

Monthly commentary Demian McLean

How did small business fare at Christmas? Early signs are good



The Christmas wrapping has been cleared away, and the trees are packed away for next year. But how did small businesses fare during the holiday season? The early data from Xero Small Business Insights suggests it may have been a bumper year in Australia.

Cash flow for the month through November 30 was healthy and improved from October. Nearly 54 percent of small businesses on Xero had more money coming in the door than leaving. To put that in perspective, the month of November is usually cash flow negative. **This was the first November in at least three years that a majority of businesses enjoyed positive cash flow.**

That's an encouraging sign ahead of Christmas. While some small businesses may still be tallying their December sales, we know that historically, the last month of the year brings the strongest cash flow. The momentum from November may supercharge the December trend in 2017.



“I had a fantastic Christmas season and was really happy with how both November and December ended up,” says Pippa Oostergetel, founder of fashion and homeware business [Squeak](#). “I was also really pleased with October. I saw a big growth in sales that month, and I wasn’t expecting it. Either people are getting more organised and starting to think about Christmas earlier, or I just managed to do something else right.

“All in all, I had big growth compared to 2016’s Christmas season. I hope I wasn’t the only retailer to experience it either.”

Numbers from the Australian Bureau of Statistics suggest Oostergetel wasn’t alone. November retail sales, released just last week, jumped a seasonally adjusted 1.1 percent month on month. That’s the [biggest gain](#) in almost five years. Household goods were a standout (up 4.5 percent), as was clothing, footwear and personal accessories (up 1.6 percent).

At Melbourne-based shoe retailer [Radical Yes!](#), total business for the last quarter of the year rose more than 10 percent. That was despite a slowdown in brick-and-mortar channels and foot traffic, says founder Kerryn Moscicki.

“The real growth for our business came through our online channel, which is a trend that was consistent for most of 2017 and something we’re using to guide our 2018 strategy,” Moscicki said.

Another factor giving small businesses a lift in November was a reduction in late payments. The average 30-day invoice was paid in 34.7 days in November, Xero data shows. That’s still almost five days late, but it’s the second-best figure for 2017. And it breaks a pattern seen in recent years, in which late payments typically worsen in November compared with the prior month. We’ll be watching closely to see if the improvement continues in December’s data

Which state enjoyed the quickest payments? It was Tasmania, where small businesses were paid a bit early, at 29.8 days on average. That’s better than New South Wales and Victoria, where businesses in November received payment at almost 36 days.

Looking back at 2017, there’s a clear trend of improving payment times across Australia. In November a year ago, the national figure was close to 36 days. Officials in Canberra have vowed to make payment times to small businesses a priority in 2018. Kate Carnell, the Australian Small Business and Family Enterprise Ombudsman, has [singled out](#) state government departments for extra scrutiny this year.

Employment growth was healthy among casual workers as small businesses, especially retailers, hired extra staff. Casual headcount grew



by 2.2 percent month on month in November, in line with the average of 2 percent for the past three Decembers. If the pattern of past years holds, many of these positions will disappear by the end of January.

Permanent and part-time positions shrank just slightly in November, moving by less than half a percent. Overall, small business employment rose by 1.1 percent from the previous month. That's a bit stronger than the ABS original figures for mid-October to mid-November, which showed growth of less than 1 percent.

Tasmania led the way in small business hiring. The tourism-dependent island, which attracts most of its visitors in summer, added workers at a rate of 2 percent in November. New South Wales saw the slowest growth, with less than 1 percent.

And small businesses traded overseas at a slower pace than in October. The combined value of exports and imports – as measured by foreign-exchange transactions – fell 6.1 percent in November, with both imports and exports falling by single-digit percentages. We'll watch to see whether those rebound with the December holiday sales. The next Small Business Insights will be published in early February, so stay tuned!