One of the recent common characteristics across small businesses in the United Kingdom, Australia and New Zealand has been strong sales growth results. However, in both March and April sales growth slowed across all three countries. This is happening against the backdrop of rising wages - which at first seems counter-intuitive. But once inflation impacts are overlaid on this nominal data series we can see that real wages are falling which is reducing the purchasing power of consumers, and hence negatively impacting sales.

Sales rose 6.3% y/y in the United Kingdom, 5.8% y/y in Australia and only 2.9% y/y in New Zealand. All of these results were less than half the growth rates seen in March. The sales slowdown is likely an early sign of the impact of the rising cost of living impacting consumers capacity to spend.

Wages rose 4.5% y/y in the United Kingdom and 4.1% y/y in Australia - both record highs for this series which dates back to January 2017. Wages are growing even faster in New Zealand at 4.8% y/y. But while wages are going up, rising inflation means that the purchasing power of these wages is declining. When the latest main CPI results for each country (7.8%, 5.1% and 6.9% respectively) are applied, real wages actually fell 3.3% y/y in the UK, 1.0% y/y in Australia and 2.1% y/y in New Zealand. This is leaving consumers with less capacity to spend in local small businesses and flowing through to sales results.

### Small business sales, international comparison

<table>
<thead>
<tr>
<th>%, year-on-year, monthly</th>
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</thead>
<tbody>
<tr>
<td><strong>Australia</strong></td>
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<tr>
<td><strong>New Zealand</strong></td>
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<td><strong>United Kingdom</strong></td>
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</tbody>
</table>

### Small business wages, international comparison

<table>
<thead>
<tr>
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<td><strong>United Kingdom</strong></td>
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</tbody>
</table>
Small Business Index, international comparison
Index, average = 100, standard deviation = 15

Australia

New Zealand

United Kingdom

Source: Xero Small Business Insights, Accenture methodology

Small business jobs, international comparison
% year-on-year, monthly

Australia

New Zealand

United Kingdom

Source: Xero Small Business Insights, Accenture methodology

Small business time to be paid, international comparison
days, seasonally adjusted

Australia

New Zealand

United Kingdom

Source: Xero Small Business Insights, Accenture methodology
About Xero

Xero is a global small business platform with 3.3 million subscribers which includes a core accounting solution, payroll, workforce management, expenses and projects. Xero also provides access to financial services, and an ecosystem of more than 1,000 connected apps and more than 300 connections to banks and other financial institutions. Through Xero’s open platform, small businesses can connect to a range of solutions that help them run their business and manage their finances. For three consecutive years (2020-2022) Xero was included in the Bloomberg Gender-Equality Index. In 2021, Xero was included in the Dow Jones Sustainability Index (DJSI), powered by the S&P Global Corporate Sustainability Assessment. Xero has been named as a FIFA Women’s Football partner under FIFA’s new commercial structure.

About Accenture

Accenture worked in collaboration with Xero on the design and methodology of the Index prior to February 2022. Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Interactive, Technology and Operations services—all powered by the world’s largest network of Advanced Technology and Intelligent Operations centers. Our 569,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities. Visit us at www.accenture.com.

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 are responsible custodians of our customers sensitive data and do 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.

Methodology

Full details of the methodology used to construct the Xero Small Business Index 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 were anonymised and aggregated to ensure individual businesses can not be identified.