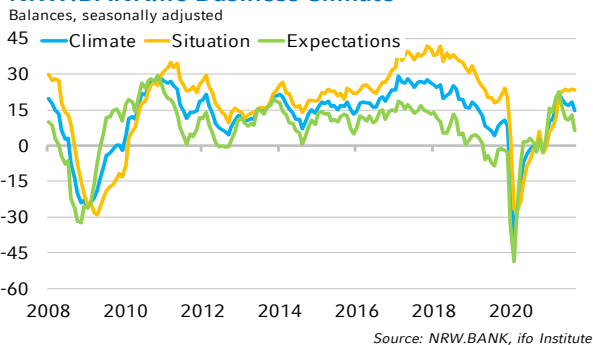


## Fourth COVID-19 wave puts damper on sentiment in NRW economy

The business climate among North Rhine-Westphalian companies deteriorated noticeably in November. While most of the companies remained satisfied with their current situation, their optimism about the future declined sharply. Rapidly rising infection numbers and the persistent supply bottlenecks are increasingly causing problems for companies in NRW.

### NRW.BANK.ifo Business Climate



November saw the NRW.BANK.ifo Business Climate drop by 3.5 points to 14.8 points. The deterioration is exclusively attributable to companies' business expectations, which dropped to the lowest level since February of this year, whereas they continued to describe their current situation as solid. Future developments will now depend on whether the fourth COVID-19 wave can be broken quickly. Unlike federal states that are heavily affected by COVID-19, such as Saxony or Bavaria, North Rhine-Westphalia may be spared a statewide lockdown, given its relatively good vaccination rate. Nevertheless, additional measures such as "2G" for retail stores (open only to people who are vaccinated or have recovered) or the restriction of large events are also planned here.

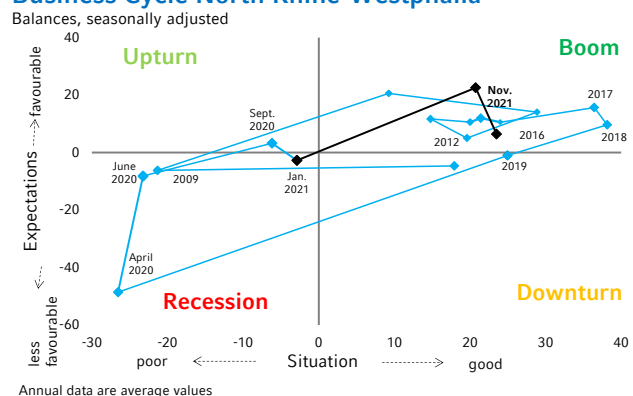
The climate indicator for the **manufacturing** sector has dropped most sharply, as companies rated their current business situation clearly less positively. Their optimism about the coming months also declined. Supply bottlenecks for primary products and raw materials continue to affect the industrial sector. A large majority of the companies plan to increase prices.

The sentiment in the **services sector** also clouded over. Scepticism increased noticeably, especially with regard to companies' expectations. A stronger decline was last observed in April 2020 at the beginning of the pandemic. The fourth COVID-19 wave has caused business prospects to plummet, primarily in the hospitality and logistics sectors.

The climate in the **construction sector** deteriorated somewhat less noticeably. After the continuous upswing in the past months, business expectations were more pessimistic, whereas the current situation was again rated a bit better. The commercial building construction segment was the only segment where sentiment has improved lately.

Having deteriorated noticeably in the previous month, the business climate in the **trade sector** improved somewhat. Satisfaction with the current situation increased and pessimism about the future declined slightly. The sentiment in the retail sector continues to be adversely affected by supply problems and empty warehouses, though. Price increases are therefore on the cards for the coming months.

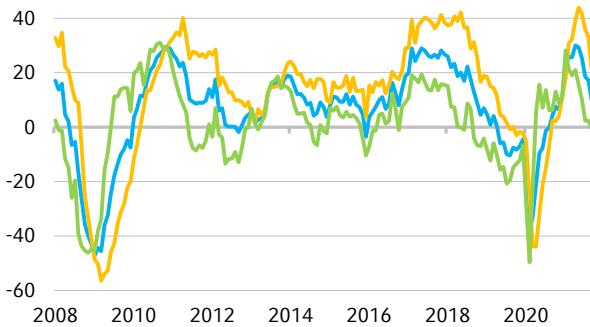
### Business Cycle North Rhine-Westphalia



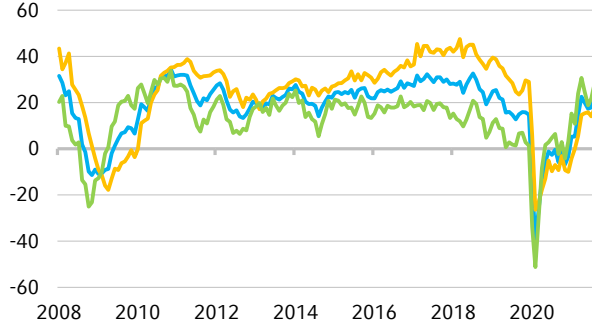
### Business Climate by Sector

Balances, seasonally adjusted

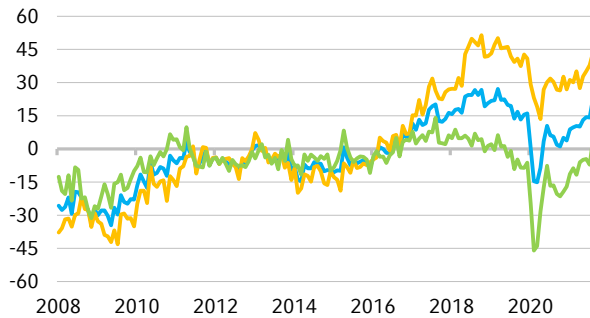
#### Manufacturing



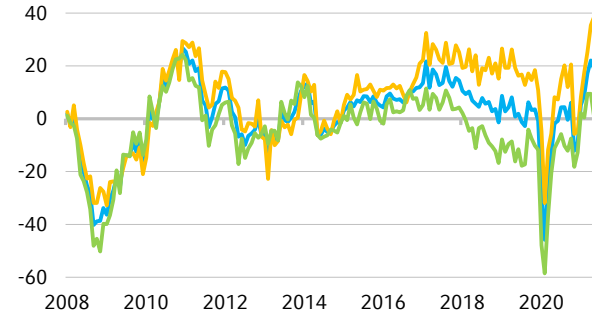
#### Service Sector



#### Construction



#### Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institute

### NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	11/20	12/20	01/21	02/21	03/21	04/21	05/21	06/21	07/21	08/21	09/21	10/21	11/21
<b>Entire Economy</b>	Climate	-1.6	4.4	-2.8	0.7	10.9	10.8	16.1	21.7	19.7	17.6	16.8	18.3	<b>14.8</b>
	Situation	-0.4	6.1	-2.9	-1.2	5.9	7.5	12.0	20.8	22.7	23.9	22.9	23.9	<b>23.5</b>
	Expectations	-2.7	2.7	-2.7	2.5	16.0	14.1	20.2	22.6	16.7	11.4	10.8	12.9	<b>6.4</b>
<b>Manufacturing</b>	Climate	4.3	7.5	6.4	11.1	22.9	26.0	25.6	30.0	29.3	25.5	18.5	17.2	9.9
<b>Service Sector</b>	Climate	-5.9	-0.1	-6.8	-3.5	5.3	5.3	14.6	22.5	20.0	17.3	17.9	22.9	17.0
<b>Construction</b>	Climate	1.9	1.1	5.0	3.8	8.9	9.8	10.4	10.1	13.1	14.4	14.2	22.5	19.2
<b>Trade</b>	Climate	-0.4	6.1	-12.1	-8.9	5.2	8.8	17.2	22.0	18.9	11.9	13.3	4.7	6.9

Source: NRW.BANK, ifo Institute

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