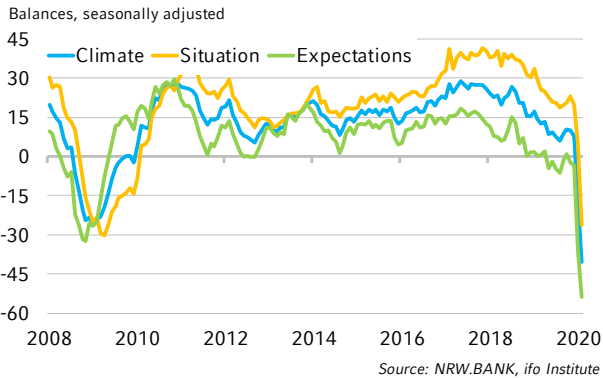


NRW economy facing the worst recession in history

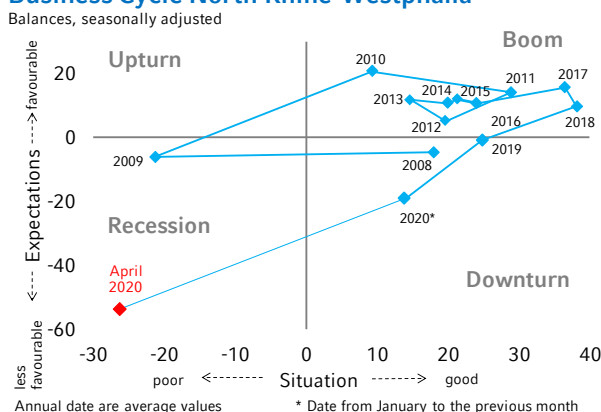
The downturn in the North Rhine-Westphalian economy accelerated further in April. In the wake of the coronavirus crisis, the NRW.BANK.ifo Business Climate again declined in April, hitting a new all-time low. It is not only the current business situation which continued to deteriorate; never before have companies been so pessimistic about the coming months.

NRW.BANK.ifo Business Climate



The **NRW.BANK.ifo Business Climate** dropped from -16.3 to -40.5 points in April. This means that the decline was as dramatic as at the beginning of the coronavirus crisis in March. The indicator fell clearly below the previous low point of -25.8 reached during the euro crisis in 2009. In March, it was primarily companies' expectations that slumped, whereas last month also saw the assessment of the current situation crash. The North Rhine-Westphalian economy has slid into recession for the first time in eleven years. All sectors are affected.

Business Cycle North Rhine-Westphalia



Service providers again reported the strongest decline. Hotels and restaurants have been hit hardest and recorded a further drop in the climate indicator, which has fallen by 101.5 points since February. No other industry in NRW is faring worse. But logistics and other corporate service providers have also been severely affected by the coronavirus crisis

The business climate for the **manufacturing** sector showed the second largest decline. While the sector is not directly affected by the shutdown, demand from domestic and abroad has slumped. The climate indicator for furniture manufacturers has dropped particularly strongly. But the metals industries and motor vehicle construction are also extremely pessimistic about the future. By contrast, there are rays of hope in the food and chemical industries, where the climate has declined by only around 10 points since the beginning of the crisis

The sharp drop in the business climate also continued in the **trade sector**, with both the current situation and expectations reaching new lows. Wholesalers and retailers are affected by equal measure.

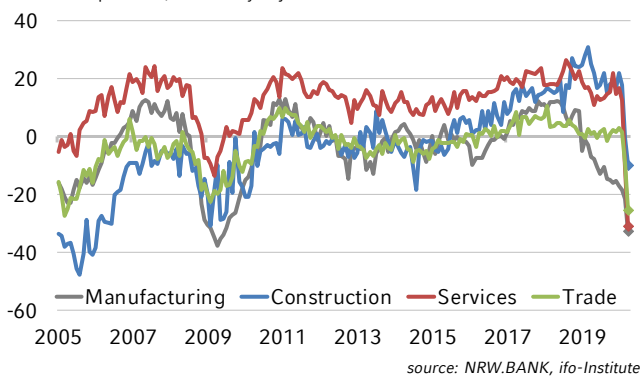
Although the climate in the **construction** sector has never before fallen so sharply, the majority of the companies are still satisfied with their current situation. Nevertheless, construction activity is expected to slow down in the coming months. Commercial building construction is affected most strongly

Sectors in NRW.BANK.ifo-Business Climate	Climate April	Change since February
Manufacture of chemicals	-20,6	-8,2
Manufacture of motor vehicles	-54,3	-51,1
Manufacture of fabricated metal products	-51,3	-42,3
Manufacture of basic metals	-57,0	-28,8
Manufacture of machinery and equipment	-49,1	-44,2
Manufacture of furniture	-79,0	-69,7
Manufacture of electronic, optical product	-41,3	-40,2
Manufacture of textiles and leather	-53,2	-52,2
Manufacture of food and tobacco	-3,3	-10,8
Manufacture of rubber and plastic product	-21,0	-13,2
Manufacture of glass and glass products	-31,2	-35,3
Commercial construction	-29,1	-43,3
Public construction	-12,7	-14,4
Housing	-3,4	-23,2
Civil engineering	-11,4	-26,8
Transportation and storage	-57,3	-57,5
Information and communication	-18,7	-44,7
Accommodation and food service activities	-86,2	-101,5
Professional, scientific, technical activities	-29,4	-51,2
Real estate activities	-24,7	-35,8
Administrative and supportive activities	-53,0	-55,4
Other service sector activities	-59,5	-68,0
Retail Trade	-47,9	-46,7
Wholesale	-46,2	-44,9
all Sectors	-40,5	0,0

The collapse of the NRW economy is expected to have consequences for employment. According to the NRW.BANK.ifo Business Climate for April, the HR departments in all four economic sectors are preparing for job cuts. **Employment plans** in the service and trade sectors have even dropped to new historic lows. The downward trend in the manufacturing sector, which began already prior to the crisis, is now continuing at an accelerated pace. Even the previously booming construction sector is no longer able to defy the negative trend.

Employment plans NRW economy

Balances up / down, seasonally adjusted

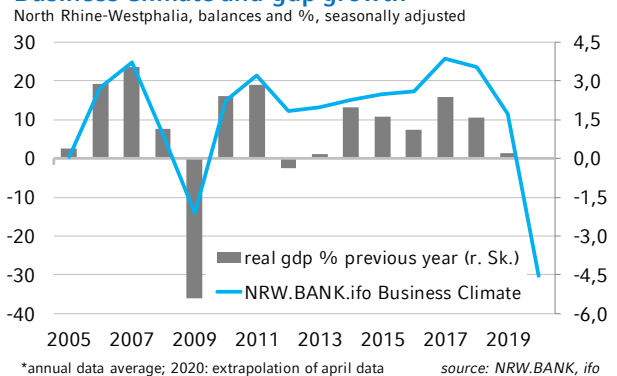


The situation in the North Rhine-Westphalian hospitality industry is dramatic. Almost three quarters of the restaurants and hospitals, which employ a total of approx. 186,000 people, are planning to cut jobs. But most of the other economic service providers (including travel agencies and temporary employment agencies) as well as the logistics sector are also planning to make significant job cuts. Real estate is the only sector to expect an increase in employment.

Sectors in NRW.BANK.ifo-Business Climate*	employment plans next three month	Employees NRW 2019
Manufacture of chemicals	-28,8	1.397.150
Manufacture of motor vehicles	-52,0	
Manufacture of fabricated metal products	-35,4	
Manufacture of basic metals	-38,6	
Manufacture of machinery and equipmen	-30,7	
Manufacture of furniture	-24,3	
Manufacture of electronic, optical product	-21,8	
Manufacture of textiles and leather	-44,1	
Manufacture of food and tobacco	-32,5	
Manufacture of rubber and plastic produ	-45,3	
Manufacture of glass and glass products	-25,6	
Construction	-10,0	
Transportation and storage	-48,0	390.203
Information and communication	-9,5	226.699
Accommodation and food service activitie	-73,8	186.384
Professional, scientific, technical activities	-14,7	495.572
Real estate activities	11,7	52.431
Administrative and supportive activities	-55,1	520.335
Other service sector activities	-39,2	245.879
Retail Trade	-18,7	993.845
Wholesale	-33,2	
all Sectors	-29,0	4.857.211

* without: agriculture, mining, electricity, health care, education, financial sector and public administration (in total ca. 2.6 mn employees)

Business Climate and gdp growth



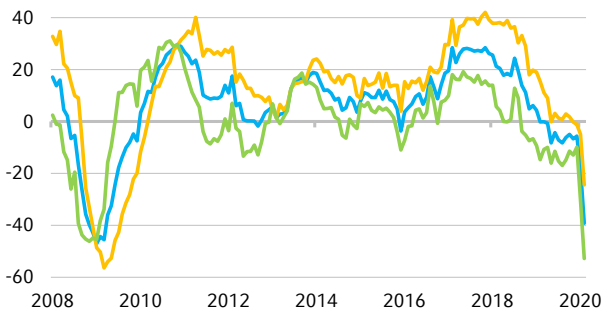
Short-time work is again proving its worth as a buffer also during the coronavirus crisis. As many companies are taking advantage of this instrument, unemployment in NRW is not expected to rise dramatically for the time being. But the longer the economic standstill lasts, the more serious the consequences for the economy and thus also for unemployment. There are already signs of a noticeable decline in North Rhine-Westphalia's gross domestic product. Even if the exit strategy that has been initiated continues, the recession is likely to be several percentage points higher than in the crisis year 2009, when the **regional economy** contracted by as much as 5.4%. Should the economic restrictions last longer than planned or a second shutdown be imposed, however, the North Rhine-Westphalian economy is likely to collapse even more dramatically and would probably not recover for a long time to come. Such a scenario must be prevented.

The **NRW.BANK.ifo Business Climate** is based on the ifo Business Climate for the whole of Germany. For this purpose, approximately 1,500 companies from North Rhine-Westphalia are surveyed each month on behalf of NRW.BANK. The companies give their assessment of the current business situation (choice of answers: good / satisfactory / poor) and their expectations for the next 6 months (more favourable / unchanged / less favourable). From the differences between the positive and negative answers, a balance for the current situation and the expectations is formed. The business climate is an average of these two balances. The NRW.BANK.ifo Business Climate is thus an early indicator of the economic trend in North Rhine-Westphalia. A comparison between the situation and the expectations gives an indication of the state of the North Rhine-Westphalian economy in the business cycle.

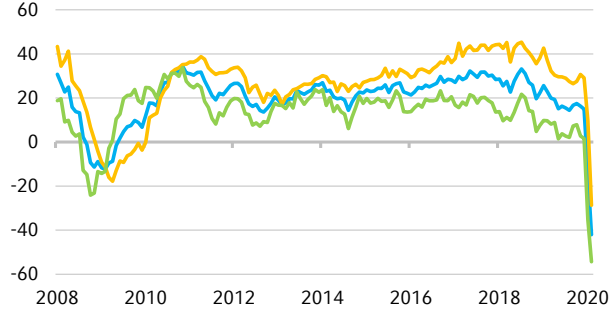
Business Climate by Sector

Balances, seasonally adjusted

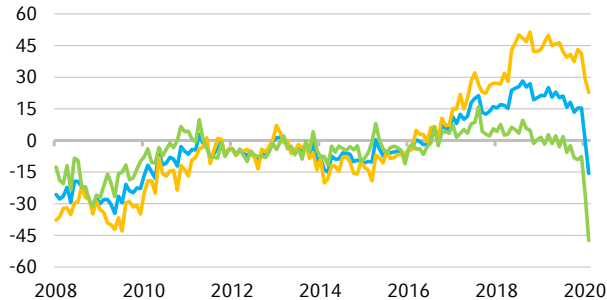
Manufacturing



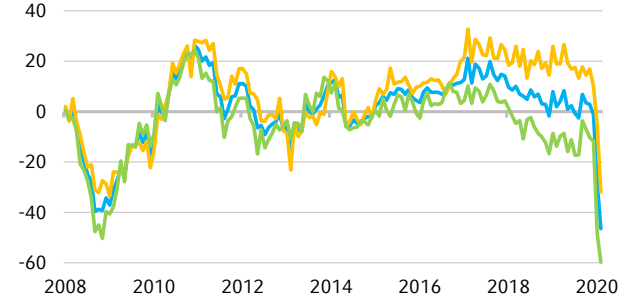
Service Sector



Construction



Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institute

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	04/19	05/19	06/19	07/19	08/19	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20
Entire Economy	Climate	14.3	12.7	13.1	8.7	9.1	7.4	5.9	9.1	10.5	9.9	7.9	-16.8	-40.5
	Situation	29.6	25.5	24.7	22.8	20.8	20.6	18.7	19.9	20.5	23.0	19.6	4.8	-26.3
	Expectations	0.1	0.5	2.2	-4.5	-2.0	-5.0	-6.2	-1.3	1.1	-2.5	-3.3	-36.0	-53.6
Manufacturing	Climate	-0.2	-0.1	-0.7	-8.3	-4.3	-7.2	-8.3	-6.2	-5.0	-6.7	-5.6	-18.1	-39.2
Service Sector	Climate	23.0	19.9	19.3	15.1	16.3	15.5	14.4	16.7	17.5	16.3	14.9	-14.1	-42.0
Construction	Climate	21.2	25.1	20.5	22.9	20.3	21.1	15.7	18.1	13.4	15.4	15.4	0.1	-15.7
Trade	Climate	1.9	4.1	8.3	1.0	2.4	-0.7	-2.5	6.8	3.4	2.9	-1.1	-28.5	-46.5

Source: NRW.BANK, ifo Institute

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