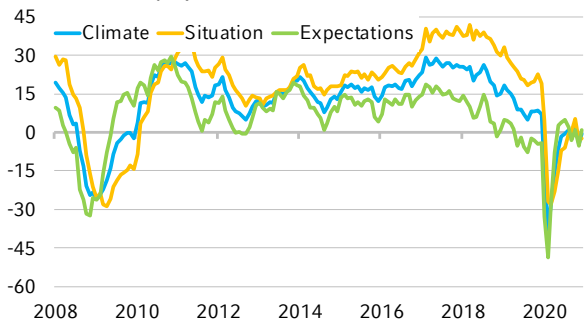


NRW economy hopes restrictions will be eased

The sentiment in the North Rhine-Westphalian economy unexpectedly improved in February, as companies rated both their current business situation and the outlook for the next six months noticeably better than before. Companies in North Rhine-Westphalian apparently expect the restrictions to be eased soon.

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted



Source: NRW.BANK, ifo Institute

February saw the NRW.BANK.ifo Business Climate climb by an unexpectedly strong 3.6 points to -0.6 balances. This made up for the decline of the previous months and has brought the economic indicator back at the level of September last year. Especially the improved assessment of the current situation comes as a surprise, as the lockdown was in place throughout February. While expectations had been expected to improve after the sharp drop in January, the improvement in the six-month outlook was quite remarkable. In spite of a possible third wave, companies apparently assume that differentiated easing of the restriction will be possible in the coming months as growing use is made of rapid tests and more and more people get vaccinated.

The climate in the **manufacturing** sector picked up noticeably. A higher value was last reached in November 2018. Most of the manufacturing companies rated their current business situation positively. Their expectations were even more confident than last months. Thanks to pick-up in global demand, the manufacturing sector has proven to be a tower of strength. All industrial sectors, from mechanical engineering to chemicals, expect production to increase in the next three months. Companies' employment plans provide for hardly any layoffs.

Following the slump in the previous month, the business climate in the **trade sector** has improved somewhat lately. While business expectations remain pessimistic, they are no longer as negative as they were in January. Moreover, retailers were no longer quite as dissatisfied with their current situation as at the beginning of the year. Where sales revenues are concerned, however, the situation remains dramatic because of the lockdown. The wholesale sector as a whole is much more solid than the retail sector.

The business climate for the **services sector** also picked up. While companies rated their current situation somewhat less favourably, they were cautiously optimistic again about their prospects. The logistics sector, in particular, reported solid business in the wake of the good activity in the manufacturing industry. The situation for the hospitality sector remains extremely difficult. The sector's expectations have improved noticeably, however, and reached the highest level since August 2019. The optimism is exclusively attributable to a potential easing of the restrictions.

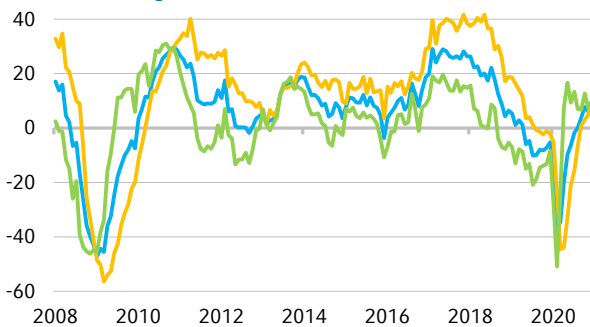
The **construction sector** was the only sector in North Rhine-Westphalia which saw the business climate deteriorate in February. In view of the unusually cold weather, construction companies rated their current situation more negatively. They were no longer as sceptical about the next six months, though. What is striking is the pressure on construction prices, which are trending upwards for the first time since mid-2019.

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

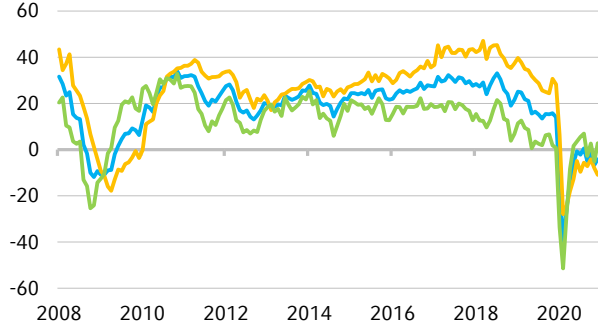
Business Climate by Sector

Balances, seasonally adjusted

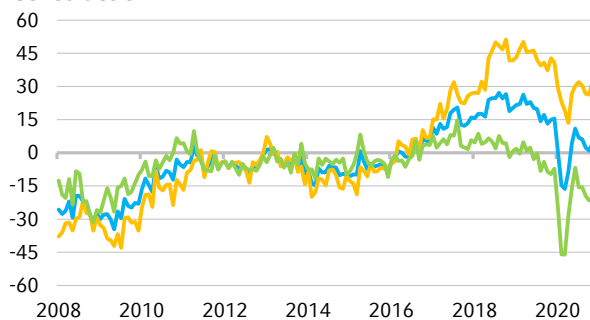
Manufacturing



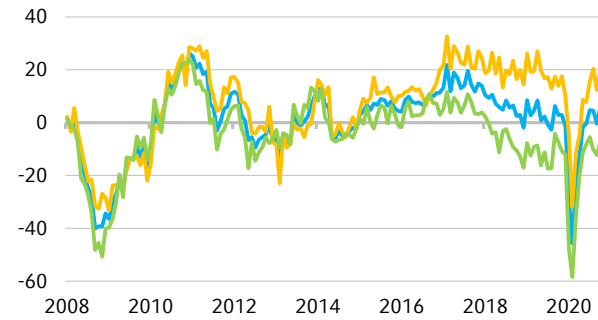
Service Sector



Construction



Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institute

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	02/20	03/20	04/20	05/20	06/20	07/20	08/20	09/20	10/20	11/20	12/20	01/21	02/21
Entire Economy	Climate	7,2	-15,1	-38,1	-28,1	-15,4	-6,2	-1,8	-0,4	0,8	-1,4	3,0	-4,4	-0,6
	Situation	19,1	4,4	-26,8	-28,1	-22,8	-14,8	-7,2	-5,8	-0,3	0,3	5,3	-3,5	-2,2
	Expectations	-4,0	-32,7	-48,7	-28,1	-7,7	2,8	3,8	5,1	1,9	-3,2	0,8	-5,3	1,1
Manufacturing	Climate	-5,3	-16,8	-37,7	-34,3	-19,9	-9,7	-6,4	-1,8	0,1	3,8	7,7	6,2	9,8
Service Sector	Climate	14,1	-14,7	-40,1	-26,6	-13,2	-5,7	-0,8	-2,2	0,6	-5,0	-0,8	-6,6	-4,2
Construction	Climate	15,5	0,4	-14,7	-16,3	-8,7	4,3	10,9	6,8	6,2	2,3	1,0	4,4	2,8
Trade	Climate	-1,3	-27,8	-45,7	-24,3	-13,1	-1,6	-0,4	4,7	4,5	-0,4	5,7	-12,7	-9,5

Source: NRW.BANK, ifo Institute

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