After a difficult few years, will 2022 finally see a sustainable recovery in the global economy? It has been a tough start for small businesses, due to the Omicron variant, but there are some reasons to be positive once this COVID-wave subsides.

At Xero, we seek to champion small business by creating insights into the macro economic trends in the sector and reflecting the impact to policy makers. There is a lot of information focused on big business trends, but a scarcity of insights into the small business sector. Here are the four key trends currently impacting small business at the start of 2022.

**Shadow lock downs**

Many potential small business customers are not going out either because they are under isolation orders or are choosing to avoid settings where they may catch COVID. Google mobility data shows visits to non-essential retail and recreation venues remain below pre-pandemic levels in many countries including the United States, Australia and Canada. In contrast, visits to these venues are up slightly in New Zealand where Omicron is yet to take hold in the community.

**Low spending**

The lack of customers is flowing through to spending. Retail sales were softened in December by COVID in the US, UK and Australia. Official spending data for January is yet to be released, but quicker turnaround data points to a soft start to 2022. ANZ card purchases data shows spending during the first week of January 2022 fell to the levels last seen when more than half of Australia were under strict lockdown during the second half of 2021.

**Increased cases impacts workforces**

Rising COVID cases and staff caught up in isolation orders means small business owners are juggling shifts with a shrinking pool of available staff. This is impacting all sectors, even those that had previously got through lockdowns relatively unscathed. Case studies from Australia and the United States illustrate the breadth and depth of this issue.

**Interest rates likely heading higher**

The latest round of consumer price reports show inflation is rising in most countries. As inflation rises this increases the likelihood that central banks will start to lift official interest rates from historically low levels. This will increase borrowing costs for small businesses. Through 2021 most central banks said they believed the rise in inflation to be temporary and not requiring an interest rate response. During the latter months of 2021, however, some central banks decided to start raising rates - including RBNZ and Bank of England.
Some reasons to be more positive as this wave subsides

Health experts are suggesting the Omicron wave has peaked or is close to peaking in some countries. If so, then for those small businesses trading conditions should start to improve. Customer confidence in venturing out should return as cases fall. Spending will be helped by pent up demand and household savings that were boosted by the government stimulus programs of the past two years. Staff availability should also stabilise with falling cases.

We will continue to provide updates on how the small business economy is progressing and will also be publishing a number of special reports on the impact for small businesses specifically. More information can be found on our Xero Small Business Insights page.