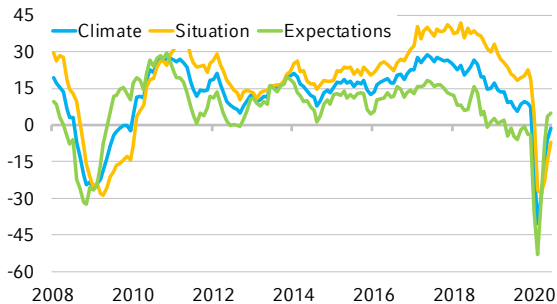


NRW economy on the growth path

The NRW.BANK.ifo Business Climate again improved in August, albeit not quite as strongly as in the previous three months. The latest increase is mainly attributable to a much better assessment of the current business situation. Unlike in previous months, the improved sentiment is no longer based merely on hope.

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted



Source: NRW.BANK, ifo Institute

In August, the NRW.BANK.ifo Business Climate picked up for the fourth consecutive month. The sentiment **indicator for the regional economy** gained 4.6 points across all sectors and is almost back in positive territory, at -1.3. This means that the economic turnaround has stabilised further, although the initially fast pace of recovery has slowed down lately. It is particularly good to see that the companies surveyed are now also viewing their current business situation quite a bit less sceptically. In the three previous months, the improved climate was primarily based on higher expectations.

The steady easing of the restrictions is now increasingly paying off economically. Even though new containment measures might be imposed more selectively than in the spring, a second wave of infection remains the greatest risk to the economy. On balance, however, the current NRW.BANK.ifo Business Climate gives reason to hope that the **upward trend** will be reflected in a strong increase in North Rhine-Westphalia's GDP in the second half of the year.

The sentiment in the **construction industry** improved most strongly, as the construction companies surveyed not only rated their current situation much more favourably but were also less sceptical about their business outlook. In particular, public-sector building construction and civil engineering are on the upswing. Both construction segments benefit from the economic stimulus packages that have been adopted in the last months.

The business climate in the **manufacturing** sector also improved considerably, as companies' assessment of the current situation rose sharply. By contrast, their expectations declined slightly from an already very high level. The sentiment in the mechanical engineering sector and among manufacturers of metal products brightened very dynamically. The already solid chemical industry even improved into positive territory. The food industry was the only sector whose indicator deteriorated slightly, but then the sector had hardly been affected by the coronavirus pandemic in the previous months.

The increase in the **service sector** was comparable to that in the manufacturing sector. Service providers were clearly more satisfied with their current business situation. The outlook for the coming six months also continued to improve. Developments in the information and communication sector are encouraging, with the climate indicator pointing to a boom. The positive trend also continued in the logistics and hospitality.

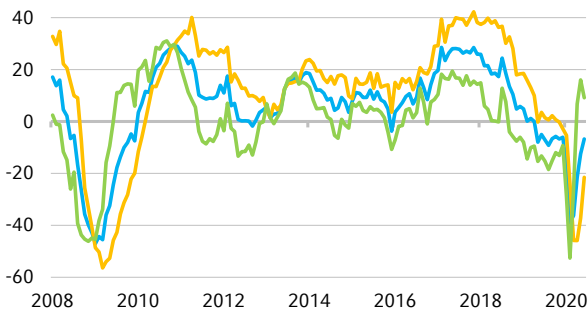
The improvement in the **trade sector** was noticeably weaker than in the other three sectors. While retailers and wholesalers were somewhat more satisfied with their current situation, their expectations remained almost unchanged. At the bottom line, the climate indicator is now only just in negative territory at -0.3 points, following a record low of -46.4 in April. The recovery in the retail sector was much stronger than in the wholesale sector.

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.

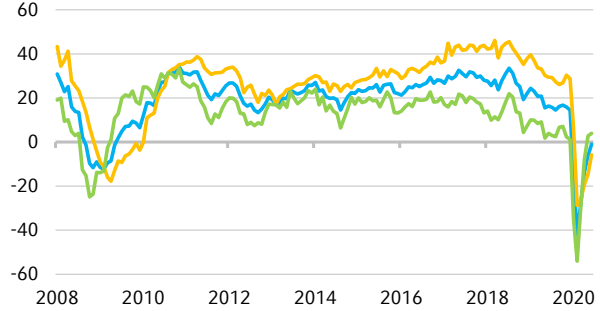
Business Climate by Sector

Balances, seasonally adjusted

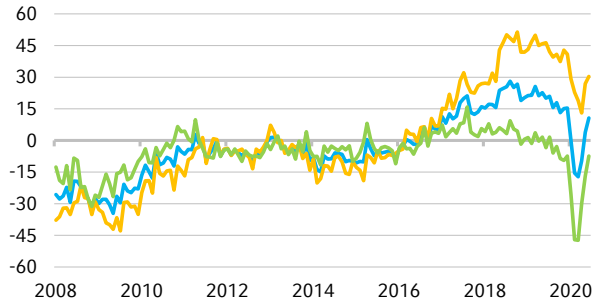
Manufacturing



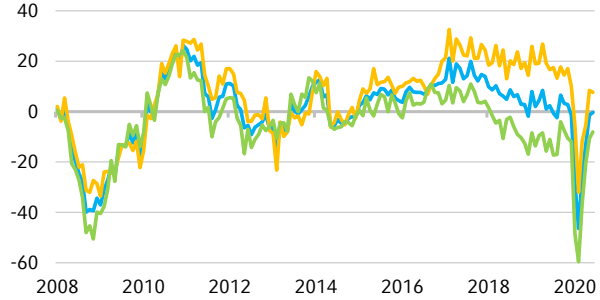
Service Sector



Construction



Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institute

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	08/19	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20
Entire Economy	Climate	9.5	7.6	5.8	8.5	9.6	9.1	7.4	-16.4	-40.5	-29.4	-15.1	-5.9	-1.3
	Situation	20.8	20.2	18.4	19.5	20.2	22.8	19.1	4.4	-26.7	-28.1	-22.9	-14.8	-7.2
	Expectations	-1.2	-4.3	-6.0	-2.0	-0.5	-3.8	-3.6	-35.2	-53.1	-30.7	-7.0	3.4	4.8
Manufacturing	Climate	-5.0	-7.1	-9.2	-6.6	-5.8	-6.8	-6.1	-17.5	-38.9	-36.2	-21.5	-12.5	-6.8
Service Sector	Climate	16.4	15.7	14.5	16.2	16.8	15.9	14.5	-15.5	-42.0	-27.9	-13.7	-6.2	-1.0
Construction	Climate	20.1	20.9	15.6	17.9	13.2	15.1	15.4	0.0	-15.4	-17.2	-9.7	3.8	10.6
Trade	Climate	2.3	-0.6	-2.5	6.6	3.3	2.8	-1.3	-28.4	-46.4	-24.6	-13.1	-1.4	-0.3

Source: NRW.BANK, ifo Institute

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