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BOJ December 2023 Tankan Survey

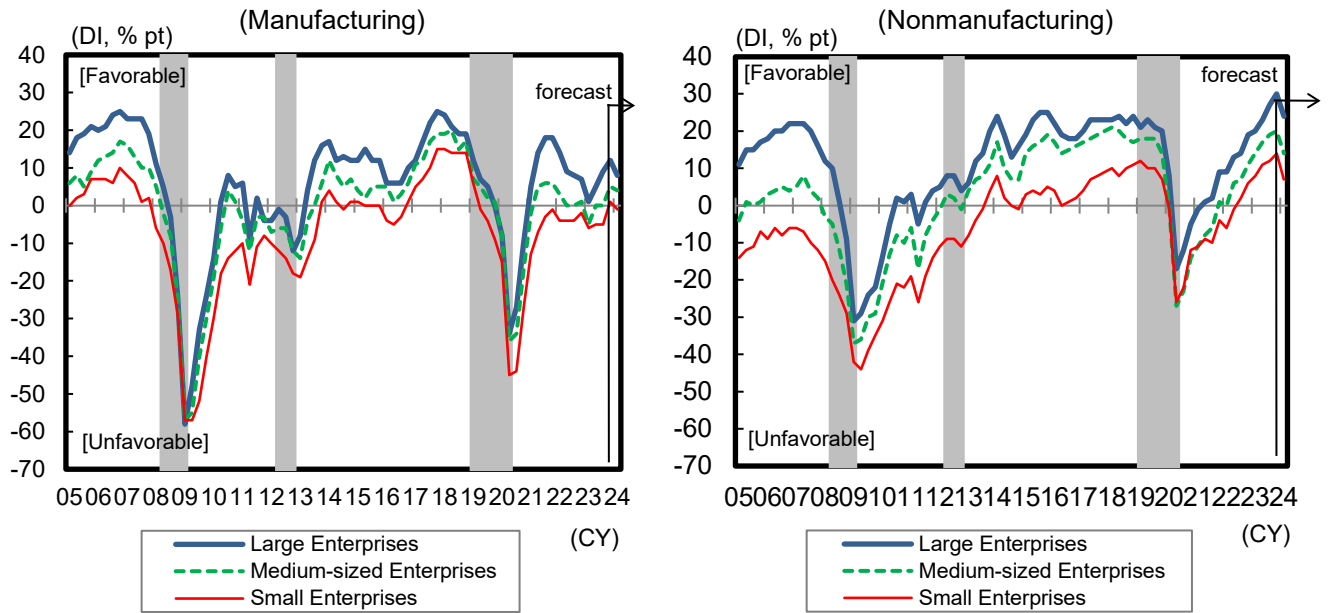
Price pass-through progressing and employment shortages increasing in small enterprises

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Summary

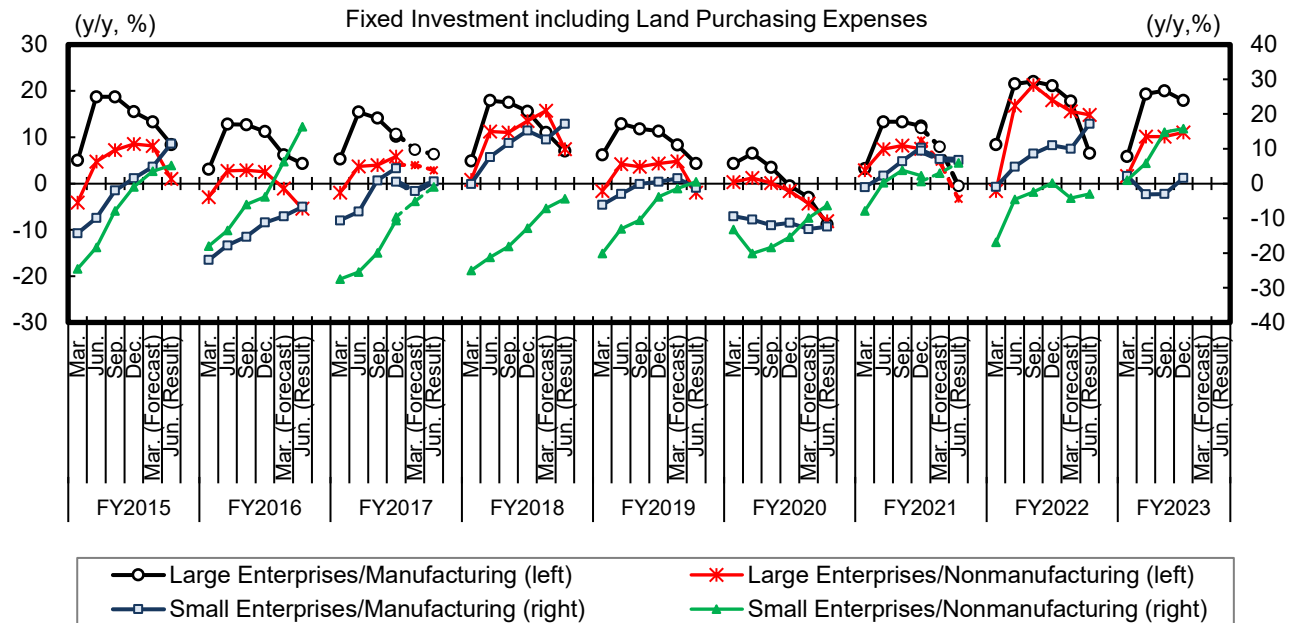
- The results of the BOJ December 2023 Tankan survey of corporate sentiment were as follows: business conditions DI (actual result) for large manufacturers were at +12%pt (+3%pt in comparison with the previous survey), while large non-manufacturers were at +30%pt (+3%pt in comparison with the previous survey).
- Looking at the breakdown of large manufacturers, processed metals (+17%pt in comparison with the previous survey) and nonferrous metals (+15%pt in comparison with the previous survey) saw a significant rise in business conditions DI (actual result). This may have been due to the ripple effect from recovery production in motor vehicles (+13%pt in comparison with the previous survey) on related industries. As for large non-manufacturers, business conditions DI (actual result) achieved growth in real estate (+10%pt in comparison with the previous survey) and communications (+9%pt in comparison with the previous survey). In addition, progress in normalization of domestic economic activity and the increase in inbound consumption boosted business conditions DI (actual result) in accommodations, eating & drinking services (+7%pt in comparison with the previous survey), services for individuals (+4%pt in comparison with the previous survey), and retailing (+2% pt in comparison with the previous survey).
- Looking at the difference between output price DI (actual result) and input price DI (actual result), large manufacturers worsened, while large non-manufacturers improved. As for the forecast, both manufacturing and non-manufacturing are expected to worsen. Price pass-through for large enterprises in response to the rapid increase in costs is moving toward completion of its cycle. As for small manufacturers and non-manufacturers, difference between output price DI and input price DI is improving for both actual and forecast results. In comparison to large enterprises, the increasing sense of shortage of employment amongst small enterprises is remarkable. Movement towards price pass-through as manifested in sales prices to cover wage increases as a means of handling the labor shortage may be on the increase especially amongst small enterprises.

Business Conditions DI **Chart 1**



Source: Bank of Japan, Cabinet Office; compiled by DIR.
 Note: Shaded areas denote economic down turns.

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					
	Sept. 2023 Survey		Dec. 2023 Survey				Sept. 2023 Survey		Dec. 2023 Survey			
	Actual result	Forecast	Actual result	Changes	Forecast	Changes	Actual result	Forecast	Actual result	Changes	Forecast	Changes
Manufacturing	9	10	12	3	8	-4	-5	-2	1	6	-1	-2
Textiles	3	9	3	0	18	15	-21	-19	-10	11	-19	-9
Lumber & Wood products	14	-13	6	-8	-13	-19	-14	-16	-9	5	-15	-6
Pulp & Paper	0	-3	3	3	-7	-10	-16	-7	0	16	7	7
Chemicals	3	6	2	-1	0	-2	-12	-4	-3	9	-6	-3
Petroleum & Coal products	14	27	14	0	13	-1	-15	-8	0	15	-9	-9
Ceramics, Stone & Clay	16	24	21	5	18	-3	-12	-4	2	14	-1	-3
Iron & Steel	18	16	23	5	5	-18	0	-3	1	1	-6	-7
Nonferrous metals	-3	6	12	15	6	-6	0	-1	7	7	6	-1
Food & Beverages	16	8	17	1	6	-11	3	6	6	3	7	1
Processed metals	-17	-5	0	17	0	0	1	0	5	4	3	-2
General-purpose machinery	11	18	21	10	16	-5	1	0	7	6	3	-4
Production machinery	14	19	15	1	8	-7	-7	-4	-3	4	-6	-3
Business-oriented machinery	30	25	28	-2	25	-3	-1	3	-2	-1	-3	-1
Electrical machinery	-2	6	4	6	4	0	-11	-10	-6	5	-4	2
Shipbuilding & Heavy machinery, etc.	8	7	4	-4	3	-1	6	7	8	2	10	2
Motor vehicles	15	11	28	13	17	-11	13	15	29	16	22	-7
Basic materials	7	9	9	2	5	-4	-11	-7	-2	9	-7	-5
Processing	9	11	14	5	10	-4	-1	0	3	4	2	-1
Nonmanufacturing	27	21	30	3	24	-6	12	8	14	2	7	-7
Construction	22	20	22	0	19	-3	12	9	13	1	7	-6
Real estate	37	28	47	10	37	-10	13	10	17	4	10	-7
Goods rental & Leasing	28	21	28	0	17	-11	27	24	30	3	21	-9
Wholesaling	32	15	34	2	23	-11	9	3	12	3	5	-7
Retailing	24	18	26	2	21	-5	9	5	11	2	5	-6
Transport & Postal activities	14	17	16	2	17	1	-1	-2	2	3	-2	-4
Communications	14	21	23	9	23	0	20	19	30	10	15	-15
Information services	42	38	43	1	40	-3	23	17	29	6	21	-8
Electric & Gas utilities	22	18	27	5	14	-13	10	14	4	-6	7	3
Services for businesses	32	27	27	-5	35	8	19	13	17	-2	12	-5
Services for individuals	24	29	28	4	26	-2	9	11	17	8	11	-6
Accommodations, Eating & Drinking services	44	41	51	7	39	-12	23	18	20	-3	13	-7
All industries	17	16	21	4	16	-5	5	4	9	4	4	-5

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"