

13 December 2021 (No. of pages:3)

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BOJ December 2021 Tankan Survey

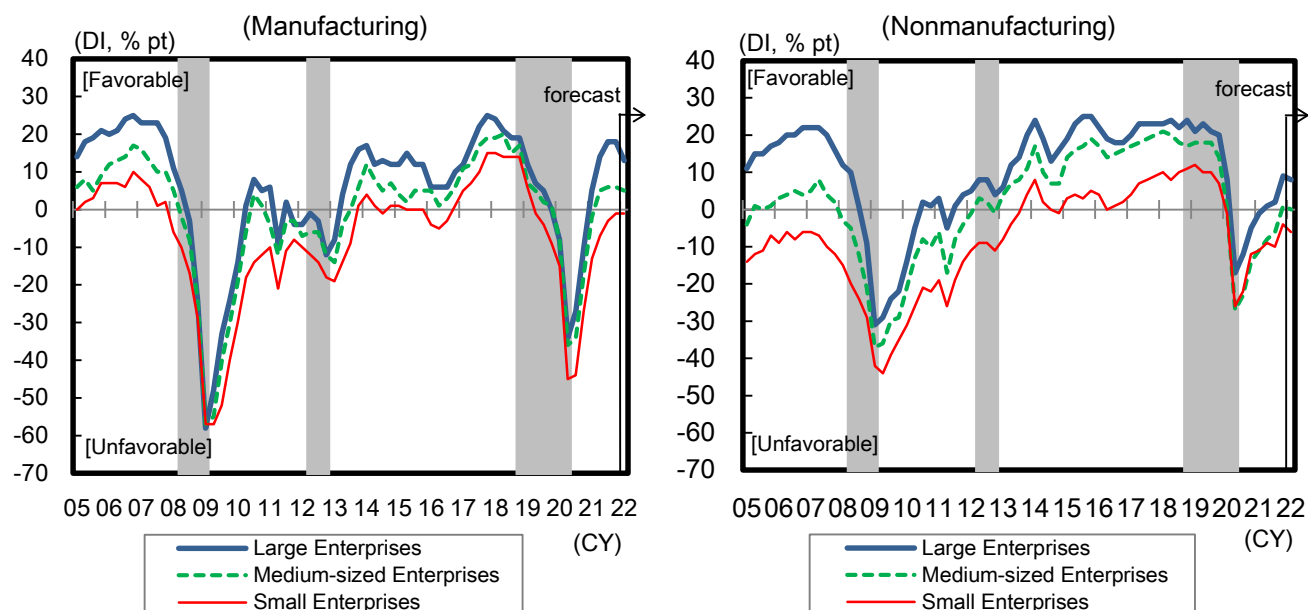
Current business conditions DI improve due to resumption of economic activities, but there are concerns regarding increasing costs in the future

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Summary

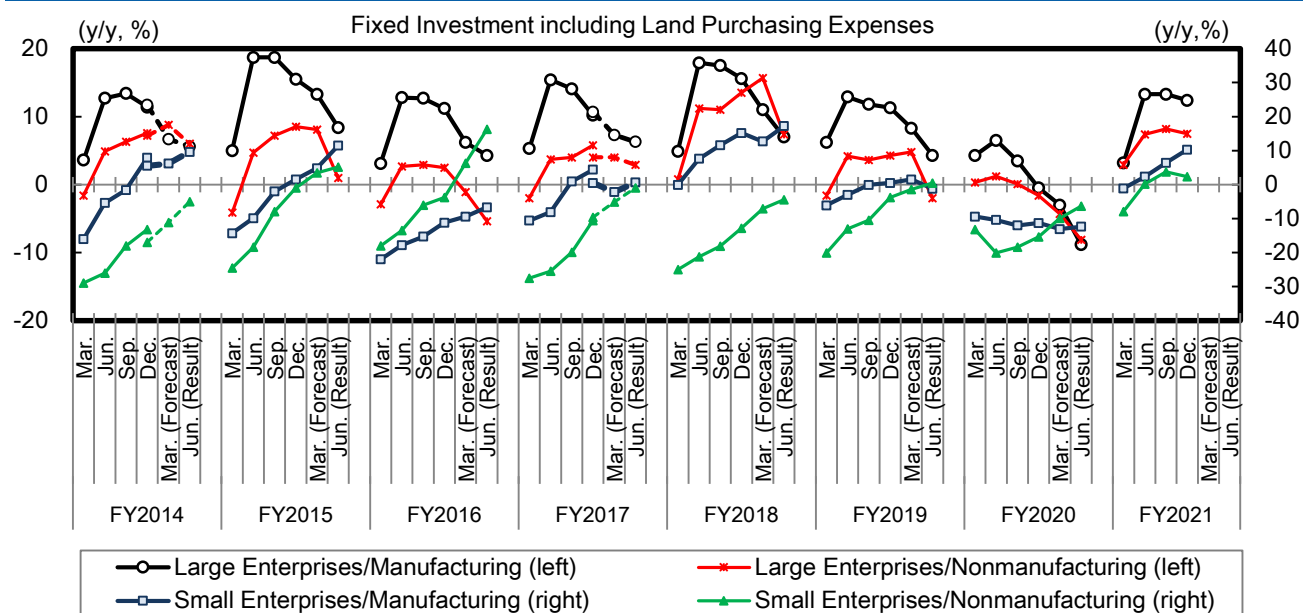
- The BOJ December 2021 Tankan survey of corporate sentiment improved in non-manufacturing in comparison to the previous survey, with business conditions DI (actual result) for large manufacturers at +18%pt, marking time at ± 0 %pt in comparison to the previous survey, and large non-manufacturers at +9%pt, up by +7%pt. This quarter's survey indicates that with the resumption of economic activity, the leader in recovery of business sentiment has shifted from manufacturing to non-manufacturing.
- Business conditions DI (forecast) for large manufacturers was at +13%pt (-5%pt in comparison with the current survey), while large non-manufacturers were at +8%pt (-1%pt). Most of the manufacturing industries are expected deterioration in business conditions. We can see from these results that corporations are deeply concerned about the recent increase in input costs causing Corporate Goods Price Index (CGPI) to rise sharply.
- The FY2021 capex projection for all enterprises in all industries (incl. investment in properties, but not investment in software or research & development) is +7.9% y/y, at the same level as the previous survey. While large manufacturers at +12.4% saw a downward revision, this is actually smaller than the usual pattern seen in most years. The manufacturing industry overall shows a favorable outlook for the future, reflecting the global economic recovery. Most notable is the fact that small non-manufacturers (+2.3%) saw a downward revision, contrary to the pattern seen in most years. Caution is required regarding the possibility that capital investment will be restrained against the backdrop of deteriorating earnings associated with the prolonged restraint of economic activity.

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					
	Sept. 2021 Survey		Dec. 2021 Survey				Sept. 2021 Survey		Dec. 2021 Survey			
	Actual result	Forecast	Actual result	Changes	Forecast	Changes	Actual result	Forecast	Actual result	Changes	Forecast	Changes
Manufacturing	18	14	18	0	13	-5	-3	-4	-1	2	-1	0
Textiles	-8	-8	0	8	2	2	-45	-37	-41	4	-38	3
Lumber & Wood products	24	0	19	-5	0	-19	-10	-18	-5	5	-11	-6
Pulp & Paper	19	11	15	-4	0	-15	-22	-24	-13	9	-7	6
Chemicals	31	20	29	-2	20	-9	5	0	11	6	3	-8
Petroleum & Coal products	18	6	31	13	13	-18	-3	-3	0	3	-7	-7
Ceramics, Stone & Clay	4	5	9	5	14	5	-10	3	2	12	8	6
Iron & Steel	13	7	7	-6	2	-5	25	14	28	3	19	-9
Nonferrous metals	33	12	21	-12	18	-3	31	18	25	-6	18	-7
Food & Beverages	9	2	4	-5	0	-4	-24	-15	-21	3	-6	15
Processed metals	9	3	9	0	-6	-15	4	2	3	-1	11	8
General-purpose machinery	34	27	30	-4	21	-9	8	0	8	0	0	-8
Production machinery	34	38	39	5	39	0	5	5	8	3	6	-2
Business oriented machinery	16	8	23	7	13	-10	10	8	17	7	12	-5
Electrical machinery	30	26	31	1	27	-4	10	6	11	1	5	-6
Shipbuilding & Heavy machinery, etc.	-26	-18	-26	0	-26	0	-20	-19	-9	11	-12	-3
Motor vehicles	-7	2	-8	-1	2	10	7	1	-17	-24	5	22
Basic materials	20	11	18	-2	12	-6	-3	-5	2	5	-2	-4
Processing	17	14	17	0	14	-3	-3	-4	-2	1	0	2
Nonmanufacturing	2	3	9	7	8	-1	-10	-13	-4	6	-6	-2
Construction	17	13	16	-1	14	-2	6	-2	12	6	2	-10
Real estate	12	18	26	14	21	-5	-2	-8	6	8	-2	-8
Goods rental & Leasing	10	7	23	13	13	-10	-16	-15	-5	11	-2	3
Wholesaling	15	15	19	4	16	-3	-11	-12	-7	4	-10	-3
Retailing	-4	0	3	7	-1	-4	-21	-18	-23	-2	-12	11
Transport & Postal activities	-3	-3	-5	-2	-4	1	-16	-20	-15	1	-15	0
Communications	29	21	29	0	21	-8	23	13	24	1	27	3
Information services	25	25	34	9	25	-9	19	9	15	-4	9	-6
Electric & Gas utilities	-21	-24	-17	4	-14	3	15	13	10	-5	8	-2
Services for businesses	38	30	42	4	29	-13	1	-4	6	5	3	-3
Services for individuals	-45	-18	-9	36	-4	5	-40	-36	-27	13	-23	4
Accommodations, Eating & Drinking services	-74	-59	-50	24	-28	22	-70	-60	-36	34	-25	11
All industries	10	9	14	4	11	-3	-8	-10	-3	5	-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"