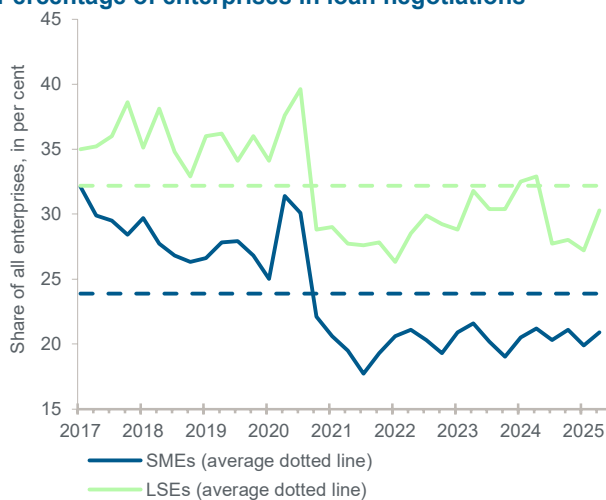


Credit access is becoming harder for SMEs

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- Small and medium-sized enterprises' demand for credit remained lacklustre in the second quarter of 2025 as well, while more large enterprises entered into loan negotiations with their banks.
- Banks are responding with particular caution to loan applications from SMEs against the backdrop of high uncertainty and deteriorating credit quality. SMEs' complaints about restrictive lending practices have reached an all-time high. However, large enterprises are finding it easier to access credit.

Percentage of enterprises in loan negotiations



Source: KfW Research, ifo Institute

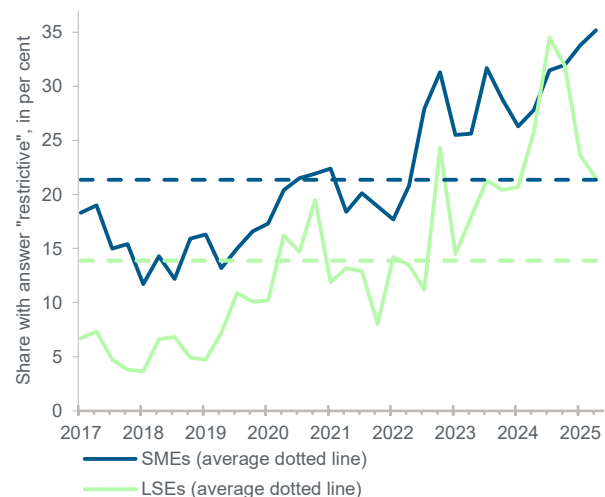
SMEs still have little interest in loans

Even though the spectre of a full-blown trade war with the US continues to hang over companies like a sword of Damocles, sentiment has been edging up again cautiously for some months now.¹ However, the growing confidence has not yet generated a significant recovery in credit demand from small and medium-sized enterprises. In the second quarter, the share of SMEs that were in loan talks with their banks remained below average at 20.9% (+1 PP) and in the median range of fluctuation of the indicator since the beginning of 2022. Large enterprises, on the other hand, were less reticent to take up loans from banks. The share of businesses in this size class that had an interest in borrowing (30.3%) increased by 3.1 PP, rapidly closing in on the long-term average again. It is conceivable that large enterprises want to create financial scope early in order to be able to adapt to growing trade barriers and increasing public-sector expenditure on infrastructure and defence.

High hurdles for SMEs in loan negotiations

The differences in the lending policies of credit institutions towards SMEs and large enterprises have continued to widen. Whereas the share of large enterprises that regarded banks' behaviour in negotiations as restrictive dropped to 21.5% in the second quarter of 2025 (-2.1 EP), 35.2% of SMEs reported encountering difficulties in loan negotiations with banks

KfW-ifo Credit Constraint Indicator: How did banks conduct themselves in loan negotiations?



(+1.4 PP). That was the third straight record level since the new survey methodology was introduced in 2017. SMEs from all sectors, with the exception of construction, were affected by more stringent lending conditions. This was likely due in large part to the fact that the sector will be benefiting directly from the German Government's infrastructure package.

The results from the Bundesbank's survey on banks' lending business (BLS) also indicate a widening gap between SMEs and large enterprises in their ability to access credit. According to the banks, the share of rejected loan applications for small and medium-sized enterprises has been increasing more steeply for the past year.² It is plausible that the banks' more cautious approach to SMEs' requests for loans is mainly driven by their expectations of increased default risks. While the combination of higher interest rates and a weak economy has led to a rise in the share of non-performing corporate loans overall, SMEs are more heavily affected by this trend. A relevant easing of credit access is therefore likely to require not just a decrease in uncertainty around trade policy but also a tangible economic recovery. That would also provide more impetus to the recovery of new lending to businesses, which has thus far remained only modest.³

The KfW-ifo Credit Constraint Indicator in figures

Share in per cent		Quarter / Year						
		Q2/24	Q3/24	Q4/24	Q1/25	Q2/25	q-o-q	y-o-y
Credit constraint								
Manufacturing	SME	29.2	31.2	33.4	33.2	35.7	2.5	6.5
	LSE	20.5	40.4	35.5	20.8	19.6	-1.2	-0.9
Construction	SME	34.3	21.2	24.8	29.6	26.8	-2.8	-7.5
	LSE	28.1	19.8	28.0	33.3	20.2	-13.1	-7.9
Wholesale trade	SME	27.2	24.8	36.7	36.8	41.0	4.2	13.8
	LSE	20.9	21.1	21.6	27.8	24.5	-3.3	3.6
Retail trade	SME	27.4	33.6	37.2	33.5	35.3	1.8	7.9
	LSE	35.1	15.9	36.2	20.4	31.5	11.1	-3.6
Services	SME	25.2	35.1	31.6	35.0	36.2	1.2	11.0
	LSE	31.6	36.9	27.9	27.0	20.2	-6.8	-11.4
Germany	SME	27.8	31.5	32.0	33.8	35.2	1.4	7.4
	LSE	25.8	34.5	31.9	23.6	21.5	-2.1	-4.3
Share of enterprises	SME	21.2	20.3	21.1	19.9	20.9	1.0	-0.3
in loan negotiations	LSE	32.9	27.7	28.0	27.2	30.3	3.1	-2.6

Source: KfW Research, ifo Institute

Explanations and abbreviations:

S(mall and) M(edium-sized) E(nterprises).

L(arge-)Scale E(nterprises).

Change in percentage points q(arter)-o(ver)-q(arter).

Change in percentage points on prior-year quarter.

Construction and interpretation of the KfW ifo Credit Constraint Indicator

The Credit Constraint Indicator has been surveyed on a quarterly basis since 2017 as part of the ifo economic surveys following a methodological revision. Credit constraint shows the percentage of enterprises that describe banks' position in loan negotiations as 'restrictive'. In order to ensure that estimates of banks' lending propensity are based on enterprises' original experiences, only those enterprises are surveyed that previously reported having conducted loan negotiations with banks in the preceding three months. The development of this percentage can then be interpreted as an indicator of changes in demand for bank loans.

The evaluation of the survey findings for the KfW-ifo Credit Constraint Indicator is broken down by size classes and sectors. Each month about 9,000 enterprises from trade and industry, construction, wholesale, retail and services (without the banking and insurance sectors or the state) are polled on their business situation, among them some 7,500 SMEs. Enterprises are generally classed as small to medium-sized if they employ a workforce of not more than 500 and record an annual turnover not exceeding EUR 50 million. For a more accurate analysis, however, these quantitative distinctions have to be drawn more narrowly for retail trade (maximum annual turnover of EUR 12.5 million), the building and the construction industry (up to 200 employees) and services (maximum annual turnover of EUR 25 million). All enterprises that exceed at least one of these thresholds are classed as large-scale enterprises.

¹ Borger, Klaus (2025), [Sentiment continues to improve on expectations](#), KfW-ifo SME Barometer: June 2025.

² Bundesbank, [Eurosystem bank lending survey](#), April 2025.

³ Schoenwald, Stephanie (2025), [Falling interest rates support modest recovery in new lending activity](#), KfW Credit Market Outlook: May 2025.