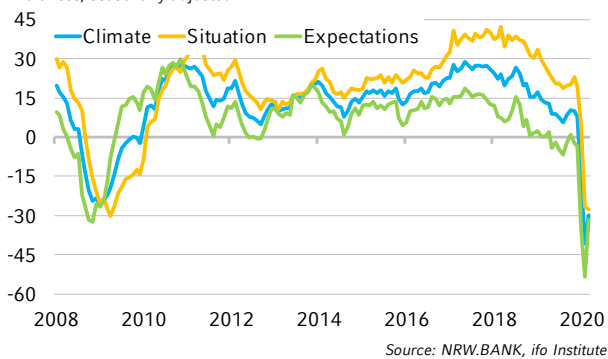


## Economy draws hope after loosening

After the historic downturn of the two previous months, the sentiment in the regional economy recovered noticeably in May. The first loosening of the coronavirus protection measures is taking effect. Although the current situation again deteriorated slightly, companies are looking much less pessimistically to the future.

### NRW.BANK.ifo Business Climate

Balances, seasonally adjusted



Source: NRW.BANK, ifo Institute

While the **NRW.BANK.ifo Business Climate** had fallen rapidly for two consecutive months and even reached a record low of -40.6 points in April, the climate improved in May, when it reached -29.8 points. Never before has the indicator risen so sharply in just one month. Nonetheless, the latest increase has made up for only around a fifth of the previous slump. Sentiment remains worse than during the height of the financial crisis.

The recent recovery in the business climate is exclusively attributable to expectations for the coming six months. The loosening of the coronavirus restrictions, which started in late April, has put companies' feet back on the ground. Chances are good that the low point of the crisis has been overcome. But it is still too early for an all-clear, which is not least proven by the fact that the current situation was again rated poorer in the latest NRW.BANK.ifo Business Climate survey. Economic activity is mostly weak, which suggests that the road to normality is likely to be long.

The loosening has primarily supported the **retail** sector. Both expectations and the current situation were assessed much more positively than in April, when a large number of stores were still closed. But despite the recovery, the sentiment remains at a historically low level. This is mainly attributable to sales revenues, which remain low. The recovery in the wholesale sector was somewhat less pronounced.

The sentiment in the **services sector** also improved noticeably thanks to higher expectations. And even the current situation is already being rated slightly better than in April. The trend in the hospitality sector is striking, with the assessment of the current situation down to -95.0 points. This means that nearly all restaurant and hotel operations consider their situation to be bad. At the same time, expectations for the next six months have improved significantly from -82.8 to -31.6 points. Thanks to the partial opening of the hospitality industry since mid-May, the sector is now regaining hope.

The climate in the **manufacturing sector** has improved only slightly. Here, too, however, there is growing hope that production can be slowly ramped up again. Expectations for exports have also improved somewhat. Companies continue to anticipate declines, but no longer to the same extent as in April. The much poorer sentiment in the chemical industry is striking. While the other sectors had already cut back their production in April, the chemical companies followed suit in May.

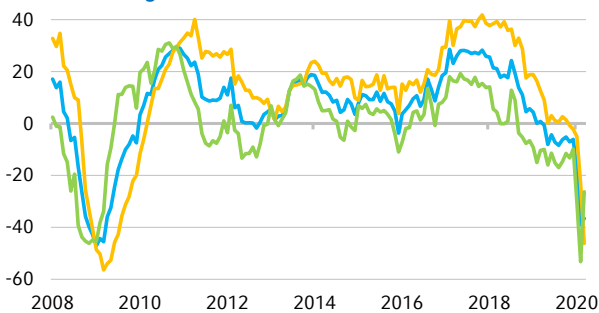
**Construction** is the only sector in which the sentiment has deteriorated slightly because of a poorer assessment of the current situation. Nevertheless, the majority of the companies are still satisfied with their business. Expectations have also recovered somewhat. Public building construction suffered a noticeable damper.

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.

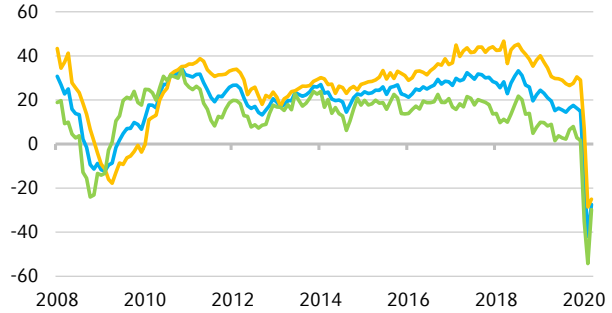
### Business Climate by Sector

Balances, seasonally adjusted

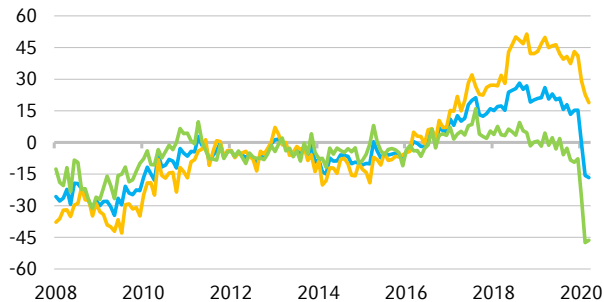
#### Manufacturing



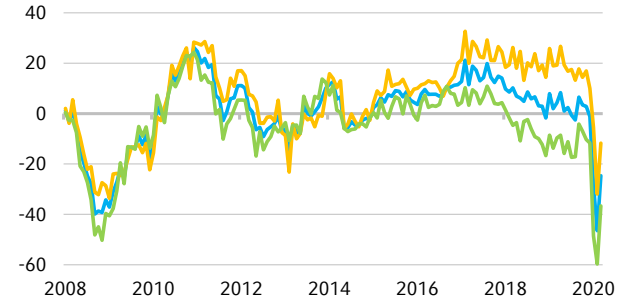
#### Service Sector



#### Construction



#### Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institute

### NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	05/19	06/19	07/19	08/19	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20	05/20
<b>Entire Economy</b>	Climate	13.4	13.0	8.9	9.1	7.5	5.6	8.6	10.4	9.9	7.8	-16.5	-40.6	<b>-29.8</b>
	Situation	27.2	24.5	22.8	20.6	20.5	18.6	19.8	20.3	22.9	19.4	4.7	-26.5	<b>-27.9</b>
	Expectations	0.4	2.1	-4.2	-1.9	-4.7	-6.6	-2.0	0.8	-2.3	-3.3	-35.5	-53.6	<b>-31.7</b>
<b>Manufacturing</b>	Climate	0.8	-0.7	-8.1	-4.4	-7.3	-8.4	-6.2	-5.2	-7.1	-6.1	-18.1	-39.0	<b>-36.6</b>
<b>Service Sector</b>	Climate	21.0	19.5	15.2	16.3	15.5	14.5	16.3	17.5	16.2	14.9	-15.4	-42.0	<b>-27.4</b>
<b>Construction</b>	Climate	26.0	20.6	23.0	20.3	21.0	15.6	18.0	13.3	15.3	15.3	-0.5	-15.7	<b>-16.6</b>
<b>Trade</b>	Climate	4.3	8.3	1.0	2.4	-0.7	-2.5	6.5	3.4	2.9	-1.1	-28.4	-46.5	<b>-24.7</b>

Source: NRW.BANK, ifo Institute

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