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BOJ June 2022 Tankan Survey

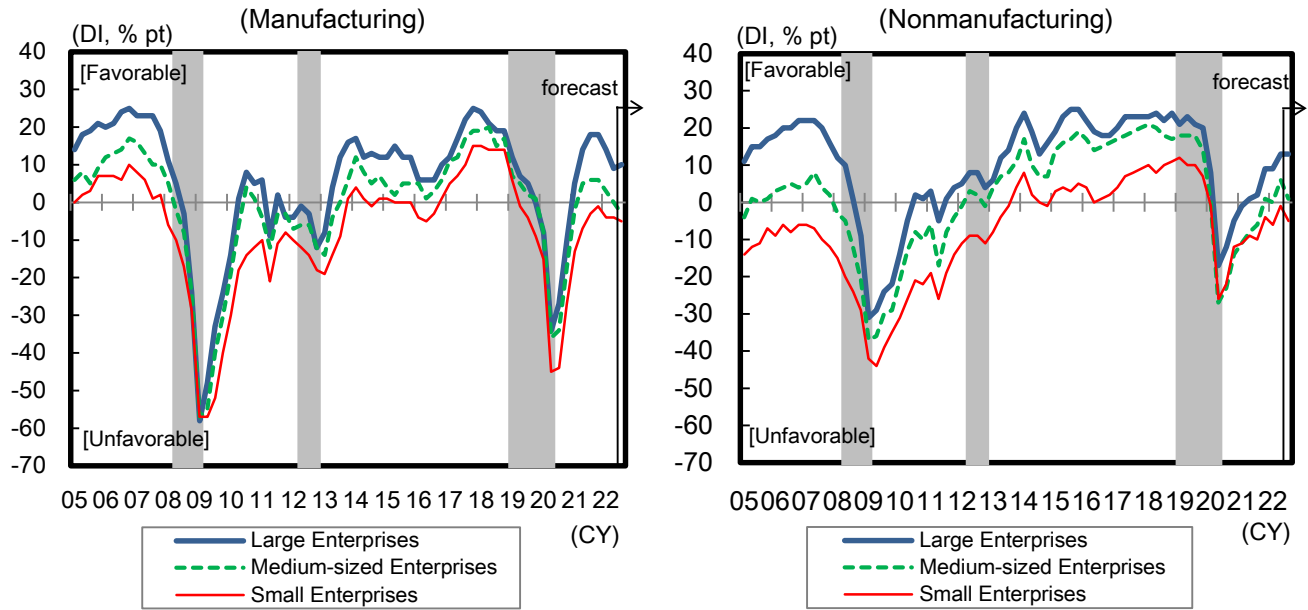
Business conditions of manufacturers and non-manufacturers contrast sharply as external environment worsens and domestic economic activities resume

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Summary

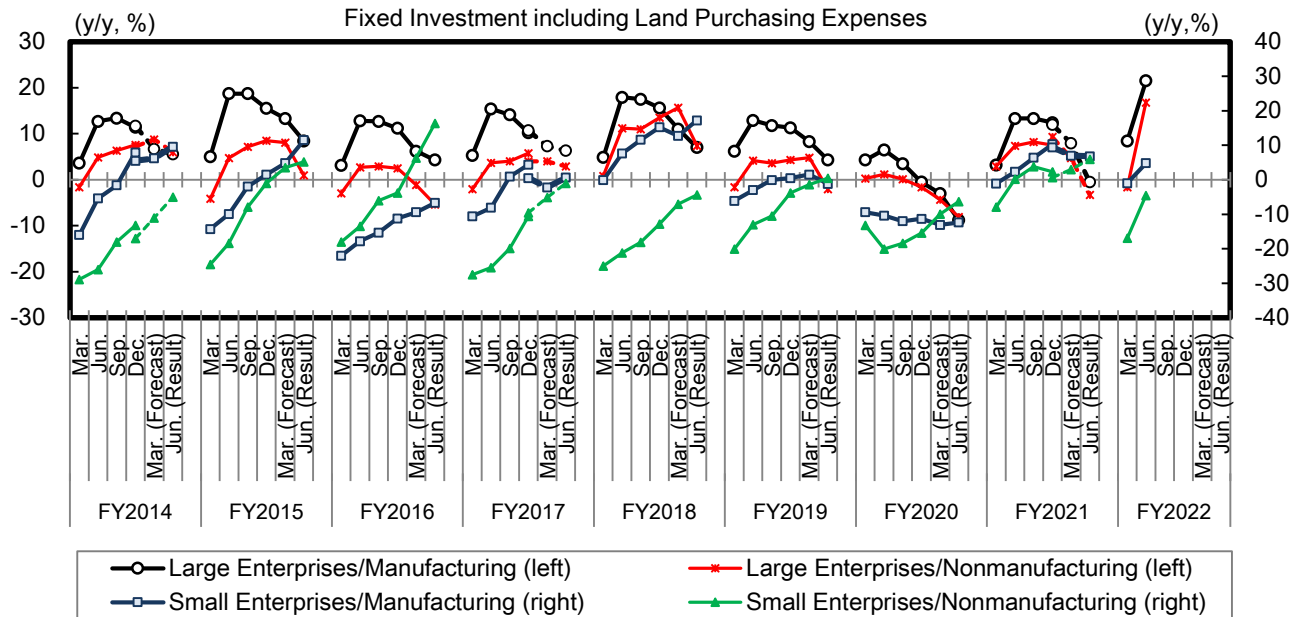
- The results of the BOJ June 2022 Tankan survey of corporate sentiment were as follows: business conditions DI (actual result) for large manufacturers were at +9%pt (-5%pt in comparison with the previous survey), while large non-manufacturers were at +13%pt (+4%pt in comparison with the previous survey). Until the March survey, the economic recovery of overseas economies had been leading Japan's economy with business conditions of large manufacturers improving faster than that of non-manufacturers. However, according to the June survey, while business conditions DI (actual result) for large non-manufacturers received a boost from the resumption of domestic economic activity, business conditions DI (actual result) for large manufacturers declined due to the effects of the lockdown in Shanghai and other factors.
- Both large manufacturers and large non-manufacturers were influenced by the rising cost of raw materials, which caused input prices to rise. However, looking at the difference between output price DI (actual result) and input price DI (actual result), we see that non-manufacturers worsened, while manufacturers improved. This confirms that price pass-through of rapidly rising costs to output prices have been progressing recently, centering on manufacturers. And judging from the trend as seen in the DI (forecast), this tendency is expected to continue.
- The FY2022 capex projection for all enterprises in all industries (incl. investment in properties, but not investment in software or research & development) is +14.1% y/y. Looking at the projection by industry, manufacturers overall were at +20.5%, with non-manufacturers (all enterprises) at +10.5%. In comparison to the average year, the extent of revisions was great, centering on large enterprises. Capex which had been planned for FY2021 but subsequently delayed has now appeared and this may have had a strong influence. We expect that the spread of COVID-19 in Japan and abroad will settle down, and expectations for progress in the normalization of economic activity will boost corporate willingness to invest in capex.

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

(DI, % pt)

	Large Enterprises						Small Enterprises					
	March 2022 Survey		June 2022 Survey				March 2022 Survey		June 2022 Survey			
	Actual result	Forecast	Actual result	Changes	Forecast	Changes	Actual result	Forecast	Actual result	Changes	Forecast	Changes
Manufacturing	14	9	9	-5	10	1	-4	-5	-4	0	-5	-1
Textiles	0	-6	-10	-10	-7	3	-44	-40	-34	10	-31	3
Lumber & Wood products	20	0	0	-20	-13	-13	-3	-7	-3	0	-7	-4
Pulp & Paper	-3	-11	-7	-4	-11	-4	-21	-21	-19	2	-14	5
Chemicals	28	16	24	-4	17	-7	0	-7	5	5	-4	-9
Petroleum & Coal products	27	7	20	-7	0	-20	-7	-26	-22	-15	-31	-9
Ceramics, Stone & Clay	0	-7	4	4	-7	-11	1	-12	-3	-4	-9	-6
Iron & Steel	10	-10	-6	-16	3	9	13	13	10	-3	8	-2
Nonferrous metals	21	15	15	-6	18	3	29	17	18	-11	13	-5
Food & Beverages	-5	-6	-11	-6	-9	2	-25	-14	-6	19	-6	0
Processed metals	3	0	3	0	0	-3	1	5	-7	-8	-1	6
General-purpose machinery	31	30	20	-11	21	1	6	1	11	5	3	-8
Production machinery	43	36	34	-9	36	2	1	3	-3	-4	0	3
Business oriented machinery	22	13	22	0	20	-2	16	14	14	-2	4	-10
Electrical machinery	24	24	23	-1	27	4	9	7	4	-5	3	-1
Shipbuilding & Heavy machinery, etc.	-23	-19	-19	4	-19	0	-7	-6	-7	0	-7	0
Motor vehicles	-15	-1	-19	-4	-5	14	-15	-3	-26	-11	-3	23
Basic materials	16	4	10	-6	5	-5	-3	-9	-5	-2	-7	-2
Processing	12	12	8	-4	12	4	-5	-2	-4	1	-3	1
Nonmanufacturing	9	7	13	4	13	0	-6	-10	-1	5	-5	-4
Construction	14	8	11	-3	13	2	10	-3	9	-1	-1	-10
Real estate	20	21	22	2	22	0	10	1	14	4	4	-10
Goods rental & Leasing	23	17	23	0	20	-3	-3	-2	3	6	6	3
Wholesaling	20	8	20	0	14	-6	-9	-16	1	10	-9	-10
Retailing	2	5	7	5	5	-2	-23	-21	-17	6	-16	1
Transport & Postal activities	-2	-1	9	11	2	-7	-21	-20	-18	3	-19	-1
Communications	27	27	14	-13	21	7	17	13	13	-4	10	-3
Information services	38	29	37	-1	34	-3	24	17	26	2	21	-5
Electric & Gas utilities	-13	-12	-11	2	-15	-4	12	-4	12	0	7	-5
Services for businesses	38	22	35	-3	35	0	5	0	14	9	6	-8
Services for individuals	-14	2	18	32	27	9	-30	-17	-14	16	-9	5
Accommodations, Eating & Drinking services	-56	-38	-31	25	-18	13	-66	-40	-27	39	-14	13
All industries	11	8	11	0	11	0	-6	-8	-2	4	-5	-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"