MEDIA RELEASE

Sales and revenue improve in potential green shoots for Australian small business, Xero data shows

Xero Small Business Insights sees hope for sales, revenue and payment times amid COVID-19

Melbourne, Australia — July 3, 2020 — Xero, the global small business platform, today released an analysis of May data showing that certain measurements of small business health have improved amid COVID-19 in Australia. Revenue and sales increased from their April lows, based on anonymised and aggregated customer data analysed by Xero Small Business Insights (SBI) and AlphaBeta Australia (part of Accenture).

For all small businesses, revenue in May fell an average 8% from a year earlier, increasing from the 12% decline recorded in April. Weekly sales likewise showed improvement in May, recovering 6% from their April low though remaining in negative territory.

“We welcome these early, positive signs for small business,” said Trent Innes, Managing Director, Australia and Asia, Xero. “While it’s too early to declare a recovery is underway, some of the data we’re seeing is encouraging. Small businesses are a key employer – they generate almost half of all jobs in Australia. The sooner they can return to near-normal trading conditions, the better it will be for the broader economy.”

When broken out by industry, some sectors saw a notable improvement. Hospitality revenue, which dropped an annual 59% in April, improved to be 36% lower than a year earlier. Arts and recreation saw
turnover fall 41% in May, improving from a 55% decline in April. Retail trade, which was down 9% in April, saw revenue slide 4% in May.

Payment times

While the Xero SBI data offered positive news on revenue, it also showed payment times to small businesses have worsened. Between February and May, the average wait for an invoice to be paid rose by about a day, to 26.5 days. This seemingly small increase – one day – generates a form of trade credit to customers that becomes substantial when multiplied across Australia’s millions of small businesses.

AlphaBeta analysed the volume of outstanding invoices to estimate that the one-day increase in payment times equates to an extra $600 million in trade credit extended by small businesses. This trade credit can quickly create cash flow and financing pressure for small businesses that are already contending with a recession.

“While we are seeing some green shoots, it’s imperative that we pay small businesses quickly,” said Trent Innes. “From cafes to gyms to hair salons, business owners are struggling to pay their own bills and their employees, all while coping with reduced foot traffic. Today’s payments data should be a wake-up call to customers both big and small to do the right thing.

“Worsening payment times tend to have a ripple effect through the economy, that much is clear. New technologies, such as e-invoicing, will soon play a role in helping small businesses get paid faster. But in the meantime, it’s up to every customer to keep in mind the difficult time small businesses are facing and support them in any way we can.”

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About Xero
Xero provides a beautiful and easy-to-use cloud-based accounting software service for small businesses and their advisors around the world. Xero connects more than two million subscribers with an ecosystem of over 800 third-party apps and 200 plus connections to banks and financial service providers. The IDC MarketScape recognised Xero as a Leader in the Worldwide SaaS and Cloud-Enabled Small Business Finance and Accounting Applications 2020 Vendor Assessment. On the 2020 Financial Times High-Growth Companies Asia Pacific list, Xero was the largest company by revenue to come from New Zealand or Australia. Xero has also been included in the 2020 Bloomberg Gender-Equality Index and the FTSE4Good Australia 30 Index.

About Xero Small Business Insights
The Xero Small Business Insights program provides analysis on the sector’s health, with its metrics based on anonymised, aggregated data drawn from hundreds of thousands of our subscribers. The result is a picture of business conditions that’s more accurate than most private surveys, which have a far smaller sample size, and more frequently updated than much of the ABS data on small business. Xero is currently producing a series of specialised monthly metrics, providing a week by week view of the impact of the COVID-19 event.

About AlphaBeta Australia (part of Accenture)
AlphaBeta Australia (part of Accenture) is a research firm with offices in Sydney, Canberra and Melbourne. It specialises in combining advanced analytical techniques and innovative data to generate new insights and fresh perspectives on the challenges facing business and government.