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Evaluating Financial Position Based on BOJ Tankan (March 2020)

How to evaluate the deterioration of corporate financing due to the impact of COVID-19

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Summary

- Since the beginning of 2020, the financial environment surrounding Japanese companies has changed dramatically as the effects of the COVID-19 pandemic have seriously shaken global financial markets and the world economy. This paper examines the results of the March 2020 BOJ Tankan announced at the beginning of April 2020, focusing on financial position DI, which has attracted much attention in evaluating the current situation of Corporate Finance, taking into account the cases during the past two recessions.
- In March 2020, the decline in financial position DI was limited, partly due to the effect of the timing of the survey's response. It should be noted, however, that the decline in financial position DI may ultimately far exceed that of the late 1990s and late 2000s.
- The main points of interest in corporate financial position in the future are: (1) cash flow measures for SMEs that are expected to be included in the government's emergency economic package; (2) demand stimulation measures to stop the decline in demand, which is a direct factor in the deterioration of corporate financial position; and (3) progress in measures to prevent further spread of COVID-19.

Attention

This report is a summary translation. The official document is only in Japanese.