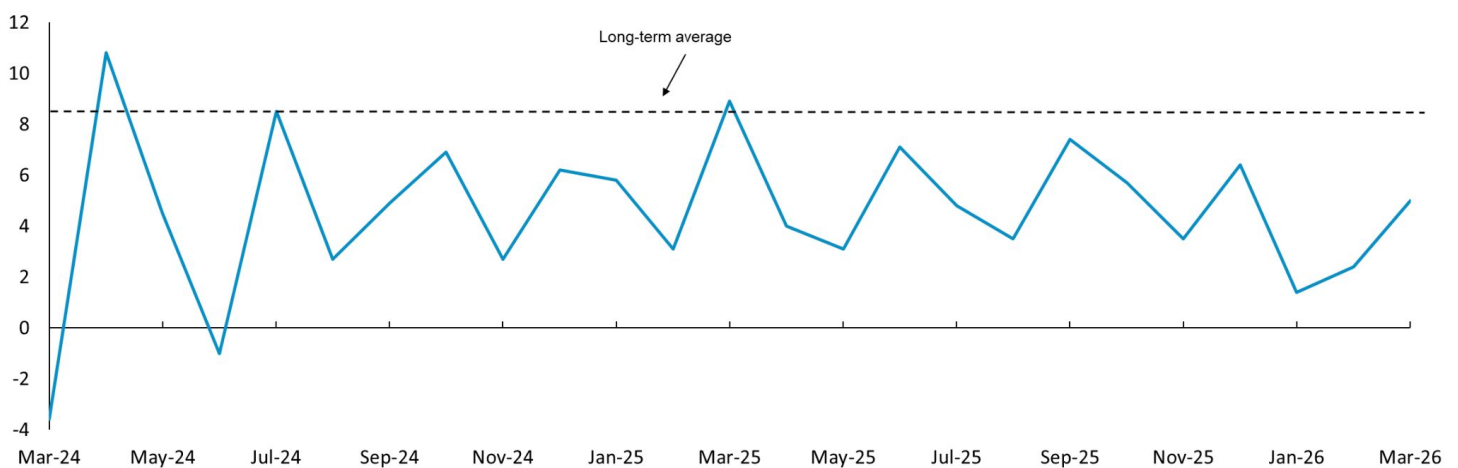
The latest Xero Small Business Insights (XSBI) data for the UK shows small business owners had a modest start to the year, with sales rising only 2.9% year-on-year, the smallest quarterly rise in two years. On a more positive note, the pick-up in jobs growth suggests small business owners are starting to feel slightly more confident about hiring. This confidence is likely to be tested in the coming months, amid ongoing high fuel prices.

Small business sales grew 2.9% year-on-year (y/y) in the March quarter, the smallest rise in two years. This followed a 5.2% y/y rise in the December quarter (revised up from 3.2% y/y initially reported). The softness in sales in the quarter came from the first two months, with January sales up only 1.4% y/y and February up only 2.4% y/y. These results are consistent with the [monthly GDP](#) pattern, which showed the UK economy picked up a little in February after almost no growth in January. Sales then rose 5.0% y/y in March - the best result of the quarter - but still well below the historical average (+8.5% y/y).

The monthly March data is an early insight into how small businesses are being impacted by the fuel 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 physical volumes. Is the CPI showing broad-based price increases or isolated spikes in fuel prices? The latest CPI data shows prices paid by consumers rose an average of 0.7% m/m in March, up from 0.4% m/m in February. However, this was almost entirely due to petrol prices (+2.4% m/m), rather than reflecting broad based inflation. This suggests the latest month of XSBI sales growth is most likely reflecting a genuine modest improvement in activity rather than being due to higher prices.

Small business sales, United Kingdom

% , year-on-year, monthly



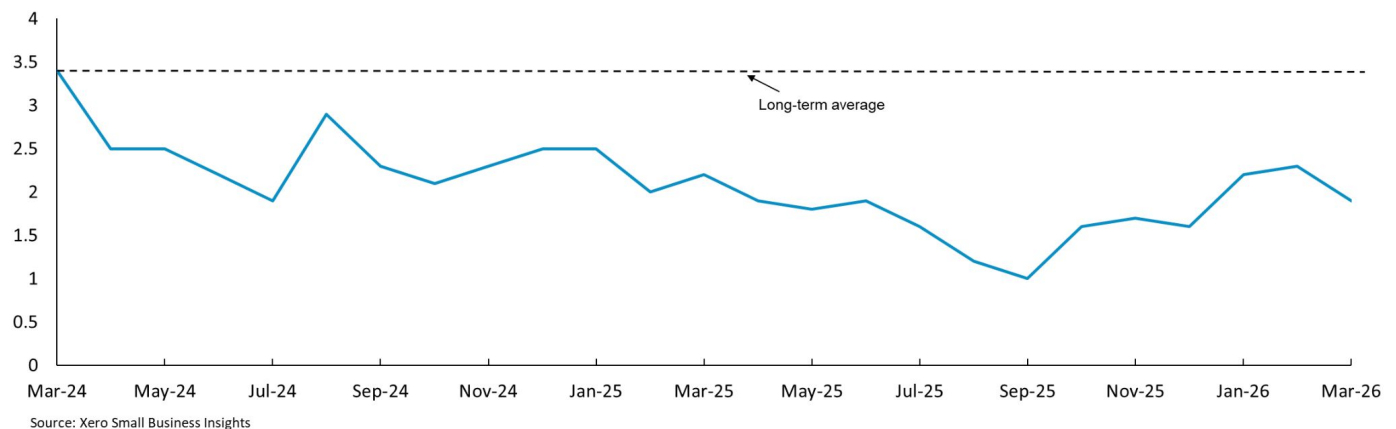
Source: Xero Small Business Insights

Sales growth in the March quarter was led by professional services (+4.7% y/y), healthcare (+4.6% y/y) and manufacturing (+4.6% y/y). Industries that are more dependent on discretionary spending - such as retail trade (+0.5% y/y) and hospitality (+1.4% y/y) - had sales growth below the national average. The best performing regions were the South East (+3.8% y/y) and Yorkshire and the Humber (+3.6% y/y). In contrast, the North East (+1.7% y/y) recorded soft sales growth and sales were lower than a year ago in Wales (-0.3% y/y).

Jobs growth continued to recover, although remains below the long-term average. Small business jobs rose 2.1% y/y in the March quarter, up from 1.6% y/y in the December quarter. As a lagging indicator, this growth pick up is likely a reflection of the modest sales performance recorded in the second half of 2025.

Small business jobs, United Kingdom

% , year-on-year, monthly



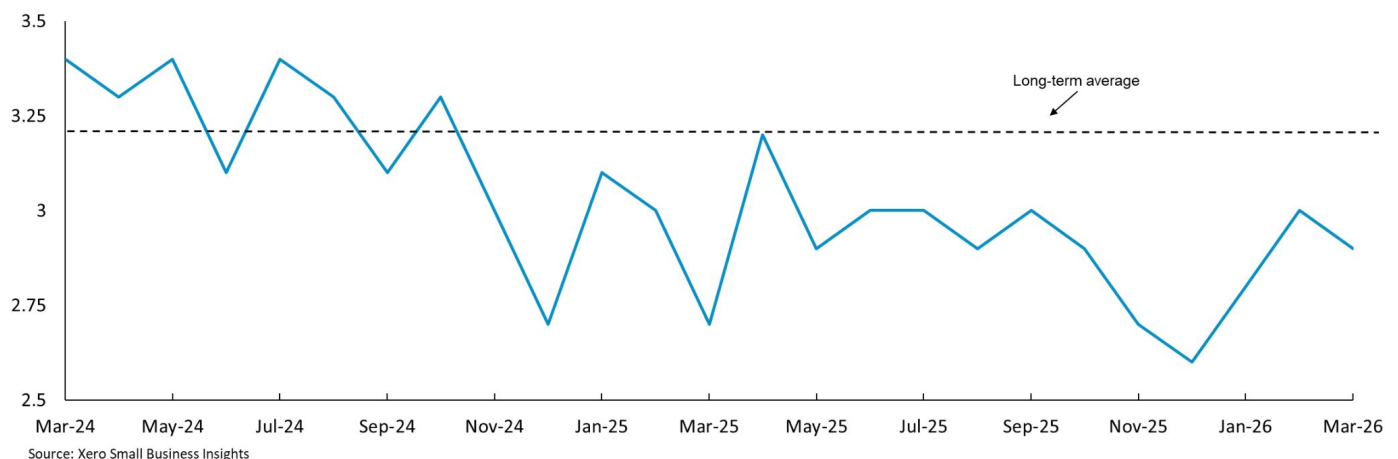
The largest jobs rises in the quarter were in retail trade (+3.3% y/y) - building on solid sales performances in the previous two quarters. Construction (+3.1% y/y) and real estate services (+3.0% y/y) also performed well. Information, media and telecommunications had 1.1% fewer jobs than a year ago and hospitality (+0.4% y/y) has hardly added any new roles in the past year.

There was also considerable variability across regions. The North West (+3.6% y/y), North East (+3.6% y/y) and the East Midlands (+3.5% y/y) led the quarterly results. For the second consecutive quarter, the West Midlands (-1.3% y/y) had fewer small business jobs than a year ago.

Wages in small businesses grew 2.9% year-on-year (y/y) in the March quarter, after a 2.7% y/y rise in the December quarter. Hospitality workers had the largest pay increase in the past year (+3.7% y/y), although this had little impact attracting workers to the sector. Most other industries were around the national average, with the exception of real estate services (+1.9% y/y) and administrative support services (+2.1% y/y).

Employee hourly earnings, United Kingdom

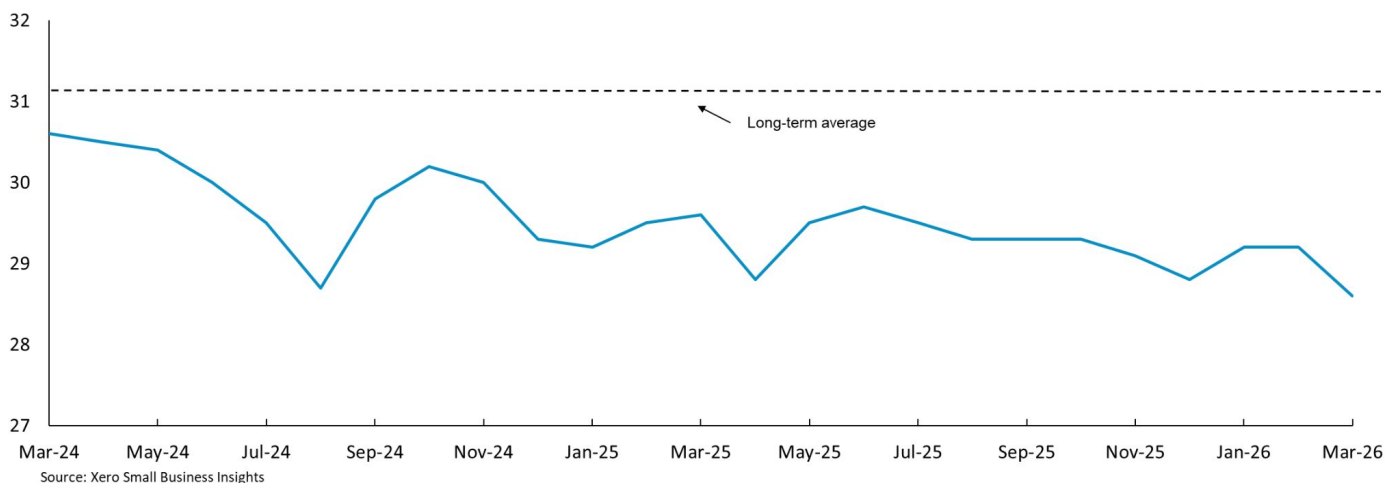
% , year-on-year, monthly



Both payment time metrics held on to recent improvements in these series. The average length of time small businesses waited to be paid, after issuing an invoice, was 29.0 days - similar to the December quarter outcome of 29.1 days and the fastest average time a small business waited to be paid since this series began (in Jan 2017). Small businesses were paid, on average, 8.2 days late in the March quarter - similar to the 8.1 days late result in the previous quarter.

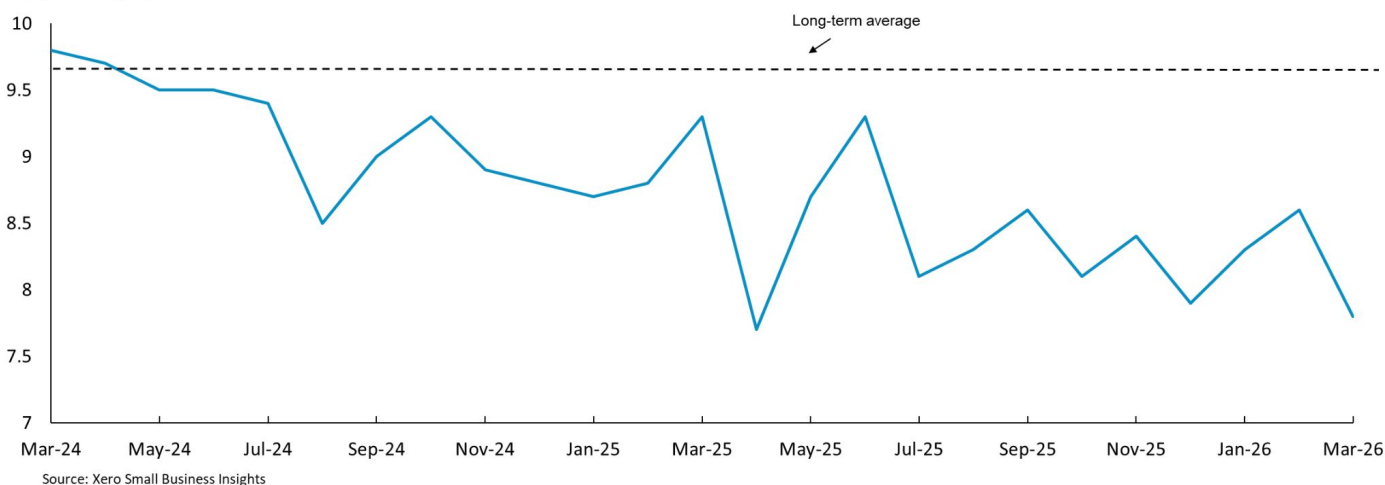
Time to be paid, United Kingdom

Days, seasonally adjusted



Average late payments, United Kingdom

Days, seasonally adjusted



Overall, the performance of small business isn't getting much worse, but it isn't getting much better either and both sales and jobs continue to grow slower than the historical average. The main bright spot is that payment times are holding on to recent gains.

Looking ahead, small businesses are likely to face increased headwinds in the coming months following the recent spike in fuel prices. UK small businesses understand well how damaging fuel shocks can be after dealing with the impact of the 2022 Russian invasion of Ukraine. This sudden price spike hurts small businesses both directly, through rising costs of fuel (and eventually many other inputs), and indirectly, as customers are left with less to spend on non-fuel goods and services. Importantly, it is still early days in this crisis and the fuel price impacts have not yet worked through the economy. To date much of the price impacts are in fuel-exposed industries, such as transport and logistics. However, business profit margins can't absorb these dramatically higher fuel 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.

Fuel 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 fuel prices remain high the greater the risk that the Bank of England will respond with an increase in the bank rate to combat the inflation shock. The one mitigating factor for small businesses is that UK oil largely comes from the US and Norway, so supply is unaffected by events in the Middle East - 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 anonymised 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 anonymised and aggregated to ensure individual businesses cannot be identified.