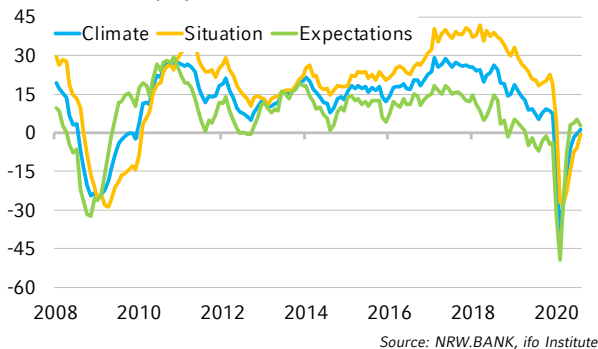


Second wave dampens expectations

In view of the rising number of infections, companies in North Rhine-Westphalia are more sceptical about the future for the first time in five months. In October, however, they assessed their current situation as much better. As a result, the NRW.BANK.ifo Business Climate continued to improve overall, albeit not as dynamically as in the previous months.

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted



In October, the NRW.BANK.ifo Business Climate rose by 1.6 points to 1.2 points, returning to positive territory for the first time since March. The most recent increase is exclusively attributable to the business situation, which was rated much more favourably in October. However, this pleasant trend is clouded by the lower expectations. In view of the rapidly rising number of infections, the optimism of the past months has now evaporated.

The recently decided **lockdown** is not yet reflected in the current survey. It is expected that the latter will depress the mood in November. The upswing in the NRW economy is faltering; the rapid, V-shaped recovery that had been hoped for until recently is history. A second recession cannot be ruled out. In contrast to the lockdown in spring, however, retailers and many service providers remain open. The global supply chains of the manufacturing sector are also intact, which means that there is no threat of renewed production stops.

In October, the business climate improved especially in the **services sector**, where a much lower number of companies rated their current situation as poor. Moreover, a growing majority of the service providers expect their business to improve in the future. In particular the logistics sector is more upbeat about the future thanks to good sales revenues. In the hospitality sector, the climate clouded over in view of the business restrictions imposed in response to corona.

The climate in the **manufacturing sector** also recovered. A clearly higher number of companies were satisfied with their current business situation. While capacity utilisation increased from 73.6% to 79.1%, it is still below the long-term average. The recent optimism with regard to the coming months has suffered a setback, though. Developments in the individual industrial sectors differed. While the metal engineering and mechanical sectors continued to recover, the business climate in the food and chemical industries clouded over.

The mood in the **wholesale and retail trade** hardly changed. While wholesalers and retailers were more satisfied with their current business situation than they had been for over a year, they are noticeably more pessimistic about the coming months. In the retail sector, expectations even fell to the lowest level in four months.

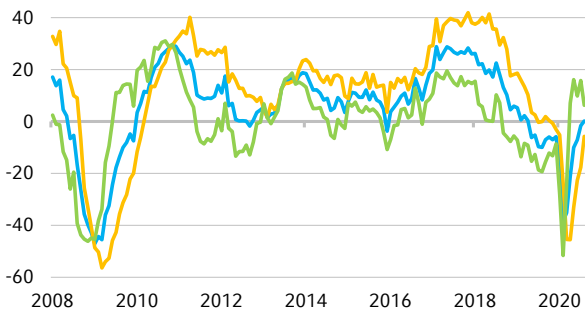
In NRW's **construction sector**, the five-month improvement in the business climate also came to a temporary halt. The companies downgraded their still very good assessments of the current situation. Their expectations hardly changed compared to the previous month. A majority of the companies expect business activity to decline in the coming months. This applies primarily to commercial and public construction.

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

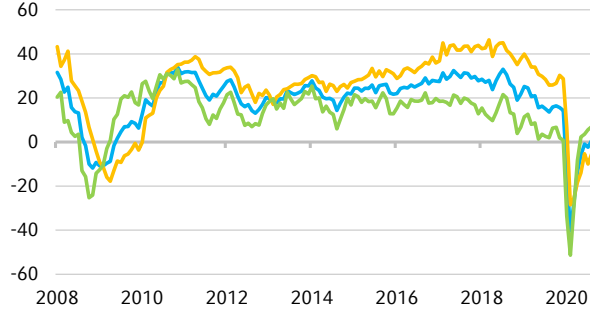
Business Climate by Sector

Balances, seasonally adjusted

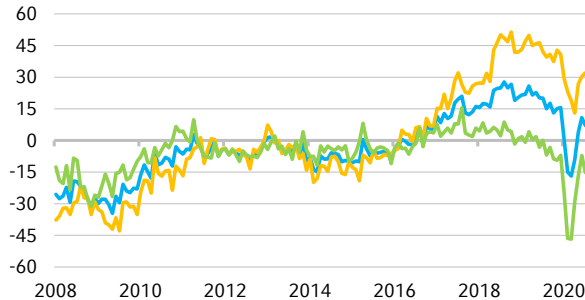
Manufacturing



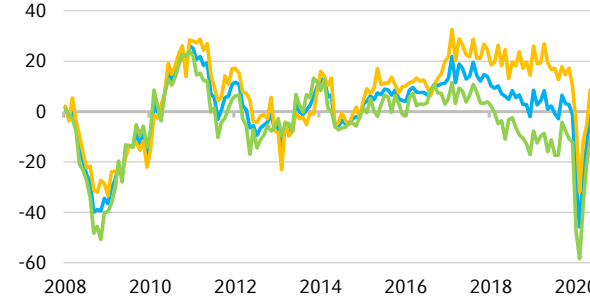
Service Sector



Construction



Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institute

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	10/19	11/19	12/19	01/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20	10/20
Entire Economy	Climate	5.3	8.0	9.1	8.7	7.4	-14.8	-38.6	-29.0	-15.8	-6.0	-1.7	-0.4	1.2
	Situation	18.4	19.5	20.2	22.7	19.1	4.4	-26.8	-28.2	-23.0	-14.8	-7.2	-5.8	-0.4
	Expectations	-7.0	-2.9	-1.4	-4.5	-3.7	-32.2	-49.5	-29.9	-8.4	3.2	3.9	5.2	2.8
Manufacturing	Climate	-10.0	-7.0	-6.0	-7.0	-5.9	-17.0	-38.4	-35.2	-21.2	-10.0	-7.1	-1.7	0.1
Service Sector	Climate	13.6	15.9	16.5	15.6	14.3	-14.6	-40.4	-27.9	-13.4	-6.0	-0.9	-2.4	0.7
Construction	Climate	15.1	17.7	13.1	15.1	15.6	0.3	-14.9	-16.9	-9.3	3.9	10.8	7.1	7.0
Trade	Climate	-2.8	6.5	3.2	2.7	-1.3	-27.9	-45.8	-24.7	-13.1	-1.4	-0.4	4.7	4.5

Source: NRW.BANK, ifo Institute

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