

SME Confidence Tracker

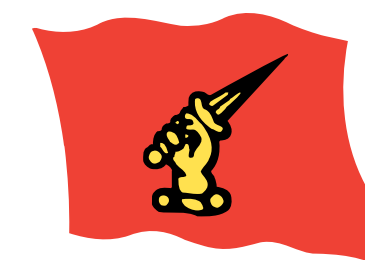
Q1 2026



20
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Disciplined Ambition in a More Volatile Irish Economy



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Irish SMEs entered 2026 operating in a more complex and uncertain economic environment. While underlying domestic activity continues to grow, renewed inflationary pressure and a more volatile global backdrop are reshaping the context for business decision making. Inflation in Ireland rose to 3.6%¹ in March, driven largely by higher energy prices, while Modified Domestic Demand is expected to moderate from 4.9% in 2025 to 2.9%² in 2026. Internationally, economic bodies continue to highlight the risk that higher energy costs and global volatility pose to growth, reinforcing the importance of resilience and flexibility for businesses.

Against this backdrop, confidence has held firm. More than eight in ten SMEs (83%) remain optimistic about their prospects for 2026, underlining the resilience of the SME sector. Sales momentum is strong, with 60% of businesses reporting increased sales over the past six months and 71% expecting sales to rise in the months ahead. This is supported by continued confidence in the wider Irish economy, with seven in ten SMEs expressing a positive outlook.

Investment decisions, however, are being held to a higher bar. Businesses are watching margins more closely, setting higher expectations for what

investments must deliver and placing greater focus on cashflow control. As a result, businesses are being more selective about where they invest. More than four in five SMEs (81%) report margin compression from rising costs, reinforcing the need for more careful spending decisions and day to day financial management. This is taking place alongside tightening credit conditions, with over half of SMEs (57%) now reporting that access to finance has become more difficult.

Rather than pursuing broad based expansion, many SMEs are prioritising investment in areas that support productivity, digital capability and operational resilience. Technology is increasingly part of that response, with digital and automation investments judged less on innovation alone and more on their ability to deliver efficiency, control and measurable impact.

Overall, the Q1 2026 SME Confidence Tracker points to a market defined by disciplined ambition. While uncertainty remains a feature of the operating environment, many Irish SMEs continue to plan, invest and grow - provided growth is pursued with control, clarity and strategic intent. Those that balance financial discipline with investment in productivity, capability and resilience will be best placed to navigate the remainder of 2026 and beyond.

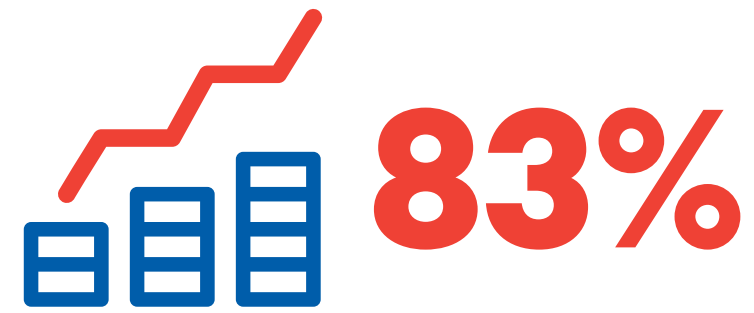
April 2026

"Despite a more uncertain economic environment, confidence has held firm, with 83% of SMEs remaining optimistic about their prospects for 2026. That said, businesses are watching margins more closely, and being more selective about investment decisions. Those that balance financial discipline with investment in productivity, capability and resilience will be best placed to navigate the remainder of 2026 and beyond."

1. <https://www.esri.ie/news/global-developments-to-test-economic-resilience-as-inflation-returns>

2. <https://www.centralbank.ie/publication/quarterly-bulletins/quarterly-bulletin-q1-2026>

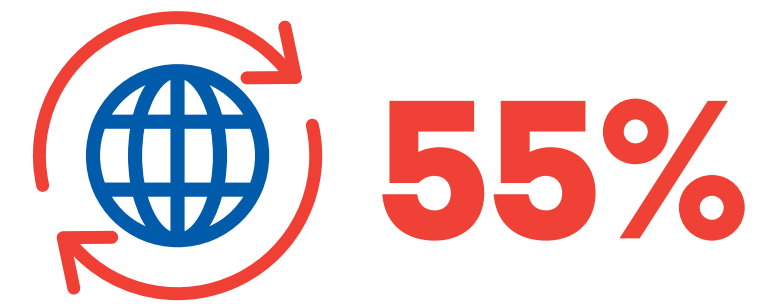
Research highlights



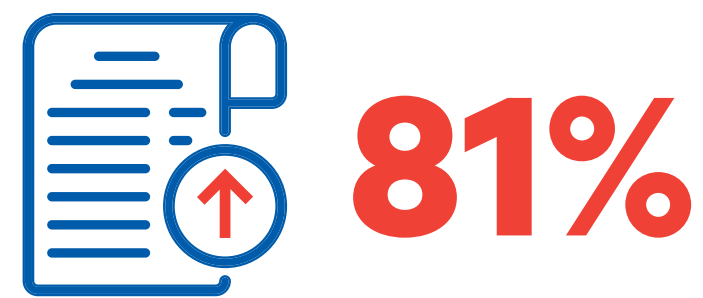
83% of SMEs are optimistic about 2026. Confidence is strongest among larger turnover businesses (€5m+)



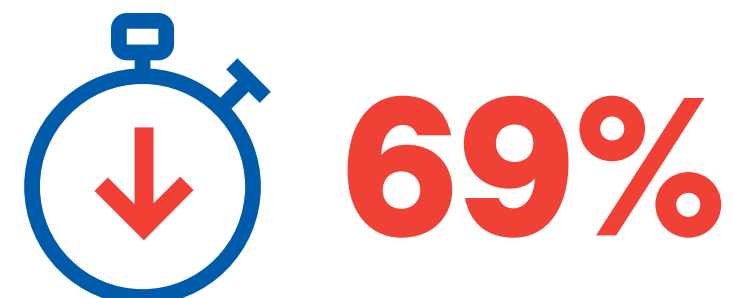
76% of business owners are exploring merger or acquisition opportunities for 2026, consistent with our research in Q4 2025 (60%)



55% of SMEs expect international trade to increase in the next 12 months, with optimism strongest among larger firms and Leinster based businesses



81% report margin compression from rising costs, particularly among larger firms (all SMEs average operating costs have increased by 10%)



69% of SMEs report a deterioration in invoice payment times (last wave: 62%)



57% say access has become more difficult in the past six months (up from 52% Q3 2025; 48% Q1 2025)

This report is based on research conducted by Critical Research, among 250 Irish SME owners and decision makers across manufacturing, construction, wholesale, transport and services sectors. Fieldwork was carried out between 11–21 March 2026.



Opportunities amid challenges: The SME growth

Confidence holds - growth continues, but within clearer boundaries

Irish SMEs continue to see opportunity for growth, even as the operating environment remains challenging. The Q1 2026 findings show that confidence has held steady since Q4, with 83% of SMEs optimistic about their business prospects for 2026. This resilience is most evident among larger (€5m+) and long established businesses, which continue to form the core of the ambitious SME segment.

Sales momentum underpins this confidence. 60% of SMEs report increased sales over the past six months, up from 53% in our 2025 research, with the strongest performance in construction (67%) and more modest growth in services (57%). Looking ahead, 71% expect sales to rise over the next six months, with optimism particularly strong in Munster (82%), among €5m+ firms (83%), and businesses trading 20+ years (82%).

Actual sales performance (past six months)



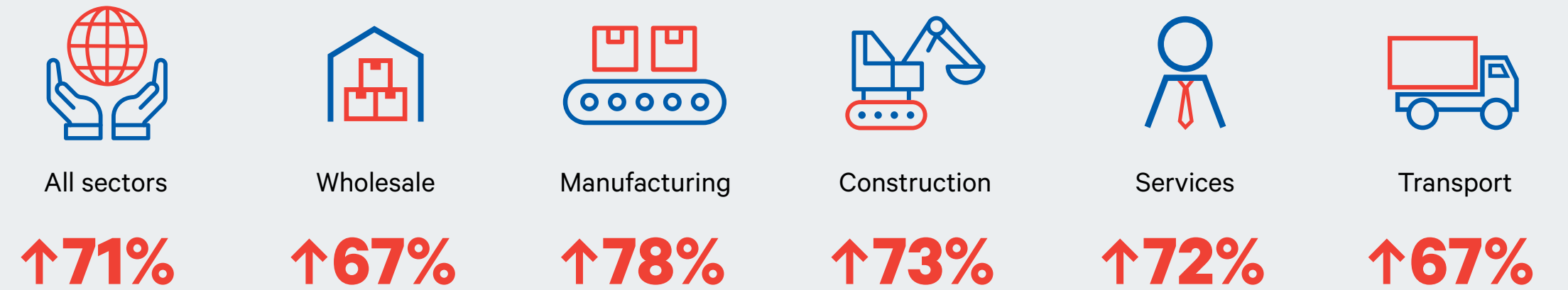
Expected sales performance (next six months)



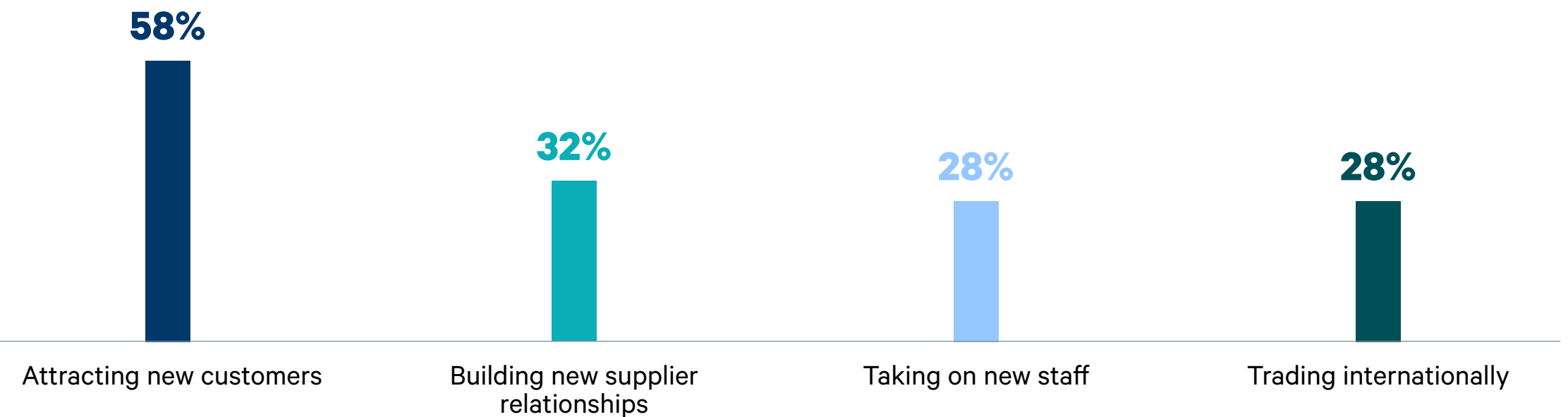
However, opportunity now looks different. SMEs are no longer chasing every growth option. Instead, they are choosing a smaller number of opportunities they know they can deliver and afford. Ambition remains strong, but growth decisions are being made more carefully, with less room for error.

Taken together, the data suggests that the SME growth agenda remains active, but is now more clearly defined by realistic execution priorities rather than optimism alone.

Expected sales performance (next six months) by sector



Key Opportunities for SMEs in 2026



Opportunities amid challenges: The SME growth

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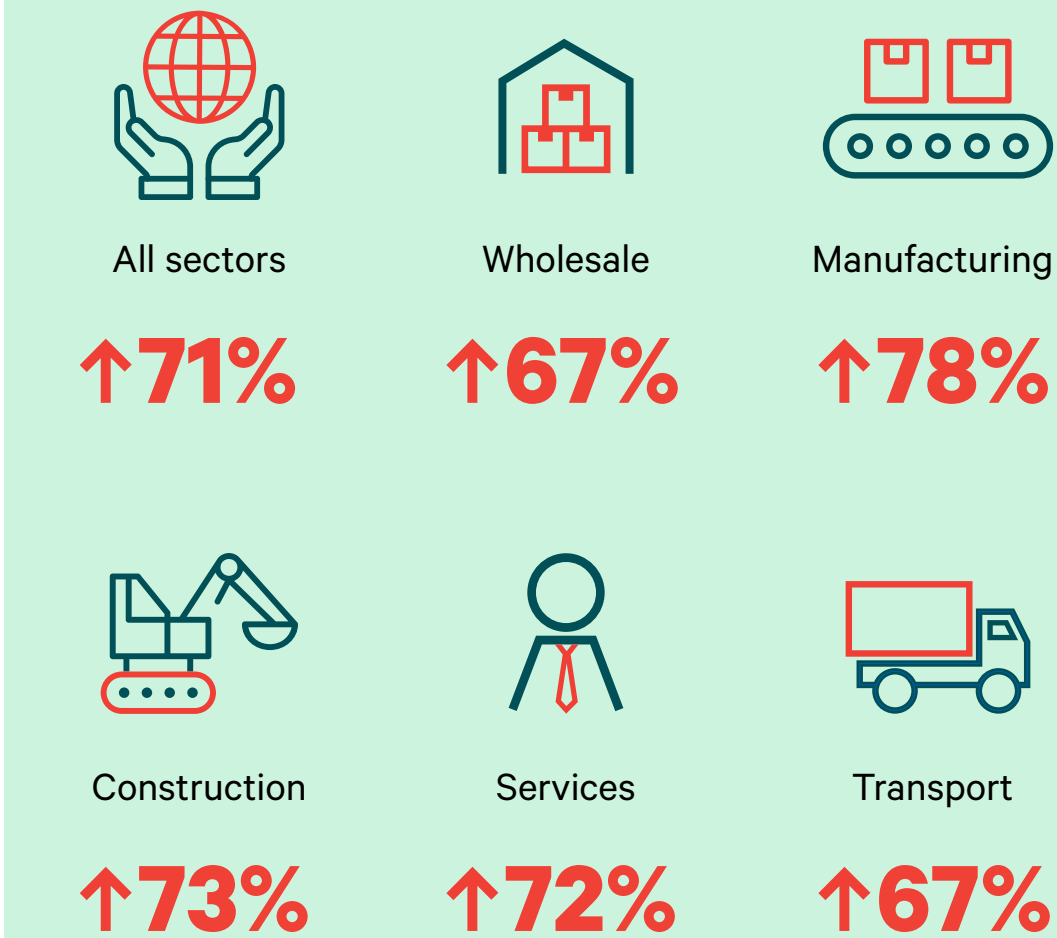
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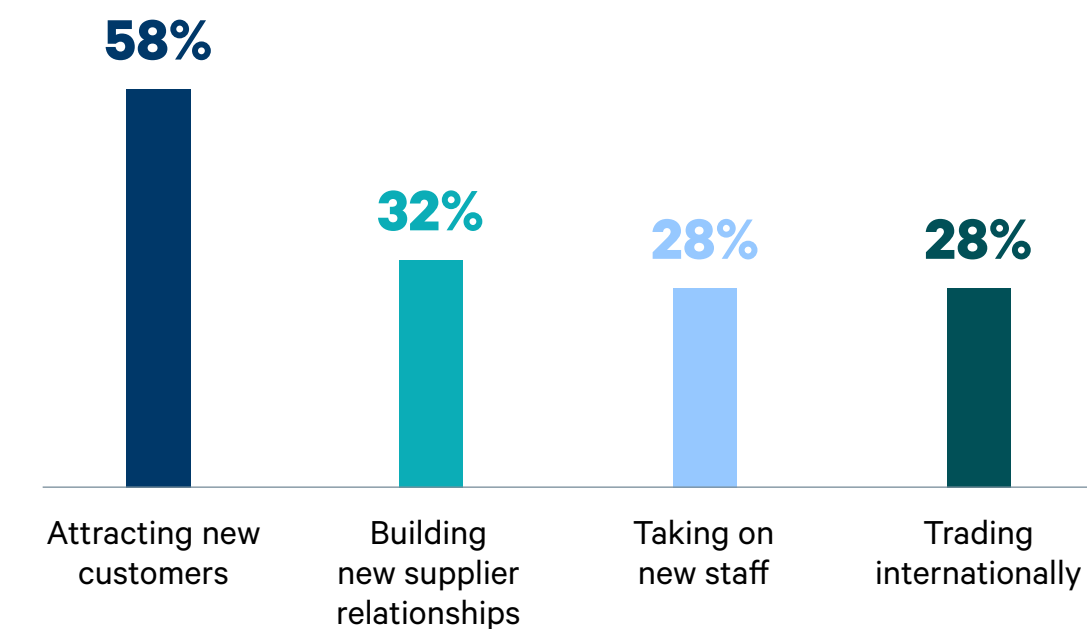
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Expected sales performance (next six months) by sector



Key Opportunities for SMEs in 2026



Rising cost pressures impact growth & profitability

Cost pressures are now the dominant factor shaping profitability outcomes for Irish SMEs. While confidence and demand have remained relatively resilient, rising costs are increasingly constraining margins and reducing financial flexibility.

Across all SMEs, average operating costs have increased by 10% over the past 12 months. As a result, 81% of SMEs report margin compression, rising to 90% among larger (€5m+) firms. Many have responded by increasing prices, with 76% saying they have raised prices due to cost pressures (83% in transport). However, one in five SMEs say they are unable to increase prices or have had to absorb costs, helping explain why margin pressure remains acute as higher operating and input costs continue to erode profit headroom.

As margins tighten, the knock on effects are becoming more visible in cashflow and funding needs. Just over one in five SMEs (22%) now cite cashflow constraints as a material issue, while more than a quarter (27%) say they do not have the cashflow needed to grow. At the same time, 46% of SMEs report increased funding requirements, reflecting how rising costs are absorbing growth headroom and reducing financial flexibility.

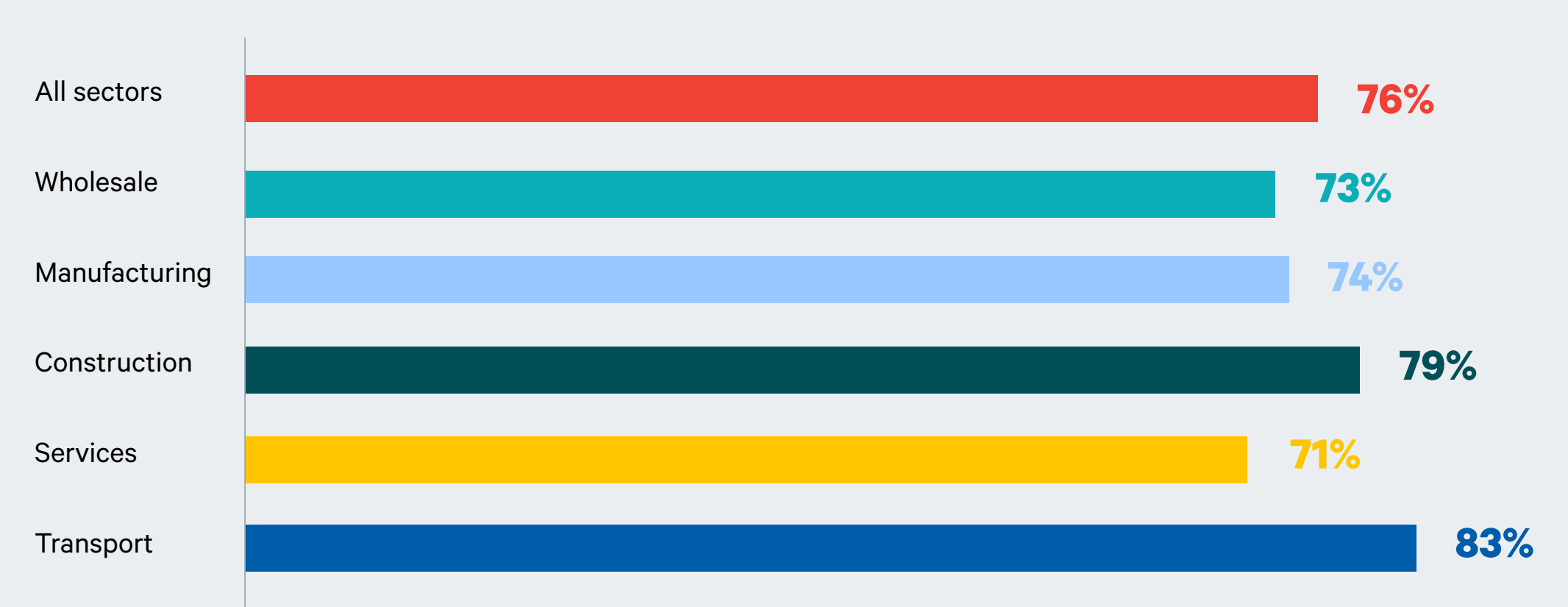
Higher costs are reducing businesses' ability to absorb shocks, leaving even profitable SMEs operating with less margin for error. As a result, margins, cashflow and liquidity have become central to day to day financial stability in a higher cost environment.

Overall, the data shows that even profitable SMEs are operating with less margin for error. Cost pressures are tightening profit buffers and increasing reliance on careful financial management, with margins, cashflow and liquidity now central to maintaining stability in a higher-cost environment.

SMEs reporting reduced profit margins due to rising costs (by sector)



SMEs increasing prices due to rising costs (by sector)



Inflation remains the single biggest challenge cited by SMEs (52%), followed closely by energy costs (51%), particularly in service-led sectors and among more established businesses. Importantly, these pressures are not evenly distributed: construction, mid-sized firms (10–50 employees) and higher-turnover SMEs are most exposed to inflationary impacts.

Investment Intent: From Expansion to Capability and Resilience

Overall investment appetite remains robust, with 95% of SMEs planning to invest in the year ahead. However, how that investment is being deployed is changing. Businesses are being more selective about where they invest, with a clear shift away from speculative expansion and toward areas that strengthen the business over the long term.

This shift is evident in investment priorities. Rather than focusing on capacity expansion alone, SMEs are directing investment toward capability, productivity and resilience - particularly staff development, digital technology and recruitment. These choices point to a longer term growth mindset, where strengthening

the foundations of the business is seen as the most reliable route to competitiveness in a higher cost environment.

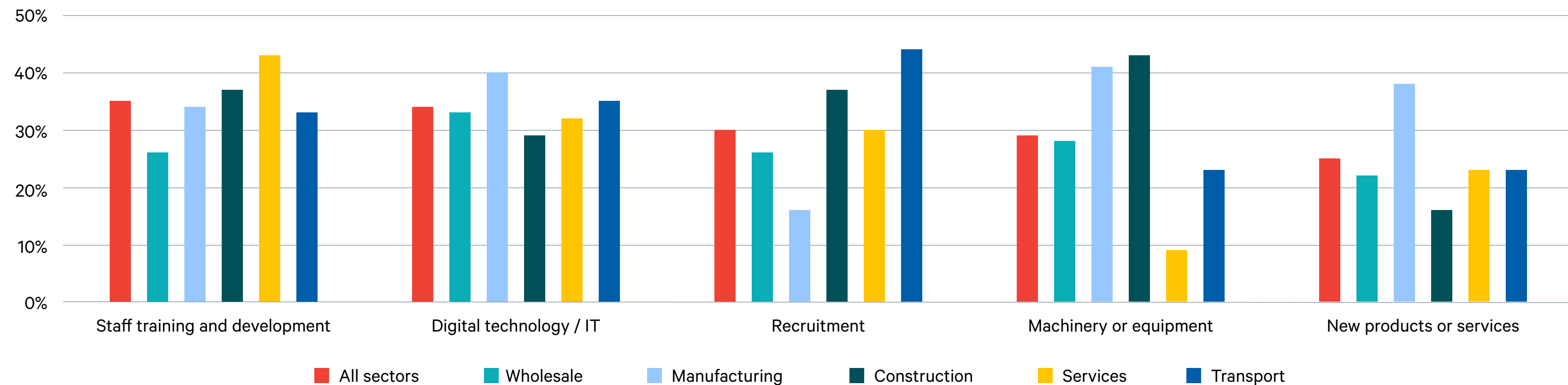
This discipline is also reflected in planned investment values. The average planned investment of €197k is broadly unchanged from the previous wave, masking significant variation by size and sector. Smaller businesses typically plan modest investments, while larger (€5m+) firms expect to invest between €100k and €1m, particularly in manufacturing, services and transport.

In practice, this means investment is being paced and prioritised, not paused. Businesses are backing

areas they can support and sustain, rather than pulling back altogether.

The underlying drivers reinforce this more selective approach. Staying ahead of competitors (33%) remains the primary motivation, particularly among transport (46%) and construction (36%) firms. At the same time, reducing operating costs and improving efficiency (26%) is a key driver in manufacturing (30%), highlighting the growing focus on investments that protect margins rather than simply expand footprint. Business expansion within Ireland (17%) features less prominently overall, though it remains more relevant among wholesale firms (25%).

Top investment priorities by sector



AI and digital investment are now delivering measurable returns

Digital and AI led projects are playing a growing role in SME investment plans, even as businesses apply greater caution elsewhere. However, adoption is not without challenge. Nearly one in five SMEs cite technology adoption, including AI, as a key difficulty, highlighting capability and change management barriers alongside opportunity.

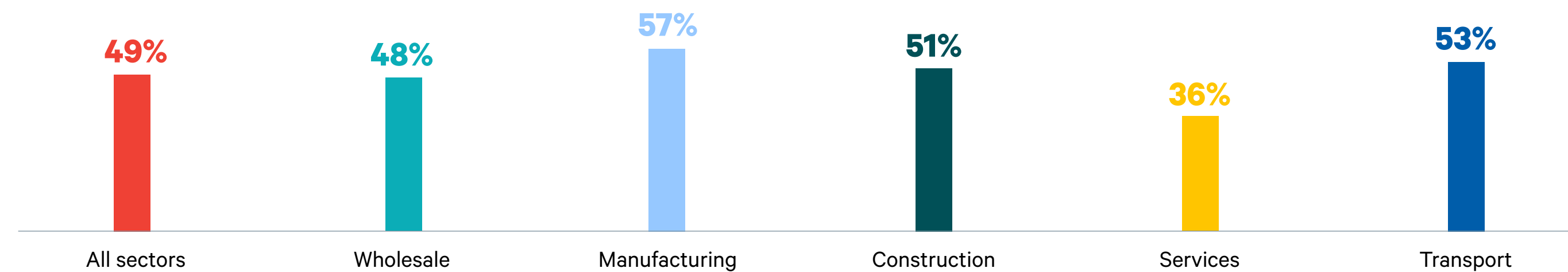
Despite these challenges, technology investment is increasingly judged on practical impact rather than experimentation. SMEs are focusing on where digital tools can improve efficiency, control and decision making, particularly in response to cost and margin pressure.

Eighty five percent of SMEs have either already adopted or plan to adopt AI tools within the next 12 months, signalling that AI is now embedded in mainstream investment planning. Crucially, this adoption is translating into impact, with half of SMEs reporting that AI has already reduced operating costs, reframing technology from a future focused initiative to a practical tool for improving efficiency today.

Adoption maturity varies by sector. Twenty one percent report AI is already widely embedded across their business, rising to 35% in transport. A further 44% have adopted AI but with limited use, particularly in service led sectors. Fifteen percent have no plans to adopt, increasing to 26% among businesses not trading internationally, pointing to a widening divide in digital capability.

Overall, the data suggests that technology investment is becoming more purposeful and outcomes driven, with SMEs balancing ambition with the skills, systems and change required to make AI deliver results in practice.

AI delivering cost savings for SMEs (by sector)



International trade on the growth agenda - despite uncertainty

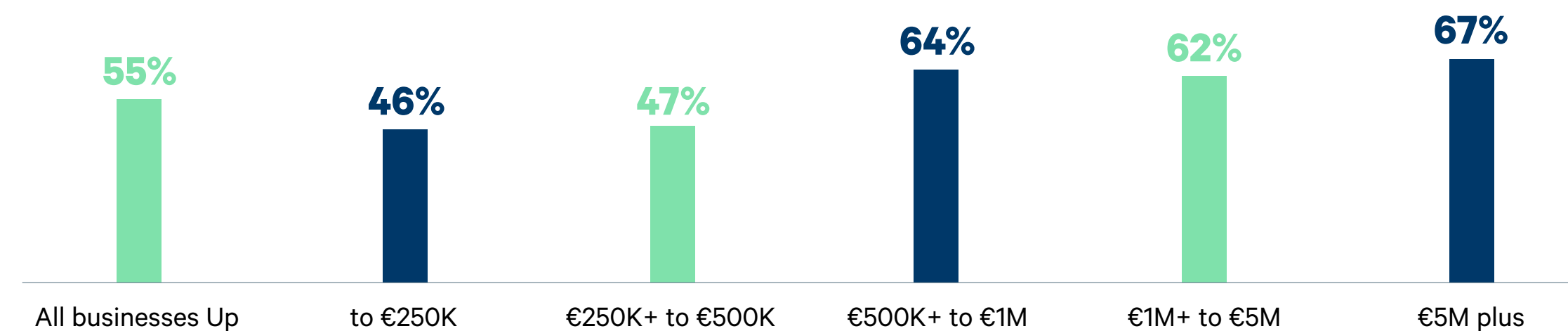
Fifty five percent of SMEs expect international trade to increase over the next 12 months, with optimism strongest among larger businesses and those based in Leinster. International trade also features among the leading growth opportunities identified by SMEs. While 28% cite it as an opportunity overall, this rises to 40% among larger (€5m+) businesses, where ambition and capacity to expand internationally are more concentrated.

Confidence in international growth is even stronger among firms that currently use external finance, where almost three quarters (72%) expect international sales to increase. This reinforces the role of flexible, scalable funding in enabling international expansion, particularly in managing longer payment cycles, timing differences and increased operational complexity.

This renewed confidence comes against a backdrop of geopolitical uncertainty and more complex trading conditions. Rather than deterring expansion, these factors appear to be reshaping how businesses approach it. Trading internationally often brings longer payment cycles, greater exposure to customer and supplier failures, and added operational complexity, all of which increase the importance of cashflow resilience.

In practice, the challenge is less about appetite for international growth and more about execution across longer, less predictable cycles. Businesses pursuing international opportunities are placing greater emphasis on funding that can scale with the business, smooth timing differences and maintain control as complexity increases. As a result, international growth is being pursued selectively, with more attention on cashflow certainty and risk management than on volume expansion alone.

Sales expectations for international trade growth (by turnover)



Strategic Growth: Merger & Acquisitions

M&A remains on the table - but with clearer intent

Alongside trade, M&A activity remains firmly on the agenda. Sixty five percent of SMEs are exploring merger or acquisition activity in 2026, up from 61% in Q4 2025, pointing to sustained appetite for growth through deals.

This mix suggests a combination of growth, consolidation and succession driven activity, rather than opportunistic deal making. Businesses appear focused on transactions that strengthen their position, improve efficiency or support longer term continuity.

Funding preferences reinforce this more deliberate approach. While high street banks remain the most preferred source (36%), a significant share of SMEs expect to use invoice finance (25%) and asset

based lending or asset finance (25%). This points to the growing use of blended funding, allowing businesses to progress deals while protecting day to day cashflow.

Taken together, this suggests that M&A is increasingly viewed as a considered way to support growth, where access to flexible funding enables businesses to act on opportunities without undermining operational stability.

Funding flexibility underpins strategic growth

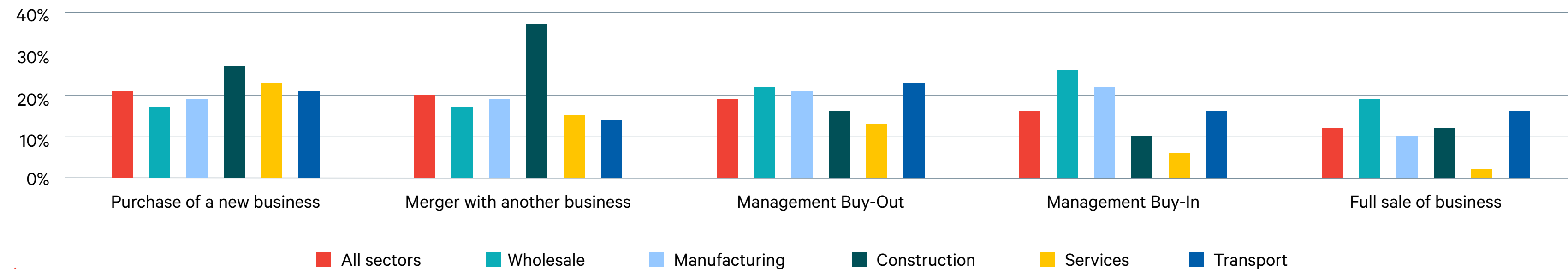
Across both international trade and M&A, a consistent pattern emerges. Growth ambition remains strong, but execution is more deliberate, with expansion increasingly shaped by timing, cashflow and delivery rather than scale alone. As a result, funding choices are playing a more central

role in enabling growth that can be sustained, helping businesses manage complexity, protect cashflow and maintain momentum in a more volatile environment.

This is evident in the transactions SMEs are considering:

- 21%** Purchase of a new business
- 20%** Merger with another business
- 19%** Management Buy-Outs, rebounding from 10% in the previous wave
- 16%** Management Buy-Ins

Types of transactions being considered (by sector)

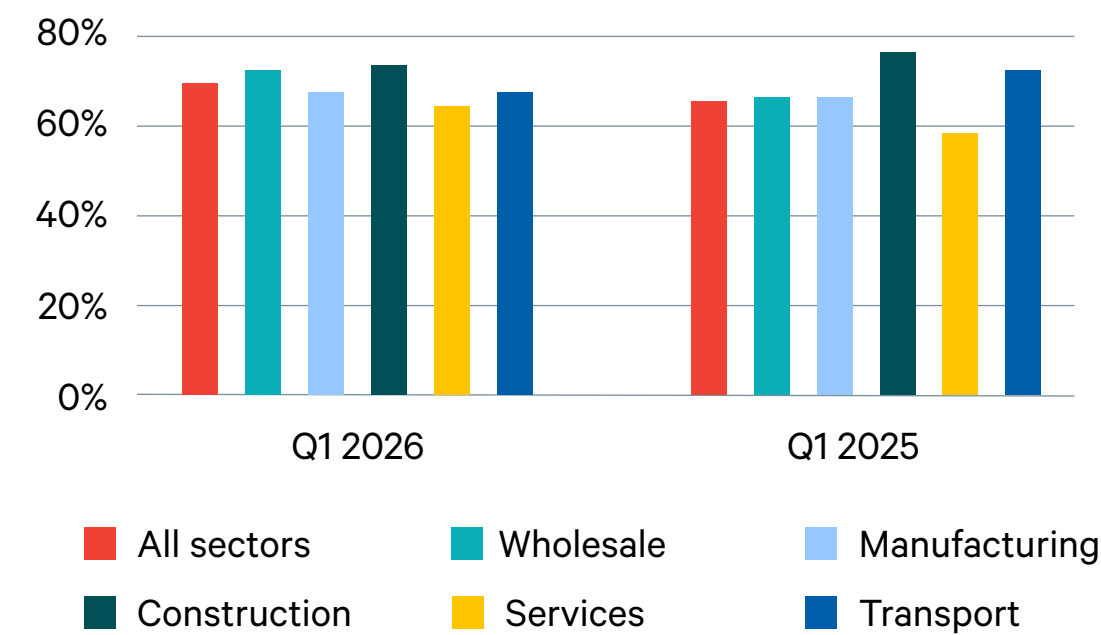


Late Payments & Bad Debt: The Control Agenda

Late payments are worsening and reshaping day to day decisions

Late payment pressure has increased since the previous wave. 69% of SMEs report that it is taking longer for customers to pay invoices, up from 62% in Q4 2025, confirming a clear deterioration in trading conditions. This directly affects how quickly businesses can respond, how much risk they are willing to take on, and how confidently they can plan ahead.

Deterioration in customer payment times (Q1 2026 vs Q1 2025)



The scale of unpaid invoices is significant. SMEs are now owed an average of €82,960, compared with €72,276 in the last wave. Exposure is highest in transport, followed by wholesale and construction - sectors where working capital pressure is most pronounced.

This experience is not evenly spread, with late payment issues most prevalent in construction (73%) and wholesale (72%).

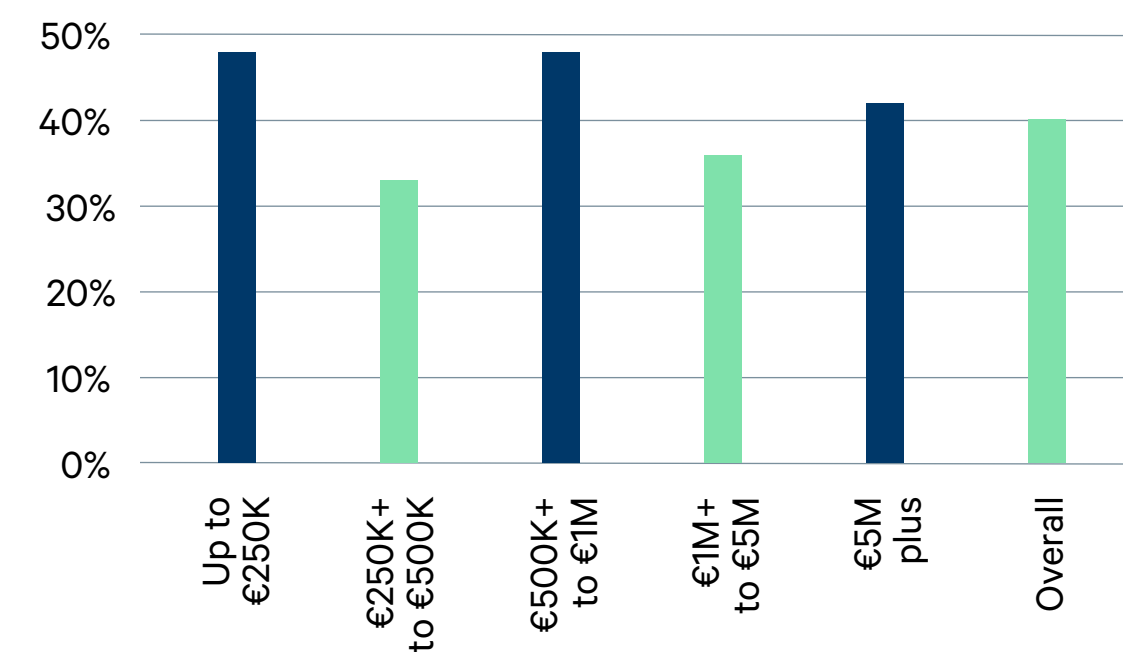
Bad debt continues to absorb margin headroom

Bad debt exposure remains elevated. 40% of SMEs report having experienced a bad debt in the past year, broadly unchanged from the previous wave, indicating that this remains a persistent feature of the trading environment rather than a short term spike.

On average, SMEs have written off €29,430 in bad debt over the past 12 months. Even where businesses remain profitable, the combined effect of late payments and bad debt continues to absorb margin headroom, limiting how easily growth can be funded. As a result, businesses are placing greater emphasis on financial control and resilience.

Wholesale firms are the most affected, with 50% reporting bad debt in the past year, aligning with higher levels of late payment pressure in the sector.

Bad debt impact by business size (Q1 2026)



Customer and supplier insolvencies add to operational uncertainty

Supply chain instability continues to add friction. Over the past six months:

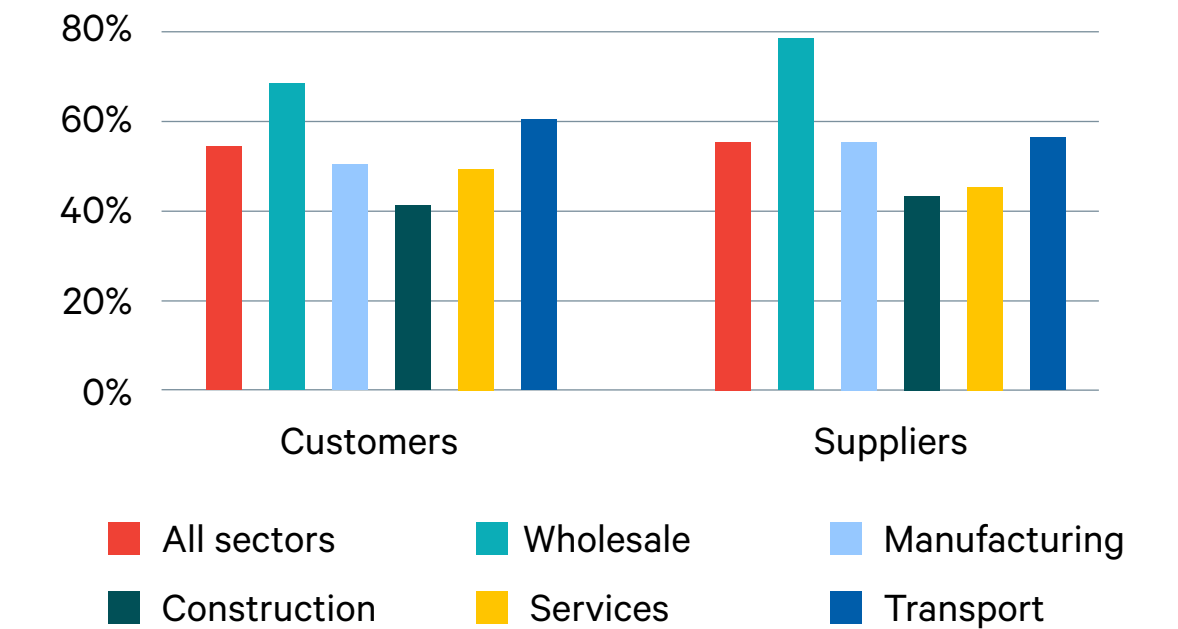
- 55%** of SMEs report a supplier becoming insolvent or ceasing to trade
- 54%** report a customer becoming insolvent or ceasing to trade

Exposure is higher among SMEs trading internationally, where insolvencies among both customers and suppliers are more commonly reported.

On average, SMEs report two suppliers and two customers becoming insolvent over the past six months, highlighting ongoing churn that can disrupt planning and place additional pressure on cashflow, even for otherwise stable businesses.

Taken together, these dynamics reinforce the role of working capital control as a foundation for resilience, as SMEs balance ongoing pressure with the need to plan and invest with confidence.

SMEs reporting customer and supplier insolvencies 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 11th and 21st March 2026.

About Bibby Financial Services

Bibby Financial Services is Ireland's largest independent SME funder. With 20 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.

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