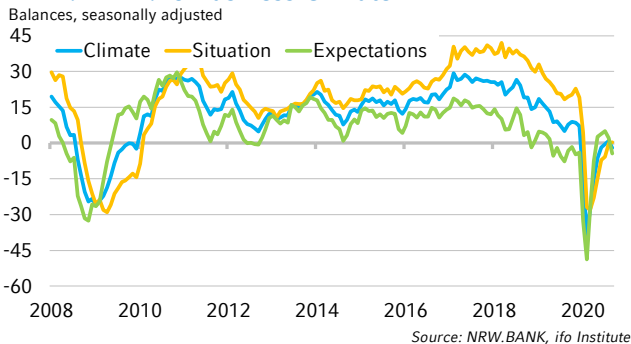


## NRW economy burdened by lockdown

The sentiment in North Rhine-Westphalia's economy has clouded over for the first time in seven months. While the companies surveyed assessed their current business situation even slightly more favourably than before, their expectations for the coming months virtually collapsed. The second wave has interrupted the recovery of the NRW economy.

### NRW.BANK.ifo Business Climate



In November, the **NRW.BANK.ifo Business Climate** dropped sharply by 2.8 points to -2.0 points and is now back in negative territory. The decline is exclusively due to companies' more pessimistic expectations. Business uncertainty has increased in view of the rising number of infections as well as the lockdown. In fact, North Rhine-Westphalia's economy had been on a sound recovery path. In November, the companies rated their current business situation more favourably for the sixth consecutive time. The upswing has now come to a temporary end. Since an easing of the current lockdown is not in sight yet, a renewed recession is well possible. The latest slump in the business climate has not been quite as strong as in the spring, however, which means that a potential second recession should also be milder.

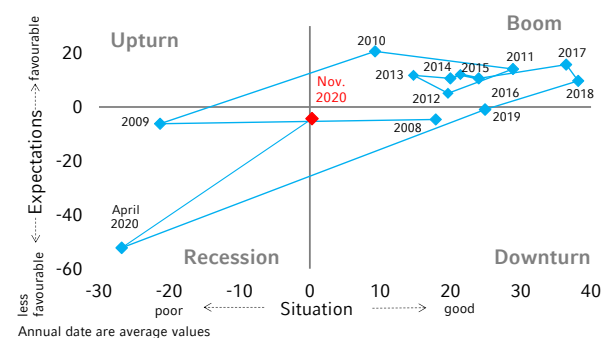
The sharpest decline was recorded by **service providers**, both in terms of their view of the current situation and their future business prospects. This industry is the most affected by the lockdown. As in March, the climate in the hospitality sector suffered a particularly severe collapse. At -76 points, the sentiment in this sector has dropped to the lowest level of all sectors. The real estate and housing sector was able to more or less hold its ground.

The climate in the **trade sector** also clouded over. Retailers are particularly pessimistic about the coming months in view of the recent introduction of stricter regulations, which reduce the number of customers permitted in shops

The business climate in NRW's **construction** sector declined again, as companies downgraded their still good assessment of the current situation. Also, their expectations were somewhat more pessimistic. A majority of the construction companies expect business activity to decline in the coming months. At the same time, construction prices are expected to fall, which will result in lower revenues.

**Manufacturing** was the only sector to see the business climate brighten, as companies rated their current situation better than before. The outlook for the coming months was noticeably less optimistic, though. In particular, export expectations deteriorated. With the exception of mechanical engineering, the climate improved in all industry sectors. Especially the chemical industry, which is important throughout the federal state, is once again well positioned thanks to a higher order intake

### Business Cycle North Rhine-Westphalia

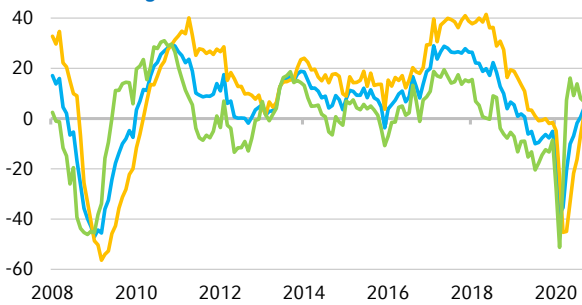


The **NRW.BANK.ifo Business Climate** is based on the ifo Business Climate for the whole of Germany. For this purpose, approximately 1,500 companies from North Rhine-Westphalia are surveyed each month on behalf of NRW.BANK. The companies give their assessment of the current business situation (choice 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

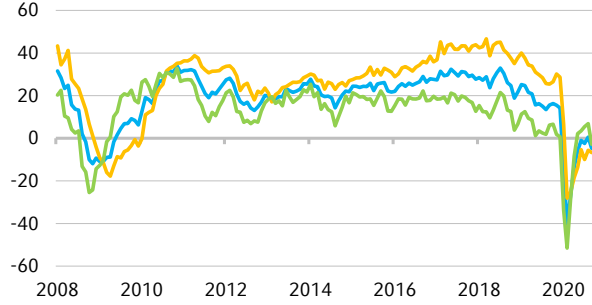
### Business Climate by Sector

Balances, seasonally adjusted

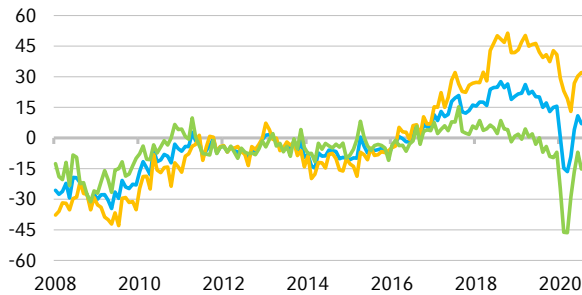
#### Manufacturing



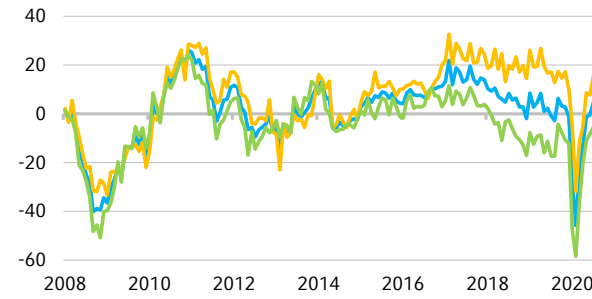
#### Service Sector



#### Construction



#### Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institute

### NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	11/19	12/19	01/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20	10/20	11/20
Entire Economy	Climate	7.8	9.0	8.5	7.2	-15.1	-38.2	-28.0	-15.4	-6.3	-1.8	-0.5	0.8	-2.0
	Situation	19.4	20.2	22.7	19.1	4.4	-26.8	-28.1	-22.9	-14.8	-7.2	-5.8	-0.4	0.3
	Expectations	-3.1	-1.7	-4.8	-4.1	-32.8	-48.8	-28.0	-7.5	2.6	3.8	5.1	2.0	-4.4
Manufacturing	Climate	-7.7	-6.3	-7.7	-5.1	-16.8	-38.0	-35.4	-20.7	-10.1	-6.9	-1.8	0.6	4.1
Service Sector	Climate	15.6	16.3	15.5	14.2	-14.6	-40.2	-27.0	-13.5	-5.9	-1.0	-2.4	0.5	-4.8
Construction	Climate	17.2	12.9	15.0	15.6	0.4	-14.8	-16.5	-9.2	4.1	10.9	7.1	6.9	2.3
Trade	Climate	6.3	3.2	2.8	-1.4	-27.9	-45.8	-24.3	-13.1	-1.4	-0.4	4.7	4.5	-0.4

Source: NRW.BANK, ifo Institute

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