



All-Island Business Monitor

Key Findings Report

Q2 2026

Foreword

InterTradelreland's quarterly All-Island Business Monitor is the largest and most comprehensive business survey on the island, capturing the views and experiences of business owners across both Northern Ireland (NI) and Ireland (IE).

This Q2 2026 Key Findings Report provides a timely snapshot of business conditions across the island during April to June 2026. The findings point to a business base that continues to demonstrate resilience, with more than a third of firms reporting growth, most remaining stable, and six in ten businesses reporting profitability.

At the same time, the results underline the pressures that are shaping day-to-day decisions for SMEs. Rising costs, particularly energy costs, continue to be a significant challenge, alongside wider overheads, staffing costs, recruitment difficulties and ongoing uncertainty in the external trading environment.

In this quarter's survey, we continued our focus on business challenges, with particular attention on energy costs and the actions firms are taking in response to rising costs. Businesses reported a range of approaches, including absorbing costs, passing some costs on to customers, and investing in energy efficiency.

With 16 years of data, the All-Island Business Monitor provides a valuable evidence base for tracking changes in business performance, profitability, sales, employment, recruitment, skills and emerging topical issues. This long-running perspective allows us to distinguish short-term fluctuations from more persistent trends affecting businesses across the island.

InterTradelreland will continue to monitor these issues throughout the year, providing timely, demographically representative insights to support evidence-based decision-making and inform future policy and business support.

Anne-Marie Murphy

Assistant Director of Strategy, InterTradelreland

Independent Economist Overview

There is still a sense of growth across the island this quarter, though growth that is continually being tested. Most firms are still growing or stable and six in ten are profitable, and that fits the wider picture: Ireland's underlying economy is still expanding at around 2.6% and Northern Ireland more slowly, with neither stalling. What has changed is that firms are moving forward against a much stronger headwind of cost, energy and geopolitical volatility. Energy remains the single biggest challenge, cited by almost half of firms (49%), and it is the instability as much as the level that matters: prices spiked and then partly retreated within a couple of quarters, which is very hard to plan around, and the island is unusually exposed given its reliance on imported fuel and high electricity prices.

The recent shock has been to costs and trading conditions, not demand. Cross-border traders and exporters are the most exposed to that external volatility, yet they remain the island's strongest performers on sales, hiring and investment; the exposure comes with being outward-facing. Across the base more widely, the same volatility shows up as a loss of visibility: the share of firms unsure of their profit margin has climbed to nearly one in two, from around one in ten in 2019, not distress but the fingerprint of a volatility shock, where costs, exchange rates and trade rules arguably move too often for firms to know where their margin will land.

The sector pattern reinforces this. The most cost and trade-exposed sectors, manufacturing above all, feel the strain most sharply, while more domestically insulated firms such as professional services remain relatively sheltered.

At the same time the labour market is softening. In Ireland, employment growth has slowed and unemployment has edged up to around 5%, while in Northern Ireland payrolled employment has recorded its first back-to-back monthly fall since 2020, with hiring losing momentum even as unemployment stays very low. The survey mirrors the easing: recruitment difficulty has fallen over the year. As the shortage of people eases, a more structural pressure takes its place, with the share of firms citing a lack of technology skills roughly doubling to 19%, alongside a growing number adopting or planning AI, which eases some routine labour demand while raising the premium on the skills to use it well.

For all of this, there are no significant signs of distress. The pressure firms report is one of uncertainty and cost, not collapsing demand. The one risk I would flag is that this carries a productivity cost if it persists: firms are prioritising financial resilience while innovation and automation sit at the very bottom of their plans, precisely the investments that build future competitiveness. Helping firms keep investing through an uncertain period is where the real economic value lies.

Maureen O'Reilly
Independent Economist

Business Performance

Businesses remain largely stable and continue to be resilient, but pressures remain.

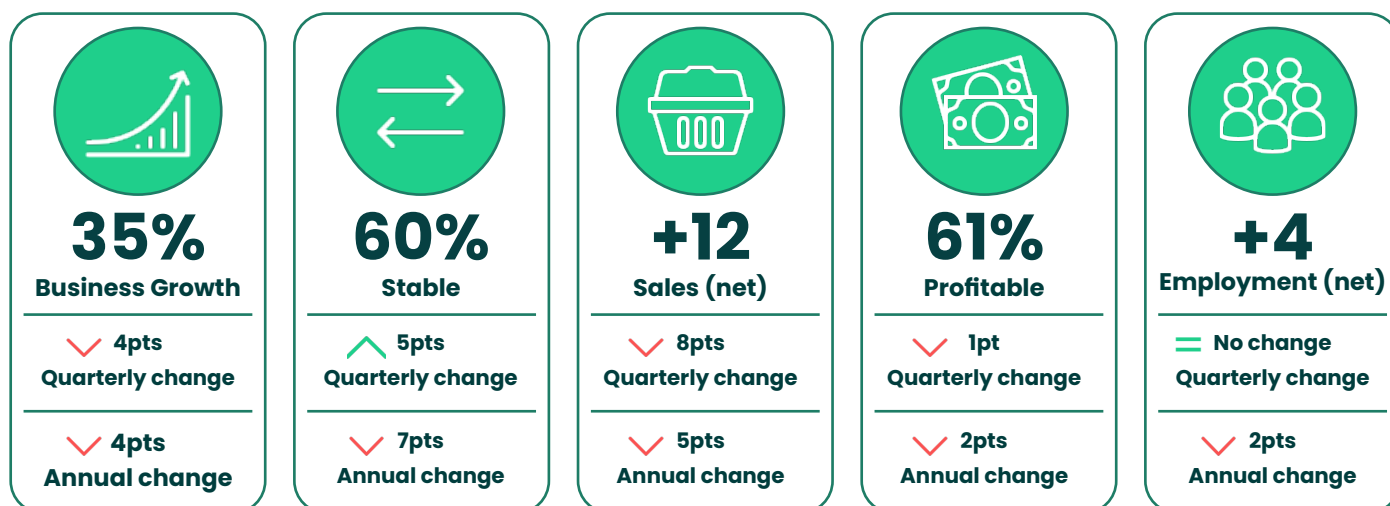
On the surface, the quarter looks reassuring: 35% of businesses are growing and a further 60% stable, 61% profitable and only 5% distressed, and firms remain positive about the months ahead, with 30% expecting sales to rise over the next six months against just 4% expecting a fall.

But the single-quarter headline understates a broader shift. On a four-quarter average basis, which strips out the noise of any one quarter, almost every key metric has edged down together: businesses in growth -4 points, recent sales -5, the sales outlook -2, profitability -2, recent employment -2 and hiring intentions -2.

Rather than any single measure weakening, most of the key metrics have drifted down together, even as the cost pressures that dominated 2022 onward come off their peaks (energy is still the number one issue, for about half of firms). The overall picture is a gentle, broad-based loss of momentum rather than a downturn, with some firms moving from "growth" (Q1 39% to Q2 35%) into "stable" (Q1 55% to Q2 60%). In short, 95% of firms are growing or holding steady, with only 5% reducing or winding down.

Business Performance Key Metrics

Current value, quarterly change and four-quarter (annual) average



Business Performance Future Forecast Metrics

Current value - quarterly & annual change



Business Performance: Size and Sector

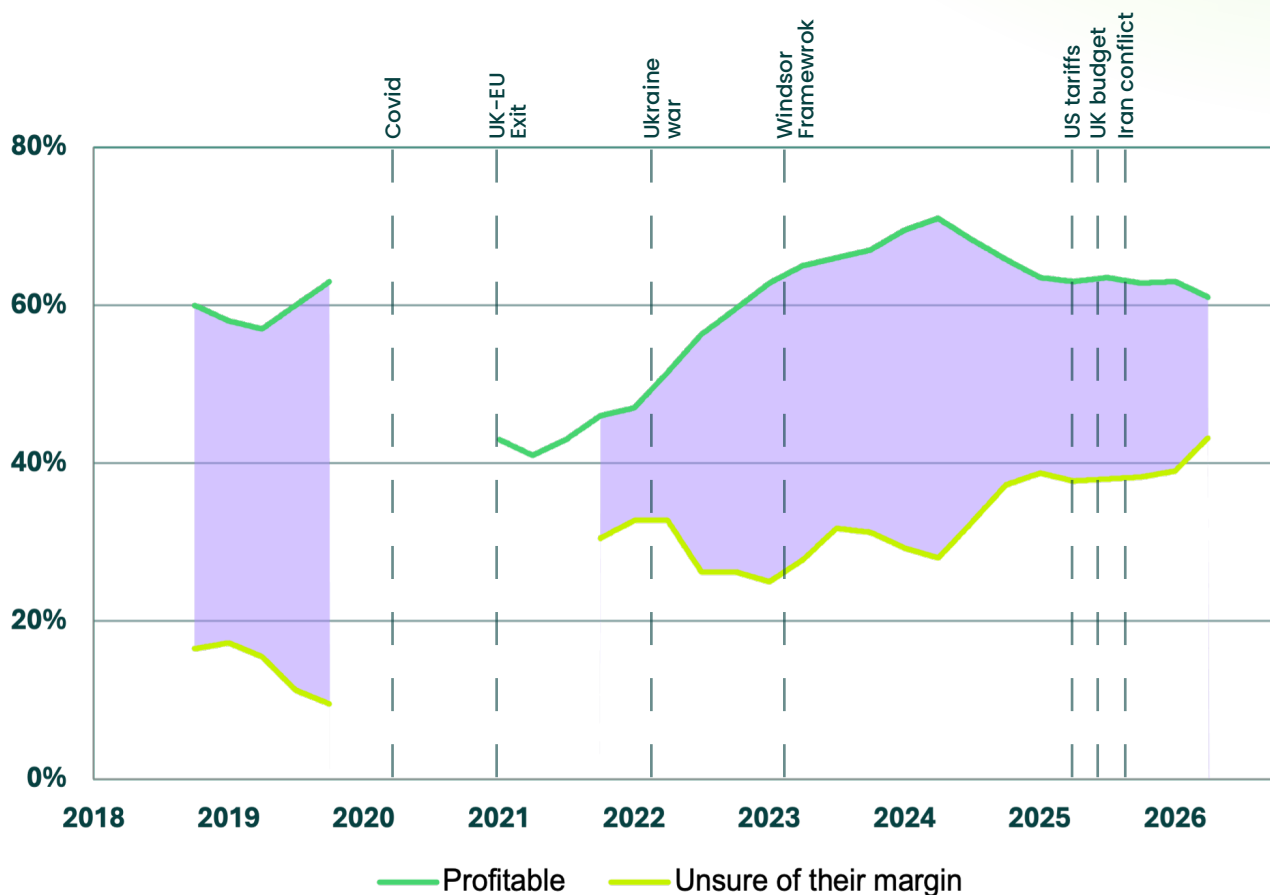
Performance varies notably by sector and business size with the Construction sector leading on growth, and retail/distribution under the most pressure. Businesses with 50+ and 10-49 employees are growing faster than micro businesses with 9 employees or fewer.

Business Performance (By Sector) Construction sector experiencing highest growth

	Growing	Stable	Under pressure
 Overall	35%	60%	5%
 Construcion	49%	47%	3%
 Retail, Distribution, Other	40%	51%	9%
 Manufacturing, Production	31%	68%	1%
 Professional Services	30%	64%	4%
 Leisure, Hotels, Catering	27%	69%	5%

Profit Margin Visibility

Profit margin visibility is becoming increasingly difficult



Profitability is holding at 61%, but it is shallow: only 8% of firms are “very” profitable and 23% merely broke even. The strain shows in how firms handle costs. Most are absorbing rising energy costs into their own margin (36%) rather than passing them on (29%), and the ability to pass costs on is very unevenly held: 44% of growth firms can raise prices, versus just 20% of non-growth firms. So much of the domestic base is absorbing costs it cannot recover, and it shows on the bottom line, with growth firms far more profitable (75%) than non-growth firms (54%).

On top of this, there has been a marked loss of profit margin visibility. This quarter 47% are unsure of their own profit margin, up sharply from around one in ten in 2019 (the question dates only from 2018, and the reading is volatile, having ranged from the low 30s to the high 40s over the past two years). Squeezed on costs and unable to read their own position clearly, firms are signalling that Q2 remains an uncertainty story rather than a demand one.

The Cross-Border Economy: The Island's Outward-Looking Growth Engine

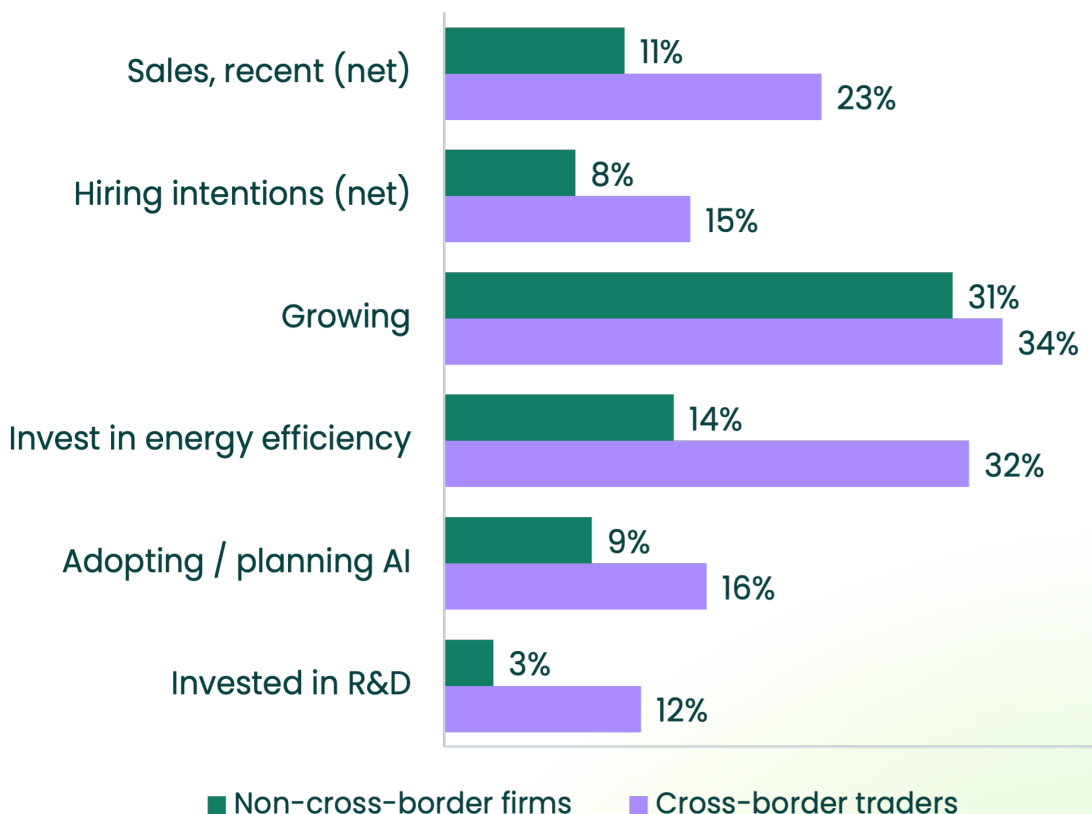
The businesses that trade across the border are the island's more outward-looking group, and clearly stronger than non-cross-border firms on the underlying (four-quarter) picture. They post far stronger recent sales (a +23 four-quarter net balance vs +11 for non-cross-border firms), stronger hiring intentions (+15 vs +8) and more growth (34% vs 31%).

They are also the most likely to invest in response to cost pressure: about a third (32%) put money into energy efficiency, against around 14% of non-cross-border firms, and they are the most likely to invest in capability, being more likely to have invested in R&D (12% vs 3%) and to be adopting or planning AI (16% vs 9%).

Their forward priorities are growth: expanding cross-border and securing new suppliers, not protecting cash. Because they are the most outward-facing, they also carry more exposure to global political and economic volatility, as tariffs, supply chains and shifting trade arrangements weigh more on internationally trading firms than on the domestic base. This is a challenge shared across all exporters, not something specific to cross-border trade, and it is the case for continued support for the firms that drive the island's growth and investment.

On profitability, cross-border traders have long been more likely to be in profit and, on the four-quarter view, still are, though that lead has narrowed as global pressures weigh on all outward-facing firms.

Cross-border traders invest and grow more



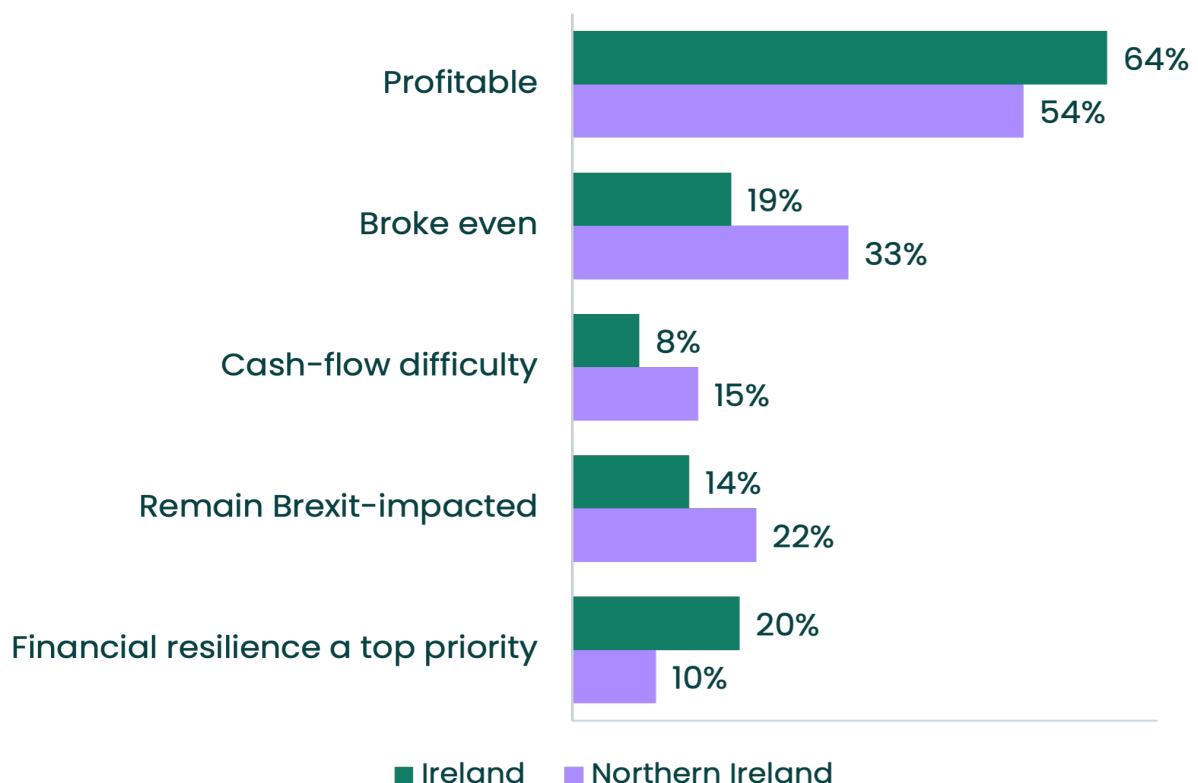
Two Parts Of The Island: Same Headline, Different Pressures

This quarter Northern Ireland and Ireland look alike at the top line, with growth of 35% and 34%, but the composition differs.

Northern Ireland is the more squeezed: fewer NI firms are profitable (54% vs 64% in IE) and 33% merely broke even over the past year, against 19% in Ireland, with more cash-flow stress (15% vs 8%) and heavier Brexit exposure (22% remain impacted vs 14% in Ireland. GB supplier loss is similar in NI and IE (8% vs 6%) however is more concentrated in cross-border and manufacturing firms.

Ireland carries more uncertainty pressures, with more firms unsure of their margin, and it leans more to protecting the balance sheet (financial resilience a top priority for 20% vs 10% in NI). NI, by contrast, is the more active responder, more likely to invest in energy efficiency and renewables, tech and cross-border growth. In short, NI is squeezed but adaptive, while Ireland is more profitable but more cautious.

Same headline growth, different pressures



Key Challenges Facing Business

Businesses face a range of cost and operating pressures, and were asked which weigh on them most. Energy remains the single biggest challenge, though the intensity of these pressures eased across the board this quarter.



Rising energy costs

49%



Rising wages/
staffing costs

26%



Rising cost of other
overheads

24%



Tariffs and trade
uncertainty

7%



Difficulties
recruiting
people

19%



Difficulties
recruiting
skills

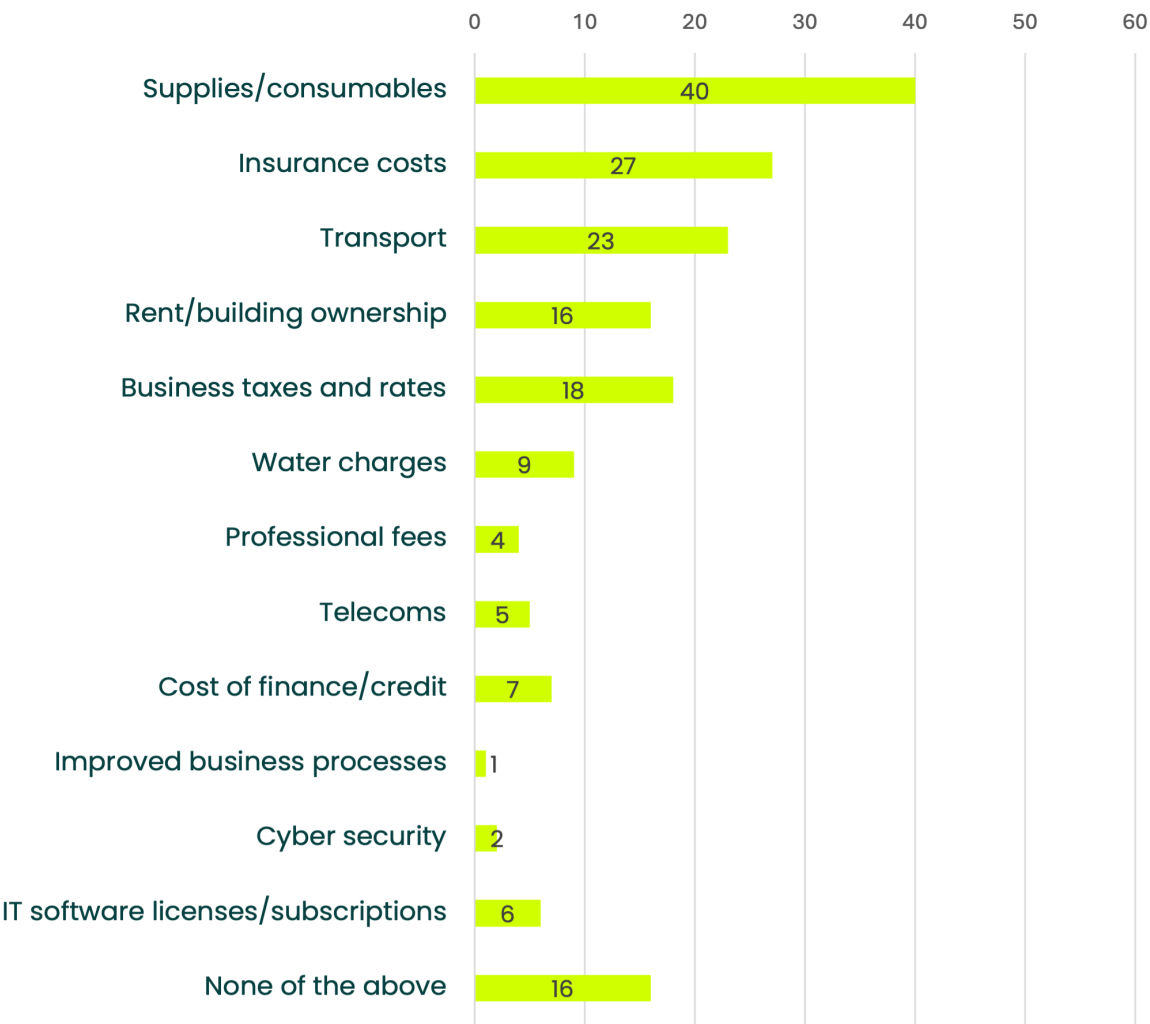
13%



Geopolitical
conflict

6%

For those citing the cost of other overheads, the main concerns are:



The single-quarter movement is a simultaneous easing and cooling. Cost pressures eased further from their 2022 peaks, though they remain elevated, with energy still the number one issue for about half of firms: energy as an issue fell from 56% to 49%, wages from 31% to 26% and other overheads from 32% to 24%, and the share saying these issues are damaging their growth dropped from 31% to 23%.

The acute external threats that defined Q1, a Middle East oil-price scare and chaotic tariff news, had receded or settled into a known baseline by Q2 (though oil flared again around 8 July). You can see the relief directly in the survey: cost pressures eased across the board. But growth momentum came off at the same time.

SURVEY METRIC	Q1 2026	Q2 2026	Direction
Energy an issue	56%	49%	↘ easing
Wages an issue	31%	26%	↘ easing
Other overheads an issue	32%	24%	↘ easing
Issues hitting growth (some/large)	31%	23%	↘ easing

A Focus On Energy Costs



Electricity
87%
^ 1pt vs Q1



Gas
33%
v 1pt vs Q1



Fuel
32%
v 26pts vs Q1

Electricity continues as the main driver of energy cost pressures. While the percentage of businesses citing electricity and gas as the main cost pressure remained static this quarter, there was a shift in the proportion of businesses citing fuel price concerns down to 32% against 58% in Q1.

This shows how quickly external concerns can feed through to business sentiment. With June and July quieter on the Iran front, prices stabilising or not yet passed on, and some supports in place for business (such as excise relief in Ireland), the pressure eased almost as soon as it had built.

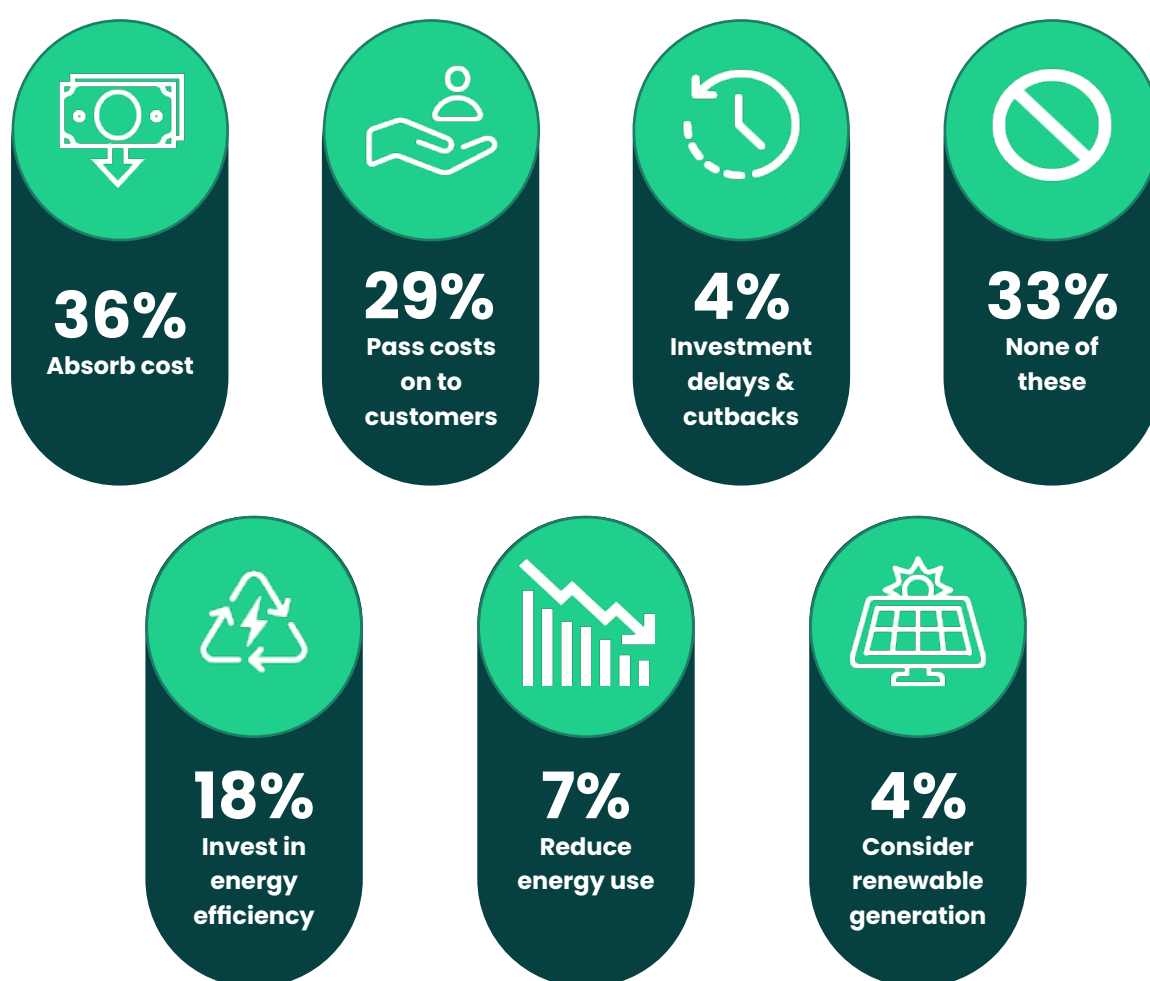
There remain sectoral differences:

- Leisure / Hotels / Catering: more impacted by electricity (98%) and gas (58%) costs
- Construction: 54% of companies continue to be impacted by fuel costs

How Are Businesses Responding To Energy Costs

Firms were asked how they are responding to rising energy costs. The overall picture is a reactive one, with most absorbing the cost or passing it on rather than investing to reduce how much energy they use.

How businesses are responding to energy costs



Overall: mostly reactive. 36% are absorbing the cost into margin, 29% passing it on to customers, and a third (33%) doing none of the listed actions. Just 18% are investing in energy efficiency and 4% in renewables, so the typical firm takes the hit rather than structurally cutting energy use.

Standouts: Manufacturing is the most active sector (passing on 35%, efficiency 29%, renewables 10%); Leisure the biggest absorber (45%); Construction the least engaged (41% "none"). Cross-border sellers and exporters are far more likely to invest in efficiency (32% and 31% respectively, vs ~14% of non-cross-border firms). Growth firms have pricing power: 44% pass costs on, versus 20% of non-growth firms. (IE leans to absorbing; NI to efficiency/renewables.)

Future Opportunities and Challenges

This is one of the more revealing questions in the survey. Only about half of businesses (52%) are planning any of these actions at all, and the other half are not actively preparing. Among those who are, the single most-cited priority is adopting AI tools (20%), followed by building financial resilience (17%), then productivity technology and energy-cost measures (12% each) and retaining staff (9%). Beyond those, everything sits in the low single digits.

Single most important action over the next 12 months	% ranking it top
Adopt AI tools to support operations	20%
Build financial resilience	17%
Invest in technology / automation for productivity	12%
Invest in measures to reduce energy costs	12%
Retain key employees and skills	9%
Develop / diversify with new products or services	6%
Automation to reduce reliance on labour / address skills	5%
Expand into the cross-border market	5%
Find alternative suppliers (local market)	4%
Invest in cyber security / data protection	4%
Reduce carbon emissions / sustainability	2%
Find alternative suppliers across the border	1%
Research, innovation or product development	1%

A telling story is what firms are not prioritising. The investments that build long-term competitiveness sit at the very bottom of the list: research, innovation or product development is the top priority for just 1%, diversifying into new products or services 6%, and using automation to reduce reliance on labour or address the skills shortage only 5%, even though skills is a live problem. Cyber security (4%) and sustainability (2%) barely register. Overall, firms are preparing to weather conditions rather than to grow through them, and the capabilities that drive future productivity are precisely the ones being deferred.

Among existing cross-border traders, growth across the border remains a live ambition, with a further 12% looking to expand into the cross-border market.

Non-cross-border and non-growth firms put financial resilience first (22% to 24%) while cross-border traders favouring cross-border expansion and new suppliers instead. By sector, Manufacturing leads on energy measures (23%), Professional services on AI (31%) and financial resilience (29%), Leisure on retaining staff (19%) and diversifying (17%).

Action	Already doing	Plan to (next 12m)
Adopt AI tools	12%	10%
Build financial resilience	19%	4%
Invest in tech to lift productivity	12%	8%
Energy cost reduction	11%	7%
Invest in / retain staff	16%	3%
Diversify products / services	6%	4%
Invest in tech to cut labour reliance	8%	7%
R&D / product development	5%	2%

Sector Stories:

Five Very Different Sectors



Manufacturing / production

The most pressured and most trade-exposed sector, and despite all the effort the least profitable (50%). Only 31% describe themselves as in growth, but sales expectations are strong (+35) and hiring intent the highest of any sector (+19), even after recent cuts. It carries the widest range of above-average concerns: energy (62%), wages (42%), recruitment difficulty (37%) and tariffs (15%, the highest). It is the most active on energy (passing costs on 35%, investing in efficiency 29%, considering renewables 10%), and the most Brexit-exposed: 25% still impacted, most affected on import/export and certification, and the most likely to have lost a GB supplier (15%). Looking forward, it prioritises reducing energy costs (23%) and finding alternative suppliers (17%).



Construction

The busiest and most confident sector, with the highest share in growth (49%), the strongest recent sales (+24), the most optimistic outlook (+39) and solid profitability (65%). But it is cash-flow strained, with the highest incidence of late payments (17%), and it is hit hardest of all on labour: the most recruitment difficulty of any sector, with 22% struggling to recruit for all jobs, and the most difficulty finding the right skills (20%). It is the least engaged on energy (41% doing none of the listed actions) and among the least Brexit-affected (19%). Looking forward, it leans to technology and productivity (21%).



Professional services

The insulated, high-margin sector, the most profitable of all (72%), the least troubled by costs (energy 37%, wages 13%, cash flow 4%) or skills, and the least affected by Brexit (just 5% impacted). Growth is steady rather than spectacular (30% in growth; sales +11). It is the most forward-leaning on capability: the top sector for prioritising AI (31%), building financial resilience (29%) and cyber security.



Leisure, hotels and catering

The strongest recent employment growth of any sector (+12), though it is not planning to add more (hiring intent -1 for the next six months). Low-margin (~54% profitable) and squeezed on wages (35%) and energy (electricity critical for 98%, gas for 58%); it is the sector most likely to simply absorb energy costs into margin (45%). Only 27% describe themselves as in growth, the lowest of any sector; its sales outlook is modest (+13), and it is least affected by Brexit (9%). Looking forward, it focuses on retaining staff (19%) and diversifying its offer (17%).



Retail, distribution and other

The sector sends mixed signals. 40% describe themselves as in growth, and its sales outlook is among the firmest (+24) with modestly positive hiring intent (+5), yet current momentum is the weakest of any sector, with the lowest recent sales (+6) and a small dip in recent jobs (-1). It has the highest concern about falling demand (12%) and is the most Brexit-affected sector of all (31% still impacted; import/export 20%, supply chain 17%). Even so, it is notably outward-looking in its plans, the keenest on expanding into the cross-border market (13%) and among the highest on adopting AI (21%).

Recruitment and Skills

Recruitment and skills remain a live pressure for business, though the nature of that pressure is shifting. Overall difficulty has eased over the past year, but the challenge is moving from a shortage of people towards a shortage of the right skills, technology and digital skills in particular.



Recruitment is hardest in manufacturing (around 40% of recruiting firms report difficulty) and construction (38%), both well above the 28% all-island average; retail is lowest (18%).

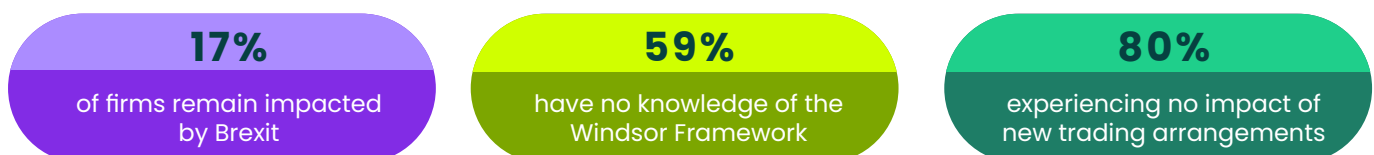
Recruitment difficulty rises with firm size (27% of the smallest to 34% of firms with 50+ staff), and larger firms are also the keenest hirers (net intentions +7 among the smallest, +19 among 50+ staff).

The nature of recruitment is shifting from quantity to type: among firms with difficulty, most still cite too few people available (60%), while a growing share point to a lack of technology skills (19%, up from around 10% a year ago).

UK EU Exit & Windsor Framework

Brexit has settled from a broad, system-wide pressure into a concentrated one. Most firms now report little or no ongoing impact from the UK's exit from the EU or from the Windsor Framework, the arrangement that governs Northern Ireland's post-Brexit trading position. Where impact does remain, it falls mainly on the more trade-exposed firms, as set out below.

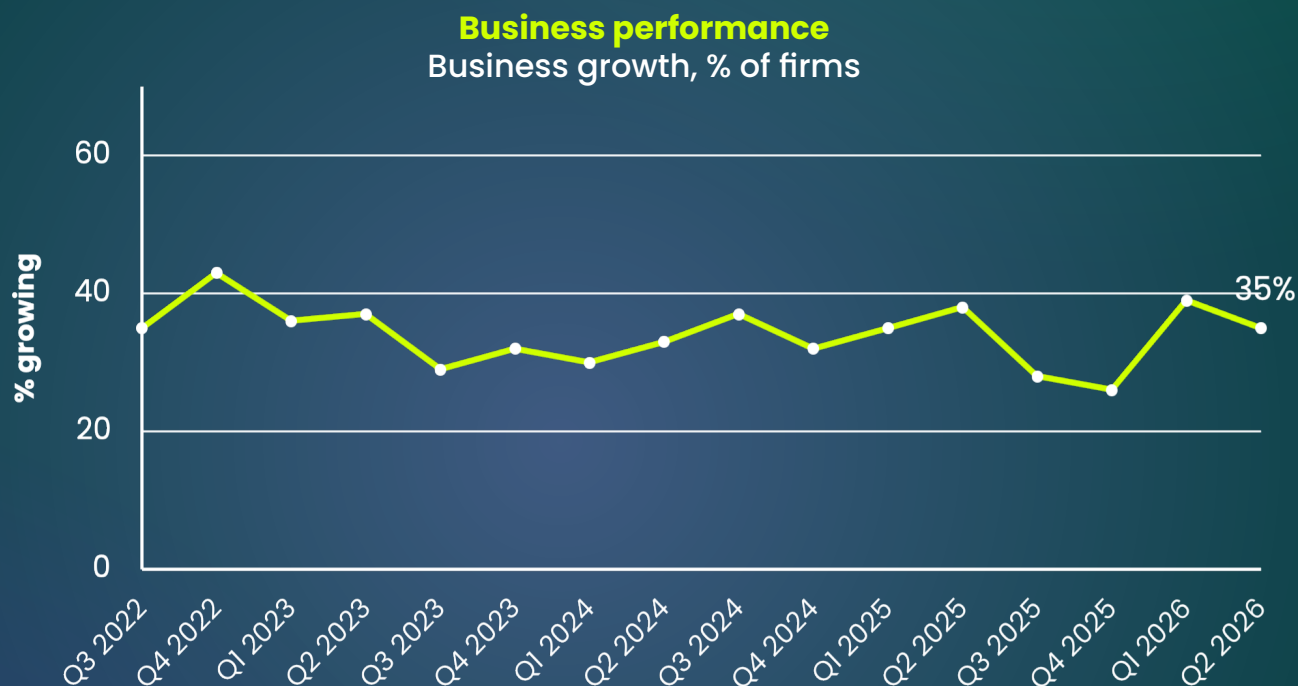
Impact is now concentrated, heavier for cross-border, exporters, manufacturing and retail



- 17% of firms say they remain impacted by Brexit. Looking specifically at the new trading arrangements, 80% report no impact, with the rest affected mainly through imports/exports, supply chains or certification requirements.
- NI firms are more likely to remain affected (22% vs 14% in IE) and are much more engaged with the Windsor Framework, with only 37% reporting no knowledge of it against 69% in IE.
- The effects are practical and specific for firms affected: 12% cite an impact on import/export activity, 9% on supply chains and 6% on certification, concentrated among exporters, cross-border traders, manufacturing and retail.

Longitudinal Charts: Key Metrics

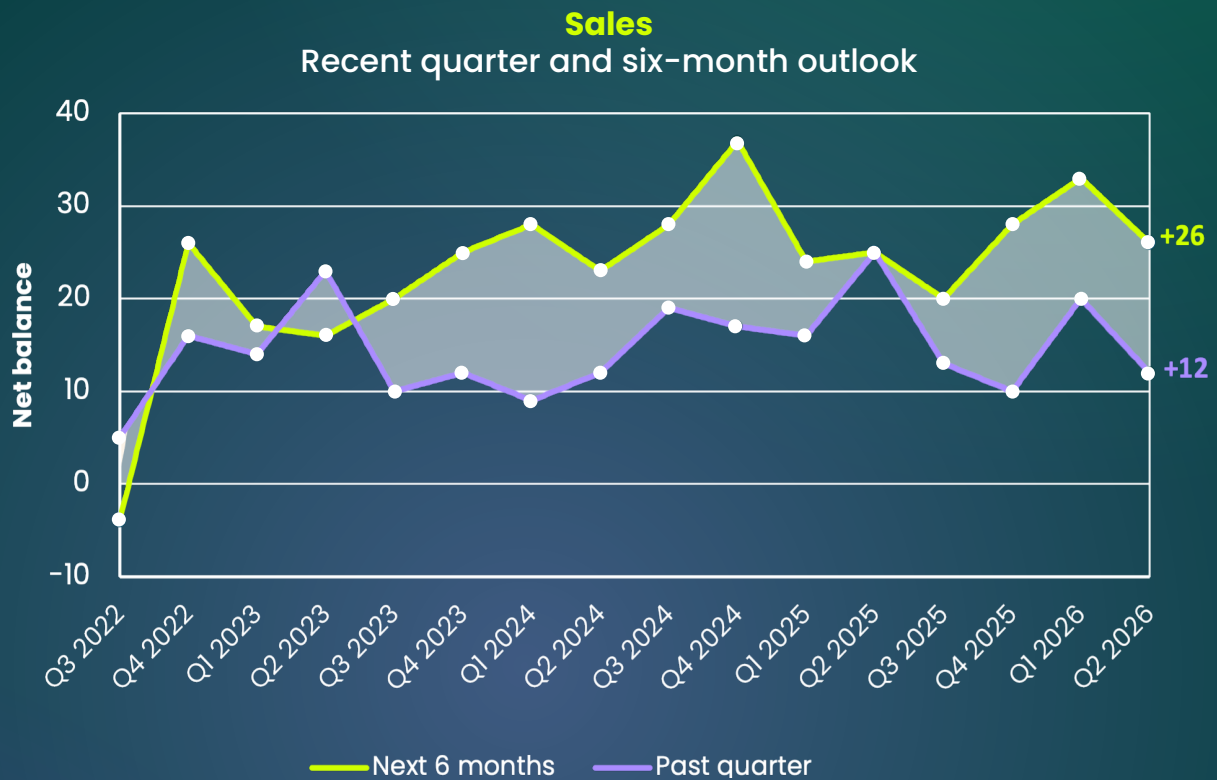
The charts below track the survey's headline measures on a common quarterly basis since 2022. Sales and employment show both the recent quarter and the six-month outlook on a single chart.



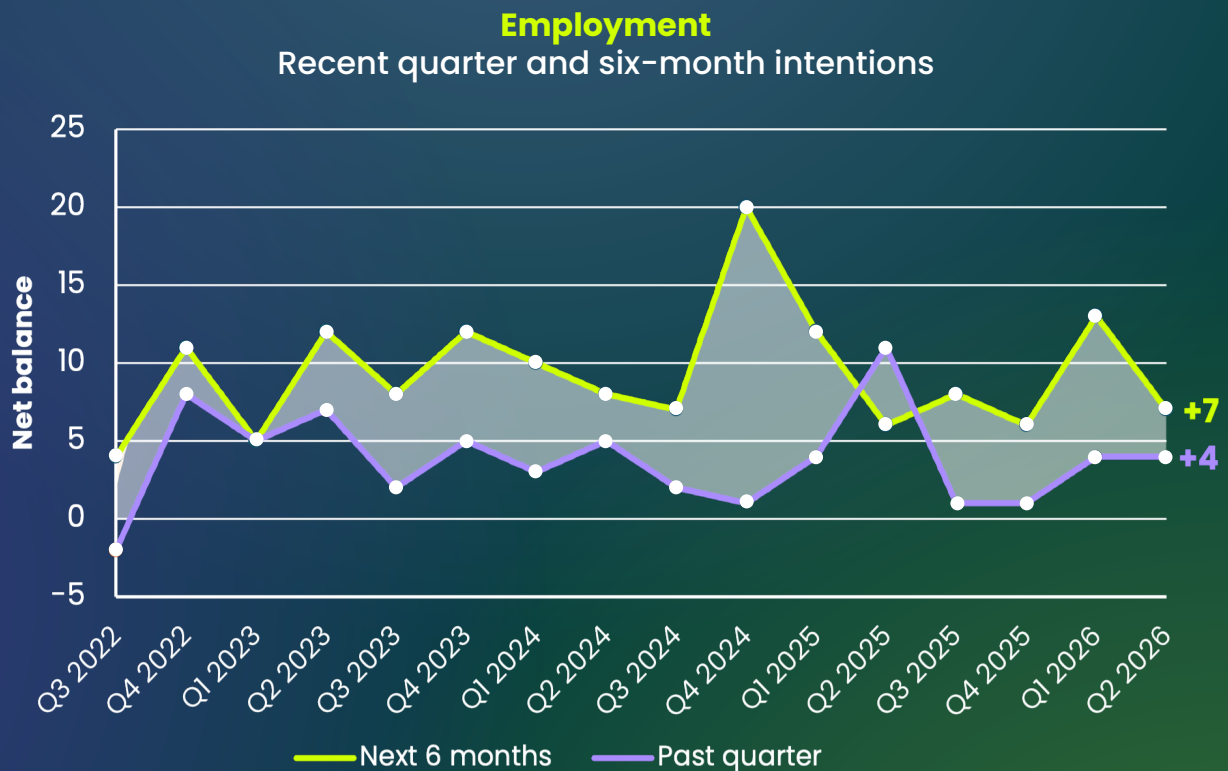
The share of firms in growth has moved within a fairly narrow band since 2022, mostly in the low-to-high 30s, and stands at 35% this quarter.



Profitability has held broadly steady across the period, in the low 60s to low 70s, and sits at 61% this quarter.



Firms have consistently expected stronger sales over the coming six months than they have gone on to report. Both remain positive, with the outlook at a net +26 and realised sales at +12.



Employment has stayed modestly positive throughout, with hiring intentions holding a little above recent change. The past quarter reads a net +4 and intentions for the next six months +7.

Summary Of Q2 2026 Findings

STEADY ON THE SURFACE, COOLING UNDERNEATH

Taken together, Q2 2026 shows a business base that is holding up rather than pulling back. Growth, sales, profitability and hiring are all still in positive territory, but each has eased a little over the year, and the strain firms describe is one of cost and uncertainty rather than falling demand. Cost pressures came off their recent peaks this quarter, yet firms are consolidating and protecting themselves rather than investing to grow through the uncertainty. The main points are set out below.

- Resilient but cooling: 35% are growing and most of the rest stable, yet on the four-quarter view growth, sales, profitability and hiring are all edging downwards. It is an uncertainty story, not one of business distress.
- 47% of firms are unsure of their own profit margin, influenced by cost volatility, external pressures and uncertainty.
- Cross-border firms clearly outperform domestically focused firms and are among the most ambitious, yet face some of the toughest external conditions, putting pressure on their profitability.
- The two headline forward priorities are AI, rising but still early-stage intent, and building financial resilience, while deeper capabilities such as R&D and diversification sit at the bottom.
- The majority of firms are consolidating rather than prioritising growth.

METHODOLOGY

The InterTradeIreland All Island Business Monitor is a business sentiment survey that has run for over 16 years, is unique in scope, scale and regularity and has helped to fill a void in All-Island economic intelligence.

The original objectives of the AIBM survey are still relevant today: to act as a topical indicator of business confidence, cross-border trade and business activity across the island of Ireland; and to act as an evidence base on a variety of themes of interest to business and policy makers, themes on which InterTradeIreland can build future initiatives.

Circa 750 telephone interviews are conducted with businesses across the island each quarter. The sample is structured to allow sub-analysis by location, sector, size, and export/cross-border activity and data is weighted by size and region to be representative of the number of enterprises.