Private equity business climate weakens

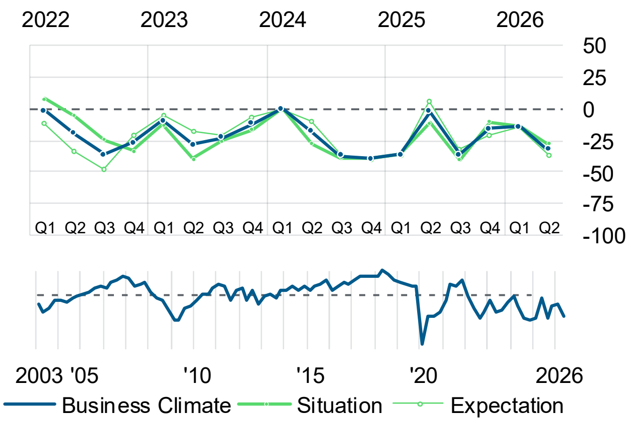
3 August 2026 // Author: Dr Georg Metzger, +49 69 7431-9717, georg.metzger@kfw.de

- Macroeconomic uncertainty remains high
- Indicators point to rising company valuations
- Investment appetite is increasing, indicator just below its peak level

Investor sentiment in the German private equity market deteriorated in the spring quarter. The business climate indicator for the segment of the private equity market geared towards investments in established enterprises fell by 17.4 points to -32.2 points in the second quarter of 2026. The business climate is calculated as the average of the assessment of the current business situation and the business situation over a six-month horizon (business expectations). The indicator for the current business situation declined by 13.4 points to -27.8 points in the second quarter. The indicator for business expectations fell even more sharply, dropping by 21.4 points to -36.6 points. The current business climate is thus heavily subdued and, over a six-month horizon, investors expect it to become even gloomier. Investor sentiment has now been in negative territory for four and a half years, with sporadic spikes towards the long-term average (zero line).

The events surrounding the war in Iran kept oil prices volatile at a high level and macroeconomic uncertainty correspondingly remained elevated. Despite some easing towards the end of the second quarter, the oil price shock was already reflected in inflation, which triggered a moderate interest rate increase by the ECB and will presumably be followed by further hikes. Investor assessments of the macroeconomic environment therefore continued to deteriorate and are deeply in negative territory: the interest rate climate stands at -38.2 points, the climate indicator for conditions for acquisition financing at -44.2 points and the economic climate at -57.7 points. The fundraising climate and the exit climate, both of which recorded marked increases in the first quarter, weakened again sharply in the second quarter. The indicators are thus deep in negative territory, with the fundraising climate at -42.3 points and the exit climate at -38.1 points. Sentiment regarding valuation adjustments remains subdued at -14.3 points but has gradually improved over recent quarters. By contrast, sentiment regarding entry valuations remains positive at 14.0 points, although it took a knock in Q2. Nevertheless, the indicator for investment appetite increased and, at 23.3 points, remains only just below its previous peak level. Late-stage investors, however, remain less upbeat when it comes to their deal flow.

Private equity business climate indicator



Private equity climate traffic lights

Values in balance points

	Q2 '26	Δ Q1 '26	Low	High
Business climate	-32.2	-17.4	-80.5	+40.1
Busiiness situation	-27.8	-13.4	-75.8	+49.2
Business expectations	-36.6	-21.4	-85.1	+30.9
Interest rates	-38.2	-16.1	-83.8	+42.6
Conditions accqui. fin.	-44.2	-26.2	-79.4	+48.6
Economy	-57.7	-3.4	-83.4	+83.6
Exit opportunities	-38.1	-33.1	-82.7	+60.5
Trade-sales	-43.4	-43.9	-91.5	+48.6
Secondaries	-25.7	-24.5	-96.2	+53.7
IPOs	-51.2	-22.7	-56.7	+70.1
Fundraising	-42.3	-38.5	-63.6	+50.9
Depreciations	-14.3	+4.7	-49.8	+36.2
Entry valuations	+14.0	-14.2	-38.7	+56.1
New investment	+23.3	+7.9	-79.8	+24.5
Dealflow quantity	+3.6	+6.8	-28.1	+22.7
Dealflow quality	-19.8	-5.6	-23.1	+24.6
DF innovativeness	-2.9	-5.0	-45.0	+34.6

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 and BVK.

Comments on the current trends

Dr Dirk Schumacher,
Chief Economist at KfW

“The business climate in the German private equity market weakened in the second quarter of 2026, presumably due to the high level of macroeconomic uncertainty,” said Dr Dirk Schumacher, Chief Economist of KfW. “Investor sentiment has now been distinctly subdued for four and a half years. Encouraging, however, is investors’ strong willingness to invest, which keeps financing options open for established enterprises.”

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

“Sentiment in the German private equity market has taken a knock again following the recovery in the two preceding quarters. From a macroeconomic perspective, the business cycle and interest rate developments are acting as a drag, while internally within the market it is primarily fundraising and exits,” commented Ulrike Hinrichs, Spokesperson of the Executive Board of BVK. “It is all the more important that the investment appetite of private equity firms remains high and that attractive enterprises continue to meet with strong investor interest. What is crucial for a sustainable revival of the private equity business climate is that geopolitical tensions ease, economic activity picks up and the economic policy framework for long-term investment remains reliable. The most recent policy decisions taken by the Federal Government are a step in the right direction but are likely to have an impact only with a delay.”

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.

BVK
Bundesverband
Beteiligungskapital e.V.