Enduring Confidence, Despite Rising Costs
The 2026 Outlook for Irish SMEs

Anseo chun gnó a fhorbairt
Corparáid Baincéireachta Straitéiseach na hÉireann
Here to build business
Strategic Banking Corporation of Ireland

Executive Summary

This report draws on responses from 182 Irish SMEs surveyed[1] in April–May 2026 (51% micro, 37% small and 12% medium sized firms).

Irish SMEs are taking a more measured approach to growth in 2026. While most continue to expect their financial position to improve over the next 12 months, near-term hiring and investment expectations have softened compared with 2025. In contrast, optimism over the medium and long-term has strengthened, pointing to continued belief in underlying resilience and future growth.

Rising costs now dominate the SME agenda. Sharp increases in energy, transport and material costs have overtaken all other business risks, reshaping investment and financing decisions. Rather than pulling back completely, SMEs are responding by investing more selectively, with a stronger focus on efficiency, margin protection and sustaining turnover growth. Finance is increasingly being obtained to support these strategic objectives, rather than to manage short-term disruption.

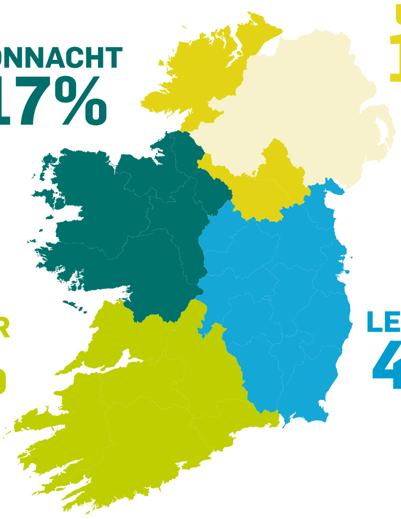
This more cautious stance is also reflected in innovation and expansion plans. Compared with 2025, fewer SMEs are pursuing innovation or new market entry, with many prioritising the consolidation of existing products and capabilities.

At the same time, willingness to borrow remains strong, but **confidence in current investment levels and operating certainty is weaker.** This points to pent-up demand for flexible finance, as SMEs seek to balance risk with longer-term opportunity.

Overall, the findings point to resilience in the face of growing cost pressures: Irish SMEs are adapting to a more challenging cost environment while maintaining confidence in future growth. This underscores the **importance of accessible, flexible financial supports** to help translate resilience into sustainable investment.

Regional Distribution of Responses

Survey participation was nationwide, reflecting the diversity of Irish SMEs across all provinces.



Growth Moderates, Optimism Endures

A clear majority of SMEs still expect their financial position to improve over the next year, but sentiment has softened modestly since 2025.

65% expect their financial position to improve in the next 12 months (vs 70% in 2025)

54% plan to hire more employees (vs 60% in 2025)

57% expect strong short-term investment growth (up to 18 months), while 65% expect strong long-term growth (5 years and more)

69% remain optimistic about the medium-term (18 months to 5 years), up from 66% in 2025

Taken together, these results point to a more measured outlook in 2026: SMEs are moderating near-term expansion while remaining confident in their medium-term prospects.

[1] The findings in this report are based on responses from 182 SMEs collected between April and May 2026 through an anonymous survey. Respondents included a mix of businesses that had previously applied for SBCI-supported loans and businesses reached through SBCI social media channels. All responses were used solely for research purposes. Results should be interpreted as indicative rather than statistically definitive. All results are based on survey responses and reflect the perceptions of the respondents. They do not necessarily represent actual changes in the parameters assessed. For the analysis of this report, responses were grouped as follows: 1–3 = Low, 4–6 = Medium, 7–9 = High and 'positive' (agree/strongly agree), 'neutral', and 'negative' (disagree/strongly disagree) categories.

Rising Costs Are Reshaping Risk and Financing Decisions

Cost pressures have intensified sharply since 2025 and now dominate SME risk perceptions.

- Energy and transport costs (91%) and material costs (86%) have overtaken all other business risks
- Concerns around tariffs have eased, reflecting changing trade dynamics

Top Business Risks perceptions in 2026

91%
Energy & transport costs
(68% in 2025)

86%
Cost of materials
(73% in 2025)

76%
Availability of skilled labour
(67% in 2025)

70%
Access to finance
(71% in 2025)

69%
Cost of borrowing
(69% in 2025)

55%
Impact of tariffs
(69% in 2025)

Note: *Respondents were allowed to select multiple options; the total percentages may therefore exceed 100%.*

Against this backdrop, SMEs continue to obtain finance when investing in digitalisation and environmental improvements, but the reasons for obtaining finance have shifted. Rather than responding primarily to short-term disruption, finance is increasingly being used to support turnover growth.

This suggests that, despite heightened cost pressures, SMEs are investing strategically to drive growth, rather than simply to stabilise operations.

Reasons for obtaining finance	2026 Rank	2025 Rank
Increase turnover of existing products/services	1	7
Implement digitalisation projects	2	2
Improve environmental performance	3	1
Address supply chain issues	5	3

Investment Funding: Strong Internal Resources

Investment is primarily funded from internal resources, highlighting the financial resilience of many SMEs. However, this reliance on self-financing may limit the pace or scale of investment for some firms.

60% **Nearly 60% of SMEs fund at least half of their investment internally**

Innovation Intentions Ease as Risk Is Reassessed

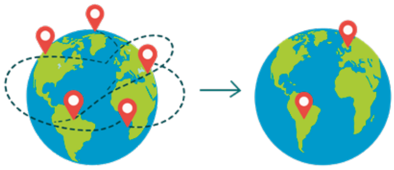
Compared with 2025, SMEs in 2026 are less inclined to pursue innovation.

40%

Report no expected product or service innovation up from 21% in 2025

35%

Innovation that is new to the market fell from 54% in 2025



21%

Plans to enter new markets declined from 35% in 2025

Overall, the results indicate that SMEs are becoming more selective in their innovation activity, with fewer firms planning new product launches or market entry and more focusing on existing offerings in the near-term.

Willing to Borrow, but Uncertainty Has Increased

In 2026, nearly six in ten SMEs report a high appetite for borrowing, with similar short-term investment intentions and stronger plans over the medium-term. This profile is broadly consistent with 2025.

Perceived uncertainty has increased since 2025, with the share of SMEs reporting a high level of certainty falling from 61% in 2025 to 49% in 2026. While many SMEs are still planning to grow, fewer now feel certain about their operating environment or current investment levels, leading firms to take a more cautious, step-by-step approach to investment.

Administrative Friction Overtakes Cost as the Main Barrier to Finance

Between 2025 and 2026, the nature of finance barriers has shifted.

- Time and effort involved in applications is now the most cited barrier (68%)
- Personal guarantees and cost of credit remain significant but are no longer the biggest barrier

This points to growing frustration with process complexity and administrative burden, rather than affordability alone.

Top Barriers to Finance in 2026

68%

Time & effort in the application
(59% in 2025)

63%

Personal guarantees
(66% in 2025)

62%

Cost of credit
(62% in 2025)

55%

Information requirements
(60% in 2025)

Note: *Respondents were allowed to select multiple options; the total percentages may therefore exceed 100%.*

Sustainability: Intent Is Rising, Delivery Is Stalling

Sustainability is becoming more mainstream, but execution remains challenging.

- 65% of SMEs now have environmental plans
- 29% plan to invest in sustainability
- 32% are actively investing and plan to invest more (up sharply from 2025)

Rising energy costs are accelerating a shift towards cost-driven, infrastructure-led green investments, particularly electric vehicles and charging infrastructure. At the same time, upfront cost has emerged as the single biggest barrier, while uncertainty about benefits has fallen sharply.

This suggests SMEs are clearer on the case for sustainability investment but increasingly constrained by affordability and commercial viability.

Sustainability Snapshot

65%

SMEs with environmental plans
(62% in 2025)

32%

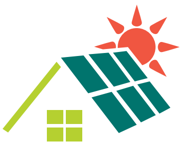
SMEs actively investing & plan to invest more
(19% in 2025)

29%

SMEs planning to invest
(20% in 2025)

Note: *Respondents were allowed to select multiple options; the total percentages may therefore exceed 100%.*

Investment areas (Next 3 years)



54%

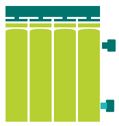
Solar panels
(57% in 2025)

45%

Electric vehicles
(24% in 2025)

35%

EV recharging infrastructure
(13% in 2025)



21%

Heating systems
(44% in 2025)

15%

Ventilation systems
(35% in 2025)

Note: *Respondents were allowed to select multiple options; the total percentages may therefore exceed 100%.*

Motivations for Green Investment

43%

Cost reduction
(32% in 2025)

32%

Make business operations more sustainable
(39% in 2025)

18%

Improve brand reputation & customer loyalty
(16% in 2025)

Note: *Respondents were allowed to select multiple options; the total percentages may therefore exceed 100%.*

Top Barriers to Sustainable Investment

42%
Too expensive
(29% in 2025)

37%
Long payback periods
(40% in 2025)

25%
Competing priorities
(31% in 2025)

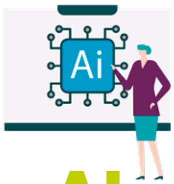
21%
Uncertain benefits
(39% in 2025)

Note: *Respondents were allowed to select multiple options; the total percentages may therefore exceed 100%.*

Digital Transformation: Ambition Outpaces Execution

SMEs recognise the importance of digitalisation, but readiness remains uneven.

53%
see digitalisation as central to strategy, yet only 38% have measurable transformation goals



AI
dominates attention, with over half planning to invest

Cybersecurity & digital skills
are widely recognised as risks, but remain under prioritised

The findings suggest that progress in advanced digital technologies is outpacing the development of foundational digital skills, highlighting the need for a more balanced approach to digital transformation.

Trade Exposure: A Shift Towards the EU

Irish SMEs are adjusting their market focus in response to the evolving trade environment.

- Exposure to EU markets has increased sharply, while participation in US markets has declined
- This shift likely reflects efforts to reduce trade friction and tariff exposure

59%
SMEs trading with the EU
(33% in 2025)

50%
SMEs trading with Northern Ireland
(44% in 2025)

41%
SMEs trading with Great Britain
(41% in 2025)

33%
SMEs trading with the United States
(46% in 2025)

Note: *Respondents were allowed to select multiple options; the total percentages may therefore exceed 100%.*

The Role of the SBCI

Established in 2014, the Strategic Banking Corporation of Ireland (SBCI) was created to improve access to finance for Irish SMEs and stimulate competition in the SME lending market. Over the past decade, the SBCI has made €5.9 billion available to lenders, with over €5 billion ultimately reaching Irish borrowers deployed through its liquidity and risk-sharing products. This support has helped over 66,000 borrowers access the finance they need to invest, innovate and grow.

Through its lending supports, the SBCI has improved financing options for SMEs by facilitating access to longer-term finance, reducing collateral requirements, and lowering borrowing costs. At the same time, it has contributed to a more diverse and competitive lending landscape by supporting the expansion of credit unions and non-bank lenders in the SME finance market.

Find out more about the range of SBCI supports and funding available to help your business grow and prosper. **Visit sbci.gov.ie**