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BOJ March 2023 Tankan Survey

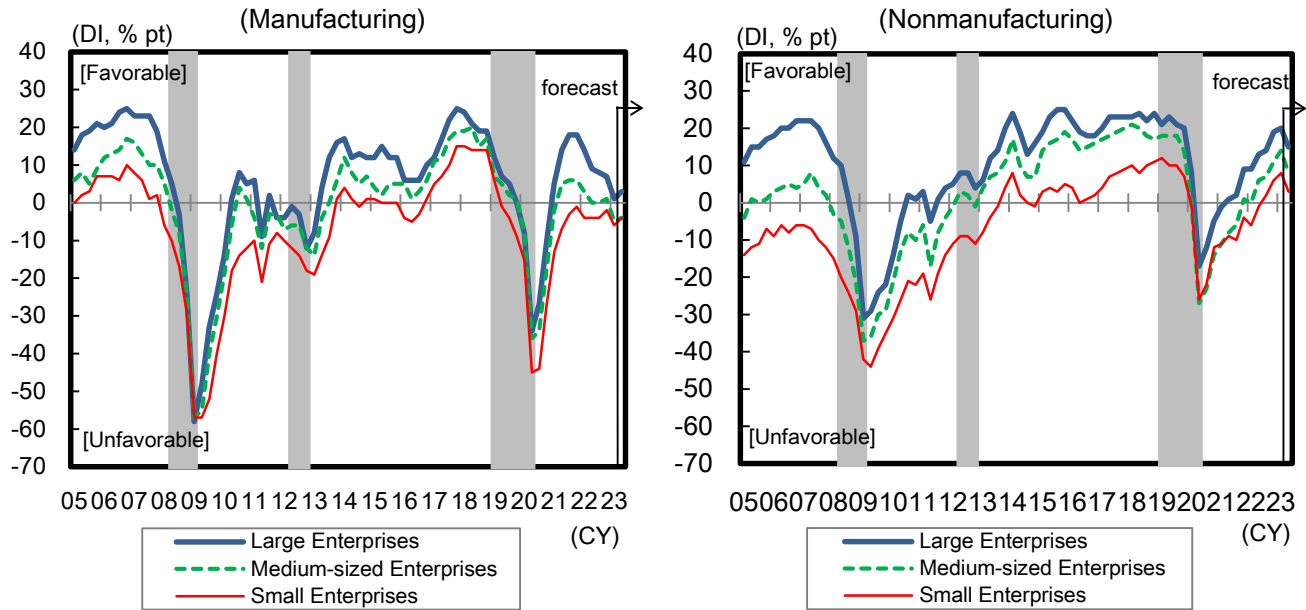
Business conditions DI (actual result) for large manufacturers continues to decline

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Summary

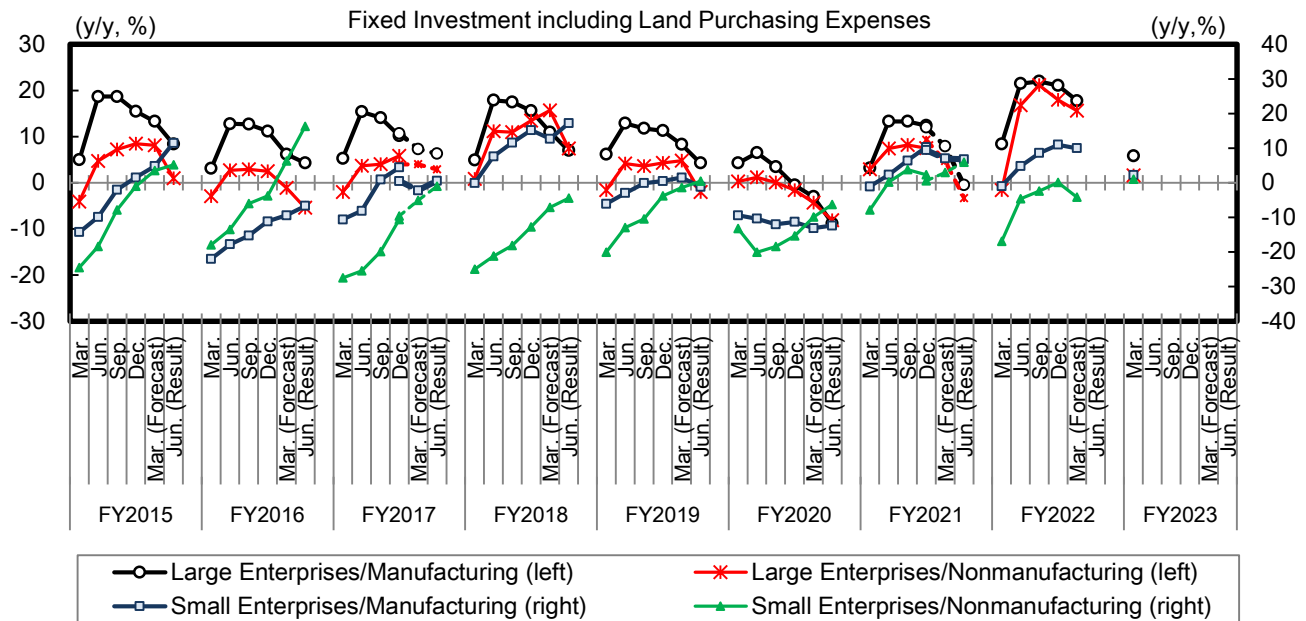
- The results of the BOJ March 2023 Tankan survey of corporate sentiment were as follows: business conditions DI (actual result) for large manufacturers were at +1%pt (-6%pt in comparison with the previous survey), while large non-manufacturers were at +20%pt (+1%pt in comparison with the previous survey). Looking at the breakdown of large manufacturers, the materials industries found their earnings especially under downward pressure due to rising input costs. As for the large non-manufacturing industries, business conditions improved for retail and related industries due to the pickup in personal consumption brought on by the decrease in new infections of COVID-19, and the recovery of inbound consumption accompanying the relaxing of border control measures.
- Looking at the difference between output price DI (actual result) and input price DI (actual result), both large manufacturers and large non-manufacturers improved. It appears that non-manufacturing in particular is progressing of late in price pass-through in response to the rapid cost increases it has experienced. As for the forecast, both major manufacturers and major non-manufacturers expect continued improvements, and price pass-through is expected to continue even after the input price DI begins to decline.
- The FY2023 capex projection for all enterprises in all industries (including investment in properties, but not investment in software or research & development) is +3.9% y/y. Looking at the projection by industry for enterprises of all sizes, manufacturers were at +6.3%, with non-manufacturers at +2.4%. Expectations for progress in the normalization of economic activity continue to 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					
	Dec. 2022 Survey		March 2023 Survey				Dec. 2022 Survey		March 2023 Survey			
	Actual result	Forecast	Actual result	Changes	Forecast	Changes	Actual result	Forecast	Actual result	Changes	Forecast	Changes
Manufacturing	7	6	1	-6	3	2	-2	-5	-6	-4	-4	2
Textiles	-3	6	-3	0	7	10	-20	-24	-21	-1	-23	-2
Lumber & Wood products	-7	-13	-20	-13	-13	7	-7	-14	-15	-8	-20	-5
Pulp & Paper	-22	-15	-25	-3	-3	22	-9	-7	-16	-7	-4	12
Chemicals	8	0	-1	-9	0	1	3	-1	-7	-10	-2	5
Petroleum & Coal products	-33	-20	-46	-13	-13	33	-14	-16	-14	0	-14	0
Ceramics, Stone & Clay	10	-5	-2	-12	-3	-1	-11	-10	-10	1	-5	5
Iron & Steel	18	13	13	-5	3	-10	20	9	11	-9	1	-10
Nonferrous metals	6	9	-3	-9	3	6	13	3	3	-10	0	-3
Food & Beverages	-8	-6	-11	-3	-5	6	-9	-9	-8	1	-3	5
Processed metals	8	0	0	-8	-6	-6	7	6	0	-7	7	7
General-purpose machinery	31	23	16	-15	9	-7	11	-3	7	-4	-3	-10
Production machinery	30	28	24	-6	17	-7	-2	-3	1	3	3	2
Business oriented machinery	30	25	30	0	22	-8	8	12	7	-1	8	1
Electrical machinery	18	12	3	-15	6	3	6	-6	-3	-9	-9	-6
Shipbuilding & Heavy machinery, etc.	-12	-8	-8	4	-3	5	-10	-8	-6	4	2	8
Motor vehicles	-14	-11	-9	5	0	9	-23	-8	-24	-1	-7	17
Basic materials	3	0	-5	-8	0	5	-1	-6	-8	-7	-8	0
Processing	10	9	4	-6	6	2	-3	-3	-5	-2	-1	4
Nonmanufacturing	19	11	20	1	15	-5	6	-1	8	2	3	-5
Construction	21	12	21	0	13	-8	11	2	13	2	3	-10
Real estate	27	19	30	3	25	-5	11	4	12	1	6	-6
Goods rental & Leasing	27	20	33	6	20	-13	23	12	22	-1	17	-5
Wholesaling	27	13	27	0	12	-15	7	-7	9	2	-2	-11
Retailing	8	9	18	10	11	-7	-6	-8	4	10	-1	-5
Transport & Postal activities	17	5	10	-7	10	0	-2	-4	-6	-4	-5	1
Communications	14	21	14	0	21	7	14	11	18	4	21	3
Information services	40	36	42	2	39	-3	21	15	21	0	12	-9
Electric & Gas utilities	-17	-17	-15	2	-19	-4	2	7	3	1	7	4
Services for businesses	35	31	30	-5	28	-2	11	6	16	5	11	-5
Services for individuals	20	14	24	4	35	11	-2	-1	2	4	5	3
Accommodations, Eating & Drinking services	0	-18	0	0	13	13	2	-13	3	1	5	2
All industries	13	8	10	-3	9	-1	4	-2	3	-1	0	-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"