



Monthly commentary

The summer slowdown arrives. Here's what you need to know.

If you're an Australian small business owner, you may know that the first two months can be among the leanest of the year. Whether you remain open during the summer holidays or shut your doors, you can be sure a large percentage of your customers will be on vacation — and many will neglect to pay their bills.

In our Xero Small Business Insights data, we've consistently seen late payments hit their worst early in the year. In January 2018, the average invoice with 30-day terms took almost 39 days to be paid. This year that figure will hopefully be better. We've seen an improvement every year in payment times for customers since 2015, when January invoices languished for an average 42 days before being paid.

Mandi Gunsberger, a high-profile digital media advisor who co-founded the digital publishing company Babyology, advises using the quieter summer months to chase down overdue bills.

"We get on the phone to drive payments, and actually call people who owe us," she said. "Just getting on the phone and saying, 'Hey, I know you said that money was coming last week, but nothing's come in yet,' can be the human push someone needs."

A slowdown in business and payments of course affects cash flow. The most recent Xero data available (November 2018) shows that nearly 55 percent of small businesses were cash flow positive. And when December's data arrives, it will likely show an even higher figure, based on yearly trends. That's reason for cheer. January and February, however, will likely mark the low points. Last January, the percentage of businesses with more money coming in the door than leaving fell to 49 percent.

Employment slows

It's not only cash flow that takes a hit at this time of year. Past years have seen a consistent drop in casual employment as workers hired in November and December are let go or return to school in January. While the most recent Xero employment figures for November show little change

Cash flow

54.60 %

of Australian small businesses were **cash flow positive** in November 2018

▲ 1.38 p.p.

▲ 0.71 p.p.

Month on month

Year on year

Getting paid

34.08

days on average for Australian small-business invoices with 30-day terms to be paid in November 2018

▲ -3.01 %

▲ -1.64 %

Month on month

Year on year

Hiring people

0.01 %

change in the number of Australian small business employees from October to November 2018

▲ 0.06 p.p.

Year on year



in headcount, we should expect to see casual employment fall 5 percent or more month on month in January's numbers.

Some of that will depend on how the broader economy fared in late 2018. The latest figures bode well. Australian retail sales for all businesses rose a seasonally adjusted 0.4% month on month in November, according to numbers released Friday. That was a bit better than expected. And a survey from NAB showed a 0.9 per cent increase in online sales November, up from 0.7 percent in October.

What remains to be seen is whether November's numbers will maintain their momentum into the final month of 2018. The Australian Retailers Association has raised the possibility that December's retail sales could disappoint given customers might have already done their Christmas shopping the month prior.

And some pundits have taken to reading the tea leaves (and other omens) for a hint of what's in store for 2019:

"Reports of weaker than expected avocado sales — less demand for smashed avocado and feta on rye toast — may be telling us something" about weak demand in the coming year, said AMP economist Shane Oliver.

If you own a small business and want to be better prepared for the challenges that come with running a business during the holidays, be sure to check out these practical tips to avoid the summer slump. And follow our monthly updates of Xero Small Business Insights metrics, which we've just refreshed for Getting Paid, Hiring People, Cash Flow and Trading Overseas.