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BOJ March 2021 Tankan Survey

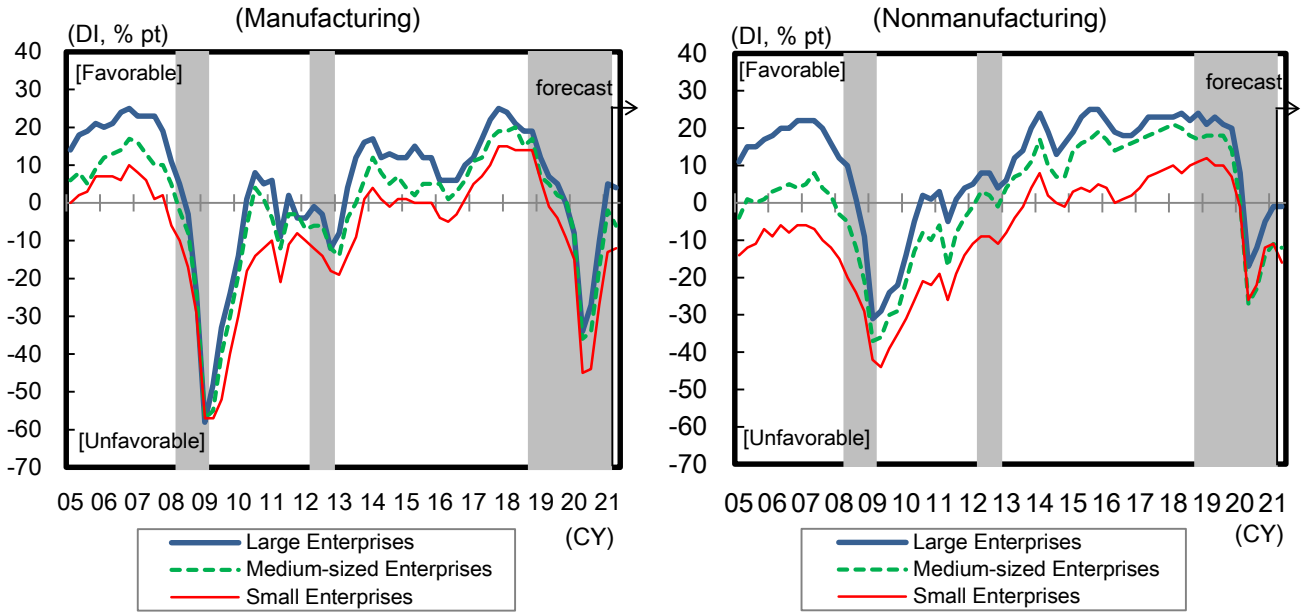
Improvement in business conditions DI exceeds market expectations for both manufacturing and non-manufacturing industries

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Summary

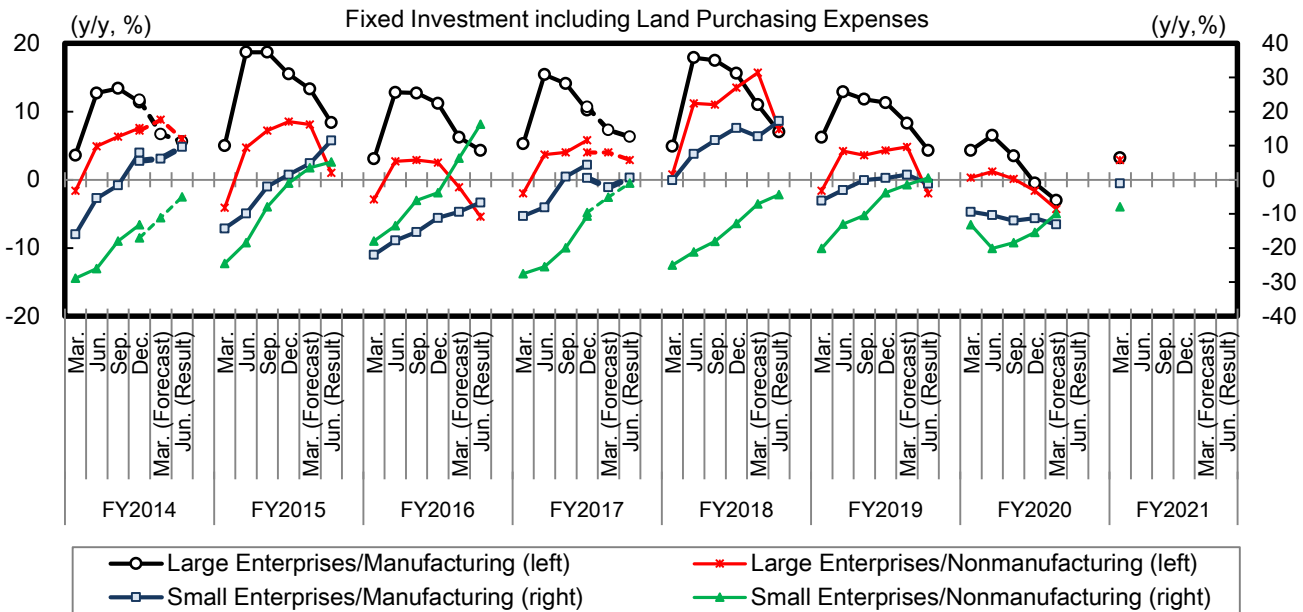
- The BOJ March 2021 Tankan survey of corporate sentiment improved in both manufacturing and non-manufacturing in comparison to the previous survey, with business conditions DI for large manufacturers at +5%pt, up by +15%pt in comparison to the previous survey, and large non-manufacturers at -1%pt, up by +4%pt. Results exceeded market expectations.
- Amongst large manufacturers, business conditions DI exceeded the level seen before the coronavirus crisis in December 2019, shifting into a positive trend. Favorable exports and rapid yen depreciation since the beginning of 2021 are seen as having contributed to improved business conditions. Meanwhile, for large non-manufacturers, business conditions DI fell significantly below the level seen before the coronavirus crisis in contrast to the manufacturing industry, and are still on the way to recovery. Looking at performance by industry, real estate showed a considerable improvement in business conditions DI, while construction saw improvements as well, due mostly to the expansion of public investment. In addition, services for businesses also improved as a result of the recovery corporate activities centering on the manufacturing industry.
- The FY2021 capex projection for all enterprises in all industries (incl. investment in properties, but not investment in software or research & development) is +0.5% y/y, exhibiting a figure on the high side for March survey. This is partially a rebound from the decline in capex levels in FY2020, which were cut back due to the influence of the coronavirus crisis. The fact that corporations are showing a proactive stance toward capex despite there being no expectations of COVID-19 being brought quickly under control is considered to be a positive sign.

Business Conditions DI **Chart 1**



Source: Bank of Japan, Cabinet Office; compiled by DIR.
 Note: Shaded areas denote economic down turns. (Latest results are provisional.)

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

	Large Enterprises						Small Enterprises					
	Dec. 2020 Survey		March 2021 Survey				Dec. 2020 Survey		March 2021 Survey			
	Actual result	Forecast	Actual result	Changes	Forecast	Changes	Actual result	Forecast	Actual result	Changes	Forecast	Changes
Manufacturing	-10	-8	5	15	4	-1	-27	-26	-13	14	-12	1
Textiles	-19	-19	-21	-2	-22	-1	-56	-60	-49	7	-49	0
Lumber & Wood products	-23	-24	-6	17	-6	0	-23	-32	-21	2	-25	-4
Pulp & Paper	-23	0	-8	15	-4	4	-25	-30	-16	9	-22	-6
Chemicals	-5	-4	5	10	5	0	-16	-20	-1	15	-4	-3
Petroleum & Coal products	-12	-19	19	31	7	-12	-5	-9	-3	2	-17	-14
Ceramics, Stone & Clay	-14	-14	-3	11	-4	-1	-3	-12	-5	-2	-7	-2
Iron & Steel	-25	-22	-5	20	0	5	-33	-30	-14	19	-5	9
Nonferrous metals	-9	-6	15	24	6	-9	-37	-13	9	46	5	-4
Food & Beverages	5	-5	4	-1	0	-4	-26	-23	-26	0	-18	8
Processed metals	-13	-11	3	16	-8	-11	-25	-22	-13	12	-8	5
General-purpose machinery	0	4	12	12	21	9	-10	-33	3	13	-8	-11
Production machinery	-21	-6	8	29	11	3	-45	-35	-21	24	-9	12
Business oriented machinery	-15	-8	-2	13	-3	-1	-20	-17	-5	15	-8	-3
Electrical machinery	-1	-6	18	19	18	0	-22	-20	-3	19	-2	1
Shipbuilding & Heavy machinery, etc.	-41	-44	-44	-3	-40	4	-24	-38	-21	3	-27	-6
Motor vehicles	-13	-6	10	23	6	-4	-5	-1	14	19	17	3
Basic materials	-13	-11	1	14	-1	-2	-27	-27	-13	14	-16	-3
Processing	-9	-6	7	16	6	-1	-26	-25	-14	12	-10	4
Nonmanufacturing	-5	-6	-1	4	-1	0	-12	-20	-11	1	-16	-5
Construction	17	6	22	5	7	-15	9	-6	9	0	-7	-16
Real estate	-4	1	15	19	11	-4	-1	-11	-4	-3	-10	-6
Goods rental & Leasing	3	3	14	11	10	-4	-14	-15	-23	-9	-13	10
Wholesaling	-16	-6	-7	9	-3	4	-24	-29	-19	5	-22	-3
Retailing	23	3	19	-4	8	-11	-9	-15	-5	4	-10	-5
Transport & Postal activities	-24	-21	-19	5	-7	12	-28	-31	-25	3	-24	1
Communications	29	29	29	0	29	0	22	20	29	7	15	-14
Information services	23	16	31	8	21	-10	-1	-9	7	8	1	-6
Electric & Gas utilities	-12	-20	-21	-9	-16	5	7	2	20	13	5	-15
Services for businesses	13	21	24	11	18	-6	-8	-17	0	8	-9	-9
Services for individuals	-43	-25	-51	-8	-25	26	-43	-44	-41	2	-35	6
Accommodations, Eating & Drinking services	-66	-62	-81	-15	-58	23	-41	-53	-75	-34	-59	16
All industries	-8	-7	2	10	2	0	-18	-23	-12	6	-15	-3

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"