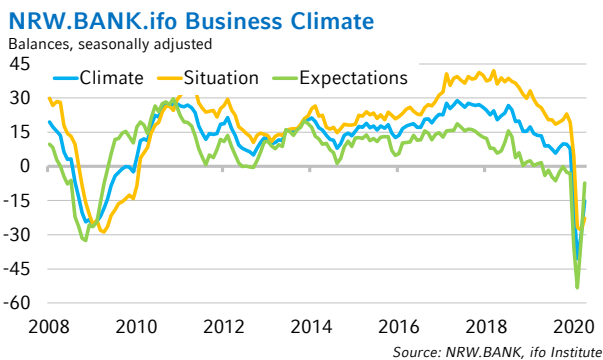


NRW economy continues to recover

In June, the business climate for the North Rhine Westphalian economy improved significantly for the second consecutive month. In particular, business expectations surged noticeably, but the assessment of the current situation improved as well. In addition to the easing of many coronavirus restrictions, additional government support measures should also give the economy a new boost.



In June, the **NRW.BANK.ifo Business Climate** rose more strongly than ever before. The indicator improved by 14.2 points and, at -15.2 points, reached roughly the same level as in March of this year. The increase was supported by both sub-components, which means that for the first time in six months, the current business situation was also assessed more favourably. At present, the sentiment in the North Rhine-Westphalian economy is even slightly better than it was during the financial crisis in 2009.

The **recovery of the NRW** economy initiated in May consolidated in June. The easing of the coronavirus restrictions and the expected additional state aids seem to give the economy a new boost. The economic low point has definitely been overcome. The further course of the coronavirus pandemic is nevertheless crucial for the extent and speed of the recovery. A second wave is and remains the greatest risk.

The sentiment improved in all sectors in NRW. The strongest rise was recorded in the **manufacturing sector**. Against the background of the unprecedented slump in April, the majority of the manufacturing companies are now optimistic about the future for the first time since the end of 2018. While they had still expected a rapid reduction in production in the previous months, the companies are now anticipating rising production figures. Their export expectations also improved significantly,

with the industrial sector still forecasting a slight decline in exports on balance. In the mechanical engineering, metal production and food industries, the climate has developed particularly positively. In view of the improved order situation, confidence to be able to return to normal business has risen

The sentiment in the **services sector** improved noticeably thanks to higher expectations. With respect to the current business situation, the service providers were also less tense than recently. In the logistics and hospitality sectors, the recovery was particularly pronounced. Both sectors benefit directly from the announced easing of the restrictions and have significantly raised their sales expectations, even though business is currently still somewhat sluggish.

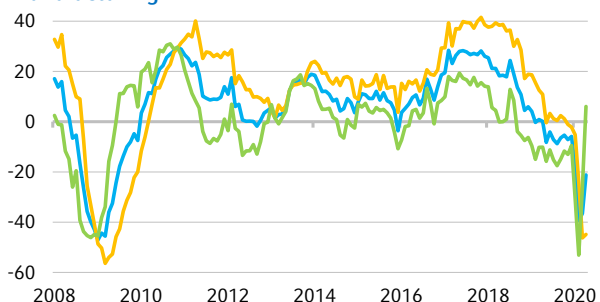
The same applies to the **trade sector**, where there are hardly any restrictions any more in NRW. In the retail sector, the business climate even rose above the pre-crisis level. Retailers currently benefit from pent-up purchases, which had to be postponed during the lockdown, and are expecting significantly higher sales in the upcoming future – also due to the VAT cut.

In the **construction sector**, the improvement of the climate was less pronounced. In June, the construction companies assessed their current business situation less favourably than in the previous month, but were at least no longer quite as pessimistic about their future prospects. Especially the housing construction sector in North Rhine-Westphalia is expecting increasing building activity

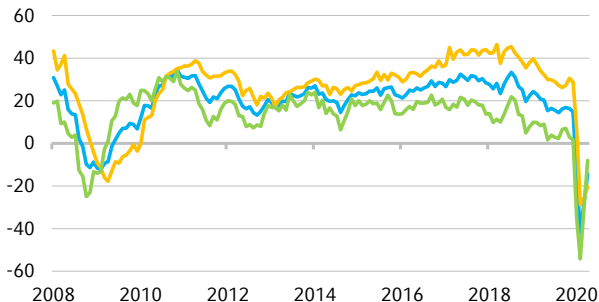
Business Climate by Sector

Balances, seasonally adjusted

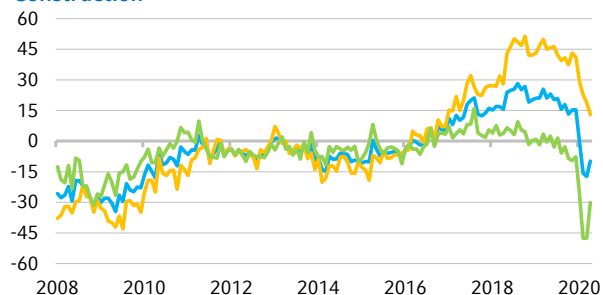
Manufacturing



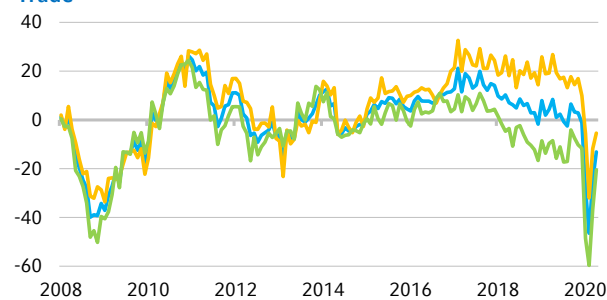
Service Sector



Construction



Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institute

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	06/19	07/19	08/19	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20	05/20	06/20
Entire Economy	Climate	13.4	9.0	9.1	7.5	5.7	8.3	9.9	9.7	7.8	-16.5	-40.6	-29.5	-15.2
	Situation	25.7	23.0	20.4	20.4	18.5	19.6	20.4	22.9	19.3	4.6	-26.6	-28.0	-22.8
	Expectations	1.7	-4.1	-1.7	-4.5	-6.3	-2.4	-0.2	-2.7	-3.1	-35.3	-53.4	-30.9	-7.4
Manufacturing	Climate	0.1	-8.3	-4.1	-7.2	-8.7	-6.5	-5.4	-7.1	-5.9	-18.4	-39.3	-36.5	-21.2
Service Sector	Climate	20.3	15.4	16.5	15.5	14.4	16.2	16.9	16.3	14.8	-15.5	-42.0	-27.7	-14.3
Construction	Climate	21.1	23.1	20.3	20.9	15.6	17.9	13.2	15.2	15.3	-0.3	-15.7	-17.4	-9.8
Trade	Climate	8.4	1.0	2.4	-0.7	-2.5	6.5	3.2	2.9	-1.1	-28.4	-46.5	-24.6	-13.1

Source: NRW.BANK, ifo Institute

Disclaimer

This publication has been prepared by NRW.BANK and contains information for which, in spite of all care taken, NRW.BANK assumes no liability, guarantee or warranty for the accuracy, completeness or suitability for a particular purpose. The information from the advance release and the detailed analysis of the NRW.BANK.ifo Business Climate is not used in connection with the provision of a securities service. The contents of this publication should not be construed as an offer or solicitation to buy or sell financial instruments or to take any other action and does not form the basis of or part of any contract. NRW.BANK, its executive and controlling bodies and its employees do not accept any liability for damages arising from the use of this publication. All estimates and forecasts are subject to change without notice. NRW.BANK is under no obligation to update, amend or supplement this publication or to inform its recipients in any other way if any of the circumstances, estimates or forecasts contained in this publication change or become incorrect. This publication is subject to the copyright of NRW.BANK. It may not be reprinted, copied, altered or distributed or transmitted to unauthorised recipients, either in whole or in part, without prior written permission. By accepting this publication, the recipient agrees to the binding nature of the above provisions.