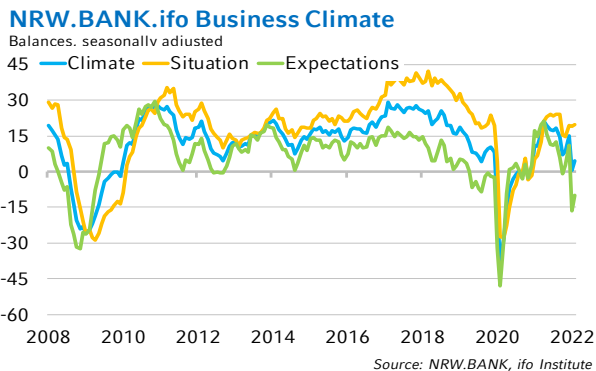


Business climate in North Rhine-Westphalia stabilises

Having slumped sharply in the previous month, the sentiment in the NRW economy improved again in April. In particular, the outlook on the next six months was less pessimistic than before. The current business situation also improved slightly. After the first shock about Russia's attack on Ukraine, the North Rhine-Westphalian economy is proving relatively stable.



April saw the **NRW.BANK.ifo Business Climate** pick up by 4.0 points to 4.5 points. This made up for only about a quarter of the war-related slump in the previous month. The increase was almost exclusively attributable to a pick-up in business expectations. Nevertheless, a large majority of the companies remains pessimistic about the next six months. The current business situation improved only slightly.

After the initial shock about the war, the sentiment in the regional economy has stabilised at a low level. Companies are apparently finding it easier to adapt to the new situation than initially expected. Also, some adverse effects did not materialise to the extent feared. Most importantly, initial concerns about a potential gas embargo imposed by Russia have subsided lately, leading to a positive countermovement in the industrial sector. The risks to the NRW economy nevertheless remain substantial. Above all, high energy and commodity prices as well as disrupted supply chains are weighing on the economy. In addition, COVID lockdowns have been imposed in important Chinese business centres, whose effects will become visible only in the coming months.

Following last month's slump, the business climate in the **manufacturing** has recently improved noticeably again. Expectations picked up particularly strongly, although the sharp decline of the previous month was not offset. Manufacturers' gloomy business prospects continue to indicate a recession in the sector.

This is mainly attributable to material shortages, which reached a new record high in April.

The business climate in the **services sector** improved as well. Service providers were markedly more satisfied with their current business transactions. They are also less pessimistic about the next six months. The strongest increase in sentiment was recorded in the hospitality segment, which benefits from the easing of the COVID-19 restrictions. The logistics segment also recovered somewhat from the very strong slump in the previous month.

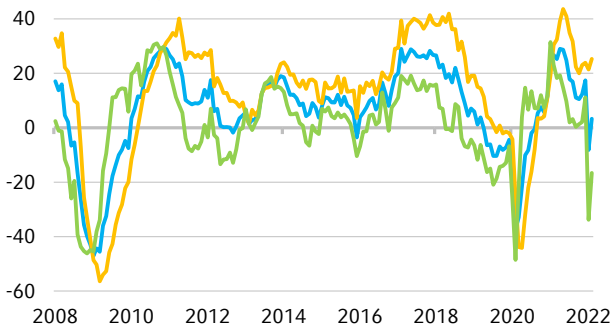
The sentiment in the **wholesale and retail** sectors declined, as both the current business situation and the expectations for the next six months deteriorated. Retailers, in particular, are very pessimistic about the future, as the upward price trend is causing growing problems. In April, close to 70% of the companies had to increase their prices. Some 80% of the retailers expect further increases in the next three months. Never before has the pressure on prices been higher.

The business climate in the **construction** sector dropped to the lowest level in almost two years. Companies were clearly less satisfied with their current business situation. Expectations fell to the lowest level since 1996. Material shortages reached a new record high also in the construction sector. The already rapid increase in the prices of building materials accelerated even further. Building construction is affected somewhat more strongly than civil engineering.

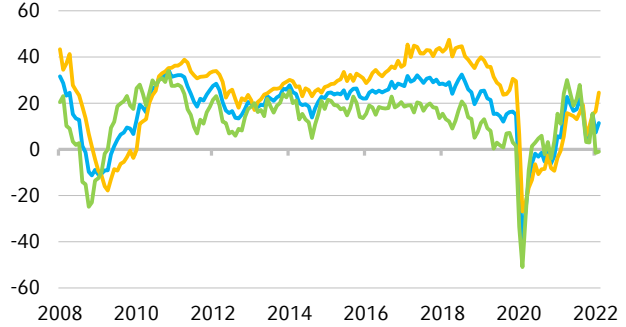
Business Climate by Sector

Balances, seasonally adjusted

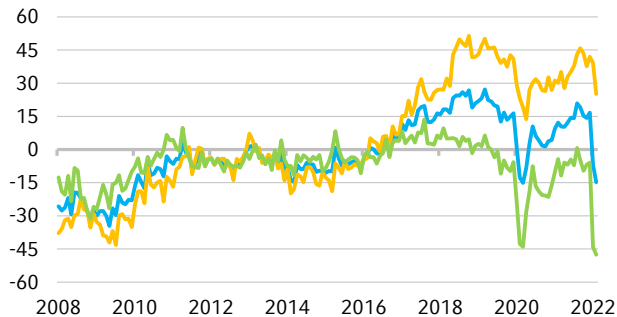
Manufacturing



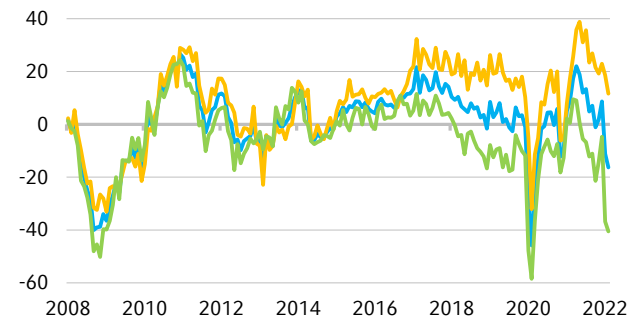
Service Sector



Construction



Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institute

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	04/21	05/21	06/21	07/21	08/21	09/21	10/21	11/21	12/21	01/22	02/22	03/22	04/22
Entire Economy	Climate	10.6	16.1	21.4	19.5	17.8	17.1	18.3	14.7	7.1	8.6	15.1	0.5	4.5
	Situation	6.7	12.4	21.4	23.1	24.3	23.3	24.2	24.0	15.3	14.6	19.3	19.1	19.9
	Expectations	14.6	19.9	21.4	15.9	11.5	11.1	12.5	5.8	-0.8	2.7	10.9	-16.4	-9.9
Manufacturing	Climate	26.7	25.2	29.0	28.7	24.8	17.8	17.0	11.1	10.5	12.3	17.4	-8.2	3.3
Service Sector	Climate	5.1	14.7	22.8	19.7	16.6	17.3	21.8	17.6	4.6	6.5	15.3	7.3	11.4
Construction	Climate	12.2	10.4	10.2	12.1	14.4	14.2	20.9	19.0	15.3	14.3	16.7	-6.9	-14.8
Trade	Climate	8.7	17.4	22.0	18.9	12.0	13.4	4.9	7.0	-1.1	1.8	8.7	-11.2	-16.3

Source: NRW.BANK, ifo Institute

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