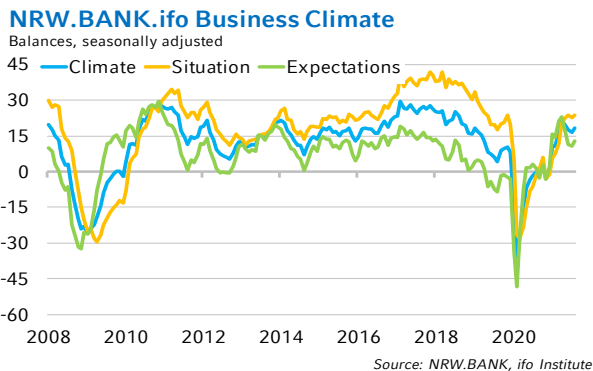


Somewhat brighter sentiment in the NRW economy

The business climate in North Rhine-Westphalia's corporate sector improved somewhat in October against the nation-wide trend. The companies surveyed not only rated their current business situation slightly more favourably but were also increasingly confident about the future. The improved sentiment in NRW is mainly attributable to the domestic construction sector and the hospitality industry.



The **NRW.BANK.ifo Business Climate** surprisingly increased by 1.6 points to 18.3 points in October. By contrast, the Germany-wide indicator declined by 2.6 points. The difference can be explained by extraordinary effects in individual sectors. The economic indicator for the regional construction sector, for instance, picked up much more strongly. This might be attributable to reconstruction activities in the flood areas. The increase for the local hospitality sector was also much stronger than the nation-wide increase. This might be due to the earlier easing of the restrictions.

Regardless of the recent improvement in the business climate, **economic risks** have increased also in North Rhine-Westphalia, as more and more companies are struggling with the ongoing material shortages. While 61% of the manufacturing companies complained about supply bottlenecks in August, their number increased to 66% in October. Service providers as well as retailers and wholesalers also seem to be increasingly affected by the shortages, with their inventories lately hitting a new record low.

The business climate indicator for the **manufacturing sector** declined, as companies no longer rated their business situation quite as positively as before, although they were slightly more optimistic about their business prospects. As a result of the continued supply bottlenecks, capacity utilization fell by 0.4 percentage points to 84.3%. Moreover, almost one in two companies plan to increase their prices.

The climate in the **trade sector** also deteriorated, as wholesalers and retailers were clearly less satisfied with their current business situation. Their pessimism about the next six months also continued to grow. In view of the supply bottlenecks and the empty warehouses, almost two thirds of the retailers are envisaging price increases in the coming months.

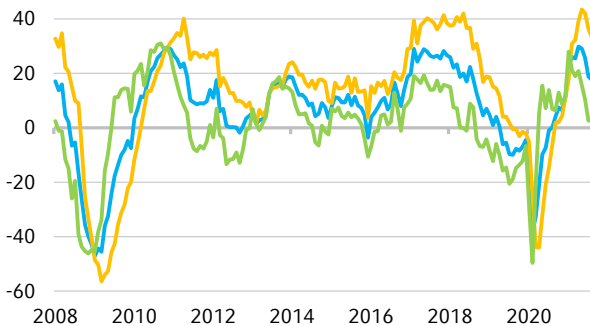
The sentiment in the **services sector** improved considerably. Service providers were mostly satisfied with their current situation and increasingly optimistic about the future. NRW's real estate and housing industry was the only sector whose business climate deteriorated lately.

The strongest increase was recorded in the **construction sector**, as construction companies assessed their current situation much better than before. For the first time since July 2019, their expectations were slightly optimistic again. Public building construction has shown a particularly dynamic trend lately.

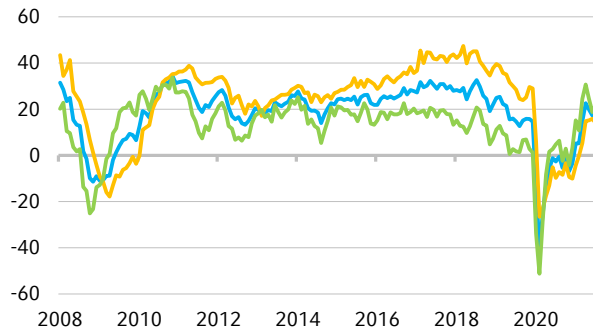
Business Climate by Sector

Balances, seasonally adjusted

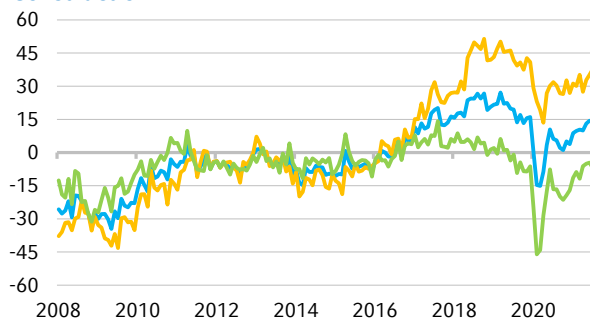
Manufacturing



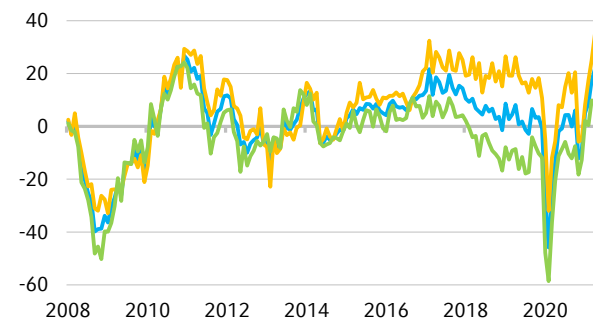
Service Sector



Construction



Trade



— Business Climate — Business Situation — Business Expectations

Source: NRW.BANK, ifo Institute

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	10/20	11/20	12/20	01/21	02/21	03/21	04/21	05/21	06/21	07/21	08/21	09/21	10/21
Entire Economy	Climate	0.0	-1.0	4.3	-2.9	0.4	10.7	10.9	16.4	21.8	19.5	17.5	16.7	18.3
	Situation	-1.2	0.9	6.0	-3.0	-1.3	5.8	7.4	11.8	20.6	22.6	23.8	22.8	23.8
	Expectations	1.2	-2.8	2.7	-2.9	2.2	15.7	14.4	21.1	22.9	16.4	11.3	10.7	12.9
Manufacturing	Climate	0.2	4.1	7.4	6.4	11.1	22.8	26.0	25.5	29.8	29.1	25.7	18.8	17.6
Service Sector	Climate	-0.5	-5.4	-0.2	-6.8	-3.5	5.2	5.2	14.7	22.6	19.8	17.3	17.9	22.8
Construction	Climate	5.5	2.1	1.1	5.0	3.8	8.8	9.7	10.4	10.0	13.1	14.4	14.2	22.4
Trade	Climate	4.3	-0.1	6.0	-12.2	-9.0	5.1	8.7	17.4	22.0	18.8	11.8	13.2	4.6

Source: NRW.BANK, ifo Institute

Disclaimer

This publication has been prepared by NRW.BANK and contains information for which, in spite of all care taken, NRW.BANK assumes no liability, guarantee or warranty for the accuracy, completeness or suitability for a particular purpose. The information from the advance release and the detailed analysis of the NRW.BANK.ifo Business Climate is not used in connection with the provision of a securities service. The contents of this publication should not be construed as an offer or solicitation to buy or sell financial instruments or to take any other action and does not form the basis of or part of any contract. NRW.BANK, its executive and controlling bodies and its employees do not accept any liability for damages arising from the use of this publication. All estimates and forecasts are subject to change without notice. NRW.BANK is under no obligation to update, amend or supplement this publication or to inform its recipients in any other way if any of the circumstances, estimates or forecasts contained in this publication change or become incorrect. This publication is subject to the copyright of NRW.BANK. It may not be reprinted, copied, altered or distributed or transmitted to unauthorised recipients, either in whole or in part, without prior written permission. By accepting this publication, the recipient agrees to the binding nature of the above provisions.