Improving economic sentiment brings slight relief in access to credit

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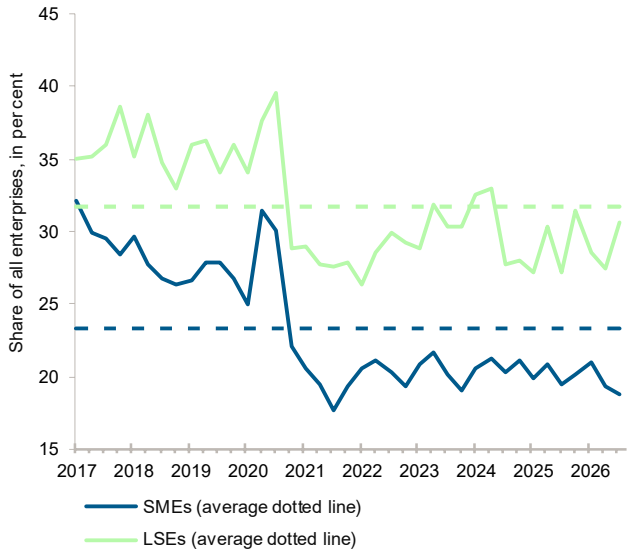
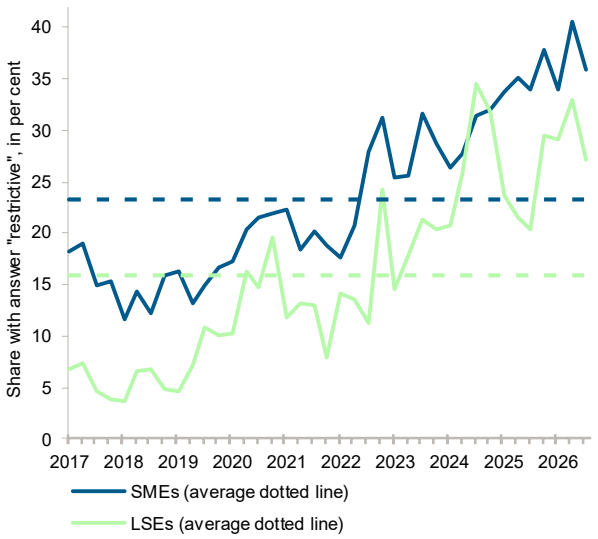
- Despite persistently high energy prices and the unresolved conflict in the Middle East, economic sentiment has improved over the past six months. Against this backdrop, interest in borrowing among large enterprises is rising, while SMEs are once again becoming more reluctant.
- In the third quarter, German banks eased their lending policies towards enterprises in both size categories. However, for SMEs, the credit hurdle – a measure of the difficulty of accessing credit – remains close to the record high reached in the previous quarter.

Share of enterprises in loan negotiations



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



Source: KfW Research, ifo Institute.

SMEs are reluctant to borrow

The economic environment is currently characterised by opposing forces. On the one hand, there is cost pressure from high energy and raw material prices, as well as the tense geopolitical situation. On the other, the fiscal package is increasingly feeding through to the economy, reinforced by the global expansion of AI infrastructure. In view of the significant improvement in the ifo Business Climate, it can be concluded that positive factors have recently prevailed for German enterprises.[1] The impact on loan demand is mixed in the third quarter of 2026. The share of large enterprises that are talking to banks about taking out a loan has risen significantly to 30.6% (+3.1 pp). By contrast, only 18.8% of SMEs (–0.5 pp) report an interest in borrowing. This is the lowest figure since summer 2021. This is consistent with the findings of the 2026 KfW SME Panel,[2] which shows a continuing downward trend in demand for bank loans. SMEs cite avoiding debt as the main reason. Uncertainty about future economic developments is likely to reinforce this basic attitude and hinder a revival in loan demand.

Banks ease strict lending standards slightly

A new record high for the KfW-ifo Credit Hurdle for SMEs has been avoided. In the third quarter, only 35.9% of SMEs still considered banks' behaviour in credit negotiations to be restrictive. This is a significant 4.6 percentage points lower than in the previous quarter. Large enterprises are also finding it easier to obtain credit again. The prospect of more favourable economic conditions is likely to be encouraging banks to show greater accommodation. It remains to be seen, however, whether this marks a genuine change in trend or a stabilisation of credit barriers at a high level. The latter is more likely, however. Compared with mid-year, interest rates have risen again, and an interest rate considered too high is the main reason why credit negotiations fail for SMEs.[3] It is reasonable to assume that this is also reflected in how banks' behaviour is assessed. In addition, higher interest rates increase the financial burden of borrowing and offset the reduction in credit default risks resulting from stronger growth. A sustained period of economic expansion is therefore needed to bring about a significant easing of banks' lending policies.

The KfW-ifo Credit Constraint Indicator in figures

Share in per cent		Quarter/Year Q3/25	Q4/25	Q1/26	Q2/26	Q3/26	Vq.	Vj.
Credit constraint								
Manufacturing	SME	34.5	35.1	34.3	40.8	34.8	-6.0	0.3
	LSE	15.5	28.3	30.3	30.1	23.8	-6.3	8.3
Construction	SME	27.6	29.6	31.0	27.1	35.2	8.1	7.6
	LSE	37.0	31.3	31.7	45.2	27.1	-18.1	-9.9
Wholesale trade	SME	37.9	35.6	42.6	42.0	32.1	-9.9	-5.8
	LSE	21.1	41.7	20.9	28.3	24.3	-4.0	3.2
Retail trade	SME	45.6	45.2	41.9	52.2	46.7	-5.5	1.1
	LSE	32.7	49.7	44.7	55.4	43.5	-11.9	10.8
Services	SME	33.3	41.4	32.6	42.4	36.3	-6.1	3.0
	LSE	21.6	20.3	23.8	29.3	27.4	-1.9	5.8
Germany	**SME**	**33.9**	**37.8**	**34.0**	**40.5**	**35.9**	**-4.6**	**2.0**
	LSE	**20.4**	**29.4**	**29.1**	**32.9**	**27.2**	**-5.7**	**6.8**
Share of enterprises	SME	19.5	20.2	21.0	19.3	18.8	-0.5	-0.7
in loan negotiations	LSE	27.2	31.5	28.6	27.5	30.6	3.1	3.4

Source: KfW Research, ifo Institute.

Explanations and abbreviations:
S(mall and) M(edium-sized) E(nterprises).
L(arge-)S(cale) E(nterprises).
Change in percentage points q(uarter)-o(ver)-q(uarter).
Change in percentage points on prior-year quarter.

On the 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] Wanke, S. (2026), Sentiment continues to rise, KfW-ifo SME Barometer: September 2026, KfW Research.

[2] Gerstenberger, J. and M. Schwartz (2026), KfW-SME Panel 2026 (German only, English coming soon)

[3] Cf. ibid.