Xero Small Business Index
Backgrounder
The Xero Small Business Index provides unique, regular, and timely data showing how small businesses are performing and the important role they play in our community.

Using a single index approach to encapsulate overall performance makes it easier to understand what is happening to the overall state of small businesses.

The source data for the Small Business Index is the aggregated and anonymised data of over 300,000 small businesses on the Xero platform. We are currently reporting on three of our key regions, Australia, New Zealand and the United Kingdom. The small businesses included in the Small Business Index are overwhelmingly (more than 95%) businesses that employ less than 20 employees.

The Xero Small Business Index provides a measure of the overall performance of small business

The Xero Small Business Index is a headline figure showing improvements or declines in the performance of the small business economy and relative to the average month. The overall Index comprises four key measures of small business:

- **Sales** - captures a core measure of small business health and a measure of the overall economic activity in the small business economy.
- **Time to be paid** - captures how long businesses are waiting to be paid, providing insight on the financial health of their customers and small business cashflow.
- **Jobs** - captures if small businesses are growing and how small business is impacting on the broader economy and community.
- **Wages** - captures how benefits from small business performance are translating to employees-benefits flowing to the broader small business economy.

The components of the Small Business Index are not all measured using the same unit. Sales are measured as the growth in the value of sales compared to the same month a year earlier, invoice payment times are measured in days, jobs are measured as growth in the number of jobs within each small business compared to a year earlier, and wages are measured as the growth in earnings per hour at the employee-level. This means that they cannot just be added together to give a single number each month. But by using an index approach we can combine multiple indicators that are measured in various units, into one single, measurable, consistent and easy to understand number.

The publishing of the sub-indices allows stakeholders to understand what is driving any change in the overall Small Business Index.

The Xero Small Business Index offers unique insights and improves understanding about current small business trends

There is a shortage of data about small businesses, especially beyond demographic measures of size, industry and location. Most measures of small business are:

- Survey-based only
- Irregular quarterly at best but usually annual
- Measure business demographics and/or sentiment, not activity
- Are disaggregated individual measures not a single measure

In contrast, the Small Business Index is:

- Based on actual activity (aggregated and anonymised) not a survey, from hundreds of thousands of small businesses – orders of magnitude larger than most surveys
- Released each month
- Measures activity levels not sentiment or demography
- Allows for aggregation of data into a single index number for ease of understanding
- Allows for cross-country comparisons

The Xero Small Business Index offers regular and timely insights

The Xero Small Business Index and its four sub-indices will be released each month, within four weeks of the end of the relevant month. This regularity gives commentators and analysts the certainty that they will be able to get a snapshot of small business at the same time each month. The quick turnaround of the data means commentators and analysts will have access to almost real-time data about small business trends. This is particularly important at a time when there is a high level of uncertainty around how small business is tracking through the economic recovery.