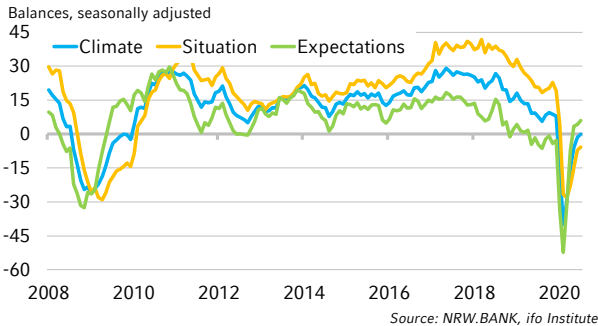


NRW economy defies rising number of infections

In September, the NRW.BANK.ifo Business Climate improved for the fifth month in a row. Companies once again assessed their current situation as more positive than in the previous month. Moreover, they expect their business to continue to recover. In spite of increasing infection numbers, the North Rhine-Westphalian economy is stabilising.

NRW.BANK.ifo Business Climate



In September, the NRW.BANK.ifo Business Climate rose by 1.5 points to 0.0 points, leaving the negative territory for the first time since February. Both the current business situation and the expectations for the next six months were assessed more favourably by the companies. This means that the economic turnaround in NRW has stabilised further, although the initially fast pace of recovery has slowed down again.

Looking at the development of the business climate in NRW, a **V-shaped trend** is becoming increasingly apparent: a steep downturn is followed by an equally rapid recovery. However, the air for further improvements is likely to become thinner as the momentum of the upswing is weakening somewhat after the easing of restrictions in the summer months and the related catch-up effects. So far, the number of infections, which has been rising again since August, has hardly had any impact on the economic recovery in NRW.

In terms of economic sectors, the highest increase came from the **manufacturing**. Compared to the previous month, significantly fewer companies assess their current business situation as poor. In addition, more industrial companies expected a further improvement of their economic situation. Electronics manufacturers and the food industry are particularly optimistic. Noteworthy is the deteriorating sentiment in the chemical industry as well as among manufacturers of motor vehicle parts.

The climate in the **trade sector** recovered as well. Wholesalers and retailers were markedly more satisfied with their business situation. Moreover, many of them expect business to pick up further in the coming months. At 4.7 points, the indicator has reached the highest level in about a year. Inventories even fell to their lowest level in over 15 years due to strong demand. The recent recovery was much stronger in the wholesale sector than in the retail sector.

In contrast, in the **services sector**, the indicator declined, after four consecutive increases of late. While service providers no longer assessed their business situation quite as good as in the previous month, their expectations were increasingly positive. Compared to the other economic sectors, the business climate is currently rated worst among service providers (-2.8 points). This is due to the restrictions related to the coronavirus which are still in place and particularly affect the services industry – which includes, among others, the hospitality, logistics and trade fair construction sectors.

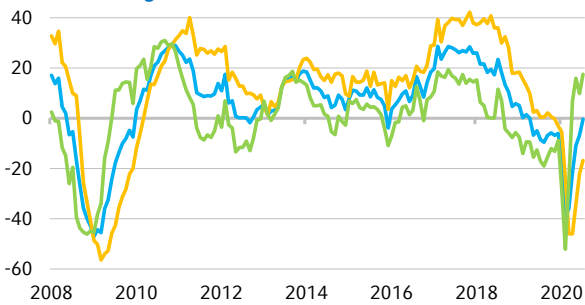
The business climate in the **construction** sector also deteriorated at a very high level in September. While the business situation continued to be assessed as very positive, construction companies were somewhat more sceptical again about the coming six months. Sentiment clouded over especially in the residential construction 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

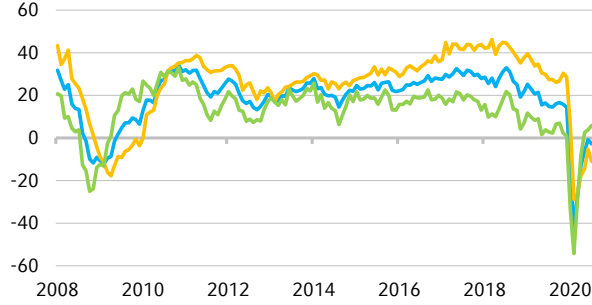
Business Climate by Sector

Balances, seasonally adjusted

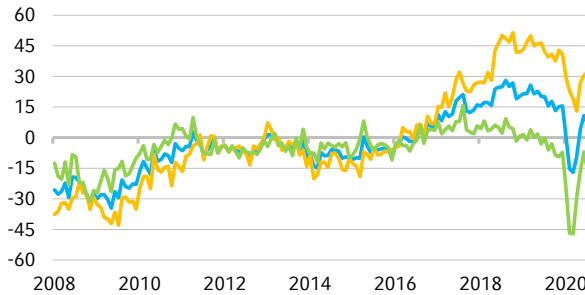
Manufacturing



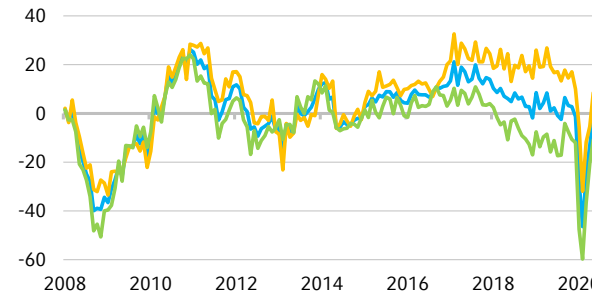
Service Sector



Construction



Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institute

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	09/19	10/19	11/19	12/19	01/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20
Entire Economy	Climate	7.5	5.7	8.3	9.4	8.8	7.9	-15.5	-40.0	-29.7	-15.3	-5.9	-1.5	0.0
	Situation	20.6	18.3	19.5	20.2	22.7	19.1	4.4	-26.8	-28.2	-22.9	-14.8	-7.2	-5.8
	Expectations	-4.8	-6.3	-2.3	-0.8	-4.3	-2.8	-33.4	-52.3	-31.3	-7.4	3.5	4.3	5.9
Manufacturing	Climate	-8.5	-9.5	-6.8	-5.8	-6.8	-6.0	-17.3	-38.8	-36.0	-21.6	-10.8	-6.8	-0.4
Service Sector	Climate	14.8	14.4	16.1	16.7	15.8	14.4	-14.6	-42.1	-27.9	-12.9	-6.1	-0.8	-2.8
Construction	Climate	20.0	15.5	17.8	13.2	15.2	15.5	0.1	-15.3	-17.1	-9.4	3.9	10.8	7.0
Trade	Climate	-0.8	-2.5	6.5	3.3	2.8	-1.3	-27.8	-46.5	-24.6	-13.1	-1.4	-0.4	4.7

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.