

# All-Island Business Monitor

## Key Findings Report

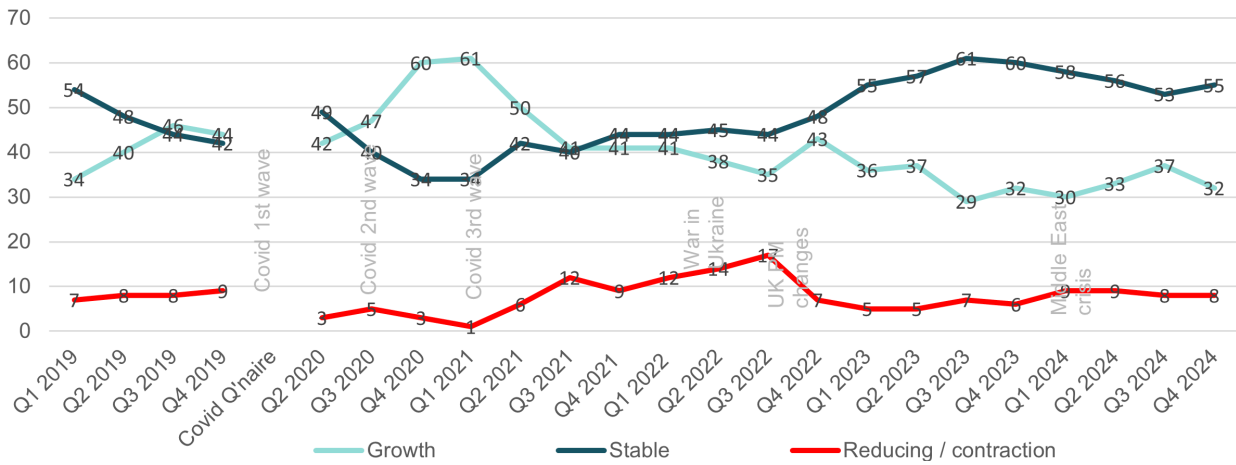
Q4 2024

# Business Performance

In Q4 2024 over half of businesses report that they are stable (55% vs. 53% Q3) and a third (32%) are growing, down slightly from 37% recorded in Q3 2024.

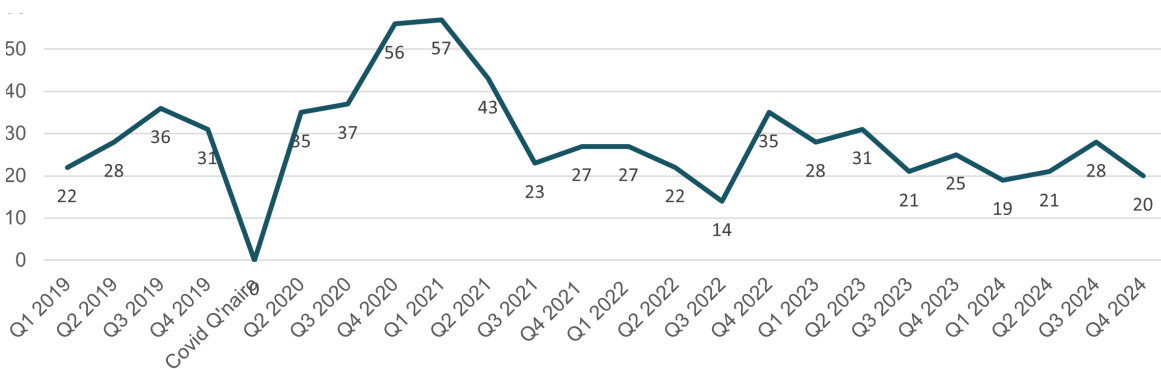
8% of businesses surveyed reported they are contracting - the same as last quarter and slightly up on the same quarter last year (6%).

**Business Position 2019 - 2024**



The balance of firms growing returned to +20%, similar to +19% at the start of the year but down from +28% growth minus contraction in Q3.

**Net Balance: Growth vs. Contraction 2019 - 2024**



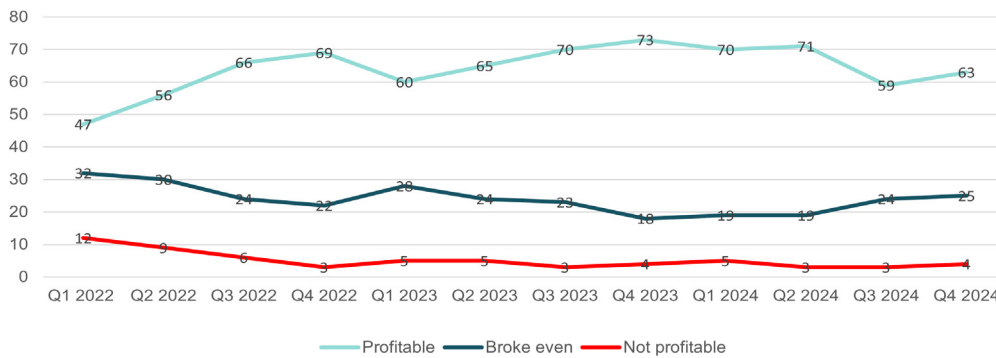
\*Differences in percentages quoted in InterTradeIreland's press release for this quarter are due to rounding and weighting of data in component parts of questions.

# Profitability

6 in 10 businesses (63%) report they are profitable in Q4 2024, from 59% in Q3 and 70% in Q1 2024. 9% of businesses asked said they 'don't know' if they are profitable (down from 13% last quarter and similar to 7% in Q2).

A quarter say they have broken even (the same as in Q3 2024) and 4% have experienced a loss (again, similar to last quarter).

Business Profitability 2019 - 2024



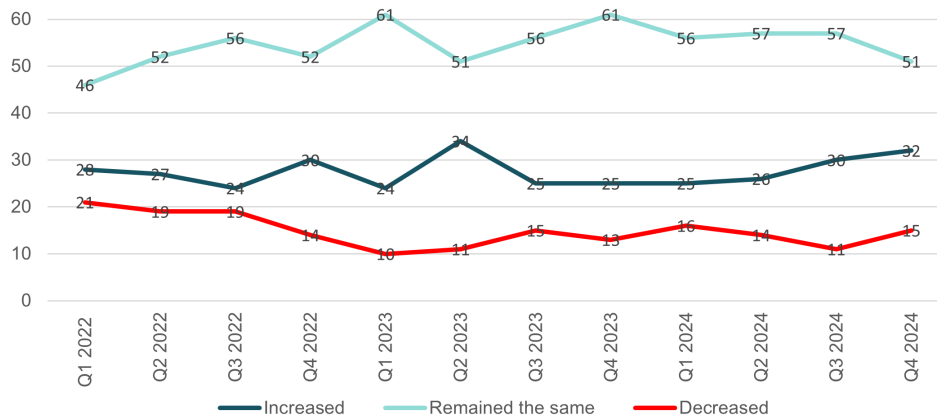
# Sales

There was an upwards trend in businesses growing sales in 2024, with 32% reporting increased sales in Q4, up from 25% in Q1.

Around half of businesses are reporting no changes in sales in Q4. A consistent 50-60% have reported no change in sales in the last two years. In Q4 15% of those interviewed reported decreased sales (up from 11% that reported a decrease in sales in Q3, and similar to the start of the year when 16% reported decreased sales.)

Looking ahead, 44% of businesses expect their sales to increase over the next six months (up from 36% last quarter). Sales growth expectations are at their highest since pre-COVID. 45% expect to maintain their current level of sales, and 7% expect sales to fall.

Have your sales over the past quarter increased, decreased or remained the same?



\*Answer options 'not sure' also available

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# Business Challenges

The two biggest business issues reported this quarter were:



### Rising energy costs

53% reported this as an issue compared to 50% last quarter and down from 71% in Q4 2023



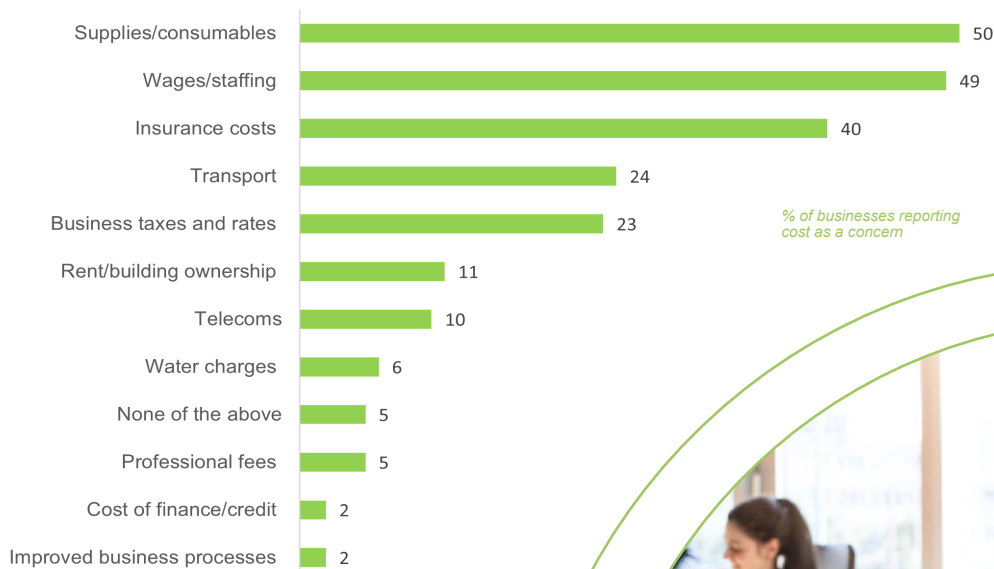
### Rising costs of other overheads

55% reported this as an issue, the same as last quarter and down from 67% in Q4 2023

Difficulty recruiting people and retaining/finding appropriate skills is a persistent issue, reported by 26% and 24% of businesses, ranking next to rising costs in significance. Other significant challenges include cash flow issues (18%), and declining demand (17%). Areas of least concern in Q4 2024 include: Sustainability/environment (reported by 8%) and Access to finance (reported by 8%, down from 14% in Q3 and similar to 7% this time last year.)

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

### 'Other overhead' cost challenges



# Access to people and skills

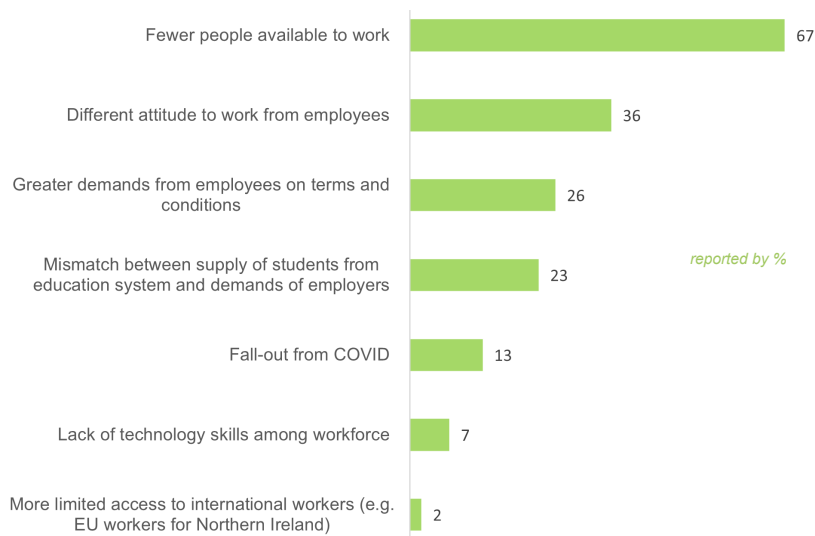
AIBM data has consistently indicated that businesses are dealing with persistent issues accessing talent. Since Q2 2024 the questionnaire has included a section asking specifically about accessing people and skills.



2 in 5 of those who have tried to recruit in the last two years are struggling to find the right skills for their business. This is up from a third (35%) last quarter. Of those experiencing difficulties, 7 in 10 have current vacancies.

## We also asked those experiencing recruitment difficulties unprompted questions:

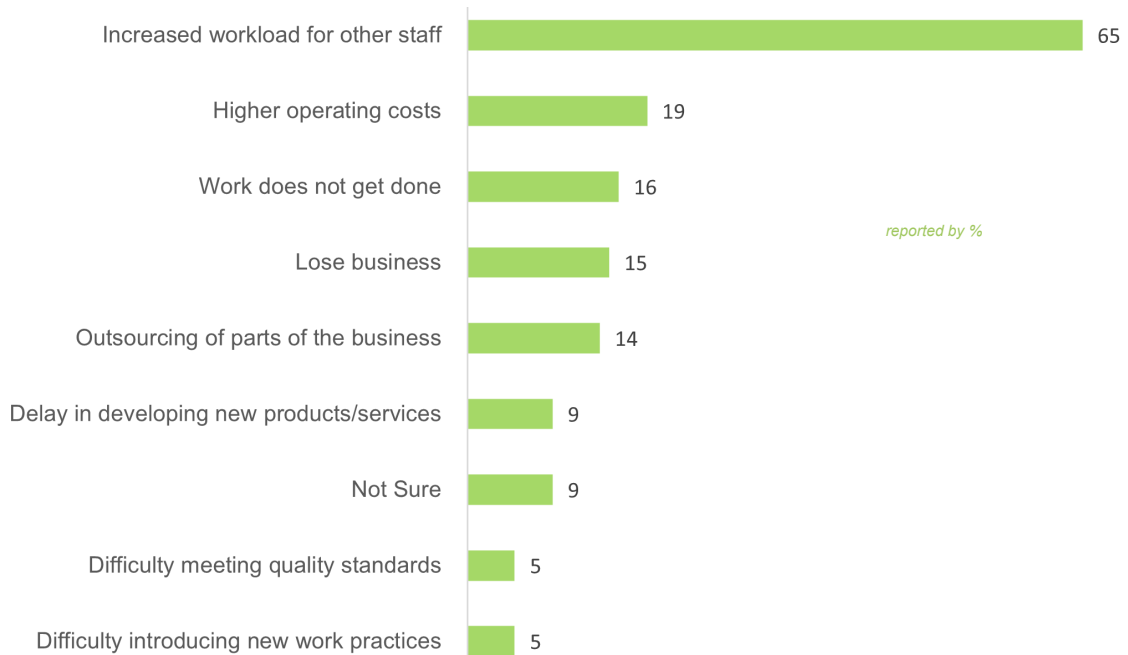
### Why do you think there are challenges getting the right skills?



Of those businesses that have had difficulty recruiting within the last two years:

- 2 in 3 say the reason skills are an issue is because there are fewer people available to work
- A third (37%) cite a different attitude to work as the reason
- A quarter say the issues are due to mismatch between supply of students and demands of employers

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



- Two thirds say that workload increases for other staff (73% last quarter). A fifth (19%) cite higher operating costs and 16% state that work does not get done
- This quarter, 15% say they are losing business as a result of not having the right skills and a similar percentage (14%) are outsourcing parts of the business, which is something not as commonly reported in previous quarters

## What has your business done to address skills shortages?





Businesses have focused largely on external solutions in addressing skills shortages, with over half increasing recruitment activity. This quarter 1 in 5 are focusing on the retention of existing staff, down from 37% last quarter. There is slight fall in the share who are investing in training (18%, down from 23% last quarter) and considering the remuneration packages on offer to staff (11% down from 20% last quarter).

28%



**28% of businesses with 3 or more employees recognise there is an opportunity to embrace digital technologies as a solution to the skills shortage challenge**

# Aspirations for 2025

We asked businesses about their main aspiration for 2025

Half of businesses are focused on keeping the business performing as it currently is



A fifth of businesses say their main focus for 2025 is growing turnover



1 in 10 are most interested in increasing their profit margin



While hiring intentions do seem to be improving, only 5% say employing more people is their main aspiration for 2025



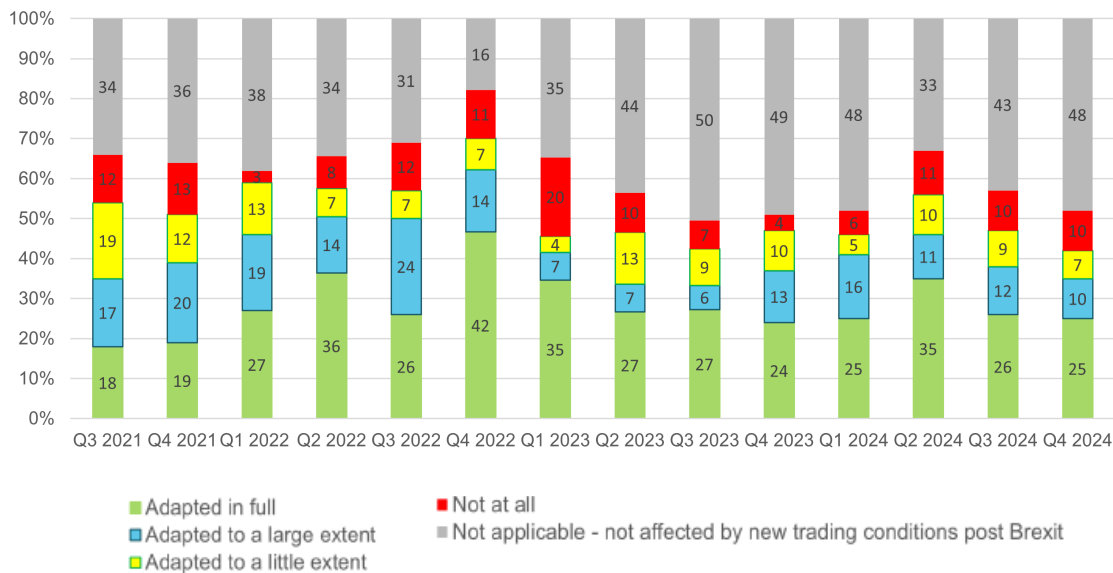
Only a small percentage of firms (5%) are considering major investments in new markets or capital



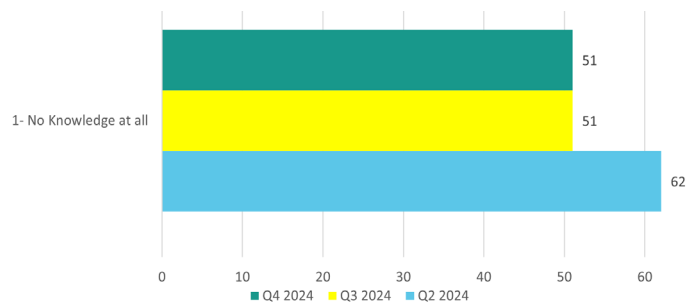
# Changes in Trading Conditions

Most businesses who believe it's applicable to them have adapted to EU Exit. A quarter of businesses indicated that they have adapted in full to new trading conditions post-Brexit and one in ten report they have adapted to a large extent. Almost one in five (17%) say they have only adapted to a little extent or not at all. Almost half say this is not applicable to their business.

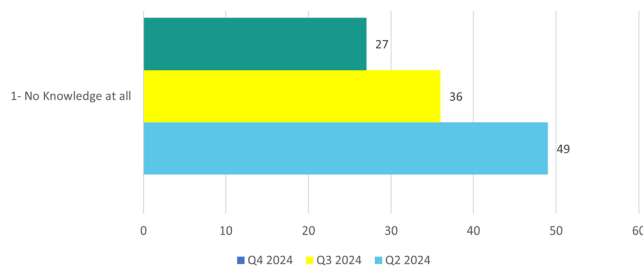
## To what extent, if at all, has your firm now adapted to the new trading conditions post-Brexit



- Overall, 51 per cent of businesses surveyed say they have no knowledge at all of the Windsor Framework, the same as Q3 and an improvement on the 62% who reported no knowledge in Q2 2024



- Of those who remain impacted by Brexit, the percentage saying they have no knowledge of the Windsor Framework is down to 27%, from 36% last quarter and from 49% in Q2. This suggests an improvement in the level of knowledge within businesses affected



\*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.

# Comparison

## BY SECTOR

*\* comparing Annual Averages (4 quarter averages)*

There is a mixed picture on sectoral performance. The improvement in the Construction sector is notable (consistent with official figures) as is the deterioration in the Hotel, Leisure and Catering sector (although more positive on prospects). There are some signs of weakening in the Professional Services sector too. While most businesses across all sectors anticipate sales to remain unchanged over the next 6 months, there is generally more positivity across sectors in terms of the share expecting sales growth. The sectors that are most positive are Manufacturing, Construction and also Hotel, Leisure and Catering despite its challenges. Around 10% generally have been taking on people across the sectors. Hotels, Leisure and Catering are most likely to expect to recruit going forward. Manufacturing and Construction are also more positive about recruitment intentions.



### Manufacturing

**Overall sense of steady growth with improved sales, higher profitability and stable employment trends**

- Over 2024 35% growing with 8% contracting and little change between 2023 and 2024
- Some improvement in share showing an increase in sales performance between 2024 (28%) and 2023 (24%)
- Positive outlook with on average 34% expecting sales to grow in 2024 compared to 21% in 2023
- 74% profitable, up from 63% in 2023 – can see the improvement since 2022
- 10% taking on people (unchanged from 2023)
- 16% expect to take on people against 3% who predict a decrease in employee numbers



### Construction

**Stronger growth and sales outlook, with profitability and hiring expectations rising**

- More Construction businesses are growing in 2024 (37%) than 2023 (28%). Just 8% are contracting and that was 17% in 2022
- 30% have expanded sales, unchanged on 2023 and few showing sales decline (11% vs. 14%)
- Sector is positive about sales growth with 36% expecting sales to grow compared to 25% in 2023
- 68% are profitable, slightly higher than 2023 (64%)
- 10% saw employment rise in the last 3 months while 5% saw a decline. The share of Construction businesses showing a fall in employment has been falling over the last couple of years
- 17% expect employment to increase and just 3% decrease over 2024. This is up on 2023 when on average 13% of Construction businesses expected to take people on



### Professional Services

#### Slight decline in growth and profitability, with mixed sales and weaker employment trends

- Slightly weaker growth performance in 2024 (36%) compared to 2023 (38%). Also, the share contracting increased from 3% in 2023 to 9% in 2024
- Slightly more firms showing sales growth in 2024 (29%) vs. 2023 (27%). Although also a small uplift in the share of businesses stating that sales are falling (9% 2024 vs. 5% 2023)
- 27% expect sales to grow in 2024, similar to 2023
- 73% profitable, down from 76% in 2023



### Hotels, Leisure, Catering

#### Growth slowdown, declining profitability, and weaker employment, despite a positive sales forecast.

- The share of businesses growing fell in 2024 to 23% from 31% in 2023. The share contracting increased to 16% from 9% in 2023
- Fewer firms showing sales growth in 2024 (26%) compared to 2023 (32%) and a significant uplift in the share of businesses stating that sales are falling (23% 2024 vs. 14% 2023)
- More positivity about sales growth with 38% expecting sales to grow compared to 28% in 2023. But double the share are expecting sales to contract in 2024 (18%) compared to 2023 (9%)
- 48% profitable, down from 57% in 2023
- 8% taking on people, down from 14% in 2023. 9% show employment falling, highest alongside Retail across the sectors. Through 2024 a quarter of businesses reported that they expect to be increasing employee numbers, up from 13% through 2023



### Retail Distribution

#### Moderate sales growth but weak employment trends, with overall performance below pre-Covid levels

- 32% are growing while 12% are contracting with not much change since 2023. However, the growth performance is down on previous years (2022 and pre-COVID)
- On average, 27% saw sales increase during 2024, up from 24% in 2023. 17% saw sales fall, similar to 2023
- 35% expecting sales to grow compared to 25% in 2023
- 56% profitable, down from 69% in 2023
- More businesses reporting employment falling (10%) than rising (8%) when averaged over 2024. The % reporting falling employment is up from 7% in 2023. 10% expect to take on people (in next 6 months) while 4% expect employment to fall

## BY BUSINESS SIZE

\* comparing Annual Averages (4 quarter averages)

The survey has consistently highlighted that the largest businesses (50+ employees) perform more strongly than the small/medium sized businesses in terms of sales, profitability and jobs. However, the findings suggest that 2024 has been a more challenging year for the largest businesses with slower growth and declining sales performance. Profitability has dipped. Hiring has significantly dropped (26% 2024 vs. 39% in 2023), though future employment expectations (33%) remain slightly positive. It is worth noting that there has been a softening in recruitment across the 3 employment size bands between 2023 and 2024, most notable for the largest businesses particularly. However, businesses appear slightly more positive around recruitment in the next 6 months (up by 2% points across each size band).



### Micro businesses (less than 10 employees)

- Less likely to grow than larger businesses (32% vs.57% in 2024), but the growth rate was steady through the year
- 63% are profitable, but profitability has weakened (from 73% in Q4 2023) with more micro businesses breaking even than larger ones
- Highest share since pre-COVID expecting sales to grow in the next 6 months, 35% with just 7% expecting a decline
- Only 7% have hired, much lower than larger employers and although expectations to take people on in the next 6 months are higher, averaging 13%, overall recruitment intentions tend to be low



### Businesses with 11-49 employees

- Two in five (41%) state that their business is growing, which is the highest percentage since Q4 2022
- More than two-thirds of businesses (69%) are currently profitable. However, this figure is down compared to previous quarters
- A third report increased sales, and over a third (39%) are expecting sales to rise in the next 6 months, up slightly on last year's predictions
- 19% have added employees to their workforce and 23% expect to take on people in the next 6 months
- They are likely to be experiencing recruitment difficulties (41%)



### Businesses with 50+ employees

- Over half (57%) are growing. However, only 1% show very strong growth, down from 8% in the same quarter of 2023. Only 3% are contracting
- 72% are profitable, down on last quarter. Although still high, it is lower than the pre-COVID period, where it was between 80% and 90%
- 42% expect sales to grow over the next 6 months, with 52% expecting sales to be stable
- 22% have seen employee numbers grow while, on average, a third (32%) expect to take on people in the next 6 months

## BY LOCATION

### Summary of IE businesses and NI businesses

\* comparing Annual Averages (4 quarter averages)

While Northern Ireland outperformed Ireland in Q4 2024 across business growth, sales, and profitability, annual averages show minimal differences, with both regions experiencing stable business performance with around a third of businesses growing, slight employment growth slowdown, but cautious optimism for future sales and hiring.



#### Business Performance

2024 ended more positively for NI than Ireland in terms of growth (41% vs. 28%), but taking the annual averages (4 quarters) suggests little difference between the two economies. Around a third growing and one in ten contracting while most businesses in both jurisdictions, just over half are stable.



#### Sales

Sales trends are similar, with NI slightly outperforming Ireland in Q4 2024 (36% vs. 31%). However, again the 2024 annual average show minimal difference (NI 29% vs. IE 28%). In 2024 more NI businesses experienced declining sales (16% vs. 13% in Ireland) or were unsure about their sales performance (4% vs. 1%). Businesses in both NI and Ireland are optimistic about sales growth in the next six months compared to previous years (NI 47% vs. IE 42% in Q4 2024).



#### Profitability

In Q4 2024, 63% of Irish businesses and 60% of NI businesses reported profitability. Over the full year, profitability levels were equal at 66% in both regions. However, although the figures are small, NI businesses were more likely to be unprofitable (6% vs. 3% in Ireland).



#### Employment

Employment growth has slowed slightly since 2023 in both jurisdictions, with 9% of Irish businesses and 8% of NI businesses increasing employment in 2024, down from 11% in 2023. Employment expectations (growth in the next 3 months) have doubled from Q3 to Q4 2024, with 22% of businesses in both regions planning to hire in the next three months. However, annual averages suggest little increase in hiring plans from 2023 to 2024 (Ireland 15% in 2024 vs. 12% in 2023; NI 13% in 2024 vs. 12% in 2023).

# Economic Context

## Q4 2024 AIBM FINDINGS

The two economies showed a more steady performance as 2024 came to a close, particularly in Ireland, which had experienced a period of marked instability earlier in the year.

In Q3 2024, Irish GDP grew by 0.3% following six consecutive quarters of decline, while Modified Domestic Demand (MDD)—a key measure of domestic economic activity—expanded by a stronger 3.1%, marking its fourth consecutive quarter of growth. Both indicators were largely driven by increased investment. Ireland's GDP is projected to grow by 0.3% in 2024, following a 5.5% contraction in 2023. The decline was mainly due to a slowdown in the multinational sector. MDD is forecast to rise by 3.1% in 2024, slightly above the 2.6% growth recorded in 2023. Northern Ireland outperformed the UK average in Q3 2024, with economic output increasing by 1.3% over the quarter (0.1% for the UK) and 3% over the year (1% for the UK). Growth in Northern Ireland was driven by the private sector, which expanded by 1.6% in the quarter and 3.9% over the year, with Construction and Services playing a key role.

Looking ahead, Ireland's economic outlook for 2025 is strong, with GDP expected to grow by 4.2% and the domestic economy by 3.1%. This growth is supported by a stabilizing multinational sector, more people in work, higher wages and easing inflationary pressures. In contrast, the UK economy, facing different challenges, is projected to grow by just over 0.8% in 2024 and 1.9% in 2025, though the recent weak performance of the economy and low consumer confidence may dampen this. Northern Ireland's economy is expected to grow by a modest 1.1% in 2024 and 1.5% in 2025, according to an average of local forecasts. For context, the IMF anticipates global economic growth of 3.3% in 2025, with the Euro area continuing to struggle at just 1%. Advanced economies, including the U.S., are expected to grow more robustly.

Cross-border goods trade between Ireland (IE) and Northern Ireland (NI) amounted to just over €10bn in 2024, split almost equally between trade from NI to IE and trade IE to NI. This is up by 3.5% over the year. Trade has grown strongly between the two jurisdictions post-COVID, driven in large part by the pharmaceuticals/medical sector during COVID but also the general expansion in trade across almost all sectors over that time. Pharma now accounts for 17% of cross-border trade and one-fifth (21%) of trade from Northern Ireland to Ireland. Great Britain (GB) Ireland trade totalled €32bn in 2024, down 16% over the year. Trade from GB to IE continued to fall, down 21% over the year, with weaker trade in Chemicals and Gas most notable.

NI's strong goods trade performance has been notable, particularly against a more challenging trading environment for the UK goods trade performance generally since EU Exit and with the implementation of parts of the Windsor Framework. 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 with total trade up by 2.9% in the first 8 months of the year compared to the same period of 2023. More widely, the outlook for global trade is relatively good, particularly as inflation eases and the interest rate outlook improves. However, Europe's trade is expected to be very weak. Large tensions in terms of conflict and geopolitics remain, with the conflict in the Middle East a particular concern. The importance of national trade (and wider) policy decisions is also a key factor of note, and the outworkings of the US Presidential Election and any changes made by the President-Elect to the country's trade policy is a watching brief.

Employment rates are high in both jurisdictions (IE 74.3%, NI 72.1%) and unemployment rates low (IE 4%, NI 1.6%). The labour market remains strong and while there have been some hints around this softening, that hasn't been borne out in any significant way in the statistics to date. Consumer confidence has improved as cost of living pressures have eased somewhat but remains fragile given lingering concerns over those persistent cost pressures and a generally uncertain political and economic outlook, locally and globally.

It's not surprising therefore that the Q4 24 findings suggest that businesses want to focus on stability rather than taking a big step towards investment and growth, for the time being at least. The very disruptive period of COVID, UK EU Exit and post-COVID when the huge energy and wider cost pressures emerged have been accompanied by a very tight labour market and very serious and ongoing geopolitical concerns. The weak state of UK public finances and economic performance also raises concerns for Northern Ireland. Most of these issues show no signs of abating any time soon.



The extent of the challenges and high level of uncertainty is impacting on some businesses more than others. The AIBM suggests that large businesses (50+ employees), which are usually more resilient, have faced a more challenging year in 2024, with slower growth, declining sales performance, and a notable drop in hiring from 39% in 2023 to 26% in 2024, although future employment expectations remain slightly positive. Across all business size categories, recruitment has softened compared to 2023, but there is a slight increase in hiring optimism for the next six months, with a 2-percentage-point rise in employment expectations. The Construction and Manufacturing sectors have shown notable resilience, with steady sales growth, increasing profitability, and positive hiring expectations, whereas the Hotel, Leisure, and Catering sector, largely Hospitality, has faced significant challenges, including declining profitability and weaker employment trends, despite a more optimistic sales outlook. The Professional Services and Retail sectors have experienced mixed performances, with some signs of weakening in sales and employment trends, while overall recruitment intentions across industries remain cautious but slightly optimistic for the next six months.

Following Donald Trump's inauguration as President, there is now an intense focus on 'what next' for both the UK and Ireland, with particular concerns for Ireland on what proposed tariffs might mean. The scale of the exposure is significant with Ireland's total trade with the US exceeding 50% of its GDP. Any significant change could have a profound effect on Ireland's trade and investment performance and that would obviously have spillover effects for Northern Ireland as well. It also creates uncertainty for how tariffs might affect Northern Ireland's dual market access.

While businesses are striving to remain positive, the significant uncertainty and rapidly changing market conditions are dampening their growth aspirations for the time being at least. Even stability could be easily put off course. It is not surprising therefore that many businesses are taking a wait and watch stance towards growth and investment to see how these myriad of uncertainties play out.

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