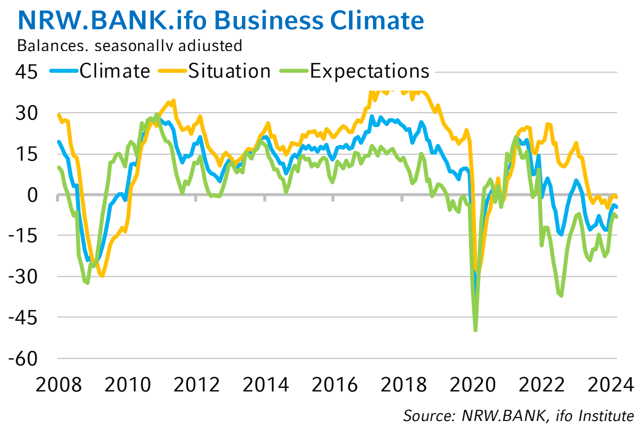
NRW.BANK Promoting Ideas

Economic recovery loses momentum

The NRW.BANK.ifo business climate fell slightly in May. Companies were less satisfied with the current business situation. Expectations also deteriorated somewhat after having risen sharply in the previous months. Although an economic upturn can still be expected, the momentum remains subdued.



The **NRW.BANK.ifo business climate** deteriorated slightly by 0.8 balance points to -4.4 points in May. Previously, the indicator for economic development in NRW had climbed noticeably twice in succession. The most recent decline was due in particular to companies' expectations for the upcoming months, which deteriorated by 1.1 points to -8.0 balance points. The companies surveyed also assessed their current business somewhat less positively. The corresponding survey value fell by 0.5 points to -0.8 points.

Sentiment in the individual sectors developed mixed in May. While the services sector saw a downward trend, trade and manufacturing continued to send out positive signals. The bottom line is that, as things stand today, an economic recovery is still expected to begin in 2024. However, the slowdown in momentum is an indication that the path to a noticeable upturn is challenging for companies.

In the **services sector**, the indicator suffered a significant setback. This was mainly due to more pessimistic business expectations. The current situation was assessed only slightly worse. The mood in the hospitality industry and in the logistics was particularly gloomy. Only in the real estate and housing sector did the business climate brighten thanks to solid sales.

The business climate in the **construction** sector in NRW has hardly changed. Companies were less satisfied with current business. At the same time, pessimism with regard to the next six months decreased slightly. A lack of orders remains a central problem for building construction. In civil engineering, on the other hand, the order situation remains satisfactory.

In the **manufacturing**, the business climate has improved for the third time in a row. Companies were less dissatisfied with current business. The outlook for the next six months also improved somewhat. For the first time in over a year, the majority of industrial companies expect their exports to increase again in the next three months. Among the individual industrial sectors, the food industry stands out positively with a very strong increase in sentiment. Motor vehicle construction had to cope with a dampener.

In **trade**, the business climate improved noticeably. Although business expectations improved significantly, they remain characterized by scepticism. The current situation also improved slightly. However, the overall positive development was driven solely by the wholesale sector. The mood in the retail sector deteriorated somewhat due to insufficient sales.

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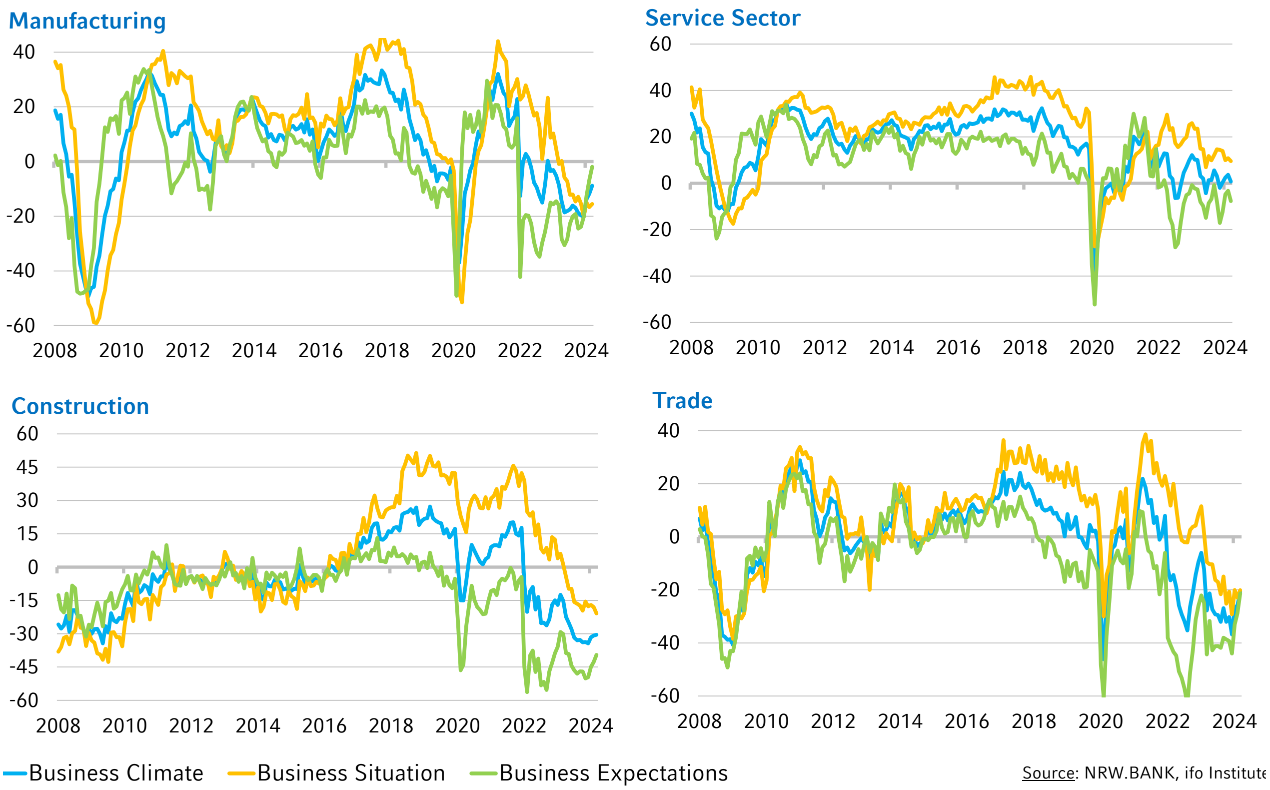
Business Climate by Sector

Balnces, seasonally adjusted



Source: NRW.BANK, ifo Institute

NRW.BANK.ifo Business Climate

Balances, seasonally adjusted

Sector	Indicator	05/23	06/23	07/23	08/23	09/23	10/23	11/23	12/23	01/24	02/24	03/24	04/24	05/24
Entire Economy	Climate	0.5	-7.0	-9.8	-12.9	-11.7	-10.9	-7.8	-11.2	-12.7	-12.9	-6.3	-3.6	**-4.4**
	Situation	13.8	7.5	3.9	-0.9	-2.9	-1.4	-0.5	-3.2	-2.1	-4.7	-1.7	-0.3	**-0.8**
	Expectations	-12.0	-20.4	-22.6	-24.2	-20.1	-19.9	-14.7	-18.8	-22.7	-20.9	-10.9	-6.9	**-8.0**
Manufacturing	Climate	-8.6	-14.7	-18.7	-18.1	-17.5	-16.1	-16.9	-18.8	-19.7	-20.2	-13.8	-11.8	-8.9
Service Sector	Climate	10.0	3.1	2.0	-4.3	1.3	1.3	5.6	3.1	-2.0	0.3	2.4	3.6	0.7
Construction	Climate	-15.1	-22.3	-25.1	-28.0	-31.8	-33.0	-32.8	-33.9	-33.7	-34.4	-31.6	-30.8	-30.4
Trade	Climate	-27.8	-21.3	-27.4	-29.2	-29.5	-32.1	-26.9	-32.1	-30.3	-36.8	-26.7	-25.9	-20.7

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