

Xero Small Business Insights

United States Update

October - December 2025

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Mixed year for small businesses - payment times improve but sales were volatile

Average results for three months to December 2025



Sales
+0.9% y/y



Late Payments
7.8 days



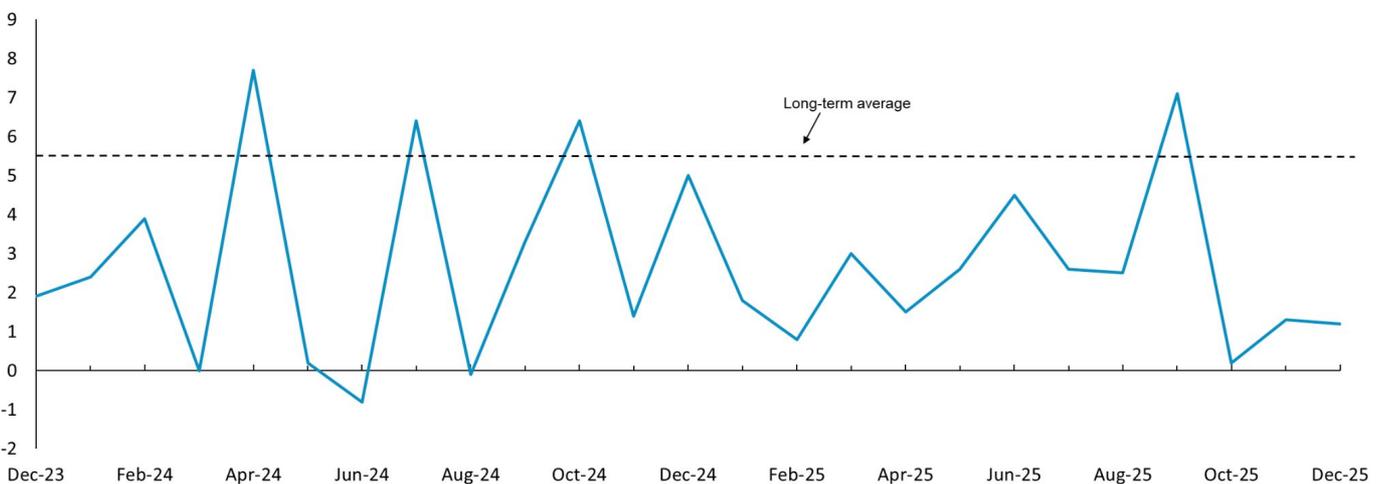
Time to be paid
27.9 days

The latest Xero Small Business Insights (XSBI) data shows 2025 was a mixed year for US small businesses. Sales growth averaged just 2.4% year-over-year (y/y) over the entire year, around half the long-term average for this series (5.5% y/y). There was also considerable volatility from month-to-month and sales growth slowed in the final few months of the year - growing just 0.9% y/y in the December quarter. In contrast, payment times showed continuous improvement over the year.

The past year was a volatile one for small business sales as owners, and their customers, responded to frequent changes in economic policy settings, heightened uncertainty and disrupted supply-chains. Sales performance started 2025 modestly, with a 1.9% y/y rise in the March quarter. This accelerated to 2.9% y/y in the June quarter. The month-to-month shifts over this first half of the year were volatile - ranging from 0.8% y/y in February to 4.5% y/y in June - but on a broadly improving trend. During the next quarter sales growth peaked for the year at an impressive 7.1% y/y in September, after a cut in the official interest rate by the Federal Reserve. This gave an overall rise of 4.1% y/y in the September quarter. Unfortunately this was unwound in the final three months of the year, as the delayed impact of tariffs outweighed further cuts in the official interest rate in October and December. Sales grew just 0.2% y/y in October, 1.3% y/y in November and 1.2% y/y in December, for an overall result of just 0.9% y/y for the quarter. This is the smallest quarterly rise in sales since the December quarter 2023 and well below the long-term average for this series of 5.5% y/y.

Small business sales, United States

% , year-over-year, monthly

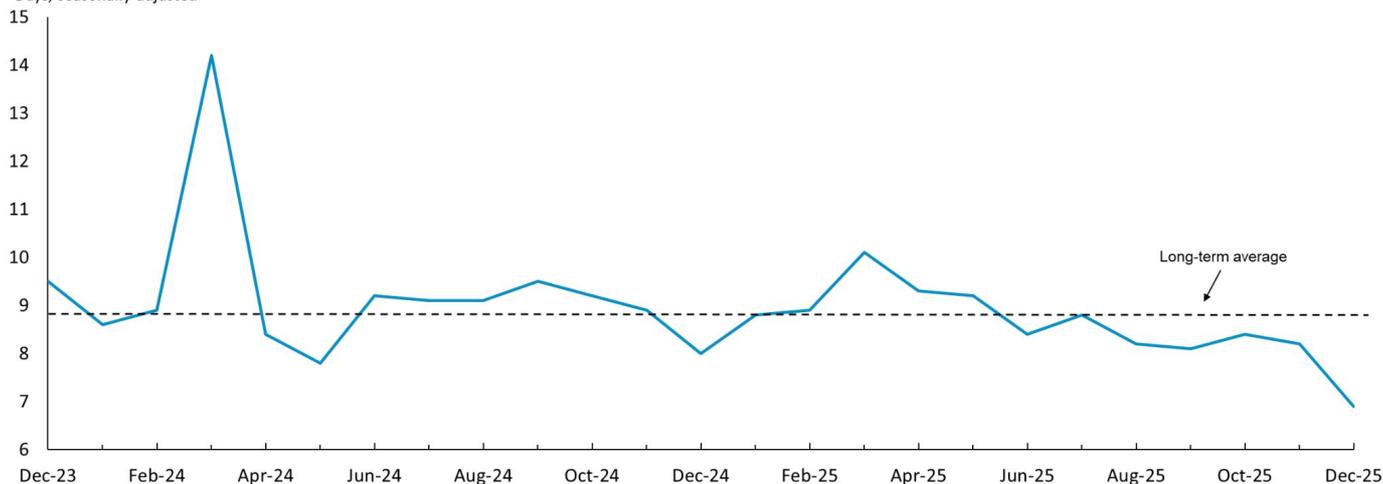


Source: Xero Small Business Insights

The late payment data showed continual improvement over the year, at 9.3 days in the March quarter, 9.0 days in the June quarter, 8.4 days in the September quarter and 7.8 days in the December quarter. This latest result is the shortest late payment period since the December quarter 2021 and a day below the long-term average of this series (8.8 days).

Average late payments, United States

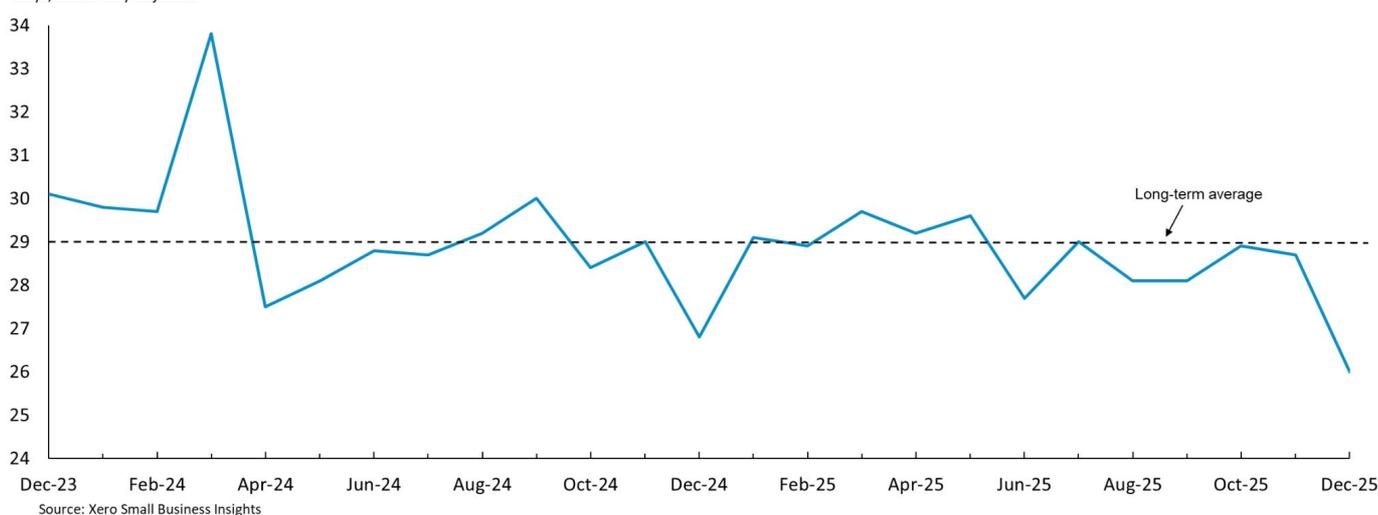
Days, seasonally adjusted



There was a similar improving trend, although not as large, in the average time small businesses waited to be paid after they issued their invoices. This was 29.2 days in the March quarter, 28.8 days in the June quarter, 28.4 days in the September quarter and 27.9 days in the December quarter. This latest result is the shortest time to be paid since the December quarter 2021 and a day below the long-term average of this series (28.9 days).

Time to be paid, United States

Days, seasonally adjusted



Overall, the XSBI data highlights the ongoing disconnect between Main Street and Wall Street. The S&P 500 rose around 17% in 2025 and nominal US GDP (i.e. the economy as a whole) averaged 5.1% in 2025. This is in contrast to the performance of XSBI's small business sales, which averaging just 2.4% y/y over 2025. This suggests that 'headline' US economic figures and the record-high stockmarket are not reflective of the tougher conditions US small business owners are dealing with.

Looking ahead, in its latest FOMC Statement the [Federal Reserve](#) noted "*the unemployment rate has shown some signs of stabilization. Inflation remains somewhat elevated*". This was a key driver in their decision to leave the Fed Funds target rate at 3.5%-3.75%. Based on the heightened economic uncertainty of the first few months of 2026 small business owners need to be prepared for more unexpected shifts in the political and economic policy environment during 2026.

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 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.