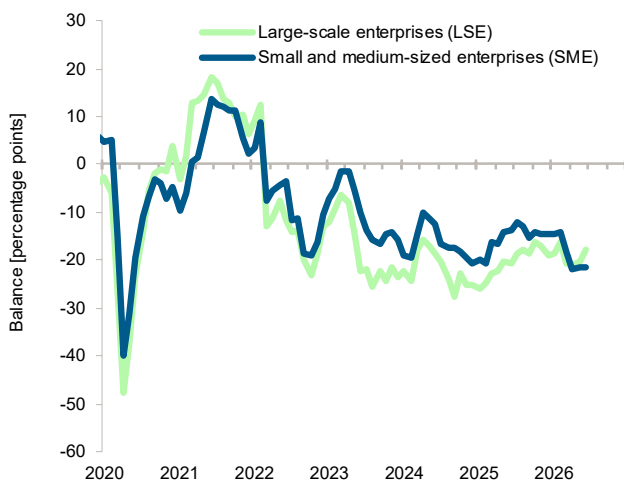


SMEs still sceptical, large enterprises somewhat more optimistic

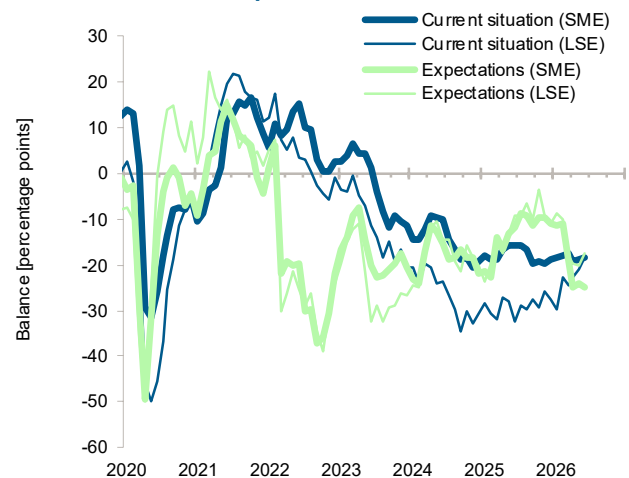
29 June 2026 // Author: Dr. Philipp Scheuermeyer, +49 69 7431-4017, philipp.scheuermeyer@kfw.de
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- While the business climate among large enterprises improved in June, it remained virtually unchanged and negative among SMEs. The easing of tensions in the Gulf is only partly reflected in the survey.
- Assessments of the current situation by SMEs have barely changed, while expectations have declined somewhat further.
- Sentiment in SME manufacturing and construction is deteriorating. Retailers and service providers are becoming somewhat more optimistic.
- Sales price expectations are falling markedly both among SMEs and large enterprises.

KfW-ifo business climate Index



KfW-ifo sentiment components



Source: KfW Research, ifo Institut

Business climate among SMEs barely changed

The business climate among small and medium-sized enterprises (SMEs) decreased marginally in June by 0.2 points to -21.7 balance points. Assessments of the current situation improved slightly, while expectations fell somewhat. The easing of tensions in the Strait of Hormuz was only partially reflected. According to the ifo Institute, 70% of responses had already been received by 14 June, the day on which the interim peace agreement was announced:

- Assessments of the current situation increased marginally by 0.2 points to -18.5 points and thus remain almost unchanged at the very low level that has so far been

undershot only in deep recessions and during the location crisis of the early 2000s.

- Business expectations over a six-month horizon fell by a further 0.5 points to -24.8 points. The outbreak of the Iran war in February has undone the modest improvement in sentiment seen in 2025 and even in June there are still no signs of a better outlook, at least among SMEs.

The KfW-ifo business climate indicator is constructed such that the zero line represents the long-term average of the respective indicator.

SME manufacturing and construction still sceptical

The slight decline in the SME business climate in June was driven by sentiment in manufacturing (-0.9 points to -26.4 points) and in the main construction sector (-0.3 points to -16.6 points). In SME manufacturing, business and export expectations improved somewhat but the current situation was assessed as even worse than in the previous month. In construction, too, only assessments of the current situation deteriorated. By contrast, the business climate in the service sectors improved for the second month in a row (+0.9 points to -18.8 points). The ifo Institute reports that sentiment brightened in particular in transport and logistics, which is likely due to the decline in oil prices that began as early as May and the fuel rebate. Retail also recorded an improvement in the business climate, albeit from a low level (+1.3 points to -29.0 points).

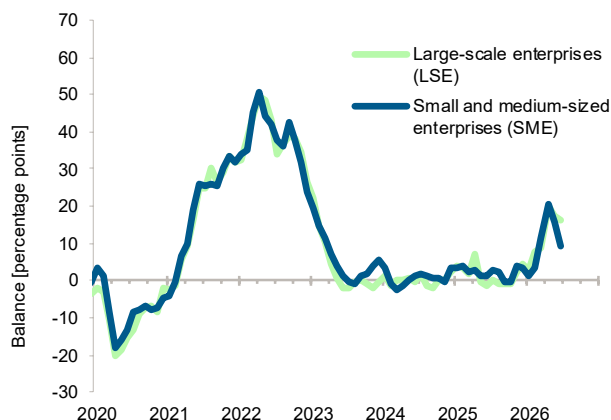
Large enterprises: significantly better development in June

The business climate among large enterprises developed significantly more favourably than that of SMEs in June: it rose by 2.8 points to -17.6 balance points and thus, for the first time since 2021, exceeded the SME business climate. Assessments of the current situation (+2.8 points) and expectations (+2.9 points) both rose by almost the same magnitude in June. We would, however, not interpret the lead in sentiment of large enterprises over SMEs as structural. In general, a long-term view of the data shows that large enterprises tend to undergo swings in sentiment somewhat more quickly and more sharply than SMEs.

Sales price expectations declining again

In line with the marked decline in oil prices since the end of May, German firms' sales price expectations have now fallen for the second time. Price expectations among SMEs in particular dropped sharply in June. This is likely to continue in July if the oil price remains at the level of only USD 70 to 80 per barrel that it has reached in recent days.

KfW-ifo sales price expectations



Source: KfW Research, ifo Institut

Overall mixed cyclical picture in June

Corporate surveys in Germany paint a very mixed cyclical picture overall in June: we would not attach too much importance to the small decline in the SME business climate and would, on the whole, describe the outcome of the ifo business survey as positive, not least because the assessment of the overall economy's current situation has improved significantly. At the same time, however, the Purchasing Managers' Index points to an accelerated decline in private-sector economic activity. The only consistent signal emerging from the surveys is a decline in sales price expectations, which may slightly ease the pressure on the ECB to raise policy rates further. On balance, German GDP growth in the second quarter is likely to be slightly negative based on the data currently available. If peace negotiations between the US and Iran make progress and the oil price remains as low as it is at present, we see slight upside risks to our current growth forecast of +0.7% for 2026 as a whole. Moreover, the growing reform momentum could help to brighten SME sentiment over the coming months.

KfW-ifo SME Barometer in figures

Balance [percentage points]*

		Month/Year									
		Jun/25	Jan/26	Feb/26	Mrz/26	Apr/26	Mai/26	Jun/26	m-o-m	y-o-y	3m-o-3m
Business climate											
Manufacturing	SME	-20.5	-17.6	-18.3	-24.5	-25.6	-25.5	-26.4	-0.9	-5.9	-5.7
	LSE	-26.6	-18.3	-17.2	-24.7	-19.8	-20.5	-16.1	4.4	10.5	1.3
Construction	SME	-9.8	-6.5	-6.7	-7.2	-17.3	-16.3	-16.6	-0.3	-6.8	-9.9
	LSE	2.0	-4.6	-1.0	-5.8	-7.8	-14.0	-7.7	6.3	-9.7	-6.0
Retail trade	SME	-13.8	-13.9	-18.5	-23.1	-29.1	-30.3	-29.0	1.3	-15.2	-11.0
	LSE	-18.2	-16.7	-20.8	-27.1	-30.3	-34.0	-23.6	10.4	-5.4	-7.8
Wholesale trade	SME	-21.3	-16.5	-20.3	-24.9	-27.9	-26.9	-26.5	0.4	-5.2	-6.5
	LSE	-21.0	-22.5	-23.3	-26.5	-28.4	-28.5	-28.2	0.3	-7.2	-4.3
Services	SME	-8.6	-13.3	-12.8	-16.7	-21.8	-19.7	-18.8	0.9	-10.2	-5.8
	LSE	-15.7	-19.7	-13.1	-19.8	-24.8	-18.6	-20.5	-1.9	-4.8	-3.8
Germany	SME	-13.6	-14.5	-14.2	-18.1	-22.1	-21.5	-21.7	-0.2	-8.1	-6.2
	LSE	-20.5	-18.8	-16.0	-20.8	-21.0	-20.4	-17.6	2.8	2.9	-1.1
Current situation	SME	-15.7	-18.2	-17.9	-17.3	-19.3	-18.7	-18.5	0.2	-2.8	-1.0
	LSE	-32.3	-29.5	-22.6	-24.4	-22.7	-21.0	-18.2	2.8	14.1	4.9
Expectations	SME	-11.7	-11.2	-10.9	-19.1	-24.8	-24.3	-24.8	-0.5	-13.1	-10.9
	LSE	-9.4	-8.8	-10.0	-17.8	-19.9	-20.2	-17.3	2.9	-7.9	-6.9
Employment expectations	SME	-8.7	-7.5	-6.7	-9.1	-11.9	-9.8	-11.6	-1.8	-2.9	-3.3
	LSE	-16.6	-18.0	-18.2	-15.5	-18.4	-13.7	-14.6	-0.9	2.0	1.7
Sales price expectations	SME	1.4	1.5	3.3	11.7	20.6	16.0	9.5	-6.5	8.1	9.9
	LSE	-1.2	3.0	7.5	9.0	20.0	17.5	16.0	-1.5	17.2	11.3
Export expectations of manufacturing	SME	-12.4	-11.6	-8.6	-14.0	-12.9	-13.3	-11.3	2.0	1.1	-1.1
	LSE	-8.9	-4.5	-2.3	-2.3	-6.0	-13.1	-11.6	1.5	-2.7	-7.2

Source: KfW Research, ifo Institut

Explanations and abbreviations:

* Seasonally and mean adjusted (long-term mean since January 2005 = 0)

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

L(arge-) **S**cale **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 adjustment as well as rounding. The KfW-ifo SME Barometer underwent a fundamental conceptual reform as of the April 2018 reporting month (new aggregation procedure, inclusion of the services sector, time series now starting in 2005 instead of 1991, inclusion of export expectations, discontinuation of regional indicators for West and East Germany). Publications prior to April 2018 and those from April 2018 onwards are therefore only comparable to a limited extent.

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.