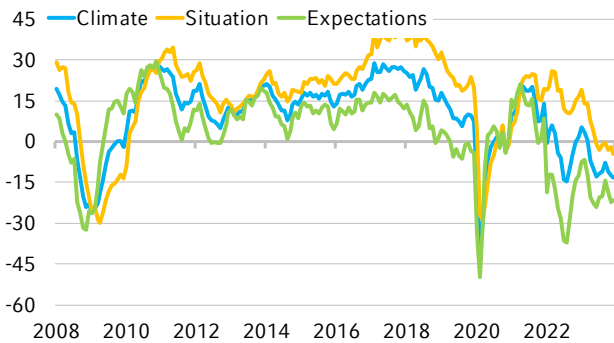


Another setback for the NRW economy

The sentiment in the North Rhine-Westphalian economy deteriorated for the third month in a row in February. Companies' assessments of current business in particular were significantly worse. However, the managers surveyed were slightly less pessimistic about the next months. The downturn continues to have North Rhine-Westphalia in its grip.

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted



Source: NRW.BANK, ifo Institute

The **NRW.BANK.ifo Business Climate** deteriorated by 0.9 balance points to -13.4 points in February. This was the third decline in a row. Sentiment is now as poor as it was in the fall of 2022, when the economy was threatened by gas shortage. The latest decline was solely due to the assessment of the current business situation, which fell to a new level of -4.7 points (-2.5 points), its lowest level since September 2020. Expectations, on the other hand, stabilized somewhat in February. The corresponding survey value rose by 0.7 points to -21.7 points. However, the pessimistic voices are still clearly in the majority.

In view of the latest survey results, a strong **economic recovery is currently not in sight**. Nevertheless, companies' expectations do not appear to be deteriorating any further at a low level. In view of rising real incomes and an upturn in global trade, there is a good chance that the regional economy will avoid another recession this year.

The economic indicator fell the most in the **retail sector**. Retailers were noticeably less satisfied with current business. Expectations also deteriorated again. Both retailers and wholesalers complained about weak sales.

The business climate also fell in the **manufacturing sector**. This was due to a significantly worse assessment of the current situation, which was last assessed as critically in September 2020. By contrast, pessimism with regard to the coming months decreased. Nevertheless, the companies surveyed announced further production cuts for the next three months. The individual industrial sectors developed differently in February. The climate in the metal production and motor vehicle manufacturing sectors deteriorated significantly. The chemical industry recorded a plus, benefiting from a noticeable increase in orders in February.

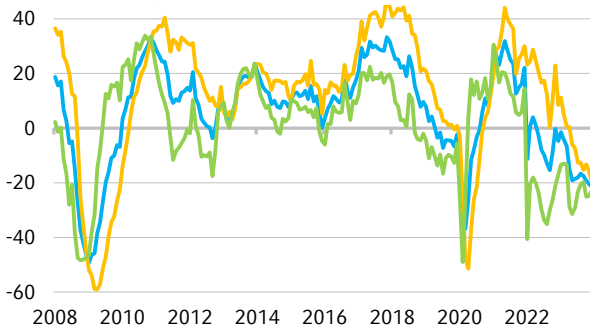
In the **construction sector** the downward trend continued. While the current situation was assessed as significantly worse, pessimism regarding expectations decreased slightly. In view of the further decline in the order backlog, construction activity is still expected to fall in the coming months. The mood in residential construction is particularly poor. The sector is facing a double burden. While there is a lack of new orders on the one hand, existing residential construction projects are being canceled on the other.

Only in the **service sector** the business climate improved. Service providers were more satisfied with current business. Although expectations remain pessimistic, they are somewhat better than in January. In the hospitality industry, the business climate took a big leap upwards. Apparently, the previous concerns regarding the higher VAT since the beginning of the year have not fully materialized.

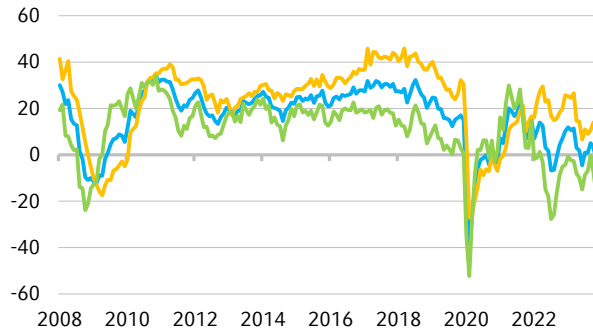
Business Climate by Sector

Balances, seasonally adjusted

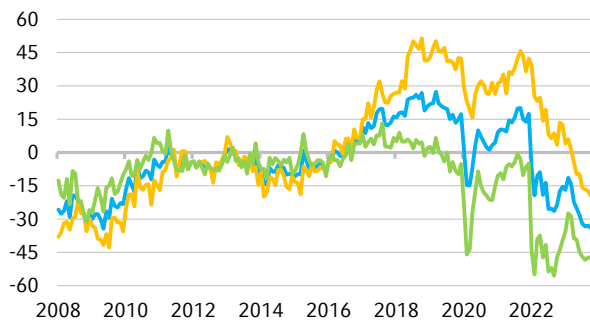
Manufacturing



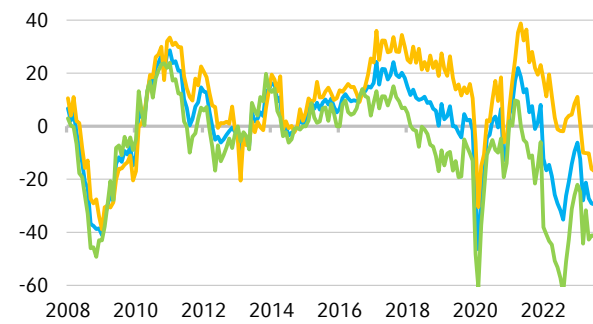
Service Sector



Construction



Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institute

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	02/23	03/23	04/23	05/23	06/23	07/23	08/23	09/23	10/23	11/23	12/23	01/24	02/24
Entire Economy	Climate	1.5	5.4	3.4	0.5	-7.0	-9.8	-12.9	-11.9	-10.9	-7.6	-11.1	-12.5	-13.4
	Situation	16.7	19.1	14.1	13.8	7.5	3.9	-0.9	-2.9	-1.3	-0.6	-3.2	-2.1	-4.7
	Expectations	-12.6	-7.4	-6.8	-12.1	-20.4	-22.5	-24.2	-20.6	-20.0	-14.4	-18.6	-22.4	-21.7
Manufacturing	Climate	-4.8	-1.5	-4.2	-6.5	-14.8	-19.2	-18.6	-18.1	-16.7	-17.5	-19.3	-20.4	-21.5
Service Sector	Climate	10.1	11.8	10.7	11.4	3.0	1.9	-4.5	0.9	1.0	5.1	2.8	-2.0	0.6
Construction	Climate	-15.4	-16.8	-11.4	-14.3	-22.3	-25.1	-28.2	-32.1	-33.3	-33.0	-34.0	-34.3	-34.9
Trade	Climate	-9.5	-6.2	-12.4	-28.0	-21.3	-27.3	-29.1	-29.5	-32.0	-26.8	-32.0	-30.2	-36.7

Source: NRW.BANK, ifo Institute

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