

16 December 2024 (No. of pages:3 )

Japanese report: 13 Dec 2024

# BOJ December 2024 Tankan Survey

## Results fail to provide supporting factor for additional interest rate hike by BOJ

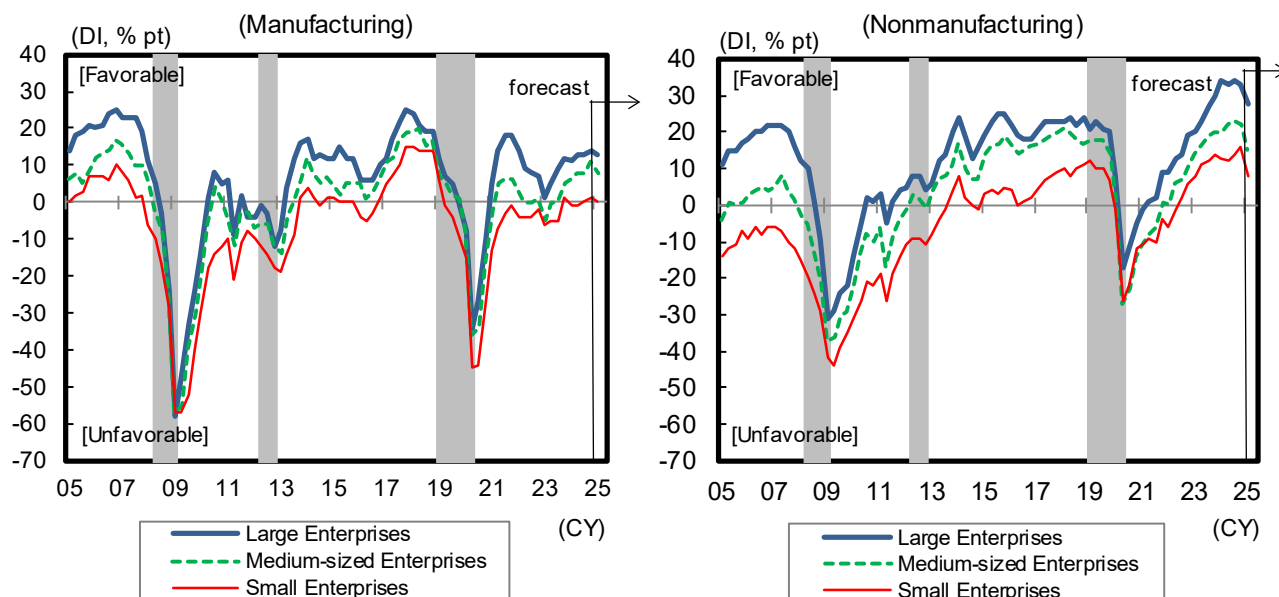
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### Summary

- The results of the BOJ December 2024 Tankan survey of corporate sentiment were as follows: business conditions DI (actual result) for large manufacturers were at +14%pt (+1%pt change in comparison with the previous survey), while large non-manufacturers were at +33%pt (-1%pt in comparison with the previous survey). The improvement for large manufacturers depended largely on the rapid recovery experienced in certain sectors, and when this is subtracted from the total, overall business sentiment is far from showing clear signs of improvement.
- Looking at the breakdown of large manufacturers, business conditions DI (actual result) improved significantly for petroleum & coal products where price pass-through appears to have made progress. Motor vehicles showed limited improvement (+1%pt in comparison with the previous survey) despite the effects of the typhoon at the end of August having run their course. As for large non-manufacturers, business conditions DI (actual result) worsened for retailing (-15%pt) and accommodations, eating & drinking services (-12%pt), both industries which are easily influenced by inbound demand.
- Looking at recent pseudo terms of trade (the difference between output prices judgment DI and input prices judgment DI), large companies in both manufacturing and non-manufacturing industries continue to improve. This is due to the continued slowdown in the pace of increase in purchase prices as the impact of cost-push inflation caused by soaring import prices weakens. Overall, the results of this survey are unlikely to provide support for the Bank of Japan to raise interest rates further in December.
- The FY2024 capex projection for all enterprises in all industries (incl. investment in properties, but not investment in software or research & development) is +9.7% y/y. This is a slightly higher revision rate for a December survey, and can be considered a solid result. In addition to the renewal and capacity expansion investments that companies had been postponing due to the Corona crisis and rising prices, it is thought that there is also a build-up of demand for labor-saving investments to deal with the shortage of manpower.

## Business Conditions DI

Chart 1

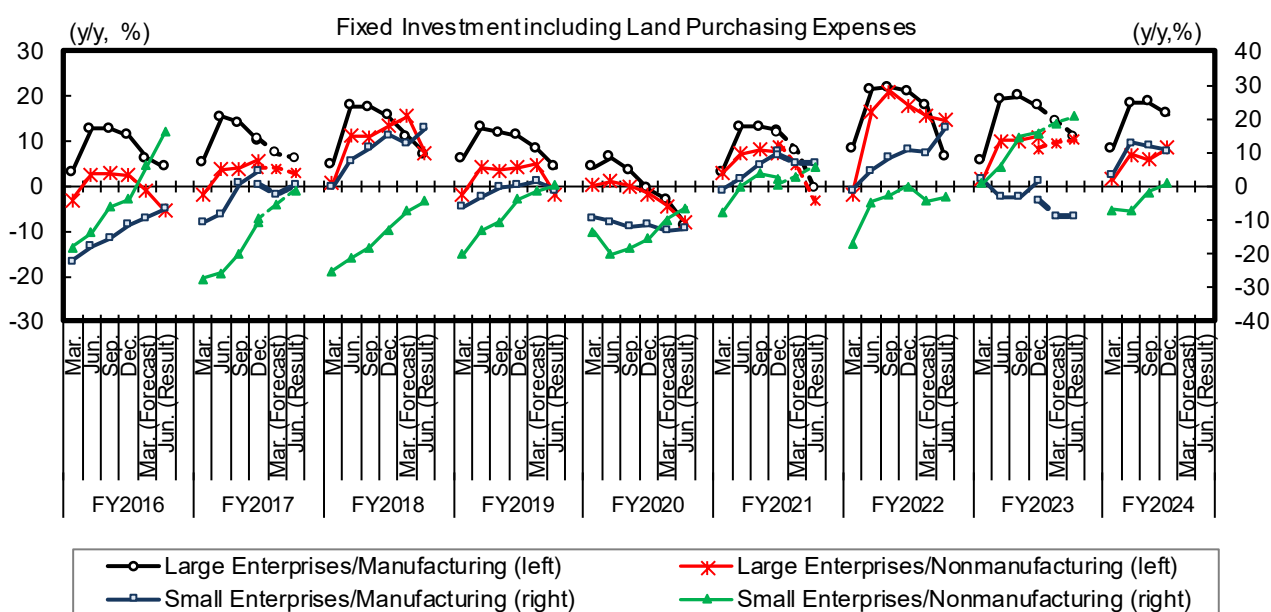


Source: Bank of Japan, Cabinet Office; compiled by DIR.

Note: Shaded areas denote economic downturns. The dashed line is based on regular reviews of companies covered in the Tankan survey.

## Developments of Fixed Investment including Land Purchasing Expenses (excl. software investment)

Chart 2



Source: Bank of Japan; compiled by DIR.

Note: The dashed line is based on regular reviews of companies covered in the Tankan survey.

## Business Conditions DI

## Chart 3

(DI, % pt)

(U. % pt)

	Large Enterprises						Small Enterprises					
	Sept. 2024 Survey			Dec. 2024 Survey			Sept. 2024 Survey			Dec. 2024 Survey		
	Actual result	Forecast	Actual result	Forecast		Actual result	Forecast	Actual result	Forecast			
			Changes	Changes	Changes			Changes				
Manufacturing	13	14	14	1	13	-1	0	0	1	1	0	-1
Textiles	23	15	23	0	23	0	-18	-17	-14	4	-14	0
Lumber & Wood products	0	-15	-7	-7	-7	0	-16	-16	-13	3	-12	1
Pulp & Paper	18	14	25	7	21	-4	-10	-5	-7	3	-4	3
Chemicals	15	19	21	6	17	-4	5	6	12	7	10	-2
Petroleum & Coal products	-9	17	17	26	17	0	-14	-10	0	14	-10	-10
Ceramics, Stone & Clay	25	15	22	-3	20	-2	-7	3	7	14	7	0
Iron & Steel	-5	0	-8	-3	0	8	-21	-18	-23	-2	-20	3
Nonferrous metals	12	12	12	0	6	-6	1	3	-2	-3	-8	-6
Food & Beverages	15	15	10	-5	6	-4	10	11	4	-6	5	1
Processed metals	11	13	6	-5	6	0	-3	-7	0	3	-8	-8
General-purpose machinery	23	18	29	6	21	-8	14	4	23	9	18	-5
Production machinery	13	16	21	8	15	-6	-3	-6	2	5	-2	-4
Business-oriented machinery	22	22	22	0	16	-6	13	13	14	1	20	6
Electrical machinery	11	12	8	-3	14	6	8	3	6	-2	3	-3
Shipbuilding & Heavy machinery, etc.	23	18	18	-5	18	0	13	21	17	4	20	3
Motor vehicles	7	9	8	1	11	3	9	6	8	-1	-6	-14
Basic materials	13	13	16	3	14	-2	-9	-7	-5	4	-6	-1
Processing	13	15	13	0	13	0	6	3	6	0	3	-3
Nonmanufacturing	34	28	33	-1	28	-5	14	11	16	2	8	-8
Construction	31	21	33	2	27	-6	17	14	20	3	12	-8
Real estate	51	46	57	6	47	-10	21	15	22	1	13	-9
Goods rental & Leasing	29	25	32	3	21	-11	30	22	30	0	21	-9
Wholesaling	29	21	29	0	22	-7	8	3	7	-1	1	-6
Retailing	28	21	13	-15	18	5	7	5	7	0	3	-4
Transport & Postal activities	27	28	33	6	27	-6	10	7	14	4	9	-5
Communications	35	35	38	3	38	0	21	16	26	5	17	-9
Information services	53	47	53	0	45	-8	31	24	33	2	23	-10
Electric & Gas utilities	16	16	16	0	8	-8	11	10	8	-3	4	-4
Services for businesses	45	43	40	-5	40	0	14	15	16	2	11	-5
Services for individuals	18	21	18	0	18	0	12	9	17	5	11	-6
Accommodations, Eating & Drinking services	52	42	40	-12	37	-3	21	16	27	6	14	-13
All industries	23	21	23	0	20	-3	8	6	10	2	6	-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"