

1 April 2024 (No. of pages:3)

Japanese report: 01 Apr 2024

BOJ March 2024 Tankan Survey

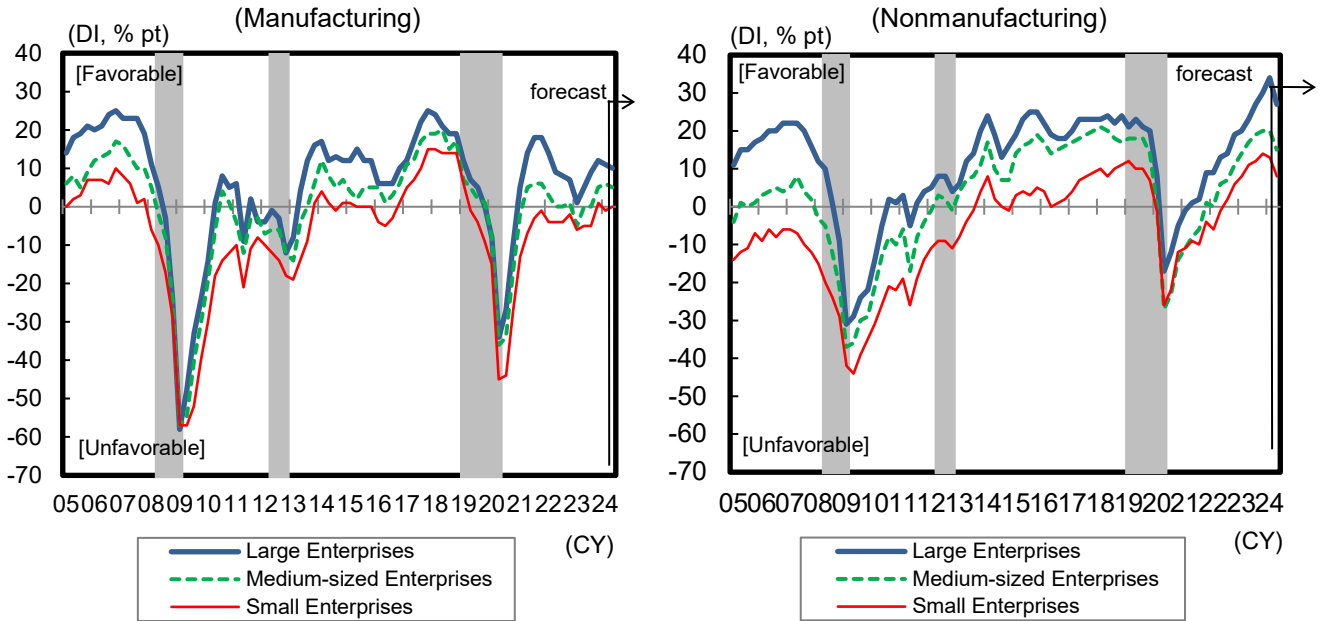
Business conditions DI (actual result) worsen due to production cuts in motor vehicles, while price pass-through progresses for small enterprises

Economic Research Dept.
Shotaro Kugo

Summary

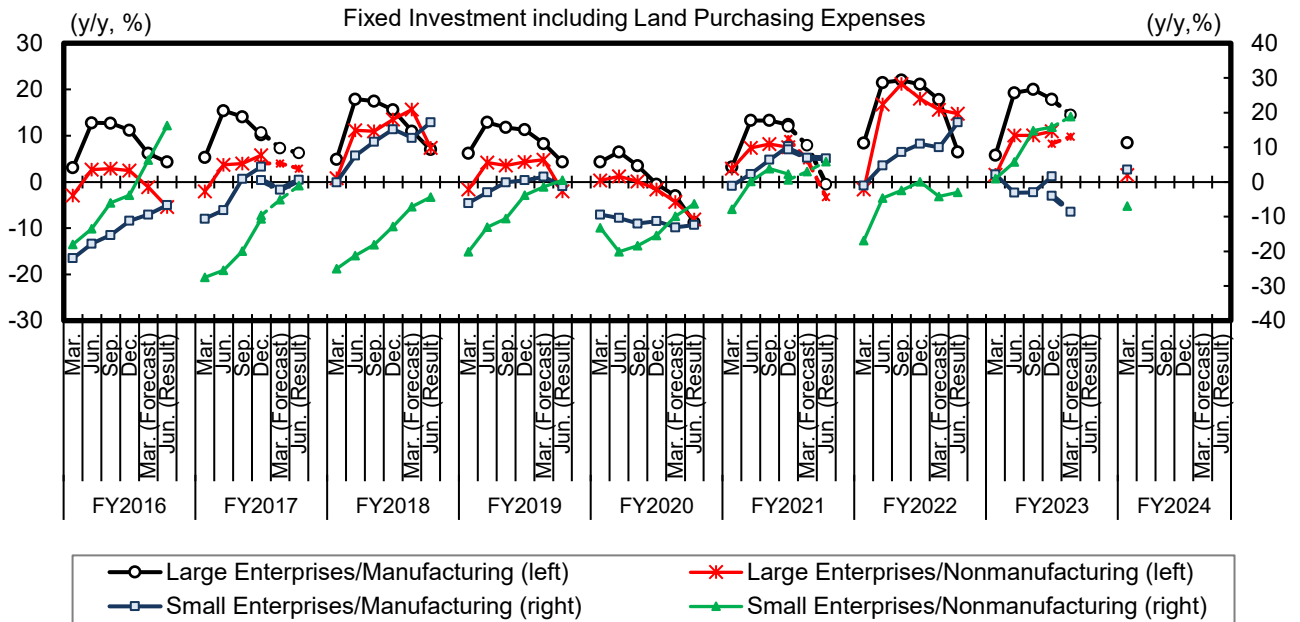
- The results of the BOJ March 2024 Tankan survey of corporate sentiment were as follows: business conditions DI (actual result) for large manufacturers were at +11%pt (-2%pt in comparison with the previous survey), while large non-manufacturers were at +34%pt (+2%pt in comparison with the previous survey).
- Looking at the breakdown of large manufacturers, motor vehicles experienced a major decline in business conditions DI (actual result) (-15%pt in comparison with the previous survey). This was due to a significant downturn in production and sales volume for motor vehicles due to the halt of operations at some motor vehicle factories. As for large non-manufacturers, business conditions DI (actual result) achieved growth in transport and postal activities (+8%pt). This is thought to have been due to growth in usage of railroad transportation with the increase in inbound demand. In addition, business conditions DI (actual result) grew in services for businesses (+7%pt), and real estate (+6% pt).
- Looking at the difference between output price DI (actual result) and input price DI (actual result), both large manufacturers and large non-manufacturers worsened. As for the forecast, non-manufacturers expect a slight improvement, but manufacturers expect to mark time. Price pass-through for large enterprises in response to the rapid increase in costs is moving toward completion of its cycle. On the other hand, small enterprises, are moving towards improvement in the difference between output price DI (actual result) and input price DI (actual result). In comparison to large enterprises, the increasing sense of labor shortage amongst small enterprises is remarkable. Movement towards price pass-through as manifested in sales prices amongst small enterprises to cover wage increases as a means of handling the labor shortage may be on the increase.

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. 2023 Survey		March 2024 Survey				Dec. 2023 Survey		March 2024 Survey			
	Actual result	Forecast	Actual result	Changes	Forecast	Changes	Actual result	Forecast	Actual result	Changes	Forecast	Changes
Manufacturing	13	8	11	-2	10	-1	2	0	-1	-3	0	1
Textiles	7	22	11	4	19	8	-9	-19	-16	-7	-18	-2
Lumber & Wood products	15	-15	15	0	-23	-38	-7	-11	-20	-13	-24	-4
Pulp & Paper	3	-7	4	1	4	0	4	7	-6	-10	3	9
Chemicals	1	2	2	1	8	6	0	-5	0	0	-1	-1
Petroleum & Coal products	0	8	9	9	8	-1	0	-8	0	0	0	0
Ceramics, Stone & Clay	22	17	29	7	32	3	-2	-4	3	5	8	5
Iron & Steel	19	0	16	-3	0	-16	-1	-7	-19	-18	-13	6
Nonferrous metals	15	9	6	-9	3	-3	7	5	4	-3	0	-4
Food & Beverages	18	5	24	6	12	-12	10	9	12	2	12	0
Processed metals	2	0	0	-2	6	6	6	4	3	-3	5	2
General-purpose machinery	18	18	23	5	22	-1	19	10	12	-7	9	-3
Production machinery	18	11	17	-1	17	0	-6	-7	-3	3	-5	-2
Business oriented machinery	22	22	16	-6	19	3	-2	-1	4	6	8	4
Electrical machinery	2	2	0	-2	3	3	-3	-1	-3	0	0	3
Shipbuilding & Heavy machinery, etc.	9	9	18	9	5	-13	8	10	12	4	10	-2
Motor vehicles	28	15	13	-15	8	-5	24	21	-8	-32	8	16
Basic materials	9	4	9	0	8	-1	-1	-6	-8	-7	-6	2
Processing	14	10	12	-2	11	-1	3	3	2	-1	4	2
Nonmanufacturing	32	27	34	2	27	-7	14	7	13	-1	8	-5
Construction	22	19	26	4	23	-3	13	6	15	2	7	-8
Real estate	46	36	52	6	45	-7	18	10	19	1	14	-5
Goods rental & Leasing	28	17	28	0	21	-7	30	21	23	-7	22	-1
Wholesaling	35	23	31	-4	19	-12	12	5	11	-1	5	-6
Retailing	31	25	31	0	26	-5	9	5	8	-1	1	-7
Transport & Postal activities	16	17	24	8	25	1	4	-1	5	1	1	-4
Communications	48	48	29	-19	33	4	33	16	8	-25	8	0
Information services	49	46	54	5	47	-7	32	25	35	3	29	-6
Electric & Gas utilities	27	14	16	-11	10	-6	14	6	0	-14	5	5
Services for businesses	33	36	40	7	38	-2	17	11	14	-3	14	0
Services for individuals	28	23	33	5	30	-3	17	9	17	0	13	-4
Accommodations, Eating & Drinking services	52	42	52	0	42	-10	23	15	25	2	23	-2
All industries	22	17	22	0	19	-3	9	5	7	-2	5	-2

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"