

All-Island Business Monitor

Key Findings Report

Q3 2025

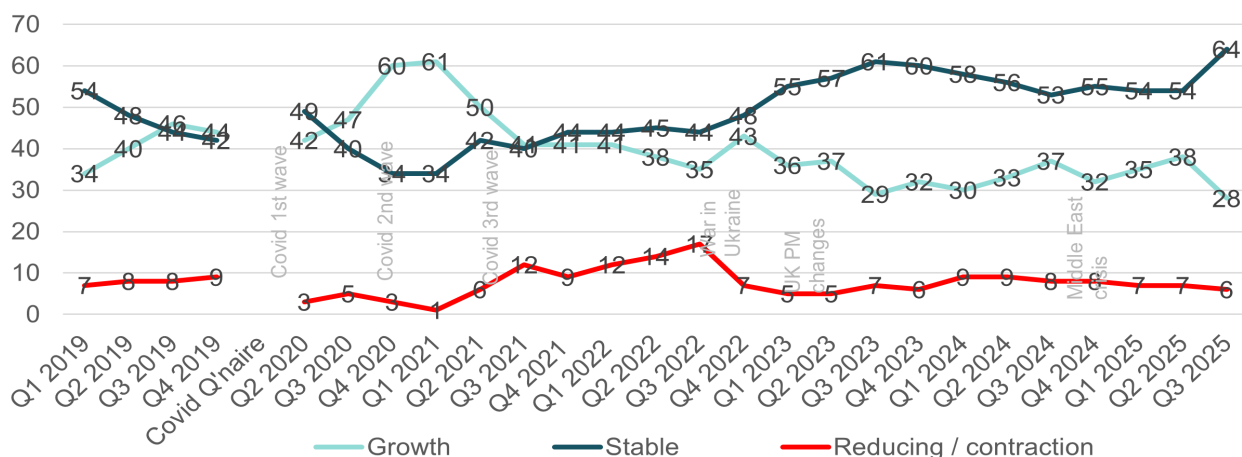
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Business Performance

In Q3 2025 almost two thirds of all businesses (64%) report they are stable. 28% are growing. This is the lowest percentage of companies reporting growth since Q1 2018 and down from 38% recorded in Q2 2025.

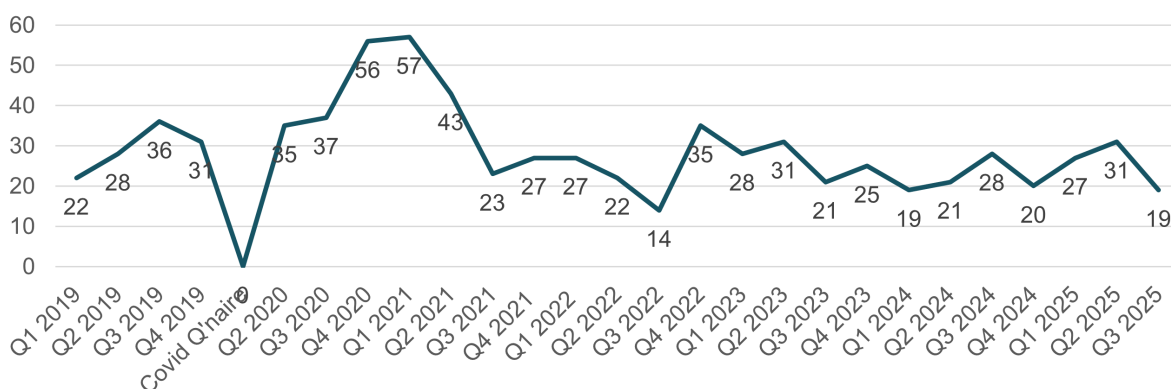
6% of businesses surveyed reported they are contracting, similar to 7% last quarter and slightly down from 8% in Q3 last year.

Business Position 2019 - 2025



The balance of firms growing is down to +19% from +31% in Q2 2025, +27% in Q1 2025 and similar to +20% in Q3 2024. This is the lowest net growth balance since the beginning of 2024.

Net Balance: Growth vs. Contraction 2019 - 2025

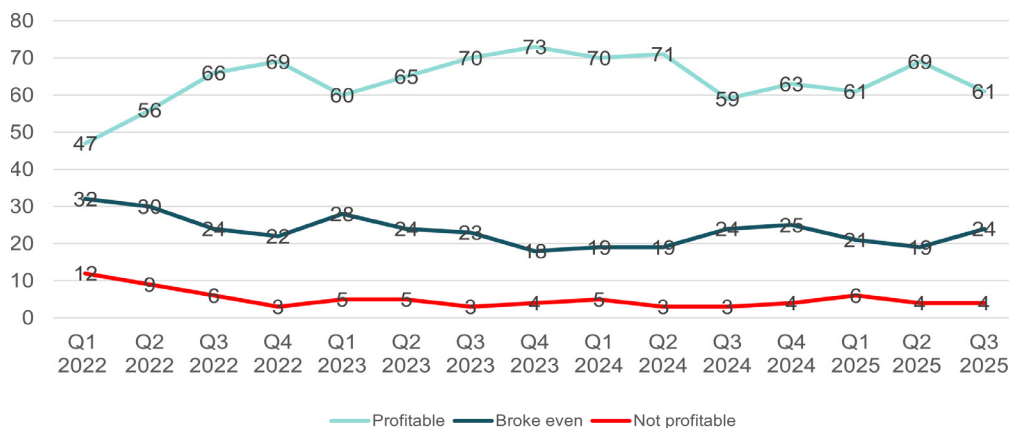


Profitability

3 in 5 businesses (61%) report they are profitable in Q3 2025, down from 69% quarter on quarter and similar to 59% in Q3 2024.

A quarter (24%) report they have broken even (up from a fifth last quarter and the same percentage that reported 'broke even' in Q3 2024). 4% have experienced a loss (the same as last quarter and similar to 3% in Q3 2024). The remaining businesses answered 'don't know' when asked about profitability.

Business Profitability 2019 - 2025



In terms of margins, profitability has softened, with firms shifting toward break-even and uncertainty rising. The percentage of businesses reporting profits of over 10% has narrowed to 22% from 32% last quarter.

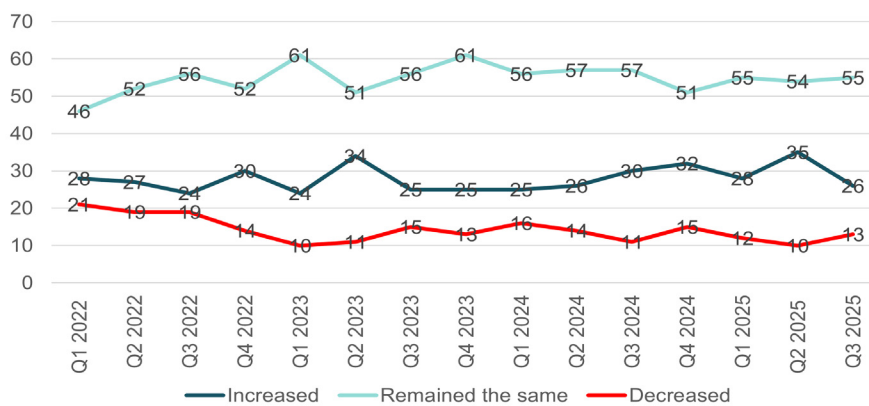
- Quarter on quarter: Overall profitability down 8 pts, mainly from fewer “quite profitable” firms (–6 pts); break-even up 5 pts.
- Year-on-year: Profitable firms up 2 pts, but lower-margin bands (5–10%) down 5 pts, showing squeeze on smaller margins.
- Based on 4-quarter average: Profitable firms fell almost 5 pts (68.3% → 63.5%); break-even rose just over 2pts (20% → 22.3%); firms with 10%+ margins steady at 29%.
- Uncertainty increasing: “Not sure” on profitability up 3 pts; on margins +5.5 pts.
- Segmentation: Larger and trading firms remain steadier on profits, while smaller, domestic, and consumer-facing sectors show the greatest margin strain.

Sales

Short-term sales growth has cooled, but underlying stability holds across most segments, particularly large and export-orientated businesses.

A quarter of businesses (26%) reported increased sales. This is down from a third who reported increased sales (35%) last time and three in 10 (30%) who reported increased sales for the same period in 2024.

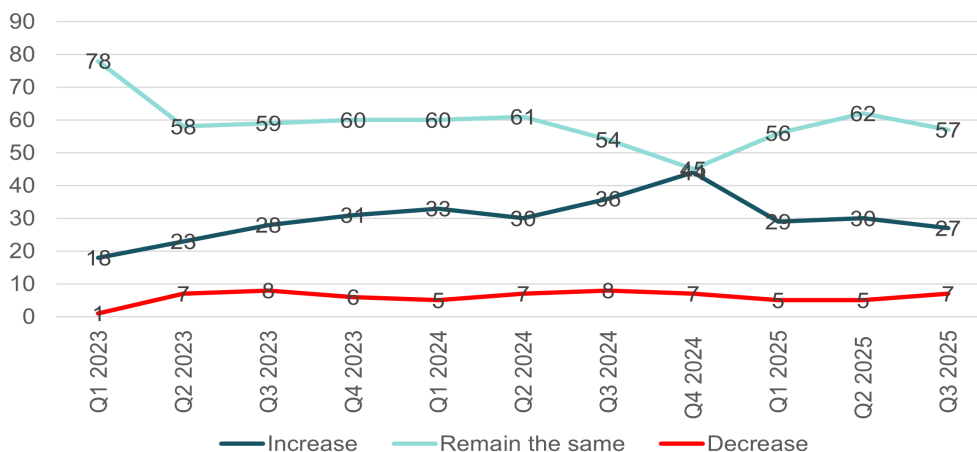
55% report stable sales, consistent with the longer-term trend. 13% report falling sales, slightly up on the 10% who reported a drop in sales last quarter and the 11% who reported decreased sales for the same period in 2024.



*Answer option 'not sure' also available

While a quarter of firms reported increased sales, anticipation for the next six months has softened, with most expecting conditions to remain stable rather than improve. Only 27% anticipate growth, and a majority expect sales to hold steady, with uncertainty also rising.

**Looking ahead to the next 6 months,
do you expect your sales to increase, decrease or remain the same?**



*Answer option 'not sure' also available

Business Challenges

The top business issues reported this quarter were:



Rising energy costs
62% reported this as an issue
(60% last quarter and 49% in the
same time period last year)



**Rising costs of other overheads,
such as wages and insurance costs**
51% reported this as an issue
(56% last quarter and 54% in the same
time period last year)



Difficulties recruiting people
Reported by 29% of businesses
(30% last quarter
and 21% in the same time
period last year)



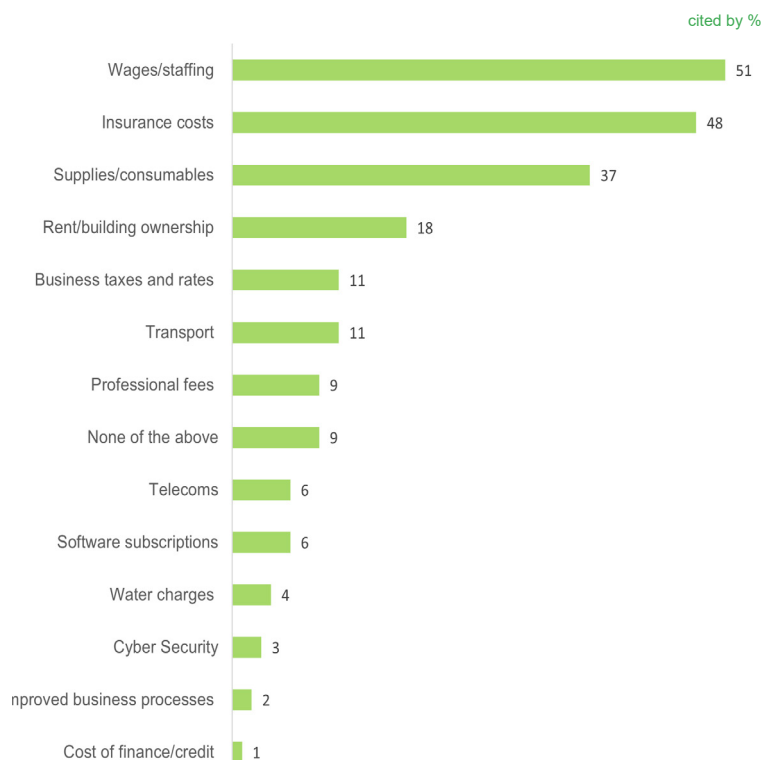
**Global politics and
trade uncertainty**
20% reported this as an issue
(30% last quarter and 33% in Q1
2025*.)



Reduction in demand
20% reported this as an issue
(17% last quarter
and 20% in the same time
period last year)

Staff costs, insurance costs and supplies costs are still the main 'other overheads' of concern.

'Other overhead' cost challenges



* option was not available in the same time period last year

Staffing levels remain largely stable, with 85% reporting no changes to their staff count over the past quarter. Hiring intentions are limited, with only 10% of businesses intending to increase their employee numbers in the next six months, indicating a pause in recruitment rather than active expansion. With only 2% expecting any decrease in staff numbers in the next six months, employment is steady.

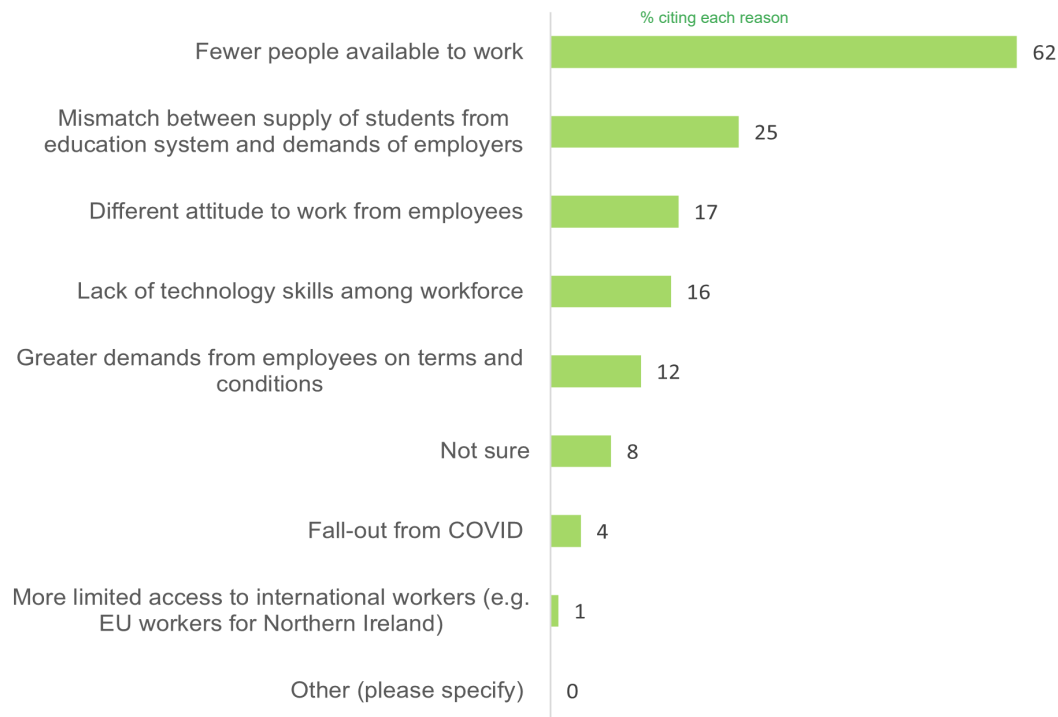
However, AIBM data has indicated that businesses are dealing with persistent issues accessing talent. Since Q2 2024 the questionnaire has included a section asking specifically about accessing people and skills.



2 in 5 (39%) of those who have tried to recruit in the last two years are struggling to find the right skills for their business.

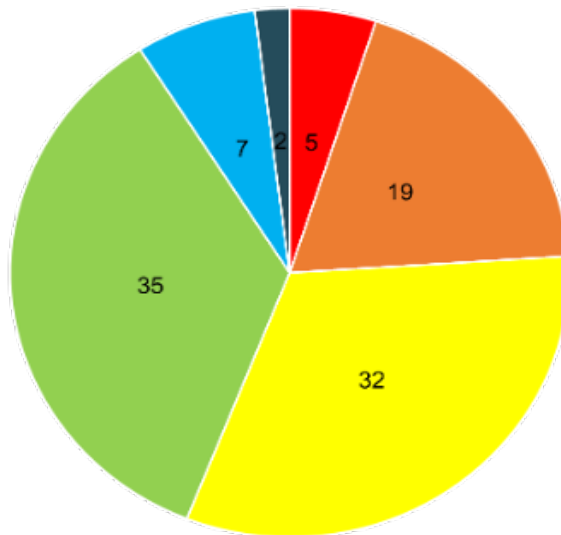
In an open-ended question, we asked businesses why they think the difficulties exist.

Fewer people available to work’ remains the main reason businesses cite for recruitment difficulties. Other factors also contribute, including gaps in technology skills, which 16% of firms now identify as an issue – up from last quarter. Fewer businesses this quarter point to attitudinal changes among employees, although this remains a notable factor. A consistent proportion continue to highlight a mismatch between the skills emerging from the education system and those required by employers.



In Q3 2025 over half (56%) of businesses told us that the challenges they are facing right now are impacting their growth.

Percentage reporting impact of issues on growth



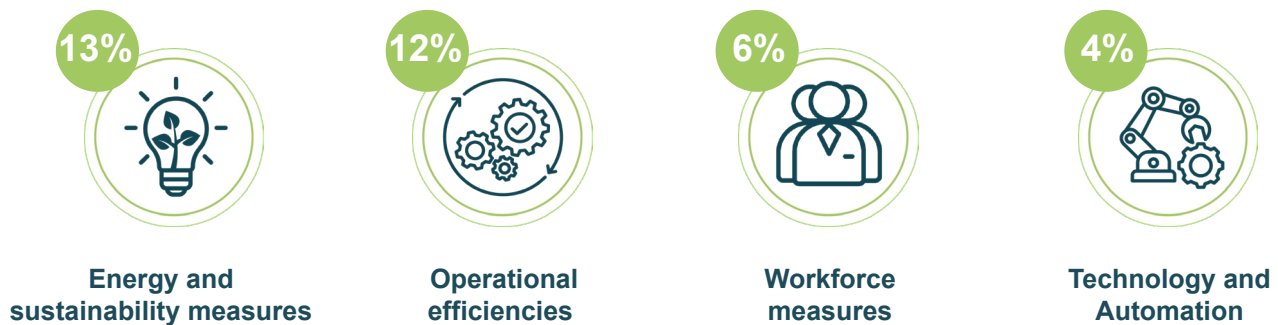
■ To a large extent ■ To some extent ■ To a little extent ■ Not at all ■ Not trying to grow ■ Not sure



Cost cutting actions

Despite these extensive cost increases, 70% of businesses said they have not taken any cost-saving actions during this period.

Among the 30% that have taken action, the most common measures relate to energy and operational efficiency.



Other types of actions in the 'cost-cutting approach' categories:

- Property and facilities changes (e.g. downsizing premises, renegotiating leases, adopting hybrid/remote working).
- Procurement and supplier management (e.g. renegotiating contracts, switching suppliers, joint purchasing).
- Product or service adjustments (e.g. rationalising offerings, changing pricing, delaying launches).
- Energy and sustainability measures (e.g. reducing consumption, switching providers, investing in efficiency).
- Financial restructuring (e.g. refinancing debt, adjusting capital plans, managing cashflow more tightly).
- Revenue diversification or asset monetisation (e.g. leasing unused assets, launching new revenue streams, shifting sales models).
- Staff-led innovation or internal ideas (e.g. encouraging employee suggestions or internal cost-saving competitions).

Details of the percentage of businesses taking each cost-saving approach are displayed in the table below.

A17 Which, if any, of the following cost-saving approaches have you undertaken in your business in the last 6 months?	All	Sector					Size		
	Overall Base: 762/762	Manufacturing/ production Base: 152/156	Construction Base: 100/121	Professional services Base: 204/238	Leisure, hotels, catering Base: 153/106	Retail, distribution, other services Base: 153/162	Up to 10 Base: 349/667	11 to 49 Base: 310/66	50 or more Base: 103/10
Workforce measures	6%	5%	3%	1%	17%	11%	6%	11%	10%
Operational efficiencies	12%	13%	10%	10%	9%	14%	11%	14%	14%
Technology and automation	4%	8%	2%	4%	0%	2%	3%	5%	8%
Property and facilities changes	2%	0%	1%	1%	3%	4%	2%	1%	-
Procurement and supplier management	3%	2%	2%	4%	5%	1%	3%	5%	6%
Product or service adjustments	1%	0%	1%	1%	5%	0%	1%	3%	3%
Energy and sustainability measures	13%	12%	15%	7%	24%	16%	12%	22%	17%
Financial restructuring	3%	3%	5%	3%	4%	2%	3%	3%	-
Revenue diversification or asset monetisation	0%	0%	-	-	-	-	-	0%	-
Staff-led innovation or internal ideas	1%	-	0%	1%	0%	0%	0%	1%	1%
No cost-saving actions taken	70%	72%	72%	76%	54%	67%	71%	56%	63%

2/5 (41%) of all businesses surveyed have increased prices in the past three to six months

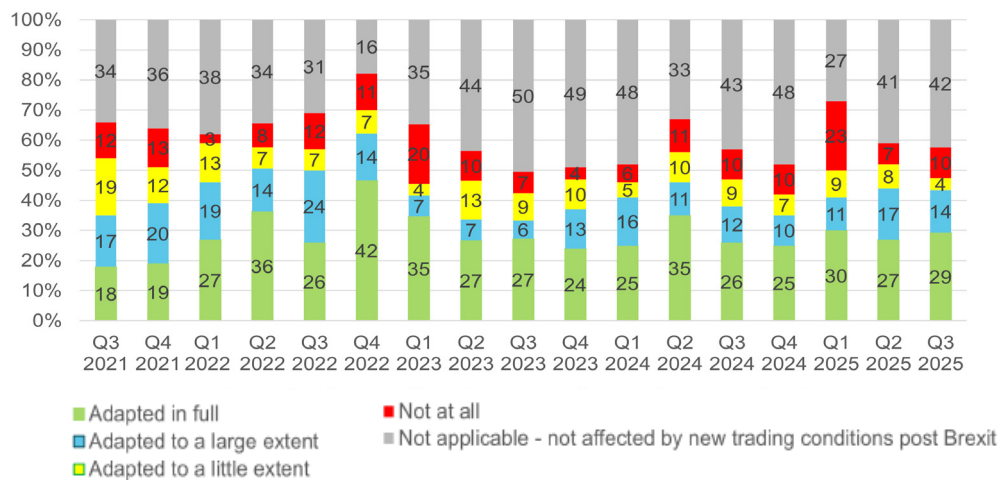
1/3 (35%) expect to raise prices in the next three to six months.

Changes in Trading Conditions

Most businesses who report EU Exit is relevant to them have adapted to post-Brexit trading conditions, with a minority (16%) still challenged. Businesses have adapted to different degrees. 43 per cent of firms said they had adapted either in full or to a large extent, a modest five-point increase on the previous year, with adaptation rates higher in Ireland (49%) than in Northern Ireland (40%). 29% have adapted in full (27% last quarter). 14% have adapted to a large extent (17% last quarter). A further 4 per cent said they had adapted only “to a little extent”. Only a small minority (10%) remain unadapted.

About 42 per cent stated that Brexit-related trading changes were not applicable to them, reflecting the proportion of businesses trading mainly within their own jurisdiction.

To what extent, if at all, has your firm now adapted to the new trading conditions post-Brexit

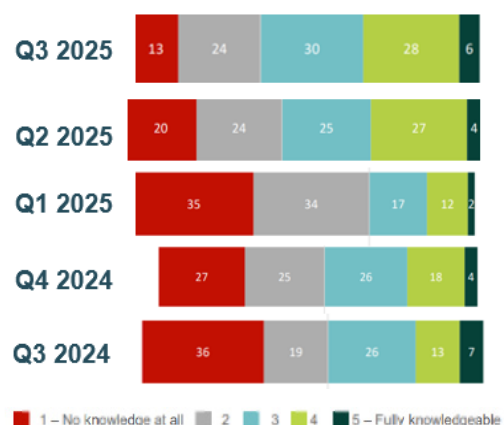


Businesses continue to report fewer Brexit-related disruptions than a year ago. For the 16% who report that they remain impacted, the legacy of Brexit is primarily administrative rather than structural disruption. The impacts are largely around extra paperwork, compliance effort and the time and cost involved, and process changes like the need to train staff to deal with new arrangements or to adapt supply chains.

Level of knowledge of Windsor Framework

Businesses are becoming more familiar with the Windsor Framework, but gaps in understanding persist

- 43% of all businesses overall have no knowledge of the Windsor Framework - a sizeable minority, though down 28 points from 71% recorded in the same time period last year.
- Overall, firms are moving from “no knowledge” to “some knowledge,” 35% of businesses vs. 13% of business to a year ago. But only a small percentage of businesses report they are into full awareness or confidence.
- Notably, 1 in 10 of those who remain impacted by Brexit say they have no knowledge of the Windsor Framework.

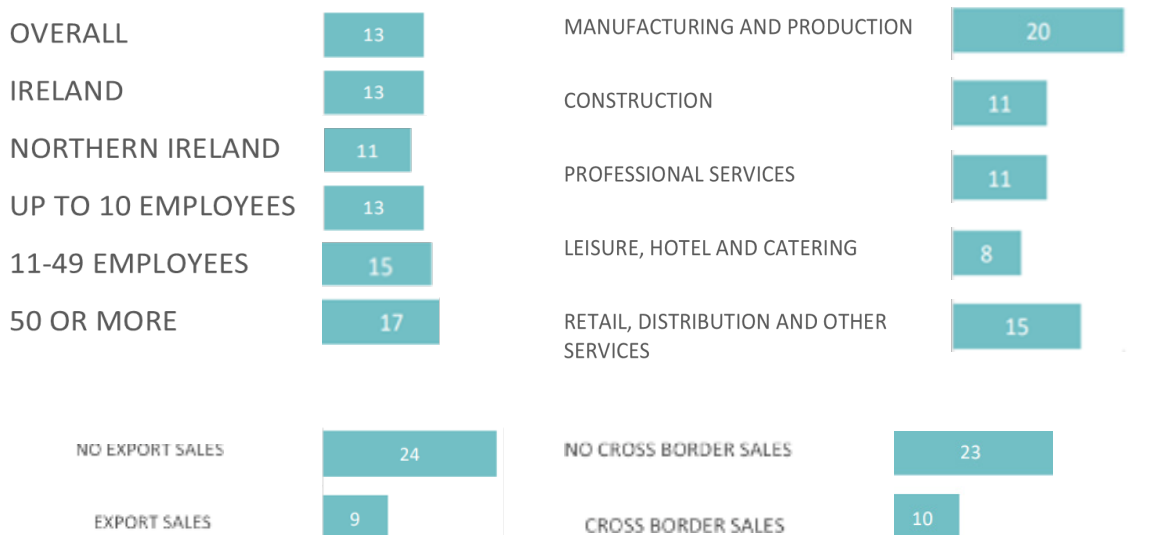


US Tariffs

Tariff concerns have eased somewhat with fewer firms feeling exposed though variation remains across sectors, business size and location.

Overall, direct exposure to a new tariff regime is reported by 13% of businesses (slightly up from 10% in Q2). Mid-sized and larger businesses (15% of those with 11-49 employees and 17% of those with 50+ employees) and Manufacturing (20%), Retail and Distribution businesses (15%) feel more exposed. Cross-border (23%) and internationally trading businesses (24%) also suggest they are more directly exposed than non cross-border trading and non-exporting counterparts. These figures were 18% and 19% respectively in Q2.

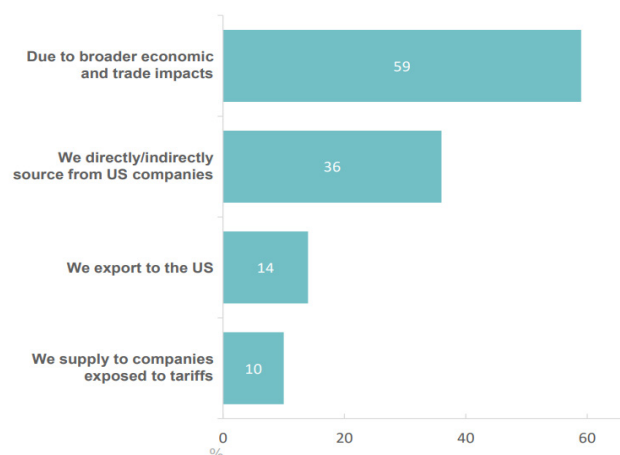
Do you feel your business is directly exposed to the impacts of US trade tariffs and potential retaliatory measures? % saying YES



We asked the 13% of businesses that feel they are directly exposed - What is the primary reason for the exposure?

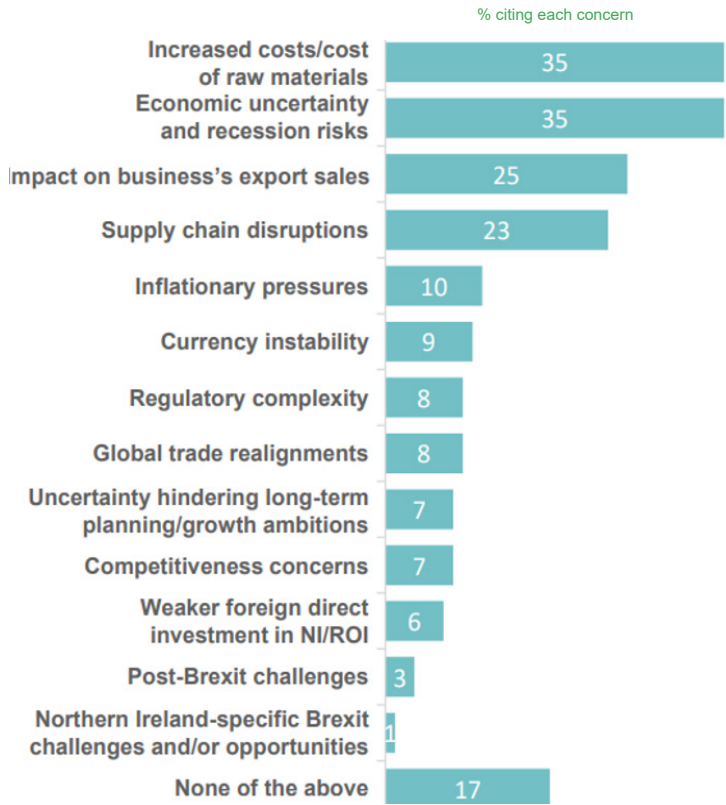
* multiple choice question

The key reason for business exposure is broader economic and trade impacts (59%). About a third (36%) are exposed because they source directly or indirectly from the US, 14% are exposed because they export to the US and 10% are exposed because they supply to companies exposed to tariffs.



For the 13% directly exposed to US tariffs and potential retaliatory measures, concern span both cost-side and demand-side pressures. These include higher costs, economic uncertainty, impact on export sales, supply chain disruption, and wider economic uncertainty. Beyond immediate pressures, long-term planning is being held back by ongoing uncertainty.

We asked businesses that feel directly exposed:
Are you concerned about the impact of US tariffs and potential retaliatory measures on any of the following?



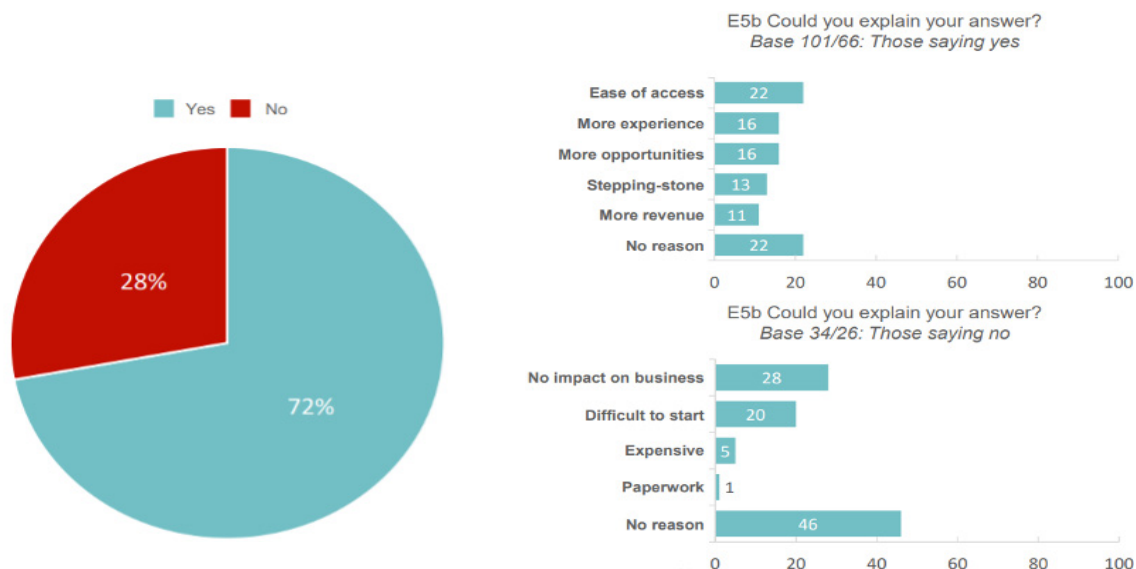
Cross-border trade as a stepping stone

Cross-border trading firms are amongst those that outperform their peers on all the key measures including growth, profitability, and sales. Despite feeling challenges more acutely than non-cross-border trading counterparts cross-border traders report:

- **Stronger growth performance** (34% vs. non-cross border traders 26% growing).
- **Increased sales last quarter** (39% cross-border vs. 23% non cross-border).
- **Positive sales outlook** (34% cross-border vs. 29% non cross-border forecast increased sales in next 6 months).
- **A higher share that are profitable** (68% cross-border vs. 59% non cross-border).
- **A higher share with profit margin of 10%+** (25% cross-border vs. 21% non cross-border).
- **A positive employment outlook** (10% cross-border vs. 6% non cross-border increased employee numbers last quarter and 11% cross-border vs. 9% non cross-border expect an increase in employee numbers in the next 6 months).

Businesses that trade cross-border and export view cross-border trade as a platform for wider market expansion. For a third (36%) of those businesses that trade cross-border and export elsewhere, cross-border trade happened first.

Would you recommend cross-border trading as a stepping-stone to trading further afield?

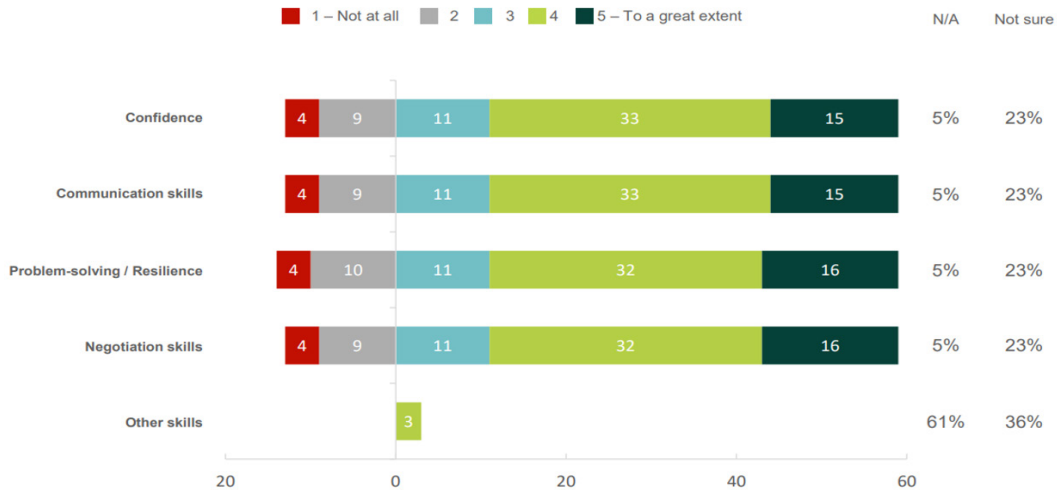


Those who wouldn't recommend cross-border trading as a stepping stone to further exporting said it had no impact on their business, was difficult to start, was expensive, involved too much paperwork.

Those that would recommend cross-border trading as a stepping stone to further exporting said it was easy to access, it gave them more experience, it opened up more opportunities, it created more revenue for their business.

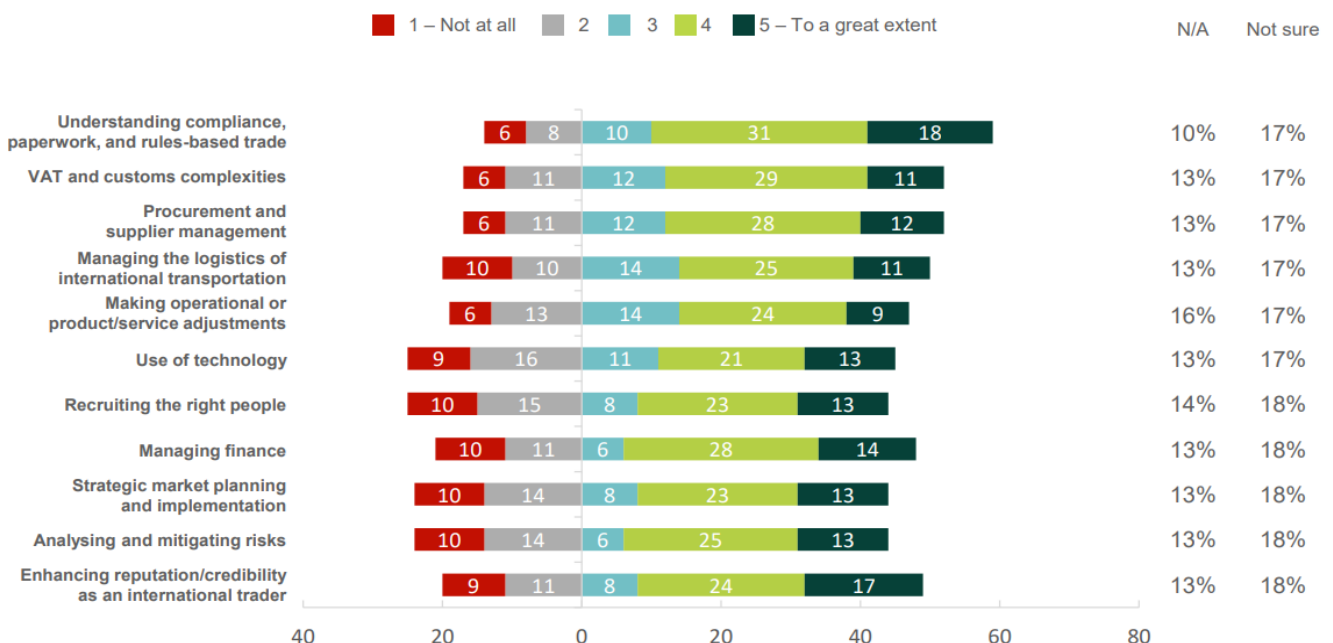
We asked those businesses that export and trade cross border to what extent cross-border trading has helped them develop skills and capabilities.

59% of businesses told us that trading cross-border helped them develop confidence, communication and negotiation skills, problem-solving skills and building their resilience.



The cross-border market also had positive impacts on building expertise in other areas of business, such as managing logistics, compliance paperwork and understanding VAT and customs regulations.

We asked businesses who trade cross-border and export, to what extent cross-border trading has informed their export activities in these particular areas.



Comparison

BY SECTOR



Manufacturing

- **Growth:** Activity remains steady, with 25% of firms expanding and 69% stable. The net balance is positive but subdued compared with last year.
- **Profitability & Margins:** 69% remain profitable (–5pts), though margins have tightened, especially among mid-range firms.
- **Sales:** 25% report increases (–2pts), 63% stable, and 8% lower. Output is largely unchanged quarter on quarter.
- **Sales Forecast:** 32% expect increases (+5pts), suggesting cautious optimism but not a turnaround.
- **Employment:** 3% increased staff, 3% reduced, and 89% stayed the same. Hiring intentions are flat but slightly positive.
- **Takeaways**

Manufacturing performance is steady but restrained, with limited growth and margin pressure. Outlook is cautiously positive, though evidence of recovery remains modest.



Construction

- **Growth:** 35% of firms report growth and 55% are stable, maintaining a positive balance. Momentum has eased slightly (–3pts).
- **Profitability & Margins:** Profitability is healthy at 68%, though down marginally year-on-year. Margins are tightening, especially in the <10% range (–6pts).
- **Sales:** 30% of firms increased sales (–1pt), 59% are flat, and 9% report declines. Turnover remains consistent across recent quarters.
- **Sales Forecast:** 27% expect higher sales (–4pts), with 62% steady. Confidence is restrained but steady overall.
- **Employment:** 9% increased staff (–10pts), 7% reduced, and 83% unchanged. The next six months show a stable outlook with 8% expecting to hire.
- **Takeaways**

Construction remains stable, supported by steady sales and employment. Profit margins are tightening, but sentiment is broadly unchanged.



Professional Services

- **Growth:** 29% report expansion (–7pts), 59% stable, and 9% contracting. The net balance remains positive but below last year.
- **Profitability & Margins:** 64% profitable (–9pts) with margin compression continuing, especially in mid-tier ranges (–10pts).
- **Sales:** 26% report higher sales (–14pts), 55% stable, and 9% lower. Conditions are flat but stable overall.
- **Sales Forecast:** 29% expect growth (–11pts), while 58% remain unchanged. Forward sentiment has softened.
- **Employment:** 7% increased staff (–6pts), and 5% reduced. Forecasts are more optimistic, with 12% expecting to hire.

Takeaways

Professional services are stable but growth and profit margins are softening.

Employment sentiment is improving, suggesting gradual recovery.



Hotels, Leisure, Catering

- **Growth:** 23% report expansion (–10pts), with 55% stable and 22% contracting. The net position has weakened noticeably.
- **Profitability & Margins:** Profitability has slipped to 48% (–13pts). Break-even and loss-making firms have risen, and uncertainty is higher (+6pts).
- **Sales:** 18% report increases (–22pts), 48% steady, and 32% decreased. Demand pressures persist, especially in hospitality.
- **Sales Forecast:** 18% expect increases (–22pts), and 55% expect to remain stable. Confidence has fallen sharply year-on-year.
- **Employment:** 7% increased staff (–17pts) and 13% reduced, with most holding steady (80%). Outlook is subdued.

Takeaways

The hospitality sector is struggling, with weaker sales and tighter margins.

Hiring and sales forecasts remain subdued, indicating continued strain.



Retail Distribution

- **Growth:** 32% report expansion (+4pts), 50% stable, and 13% down. Growth has strengthened slightly quarter on quarter.
- **Profitability & Margins:** Retail remains the weakest on profitability, with 52% profitable (–6pts) and more firms breaking even (+3pts). Margins are narrow, especially <10%.
- **Sales:** 30% increased sales (–2pts), while 50% are steady and 13% report declines. Sales are consistent with recent trends.
- **Sales Forecast:** 26% expect higher sales (–6pts), 50% stable, and 7% lower. Sentiment is stable but not strong.
- **Employment:** 8% increased staff (–6pts) and 5% decreased, while 85% are unchanged. Hiring forecasts are modestly positive.
- **Takeaways**
Retail conditions are steady but subdued, with profits and margins most under pressure.
Sales and forecasts remain flat, pointing to limited near-term momentum.



BY BUSINESS SIZE

Summary



Micro businesses (less than 10 employees)

- **Growth:** Smaller firms show limited expansion, with 22% growing and 70% stable. Growth sentiment has eased (–10pts YoY), though contraction remains contained.
- **Profitability & Margins:** Profitability is steady but under strain, with 57% profitable (–6pts) and margins tightening, especially in the 10–20% range (–9pts).
- **Sales:** 26% report higher sales (–8pts), 56% unchanged, and 13% lower. Volumes are broadly stable but subdued.
- **Sales Forecast:** 26% expect increases (–3pts), with 58% flat. Forecasts are weaker year-on-year (–10pts).
- **Employment:** 5% increased staff and 6% reduced, while 87% remain unchanged. Hiring intentions are limited, with 8% planning to expand in the next six months.
- **Takeaways**
Smaller firms remain steady but cautious, with flat sales and modest profitability.
Hiring outlook is muted, reflecting uncertainty and cost pressures.



Businesses with 11-49 employees

- **Growth:** Mid-sized firms continue to perform steadily, with 32% expanding and 58% stable. Growth momentum has softened slightly (–6pts YoY).
- **Profitability & Margins:** 63% report profits (–8pts) and break-even firms are up (+4pts). Margins are narrowing, particularly in the higher bands (–10pts for 10–20%).
- **Sales:** 31% report increases (–14pts), with 50% stable and 10% lower. Sales have moderated compared with last year.
- **Sales Forecast:** 32% expect increases (–3pts), 52% unchanged, and 6% expect declines. Forecast sentiment remains balanced but subdued.
- **Employment:** 19% increased headcount (–6pts), while 7% reduced. The next six months outlook is stable, with 21% expecting to hire.
- **Takeaways**
Mid-sized firms show steady trading, though margins and sales momentum have cooled.
Employment expectations remain positive but more restrained



Businesses with 50+ employees

- **Growth:** Larger firms continue to lead expansion, with 43% reporting growth and only 5% contraction. The balance remains strong despite slight softening (–2pts).
- **Profitability & Margins:** Profitability remains robust at 72%, though margin compression is evident at the top end (>20% down –4pts). Break-even rates are stable.
- **Sales:** 43% report higher sales (–1pt), with 41% steady and 5% down. Larger firms continue to outperform smaller peers.
- **Sales Forecast:** 45% expect increases (+10pts), while 40% expect no change. Confidence has improved on recent quarters.
- **Employment:** 31% increased staff (steady), with limited reductions (6%). Forecasts remain healthy, with 22% expecting to hire.
- **Takeaways**

Larger firms remain the most resilient, showing stronger growth and hiring prospects.

Margins are tightening slightly but overall performance remains solid.



SUMMARY OF BUSINESSES IN IRELAND AND NORTHERN IRELAND

Ireland – Key Points

- **Growth:** Net balance remains steady, with 24% of firms expanding and 69% flat. Growth momentum is slower year-on-year (–12pts) but contraction remains limited.
- **Profitability & Margins:** Profitability is softer, with 61% profitable (–7pts) and break-even firms up (+4pts). Margins are narrowing, and uncertainty has risen.
- **Sales:** 27% of firms report increases (–9pts), while the majority (56%) are stable. Declines are modest at 11%.
- **Sales Forecast:** 26% expect sales to rise (–3pts), with stability remaining dominant (59%). Sentiment is steady but cautious.
- **Employment:** 6% of firms increased staff, offset by 6% reductions. Hiring intentions are modestly positive for the next six months (+4pts).
- **Takeaways**
Irish firms remain steady but subdued, with slower growth and softening profits.
Sales and employment show stability, though confidence has eased.

Northern Ireland – Key Points

- **Growth:** 38% of firms report growth (–1pt), while 51% are stable. The balance remains positive, with contraction limited to 7%.
- **Profitability & Margins:** Profitability is still solid (61%) but below last year (–12pts). Break-even firms have increased (+6pts), and margin uncertainty is up.
- **Sales:** 24% saw higher sales (–8pts), while 53% remained the same and 18% decreased. Overall sales balance is weaker but positive.
- **Sales Forecast:** 29% expect increases (–2pts), with 53% stable. Confidence remains restrained but steady.
- **Employment:** 8% reported higher employment, offset by 8% lower. Forecasts suggest improvement, with 10% expecting to hire.
- **Takeaways**
Northern Ireland firms remain resilient, though growth and profits have eased.
Hiring and sales forecasts indicate modest confidence ahead.

Exporters – Key Points

- **Growth:** 33% report expansion (+2pts), maintaining a solid position relative to the wider base.
- **Profitability & Margins:** 68% profitable (–2pts), with some margin stability at higher ranges (10–20% up +3pts).
- **Sales:** 33% increased sales (+4pts), while 53% are stable — indicating steady but unspectacular performance.
- **Sales Forecast:** 31% expect increases (+3pts), marking mild optimism for the months ahead.
- **Employment:** 9% added staff, 6% reduced — hiring largely unchanged but tilted positive.
- **Takeaways**

Exporters remain resilient, with stable profitability and gradual improvement in confidence.

Growth is modest but consistent, driven by steady export demand.

Non Exporters – Key Points

- **Growth:** 26% report expansion (–4pts), a mild dip from last year.
- **Profitability & Margins:** 58% profitable (–11pts), margins tightening and uncertainty up sharply (+22pts).
- **Sales:** 24% report increased sales (–11pts), most remaining flat or lower.
- **Sales Forecast:** 26% expect increases (–5pts), reflecting subdued sentiment.
- **Employment:** 6% up, 7% down — balance neutral.
- **Takeaways**

Non-Exporters face tighter conditions, with domestic demand under pressure and confidence soft.

Outlook remains flat, with few signs of momentum returning.

Cross-Border Traders – Key Points (see page 10)

Non Cross-Border Traders – Key Points

- **Growth:** 28% of firms report expansion (–1pt), while most are unchanged. The trend is broadly flat.
- **Profitability & Margins:** 59% remain profitable (–10pts), margins compressed and uncertainty higher (not sure +20pts).
- **Sales:** 23% report increased sales (–13pts), and 57% are unchanged — domestic demand appears softer.
- **Sales Forecast:** 25% expect higher sales (–6pts), showing subdued expectations.
- **Employment:** 6% added staff, 7% reduced — overall net balance neutral.
- **Takeaways**

Domestic-focused firms show little momentum, with weaker margins and static sales.

Expectations remain cautious, suggesting limited near-term growth.

Overview of Q2 2025 Findings

- **Business resilience holds, but momentum slows:** Growth pace has eased to multi-year lows as firms consolidate rather than expand; contraction remains limited.
- **Profitability under pressure:** Fewer firms report profits, margins are tighter, and uncertainty around profitability has increased.
- **Sales momentum subdued:** Activity has slowed across most segments, particularly consumer-facing sectors, while larger and trading firms continue to hold steadier ground.
- **Rising costs dominate:** Wages, energy, and insurance continue to drive higher overheads, putting pressure on pricing and margins.
- **Cost cutting measures are modest:** focused mainly on energy and operations
- **Recruitment pressures persist:** Staff shortages remain acute in labour-intensive sectors such as construction and hospitality.
- **Cross-border trade builds resilience and confidence:** Firms engaged in cross-border trade show stronger profitability, greater stability, and view it as a platform for wider market growth.
- **Segmentation highlights widening performance gaps:** Larger and trading firms remain notably more resilient, while smaller, domestically oriented businesses face greater cost and demand pressures.
- **Windsor Framework:** Awareness improving, but detailed understanding remains uneven across firms.
- **US tariffs:** Exposure remains low, though uncertainty persists and few firms are planning for potential impacts.

Overall:

The latest results indicate a softening business environment, as modest declines replace the stability of earlier quarters. Firms with scale, export capacity, or cross-border reach continue to show relative resilience, while smaller, domestically focused businesses remain cautious and margin-constrained heading into 2025.

Economic Context

Q3 2025 AIBM FINDINGS

Headline figures for Ireland and Northern Ireland continue to point to resilience,

Headline indicators in both Ireland and Northern Ireland remain broadly positive, but the underlying trend is one of slowing momentum. Global conditions have become more unpredictable, cost pressures are still elevated, and signs of softer demand are becoming more common. The latest AIBM results reflect this backdrop, with businesses reporting tighter margins and more cautious expectations.

Global backdrop

The global economy continues to face a mix of weaker trade, higher-for-longer interest rates and geopolitical tensions. Shifts in US trade policy, ongoing tariff risks and disrupted supply chains are adding to uncertainty for exporters. Energy markets remain volatile and, although inflation has eased, it has not returned to pre-pandemic norms. The net effect is a more constrained environment for investment and a more cautious mood among consumers and firms.

Republic of Ireland

Ireland's headline GDP figures continue to be heavily influenced by multinational activity, resulting in a headline growth outlook that is significantly higher than underlying domestic performance. Current forecasts for 2025 place headline GDP growth in the region of 8% to 11%, driven largely by multinational exports and balance-sheet effects. In contrast, Modified Domestic Demand, which provides a clearer view of the domestic economy, is expected to expand by a more moderate 2.5% to 3.5%. Inflation has picked up slightly in recent months, with services and food costs keeping price pressures elevated.

The labour market remains strong in absolute terms, but the pace of growth is clearly easing. Employment numbers increased by around 1.1% in the year to Q3 2025 (around 30,600 additional jobs), yet the employment rate for 15–64 year olds has edged down to 74.7%. The unemployment rate has risen to 5.3%, its highest level since 2021, signalling that some slack is beginning to emerge. Wage pressures continue to filter through, supporting households but adding to business costs. Higher borrowing costs and a more uncertain global backdrop are weighing on investment decisions. For many firms, particularly those focused on the domestic economy, the combination of softening demand and elevated operating costs is narrowing margins.

Northern Ireland

Northern Ireland's economy has continued to grow through 2025, with the latest NISRA Composite Economic Index showing a clear lift in activity over the spring and early summer. Overall output increased by 2.0% in the quarter and by 3.5% over the year, with much of this momentum coming from the services sector, which remains the backbone of the region's recovery. The private sector has been a notable contributor, with private-sector output rising by 2.4% over the quarter and 3.8% over the year, helping Northern Ireland outperform the wider UK. Businesses are still benefiting from steady consumer spending, supported by real terms pay growth, and unemployment remains low by historical standards. At the same time, there are hints that conditions are beginning to soften: employment has levelled off, hours worked have eased back and firms appear to be managing rising costs cautiously. Taken together, the picture is of an economy that is still performing better than many parts of the UK, but one where underlying pressures including global uncertainty, cooling demand and tighter cost controls, are becoming more visible beneath the surface.

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Independent Economist Overview continued...

Cross-border trade

Cross-border trade in goods between Northern Ireland and Ireland totalled €11.1 billion in the year to September 2025, an increase of 6% on the previous year. Across the first three quarters of 2025, trade values moved within a relatively narrow band, around €2.7–€2.8 billion per quarter, with a fall at the start of the year, a rebound in Q2, and a slight easing again in Q3. These quarterly movements reflect a mix of factors, including sectoral and seasonal patterns, ongoing post-Brexit regulatory and supply-chain adjustments, and wider global uncertainty including the ripple effects from renewed US tariff threats under President Trump.

The Q3 25 AIBM survey findings fit closely with this macro picture:

- Margins remain under pressure, as rising wage, energy and financing costs outpace firms' ability to recover them through prices.
- Demand is softening, leading to flatter sales and a more cautious outlook.
- Hiring has levelled off, reflecting tighter cost control and a pause in expansion plans.
- Price increases are now more selective, as firms weigh up competitiveness concerns and weaker customer appetite.

In combination, these factors point to an environment that is still resilient but more constrained, with some sense of lost momentum. Given the number of external unknowns, many firms appear to be taking a measured 'wait-and-see' stance as they navigate the months ahead. Recent Budgets in both jurisdictions are also likely to play into business sentiment and will be an important factor in how firms position themselves as the outlook evolves.

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