

Private equity business climate hardly changed after the turn of the year

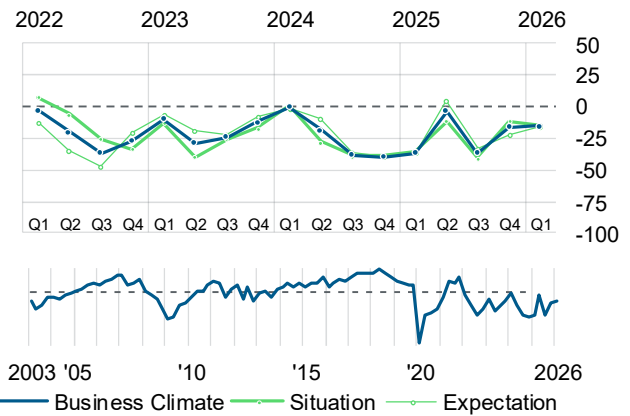
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- Investors' macroeconomic assessments defy the outlook for inflation, interest rates and economic activity
- Exit climate improves markedly, only sentiment on IPOs remains poor
- Mixed sentiment on deal flow and fundraising

Investor sentiment in the German private equity market has changed little since the end of the previous year. The business climate indicator for the segment of the private equity market that focuses on investments in established companies edged up slightly by 1.4 points to -15.1 in the first quarter of 2026. The business climate is calculated as the average of the assessment of the current business situation and the business situation six months ahead (business expectations). The current situation indicator fell slightly by 3.6 points to -14.7, while the expectations indicator rose by 6.4 points to -15.5.

The macroeconomic environment deteriorated markedly in the first quarter. With the war in Iran, energy prices have risen and interest rate hikes by the ECB to combat inflation are likely over the course of the year. This is likely to worsen the terms for acquisition financing and cloud the cyclical outlook. Despite these prospects, the corresponding climate indicators in some cases increased significantly. The interest rate climate climbed by 8.9 points to -22.6, the climate indicator for the terms of acquisition financing by 10.8 points to -19.2 and the economic climate by 17.2 points to -54.9. In a long-term comparison, there is a strong correlation between the exit climate and the economic climate. Accordingly, the exit climate also improved, with the indicator surging by 38.9 points in the first quarter to -5.4. This improvement was driven above all by the climate indicators for trade sales (up 53.1 points to -0.1) and secondaries (up 30.8 points to -1.5). The IPO climate also increased, by 6.1 points, but at -29.1 it remains frosty. Although willingness to invest declined by 6.9 points to 15.9, it remains well in positive territory by long-term standards, as does satisfaction with entry valuations for new investments. Late-stage investors, however, are less upbeat about their deal flow and fundraising.

Private equity business climate indicator



Private equity climate traffic lights

Values in balance points

	Q1 '26	Δ Q4 '25	Low	High
Business climate	-15,1	+1,4	-80,8	+39,7
Business situation	-14,7	-3,6	-76,1	+48,9
Business expectations	-15,5	+6,4	-85,5	+30,6
Interest rates	-22,6	+8,9	-84,2	+42,2
Conditions acqui. fin.	-19,2	+10,8	-80,5	+47,5
Economy	-54,9	+17,2	-84,0	+82,9
Exit opportunities	-5,4	+38,9	-83,1	+60,1
Trade-sales	-0,1	+53,1	-92,0	+48,1
Secondaries	-1,5	+30,8	-96,5	+53,4
IPOs	-29,1	+6,1	-57,3	+69,5
Depreciations	-19,2	+2,8	-50,0	+36,0
Entry valuations	+28,3	+7,0	-38,6	+56,2
New investment	+15,9	-6,9	-79,3	+24,9
Deafflow quantity	-3,2	+0,2	-28,1	+22,8
Deafflow quality	-14,4	-11,9	-23,3	+24,3
DF innovativeness	+2,0	+2,9	-45,0	+34,6
Fundraising	-4,2	+18,8	-64,0	+50,5

Colour scheme of the "climate traffic lights": values in the lowest third are marked "red", those in the middle third "yellow" and those in the top third "green". Deviations from earlier publications may occur for construction-related reasons.

Source: KfW Research und BVK.

Comments on the current trends

Dr Dirk Schumacher,
Chief Economist at KfW

“The sentiment in the German private equity market has changed little from the previous quarter in the first quarter of 2026,” says Dr Dirk Schumacher, Chief Economist at KfW. “But that could even be good news, given the markedly deteriorated macroeconomic environment as a result of the war in Iran. Reports from the Middle East are likely to be a major determinant of the development of investor sentiment over the course of the year, so I expect high volatility in the business climate for the foreseeable future.”

Ulrike Hinrichs,
Executive Board Member at the German Private Equity and
Venture Capital Association (BVK)

“Business climate and sentiment in the German private equity market remain in wait-and-see mode. Given the war in Iran, rising energy prices, concerns about the economic outlook and looming interest rate rises, this is hardly surprising,” comments Ulrike Hinrichs, BVK Executive Board Spokesperson. “It is, however, positive that investors are once again showing more optimism with regard to fundraising and exits. Together with the persistently high willingness to invest and attractive valuation levels, this is a good basis for the remainder of the year. What will be crucial is that geopolitical risks and economic policy uncertainty do not stall the recovery.”

Calculation of the German Private Equity Barometer

The **German Private Equity Barometer** is based on a quarterly survey of the members of the German Private Equity and Venture Capital Association (Bundesverband Beteiligungskapital – BVK) and further private equity companies with registered offices in Germany. It reports on business sentiment in the German private equity market on the basis of assessments provided by private equity firms with a focus on mature small and medium-sized enterprises. All sentiment indicators represent the average of the balance of situation assessments (share of 'good' minus share of 'bad') and the balance of expectations identified at the same time for the coming six months, normalised to their respective historical mean balance values as baseline level. As a result, the maximum or minimum value of the indicator may exceed or fall below +100 or -100 as the actual maximum or minimum. Because of the way the barometer is constructed, positive indicator values point to above-average sentiment and negative values to below-average sentiment.

The **German Private Equity and Venture Capital Association (BVK)** is the voice and the face of the private equity industry in Germany. The association is committed to improving conditions and facilitating access to private equity so that even more businesses in Germany can benefit from private equity. It has some 300 members. These include around 200 private equity companies and investors as well as some 100 consulting firms and service providers of the industry.

