

2 October 2023 (No. of pages:3)

Japanese report: 02 Oct 2023

BOJ September 2023 Tankan Survey

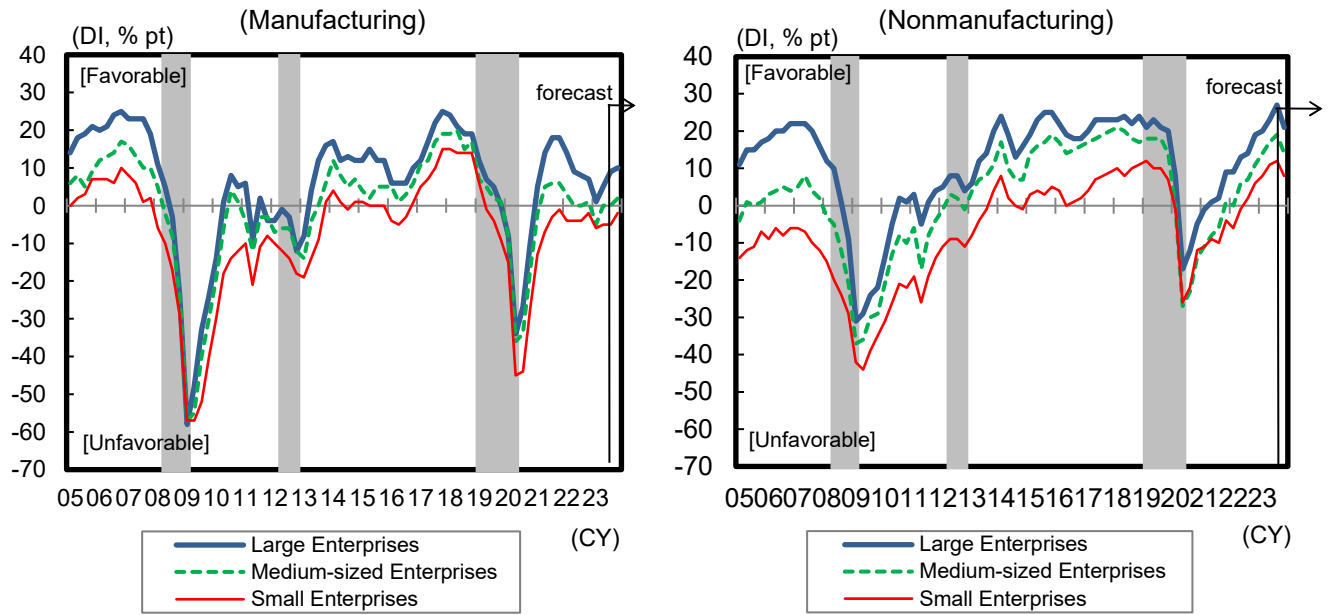
Business conditions DI (actual result) increases for both large manufacturers and non-manufacturers.

Economic Research Dept.
Shotaro Kugo

Summary

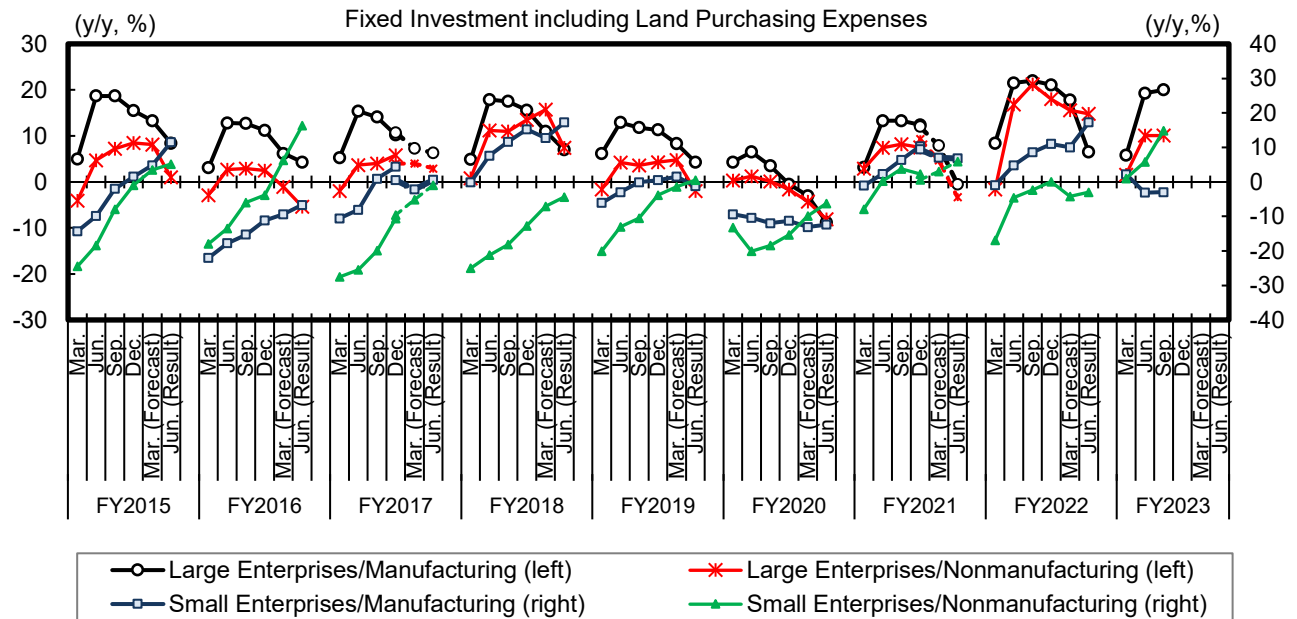
- The results of the BOJ September 2023 Tankan survey of corporate sentiment were as follows: business conditions DI (actual result) for large manufacturers were at +9%pt (+4%pt in comparison with the previous survey), while large non-manufacturers were at +27%pt (+4%pt in comparison with the previous survey).
- Looking at the breakdown of large manufacturers, the basic materials industries saw a significant rise in business conditions DI (actual result) (+6%pt in comparison with the previous survey). As for large non-manufacturers, business conditions DI (actual result) achieved major growth in electric and gas utilities (+36%pt in comparison with the previous survey). In addition, the increase in the number of foreign visitors to Japan and the revitalization of consumer mobility boosted business conditions DI (actual result) in accommodations, eating & drinking services (+8%pt in comparison with the previous survey) and retailing (+7% pt in comparison with the previous survey).
- Looking at the difference between output price DI (actual result) and input price DI (actual result), while large manufacturers improved their profitability, large non-manufacturers marked time. It appears that progress has been made by the manufacturing industry in price pass-through in response to the rapid cost increases. In contrast, the movement toward price pass-through is gradually completing its course in the non-manufacturing industry. As for the forecast, both large manufacturers and non-manufacturers are expected to mark time. Signs have been detected suggesting that price pass-through in the manufacturing industry is heading for the completion of its cycle.
- The FY2023 capex projection for all enterprises in all industries (including investment in properties, but not investment in software or research & development) is +13.0% y/y. Compared to the pattern of revisions in previous years, the upward revision was larger in for small-sized non-manufacturers. Overall, the results were solid, with relatively high growth rates indicated. It is believed that the appetite for capital investment in response to greening and digitalization is increasing.

Business Conditions DI **Chart 1**



Source: Bank of Japan, Cabinet Office; compiled by DIR.
 Note: Shaded areas denote economic downturns.

Developments of Fixed Investment including Land Purchasing Expenses (excl. software investment) **Chart 2**



Source: Bank of Japan; compiled by DIR.

Business Conditions DI

Chart 3

(DI, % pt)

	Large Enterprises						Small Enterprises					
	June 2023 Survey		Sept. 2023 Survey				June 2023 Survey		Sept. 2023 Survey			
	Actual result	Forecast	Actual result	Changes	Forecast	Changes	Actual result	Forecast	Actual result	Changes	Forecast	Changes
Manufacturing	5	9	9	4	10	1	-5	-1	-5	0	-2	3
Textiles	3	9	3	0	9	6	-22	-25	-21	1	-19	2
Lumber & Wood products	-7	0	14	21	-13	-27	-24	-17	-14	10	-16	-2
Pulp & Paper	-7	0	0	7	-3	-3	-12	-4	-16	-4	-7	9
Chemicals	-2	2	3	5	6	3	-3	2	-12	-9	-4	8
Petroleum & Coal products	-6	-6	14	20	27	13	-5	0	-15	-10	-8	7
Ceramics, Stone & Clay	-2	21	16	18	24	8	-7	-2	-12	-5	-4	8
Iron & Steel	18	18	18	0	16	-2	0	6	0	0	-3	-3
Nonferrous metals	3	0	-3	-6	6	9	3	2	0	-3	-1	-1
Food & Beverages	6	0	16	10	8	-8	2	3	3	1	6	3
Processed metals	-14	-3	-17	-3	-5	12	3	4	1	-2	0	-1
General-purpose machinery	18	18	11	-7	18	7	4	3	1	-3	0	-1
Production machinery	20	20	14	-6	19	5	-8	2	-7	1	-4	3
Business oriented machinery	28	25	30	2	25	-5	1	6	-1	-2	3	4
Electrical machinery	2	10	-2	-4	6	8	-8	0	-11	-3	-10	1
Shipbuilding & Heavy machinery, etc.	7	0	8	1	7	-1	-1	8	6	7	7	1
Motor vehicles	5	9	15	10	11	-4	0	8	13	13	15	2
Basic materials Processing	1	6	7	6	9	2	-8	-4	-11	-3	-7	4
Processing	7	10	9	2	11	2	-3	2	-1	2	0	1
Nonmanufacturing	23	20	27	4	21	-6	11	7	12	1	8	-4
Construction	21	17	22	1	20	-2	14	6	12	-2	9	-3
Real estate	32	20	37	5	28	-9	10	7	13	3	10	-3
Goods rental & Leasing	30	20	28	-2	21	-7	26	25	27	1	24	-3
Wholesaling	28	18	32	4	15	-17	8	5	9	1	3	-6
Retailing	17	14	24	7	18	-6	5	3	9	4	5	-4
Transport & Postal activities	13	13	14	1	17	3	-1	2	-1	0	-2	-1
Communications	14	21	14	0	21	7	23	23	20	-3	19	-1
Information services	45	41	42	-3	38	-4	20	14	23	3	17	-6
Electric & Gas utilities	-14	10	22	36	18	-4	14	14	10	-4	14	4
Services for businesses	26	28	32	6	27	-5	17	9	19	2	13	-6
Services for individuals	28	34	24	-4	29	5	6	8	9	3	11	2
Accommodations, Eating & Drinking services	36	33	44	8	41	-3	17	13	23	6	18	-5
All industries	13	14	17	4	16	-1	5	4	5	0	4	-1

Source: Bank of Japan.

Note: 1. DI = "Favorable" minus "Unfavorable"; % pt.

2. Changes in forecast = "Forecast of the current survey" minus "Actual result of the current survey"