



All-Island Business Monitor

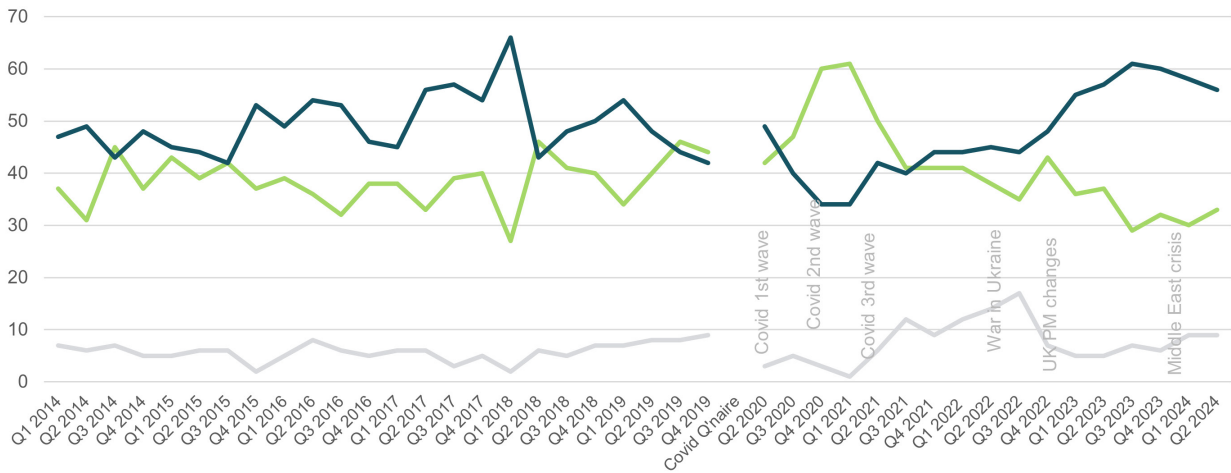
Key Findings Report

Q2 2024

Business Performance

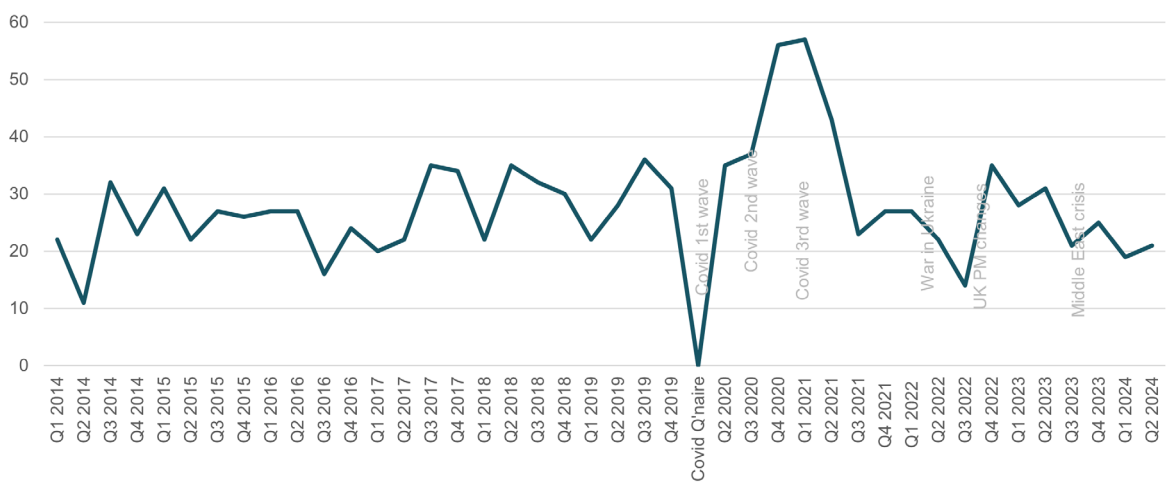
In Q2 2024 over half of businesses report that they are stable (56%) and a third (33%) are growing, a slight increase on last quarter and close to the 37% recorded in Q2 2023. 12% of businesses say they are in 'moderate growth' and 20% report they are in 'slight growth'. Looking back, 18% of businesses reported themselves in moderate growth mode in Q2 2023, and 17% stated they were in 'slight growth'.

Business Position 2014 - 2024



In Q2 2024, 9% of businesses surveyed reported they are contracting (almost twice as many as 5% at the same time last year).

Net Balance: Growth vs. Contraction 2014 - 2024

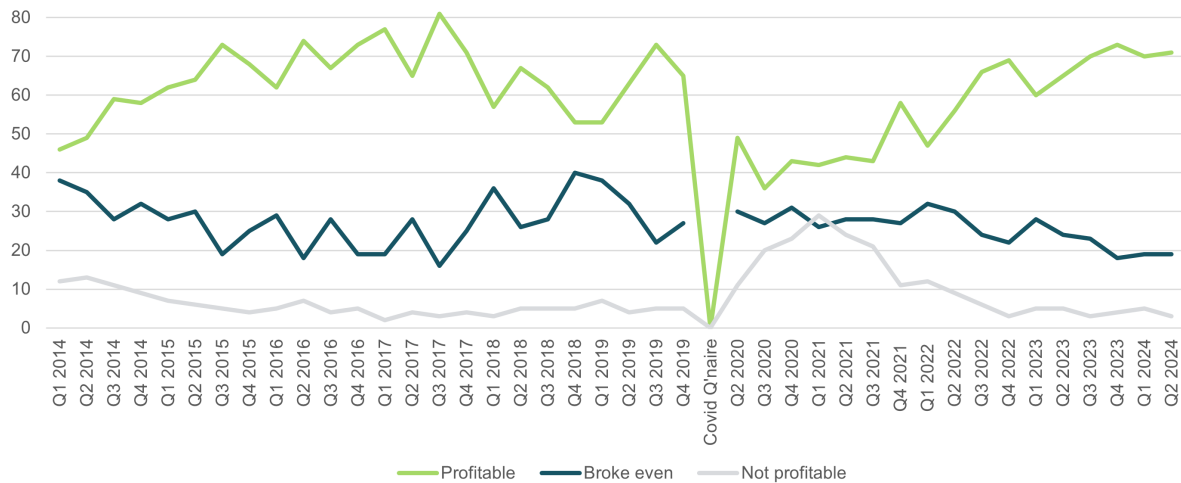


Profitability

7 in 10 businesses report they are profitable in Q2 2024. Although only 8% report they are 'very profitable', 70+% of businesses stating that their business has managed to remain profitable in the past 12 months is a continuing trend (since Q3 2023).

19% say they have broken even (similar to last quarter) and 3% have experienced a loss.

Business Profitability 2014-2024
All Businesses



Sales

One quarter of businesses (26%) reported an increase in sales over the past quarter (25% in Q1 2024), while 57% said that their sales have remained stable (56% in Q1 2024) and 14% reported a decrease in sales (16% reported in Q1). Looking ahead, 3 in 10 businesses expect their sales to increase over the next six months, 6 in 10 expect to maintain their current level of sales, and 7% expect a decrease.

Have your sales over the past quarter increased, decreased or remained the same?
All Businesses 2022 - 2024



*Answer option 'not sure' also available

*Differences in percentages quoted in InterTradeIreland's press release for this quarter are due to rounding and weighting of data in component parts of questions.

Business Challenges

The two biggest business issues reported this quarter were:



Rising energy costs

53% reported this as an issue compared to 64% last quarter and 72% in Q2 2023

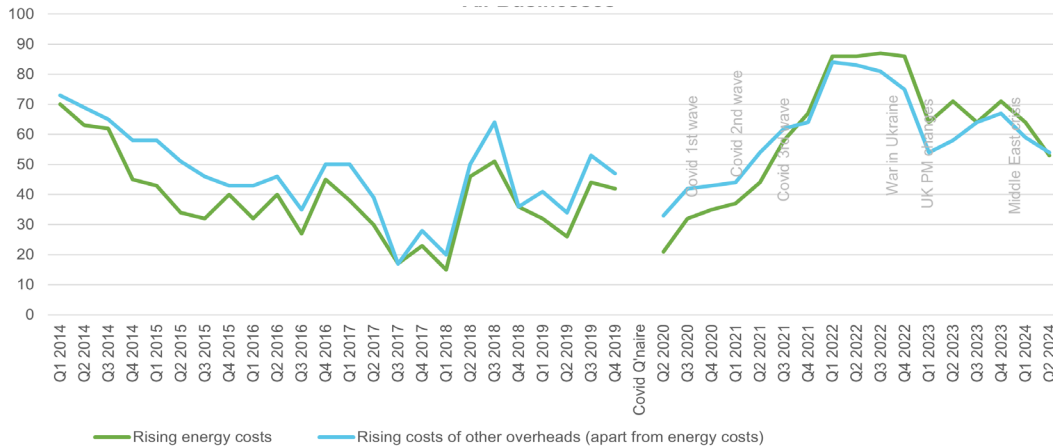


Rising costs of other overheads

54% reported this as an issue compared to 59% last quarter and 59% in Q2 2023

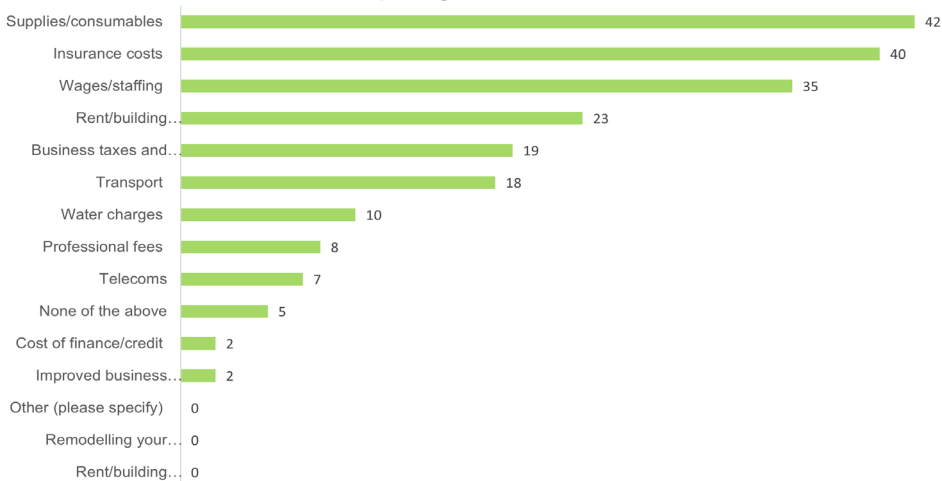
Issues of least concern include the environment (reported by 3% of businesses as an issue), potential cyber-attacks (reported by 4%) and access to finance (reported by 5% of businesses).

Challenges facing businesses 2014 - 2024



*% of businesses rating Challenges level 3, 4, or 5 (5 being a huge challenge)

In relation to the rising costs of other overheads, staffing and supplies remain a concern for businesses, with insurance cost concerns reported by 40% of businesses in Q2 2024 compared to 25% in Q1 2024.



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Access to people and skills

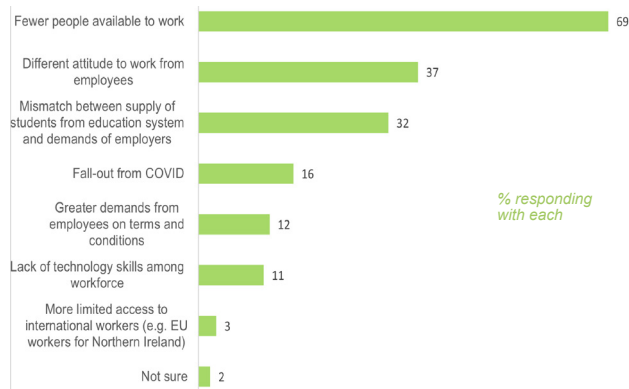
AIBM data has consistently indicated that businesses are dealing with persistent issues accessing people and skills. In Q2 the questionnaire included a section asking specifically about accessing the right people.



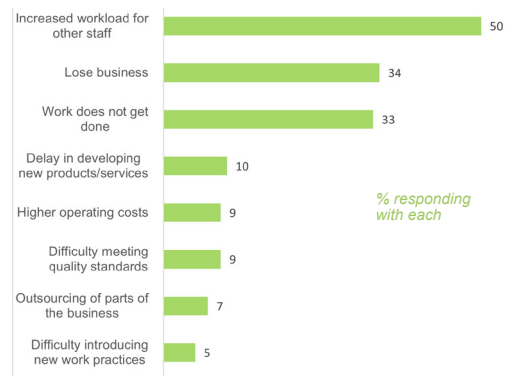
1 in 3 businesses are struggling to find the right skills for their business. Of those, 58% are experiencing long term vacancies and 22% are experiencing short term vacancies.

We also asked those 1 in 3 businesses these unprompted questions:

Why do you think there are challenges getting the right skills?



What are the implications for the business in not getting the right skills?



- 7 in 10 say the reason skills is an issue is because there are fewer people available to work.
- Just over a third (37%) report a different attitude to work as the reason.
- A third (32%) say the issues are due to mismatch between supply of students and demands of employers.
- Half of those experiencing issues say the result of not having the right skills in their company is that workload increases for other staff, while a third say work does not get done. A third also say they are losing business as a consequence of not having skilled staff.
- A fifth (18%) have difficulty developing new products or services or introducing new work practices as a result.

What has your business done to address skills shortages?



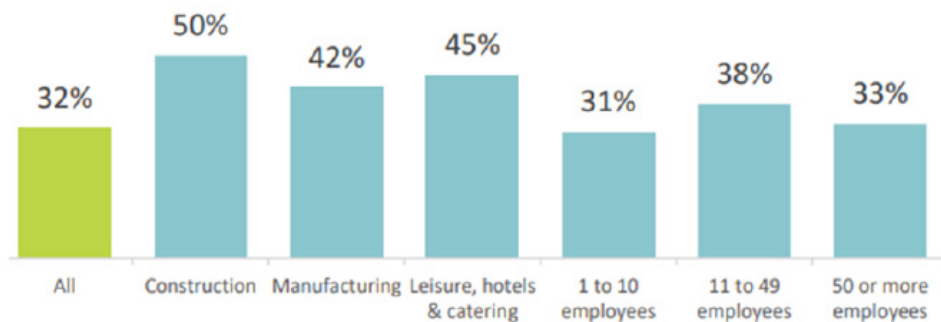
Data suggests a focus on external solutions to skills shortages, with over half of business facing issues increasing recruitment activity and a quarter widening their search. Fewer are investing more in training and development (16%).

Certain businesses are struggling more with skills shortages



- 42% of Manufacturers with more than 3 employees are having difficulty filling roles, along with 45% from the Leisure, hotels and catering sector and 50% in Construction.
- Businesses with 11-49 employees report the most difficulty, with 38% saying they're having difficulty filling roles compared to businesses with 1-10 or more than 50 employees.

% Experiencing difficulty finding right skills



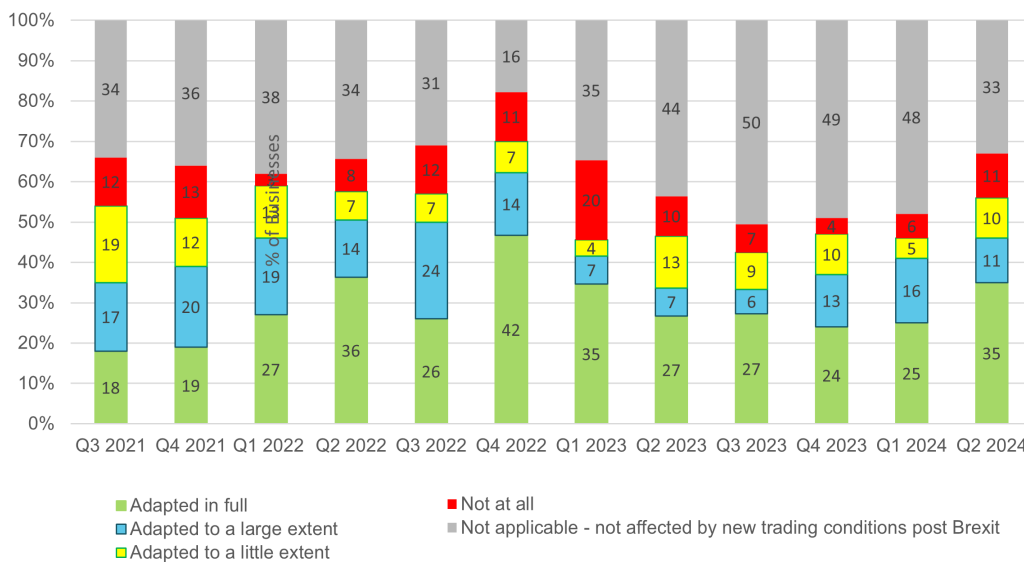
- In a further question, close to a third (31 per cent) of all businesses with more than 3 staff said they are already embracing new technologies to address skills shortages.

Changes in Trading Conditions



- 35% of businesses indicated that they have adapted in full to new trading conditions post-Brexit and 11% report they have adapted to a large extent. A further 33% say this is not applicable to their business. And a fifth (21%) say they have only adapted to a little extent or not at all.

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



- Overall, 62 per cent of businesses surveyed say they have no knowledge at all of the Windsor Framework. While not applicable to all, of the 26% who say they remain impacted by Brexit, almost half of these say they have no knowledge of the Windsor Framework or the requirements it has of their business.



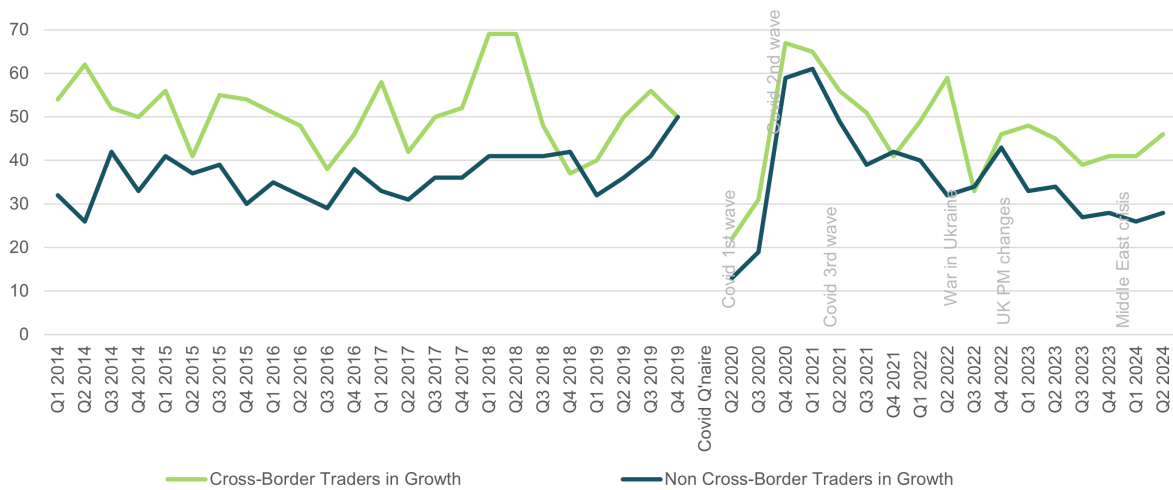
- Two thirds (66%) have experienced no change in delivery times compared to 6 months ago. A fifth (21%) are experiencing a slight or significant increase, with this felt most significantly by manufacturers (42%). And 4% are experiencing a decrease in delivery times.

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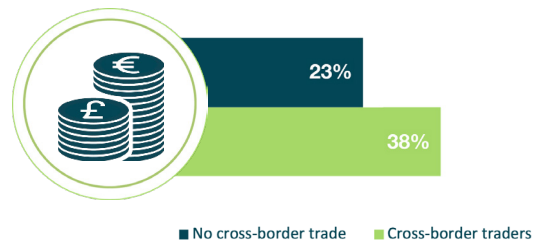
Summary comparison

BY CROSS-BORDER TRADER/ NON CROSS-BORDER TRADER

In Q2 2024, 21% of businesses reported that they trade cross-border (26% in Q1 2024). 46% of cross-border traders reported they are in growth compared to 28% of businesses with no cross-border trade (41% and 26% respectively last quarter). In Q2 2024 20% of cross-border traders report moderate-rapid growth compared to 10% of their non cross-border trading counterparts, maintaining the ratio from last quarter.



- Over a third (38%) of cross-border traders reported increased sales compared to a quarter (23%) of those who do not trade cross-border (31% and 23% in Q1 2024).
- Cross-border traders are more positive about sales prospects for the next 6 months - 39% expecting increased sales compared to 27% of those with no cross-border trade.
- 77% of cross-border traders are profitable vs. 70% of those who do not trade cross-border.
- Cross-border traders are more profitable, with 1 in 3 (37%) reporting a profit margin of over 10 per cent compared to a quarter (26%) of those that don't trade cross-border.



BY BUSINESS SIZE

Micro businesses (less than 10 employees)

- Just 12% of micro businesses are experiencing moderate/rapid growth. This is 3 times higher for larger businesses (50+employees) at 38%.
- Micro businesses are least likely to have experienced sales growth in the last quarter - 26% vs. 35% for businesses with 50+ employees.
- 1 in 5 micro-enterprises (20%) are just breaking even compared to 5% large (50+).
- Cashflow is an issue for 19% of micro enterprises compared to 7% of larger businesses.
- Micro enterprises are least likely to be hiring. 8% of micro businesses have increased their employee numbers in the last quarter compared to 29% of businesses with 50+ employees.
- If there are skills issues, micro businesses are less likely to be taking any action. 41% say they have taken no action vs. 15% of businesses with 50+ employees.
- Losing business is a bigger issue for micro enterprises (37%) than larger businesses (18%) when they can't get access to people and skills.

Businesses with 11-49 employees

- These businesses are least likely to be very profitable with 4% reporting they are very profitable compared to 8% of micro businesses and 12% of businesses with 50+ employees.
- There are particular issues for this size of business in recruiting people and skills, with 38% reporting difficulties finding the right skills and 66% reporting they have long-term vacancies compared to 62% of larger businesses.
- The people challenges means that for 19% there is a delay developing new products/services.
- 20% are considering apprentices as a potential solution to skills challenges.
- 20% cannot see any opportunities in terms of the use of new technologies to address skills shortages at present.

Businesses with 50+ employees

- The largest businesses are more likely to be doing well, with 38% experiencing moderate/rapid growth.
- Businesses with 50+ employees are more likely to have increased sales over the last quarter (35%) and have the highest growth prospects in the next 6 months (46%).
- 1 in 3 (31%) of larger firms expecting to take on people compared to 10% of smallest ones.
- Businesses with 50+ employees are more likely to be profitable (83%) than smaller businesses.
- The biggest issues facing businesses with 50+ employees are energy and other overhead costs.
- Wages and supplies costs are challenging, reported by 63% and 53% respectively.
- The largest businesses believe the fall-out from COVID is still impacting on attracting skills - 32% compared to 16% of smaller businesses. And a higher percentage of these businesses report a different attitude to work (49%) and demands from employees about terms and conditions (29%) as reasons for skills difficulties.
- Large businesses more likely to recognise opportunities for the use of technology (47%) and are already embracing them (51%) to address skills challenges.
- Businesses with 50+ employees are most likely to say that have adapted in full to EU Exit - 53% compared to a third of micro businesses and businesses with 11-49 employees.

Economic Context

Q2 2024 AIBM FINDINGS

Growth performance and prospects strengthened in both economies in 2024, continuing the recovery from a difficult 2023 for both. The private sector has been a key driver. Irish GDP expanded in the first quarter of 2024 breaking four consecutive quarterly falls and early estimates from the CSO suggest this has continued, with GDP up 1.2% over Q2 (although down on the same quarter in 2023). Modified Domestic Demand, which essentially strips out the impact of multinationals, rose by an estimated 1.4% in the first three months of the year. Economic output in Northern Ireland increased by 1.4% over the quarter to March 2024 and was up 1.1% over the year (NICEI NISRA). The UK economy has performed significantly better than expected, with GDP up by 0.6% in Q2 2024, following an increase of 0.7% in Q1, marking its strongest period of growth since recovery after the pandemic.

Ireland's economy is expected to expand by 1.8% in 2024 (domestic economy 2.1%) compared to 1.1% for the UK (which now appears conservative) and 0.7% for Northern Ireland (average of forecasts). To put this in context, the IMF expects that in 2024 the global economy will grow by 3.2%, advanced economies by 1.7% and the United States by 2.6%. The outlook for the Euro area is weak, with expectations of growth of 0.9% over the year, reflecting the multitude of challenges it faces including the continued fall out of supply chain and energy shocks along with particularly poor performances of major economies such as Germany.

Cross-border goods trade between Ireland and Northern Ireland amounted to just over €10bn in 2023, more than double its pre-COVID value (2019). This was driven in large part by the pharmaceuticals/medical sector performance during COVID but also the general expansion in trade across almost all sectors over that time. In the first 6 months of this year cross-border goods trade has continued to expand, up 3.5% between January and June 2024. NI's stronger goods trade performance has been notable, particularly against a more challenging trading environment for the UK goods trade performance generally since EU Exit. Ireland's trade performance looked artificially weak in 2023 following the strong performance of Pharma during COVID but in 2024 to date has returned to growth. More widely, the outlook for global trade is relatively good, particularly as inflation eases and the interest rate outlook improves. However, the large tensions in terms of conflict and geopolitics have ongoing ramifications including supply shortages, delays and increased costs. The importance of national trade (and wider) policy decisions is also a key factor, particularly with elections in major economies taking place including the US Presidential election. Also of note, some key events taking place over the next few months with the Windsor Framework include the full implementation of the UK internal market scheme for movement of goods from GB to NI, a new set of arrangements for the movement of parcels from GB to NI and new labelling requirements on dairy products.

The AIBM findings for Q2 2024 supports the overall sense of stability and some growth in the two economies as well as highlighting the challenges, particularly around costs and access to people and skills. Access to people and skills is becoming a more critical issue. The labour market data for both jurisdictions show high employment rates and low unemployment rates. In fact, Northern Ireland's unemployment rate is currently at a record low of just 1.9% (although this 'hides' to some extent people who are inactive but would/could work). The out-workings of this challenge are highlighted in the AIBM in terms of increased workload on existing staff, losing business and putting off investment. Those staffing difficulties filter across all parts of the business economy, by sector and size. It is notable from the AIBM that this is most keenly felt among businesses with 11 to 49 employees, a critical group of employers in any economy in terms of their potential for growth.

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