xero SMALL BUSINESS INSIGHTS

Xero Small Business Insights United Kingdom Update

April - June 2026

Published 30 July 2026

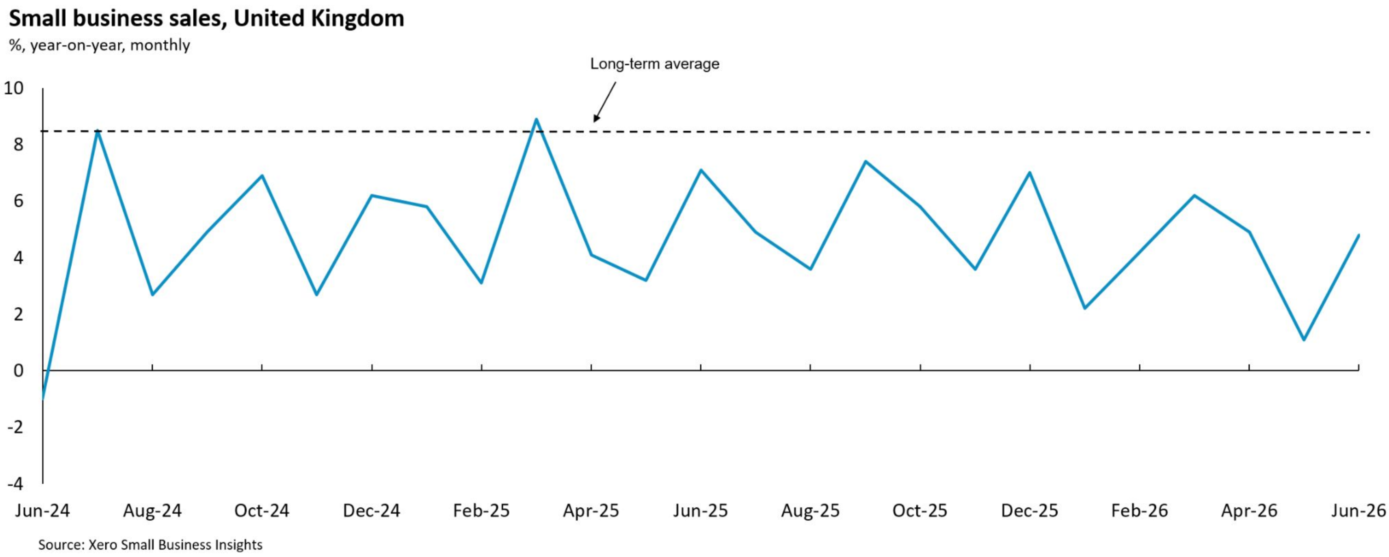
Sales growth slows as fuel price impacts bite

Average results for three months to June 2026

Sales	Jobs	Wages	Time to be paid	Late payments
+3.6% y/y	+1.7% y/y	+2.8% y/y	29.1 days	8.3 days

The latest Xero Small Business Insights (XSBI) data for the UK shows sales growth slowed further in the June quarter as higher-than-normal fuel prices started to hit household budgets and discretionary spending. Sales grew 3.6% year-on-year (y/y) and jobs growth was only 1.7% - both measures were slower than in the March quarter. Payment times were slightly longer than in the March quarter, but both better than the 2025 averages.

Small business sales grew 3.6% y/y in the June quarter, an ongoing slowdown from the 4.2% y/y rise in the March quarter and the a 5.5% y/y rise in the December quarter. Sales growth is now well below its historical average of 8.5% y/y. Breaking down the monthly movements over the quarter, sales rose 4.9% y/y in April but then slowed sharply to 1.1% y/y in May before improving to 4.8% y/y in June. This pattern mirrors fuel prices which rose through April, to peak in May and then dip again in June as hopes of a ceasefire between the US and Iran emerged, although these were short lived.

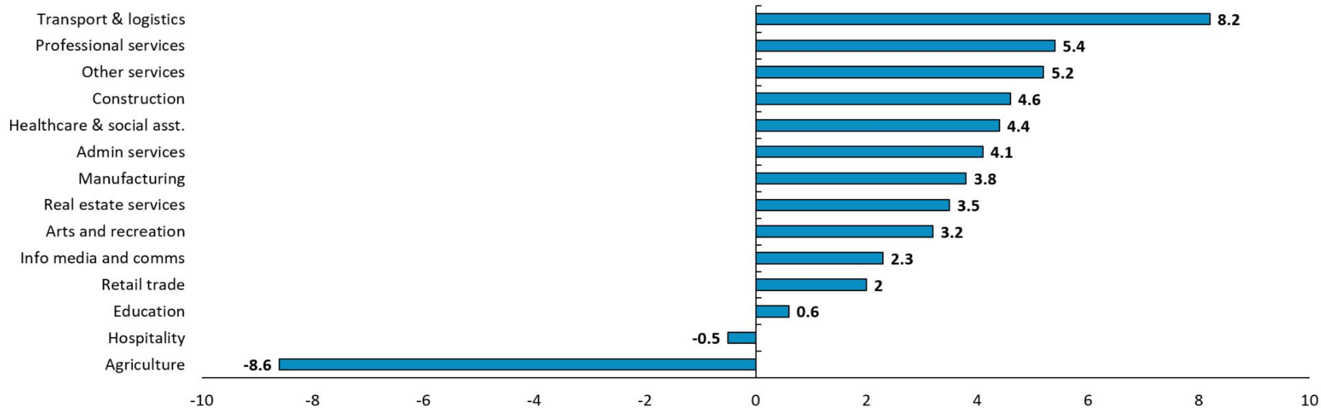


The industry breakdown of sales shows some variation between the best and worst performers (see chart), with those exposed to discretionary consumer spending recording some of the smallest sales rises and sharpest slowdowns in spending growth between the March and June quarters. This includes retail trade (+2.0% y/y), hospitality (-0.5% y/y), arts & recreation (+3.2% y/y) and education (+0.6% y/y). Agriculture (a new XSBI industry) was the weakest sector, with sales 8.6% lower than a year ago. During the quarter the industry was impacted by lower prices for some commodities, such as dairy, beef and pork, and above-average temperatures, which have reduced crop quality in some areas. Transport & logistics (+8.2% y/y) - also a new XSBI industry - had the strongest growth, which likely reflected higher prices being charged for freight movements, due to elevated fuel prices, rather than increased demand.

The variation across regions was less pronounced. Wales (+1.4% y/y) and the South West (+2.4% y/y) were the softest regions and Yorkshire & the Humber (+ 4.7% y/y) was the strongest. All other regions were similar to the national average and between 3.1% y/y and 4.1% y/y.

Small business sales, selected UK industries

%, average year-on-year growth, June quarter 2026

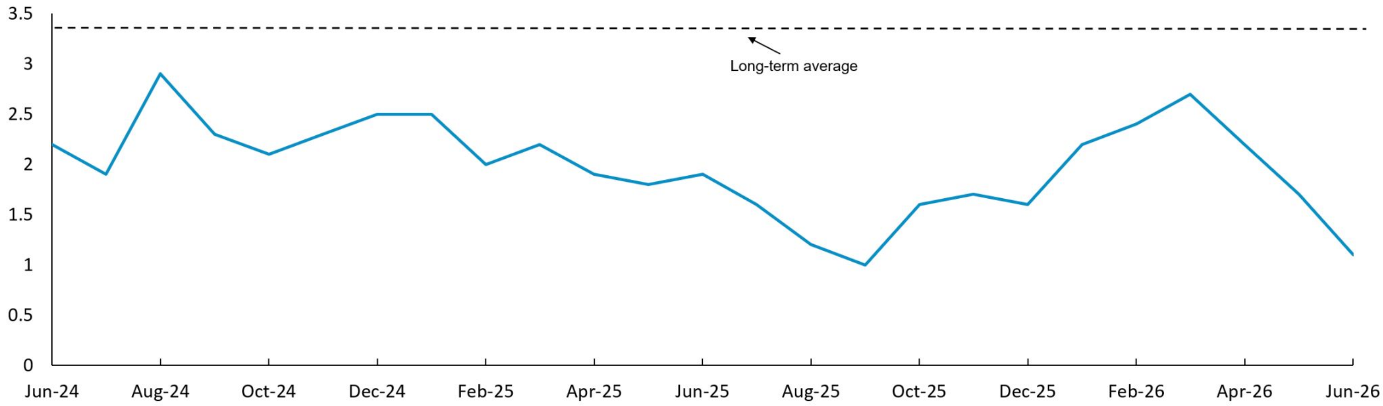


Source: Xero Small Business Insights

Jobs growth slowed in the June quarter, to 1.7% y/y after a 2.4% y/y rise in the March quarter. This pace is about half the historical average for this series and likely reflects small business owners reluctance to commit to growing their workforce when it isn't clear what the impact on ongoing elevated fuel prices will be on customer spending. The largest jobs rises in the quarter were in healthcare (+3.8% y/y), real estate services (+3.5% y/y) and, surprisingly, retail trade (+3.5% y/y). Hospitality (-0.7% y/y) and information, media and communications (-0.2% y/y) had fewer jobs than a year ago in small businesses. For the regions, the gains were led by the North West (+3.7% y/y) and Northern Ireland (+3.1% y/y) - a new region for the XSBI program. West Midlands (-0.7% y/y) and the North East (-1.5% y/y) had fewer jobs than a year ago.

Small business jobs, United Kingdom

%, year-on-year, monthly

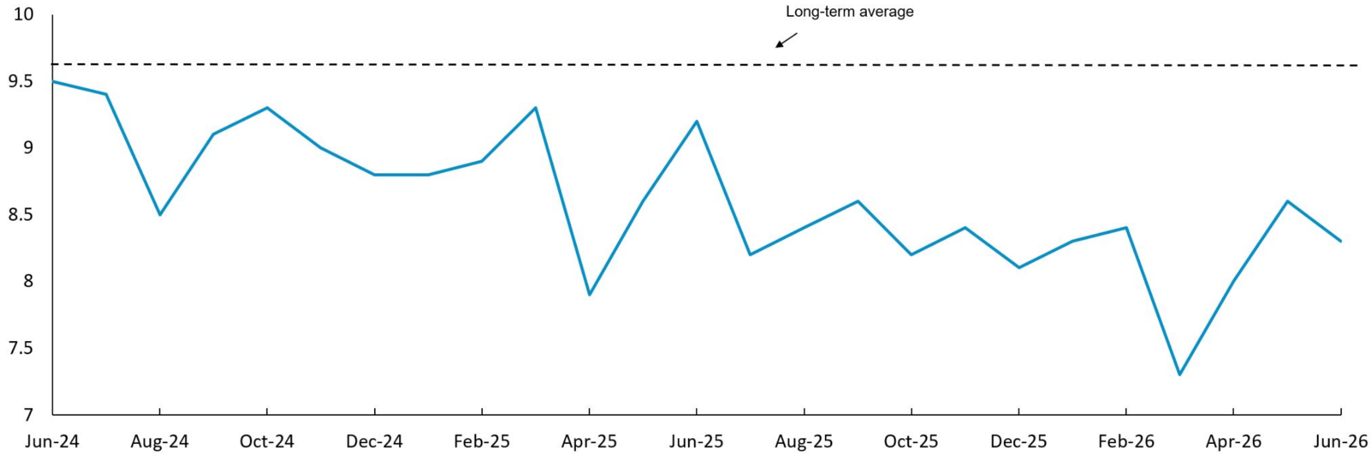


Source: Xero Small Business Insights

Wages in small businesses grew 2.8% y/y, and have been growing at, or just below, 3% for over a year now.

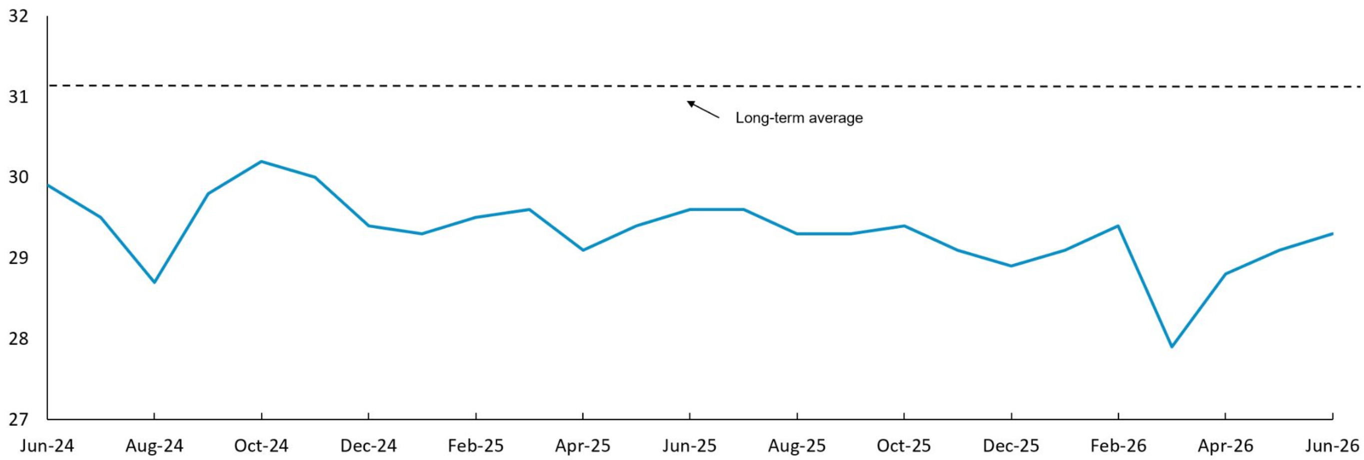
Both payment time metrics were slightly longer in the June quarter, but both better than the 2025 averages. The average length of time small businesses waited to be paid, after issuing an invoice, was 29.1 days - after 28.8 days in the March quarter and 29.3 days in 2025. Small businesses were paid, on average, 8.3 days late in the June quarter, up from 8.0 days in the March quarter but better than the 8.6 days in 2025.

Average late payments, United Kingdom
Days, seasonally adjusted



Source: Xero Small Business Insights

Time to be paid, United Kingdom
Days, seasonally adjusted



Source: Xero Small Business Insights

Overall, small business sales and jobs growth remain below their historical averages and softened further in the June quarter. This is likely, at least in part, to stretched household budgets as fuel prices remain higher-than-normal. The UK economic recovery wasn't able to gain sustainable momentum before events in the Middle East pushed the fuel price higher, potentially diverting household spending and making it even harder for small business owners to generate profits and cash flow.

Looking ahead, in its latest forecast the OECD expects UK GDP growth *to weaken to 0.9% in 2026, as renewed inflationary pressures squeeze real incomes and exacerbate uncertainty, weighing on private consumption and investment.*

The return of hostilities between the US and Iran in July introduces renewed uncertainty about economic growth in the second half of the year. In addition, profit margins and cash flow will continue to be under-pressure as small businesses are squeezed between rising input costs (including, and potentially beyond, fuel) and increasingly hesitant customers.

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.