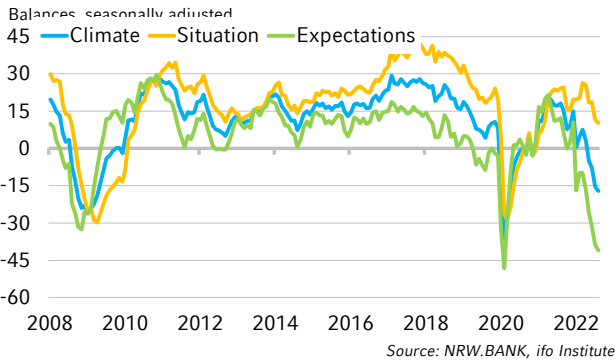


North Rhine-Westphalian economy faces declining orders

The sentiment in the North Rhine-Westphalian economy remains bleak. In view of the energy crisis and fears of recession, the companies surveyed rated both their current situation and their expectations worse. The sentiment deteriorated across all sectors. A hard winter is on the cards for the North Rhine-Westphalian economy.

NRW.BANK.ifo Business Climate



October saw the NRW.BANK.ifo Business Climate decline by 1.7 points to -17.1 points. This was the fifth decline in a row. In October, the companies surveyed rated both their current business situation and their expectations for the next six months worse than in the previous month. At -40.9 points, business expectations are nearing their COVID-induced all-time low of April 2020 (-48.2 points). The weak figures mean that the North Rhine-Westphalian economy is on the brink of recession. How difficult the winter will actually be for the corporate sector mainly depends on the trend in energy prices. The fact that the prices for gas and electricity have declined lately is giving cause for hope. The recently adopted “gas price brake” could help to ease the situation as of the spring.

The business climate in the **manufacturing** sector again dropped sharply. Companies were clearly more dissatisfied with their current business situation. Their pessimism about the next six months also increased further. While order books remain well filled, fewer and fewer new orders are coming in. Capacity utilisation decreased slightly from 83.8% to 83.5%, which corresponds exactly to the long-term average. The sentiment deteriorated across nearly all branches of industry. The chemical industry was the only sector to record a solid increase, but this should rather be interpreted as a countermovement to the previous slump. The shortage of intermediate products has eased lately. Only about 55% of the industrial firms

reported supply problems (previously: 64%). The shortages eased primarily in motor vehicle construction and in the furniture industry.

A loss of orders and continued high inflation are also making life difficult for wholesalers and retailers in North Rhine-Westphalia. October even saw business expectations reach a new historic low; they are now even worse than at the beginning of the COVID pandemic. As sales remained weak, wholesalers and retailers again had to expand their inventories. Many trading firms are planning to reduce their workforces in the next three months.

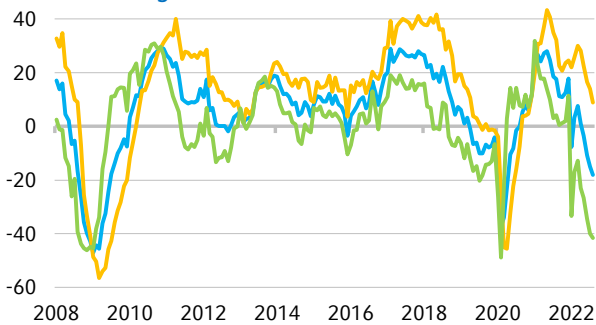
Following the previous month’s slump, the climate in the services sector deteriorated only slightly. While service providers were less satisfied with their current business situation, their pessimism about the next six months decreased somewhat. This may be attributable to the fact that orders have lately picked up slightly.

The climate in the construction sector also deteriorated only little. While construction firms assessed their current situation somewhat less favourably, their expectations improved moderately at a very low level. Rising material costs and higher interest rates have sent construction orders falling, especially in the housing construction sector. Moreover, it is becoming increasingly difficult for many construction firms to raise loans. In October, 8.3% of the companies reported difficulties in obtaining loans. This is the highest level since late 2005.

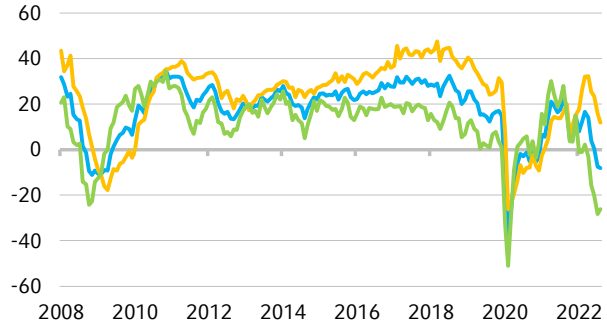
Business Climate by Sector

Balances, seasonally adjusted

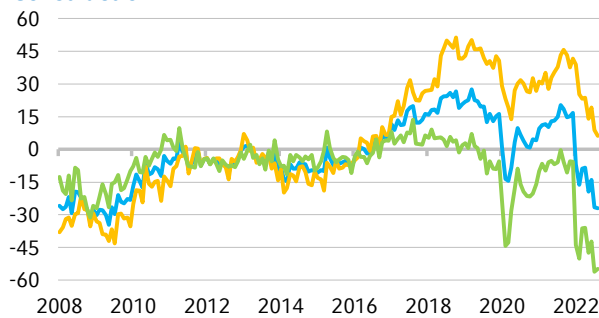
Manufacturing



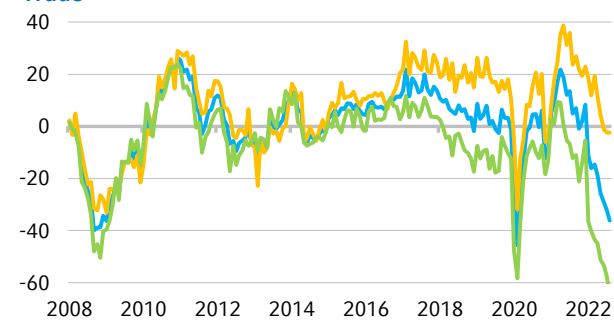
Service Sector



Construction



Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institut

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	10/21	11/21	12/21	01/22	02/22	03/22	04/22	05/22	06/22	07/22	08/22	09/22	10/22
Entire Economy	Climate	18.2	15.2	7.8	8.7	15.0	0.5	4.7	7.5	3.1	-5.0	-7.8	-15.4	-17.1
	Situation	24.3	24.5	15.9	15.2	19.7	19.6	20.5	26.3	25.3	18.6	18.8	11.4	10.3
	Expectations	12.3	6.3	0.0	2.4	10.4	-16.9	-9.9	-9.8	-17.0	-25.9	-31.2	-38.9	-40.9
Manufacturing	Climate	17.7	11.3	10.9	12.5	17.9	-7.6	3.3	7.6	1.1	-3.6	-10.7	-14.9	-18.1
Service Sector	Climate	22.0	17.9	5.0	7.1	15.0	7.9	12.0	16.5	13.9	3.8	0.5	-7.5	-8.1
Construction	Climate	20.4	18.5	14.7	15.1	16.7	-6.8	-16.2	-8.7	-8.3	-19.3	-14.0	-26.6	-26.9
Trade	Climate	5.0	7.0	-0.9	1.8	8.3	-11.0	-16.1	-14.7	-19.0	-25.7	-29.3	-32.3	-36.1

Source: NRW.BANK, ifo Institute

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