

# Private equity sentiment: Hard landing after a jump in confidence

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- Despite declines, three-year growth trend in fundraising and exit conditions remains intact
- Indicators for entry valuations and investment appetite are green
- Investors are dissatisfied with macroeconomic conditions

After the previous surge in sentiment in the German private equity market, the development in the third quarter is sobering. The business climate indicator for the segment of the private equity capital market that targets investments in established enterprises plunged by 33.3 points to -36.9 balance points, losing all the gains made in the second quarter. Assessments of the business situation today and for the next six months (expectations) both fell steeply. The indicator for the current business situation plummeted by 28.8 points, falling to -40.9 balance points, while the indicator for expectations nosedived by 37.9 points to -32.8 balance points.

Unlike business sentiment, the downturn in the third quarter was lower for two important sub-indicators than the previous gains. Thus, the fundraising environment dropped by 16.3 points to -20.0 points but nonetheless remains well above its Q1 level. The upward trend after the three-year low in the third quarter of 2022 remains intact. The same applies to exit options. The indicator for exit conditions is virtually unchanged, dropping by 2.6 points to -24.0 points. Therefore, investors are generally more satisfied with fundraising and exits than they were at the start of the year. At the same time, however, investors appear to be having difficulty finding sufficient investment opportunities despite very positive sentiment around entry valuations and investment appetite, the only two sub-indicators that are in the green.

In contrast, investors rated the macroeconomic conditions significantly more negatively. Assessments of the economic and interest rate environment fell significantly. The worsened sentiment around interest rates could reflect disappointed market expectations as the ECB paused interest rate reductions. Furthermore, risk premiums at the long end of the interest rate curve have risen, leading to higher market interest rates for longer-term capital investments. Along with the interest rate environment, investor satisfaction with the availability and conditions of acquisition finance also deteriorated.

Development of private equity sentiment indicator



Private equity sentiment 'traffic lights'

Values in balance points

	Q3 '25	Δ Q2 '25	Low	High
Business climate	-36.9	↓ -33.3	-81.1	+39.4
Business situation	-40.9	↓ -28.8	-76.4	+48.6
Business expectations	-32.8	↓ -37.9	-85.9	+30.1
Fundraising	-20.0	↓ -16.3	-64.3	+50.2
Entry valuations	+17.8	↑ -1.5	-38.0	+56.8
Exit opportunities	-24.0	↑ -2.6	-83.6	+59.6
New investment	+13.6	↑ +1.0	-78.5	+25.8
Dealflow quantity	-20.2	↓ -21.4	-28.2	+22.7
Dealflow quality	+2.5	↑ -3.0	-23.5	+24.2
Depreciations	-24.2	↓ -5.4	-50.4	+35.6
Economy	-42.5	↓ -20.5	-85.4	+81.5
Interest rates	-29.6	↓ -28.0	-84.8	+41.6
Availability acqui. fin.	-17.1	↓ -7.5	-66.4	+42.9
Conditions acqui. fin.	-29.5	↓ -19.7	-81.8	+46.2

Colour scheme of sentiment indicator dots: values in the lowest tercile are marked 'red', in the medium tercile 'amber' and in the highest tercile 'green'. Indicator design may lead to deviations from previous publications.

Sources: KfW Research and BVK.

## Comments on the current trend

Dr Dirk Schumacher,  
Chief Economist of KfW

"After the surprising surge in confidence in the early summer, investor sentiment in the German private equity market experienced a hard landing in the third quarter," said Dr Dirk Schumacher, Chief Economist of KfW. "Business sentiment has dropped to its previous very low level again. Nonetheless, the development of important sub-indicators such as fundraising and exits still offer a glimmer of hope. Despite the setback, the upward trend that set in after they hit the bottom three years ago remains intact. The very good sentiment of investors towards entry valuations and investment appetite is also encouraging, even if their deal flow currently appears to be weakening."

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

"After the significant surge in confidence in the spring, the private equity market became much more subdued again in the third quarter. The downturn in business sentiment illustrates that economic uncertainties and the interest rate environment continue to put the brakes on the industry," commented Ulrike Hinrichs, Executive Board Member at the BVK. "But what should be seen as a positive is that fundraising and exits remain steady and investors remain willing to invest. This shows that despite the short-term challenges, the market is in a solid position and offers a good basis for a recovery in the coming quarters."

## 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.



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