

Private equity sentiment brightened again at the end of the year

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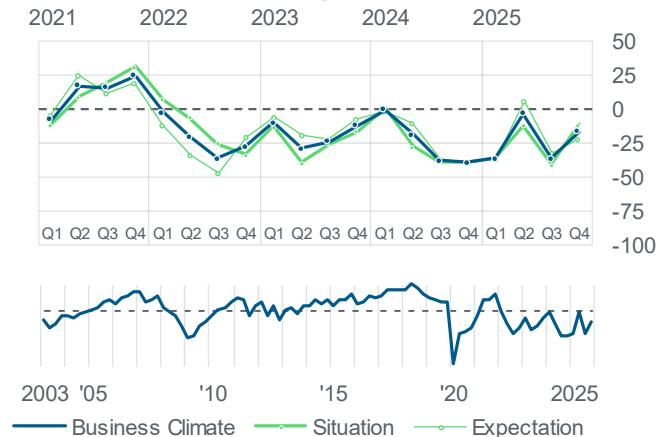
- Situation assessments improved significantly and expectations also rose
- Economic recovery in 2026 could also improve exit conditions
- Current environment is conducive to an investment upturn

The mood among German private equity investors is brightening. The business climate indicator for the segment of the private equity capital market that focuses on investments in established enterprises surged by 20.0 points to -16.7 balance points in the fourth quarter of 2025. After the jump in confidence in the second quarter and the hard landing in the third quarter, the rollercoaster of emotions in the German private equity market thus continued up to the end of the year. Business sentiment is calculated as the average of situation assessments and six-month business expectations. Whereas expectations are often the driving force behind variations in business sentiment, the final quarter of 2025 was different. The indicator for the current business situation increased by 29.5 points to -11.2 balance points, a steeper increase than the indicator for expectations, which climbed by 10.5 points to -22.1 balance points.

Despite the significant improvement in business confidence, many sub-indicators remained steady. But there were also losses, for example in sentiment around exits, which fell again noticeably by 20.9 points to -44.4 points. This also has to do with the economic climate. The indicator of investors' assessments of the overall economic trend fell by 31.0 points to -72.7 points. A long-term comparison shows that there is a strong correlation between exit sentiment and economic climate. The favourable growth outlook for 2026 could thus also be a harbinger of an improved exit environment.

Investment appetite and the volume of deal flow exhibited the strongest increases. The indicator for the appetite for new commitments rose by 10.0 points to 23.1 points in the fourth quarter. Combined with what appears to be increased demand for equity capital, for which the corresponding indicator climbed by 16.8 points to -3.4 points, and a favourable environment for valuations (+4.1 points to 21.7 points), the conditions for an increase in investment activity appear to be good.

Development of private equity sentiment indicator



Private equity sentiment 'traffic lights'

Values in balance points

	Q4 '25	Δ Q3 '25	Low	High
Business climate	● -16.7	▲ +20.0	-81.0	+39.6
Business situation	● -11.2	▲ +29.5	-76.2	+48.8
Business expectations	● -22.1	▲ +10.5	-85.7	+30.4
Fundraising	● -23.0	➡ -3.2	-64.1	+50.4
Entry valuations	● +21.7	➡ +4.1	-38.3	+56.5
Exit opportunities	● -44.4	➡ -20.9	-83.2	+60.1
New investment	● +23.1	▲ +10.0	-79.0	+25.3
Dealflow quantity	● -3.4	▲ +16.8	-28.1	+22.7
Dealflow quality	● -2.7	➡ -5.2	-23.4	+24.2
Depreciations	● -22.2	➡ +1.7	-50.2	+35.8
Economy	● -72.7	➡ -31.0	-84.6	+82.3
Interest rates	● -31.8	➡ -2.5	-84.5	+42.0
Availability accqui. fin.	● -18.7	➡ -2.1	-65.9	+43.4
Conditions accqui. fin.	● -30.5	➡ -1.8	-81.0	+47.0

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

"Sentiment in the German private equity market eventually turned around at the end of the year and provided a good starting position for 2026," said Dr Dirk Schumacher, Chief Economist of KfW. "The greatest concern continues to be the difficult exit environment. But with the economic recovery predicted for 2026, the chances are good that we will see an improvement here in the course of the year."

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

"What will make many private equity investors more confident is likely the hope for an economic recovery and impetus from the Germany Fund and the Special Infrastructure Fund," said Ulrike Hinrichs, Executive Board Member at the BVK. "If the economy gathers steam in 2026, the sentiment rebound will likely stabilise. Private equity companies are ready to invest and entry valuations continue to be regarded as attractive. By contrast, many small and medium-sized enterprises have considerable financing requirements to rise up to the diverse challenges of ensuring their growth, transition and future viability."

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 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.

