

3 October 2022 (No. of pages:3)

Japanese report: 03 Oct 2022

BOJ September 2022 Tankan Survey

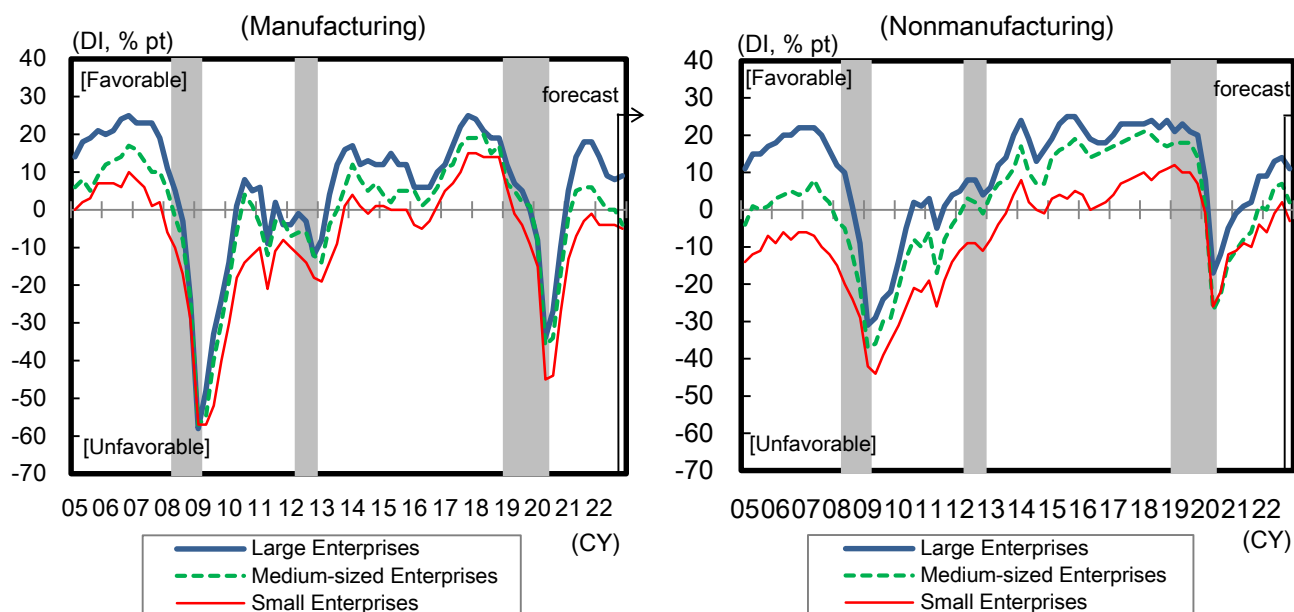
Growing concern over high raw materials prices and deteriorating supply-demand balance in Japan and abroad

Economic Research Dept.
Shotaro Kugo

Summary

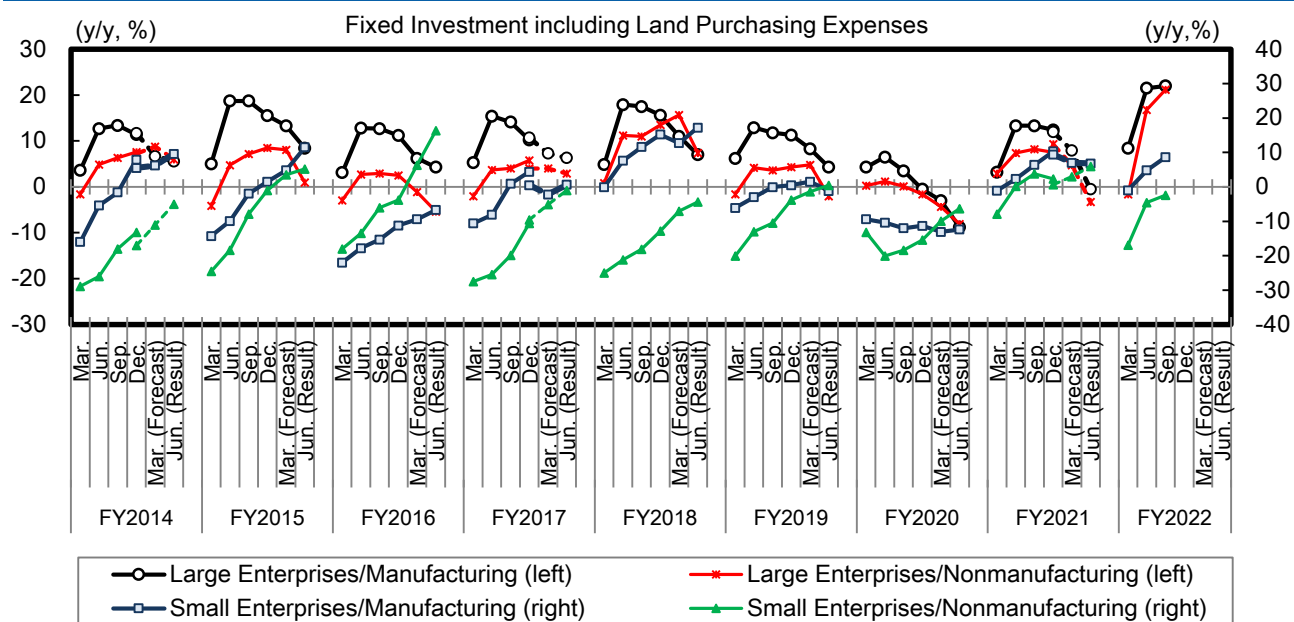
- The results of the BOJ September 2022 Tankan survey of corporate sentiment were as follows: business conditions DI (actual result) for large manufacturers were at +8%pt (-1%pt in comparison with the previous survey), while large non-manufacturers were at +14%pt (+1%pt in comparison with the previous survey). Looking at the breakdown of large manufacturers, the difference in direction was prominent amongst industries, with business conditions DI (actual result) for the processing industries marking time in comparison with the previous survey, while the basic materials industries worsening. Business conditions DI (forecast) for large manufacturers is at +9%pt (a difference of +1%pt in comparison with the current survey), with large non-manufacturers at +11%pt (-3%pt). Concerns regarding the future of business are growing amongst non-manufacturers.
- Looking at Domestic Supply & Demand Conditions for Products and Services (actual result), both manufacturers and non-manufacturers worsened, with large manufacturers at 0%pt (-2%pt in comparison with the previous survey) and large non-manufacturers at -8%pt (-1%pt). The forecast also sees future deterioration with large manufacturers marking time and large non-manufacturers seeing -1%pt in comparison with the current survey. However, looking at the difference between sales price DI (forecast) and purchase price DI (forecast), we see an improvement, with a pause seen in the rise in purchase price followed by an expected continuation of growth in sales price.
- The FY2022 capex projection for all enterprises in all industries (incl. investment in properties, but not investment in software or research & development) is +16.4% y/y. Looking at the projection by industry for enterprises of all sizes, manufacturers were at +21.2%, with non-manufacturers at +13.6%. In comparison with the average year, the extent of revisions was great, centering on large non-manufacturers. 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 infection 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 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 2022 Survey		Sept. 2022 Survey				June 2022 Survey		Sept. 2022 Survey			
	Actual result	Forecast	Actual result	Changes	Forecast	Changes	Actual result	Forecast	Actual result	Changes	Forecast	Changes
Manufacturing	9	10	8	-1	9	1	-4	-5	-4	0	-5	-1
Textiles	-10	-7	-9	1	6	15	-34	-31	-27	7	-29	-2
Lumber & Wood products	0	-13	-7	-7	-20	-13	-3	-7	-6	-3	-10	-4
Pulp & Paper	-7	-11	-14	-7	-17	-3	-19	-14	-10	9	-8	2
Chemicals	24	17	16	-8	14	-2	5	-4	4	-1	-4	-8
Petroleum & Coal products	20	0	7	-13	-14	-21	-22	-31	-12	10	-19	-7
Ceramics, Stone & Clay	4	-7	9	5	0	-9	-3	-9	-9	-6	-14	-5
Iron & Steel	-6	3	18	24	13	-5	10	8	10	0	5	-5
Nonferrous metals	15	18	3	-12	3	0	18	13	16	-2	9	-7
Food & Beverages	-11	-9	-14	-3	-6	8	-6	-6	-11	-5	-7	4
Processed metals	3	0	0	-3	-3	-3	-7	-1	3	10	5	2
General-purpose machinery	20	21	31	11	28	-3	11	3	4	-7	-4	-8
Production machinery	34	36	33	-1	31	-2	-3	0	0	3	-2	-2
Business oriented machinery	22	20	27	5	27	0	14	4	7	-7	8	1
Electrical machinery	23	27	20	-3	22	2	4	3	2	-2	-2	-4
Shipbuilding & Heavy machinery, etc.	-19	-19	-19	0	-15	4	-7	-7	-6	1	-10	-4
Motor vehicles	-19	-5	-15	4	-3	12	-26	-3	-20	6	2	22
Basic materials	10	5	8	-2	5	-3	-5	-7	-4	1	-8	-4
Processing	8	12	8	0	12	4	-4	-3	-4	0	-2	2
Nonmanufacturing	13	13	14	1	11	-3	-1	-5	2	3	-3	-5
Construction	11	13	16	5	13	-3	9	-1	9	0	2	-7
Real estate	22	22	27	5	22	-5	14	4	14	0	3	-11
Goods rental & Leasing	23	20	30	7	20	-10	3	6	16	13	6	-10
Wholesaling	20	14	21	1	19	-2	1	-9	0	-1	-6	-6
Retailing	7	5	3	-4	3	0	-17	-16	-15	2	-14	1
Transport & Postal activities	9	2	14	5	4	-10	-18	-19	-9	9	-12	-3
Communications	14	21	21	7	21	0	13	10	14	1	17	3
Information services	37	34	36	-1	34	-2	26	21	27	1	19	-8
Electric & Gas utilities	-11	-15	-17	-6	-17	0	12	7	2	-10	7	5
Services for businesses	35	35	36	1	31	-5	14	6	15	1	8	-7
Services for individuals	18	27	2	-16	15	13	-14	-9	-7	7	-4	3
Accommodations, Eating & Drinking services	-31	-18	-28	3	-23	5	-27	-14	-21	6	-22	-1
All industries	11	11	11	0	11	0	-2	-5	0	2	-4	-4

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"