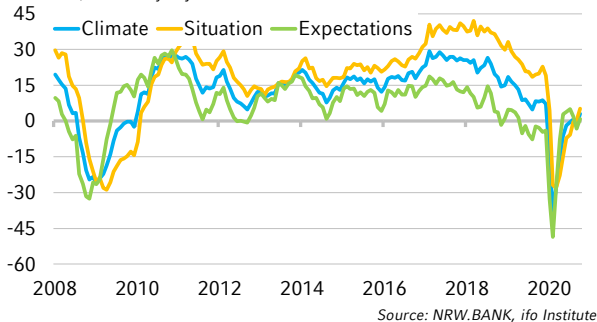


NRW economy defies lockdown

The sentiment in North Rhine-Westphalia's corporate sector surprisingly improved towards the end of the year. While most of the responses were given before the recent tightening of the Coronavirus restrictions, there are some indications that the NRW economy is defying the renewed lockdown.

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted



Having deteriorated in November, the **NRW.BANK.ifo Business Climate** improved towards the end of the year. The increase by 4.4 points to 3.0 points more than offset the preceding decline. The climate indicator is now only 4.2 points below the pre-crisis level. Companies were not only more satisfied with their current situation, but are now also optimistic again about the coming months.

It remains to be seen to what extent the **lockdown** imposed in mid-December is reflected in the survey. While most of the responses were given before the meeting between the federal government and the federal states, the tightening of the restrictions had been anticipated since the beginning of the month. It seems as if the prospect of vaccinations starting soon outweighs the adverse effects of the economy shutting down again. Unlike the first lockdown in the spring, this time the government will refund some of the revenue lost.

Moreover, the **manufacturing sector** is proving to be an anchor of stability for the NRW economy at the end of the year. This time, not only are global supply chains intact, but demand in both domestic and international markets is solid. This was also reflected in the business climate, which, in December, rose to the highest level since the beginning of 2019. In particular, optimism about the next six months increased noticeably. This trend was supported by all industrial sectors.

The business climate in the **trade sector** also improved. The increase was mainly attributable to industry-related wholesalers. The climate among retailers brightened only little, and their expectations even deteriorated somewhat. Most of the respondents in the trade sector assumed that the lockdown would be tightened. As the lockdown provides for shops to remain closed until mid-January, the sector is likely to start the new year on a cautious note.

The business climate for the **services sector** also recovered, as companies were more satisfied with their current business situation. Also, their expectations were somewhat less pessimistic. This positive trend was driven in particular by logistics as well as by real estate and housing. But the climate also improved in the hospitality sector, even though a hard lockdown was imposed here in early November. Most recently, the sector's expectations picked up by as much as 30 points. This is probably attributable to the November aid, which provides for generous government subsidies especially for restaurants and hospitals.

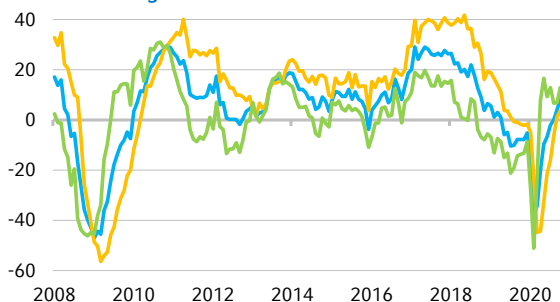
The **construction sector** was the only sector in North Rhine-Westphalia which saw the business climate deteriorate in December. The business situation was no longer quite as good as before, and construction companies also remained sceptical about the near future. The climate in the civil engineering segment declined particularly sharply.

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

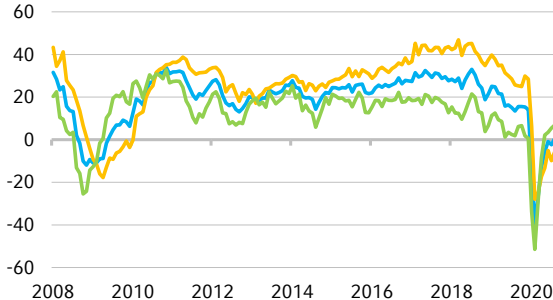
Business Climate by Sector

Balances, seasonally adjusted

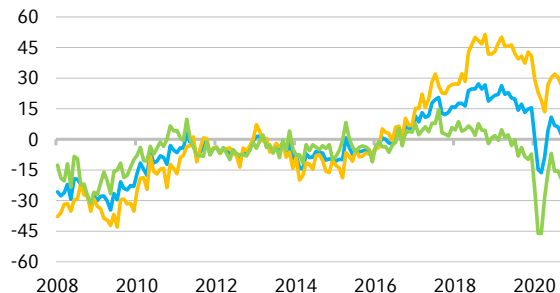
Manufacturing



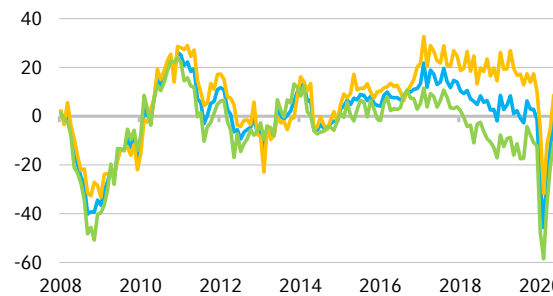
Service Sector



Construction



Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institute

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	12/19	01/20	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20	10/20	11/20	12/20
Entire Economy	Climate	8.2	8.7	7.2	-15.1	-38.1	-28.1	-15.4	-6.2	-1.8	-0.4	0.8	-1.4	3.0
	Situation	19.8	22.8	19.1	4.4	-26.8	-28.1	-22.8	-14.8	-7.2	-5.8	-0.3	0.3	5.3
	Expectations	-2.9	-4.6	-4.0	-32.7	-48.7	-28.1	-7.7	2.8	3.8	5.1	1.9	-3.2	0.8
Manufacturing	Climate	-7.8	-7.8	-5.2	-16.6	-37.7	-34.3	-20.2	-9.7	-6.7	-2.1	0.0	4.1	8.2
Service Sector	Climate	15.6	15.4	14.1	-14.7	-40.2	-26.8	-12.9	-5.7	-0.9	-2.3	0.5	-4.8	-0.5
Construction	Climate	13.2	14.9	15.5	0.3	-14.7	-16.4	-8.7	4.2	10.9	6.8	6.2	2.4	1.1
Trade	Climate	2.9	2.8	-1.3	-27.8	-45.8	-24.3	-13.1	-1.4	-0.4	4.7	4.5	-0.4	5.7

Source: NRW.BANK, ifo Institute

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