

2 July 2024 (No. of pages:3)

Japanese report: 01 Jul 2024

BOJ June 2024 Tankan Survey

Business conditions DI (actual result) for large non-manufacturers worsens for first time in four years

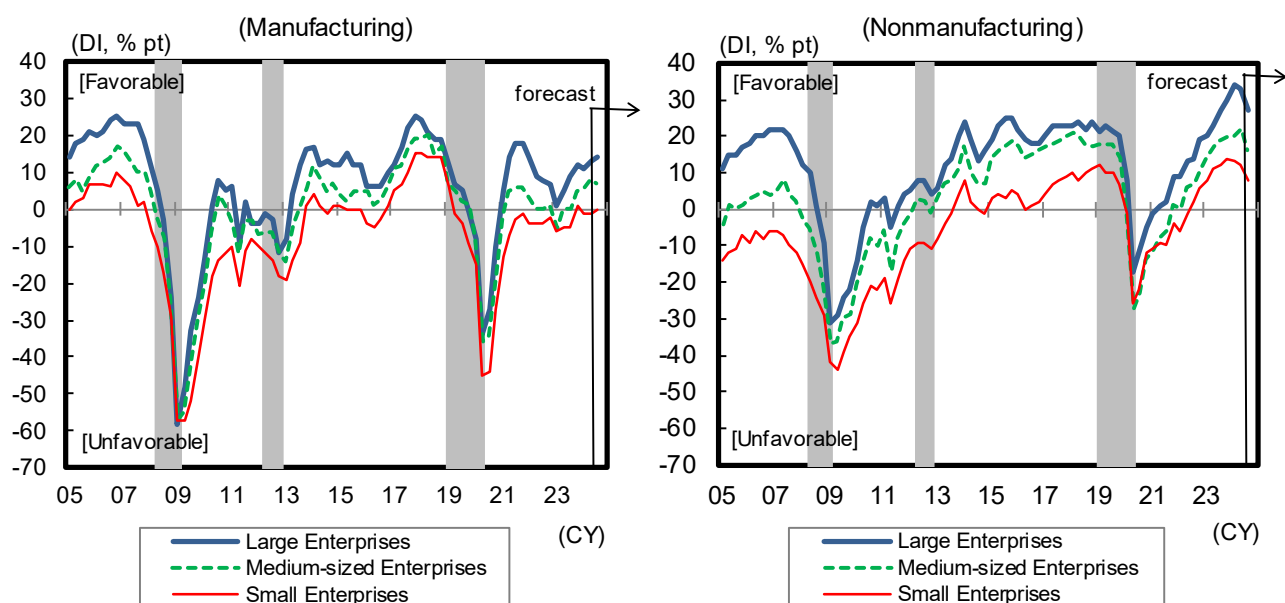
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Summary

- The results of the BOJ June 2024 Tankan survey of corporate sentiment were as follows: business conditions DI (actual result) for large manufacturers were at +13%pt (+2%pt in comparison with the previous survey), while large non-manufacturers were at +33%pt (-1%pt in comparison with the previous survey). The business sentiment for large non-manufacturers has worsened for the first time since June 2020 when economic activity was severely curtailed by the spread of COVID-19.
- Looking at the breakdown of large manufacturers, business conditions DI (actual result) grew across the board for the basic materials industries. It appears that price pass through has progressed further for industries located upstream in the supply chain. On the other hand, iron and steel suffered a major decline at -16%pt in comparison to the previous survey. In processing, industries with a high export ratio achieved growth due to the weak yen amongst other factors. Motor vehicles suffered a decline due to various factors including the authentication fraud issue which became public on June 3, but the extent of the decline was minor. As for large non-manufacturers, business conditions DI (actual result) suffered a major decline in retailing at -12%pt. In addition to the decline in personal consumption, transportation costs have increased as enforcement of limits on overtime hours has begun, bringing pressure on corporate earnings along with other factors. Meanwhile, the pace of growth in foreign tourists visiting Japan has slowed, and this is also thought to have brought a worsening of business sentiment. Industries susceptible to changes in inbound demand declined, including services for individuals (-4%pt) and accommodations, eating and drinking services (-3%pt).
- The FY2023 capex projection for all enterprises in all industries (incl. investment in properties, but not investment in software or research & development) is +10.6% y/y, with manufacturing up by +6.7% and non-manufacturing up by +12.8%. In FY2024, the figure was +8.4%, with the manufacturing sector in particular showing a higher figure as shown in the June survey. Demand appears to be accumulating for renewal investment, capacity expansion investment, and labor-saving investment to cope with labor shortages, which companies had been postponing due to the Corona crisis and high prices. On the other hand, non-manufacturers were modest in their capex projection despite a strong sense of equipment shortages.

Business Conditions DI

Chart 1

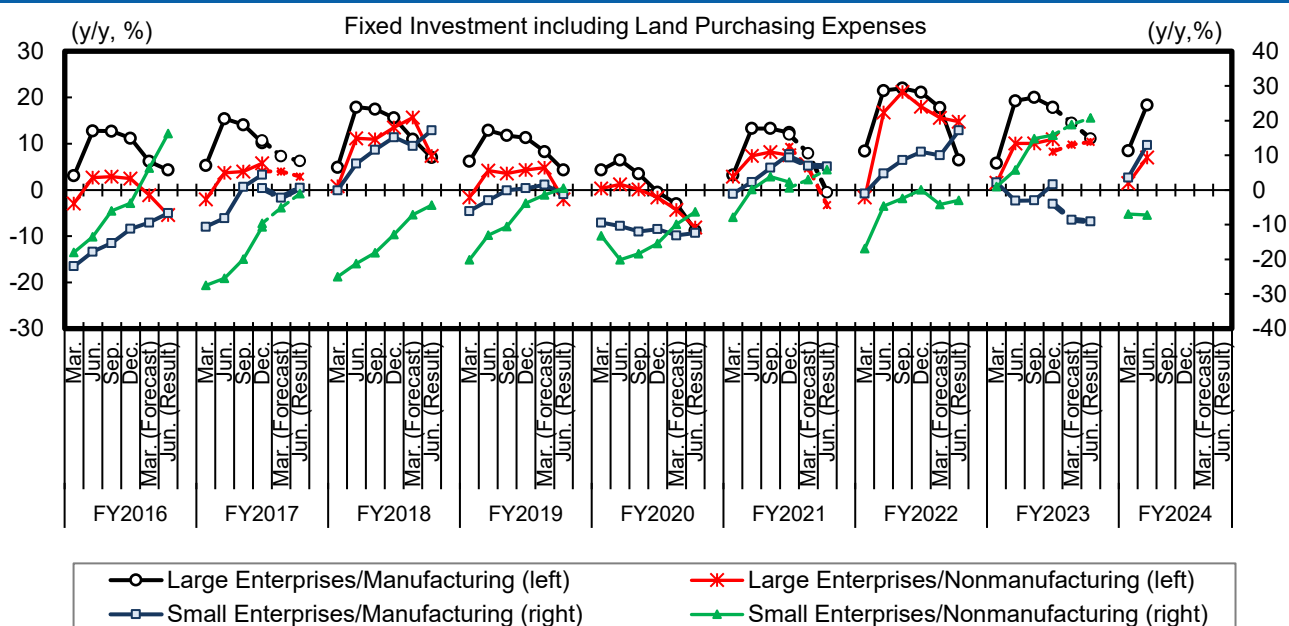


Source: Bank of Japan, Cabinet Office; compiled by DIR.

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 | Forecast | | Changes | Actual result | Forecast | Actual result | Forecast | | Changes |
| | | | | Changes | Changes | | | | | Changes | Changes | |
| Manufacturing | 11 | 10 | 13 | 2 | 14 | 1 | -1 | 0 | -1 | 0 | 0 | 1 |
| Textiles | 11 | 19 | 22 | 11 | 22 | 0 | -16 | -18 | -19 | -3 | -25 | -6 |
| Lumber & Wood products | 15 | -23 | 15 | 0 | -8 | -23 | -20 | -24 | -10 | 10 | -13 | -3 |
| Pulp & Paper | 4 | 4 | 11 | 7 | 11 | 0 | -6 | 3 | -2 | 4 | -10 | -8 |
| Chemicals | 2 | 8 | 10 | 8 | 13 | 3 | 0 | -1 | 6 | 6 | 5 | -1 |
| Petroleum & Coal products | 9 | 8 | 17 | 8 | 17 | 0 | 0 | 0 | -8 | -8 | -8 | 0 |
| Ceramics, Stone & Clay | 29 | 32 | 35 | 6 | 30 | -5 | 3 | 8 | -1 | -4 | 3 | 4 |
| Iron & Steel | 16 | 0 | 0 | -16 | 8 | 8 | -19 | -13 | -20 | -1 | -14 | 6 |
| Nonferrous metals | 6 | 3 | 6 | 0 | 9 | 3 | 4 | 0 | -6 | -10 | 7 | 13 |
| Food & Beverages | 24 | 12 | 21 | -3 | 11 | -10 | 12 | 12 | 15 | 3 | 11 | -4 |
| Processed metals | 0 | 6 | 3 | 3 | 9 | 6 | 3 | 5 | 1 | -2 | -1 | -2 |
| General-purpose machinery | 23 | 22 | 27 | 4 | 29 | 2 | 12 | 9 | 13 | 1 | 2 | -11 |
| Production machinery | 17 | 17 | 11 | -6 | 16 | 5 | -3 | -5 | -4 | -1 | -1 | 3 |
| Business-oriented machinery | 16 | 19 | 22 | 6 | 13 | -9 | 4 | 8 | 14 | 10 | 18 | 4 |
| Electrical machinery | 0 | 3 | 1 | 1 | 9 | 8 | -3 | 0 | 0 | 3 | 2 | 2 |
| Shipbuilding & Heavy machinery, etc. | 18 | 5 | 14 | -4 | 18 | 4 | 12 | 10 | 11 | -1 | 18 | 7 |
| Motor vehicles | 13 | 8 | 12 | -1 | 10 | -2 | -8 | 8 | 0 | 8 | 5 | 5 |
| Basic materials | 9 | 8 | 14 | 5 | 14 | 0 | -8 | -6 | -8 | 0 | -7 | 1 |
| Processing | 12 | 11 | 13 | 1 | 14 | 1 | 2 | 4 | 4 | 2 | 5 | 1 |
| Nonmanufacturing | 34 | 27 | 33 | -1 | 27 | -6 | 13 | 8 | 12 | -1 | 8 | -4 |
| Construction | 26 | 23 | 25 | -1 | 20 | -5 | 15 | 7 | 15 | 0 | 10 | -5 |
| Real estate | 52 | 45 | 50 | -2 | 43 | -7 | 19 | 14 | 19 | 0 | 12 | -7 |
| Goods rental & Leasing | 28 | 21 | 29 | 1 | 21 | -8 | 23 | 22 | 26 | 3 | 22 | -4 |
| Wholesaling | 31 | 19 | 32 | 1 | 25 | -7 | 11 | 5 | 8 | -3 | 2 | -6 |
| Retailing | 31 | 26 | 19 | -12 | 18 | -1 | 8 | 1 | 6 | -2 | 1 | -5 |
| Transport & Postal activities | 24 | 25 | 29 | 5 | 27 | -2 | 5 | 1 | 7 | 2 | 3 | -4 |
| Communications | 29 | 33 | 40 | 11 | 40 | 0 | 8 | 8 | 20 | 12 | 8 | -12 |
| Information services | 54 | 47 | 54 | 0 | 51 | -3 | 35 | 29 | 33 | -2 | 29 | -4 |
| Electric & Gas utilities | 16 | 10 | 20 | 4 | 10 | -10 | 0 | 5 | 14 | 14 | 8 | -6 |
| Services for businesses | 40 | 38 | 40 | 0 | 35 | -5 | 14 | 14 | 16 | 2 | 13 | -3 |
| Services for individuals | 33 | 30 | 29 | -4 | 29 | 0 | 17 | 13 | 17 | 0 | 9 | -8 |
| Accommodations, Eating & Drinking services | 52 | 42 | 49 | -3 | 42 | -7 | 25 | 23 | 20 | -5 | 16 | -4 |
| All industries | 22 | 19 | 22 | 0 | 20 | -2 | 7 | 5 | 7 | 0 | 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"