Bank aus Verantwortung

Business expectations in the SME sector surge

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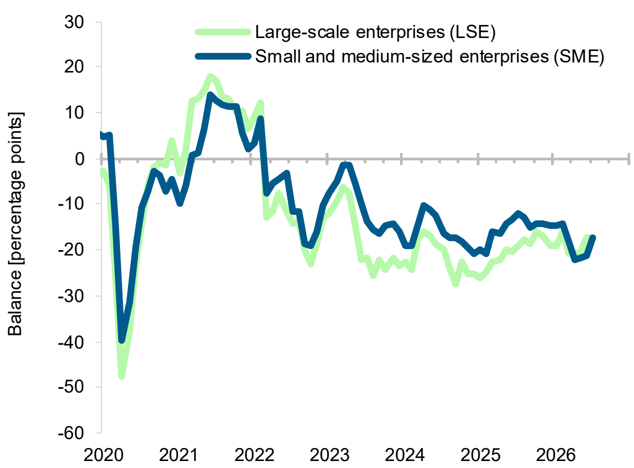
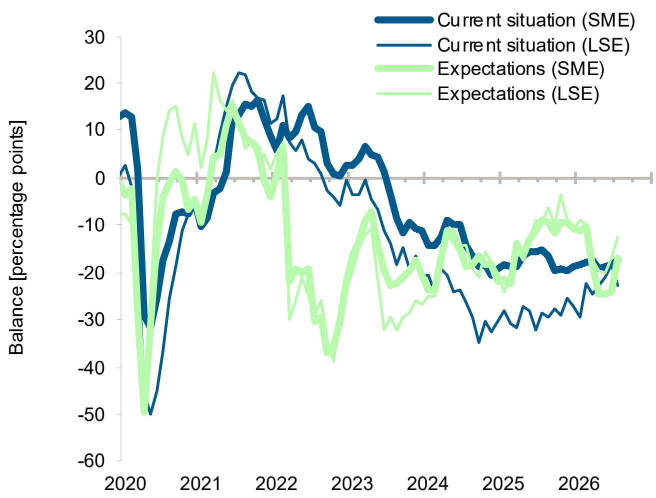
- Business climate in the SME sector rises in July on the back of significantly improved expectations
- Sentiment among SMEs has brightened across all sectors, with the strongest boost in manufacturing
- Business climate among LSEs remains almost unchanged after the increase in June
- Sales price expectations decline again

KfW-ifo business climate Index



KfW-ifo sentiment components



Source: KfW Research, ifo Institute

Business climate in the SME sector rises signficantly

The business climate among small and medium-sized enterprises (SMEs) makes a substantial leap upwards in July. It rises by 4 points to -17.3 balance points. This is primarily driven by markedly improved business expectations:

- Business expectations over a six-month horizon surge by 6.9 points to -17.2 points
- Assessments of the current situation also show a slightly positive development, rising by 0.8 points to -17.6 points.

At its current level, however, the business climate still lies well below its long-term average, which is marked by the zero line.

Improvement in sentiment across all sectors

The improvement in sentiment among SMEs in July rests on a broad basis. The business climate rises significantly across all sectors of the economy. The steepest increase is seen in manufacturing (+9.7 points), where expectations grow considerably and assessments of the current situation also improve markedly. Moreover, retail and wholesale trade record a notably strong surge in sentiment, with gains of 8.8 and 7.6 points respectively. By contrast, progress is somewhat slower in the construction sector (+2.4 points) and in the services segment (+2.6 points). In line with the more positive business outlook, employment expectations among medium-sized enterprises have also recovered somewhat (+4.1 points to -7.4 points).

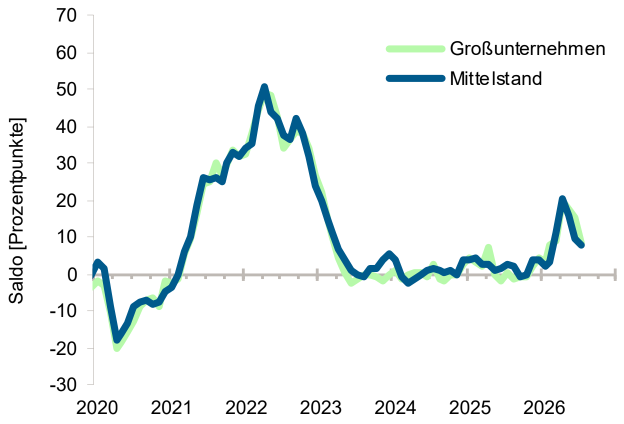
Business climate among LSEs barely changed

By contrast, the business climate among large enterprises (LSEs) has barely changed in July. It falls marginally by -0.1 points, while expectations (+4.2 points) and assessments of the current situation (-4.6 points) move in opposite directions. However, the business climate among LSEs had already improved markedly in June, so that its current level of -17.5 points differs little from that of the SME sector.

Sales price expectations decline again

Sales price expectations fall in July both in the SME sector (-1.8 points) and among large enterprises (-6.6 points). After the third consecutive decline in each case, they are now not much higher than before the Iran war, which is consistent with the oil price, which had temporarily dropped to just over USD 70 per barrel at the beginning of July.

KfW-ifo sales price expectations



Source: KfW Research, ifo Institute

Hopefully more than a temporary upswing

Several pieces of good news are likely to have shaped the survey results in July. Sentiment in some enterprises probably improved as a result of the reform programme that was set in motion just before the summer recess, through which the governing coalition demonstrated its ability to compromise and, in particular on the issue of bureaucracy, also promises substantial relief. Moreover, some questionnaires are likely to have been sent off while the framework agreement between Iran and the US was still in force and the energy price shock appeared to have been overcome. After the war in the Middle East re-escalated in the meantime and every ceasefire remains very fragile, there is potential for setbacks here. Despite predominantly weak sentiment indicators, however, hard economic data such as orders received in manufacturing, industrial and construction output, and retail sales have developed robustly in recent months. Even with moderately higher oil and gas prices, significant economic growth in the coming quarters is likely, above all because high public spending on investment and defence is giving demand a boost. If exports from the Gulf region stall for too long, though, the energy price shock may still ultimately take full effect.

KfW-ifo SME Barometer in figures

Balance [percentage points]*

		Jul/25	Feb/26	Mrz/26	Apr/26	Mai/26	Jun/26	Jul/26	m-o-m	y-o-y	3m-o-3m
Business climate											
Manufacturing	SME	-16.3	-18.3	-24.4	-25.5	-25.3	-26.2	-16.5	9.7	-0.2	0.1
	LSE	-22.4	-17.0	-24.8	-19.4	-20.2	-15.6	-15.9	-0.3	6.5	3.2
Construction	SME	-9.2	-6.4	-7.2	-17.3	-16.2	-16.3	-13.9	2.4	-4.7	-5.2
	LSE	1.6	-0.9	-5.7	-7.7	-13.8	-7.4	-4.9	2.5	-6.5	-3.9
Retail trade	SME	-14.2	-18.5	-23.0	-29.0	-29.8	-28.4	-19.6	8.8	-5.4	-2.4
	LSE	-23.6	-21.2	-26.4	-29.9	-33.0	-23.3	-21.2	2.1	2.4	0.0
Wholesale trade	SME	-19.0	-20.3	-24.9	-27.9	-26.6	-26.2	-18.6	7.6	0.4	0.6
	LSE	-21.5	-23.2	-26.4	-28.1	-28.2	-27.7	-24.1	3.6	-2.6	-0.8
Services	SME	-7.6	-12.8	-16.7	-21.8	-19.7	-18.8	-16.2	2.6	-8.6	-1.1
	LSE	-15.8	-12.9	-19.7	-24.7	-18.5	-20.4	-17.3	3.1	-1.5	0.4
Germany	**SME**	**-12.1**	**-14.0**	**-18.0**	**-22.0**	**-21.5**	**-21.3**	**-17.3**	**4.0**	**-5.2**	**-2.0**
	LSE	**-18.9**	**-16.0**	**-20.8**	**-21.0**	**-20.5**	**-17.4**	**-17.5**	**-0.1**	**1.4**	**0.8**
Current situation	SME	-15.4	-17.8	-17.2	-19.2	-18.6	-18.4	-17.6	0.8	-2.2	-0.1
	LSE	-28.7	-22.6	-24.5	-22.7	-21.0	-18.2	-22.8	-4.6	5.9	2.6
Expectations	SME	-9.1	-10.5	-19.0	-24.7	-24.4	-24.1	-17.2	6.9	-8.1	-3.8
	LSE	-9.6	-10.0	-17.5	-19.7	-20.2	-16.9	-12.7	4.2	-3.1	-0.9
Employment expectations	SME	-7.4	-6.7	-9.0	-12.0	-9.7	-11.5	-7.4	4.1	0.0	-0.3
	LSE	-14.8	-18.1	-15.5	-18.4	-13.8	-14.8	-15.7	-0.9	-0.9	2.6
Sales price expectations	SME	2.6	3.4	11.5	20.5	16.0	9.4	7.6	-1.8	5.0	-0.8
	LSE	0.6	7.6	9.0	19.9	17.6	15.2	8.6	-6.6	8.0	1.6
Export expectations of manufacturing	SME	-10.3	-8.6	-13.9	-12.8	-13.2	-11.1	-10.4	0.7	-0.1	0.2
	LSE	-6.1	-2.1	-2.1	-5.8	-13.0	-11.6	-13.3	-1.7	-7.2	-9.3

(Columns Jul/25 to Jul/26 under the heading "Month/Year".)

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-)**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, how ever, 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.