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Aug. 24, 2022



A new report from Xero, [*Small business snapshot: United States and Canada*](#), provides insights on business performance and the impact inflation is having on US small businesses.

The report found that, while small business growth seemed to be nearly double the pre-pandemic average, this was largely due to higher prices rather than an increase in the amount of goods and services sold. In short, it was likely due to inflation and small businesses increasing their prices to solve for market conditions.

The report is part of the new Xero Small Business Insights (XSBI) program which includes quarterly updates on the small business economy for the United States and Canada, based on aggregated and anonymized data from tens of thousands of Xero customers. It also launched a special XSBI report:

Inflation is skewing the numbers

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- Inflation rose 8.5% (y/y) in March 2022 which means real sales growth, which excludes price effects, was a much slower 2.8% (y/y) (and down from a 4.7% (y/y) rise in February 2022).
 - That is, removing price impacts shows that around three-quarters of the sales growth in March 2022 was due to higher prices rather than an increase in the amount of goods and services sold.

“In March 2022, the US was experiencing higher inflation than any other major economy^[1],” said Chris O’Neill, Chief Growth Officer, Xero. “As borrowing costs rise, expenses increase, and customer dollars decline in purchasing power, it is more important than ever that small businesses get in control of their finances. Understanding exactly what is happening to their costs and profit margins at all times will help them better navigate this tricky period.”

Payment times a more positive sign of stability

Fortunately, the report’s insights did contain some better news for small businesses in terms of payment times and late payment delays for small businesses in the U.S. Delays in payments generally have an adverse effect on cash flow and liquidity, often causing smaller businesses to seek extensions and increase their borrowing; as such, payment times generally reflect how business cash flow is functioning:

- Small businesses waited an average of 23.5 days for invoices to be paid in March 2022, which was quicker than the 2021 average of 25.0 days.
- Payments were an average of 5.6 days late in March 2022 after averaging 7.0 days in 2021.

“It’s encouraging to see timely payments to US small businesses; naturally, this helps support cash flow, which is the lifeblood of any business. This could be, at least in part, due to increased use of electronic invoicing processes and online payments as

more small businesses embrace digital solutions,” said O’Neill. “However, small

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health of small businesses. The metrics in this report have proven the resilience of small businesses in times of challenge – lockdowns, social distancing mandates and now unprecedented growth in inflation.”

The launch of Xero Small Business Insights for U.S. and Canada was announced at [Xerocon New Orleans](#), one of the world’s premier events for cloud accounting leaders. Accounting and bookkeeping partners and the Xero app partner community are gathered over two days to hear the latest from industry leaders and gain expert insight into the newest Xero tools and features to help save time, grow their business and have a greater impact on their clients’ success. Xero also produces regular Xero Small Business Insights for Australia, the United Kingdom and New Zealand. Visit xero.com/xerosbi for more information.

[1] Major economy refers to G7 economies, CPI data for March can be found at <https://data.oecd.org/>

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