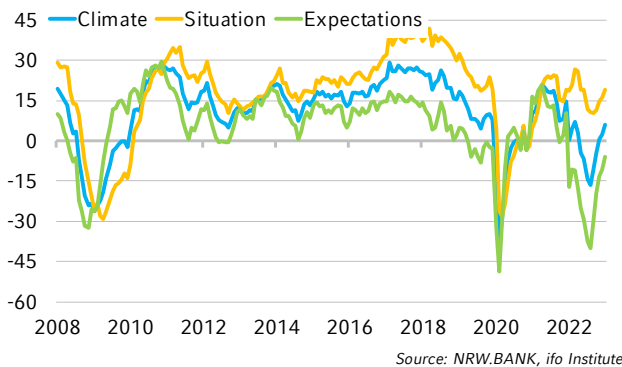


## North Rhine-Westphalian economy continues to recover

**Business sentiment in North Rhine-Westphalia improved for the fifth consecutive month in March. In particular, companies' expectations have picked up recently. The assessment of the current business situation also improved. Companies have so far remained unimpressed by the turbulence on the international banking market.**

### NRW.BANK.ifo Business Climate

Balances, seasonally adjusted



Source: NRW.BANK, ifo Institute

In March, the NRW.BANK.ifo Business Climate climbed by 3.8 points to the current level of 6.2 points. The companies' business expectations for the next six months rose particularly sharply. They improved by 4.6 points, but remain in negative territory at -6.0 points. For comparison: In October 2022, in the face of the energy crisis and the looming recession, the companies surveyed rated their expectations at -40.1 points. Since then, their pessimism has decreased significantly. In March, the companies surveyed were also more satisfied with their current business situation. At 19.0 points, their assessment was 2.8 points better than in the previous month.

Despite the recent turbulence on the global financial markets, the recovery of the North Rhine-Westphalian economy has stabilised further recently. With international supply chains easing and energy supplies remaining stable, a recession this year is looking increasingly unlikely. However, the figures in the survey are not yet strong enough to indicate an economic upswing. Losses in purchasing power due to inflation and higher interest rates are holding it back.

The strongest improvement in sentiment in March was seen in the manufacturing sector. Companies were clearly more satisfied with their current business situation. Their expectations were also less pessimistic. Sentiment in the food industry improved particularly strongly. The

chemical industry and the metals industries also reported above-average climate improvements. The upward trend in manufacturing prices seems to have come to a halt for the time being. Only a few industrial companies still expect prices to rise in the next three months.

Sentiment in the trade sector also brightened considerably. Both expectations and the current situation were assessed more positively. In particular, wholesalers were much more satisfied with their current business situation. In contrast, there was little change in the retail sector. Only around a quarter of the retailers surveyed expect prices to continue rising. This is the lowest level since the end of 2020. The majority of the wholesalers even expect prices to fall in the coming months.

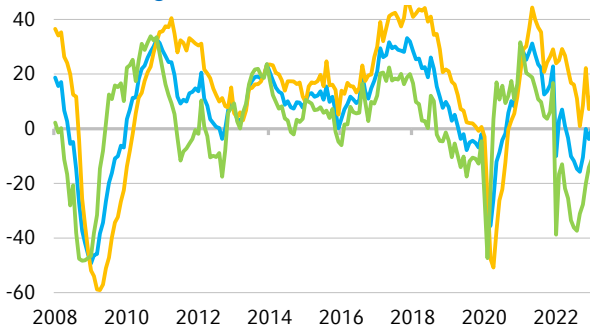
In the services sector, the upward trend in the business climate continued as well. The companies surveyed were more satisfied with their current situation. They were hardly pessimistic about their future business. All services branches expect rising sales revenues in the coming months.

Construction is the only sector where the sentiment has deteriorated somewhat recently. Only a few construction companies were still satisfied with their business situation. Although companies' expectations have improved, they are still very pessimistic. The main concern for the construction industry is the increasing lack of orders, which also weighs on expected construction activity. However, as in the previous month, pressure on construction prices eased noticeably.

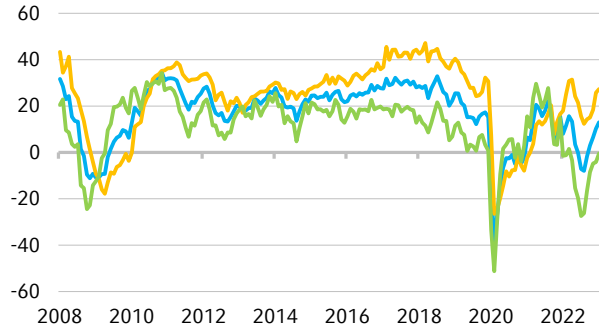
## Business Climate by Sector

Balances, seasonally adjusted

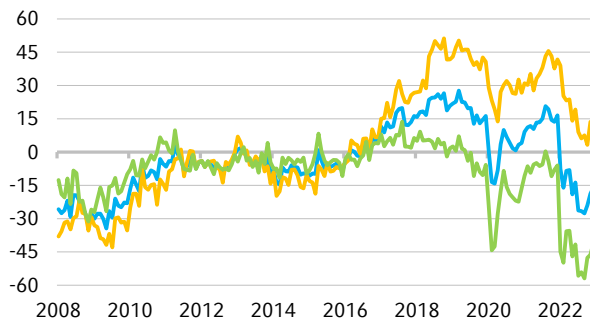
### Manufacturing



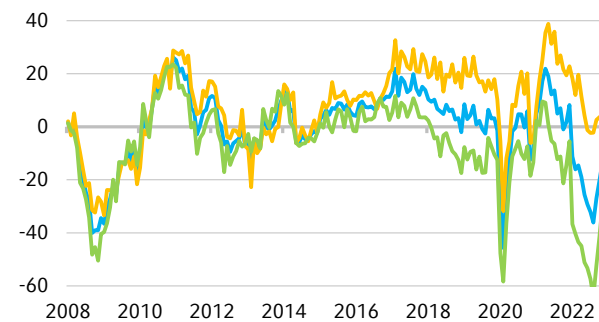
### Service Sector



### Construction



### Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institute

## NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	03/22	04/22	05/22	06/22	07/22	08/22	09/22	10/22	11/22	12/22	01/23	02/23	03/23
Entire Economy	Climate	0.0	4.5	7.0	3.0	-4.5	-6.6	-14.5	-16.5	-10.8	-4.6	0.4	2.4	6.2
	Situation	18.8	20.8	26.7	25.8	18.9	19.0	11.8	10.6	10.3	11.5	14.8	16.3	19.0
	Expectations	-17.1	-10.5	-11.0	-17.6	-25.3	-29.2	-37.4	-40.1	-29.7	-19.5	-13.0	-10.6	-6.0
Manufacturing	Climate	-10.0	3.1	7.0	1.0	-3.4	-10.1	-11.8	-14.7	-15.8	-10.5	-0.1	-3.8	0.0
Service Sector	Climate	8.0	11.6	15.7	13.3	3.4	-0.1	-7.1	-7.9	-1.6	3.0	6.5	10.3	13.0
Construction	Climate	-7.5	-16.1	-8.5	-8.1	-19.0	-13.7	-26.3	-26.6	-27.7	-24.0	-18.7	-16.1	-17.1
Trade	Climate	-11.2	-16.1	-14.6	-18.9	-25.6	-29.2	-32.1	-36.1	-27.0	-20.3	-13.3	-8.9	-5.8

Source: NRW.BANK, ifo Institute

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