SMALL BUSINESS INSIGHTS

Xero Small Business Insights United States Update

April - June 2026

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Sales growth up slightly as payment wait times lengthen

Average results for three months to June 2026

Sales	Late Payments	Time to be paid
+4.0% y/y	8.5 days	29.3 days

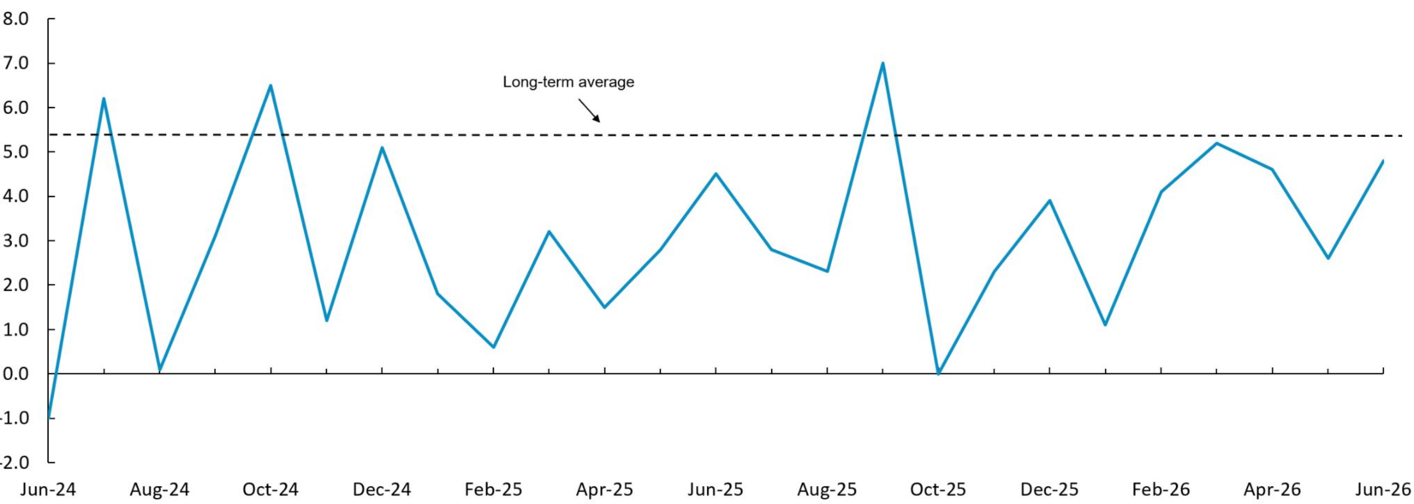
According to the latest Xero Small Business Insights (XSBI) data, US small business sales grew 4.0% year-over-year in the June quarter. This was the second consecutive quarter showing improving, albeit still modest, sales growth. New state-level XSBI data shows the best performing states were the grouping of Maryland, Virginia and the District of Columbia, New York and Delaware. Payment metrics were mixed as late payments fell 0.5 days, to 8.5 days, but the length of time small businesses waited to be paid increased 0.7 days to 29.3 days, likely indicating longer invoice payment terms. Overall, this result suggests ongoing higher-than-usual gasoline prices, due to the Middle East conflict, continue to constrain consumer spending, squeeze profit margins and put pressure on cash flows.

Small business sales rose 4.0% year-over-year (y/y) in the June quarter. This reflects a gradual improvement from 3.5% y/y in the March quarter and 2.1% y/y in the December quarter. Nevertheless sales growth could likely have been stronger if not for the conflict in the Middle East and remains below the 5.4% y/y long-term average.

The monthly data illustrates how rising gasoline prices have stretched household budgets and potentially crimped small business sales over the quarter. Gasoline prices began to climb in March, crossing the $4.00 per gallon mark nationwide for the first time since 2022. This didn't have an immediate impact on small business sales, which rose a near-historical average 5.2% y/y in March. However, gasoline prices continued to increase over the following weeks, peaking in May. This prolonged period of higher-than-normal prices, and the flow-on effects to the price of other goods, meant households started diverting spending away from small businesses in order to fill up their cars and pay for other essentials. Sales growth slowed to 4.6% y/y in April and then to just 2.6% y/y in May. Hope for a ceasefire in June, even a temporary one, saw retail gasoline prices dip slightly. This freed up some capacity for spending and small business sales picked up again, growing 4.8% y/y in June.

Small business sales, United States

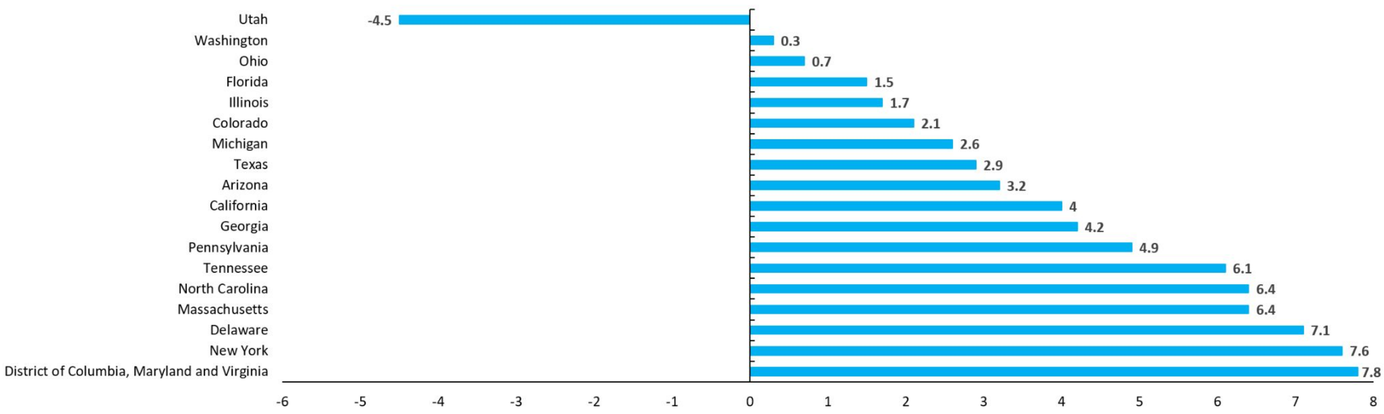
%, year-over-year, monthly



Source: Xero Small Business Insights

For the first time XSBI data includes new state-level data for 17 states and the combined region of Maryland, Virginia and the District of Columbia. This data, which is available back to January 2019, shows considerable differences in performance between the states. In the June quarter, sales growth was led by the grouping of Maryland, Virginia and the District of Columbia (+7.8% y/y), New York (+7.6% y/y) and Delaware (+7.1% y/y). In contrast, sales fell during the quarter in Utah (-4.5% y/y) and were only just higher than a year ago in Washington (+0.3% y/y) and Ohio (+0.7% y/y). The Utah result stands out because it is different from the rest of the country, different from Utah's usual performance and all three months of the quarter recorded lower sales than a year ago. We will be closely tracking this state in the coming months to see if this softness is temporary.

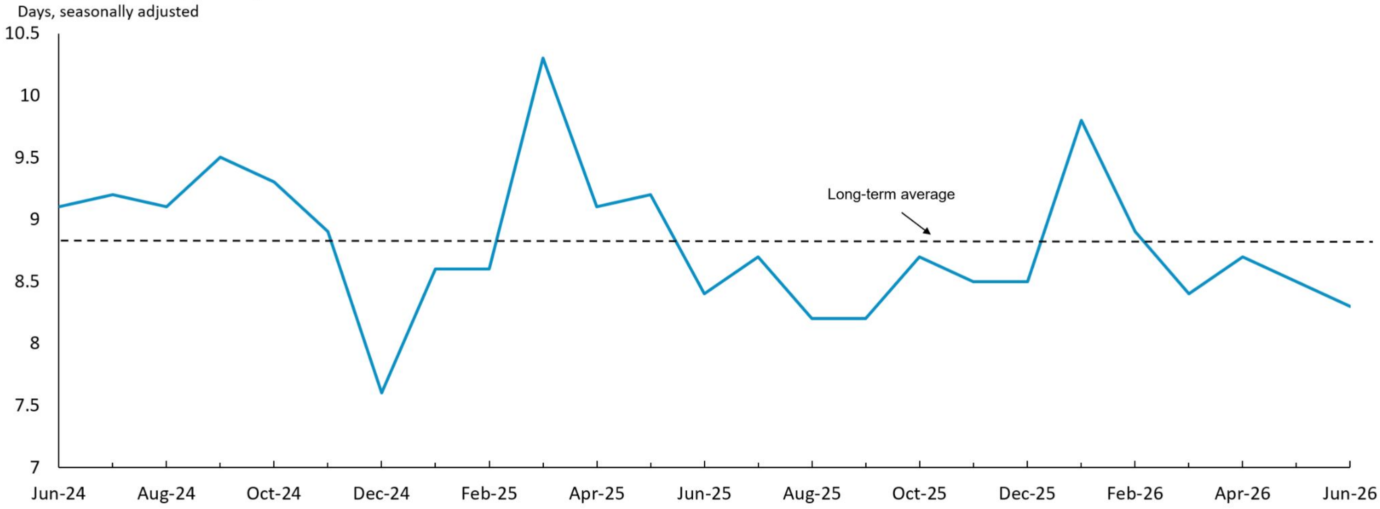
Small business sales, selected US states
%, year-over-year growth, June quarter 2026



Source: Xero Small Business Insights

Small business payment times were mixed in the June quarter. Late payment times improved 0.5 days to 8.5 days. There was gradual improvement during the quarter - 8.7 days in April, 8.5 days in May and 8.3 days in June.

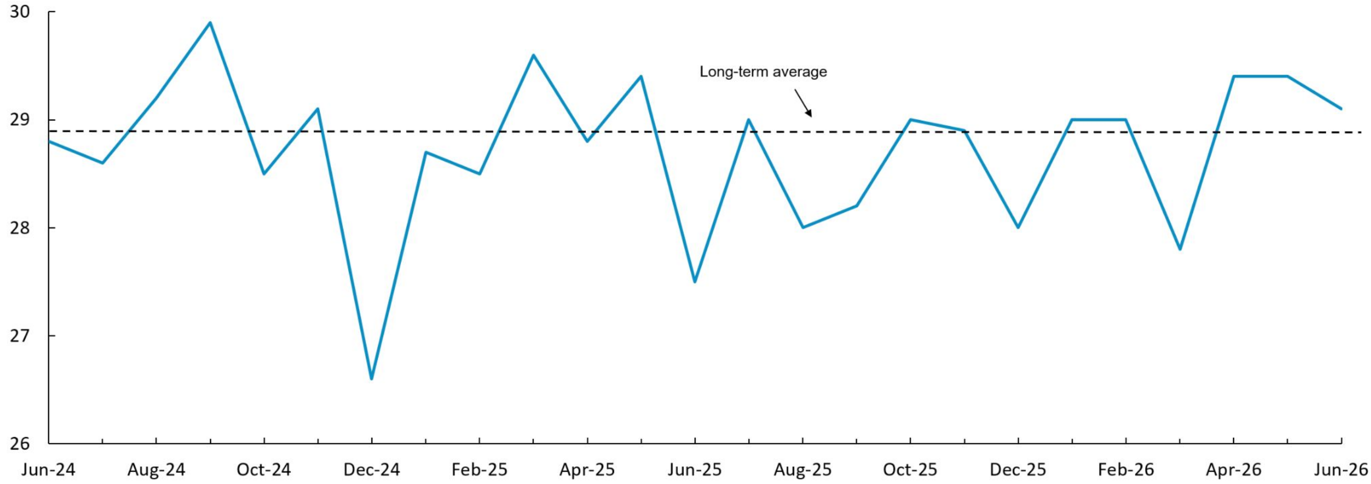
Average late payments, United States
Days, seasonally adjusted



Source: Xero Small Business Insights

However, the length of time small businesses had to wait to be paid moved in the other direction. This suggests small businesses, on average, extended the payment terms of their invoices. Small businesses had to wait, on average, 29.3 days for their invoices to be paid, up from 28.6 days in the March quarter. This measure was better than its historical average (28.9 days) for only one of the first six months of the year.

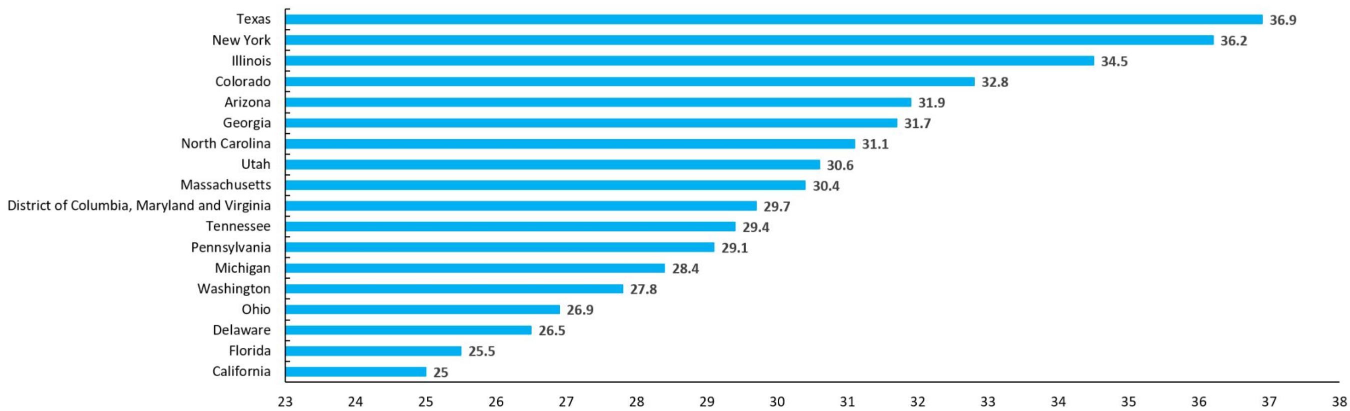
Time to be paid, United States
Days, seasonally adjusted



Source: Xero Small Business Insights

Payment time data is also now available for selected US states and the grouping of Maryland, Virginia and the District of Columbia. As with the sales results, there is a lot of variation between states, with the fastest paying jurisdiction (California) having small businesses that are paid, on average, 11.9 days quicker than their counterparts in Texas.

Time to be paid, selected US states
Days, seasonally adjusted, June quarter 2026



Source: Xero Small Business Insights

Overall, the XSBI data shows that while US small business sales grew in the early months of the year, the rise was smaller than the historical average. The monthly pattern, especially the soft result in May, suggests the rise in gasoline prices meant sales growth was smaller than it could have been without the conflict in the Middle East.

Looking ahead, US small businesses are likely to face ongoing macro challenges over the rest of 2026, as the flow-on effects of the Middle East conflict continue to dominate US, and global, economic trends. Various ceasefire agreements have been unable to hold for more than a few weeks, which has prevented global oil, natural gas and fertilizer markets returning to normal operations. The world is adjusting, including buying more oil from the US, but gasoline prices remain elevated compared to where they were at the start are the year. The importance of gasoline in many goods supply-chains means the risk of flow-on effects to other prices remains elevated and recent CPI reports suggest some pass-through is already underway in the US. The OECD expects the US economy to grow 2.0% in 2026, similar to the result for 2025. This forecast is underpinned by two opposing forces. While the Middle East conflict is hurting household spending, this is being more than offset in the US by accelerated AI-related business investment spending. However, this AI investment is mainly being done by large businesses. The negative impact of the Middle East conflict on household spending is likely to be the more dominant force when it comes to the outlook for small business sales. In addition, profit margins and cash flow will continue to be under-pressure as US small businesses are squeezed between rising input costs (including, and beyond, gasoline) 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 anonymized 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 anonymized and aggregated to ensure individual businesses cannot be identified.