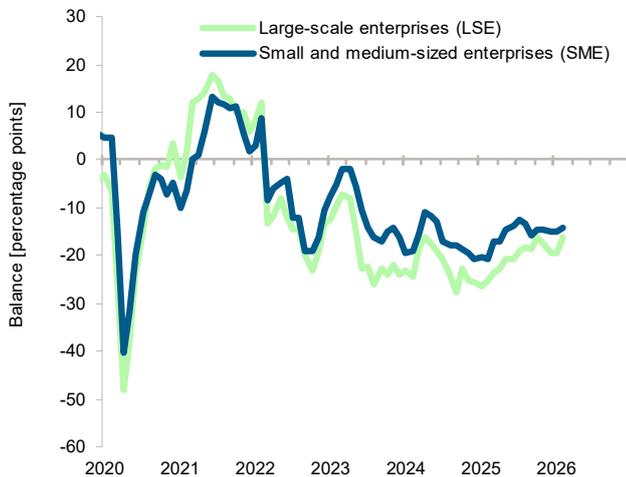


# Sentiment among SMEs has improved slightly

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- SME business confidence has risen; expectations in particular are improving.
- Upward trend in construction continues but retailers suffered a setback.
- Sentiment among large enterprises has brightened even more than among SMEs.

**KfW ifo Business Climate Index**



**KfW ifo sentiment components**



Sources: KfW Research, ifo Institute

## SME business sentiment has risen again

The business confidence of small and medium-sized enterprises (SMEs) rose 0.8 points in February to now -14.1 balance points. Business sentiment is not yet positive but headed in the right direction (up).

- The rise in confidence is mainly due to improved expectations, which rose by 1.4 points to -10.5 points.
- Situation assessments at least rose minimally by 0.3 points to -18.1 points.

## Upswing in the main construction industry continues

Companies in the main construction industry experienced the strongest rise in SME business sentiment in February. Their business confidence increased by a noticeable 2.6 points, with both situation assessments and expectations rising. This ultimately marks the continuation of the upward trend that began two years ago with the prospect of slightly lower interest rates and more moderate prices of building materials. It is also likely to have recently been lifted by the prospect of increasing

infrastructure investment and regulatory relief designed to promote residential construction (such as the so called “building turbo” and “building type E”). SME retail sentiment, on the other hand, suffered a sharp drop of -4.1 points in February. Situation assessments and expectations were both down significantly. There is actually no clear trend to be seen in this area. Business sentiment has been moving sideways on a low level here for some time now.

## Large enterprises experienced a noticeable surge in sentiment

Business confidence among large enterprises rose even more strongly than among SMEs. It improved by 3.1 points to -16.2 points, with the positive impetus coming solely from situation assessments, which surged abruptly by 6.9 points. In the main construction industry, large firms experienced a major surge in confidence (+4.1 points), as did SMEs. Among large enterprises, however, business sentiment also increased in manufacturing (+1.9 points) and especially in the services sector (+6.6 points). Only the employment expectations of large enterprises dropped again, continuing the steep downward trend on which they have

been since early 2022. In SMEs, in turn, employment expectations appear to have stabilised on a low level. They rose by 1.2 points to -6.4 points in February. The zero line marks the long-term average, as it does for all figures in the KfW-ifo SME Barometer.

### **Sentiment in February was generally positive**

On balance, the KfW-ifo SME Barometer is the latest in a whole series of positive sentiment and leading indicators from February. Expectations for the future are becoming more optimistic, and businesses' situation assessments are also gradually improving. Of fundamental importance for the economic upturn is the Federal Government's fiscal stimulus, which already prompted a considerable increase in manufacturing orders and,

in particular, the defence industry at the end of 2025. Bit by bit, this will now give rise to follow-on orders in other sectors that benefit indirectly from government contracts as suppliers or service providers. Besides, public infrastructure investment is likely to grow substantially in the coming quarters. But there are also positive developments in areas outside government-driven domestic demand. Export expectations have increased again among both SMEs (+3.2 points) and large enterprises (+2.2 points). The tariff shock of 2025 has set back export activity but is unlikely to weigh on export growth in the long term. However, US trade policy remains a major factor of uncertainty, although we expect effective tariff rates for the EU to remain roughly unchanged after the Supreme Court ruling.

## KfW-ifo SME Barometer in figures

Balance [percentage points]\*

		Month/Year									
		Feb/25	Sep/25	Okt/25	Nov/25	Dez/25	Jan/26	Feb/26	m-o-m	y-o-y	3m-o-3m
<b>Business climate</b>											
Manufacturing	SME	-26.1	-17.0	-17.2	-17.8	-17.8	-17.8	-18.1	-0.3	8.0	-0.6
	LSE	-31.4	-18.8	-15.7	-17.7	-19.7	-19.1	-17.2	1.9	14.2	-1.3
Construction	SME	-20.6	-8.7	-6.8	-8.5	-8.3	-6.7	-4.1	2.6	16.5	1.6
	LSE	-7.6	2.7	-3.4	-4.6	-2.1	-4.6	-0.5	4.1	7.1	-0.6
Retail trade	SME	-14.1	-13.6	-11.4	-16.4	-18.2	-14.1	-18.2	-4.1	-4.1	-3.0
	LSE	-16.8	-13.0	-12.7	-19.0	-21.4	-17.1	-20.7	-3.6	-3.9	-4.8
Wholesale trade	SME	-31.5	-22.1	-17.8	-19.0	-20.8	-16.6	-18.8	-2.2	12.7	0.9
	LSE	-29.4	-19.1	-17.3	-21.0	-22.3	-22.6	-23.3	-0.7	6.1	-3.6
Services	SME	-15.9	-14.6	-12.8	-12.1	-14.5	-13.5	-13.1	0.4	2.8	-0.5
	LSE	-20.0	-19.5	-15.8	-11.4	-17.6	-20.1	-13.5	6.6	6.5	-1.5
<b>Germany</b>											
	<b>SME</b>	<b>-20.8</b>	<b>-15.8</b>	<b>-14.4</b>	<b>-14.4</b>	<b>-14.9</b>	<b>-14.9</b>	<b>-14.1</b>	<b>0.8</b>	<b>6.7</b>	<b>0.2</b>
	<b>LSE</b>	<b>-25.1</b>	<b>-18.5</b>	<b>-16.0</b>	<b>-17.2</b>	<b>-19.3</b>	<b>-19.3</b>	<b>-16.2</b>	<b>3.1</b>	<b>8.9</b>	<b>-1.0</b>
Current situation	SME	-19.1	-19.9	-19.5	-19.8	-19.2	-18.4	-18.1	0.3	1.0	1.2
	LSE	-31.1	-28.0	-29.6	-26.0	-27.7	-29.9	-23.0	6.9	8.1	1.0
Expectations	SME	-22.5	-12.2	-9.7	-9.5	-11.0	-11.9	-10.5	1.4	12.0	-0.7
	LSE	-20.0	-9.8	-3.2	-9.2	-11.8	-9.6	-10.1	-0.5	9.9	-3.1
<b>Employment expectations</b>											
	SME	-8.3	-9.8	-7.8	-8.1	-9.0	-7.6	-6.4	1.2	1.9	0.9
	LSE	-15.1	-16.1	-17.3	-18.6	-19.2	-18.7	-19.2	-0.5	-4.1	-1.7
<b>Sales price expectations</b>											
	SME	4.1	-0.7	-0.4	3.7	3.6	2.0	3.2	1.2	-0.9	2.1
	LSE	4.0	-0.9	-1.1	2.1	4.8	3.2	8.0	4.8	4.0	5.3
<b>Export expectations of manufacturing</b>											
	SME	-14.2	-12.4	-9.8	-14.1	-12.8	-11.7	-8.5	3.2	5.7	1.1
	LSE	-10.4	2.0	-3.0	-9.0	-5.5	-5.7	-3.5	2.2	6.9	-1.6

Source: 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.