KfW Research
German Venture Capital Barometer 3rd Quarter 2026

In cooperation with the German Private Equity and Venture Capital Association (BVK)

Venture capital business sentiment improved over the summer

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- Investors' expectations continue to signal a subdued business climate over the next six months
- Willingness to invest points to improved financing opportunities for start-ups
- Structural developments in start-up formation could weigh on satisfaction with the deal flow

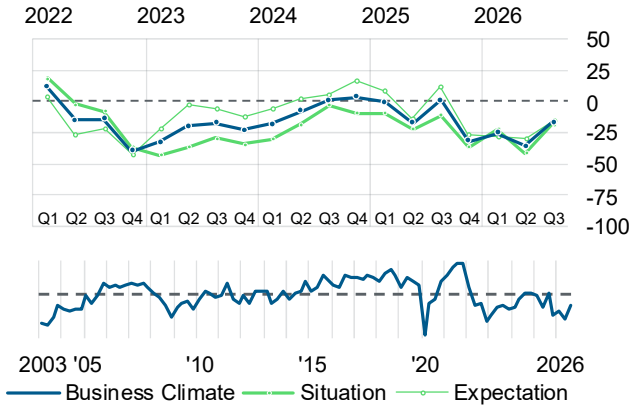
Investors' expectations continue to signal a subdued business climate over the next six months

Over the summer quarter, business sentiment improved on the German venture capital market (VC market). The sentiment indicator rose by 19.0 points in the third quarter of 2026 to -16.6 points. The indicator nonetheless remains well below its long-term average. 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). Both components improved in the assessment of VC investors. The indicator for the current business situation increased by 22.5 points to -18.4 points, while the indicator for business expectations rose by 15.5 points to -14.7 points. The fact that expectations are only slightly better than the assessment of the current situation suggests that VC investors do not anticipate any significant improvement in the subdued sentiment over the next six months.

Business-cycle forecast and interest-rate decision feed through to macro indicators

Macro indicators evolved unevenly in the third quarter. The indicator for business-cycle conditions rose by 16.9 points to -51.2 points. The improved mood is consistent with the autumn report of the Joint Economic Forecasting Group on the economic situation in Germany, which included an upward revision to the projected GDP growth for 2026. By contrast, the ECB's latest moderate rise in the key interest rate and rising yields on the bond markets have been reflected in the interest rate climate. The indicator declined by 7.1 points to -65.9 points. Despite higher market interest rates, fundraising sentiment improved. The indicator for fundraising conditions rose by 20.7 points to -13.0 points. With double-digit changes of opposite sign, the indicator has remained between the yellow and red zones for the sixth consecutive quarter. On a quarter-by-quarter basis, the indicator therefore does not follow a clear direction. However, in the four-quarter moving average, the indicator shows a downward trend.

Development of the VC business climate indicator



Venture capital climate traffic lights

Values in balance points

	Q3 '26	Δ Q2 '26	Low	High
Business climate	-16.6	+19.0	-59.5	+46.3
Business situation	-18.4	+22.5	-53.8	+51.2
Bus. expectations	-14.7	+15.5	-69.3	+45.0
Economy	-51.2	+16.9	-83.8	+83.7
Interest rates	-65.9	-7.1	-98.0	+48.7
Fundraising	-13.0	+20.7	-66.1	+74.9
Exit opportunities	-46.3	+9.6	-68.0	+77.9
Trade-sales	-67.6	+5.0	-83.8	+64.0
Secondaries	-45.5	+17.9	-63.4	+59.5
IPOs	-37.4	-0.7	-48.8	+102.5
Depreciations	-14.8	-9.4	-46.5	+31.8
New investment	-10.3	+1.5	-71.2	+32.4
Dealflow quantity	+5.9	+3.3	-45.9	+32.3
Dealflow quality	-0.7	-10.1	-24.2	+27.5
DF innovativeness	-8.3	-14.2	-48.6	+35.3
Entry valuations	-12.6	-5.9	-55.5	+48.6

Colour scheme of the "climate traffic lights": values in the lowest third of the value range are marked "red", those in the middle third "yellow" and those in the highest third "green". Deviations from earlier publications are possible due to the construction.

Source: KfW Research and BVK.

Persistent dissatisfaction with the exit environment

The exit climate improved somewhat again in the third quarter after its three-year low in the previous quarter. The indicator rose by 9.6 points to -46.3 points. In particular, the assessment of the current situation improved, whereas the expectations component remained largely unchanged at a low level. The improved current situation therefore does not yet signal a turnaround for the still ice-cold exit climate. Investor dissatisfaction with all exit routes remains substantial, even though the exit climate developed somewhat differently compared with the previous quarter for each route. While the indicators for trade sales (up 5.0 points to -67.6 points) and IPOs (down 0.7 points to -37.4 points) changed only slightly, the indicator for secondaries increased again, rising by 17.9 points to -45.5 points. It thus pulled itself somewhat away from its all-time low in the previous quarter. Overall, the situation and expectations components for all three exit routes observed are similar to one another. According to venture capital investors' assessments, therefore, no sign of a thaw is to be expected for any of the exit routes in the foreseeable future.

The persistently frosty exit climate is also likely to weigh on sentiment regarding write-offs and impairments of equity investments. The indicator for value adjustments fell by 9.4 points to -14.8 points. However, expectations regarding future developments were the main determining factor here. Whilst the current situation component remains only slightly below its long-term average, the assessment of expectations over the next six months has deteriorated significantly. The expectations component in particular has proved highly volatile in recent quarters, which may reflect considerable uncertainty regarding AI-induced disruptions to business models and valuations.

Improved financing opportunities for start-ups?

The climate for new investments changed little in the third quarter of 2026. The indicator stagnated at -10.3 points (up 1.5 points). However. the assessments of the current situation and of expectations, developed in opposite directions. The situation component gained 6.5 points to -2.6 points, while the expectations component lost 3.5 points to -17.9 points. While VC investors' willingness to invest is currently in line with its long-term average, they evidently do not expect this to remain the case in six months. In view of the downward trend in the number of completed financing rounds since the beginning of 2022, start-ups may therefore currently have improved opportunities to secure their next financing round before willingness to invest tips again.

To succeed, it is important to understand investors' investment focus and to address those investors with the closest alignment. The indicators for deal flow suggest that this fit is not currently present. The indicator for the volume of deal flow increased slightly by 3.3 points to 5.9 points, but the indicators for the quality and innovativeness of the deal flow fell markedly, by 10.1 points to -0.7 points and by 14.2 points to -8.3 points, respectively. VC investors were therefore significantly more dissatisfied with the quality and innovativeness of their deal flow over the past two quarters. This may be related to the structure of start-up formation, which has changed since the beginning/middle of 2025: the share of start-ups in which artificial intelligence (AI) plays a role in the product or business model has risen strongly, and (also as a result) the number of one-person start-ups has increased disproportionately. However, AI has not only lowered market entry barriers; it may also have led to business ideas becoming less distinctive. Since, for many VC investors, a complementary founding team and a standout product with differentiating potential are key investment criteria, these developments could explain the decline in investors' satisfaction with deal flow.

At the same time, the number of start-ups with billion-dollar valuations ("unicorns") increased further in the third quarter, pointing to continued upward valuation trends in completed financing rounds. This weighs on satisfaction with entry prices for new engagements. The indicator for entry valuations for new engagements fell by 5.9 points in the third quarter to -12.6 points.

Comments on the current trend

Dr Dirk Schumacher,
Chief Economist at KfW

"Business sentiment on the German venture capital market has risen sharply in the summer quarter, but still remains clearly below average," says Dr Dirk Schumacher, chief economist at KfW. "VC investors are therefore better disposed than in the previous quarter, but the majority are still more dissatisfied than the long-term average. This mood is consistent with developments in the market. Start-ups funded in the third quarter were convincing; overall, it was the strongest quarter in terms of volume in recent years, even though individual billion-dollar deals were a key factor. However, the number of financing rounds is falling. The capital invested is therefore concentrated on an ever-smaller number of companies and, consequently, among a smaller number of investors who close deals. This disparity is reflected in the overall sentiment."

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

"Sentiment on the German venture capital market is brightening again. This is a positive signal, but not yet a turnaround," comments Ulrike Hinrichs, chair of the board of the BVK. "Willingness to invest is there; yet while individual large financing rounds are attracting attention, the number of start-ups being funded is declining. At the same time, exit opportunities remain difficult. If we want innovative start-ups to grow into internationally successful companies, we need to mobilise more private and institutional capital for venture capital. This requires better framework conditions for growth financing, functioning exit markets and less bureaucracy. Germany has the potential to become a leading start-up location. What matters now is putting in place the conditions that allow this potential to be fully realised."

Calculation of the German Venture Capital Barometer

The **German Venture Capital Barometer** is based on a quarterly survey of the members of the German Private Equity and Venture Capital Association (*Bundesverband Deutscher Kapitalbeteiligungsgesellschaften*) and further private equity companies with registered offices in Germany. It reports the business climate in the German venture capital market on the basis of assessments provided by private equity firms with a focus on young companies. 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.

