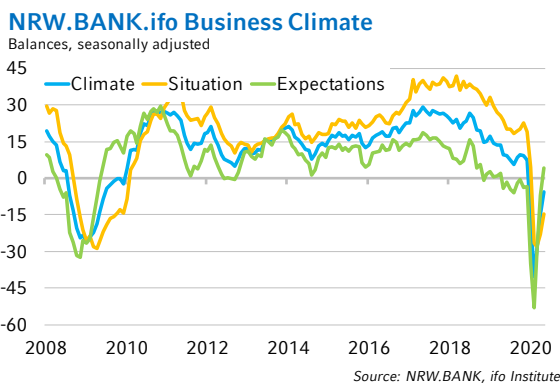
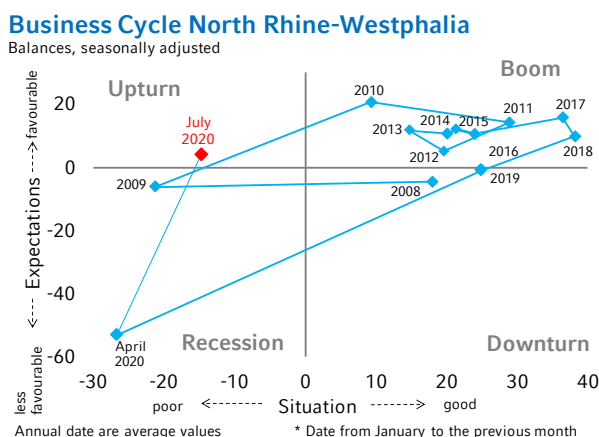


## NRW economy leaves recession behind

North Rhine-Westphalia's economy is gradually fighting its way out of the coronavirus crisis. In July, the NRW.BANK.ifo Business Climate improved for the third month in a row. Companies were not only more satisfied with their current situation, but for the first time since mid-2019 they are also optimistic about the coming months. For now, NRW has hence overcome the recession and is recovering again.



The **NRW.BANK.ifo Business Climate** continued to rise in July. The sentiment indicator for the regional economy improved clearly across all sectors by 9.5 points and, at -5.6 points, made up for about two thirds of the previous steep downturn. The increase is mainly due to business expectations, where the optimists have even regained the upper hand. The current situation was, however, also rated much less negatively than recently.



Both the combination of negative situation and optimistic expectations (Business Cycle) and the three consecutive increases of the indicator **signal an upswing**. If a second wave fails to materialise, the easing of the restrictions should thus trigger noticeable catch-up growth. It will, however, probably take until the end of next year to completely make up for the slump in spring this year. In addition, the after-effects of

the lockdown phase cannot be fully assessed yet. This means that despite all the optimism, the outlook for the further economic development in NRW remains cautious

The strongest rise in sentiment was recorded in the **construction industry**, where both the assessment of the current business situation and the expectations for the next six months improved. Especially the housing construction sector is once again looking optimistically to the future thanks to brisk construction activity. In the civil engineering sector, on the other hand, sentiment improved only modestly.

In the **trade sector**, the climate indicator rose again significantly in July and, at -1.4 points, has now almost reached the pre-crisis level. In contrast to the previous months, companies were again largely satisfied with their current situation. The scepticism with respect to the coming six months also subsided noticeably. The trend in the retail sector is encouraging, with the majority of retailers reporting rising sales compared to the previous year.

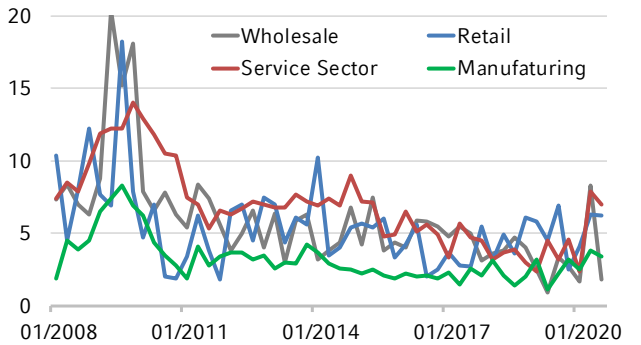
The climate in the **manufacturing sector** also improved considerably. In view of rising demand, the current situation is no longer rated as badly as in the previous months. In addition, industrial companies are expecting business to improve again in the coming months. Capacity utilisation increased from 71.6% to 73.4%. However, it is still well below its long-term average. Sentiment in the chemical industry even climbed to a new annual high. By contrast, the metal sectors had to accept a slight deterioration in sentiment again.

The improvement in the **service sector** was slightly weaker than in the other three economic sectors. Service providers were nevertheless also noticeably more satisfied with their current situation and they were cautiously optimistic about the near future

again. In the information and communications sector, the recovery was particularly pronounced. The positive trend of the two previous months also continued in the logistics and hospitality sectors. However, the current situation is still rated very poorly in both sectors.

### Financing Difficulties

Share of companies, in %



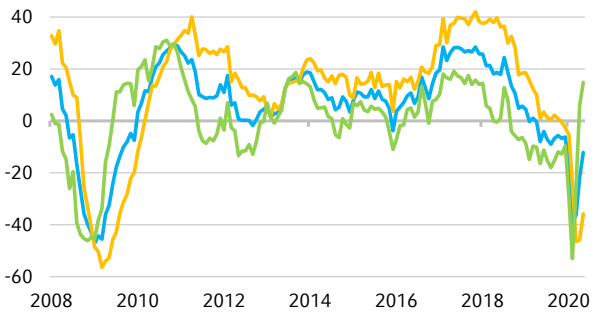
Quelle: NRW.BANK, ifo-Institut

In contrast to previous economic crises, the latest survey data indicate that companies in NRW are unlikely to face significant **financing difficulties** this time. Thanks to the extremely extensive public aid programmes, only about 5% of the companies in NRW are currently reporting problems in raising debt capital. Recently, the corresponding shares have even declined slightly. During the financial crisis in 2009, this figure peaked at almost one fifth.

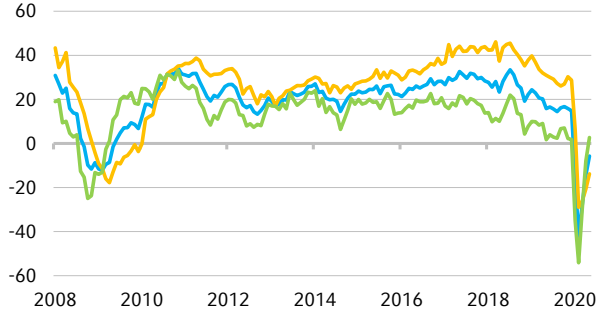
### Business Climate by Sector

Balances, seasonally adjusted

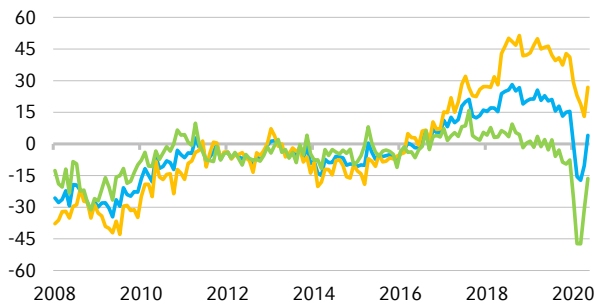
#### Manufacturing



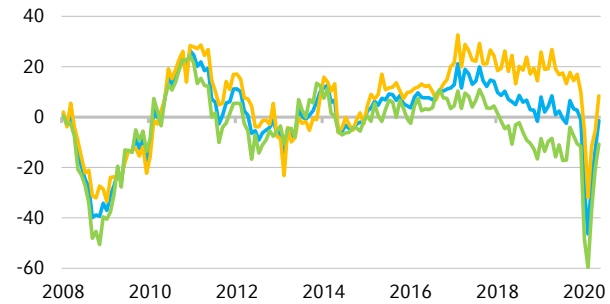
#### Service Sector



#### Construction



#### Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institute

### NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	07/19	08/19	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20	05/20	06/20	07/20
Entire Economy	Climate	9.5	9.1	7.6	5.8	8.5	9.6	9.2	7.5	-16.4	-40.5	-29.5	-15.1	<b>-5.6</b>
	Situation	23.9	20.3	20.3	18.4	19.5	20.3	22.9	19.2	4.5	-26.7	-28.1	-22.8	<b>-14.8</b>
	Expectations	-4.0	-1.5	-4.4	-6.1	-2.0	-0.6	-3.7	-3.5	-35.1	-53.2	-30.9	-7.0	<b>4.1</b>
Manufacturing	Climate	-7.9	-4.1	-7.1	-9.0	-6.7	-5.7	-6.7	-6.2	-17.9	-39.3	-36.4	-21.8	-12.2
Service Sector	Climate	15.8	16.6	15.6	14.5	16.2	16.8	15.8	14.8	-15.5	-42.1	-27.9	-14.4	-5.7
Construction	Climate	22.9	20.4	21.1	15.6	17.9	13.2	15.1	15.4	0.0	-15.5	-17.2	-10.3	4.1
Trade	Climate	1.0	2.4	-0.6	-2.5	6.6	3.3	2.7	-1.1	-28.4	-46.4	-24.6	-13.1	-1.4

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.