

Xero Small Business Insights

United Kingdom Update

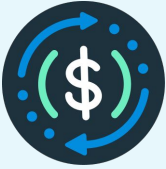
July - September 2026

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Modest national sales result hides industry differences

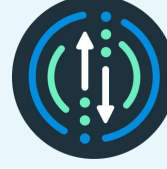
Average results for three months to September 2026



Sales
+4.0% y/y



Jobs
+2.6% y/y



Wages
+2.5% y/y



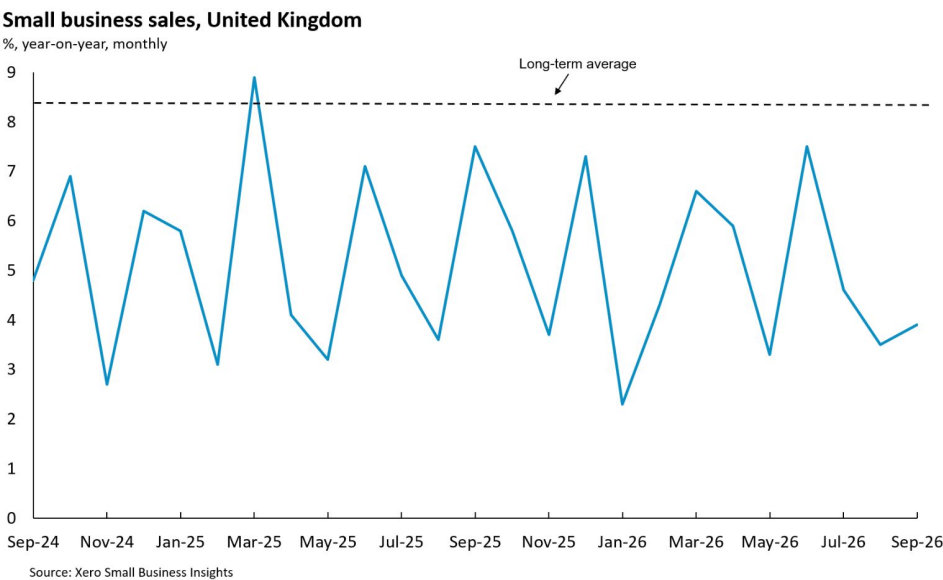
Time to be paid
29.5 days



Late payments
8.0 days

The latest Xero Small Business Insights (XSBI) data for the UK shows a modest slowdown in sales growth and small rise in payment times during the three months to September. The main positive in the quarter is that jobs growth picked up again, after a dip in the June quarter. These national results hide significant differences across industries, with agriculture, hospitality and retail trade all performing below the national average and transport and logistics, manufacturing, construction and professional services outperforming.

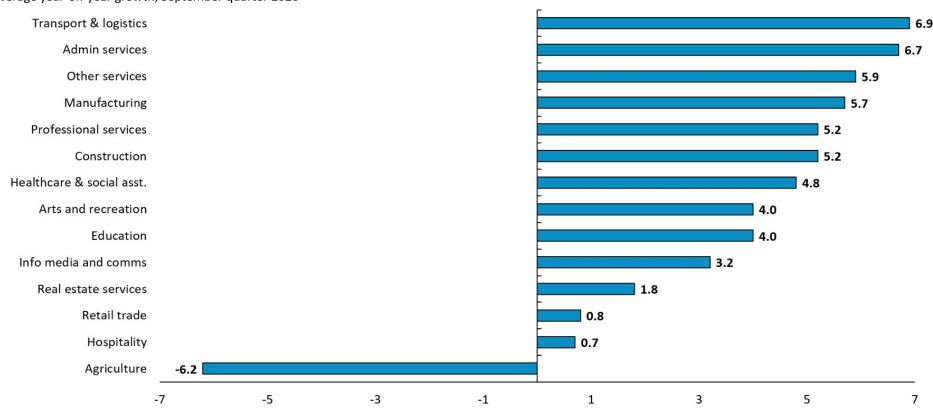
Small business sales grew 4.0% y/y in the September quarter, after a 5.6% y/y rise in the June quarter (revised up from 3.6% y/y initially reported). Sales growth is now less than half its historical average of 8.4% y/y. Sales for the month of June were revised higher, to 7.5% y/y (from 4.8% y/y initially reported). Since then sales have lost some momentum, rising 4.6% y/y in July, 3.5% y/y in August and 3.9% y/y in September. This slowdown likely reflects the ongoing impact of higher-than-normal fuel prices which is feeding into inflation more broadly and limiting the capacity of households to spend.



Industry data reveals some small businesses performed well below the national average. The worst performing sector by far was agriculture, where sales fell 6.2% y/y, the second consecutive quarterly decline, amid ongoing drought conditions. Hospitality (+0.7% y/y) and retail trade (+0.8% y/y) both had sales only just above year ago levels, likely reflecting the discretionary nature of some spending in these businesses. In contrast, other services (which includes hairdressers, beauticians and funeral directors) had a 5.9% y/y increase in sales. The strongest performing industry was transport and logistics (+6.9% y/y) likely due to raising prices, amid high fuel costs, rather than volumes. Other industries that performed above average included administrative services (+6.7% y/y), other services (+5.9% y/y), manufacturing (+5.7% y/y), professional services (+5.2% y/y) and construction (+5.2% y/y).

There was less variation across the UK regions, than industries, in the quarter. Gains were led by Northern Ireland (+5.1% y/y), East Midlands (+4.6% y/y) and London (+4.4% y/y). The smallest sales rises were recorded in Wales (+2.3% y/y), the South West and the North West (both 3.3% y/y).

Small business sales, selected UK industries
%, average year-on-year growth, September quarter 2026

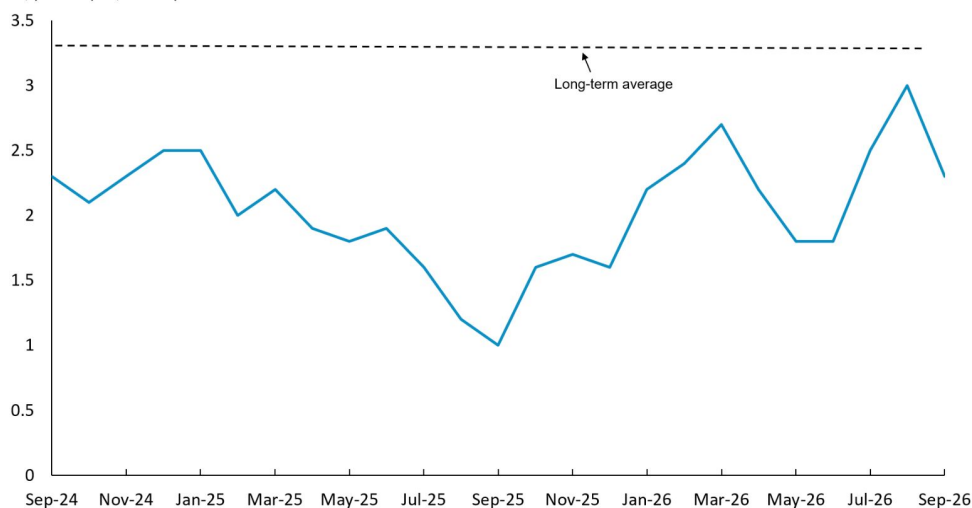


Source: Xero Small Business Insights

Labour market indicators were mixed, with improved jobs growth but slower wages growth. Jobs rose 2.6% y/y in the September quarter, up from 1.9% y/y in the June quarter but still below the 3.3% y/y historical average. Despite having some of the softest sales performance, retail trade (+5.2% y/y) and agriculture (+4.6% y/y) had the two of the biggest increases in jobs in the quarter. Healthcare and social assistance jobs growth was also strong (+4.4% y/y). Information, media and telecommunications jobs fell 3.4% y/y, the third consecutive quarterly decline. Hospitality (+1.5% y/y) and professional services (+1.8% y/y) both had only small job gains in the quarter.

As with sales, Northern Ireland (+4.2% y/y) had the strongest jobs performance in the quarter, followed by the North West (+3.6% y/y) and London (+3.4% y/y). The North East (+0.1% y/y) just managed jobs than a year ago, with Wales (+1.2% y/y) and West Midlands (+1.5% y/y) also having smaller jobs growth than other regions.

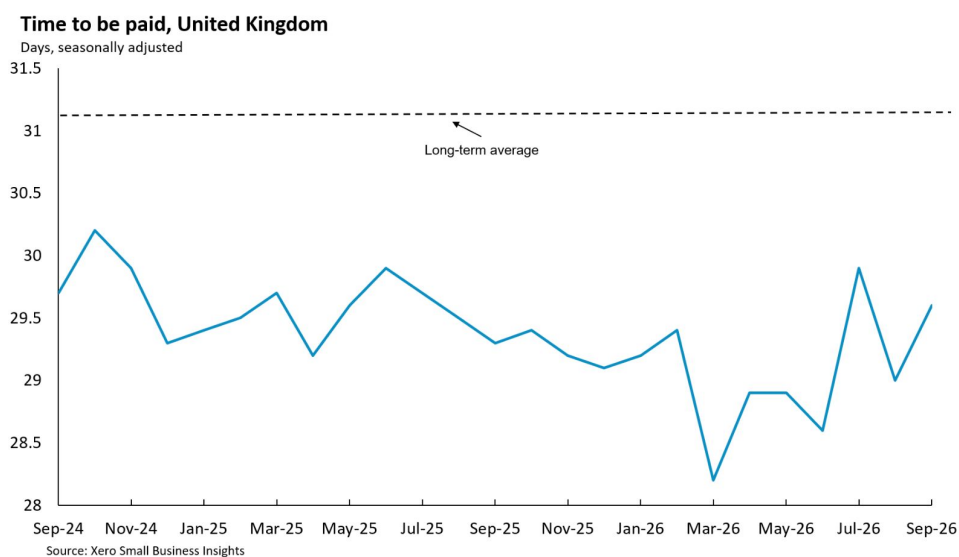
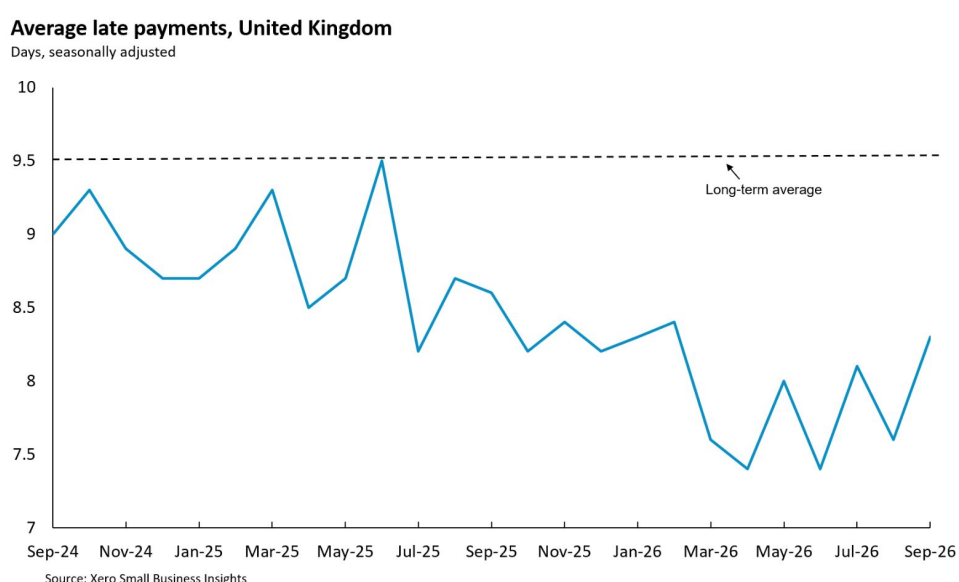
Small business jobs, United Kingdom
%, year-on-year, monthly



Source: Xero Small Business Insights

Wages in small businesses grew 2.5% y/y, down from 2.8% y/y in the June quarter and below the historical average of 3.2% y/y. There wasn't a lot of variation in wage growth across industries. Two industries were below 2% - real estate (+1.8% y/y) and administrative services (+1.7% y/y). Other services (+3.0% y/y) led the gains, followed by education (+2.9% y/y), professional services (+2.7% y/y), hospitality (+2.7% y/y) and arts and recreation (+2.7% y/y).

Small businesses waited to be paid a little longer in the September quarter than in the June quarter. The length of time small businesses waited to be paid was 29.5 days, compared to 28.8 days in the June quarter. Average late payments in the September quarter were 8.0 days, compared to 7.6 days in the June quarter. These slightly longer payment wait times are likely putting some additional pressure on small business cash flows, although these results are equal to or better than the 2025 average so not overly alarming.



Overall, small business sales lost some momentum in the September quarter and payment wait times became a little worse. Industry and regional data also highlights that some small businesses are facing more challenging conditions than the headline results suggest and others are doing better.

Looking ahead, small business operating conditions are likely to remain subdued over the coming months. Elevated fuel prices and above-target inflation are squeezing household budgets. These pressures could see the Bank of England join many of its counterparts and lift the bank rate by 25 bps to 4% at its November meeting. At the time of writing, financial markets were heavily pricing this in.

The UK economy, like many economies, is currently being dominated by two opposing forces. On the one hand, business investment is being boosted by AI-related building of data centres and their associated fit outs. On the other hand, elevated fuel prices, above-target inflation and a possible increase in the Bank Rate at the next Bank of England meeting are all squeezing household budgets. Aside from some benefits flowing through to small businesses in the construction sector, for most small businesses the negative fuel price and inflation impacts are likely to far outweigh the benefits of data centre building activity.

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.