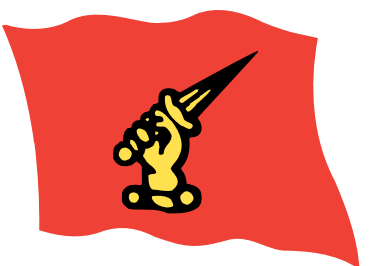


SME Confidence Tracker

Q4 2025



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Adapting for Growth: Irish SMEs in a Shifting Economic Landscape



Mark O'Rourke

Ireland Managing Director
Bibby Financial Services

 Mark O'Rourke

“Irish SMEs have entered 2025 with a mixture of optimism and realism. While confidence in their own prospects remains strong, many business leaders are voicing frustration that recent government measures have not gone far enough to address mounting cost pressures.”

^{*}<https://www.esri.ie/publications/quarterly-economic-commentary-autumn-2025>

[†]<https://www.rte.ie/news/business/2025/1014/1538518-imf-economic-outlook/>

[‡]<https://www.rte.ie/news/business/2025/1009/1537650-annual-inflation-rises-to-18-month-high-of-2-7-cso/>

In our first SME Confidence Tracker of 2025, I noted that businesses were confident about their own trading prospects, but remained cautious about the domestic and international landscapes, with the impact of Trump’s tariffs still unknown.

Six months on, Irish business leaders continue to express optimism for growth, despite the economic, geopolitical backdrop and challenging high-cost environment.

Irish SMEs have demonstrated remarkable resilience and adaptability in the face of persistent inflation, rising costs and evolving regulatory pressures. The challenges highlighted earlier this year - energy costs, supply chain logistics, new wage and pension policies and geopolitical uncertainties - remain at the forefront, yet businesses have responded with strategic adaptation and a renewed focus on operational efficiency and digital transformation.

The Irish economy entered 2025 in a position of strength and is forecast to be the fastest-growing advanced economy in the world in 2025, according to the International Monetary Fund’s. The IMF projects Ireland’s GDP will grow by 9.1% this year, driven in part by multinational activity*. Modified domestic demand is expected to expand by 3.8% in 2025 and by 3.2% in 2026, supported by a robust labour market and historically low unemployment[‡].

Despite these positive macroeconomic indicators, SMEs are navigating a complex landscape. Inflation, while moderating from its 2022 peak, remains a top concern, with the annual rate at 2.7% in September 2025[†]. Cost pressures, particularly in materials and energy, continue to squeeze margins, with 62% of SMEs reporting that Budget 2026 has failed to adequately address rising business costs - an issue particularly pronounced in the service sector (75%). Recruitment and labour shortages persist, reflecting both the tight jobs market and the need for ongoing investment in workforce development.

Business sentiment among SMEs remains robust, with 82% optimistic about their prospects for 2026, a slight dip from 88% in the previous wave, but still a strong signal of confidence. This optimism is mirrored in their investment intentions: 91% plan to invest in the coming year, focusing on digital transformation, operational efficiency and talent acquisition. The appetite for growth is evident, even as SMEs adapt to the realities of a high cost environment and global uncertainty. Yet cashflow and access to finance remain key constraints. One in three SMEs report insufficient liquidity to scale or invest, and 52% say access to finance has become more difficult in the past six months. The cost and complexity of credit, alongside administrative burdens, are cited as significant barriers to growth.

Government support is another area of concern. Policy uncertainty, especially around global trade and tariffs, continues to shape the operating environment, with SMEs closely monitoring developments that could impact exports and investment. Notably, 79% of businesses report being impacted by recent US tariffs on EU goods, highlighting the vulnerability of Irish SMEs to international trade shifts. SMEs are calling for targeted government measures, including low-interest loans, simplified tax structures and stabilised energy costs to support their growth aspirations.

Despite these headwinds, Irish business owners remain resilient, ambitious and ready for growth. Their ability to adapt, invest and innovate in a challenging macroeconomic climate is a testament to the strength of Ireland’s entrepreneurial spirit. As we look ahead, supporting SMEs through targeted policy measures, improved access to finance and investment in skills and technology will be vital for sustaining Ireland’s economic momentum into 2026 and beyond.

November 2025

Research highlights



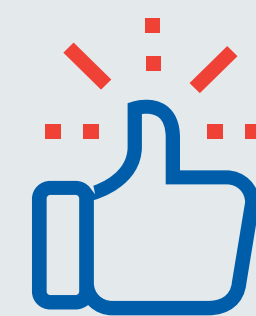
91%

of Irish SMEs have **investment plans** for the coming year



90%

express **concerns about the auto enrollment policy**, with key concerns around increased payroll costs and administrative burden



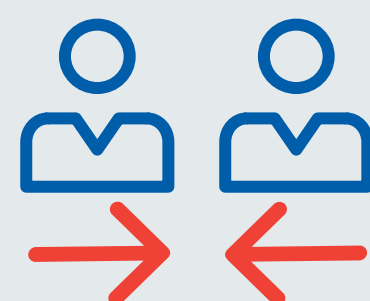
82%

remain **optimistic about their business prospects** for 2026, a slight dip from 88% in the previous wave



62%

of Irish SMEs say Budget 2026 **failed to address rising business costs**



61%

of business owners are **exploring merger or acquisition opportunities** for 2026, consistent with the previous wave (60%)



52%

say access to finance has **become more difficult** in the past six months (up from 48%)



Navigating cost pressures: the impact on profitability and growth

Profitability remains under pressure:

57% of Irish SMEs say they are profitable, down from 64% in Q1. Despite high levels of confidence, the cost of doing business is still elevated after years of economic turbulence and remains the most pressing concern.

Nearly half (45%) of SMEs cite inflation and rising expenses as their biggest challenge. For 26% of business owners, inflation is the leading cause of sleepless nights, with the impact most pronounced in transport (46%), wholesale (45%) and manufacturing (43%). Larger firms (turnover >€5 million) are especially affected, with 62% reporting inflation as their top concern.

Payroll and policy changes add to the strain:

The introduction of pension auto-enrolment in January 2026 is set to further increase payroll costs and administrative complexity, particularly for service-led businesses and wholesale firms. While 27% of SMEs say they are fully prepared for the transition, 90% express concerns, most notably increased payroll costs (43%), administrative burden (33%) and lack of information or guidance (30%). Business owners' planned responses to additional costs vary: 45% will absorb the cost, 24% will reduce other benefits, 24% will delay pay increases and 18% will increase prices.

Recent policy shifts have amplified these pressures. 62% of SMEs say Budget 2026 failed to address rising business costs, with many expecting price increases for customers (50%), reduced profit margins (25%) and potential workforce reductions (25%).

Labour market challenges persist:

Labour shortages and recruitment difficulties continue to challenge Irish businesses, affecting 28% overall and rising to 34% in service sectors. The competition for talent is driving up wage bills and intensifying operational pressures. As a result, 33% of SMEs plan to take on new staff in the coming year, signalling both confidence and the need to address ongoing skills gaps.



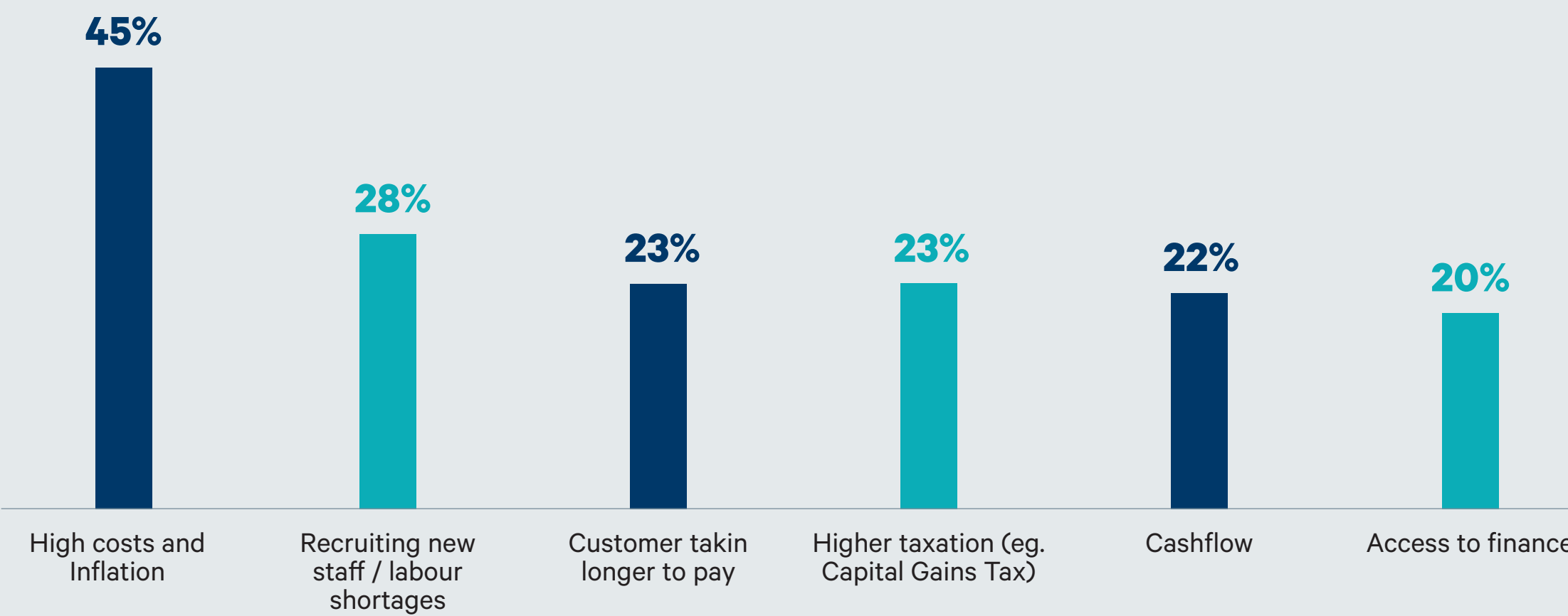
Navigating cost pressures: the impact on profitability and growth

Cashflow and access to finance:

Cashflow constraints remain a significant hurdle, impacting more than one in five businesses. The average amount of unpaid invoices owed to Irish SMEs stands at €72,276, with sector averages reaching €86,174 in manufacturing and €79,026 in construction. These challenges are stifling growth ambitions, as 33% of SMEs lack the cashflow needed to scale or invest. While 61% report cashflow stability sufficient for day-to-day operations, a significant proportion are unable to pursue expansion or investment opportunities. Businesses with stable cashflow are far more likely to expect growth over the next six months (71%) compared to those without the necessary cashflow (24%).

52% of SMEs report that it has become more difficult to access finance in the past six months (up from 48% in Q1), especially in manufacturing (63%) and among female-led businesses (43%). Many cite reluctance to take on debt (23%) and high costs (19%) as barriers, while sector-specific concerns such as economic outlook and fear of rejection are also prevalent. 62% of SMEs currently using external finance are profitable, higher than those not using finance (54%) or those considering it (59%).

Top business challenges



Global pressures compound domestic challenges:

For SMEs trading internationally, the situation is even more complex. US tariffs have impacted 79% of Irish SMEs, forcing many to seek new export markets (30%), renegotiate supplier terms, or delay investment (20%), particularly in manufacturing (30%). The removal of the “de minimis” exemption for parcels under \$800 has pushed up costs for exporters, creating an additional barrier to growth. Exporters were more likely to increase prices for US customers (29%), while importers were more likely to delay or cancel investment (26%).

SME response to US Tariffs



Auto-enrolment transition: readiness, concerns, and impact

The introduction of auto-enrolment pensions in January 2026 marks a significant operational shift for Irish SMEs, with readiness and concerns varying notably by sector.

Only a quarter of SMEs (27%) say they are fully prepared prepared for auto-enrolment, whilst 60% say they are somewhat prepared. However, only 8% admit they are not prepared and 5% are not aware of the requirements.

Implications for growth and competitiveness:

While most SMEs are taking steps to prepare, the relatively low proportion of “fully prepared” businesses especially in wholesale and services, suggests ongoing uncertainty and potential for disruption. Sectors with higher “not prepared” rates may face greater administrative and financial strain as the deadline approaches, risking margin squeeze and delayed investment or hiring.

Widespread concerns about cost and complexity:

90% of SMEs express concerns about auto-enrolment, with increased payroll costs (43%) and administrative burden (33%) cited most often. Service-led businesses are particularly affected, with 47% concerned about payroll costs and 41% about admin. Lack of information or guidance is also notable, especially in wholesale (36%) and manufacturing (33%).

Sector specific responses to auto-enrolment:

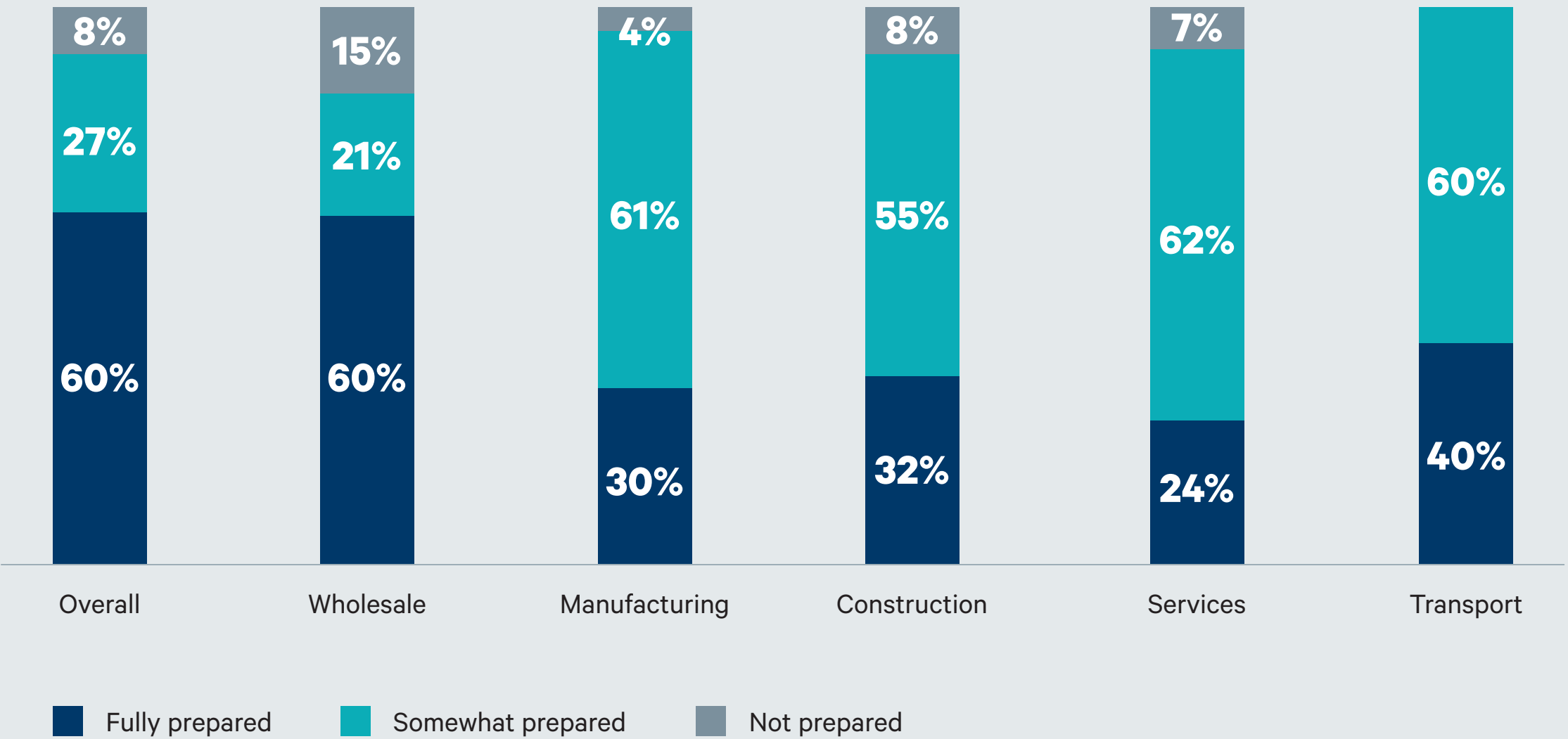
While 45% of SMEs overall plan to absorb the cost of auto-enrolment, sector responses vary. Manufacturing (28%) and construction (39%) are most likely to reduce other benefits, reflecting higher payroll sensitivity in these industries. Delaying pay increases is a more common strategy in transport (28%), where wage

flexibility may be greater. Wholesale businesses stand out for their likelihood to increase prices (26%) to offset the impact, suggesting a direct pass through of costs to customers. These differences highlight how sector specific pressures and business models shape the way SMEs manage new regulatory costs.

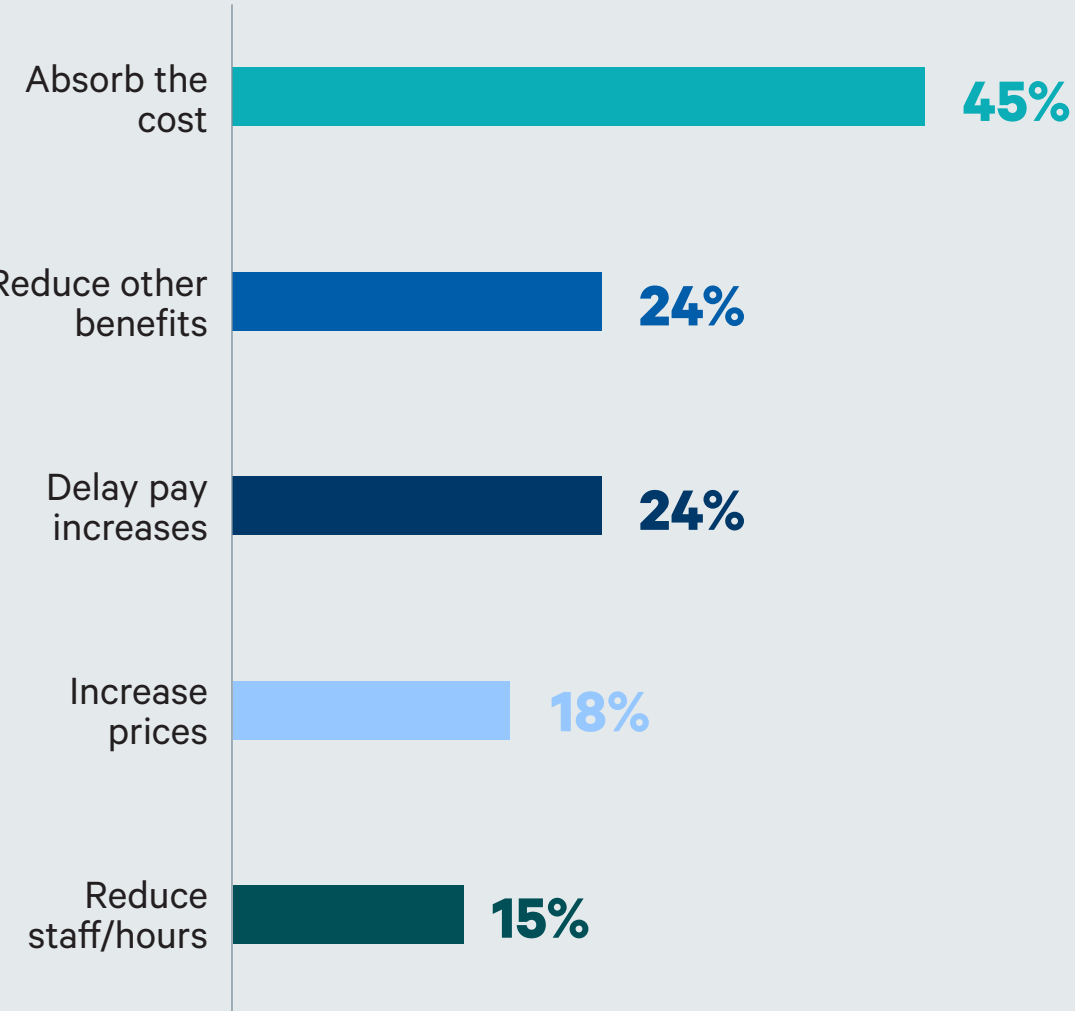
Conclusion:

Auto-enrolment readiness is high overall, but sectoral gaps remain. Wholesale and services are least likely to be fully prepared, and concerns about cost and complexity are widespread. As the policy deadline approaches, clear guidance and targeted support will be critical to ensure SMEs can navigate the change without undermining their growth ambitions.

Preparedness across sectors



How SMEs expect to manage the additional cost of Auto-Enrolment



Government support and its impact on SMEs

Budget 2026: SMEs say support falls short

Irish SMEs are clear: Budget 2026 has not delivered the relief they were hoping for. 62% say the fiscal package failed to address rising business costs, with concern highest among larger businesses and the services sector (75%). For many, this shortfall means passing costs on to customers - half (50%) expect to increase prices, rising to 57% in services. A quarter anticipate reduced profit margins, and another 25% foresee workforce reductions, most pronounced in wholesale (30%) and manufacturing (30%).

Although there is demonstrable intention to invest, when this investment will materialise remains in the balance. Many SMEs are holding back on major decisions until after Budget 2026, citing uncertainty over cost relief and fiscal measures. For businesses already grappling with inflation and rising operational costs, clarity on government support could be the catalyst for unlocking growth.

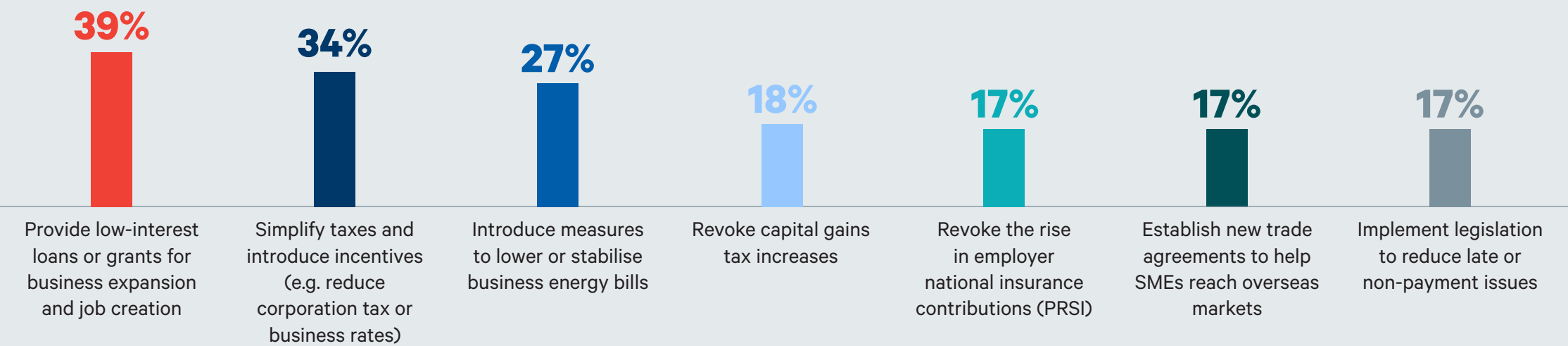
Domestic conditions remain challenging. Inflation, while easing from its peak, continues to squeeze margins, and SMEs are bracing for further cost increases. The introduction of auto-enrolment pensions in January 2026 and the scheduled rise in the national minimum wage will add to payroll pressures, particularly for service-led businesses and wholesale firms. Nearly half of SMEs expect these changes to impact profitability, with some planning to absorb costs, while others anticipate reducing benefits or delaying pay rises.

For those trading internationally, the situation is compounded by global volatility. US tariffs have already affected 79% of Irish SMEs, forcing many to seek new export markets, renegotiate supplier terms, or delay investment. The removal of the “de minimis” exemption for parcels under \$800 has pushed up costs for exporters, creating an additional barrier to growth. Unsurprisingly, almost a third of SMEs engaged in international trade are calling for targeted relief and support to maintain competitiveness.

Top measures SMEs want Government to implement:

- 1 Provide relief for rising costs**
Energy remains a critical pain point. While government measures to stabilise prices have been welcomed, SMEs argue that support must go further and faster. 62% say Budget 2026 failed to address rising business costs, and half (50%) expect to increase prices for customers as a result, especially in services (57%). Businesses want broader relief on energy and payroll costs, not just for large industrial players, but for the SME backbone of the economy.
- 2 Improve access to affordable finance**
With 91% of SMEs planning to invest in the coming year, finance is a critical enabler. Low interest loans or grants for expansion and job creation are the number one ask (39%), rising to 47% in services. SMEs say these steps would ease the cost of growth and unlock investment in technology, training, and recruitment. This is urgent given that 52% report access to finance has become more difficult in the past six months.
- 3 Simplify taxation and incentivise investment**
Calls for streamlined tax structures and new incentives remain strong. 34% of SMEs want simplified tax systems and targeted incentives to reward expansion and job creation, alongside measures to support digital transformation and sustainability initiatives.

Top measures SMEs want Government to Implement



Despite these headwinds, Irish SMEs remain ambitious. Their ability to adapt and innovate in a high cost environment underscores the resilience of Ireland’s business landscape. The question now is whether policy will keep pace with their ambition.

Resilient outlook: sectoral confidence amid cost pressures

Despite rising costs and cashflow challenges, confidence in long term prospects remains strong, with 82% of SMEs optimistic about 2026, while services and wholesale show the highest confidence (85% respectively).

Over the past six months, 53% of SMEs reported an increase in sales, but growth was uneven across sectors: wholesale and construction led the way with 60% and 50% reporting gains, while services and transport saw more modest growth. Looking ahead, optimism remains strong, with 62% of SMEs expecting

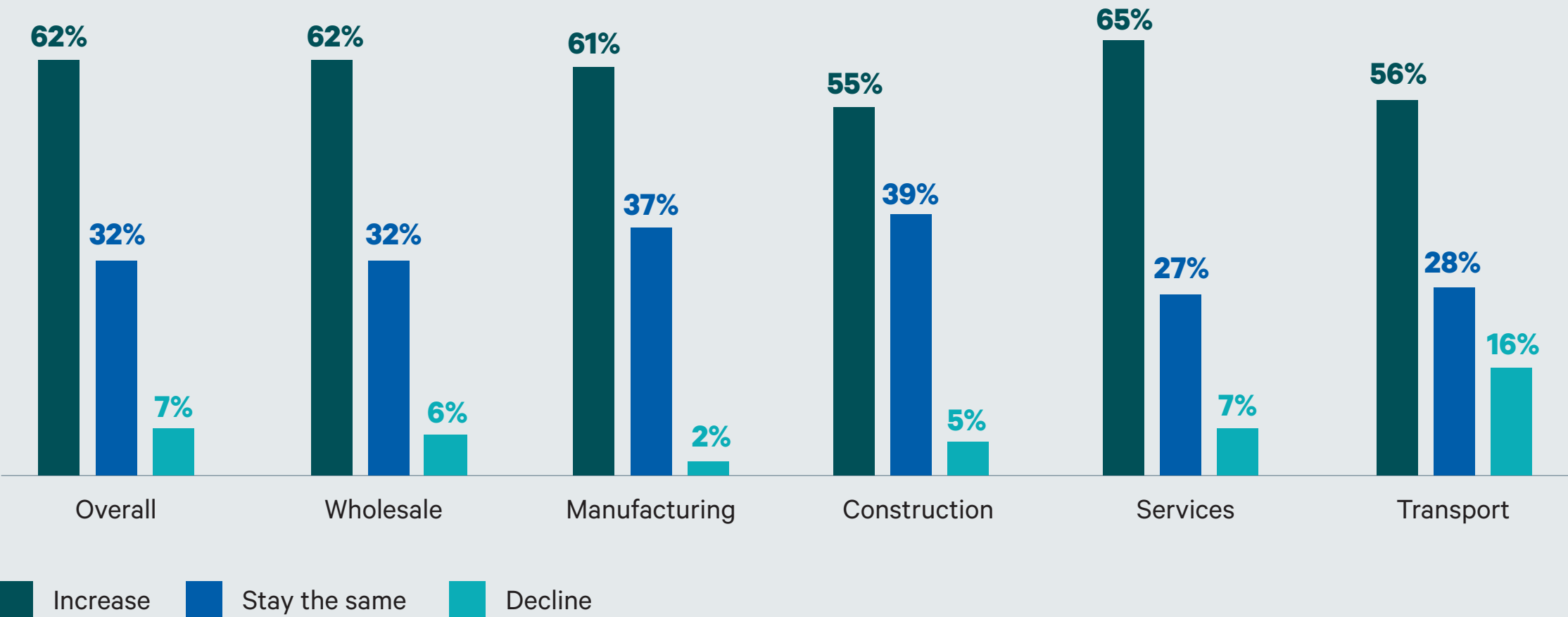
sales to rise in the next six months, and services and wholesale most confident about demand. This forward looking sentiment underscores the resilience of Irish SMEs, even as cost pressures continue to weigh on margins and investment capacity.

Sectoral insights mirror broader economic trends. Services SMEs are prioritising customer acquisition (60%) and hiring (38%), reflecting strong domestic demand and labour market pressures. Recruitment challenges (34%) and rising payroll costs remain key concerns.

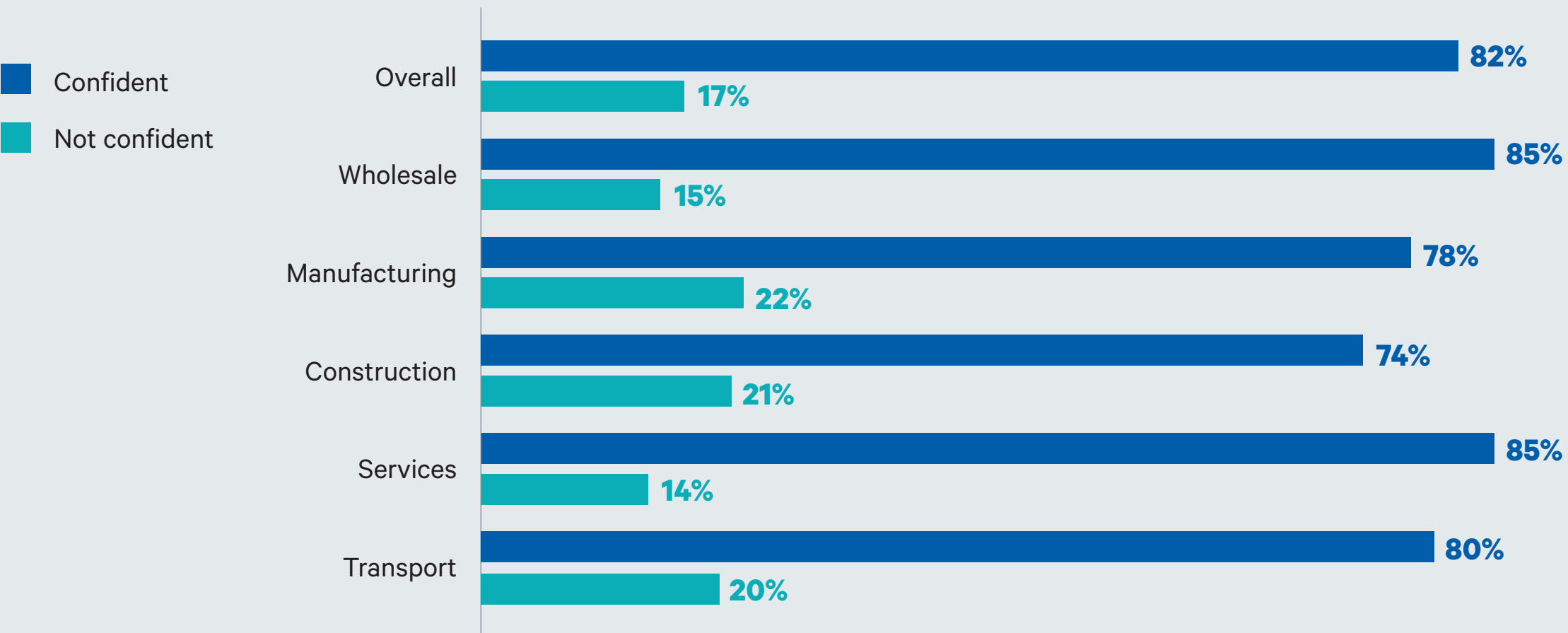
Manufacturing SMEs are cautiously optimistic, with 37% focused on customer acquisition and 22% planning to hire, supported by long term investment and product launches. Construction faces the steepest hurdles, with access to finance (24%), late payments, and bad debt weighing heavily. Purchasing Managers Index (PMI) data confirms the sector’s sharp contraction and weak sentiment. Wholesale remains upbeat on sales and pricing power, while transport is investing in technology adoption (36%) to offset cost volatility.

While optimism persists, sector performance reflects broader dynamics: services buoyed by domestic demand, manufacturing steady but exposed to global volatility, and construction under pressure. This sectoral resilience, combined with adaptability and investment intent, positions Irish SMEs to turn optimism into action despite cost headwinds.

Sales growth expectations in the next six months



Business Confidence Outlook for 2026



Cashflow health holds but hidden risks threaten future profits

SMEs may be resilient, but they are far from immune to financial strain. While 61% report cashflow stability, underlying risks continue to threaten growth ambitions and profitability. Stable cashflow is a key driver of profitability: 75% of SMEs with stable cashflow are profitable, compared to only 30% of those lacking the cashflow to grow and 36% of those unable to operate day-to-day.

Three key risks undermine cashflow health:

- **Late Payments:**

62% of SMEs report a deterioration in invoice payment times. Construction faces the most severe delays (71%). The average amount of unpaid invoices owed stands at €72,276, with manufacturing and construction sectors most exposed (€86,174 and €79,026 respectively).

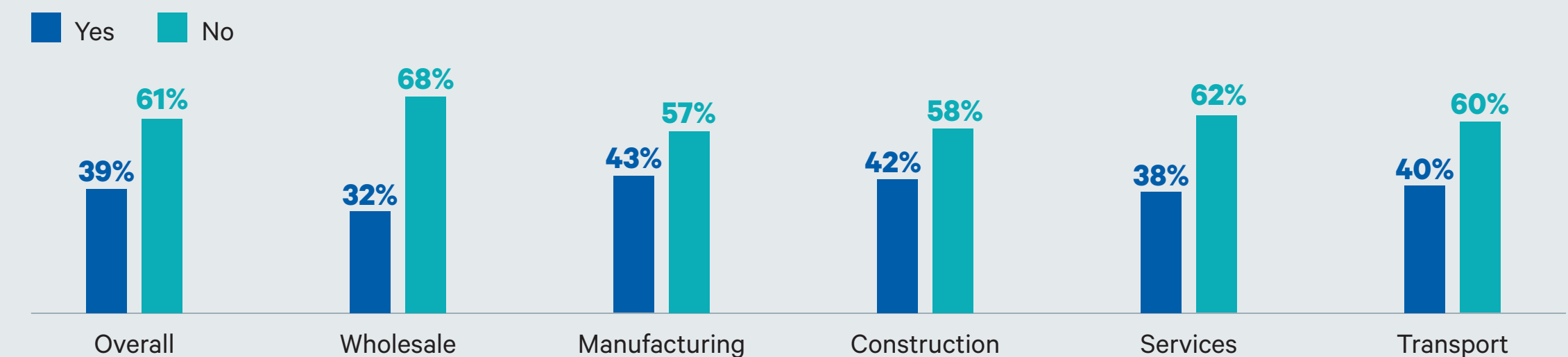
- **Customer Insolvencies:**

In the past six months, 59% of SMEs have had a customer become insolvent or stop trading. Those trading internationally are slightly more exposed (63% for importers and exporters vs 55% for domestic-only businesses). On average, two customers have become insolvent or stopped trading, with manufacturing, construction, and service-led SMEs most affected. These disruptions strain business relationships and undermine confidence, making it harder for SMEs to plan and grow.

- **Bad Debt:**

39% of SMEs have suffered a bad debt in the past year, with an average of €26,747 written off. Construction faces the highest exposure to large bad debts (43% of cases ≥€20,000), followed by services (34%), manufacturing (30%), and transport (30%). Transport tends to see smaller-ticket losses, while manufacturing has some notable outliers with very large write-offs. SMEs who experienced bad debt are more likely to be running at a loss (12% vs 7% for those without bad debt).

Scale of bad debt by sector

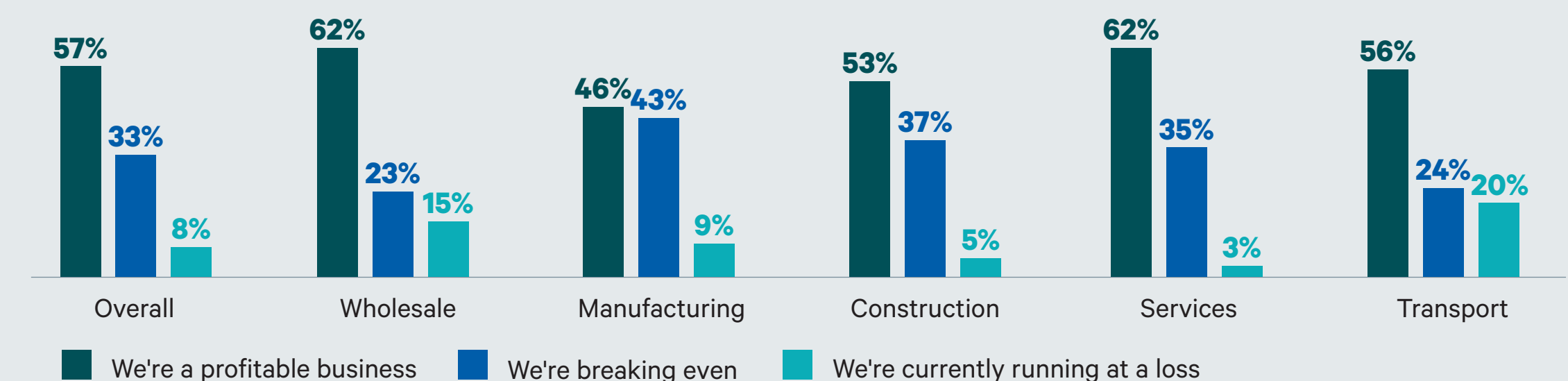


Margin squeeze and profitability impact:

Persistent late payments and bad debt directly erode margins, forcing businesses to absorb rising costs and write off revenue. This squeeze leaves less room for investment, hiring, and innovation, and increases the risk of running at a loss - 14% of SMEs without growth cashflow and 36% of those unable to operate day-to-day are currently loss making. For SMEs operating on tight margins, the ripple effect is severe: disrupted supply chains, lost revenue and mounting uncertainty. Ambition is constrained not by mindset, but by the financial means.

Conversely, SMEs with strong cashflow and no exposure to late payments or bad debt are significantly more upbeat. These businesses are leading on digital adoption, recruitment and innovation - proof that financial health is the foundation for growth.

Profitability by sector



Opportunities amid challenges: the SME growth agenda

How Irish SMEs Plan to Drive Sales and Profitability

Despite persistent cost pressures, Irish SMEs are charting a bold course for growth. The latest survey reveals that optimism is not just sentiment, it's strategy. Businesses are prioritising customer acquisition, talent development, and innovation to strengthen resilience and unlock new revenue streams. From digital transformation to international trade, SMEs are embracing opportunities that position them for success in 2026 and beyond.

Customer acquisition leads the agenda

Attracting new customers stands out as the leading opportunity, cited by half (50%) of all SMEs. This focus is especially pronounced among smaller firms, where agility and close customer relationships are key competitive advantages. For these businesses, expanding their customer base is not just a growth strategy, it's a vital response to margin pressures and shifting market dynamics. Service-led SMEs are particularly optimistic, with 60% prioritising customer acquisition, reflecting solid employment growth and rising new business reported in recent Purchasing Managers Index (PMI) findings.

Recruitment signals confidence

Recruitment plans further underscore the confidence among Irish SMEs. A third (33%) intend to take on new staff in the coming year, with the strongest appetite for hiring found in service-led sectors (38%) and manufacturing (22%). This signals a commitment to building workforce capability and meeting rising demand, even as labour shortages and competition for talent remain ongoing challenges.

Innovation and supplier resilience

Building new supplier relationships (24%) and investing in product innovation (22%) are also prominent on the growth agenda. These strategies are particularly relevant for firms planning to invest in 2026, as they seek to diversify supply chains, enhance resilience, and bring fresh offerings to market. For many, innovation is not just about new products, it's about adapting to changing customer needs and staying ahead of competitors. Manufacturing SMEs are cautiously optimistic, focusing on customer acquisition (37%) and steady improvement in new orders, supported by long term investment and product launches.

Technology adoption accelerates

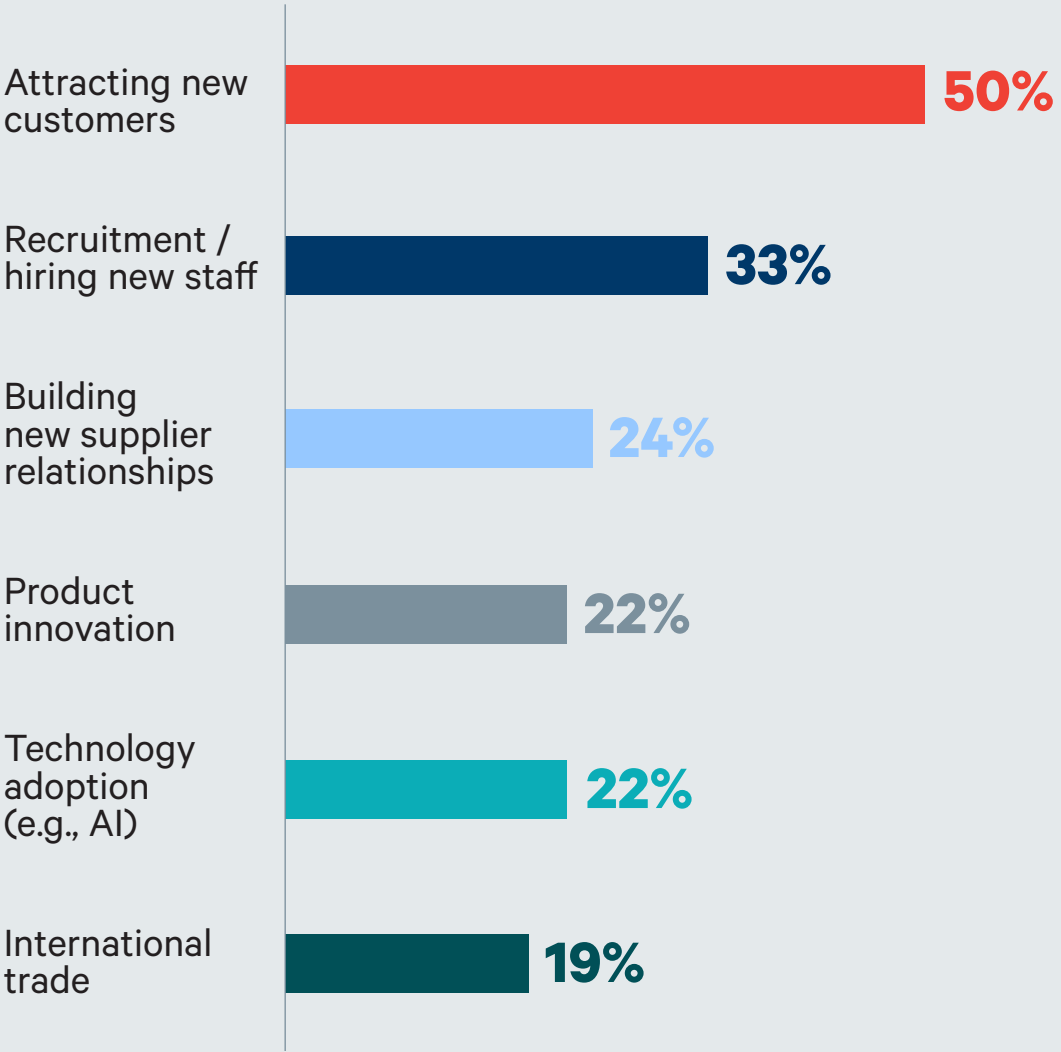
Technology adoption is another key theme, with 22% of SMEs viewing digital transformation and the integration of new technologies (including AI) as major opportunities. This reflects a broader shift towards operational efficiency, data driven decision making, and improved customer engagement. Service (24%) and transport (24%) sectors show the highest interest in technology adoption, while construction firms (24%) are most challenged by access to finance for digital investment.

International trade remains strategic

Nearly one in five (19%) SMEs. Exporters and importers are responding to global market shifts, including US tariffs and supply chain disruptions, by seeking new export markets and renegotiating supplier terms. These actions demonstrate the agility and outward-looking mindset that characterise Ireland's SME sector.

Overall, Irish SMEs are demonstrating a proactive approach to growth, balancing the realities of a high cost environment with a clear focus on opportunity. Their willingness to invest in people, technology, and innovation is a testament to the resilience and ambition that define Ireland's business landscape.

Top Growth Priorities for SMEs over the next 6 months



SME's confidence remains high

The optimism reflected in these results is yet to fully translate into direct investment by many businesses. Even so, the data highlights a clear intention for greater capital expenditure over the coming months, driven by a desire for modernisation and resilience.

Confidence remains strong, but the ability to turn intent into action depends on cashflow health. While 91% of SMEs plan to invest in the coming year, these results is yet to fully translate into direct investment by many businesses. Those facing cashflow and day to day working capital challenges are seeing liquidity squeezed, leaving less room for investment in technology, training, or expansion.

Digital transformation remains a top priority. Nearly a third of Irish SMEs (32%) plan to invest in digital technology and IT, matching the focus on efficiency and automation seen across global markets. Workforce development is equally prominent, with 32% earmarking investment for staff training and development - underscoring the importance of talent in sustaining growth. Recruitment (27%) and new product or service development (22%) also feature strongly on the investment agenda.

Investment priorities vary by sector. Service-led businesses are most eager to invest in digital technology (39%) and training (38%), reflecting

their reliance on skilled labour and customer engagement. Manufacturing firms are prioritising technology (35%) and machinery (30%), while construction SMEs lean towards recruitment (32%) and workforce training (26%). Transport businesses are focusing on digitisation (36%) and commercial vehicles (28%), highlighting sector specific needs for operational efficiency.

What is driving these investment plans? For many, the imperative is to stay ahead of competitors - 29% cite this as their primary reason. Others point to reducing operating costs and increasing efficiency (23%), while expansion and market growth motivate 20%. These drivers reflect a dual focus on capability building and cost control in a high cost environment.

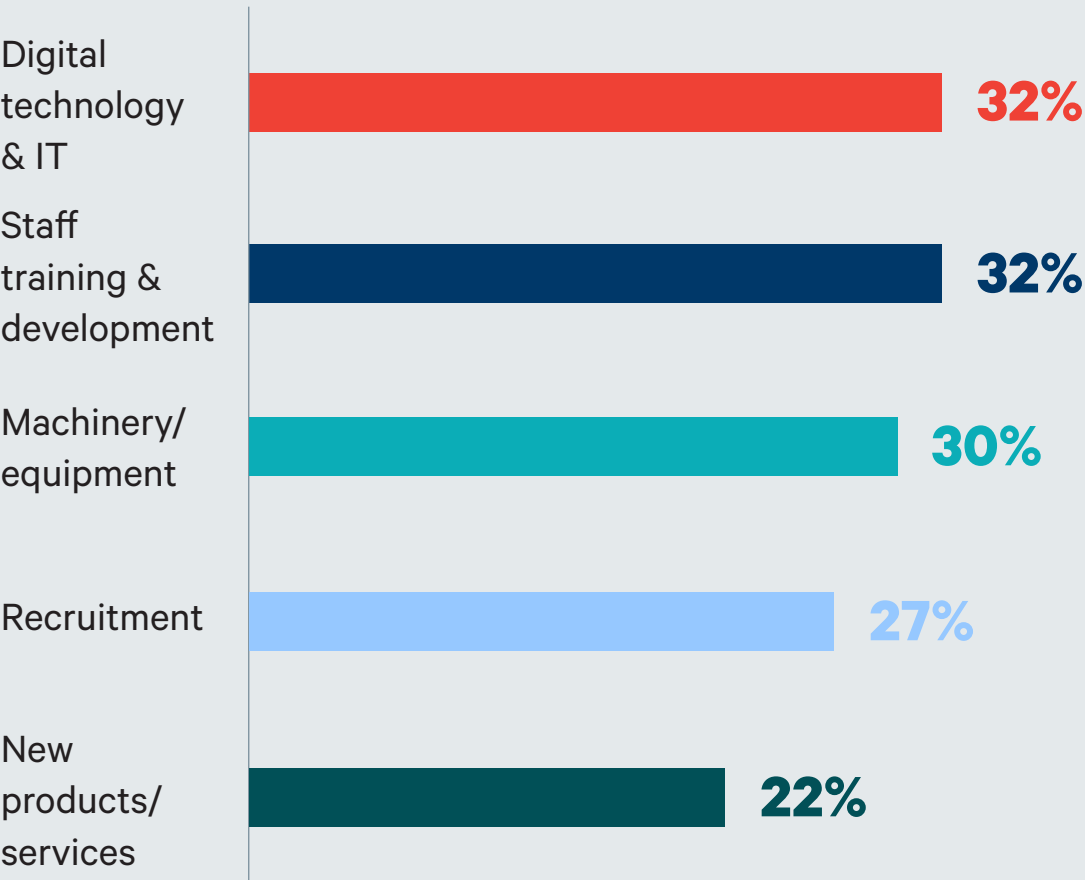
On average, Irish SMEs expect to invest €196,000 over the next 12 months, up slightly from €193,000 in the previous wave. Smaller businesses typically plan investments of up to €10,000, while larger firms (€5m+ turnover) anticipate spending between €100,000 and €1m. This cautious but upward trend suggests confidence remains intact, even as businesses navigate inflationary pressures and policy uncertainty.

External finance will play a critical role in enabling these plans. While 29% of SMEs currently use external finance, 18% are open to using it in the

next 12 months - particularly in construction and among firms constrained by cashflow. However, access remains challenging: 52% say it has become more difficult in the past six months, and 38% report increased need for finance compared to earlier in the year.

Despite these barriers, the appetite for investment signals resilience and ambition. Irish SMEs are not standing still - they are investing in people, technology, and innovation to position themselves for growth in 2026 and beyond.

Top Investment Priorities for Irish SMEs



M&A spotlight: funding growth and strategic ambition

Mergers and acquisitions remain a prominent feature of the Irish SME landscape, with 61% of businesses exploring M&A activity for 2026. While overall appetite has moderated slightly since the start of the year, M&A continues to be a strategic lever for securing capital, streamlining operations, and enhancing competitiveness.

How will deals be funded?

Funding preferences for M&A transactions reflect the broader shift in SME finance. High street

banks remain the most preferred source (34%), but alternative options are gaining ground. Invoice finance providers (28%) and asset-based lending (26%) are increasingly popular, offering flexibility and speed. Many SMEs are utilising a mix of cash reserves, debt, equity, and hybrid methods to structure deals.

Blended finance is the new norm

Increasingly, SMEs are considering external finance to support acquisitions, with the trend moving toward blended solutions - combining bank loans, invoice finance, and asset based lending. This approach allows businesses to seize strategic opportunities while protecting working capital and avoiding unnecessary long term debt. Having the

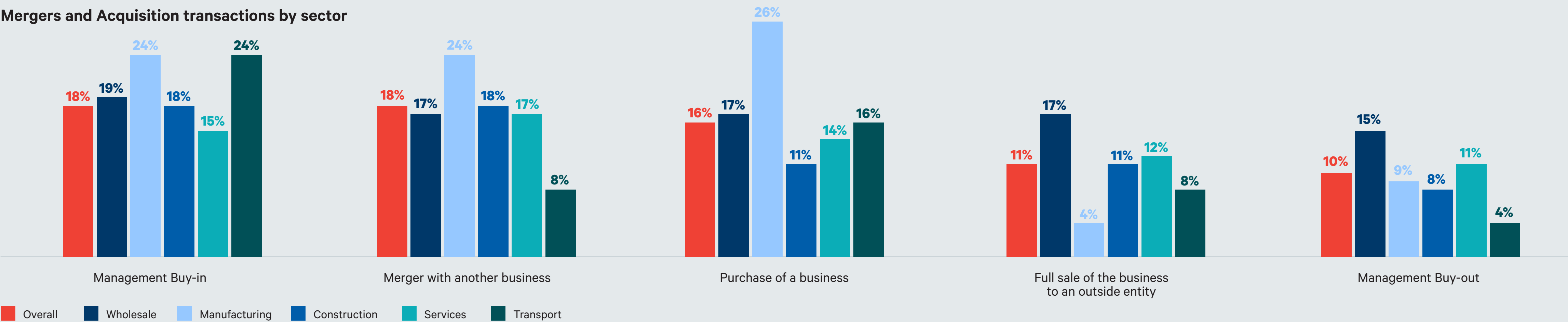
right funding mix in place is essential to invest in opportunities while protecting cash flow.

Types of business transactions:

- Management buyouts (10%) and buy-ins (18%) are common, alongside mergers (18%) and acquisitions (16%).
- Larger businesses and those in construction and transport are most likely to pursue M&A as a route to expansion.
- Construction and transport sectors show the highest M&A activity (24%).
- Appetite for external finance is strongest among businesses with turnover above €5m.

While M&A activity is not as dominant as other investment priorities, it remains a key lever for growth focused SMEs. The ability to access flexible funding and act quickly is increasingly seen as a competitive advantage in a market shaped by uncertainty and change. Pre funding and blended finance approaches enable SMEs to act swiftly, enhance negotiation power, and make bids more attractive.

Mergers and Acquisition transactions by sector



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 15th and 23rd October 2025.

About Bibby Financial Services

Bibby Financial Services is Ireland’s largest independent SME funder. With over 19 years of experience operating throughout the island, the company facilitates more than €1 million weekly in new funding limits, in addition to processing significant weekly payments for existing clients. Bibby Financial Services offers flexible finance solutions to help businesses manage cashflow, drive growth, complete management buy-ins and buy-outs, restructure and fund mergers and acquisitions.

We provide support to businesses with a turnover of €750,000 or more, with expertise across sectors such as Manufacturing, Food and Beverage, Wholesale, Transport, Construction, Recruitment, and a broad range of professional business services.

The company was awarded Financial Services Company of the Year at the Chambers Ireland InBusiness Recognition Awards 2025.

Bibby Financial Services Ireland is part of Bibby Financial Services Group, an independent financial services partner to over 8,500 businesses across 9 countries in Europe and Asia, with a total funding capacity of €1.3 billion.

Contact

Call us on: **01 297 4911**

Visit: bibbyfinancialservices.ie



For media enquiries please contact:
nicolafitzsimons@uniquemedia.ie

Caroline Guilfoyle

Marketing and Communications Lead
Bibby Financial Services Ireland
caroline.guilfoyle@bibbyfinancialservices.com

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