

# **Xero Small Business Insights**

## **United Kingdom Update**

October 2024 - June 2025

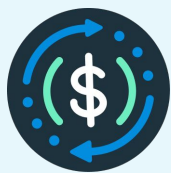
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# Sales momentum eases in June quarter

Quarterly average sales growth - since September 2024 release



Sales

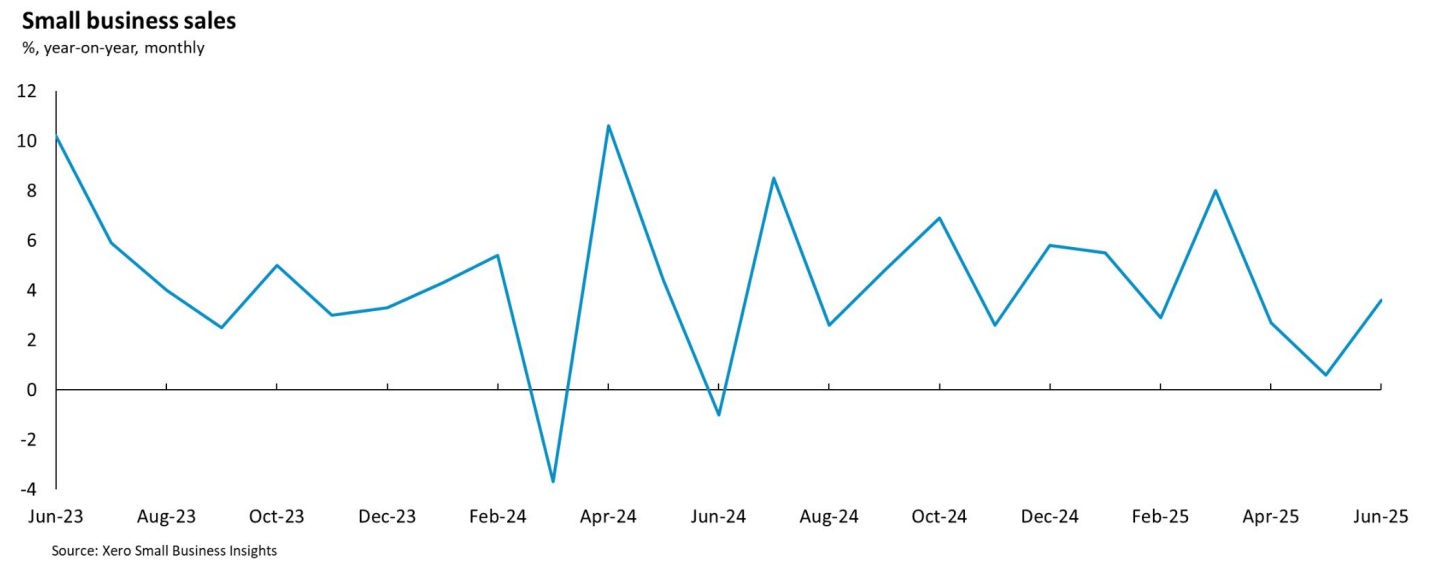
**Dec Quarter 2024**  
+5.1% y/y

**Mar Quarter 2025**  
+5.5% y/y

**Jun Quarter 2025**  
+2.3% y/y

Xero Small Business Insights (XSBI) data for the UK shows sales grew above 5% year-on-year in the second half of 2024 and in early 2025 but lost momentum in the June quarter. This slowdown is disappointing, nevertheless sales have continued to grow despite heightened uncertainty around the global and UK economies.

**Sales in small businesses grew 2.3% year-on-year (y/y) in the June quarter, less than half the pace seen in the March (5.5% y/y) and December (5.1% y/y) quarters.** The long term average growth rate for this series is 8.7% y/y, meaning even the earlier quarterly results were not strong by historical standards. After a reasonable start to the year in January (+5.5% y/y), sales only rose 2.9% y/y in February but were up strongly at 8.0% y/y in March. This was possibly an initial response to the decision by the Bank of England (BoE) to cut the official interest rate in February. Sales were softer again in April (+2.7% y/y) and May (+0.6% y/y) before picking up slightly in June (+3.6% y/y) after another interest rate cut by the BoE in May.

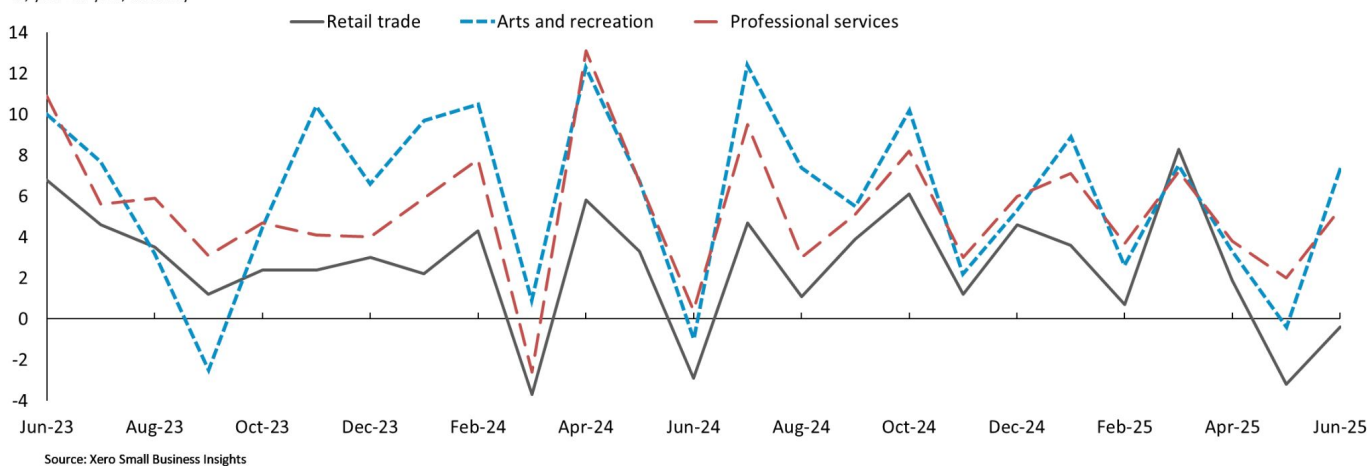


The **regional results** show all UK regions had a slowdown in sales growth in the June quarter but there was some variation in sales performance across the country. Scotland (+3.3% y/y), East Midlands (+3.1% y/y) and the South East (+2.8% y/y) all recorded sales growth above the national average. In contrast, sales grew only 1.5% in Wales, which was much slower than the 8.1% y/y rise the region recorded in the March quarter. All other UK regions were around the national average result for the June quarter.

The **industry results** highlight that small businesses dependent on discretionary consumer spending are facing the most challenging trading conditions. Retail sales (-0.6% y/y) was the weakest industry in the June quarter and real estate services have had no growth in sales since the June quarter last year. Hospitality (+1.5% y/y) also continues to record sales growth below the national average, as households have less disposable income to spend at restaurants or on take away. One discretionary spending industry that is bucking this trend is arts and recreation, where sales rose 3.4% y/y in the June quarter. Other industries that performed above the national average include manufacturing (+4.4% y/y), health care (+4.3% y/y), education (+4.1% y/y) and professional services (+3.7% y/y).

### Small business sales by selected industry

% , year-on-year, monthly



### Outlook uncertain amid new small business costs and heightened global instability

For small business owners, this data shows that recent months have been more challenging than they were in late 2024 and early 2025. In recent months small business owners have also been dealing with higher levels of employer National Insurance contributions and rises in the National Living Wage. In such circumstances it is more important than ever for small business owners to stay on top of cash flow, ensure they get paid as quickly as possible and keep an eye on costs.

A Xero commissioned poll<sup>1</sup> in June of 600 UK small businesses suggests they are slightly more concerned about the future of their business than they were in May. Three-quarters (76%) of businesses surveyed in June said they were positive about the future of their business, this is down from 81% in May. When asked why they were feeling positive, the key reasons given were having more work available (40%), making more sales (36%) and improved cash flow (34%).

Heightened economic uncertainty is making it hard for UK small businesses to plan ahead. On the one hand, interest rates have been cut by 100 bps so far this cycle, which should give people a little extra to spend in small businesses and should lower business loan repayments. On the other hand, the global outlook has been downgraded and remains uncertain. The UK, unlike almost all other countries, has been able to negotiate limited concessions from the US, mainly around tariffs on cars. Nevertheless, tariffs for exports to the US are still higher than they were before the US changed its approach to trade. The UK's major trading partners in Europe are facing higher tariffs than the UK is. The downgrades in global growth are likely to impact UK growth, and UK small businesses. There are also domestic sources of uncertainty, such as the impending Employment Rights Bill, which could impose new costs and risks onto the shoulders of small business employers.

<sup>1</sup> All figures, unless otherwise stated, are from an online survey commissioned by Xero in June 2025. Responses are among small businesses in Australia (306), New Zealand (152), UK (600) and US (321). Options have been edited for readability.

# 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 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

Changes were made to the XSBI methodology in July 2025. This includes changing the definition used for a small business and the way we identify regional-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 can not be identified.