Tougher than expected

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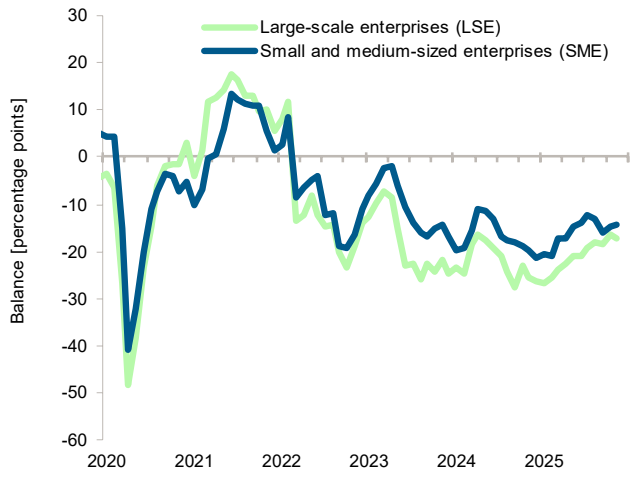
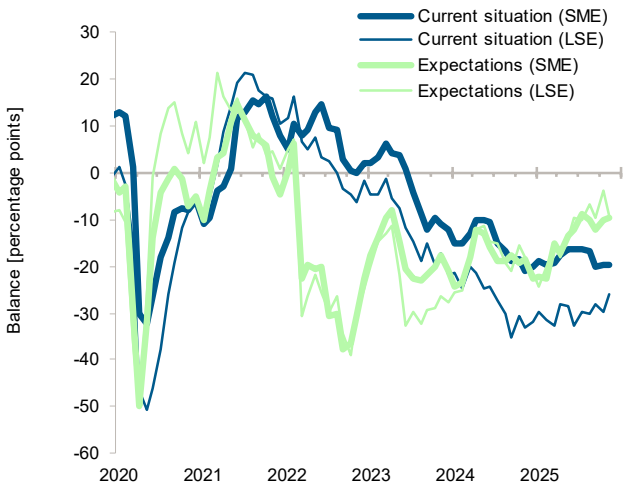
- The KfW ifo Business Climate Index for SMEs treaded water in November.
- At the current margin, a clear trend is not discernible in the details either. Business expectations of large enterprises, however, are currently fluctuating wildly.
- The hoped-for noticeable rebound is not yet in view. Even so, the mood among Germany's SMEs is stable.

KfW ifo Business Climate Index



KfW ifo sentiment components



Sources: KfW Research, ifo Institute

Business sentiment in dull November was at least steady

The KfW ifo Business Climate Index for SMEs is treading water. In November it stood at -14.5 balance points after -14.6 in the previous month. Situation assessments dropped slightly while expectations improved moderately.

- Business situation assessments dipped by 0.3 points to now -19.8 points, almost matching the level of February, which is astonishing in light of the multitude of events that seem to have occurred since then.
- Expectations, on the other hand, improved yet again, rising slightly from -10.0 to now -9.6 balance points in November.

Expectations and situation assessments thus remain below the zero line, which stands for the long-term average.

Upward trend remains intact

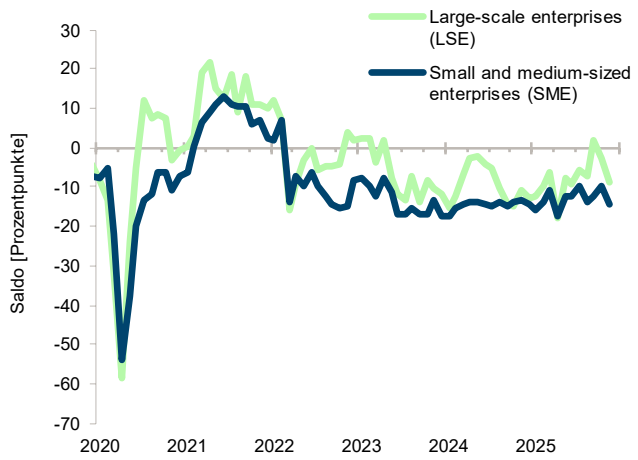
We had previously put into perspective the fact that the indices were still below the long-term average because the direction of the trend was still going in the right direction: up. The upward momentum, however, has weakened since the summer. In the month under review, business sentiment now fell in almost all sectors of both SMEs and large enterprises. Services were the exception in both size classes. In November they alone caused the KfW ifo Business Climate Index for SMEs to improve minimally and for large enterprises to drop only slightly.

Business expectations continue to be a source of hope for the long-sought improvement in economic momentum in Germany. As previously noted, they rose again slightly among small and medium-sized enterprises (SMEs) in November, whereas large enterprises reported quite a drop. The upward trend observed for this sub-indicator since the beginning of the year nevertheless remains intact for both size classes. Another positive is the trend in situation assessments among large enterprises. They rose by 3.5 points to -26.2 balance points in the month under review. This improvement, which began in the middle of the year, should soon spill over to SMEs as well if there are no disruptions from new shocks.

Large enterprises reported higher volatility in sentiment

The current fluctuations of business expectations among large enterprises merit a closer look. In November alone, expectations decreased by 5.5 points to -9.1 balance points, causing the KfW-ifo Business Climate Index for large enterprises to drop from -16.4 points to -17.3 balance points. Most large enterprises are more export-oriented than SMEs. In general, their business expectations should therefore also be crucially shaped by their export expectations – and to a greater extent than in the case of SMEs. And indeed, large enterprises' export expectations fluctuated at a similar rate in the past three months as their (overall) business expectations, although not fully in synchrony with these. Besides, in line with the above considerations, the seesawing of SMEs' export expectations was also weaker (see figure KfW-ifo export expectations).

KfW-ifo export expectations



Sources: KfW Research, ifo Institute

Also noteworthy is the fact that large enterprises' business expectations on balance have improved much more since the start of the year than their export expectations (by a good 15 vs. just under 4 points). This suggests that the sentiment improvement was also driven by domestic components and most likely by the hope for a strong fiscal impetus plus accompanying reforms. As this impetus is still slow to make itself felt, these hopes may currently be dwindling, so that concerns over exports now dominate the outlook of large enterprises. These fluctutations may of course also be subject to erratic forces, especially now, and a clearer picture may already emerge when the next data items are available. In any case, the fact that SMEs are once again proving to be an anchor of stability provides comfort in the current situation. These days, being less dependent on international business means greater resilience and, thus, fewer concerns about the future.

Upswing almost cleared for take-off

Since we maintain our expectation of a significant fiscal impetus, in our most recent KfW Business Cycle Compass we compared the upswing in Germany to an aircraft that is first in line for take-off. The KfW-ifo Business Climate Index generally still fits with this picture. However, given the currently rather sluggish development of the indicators, what appears to still be missing is clearance for take-off. It will surely be granted soon!

KfW-ifo SME Barometer in figures

Balance [percentage points]*

		Month/Year									
		Nov/24	Jun/25	Jul/25	Aug/25	Sep/25	Okt/25	Nov/25	m-o-m	y-o-y	3m-o-3m
Business climate											
Manufacturing	SME	-24.4	-20.8	-15.8	-17.0	-16.8	-17.1	-17.8	-0.7	6.6	0.6
	LSE	-27.0	-25.2	-21.9	-16.9	-18.4	-15.4	-17.4	-2.0	9.6	4.3
Construction	SME	-21.2	-9.6	-8.6	-8.3	-8.6	-6.8	-8.7	-1.9	12.5	0.8
	LSE	-13.8	3.3	3.1	-3.6	2.9	-3.6	-5.3	-1.7	8.5	-2.9
Retail trade	SME	-10.3	-14.3	-13.0	-13.7	-13.5	-11.2	-16.3	-5.1	-6.0	0.0
	LSE	-19.4	-18.1	-22.5	-15.9	-12.7	-12.4	-18.4	-6.0	1.0	4.3
Wholesale trade	SME	-30.8	-20.9	-18.7	-17.6	-21.8	-17.6	-19.2	-1.6	11.6	-0.5
	LSE	-29.7	-20.9	-20.8	-17.0	-18.9	-17.1	-20.9	-3.8	8.8	0.6
Services	SME	-14.0	-8.9	-7.9	-11.1	-14.9	-13.1	-12.4	0.7	1.6	-4.2
	LSE	-22.3	-15.9	-16.0	-14.6	-19.7	-16.2	-11.7	4.5	10.6	-0.4
Germany	**SME**	**-19.6**	**-14.0**	**-12.4**	**-13.2**	**-16.0**	**-14.6**	**-14.5**	**0.1**	**5.1**	**-1.8**
	LSE	**-25.4**	**-21.0**	**-19.5**	**-18.0**	**-18.6**	**-16.4**	**-17.3**	**-0.9**	**8.1**	**2.1**
Current situation	SME	-20.8	-16.3	-16.2	-16.7	-20.0	-19.5	-19.8	-0.3	1.0	-3.4
	LSE	-33.2	-32.9	-29.6	-30.0	-28.2	-29.7	-26.2	3.5	7.0	2.8
Expectations	SME	-18.7	-12.0	-9.0	-10.0	-12.3	-10.0	-9.6	0.4	9.1	-0.3
	LSE	-18.2	-9.7	-10.1	-6.6	-9.6	-3.6	-9.1	-5.5	9.1	1.4
Employment expectations	SME	-8.1	-9.0	-7.5	-7.4	-9.8	-7.8	-8.1	-0.3	0.0	-0.6
	LSE	-14.9	-16.9	-15.3	-14.2	-16.2	-17.4	-18.8	-1.4	-3.9	-2.0
Sales price expectations	SME	-0.1	1.5	3.3	2.7	-0.6	-0.3	3.8	4.1	3.9	-1.5
	LSE	0.2	-1.1	0.3	-0.8	-0.9	-0.8	2.1	2.9	1.9	0.7
Export expectations of	SME	-13.4	-12.3	-9.9	-13.7	-12.4	-9.9	-14.4	-4.5	-1.0	-0.3
manufacturing	LSE	-10.8	-9.3	-5.6	-7.4	2.2	-2.6	-8.6	-6.0	2.2	4.4

Sources: KfW Research, ifo Institute

Explanations and abbreviations:
*Seasonally and mean adjusted (long-term mean since January 2005 = 0)
S(mall and) **M**(edium-sized) **E**(nterprises).
L(arge-)Scale **E**(nterprises).
Change in percentage points **m**(onth)-**o**(ver)-**m**(onth).
Change in percentage points **y**(ear)-**o**(ver)-**y**(ear).
Change in percentage points **3 m**(onths period)-o(ver)-3 m(onths period).
Revisions relative to previous publications may occur due to seasonal and mean adjustments as well as rounding. The KfW-ifo SME Barometer was fundamentally revised for the reporting month of April 2018 (new aggregation process, inclusion of services, start of timeseries now 2005 instead of 1991, consideration of export expectations, discontinuation of regional indicators for western and eastern Germany). Publications prior to and from April 2018 are therefore comparable to a limited extent only.

Construction and interpretation of the KfW-ifo SME Barometer

The KfW-ifo SME Barometer indicator family is based on a scale-of-enterprise evaluation of the ifo economic surveys which are used to calculate, among other things, the well-known ifo Business Climate Index. Each month about 9,500 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 8,000 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. The KfW-ifo SME Barometer reports the balance of current business assessments (percentage of positive answers less percentage of negative answers), the balance of business expectations for the next six months, ascertained in a similar way, and the inferred mean average value for the business climate. Moreover, the enterprises' employment and domestic sales price expectations and – exclusively for manufacturing – export expectations are also captured as balance figures for the next three months. All timeseries are seasonally and mean adjusted. The zero line therefore marks the long-term 'cycle-neutral' average since January 2005. Indicators above (or below) zero point to an above average or favourable (below average or negative) business situation.