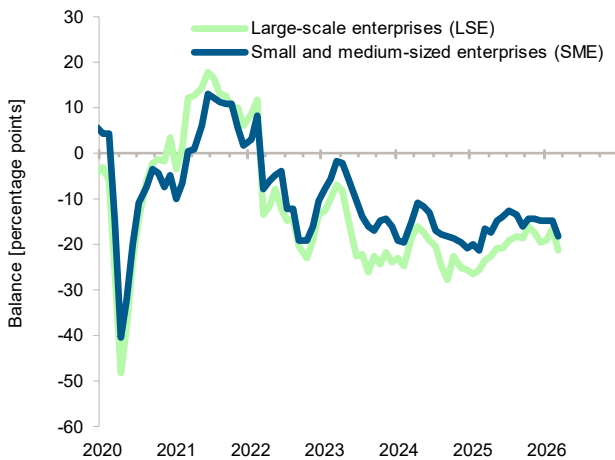


Stuck in the Strait of Hormuz

2 April 2026 // Author: Dr Sebastian Wanke, 069 7431-9784, sebastian.wanke@kfw.de
Press contact: Nina Luttmer, 069 7431-41336, nina.luttmer@kfw.de

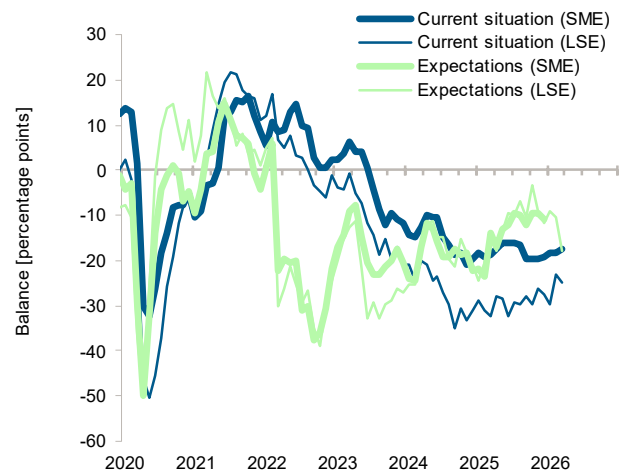
- SME business climate falls sharply in March.
- Assessment of the current situation still improves, but expectations slump in view of the war in Iran.
- Among sectors, construction holds up best on the SME level.

KfW-ifo Business Climate Index



Source: KfW Research, ifo Institute.

KfW-ifo sentiment components



Source: KfW Research, ifo Institute.

Business climate 'back to square one'

The business climate of small and medium-sized enterprises (SMEs) declines in March by 3.6 points to -18.2 balance points. This development is driven by business expectations, which slump markedly in view of the military conflict in the Middle East. By contrast, the assessment of the current situation improves once again in the SME sector:

- Business expectations on a six-month horizon plunge from -11.6 points to -19.2 points.
- The assessment of the current situation rises by 0.6 points to -17.4 points.

The business climate now stands only slightly above the level at the beginning of last year, when after a long downturn it turned upwards again.

Only the SME's construction sector shows some stability

A look across sectors shows that the decline in business climate is broad-based. Sentiment deteriorates most strongly in manufacturing, a sector that is at the heart of the economic cycle. For SMEs, the business climate there falls by 7.4 points to just -25.5 points. It was to be expected that the war in Iran and the

associated rises in oil and gas prices as well as possible supply chain problems would hit manufacturing particularly hard. Beyond that, however, the climate readings for wholesale trade (down 6.0 points), retail trade (down 4.8 points) and service providers (down 3.9 points) also decline noticeably among SMEs. Only construction companies prove robust, with just a slight setback of -0.4 points. This is due to a sudden jump in the assessment of the current situation there (up 4.3 points to -1.4 points). This is likely to reflect above all the increasingly palpable fiscal impulse in Germany. However, the business outlook of these companies also deteriorates by a similar margin. Uncertainty is high everywhere.

Large enterprises hit harder

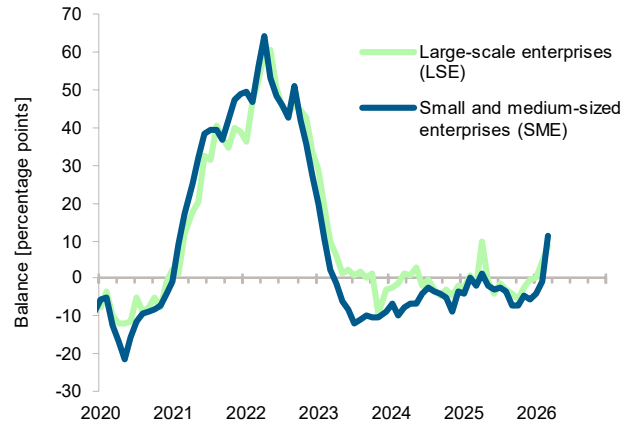
Among large enterprises, the business climate drops even more than among SMEs, namely by 4.7 points to now -21.1 points. This is due to the assessment of the current situation, which also weakens (by 1.9 points), whereas it still improved among SMEs. The largest discrepancy with SMEs is in the sector just mentioned, construction: among large enterprises – in contrast to SMEs – sentiment in construction has already slumped in the current month: the business climate there falls by 5.1 points. And finally, a small, perhaps hopeful curiosity: employment expectations among large enterprises have improved markedly for

the second time this year – after a downtrend of around four years. There is, however, a fear that this development may soon reverse if the conflict in the Persian Gulf lingers on.

Selling price expectations rise sharply

In line with the noticeable rises in oil and gas prices due to the war in Iran, expected (selling) prices reported by the firms surveyed by the ifo Institute are also moving up – both among small- and medium-sized and among large enterprises (see chart). The magnitude of the increase is reminiscent of the COVID-19 pandemic in 2020/2021. At present, the situation fundamentally does not appear comparable, as international supply chains are still largely functioning and the conflict remains regionally contained. But corporate nervousness is obviously high, given the recent experiences from the COVID-19 crisis. In the worst case, there could even be a self-fulfilling prophecy if demand for goods presumed to be scarce now spikes in the short term. The European Central Bank will look closely at these developments and, if in doubt, raise its policy rates sooner rather than later, which in turn would have a demand- and thus cycle-dampening effect. This would then add to the burdens already in place.

KfW-ifo sales price expectations



Source: KfW Research, ifo Institute.

Upswing stalled for now

Until the end of February many things pointed to an upswing: strong new orders in manufacturing in the last third of 2025, solid GDP growth in the final quarter of last year and a stable KfW-ifo SME Barometer. At the same time, sentiment among large enterprises had brightened considerably only last month, and hopes were still being pinned on the effects of the fiscal impulse here in Germany. The outbreak of the war in Iran has now called almost all of this into question. Its duration is unpredictable. That also means it could end soon. For the time being, however, Germany's upswing, including that of the SME sector, is stuck in the Strait of Hormuz.

KfW-ifo SME Barometer in figures

Balance [percentage points]*

		Month/Year							m-o-m	y-o-y	3m-o-3m
		Mrz/25	Okt/25	Nov/25	Dez/25	Jan/26	Feb/26	Mrz/26			
Business climate											
Manufacturing	SME	-25.4	-17.2	-17.8	-17.8	-17.7	-18.1	-25.5	-7.4	-0.1	-2.8
	LSE	-29.8	-15.6	-17.7	-20.1	-18.7	-17.6	-25.3	-7.7	4.5	-2.7
Construction	SME	-17.3	-6.6	-8.4	-8.2	-6.7	-6.7	-7.1	-0.4	10.2	0.9
	LSE	0.7	-3.4	-4.6	-2.1	-4.8	-0.9	-6.0	-5.1	-6.7	-0.5
Retail trade	SME	-14.7	-11.3	-16.4	-18.1	-14.1	-18.3	-23.1	-4.8	-8.4	-3.2
	LSE	-20.8	-12.8	-19.0	-21.4	-17.3	-21.2	-25.6	-4.4	-4.8	-3.6
Wholesale trade	SME	-29.1	-17.6	-18.8	-20.6	-16.6	-19.5	-25.5	-6.0	3.6	-1.5
	LSE	-28.0	-17.4	-21.1	-22.3	-22.7	-23.4	-26.7	-3.3	1.3	-4.0
Services	SME	-10.1	-12.8	-12.2	-14.5	-13.6	-13.1	-17.0	-3.9	-6.9	-1.4
	LSE	-20.6	-15.8	-11.4	-17.6	-20.1	-13.5	-20.2	-6.7	0.4	-3.0
Germany	SME	-16.3	-14.3	-14.3	-14.8	-14.8	-14.6	-18.2	-3.6	-1.9	-1.4
	LSE	-23.2	-16.1	-17.2	-19.3	-19.2	-16.4	-21.1	-4.7	2.1	-1.4
Current situation	SME	-18.8	-19.5	-19.7	-19.1	-18.3	-18.0	-17.4	0.6	1.4	1.5
	LSE	-32.2	-29.5	-26.0	-27.6	-29.8	-22.9	-24.8	-1.9	7.4	1.9
Expectations	SME	-14.1	-9.6	-9.5	-10.9	-11.7	-11.6	-19.2	-7.6	-5.1	-4.2
	LSE	-14.8	-3.2	-9.0	-11.6	-9.2	-10.5	-18.0	-7.5	-3.2	-4.6
Employment expectations	SME	-9.0	-7.7	-8.0	-9.0	-7.8	-6.7	-9.0	-2.3	0.0	0.4
	LSE	-17.6	-17.2	-18.5	-18.9	-18.2	-18.3	-15.9	2.4	1.7	0.7
Sales price expectations	SME	2.7	-0.3	3.6	3.5	1.8	3.6	11.7	8.1	9.0	3.4
	LSE	2.4	-1.0	2.0	4.7	3.3	7.9	9.4	1.5	7.0	5.0
Export expectations of manufacturing	SME	-9.8	-9.7	-14.1	-12.8	-11.8	-8.9	-14.1	-5.2	-4.3	0.6
	LSE	-7.2	-3.1	-9.0	-5.2	-5.1	-2.6	-2.1	0.5	5.1	2.5

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.

On the 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.