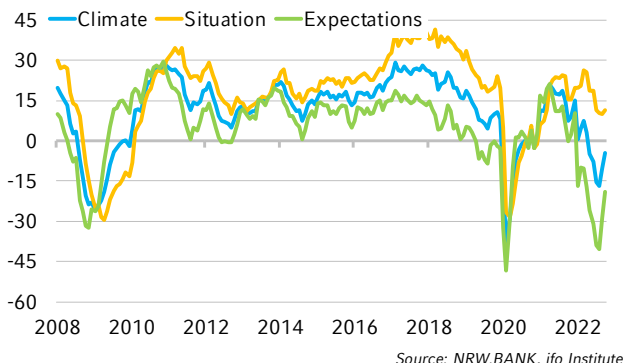


Pessimism dominates, business expectations improve

At the end of the year, pessimism dominates in the North Rhine-Westphalian economy as far as business prospects are concerned. In view of full gas storage facilities and noticeable government assistance, however, the business expectations of the companies surveyed brightened at a low level recently.

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted



December 2022 saw the NRW.BANK.ifo Business Climate index climb by 5.9 points in negative territory, where it currently stands at -4.5 points. This is the second increase in a row. Previously, the indicator had dropped five consecutive times. The latest increase is primarily attributable to the fact that the business expectations of the 1,500 companies surveyed in NRW improved. On balance, however, their future prospects remain extremely pessimistic. For the NRW.BANK.ifo Business Climate index, the companies were asked not only about their future prospects but also about their current economic situation. According to the survey, their business situation in December 2022 was somewhat better than in the previous month, although the increase – at 1.2 balances – was not quite as high as the increase in business expectations.

While an economic turnaround is not in sight yet and the North Rhine-Westphalian economy is likely to contract in the winter half-year, it seems possible that it might come through the economic trough with a soft patch. An important prerequisite for limiting the risk of a recession is the avoidance of a gas shortage in spring. The economy is also hopeful with a view to the government relief packages for enterprises and private households.

The business climate in the trade sector improved most strongly during the Christmas season. Wholesalers and retailers rated their current situation somewhat better. Their expectations were also more optimistic, and quite noticeably so. On balance, however, wholesalers and retailers remain pessimistic about the future. While inventory levels recently reached a new high, which usually indicates a recession, price pressure in the trade sector declined again.

The sentiment in the construction sector improved markedly towards the end of the year. While companies were reportedly slightly less satisfied with their current business situation, their expectations improved, albeit at a very low level. Housing construction was the only segment in North Rhine-Westphalia whose sentiment continued to deteriorate in view of a low order level.

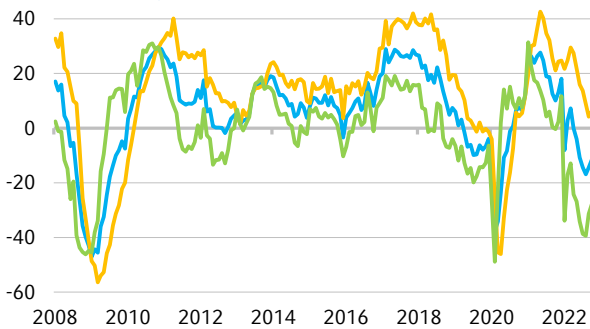
The business climate in the services sector improved again and is back in slightly positive territory for the first time in three months. This is attributable to markedly lower scepticism about the business expectations. By contrast, the survey shows that satisfaction with the current situation declined slightly in December. Except for the hospitality segment, the business climate improved in all segments of the services industry.

The increase in sentiment in the manufacturing sector was somewhat less pronounced. While both the current situation and expectations improved slightly, the outlook remains very pessimistic. In the chemical industry, by contrast, many of the companies surveyed were once again hopeful about their business in the next six months. This is probably due to the well filled gas storage facilities, which should prevent a gas shortage in spring of this year.

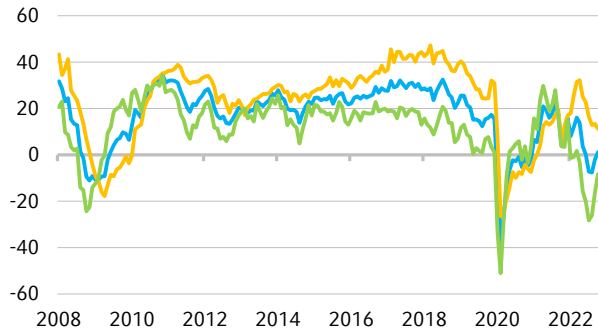
Business Climate by Sector

Balances, seasonally adjusted

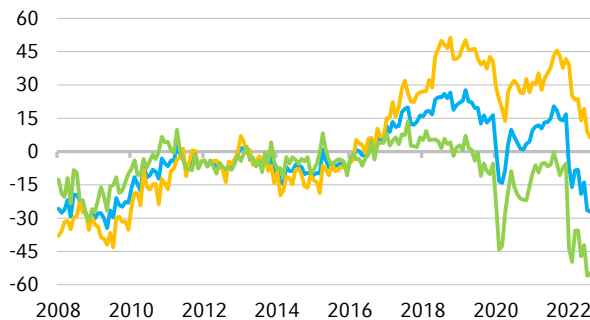
Manufacturing



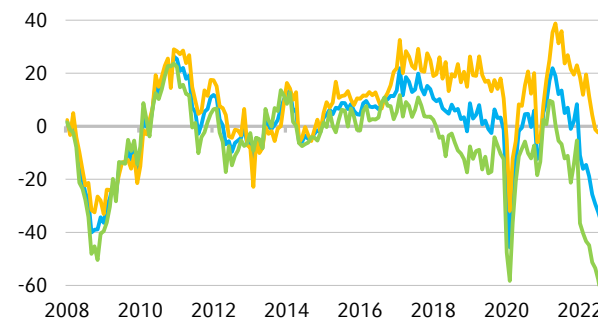
Service Sector



Construction



Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institute

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	12/21	01/22	02/22	03/22	04/22	05/22	06/22	07/22	08/22	09/22	10/22	11/22	12/22
Entire Economy	Climate	7.4	8.9	15.1	0.6	4.7	7.3	3.0	-4.8	-7.7	-15.5	-16.7	-10.3	-4.5
	Situation	15.3	15.4	19.8	19.7	20.6	26.5	25.6	18.6	18.9	11.5	10.4	10.1	11.3
	Expectations	-0.2	2.5	10.5	-16.8	-10.0	-10.3	-17.2	-25.8	-31.0	-39.1	-40.2	-28.8	-19.1
Manufacturing	Climate	10.1	13.1	18.1	-8.1	2.9	7.2	-0.1	-4.0	-10.8	-14.3	-16.9	-14.4	-11.6
Service Sector	Climate	4.0	7.8	16.0	8.0	11.8	16.0	13.8	3.7	0.2	-7.2	-7.6	-2.0	1.2
Construction	Climate	14.6	14.0	16.8	-6.6	-16.0	-8.5	-8.2	-19.1	-13.9	-26.5	-27.0	-28.6	-23.8
Trade	Climate	-1.0	1.8	8.3	-11.0	-16.1	-14.6	-18.9	-25.7	-29.4	-32.3	-36.1	-27.0	-20.3

Source: NRW.BANK, ifo Institute

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