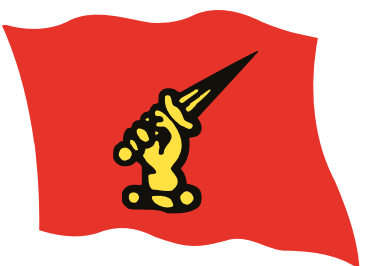


# SME Confidence Tracker

Spring 2025



**BIBBY**  
FINANCIAL SERVICES





# SMEs: Resilient, ambitious, and ready for growth in a changing landscape



**Mark O'Rourke**

Ireland Managing Director  
Bibby Financial Services

 Mark O'Rourke

"Irish business leaders express positive optimism for growth, despite the economic backdrop and challenging high-cost environment."

**The Irish SME landscape continues to demonstrate resilience within an uncertain economic and geopolitical climate, maintaining a strong appetite for growth. Businesses continue to address the challenges caused by inflationary pressures, energy costs, supply chain logistics, evolving regulatory frameworks, including the new 'living wage', the impending pension auto enrollment and extended sick leave policies, combined with industry-specific challenges.**

While potential trade tariffs and geopolitical uncertainties introduce complexities, these factors may also stimulate strategic adaptation and innovative solutions. Within this environment, Irish SMEs are exhibiting adaptive capacity, capitalising on emerging market opportunities, and strategically positioning themselves for future expansion.

Ultimately, what does all of this mean for a business? It means that the efficient management of working capital is more important than ever not just for business survival, but for business growth. With money now buying less than it did just six months ago, cashflow is being forced to work even harder to keep day-to-day operations running smoothly, with demands for working capital creeping up incrementally and eating into profit margins.

But despite all of these concerns, Irish SMEs remain bullish, with business sentiment relatively high (88%). This is a heartening result to see, with seven in ten saying they expect sales to rise over the next six months and a large majority (92%) intending to invest in their business. This demonstrates the Irish SMEs hunger for growth, and their ability to overcome the current state of flux.

Approximately €193,000 is the average figure quoted by Irish businesses for intended investment in the coming months, and it's great to see that there is a shift towards utilising this investment to implement digital technology and AI. SMEs are adopting the growth attitude in all aspects and adapting to this fast-paced environment and streamlining their operations.

It is interesting that over one third are feeling more confident making major investments now the General Election is over, however opinions remain divided on whether the new government will provide better support for our SMEs. Simplifying taxes and introducing incentives, lowering/stabilising business energy costs and providing low-interest loans or grants for expansion are among the top asks from SMEs to this government.

What does this mean? It means that the government needs to step up their support for both large and small businesses as soon as possible.

And with Donal Trump imposing tariffs on some imports, the Government will particularly need to put a laser focus on Irish SMEs that export to the US market.

However, despite a high-cost environment and a turbulent geo-political landscape, positivity is very evident in the Irish business landscape, meaning businesses can not just survive, but actually grow if they implement the right financial management strategies.

By taking control of their costs, keeping cashflow moving, focusing on retaining existing customers and fully utilising available tax relief and funding options, actions taken now will set them up for 2025 and position them to take advantage of any growth opportunities that present themselves over the course of the year.



# Research highlights



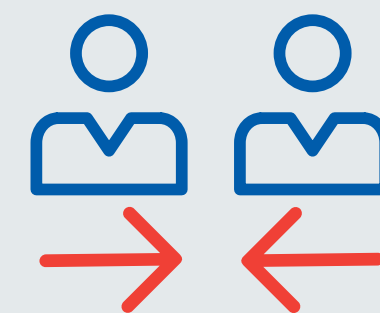
**92%**

of SME decision makers  
plan to invest this year



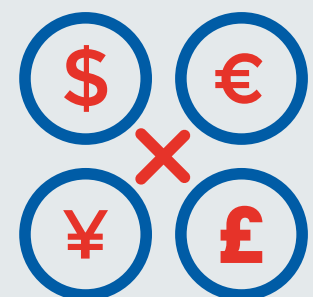
**71%**

expect their sales to increase  
in the next six months



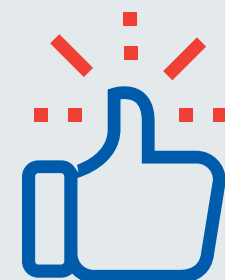
**67%**

of SMEs are exploring merger or  
acquisition opportunities for 2025



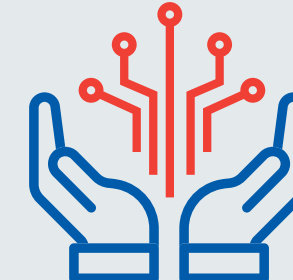
**43%**

are more likely to use external finance  
now than six months ago, particularly  
those involved in international trade



**36%**

feel more confident making  
major investment decisions now  
post the General Election



**30%**

of SMEs have implemented AI  
technology in their operations, with  
another 27% planning to follow





# SMEs remain resilient despite an uncertain future

**Irish SMEs are continuing to show signs of growth and positivity, but ambitions are being squeezed by external factors, including ongoing cost pressures and the impacts of legislation.**

Our latest research of 250 SME owners and decision-makers reveals a mixed outlook, characterised by both optimism and caution. This cautious sentiment, driven by awareness of rising costs and geopolitical uncertainties, suggests that 2025 may see SMEs focus more on operational efficiency and sustainable growth.

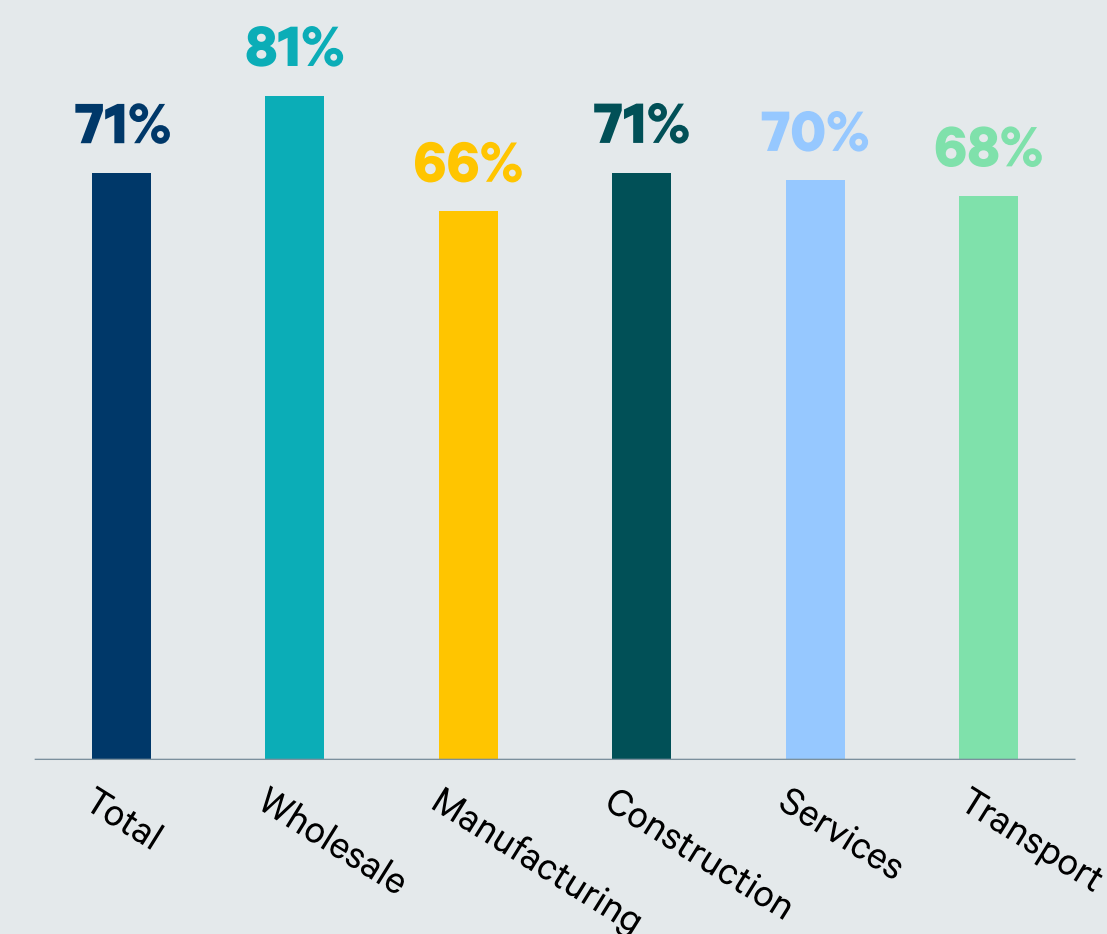
## **SME's focus on growth as they navigate various challenges**

Business confidence among SMEs in Ireland remains strong with 88% feeling optimistic about their prospects for 2025 despite rising business costs and geopolitical volatility. Confidence is highest in the wholesale sector. The intent and confidence to make major investments has grown post the General Election, with 92% planning to invest in the coming months.

It's encouraging that a significant majority of SMEs are bullish on their future with seven out of ten businesses say they expect sales to rise over the next six months, with only 5% anticipating a decline. Wholesale anticipates the strongest sales growth

at 81%, 10 points higher than other sectors. This demonstrates the Irish SMEs growth appetite and their ability to overcome the current state of flux.

**Business expectations of sales growth by sector in next six months**



The ambitions, opportunities, and challenges faced by SMEs vary considerably depending on their size, suggesting that a nuanced approach is needed to address their diverse needs and ensure continued growth.

Investment intentions are robust, signalling readiness to seize future opportunities, however, this optimism is balanced by a cautious approach.

Businesses face pressing challenges. Notably, over a third (38%) have experienced bad debt in the past year, with international traders particularly affected - 43% of importers and 47% of exporters reported issues.

Another key challenge for SMEs is access to finance, up from 14% in the Q3 2024 survey to 19% today indicating it as a recurring challenge.

41% feel the amount of funding offered by banks is insufficient for their needs, with expansion, investment or funding day-to-day operations being the primary reasons for seeking external finance.

In addition to this, one in four (25%) SMEs have been rejected for external finance in the last year, despite 43% saying there is a greater need for finance compared to six months ago, particularly in the wholesale (56%) and manufacturing (53%) sectors.

Alternative lending is becoming increasingly important in response to these tightening conditions. The Banking & Payments Federation Ireland (BPFI) reports that non-bank lenders now account for about one-third of new SME lending, worth approximately €4.5 billion<sup>1</sup>.

This trend is reflected in our current survey, which shows non-bank lenders (55%) are now a more preferred source of external finance than high-street banks (45%) reflecting a shift away from traditional banks.



<sup>1</sup> <https://bpfi.ie/publications/bpfi-non-bank-lending-overview-2024>



# Business challenges

## Cashflow constraints remain for businesses

Cashflow is a particular challenge for businesses of all sizes, often hindering their ability to run day-to-day operations, as well as their ability to grow. Businesses with the smallest headcount (of up to nine employees) are the most concerned about cashflow (45%), followed by mid-sized SMEs with between 10 and 50 employees (34%), and then larger SMEs with 51 or more employees (32%).

While 60% say their cashflow is stable, 36% feel they lack the necessary cashflow for growth and day-to-day operating costs. Even for larger SMEs, cashflow management remains vital, despite 69% reporting stability.

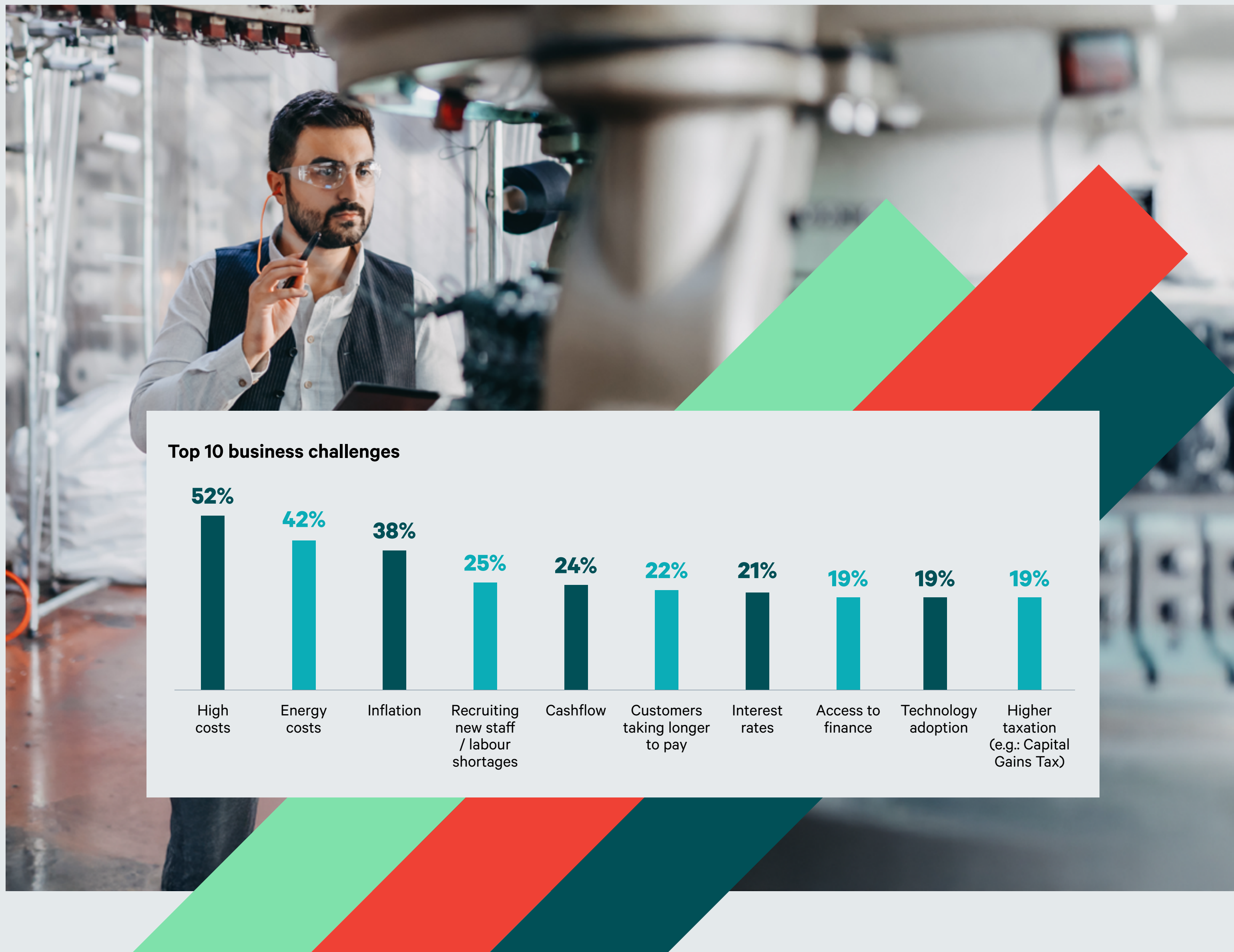
Reviewing cashflow projections and making sure they are as up to date as possible will ensure SMEs can deal with any unforeseen expenses, or an unexpected period of reduced revenue without compromising day-to-day operations.

While this financial review will allow SMEs see where potential savings can be made, it will also help support growth related and investment decisions for the business, such as purchasing new equipment, expansion plans or exploring new markets.

## The high cost of doing business is still a key concern

Crucially, SMEs across the board continue to be impacted by high costs and inflation. Over 64%, say these concerns are still a big challenge for their business today, given they are up from 43% in Q3 2024 survey.

42% specifically call out energy costs as an issue, while 25% reference recruiting new staff/labour shortages. Today's high-cost environment is also being further exacerbated by impending Government policies such as the pension auto enrollment system, the new 'living wage' and extended sick leave policies.





# Business opportunities

## Nurturing relationships to boost success

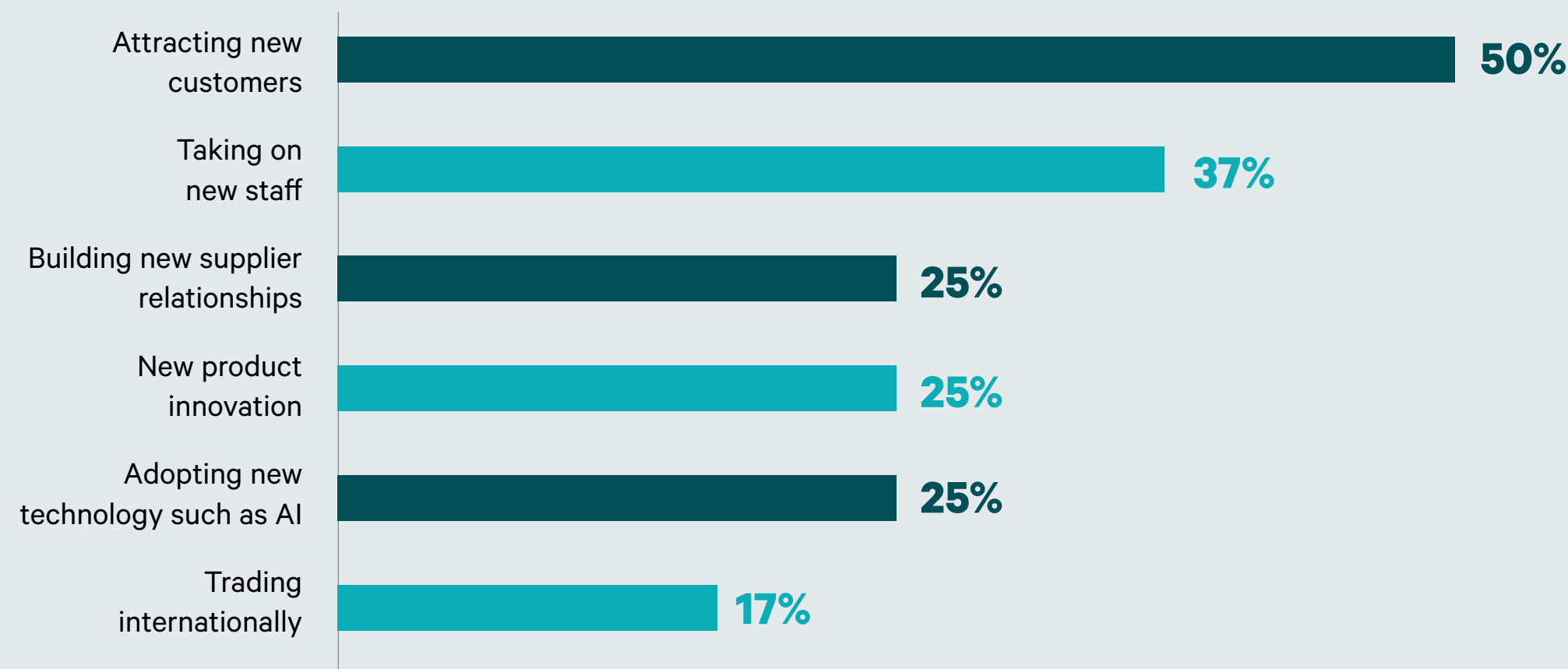
Looking at opportunities in the coming year, SMEs see the expansion of their business networks as critical to their success. Overall, 50% say attracting new customers is a key opportunity for their business over the next six months, interestingly 61% in the services sector see customer acquisition as their biggest opportunity.

Beyond customer growth, SMEs are also prioritising supplier relationships to strengthen their operations with one in four (25%) citing building new supplier relationships as a focus, reflecting the need for greater supply chain resilience, cost efficiencies, and access to higher quality or more innovative products and services.

Mid-size businesses with an employee size of 10-50 seem to have the greatest appetite for growth, however businesses engaged in international trade see fewer growth opportunities over the next six months compared to the previous survey.

Hiring new staff emerges as another significant growth driver for business owners, with 37% identifying it as a top opportunity. This investment reflects a proactive approach to expansion and increased capacity. By bringing in new talent, businesses can enhance their capabilities, drive innovation, and ultimately achieve their growth objectives.

## Key opportunities cited by SMEs over the next six months

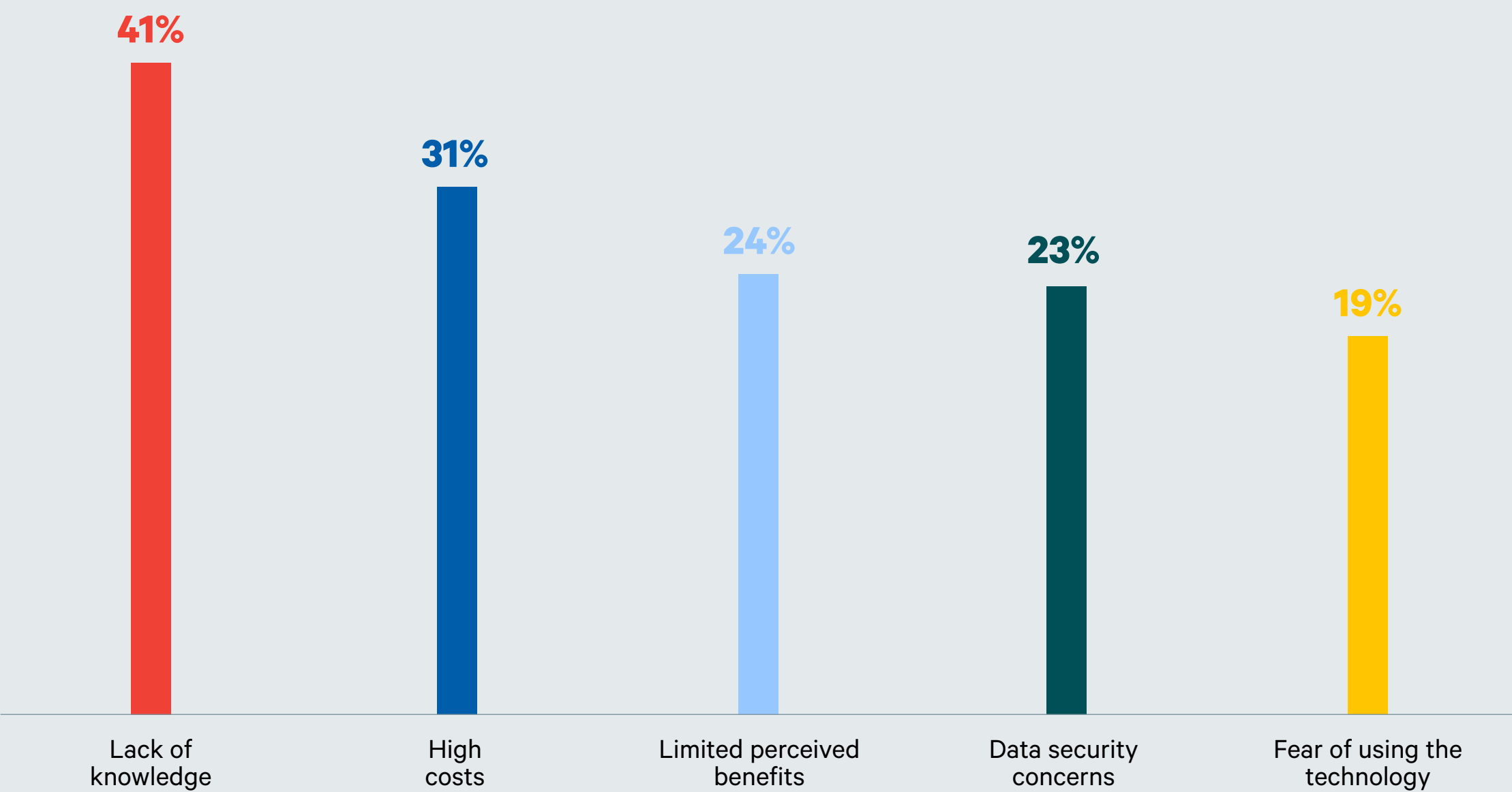


## AI may be the future, but are SMEs ready for it?

Since 2024, the Irish government has prioritised a step change in digital adoption across all enterprises via their National Digital Strategy. Their specific 'Grow Digital' initiative aims for 90% of SMEs to have basic digital intensity and at least 75% adoption of AI, Cloud, and Data Analytics by 2030<sup>2</sup>.

Our data shows that AI adoption within SMEs is on the rise, with 30% already implementing and another 27% planning to do so. Wholesale leads the way in adoption at 44%. The primary uses of AI are enhancing customer service (57%), marketing & sales (38%), automating operations (36%), and data analysis (32%). However, significant barriers to wider adoption persist, including lack of knowledge (41%) and high costs (31%), data security concerns (23%) and fear of using technology (19%).

## Barriers to AI adoption



2. <https://www.gov.ie/en/press-release/3a12b-new-portal-will-help-businesses-to-further-embrace-digitalisation>



# Unlocking growth through funding and capital expenditure

**Data shows that many SMEs aim to boost their growth this year through capital investment. More than one in four (28%) SMEs expect to invest in machinery or equipment in 2025, up marginally from 25% in 2024. Replacing deteriorating equipment or technology remains the primary driver to invest for 15% of SMEs.**

Mid-sized and larger businesses are the most likely to invest in machinery this year. Amongst SMEs with a turnover of €500k to €1m, 26% plan to replace equipment in the next 12 months, while 22% of businesses with a turnover of up to €500k plan to do the same.

For businesses of all sizes, the cost of replacing equipment is often a significant challenge, as they face greater pressure to maintain or replace critical assets due to tighter cashflow.

Financing such purchases remains a concern for SMEs, with data showing that attitudes toward external finance are divided.


Over half (53%) of SMEs do not use external finance and have no plans to. Concerningly, this figure rises to 56% for smaller businesses turning over up to €250k.


Mid-sized SMEs are more likely to view external finance as a tool for growth, often using it to manage cashflow during investments. Specifically, 42% of SMEs with annual turnovers between €1m and €5m and 56% of SMEs with €5m plus use external finance this way, compared to just 19% of SMEs with turnover of up to €250k. This reflects a confidence gap, with mid-sized businesses more willing to take calculated financial risks to drive growth.

Accessing external finance remains a critical hurdle for SMEs, impacting their growth potential and the broader economy. Nearly half (48%) of SMEs report a worsening climate for securing external finance over the past six months, with challenges particularly acute in the wholesale (56%), manufacturing (50%), and services (50%) sectors.

This growing difficulty is further compounded by a perception of reduced bank willingness to lend, with 51% of SMEs believing banks are becoming less receptive to applications, especially within the manufacturing, transport, and services sectors.

Addressing this financing gap through enhanced awareness of diverse financing options and fostering stronger relationships between SMEs and lenders is crucial for unlocking their growth potential and supporting wider economic growth.

 **92%**  
of SMEs have investment plans for the coming months

 **28%**  
expect to invest in machinery or equipment in 2025

**Expected investment areas in the next 12 months**





# Ireland’s SMEs continue to show growing interest in M&A transactions

## Ireland’s M&A landscape continues to gain momentum, driven by strategic growth ambitions amid evolving market dynamics.

Post pandemic and global economic shifts are shaping SME growth strategies. Eurozone rate cuts may boost investment, while US policy uncertainty adds volatility and reinforces the need for strategic planning. Against this backdrop, mergers and acquisitions (M&A) have become a key focus for business owners - with 67% now exploring M&A opportunities, up from 64% in Q3 2024 survey. SMEs are turning to M&A as a strategic tool to secure capital, streamline operations, and enhance their competitiveness.

Our data indicates a growing prominence of Management Buyouts highlights a shift towards internal ownership transitions, as fewer SMEs are pursuing Management Buy-Ins. Additionally, acquisition activity is rising, suggesting a strategic shift towards external growth over internal restructuring.

Among SMEs using external financing, 75% are considering mergers, acquisitions, or buyouts. Within this group, Management Buyouts account for 29%, while mergers and acquisitions each represent 24%.

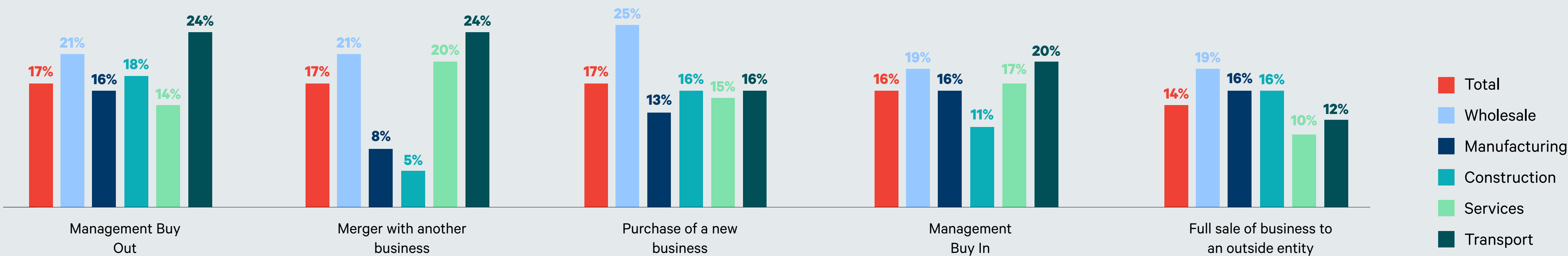
A key factor in these transactions is the choice of funding mix, with businesses weighing the affordability of debt against the risk-reducing benefits of equity, which dilutes ownership. Legal and tax guidance is crucial in determining the optimal structure for each deal.

As a result, companies are increasingly utilising a combination of funding sources, including cash reserves, debt, equity, hybrid methods, and growing options like invoice financing, which allows businesses to access funds from unpaid invoices, fueling growth without additional borrowing.

Pre-funding provides a significant advantage by enabling companies to act swiftly, enhancing their negotiation power and making bids more attractive.

To facilitate the full spectrum of Mergers and Acquisition transactions, our partnership with PTSB offers businesses comprehensive access to a wide range of funding solutions, supporting both immediate and long-term growth strategies.

Merger and Acquisition transactions by sector





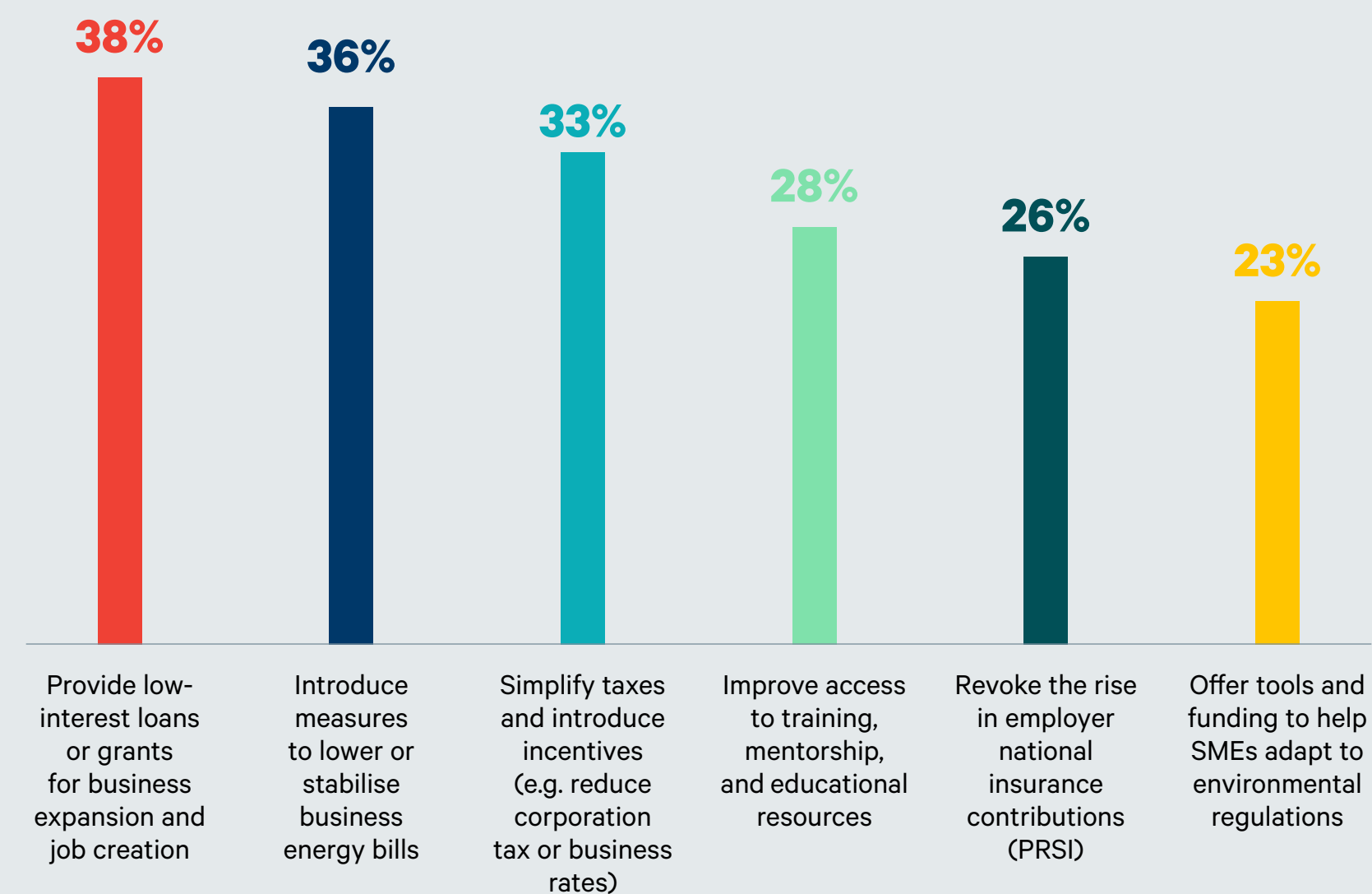
# SMEs demand more from Government

**Post the General Election, Irish business leaders have divided opinions when it comes to their view on the government's support of the business landscape.**

While a notable 36% of decision-makers are now expressing increased confidence in making major investment decisions following the General Election, a significant portion remains sceptical. In fact, 37% of Irish SMEs say they do not believe the new government will support them more effectively than the previous government.

Specifically, smaller SMEs, often the backbone of the Irish economy, display the lowest levels of trust, with many voicing concerns about the lack of targeted support.

## Top measures SMEs want Government to implement



The top government measures SMEs would like to see include:

### 1 Simplifying taxes and introducing incentives

A significant 33% of Irish SMEs are advocating for the simplification of taxes and the introduction of incentives, such as reductions in corporation tax or business rates. This highlights the ongoing desire for a more streamlined tax system that alleviates financial pressures and allows businesses to focus on growth.

The need for clear and accessible tax incentives is crucial for fostering an environment conducive to SME expansion.

### 2 Improving awareness and access to funding

With 38% of Irish SMEs seeking low-interest loans or grants, the government must prioritise improving awareness of existing programs and access to external finance. This support is vital for businesses looking to expand and create jobs, directly stimulating economic activity.

The government should explore expanding its own funding options and strengthening collaborations with private sector funders to ensure SMEs have the financial resources they need.

### 3 Review measures to stabilise business costs

The high cost of business is a critical concern for Irish SMEs, with 36% calling for measures to lower or stabilise business energy bills and 26% seeking the reversal of increased employer contributions. This demonstrates the need for government intervention to alleviate the financial burden of wider business costs, which directly impacts the operational viability and growth potential of SMEs. By addressing this concern through a full impact assessment of regulatory frameworks combined with industry challenges, the government can provide much needed stability and support to businesses facing rising energy expenses.

The recent Budget, viewed as a critical opportunity to bolster SME confidence, has yielded mixed results, leaving a substantial portion of businesses unconvinced of its benefits. Larger, more established SMEs, with greater financial resilience, appear more optimistic, but the majority of smaller businesses remain wary.

A persistent concern among all SMEs is the perceived lack of adequate representation in government consultations on policy changes. This perceived gap in communication has further eroded trust.

As future economic statements approach, the Irish government faces a crucial juncture to implement measures that can demonstrably rebuild trust and lay the groundwork for sustainable economic growth, particularly for the smaller businesses that form the foundation of the Irish economy.



## Methodology

This study is based on research of 250 Irish SME owners and decision makers across the manufacturing, construction, wholesale, transport and services sectors. Research was conducted by independent specialists, Critical Research, between 18th and 25th February 2025..

## About Bibby Financial Services

Bibby Financial Services is Ireland's largest independent provider of financial funding solutions to Irish SMEs. Operating across the island of Ireland for 19+ years, the company, on average, facilitates over €1m+ a week in new funding limits - to enable a range of scenarios including cashflow funding, growth and expansion, management buy-ins and buy-outs, refinancing, corporate restructuring and mergers and acquisitions. A people-led business, we support businesses with a turnover from €750,000. Sectors serviced include Manufacturing, Food and Beverage, Wholesale, Transport, Construction, Recruitment and a variety of professional business

services. Bibby Financial Services (BFS) group is a leading family-owned financial services partner to over 8,500 businesses worldwide. Formed in 1982, BFS is part of the Bibby Line Group (BLG), a diverse and forward-looking family business delivering personal, responsive and flexible customer solutions for over 200 years.

## Contact

Call us on: **01 297 4911**

Visit: [bibbyfinancialservices.ie](https://bibbyfinancialservices.ie)



For media enquiries please contact:

[nicolafitzsimons@uniquemedia.ie](mailto:nicolafitzsimons@uniquemedia.ie)

### Caroline Guilfoyle

Marketing and Communications Lead  
Bibby Financial Services Ireland

[caroline.guilfoyle@bibbyfinancialservices.com](mailto:caroline.guilfoyle@bibbyfinancialservices.com)

SUPPORTING  
BUSINESS  
AMBITION

**BIBBY**  
FINANCIAL SERVICES

