

TANKAN Summary (June 1997)

160th Short-Term Economic Survey of Principal Enterprises in Japan

93rd Short-Term Economic Survey of All Enterprises in Japan

Number of Sample Companies

Principal enterprises

All enterprises

Small enterprises

Manufacturing

Nonmanufacturing

Total

Response rate

386

322

708

100.0%

4,027

5,442

9,469

91.2%

2,110

3,372

5,482

89.1%

Not to be released before 8:50 a.m.
on Wednesday, 25th June 1997.

25th June 1997

Research and Statistics Department

Bank of Japan

1. Business Conditions

(Principal Enterprises)

[DI <"Favorable" minus "Unfavorable">, % points]

	Mar'97	June	Change between Mar and June	Sept (Forecast)	Change between June and Sept
Manufacturing	(-1) 2	(-1) 7	+5	8	+1
Basic materials	-4	(-6) 2	+6	2	0
Textiles	-15	(-8) -13	+2	-11	+2
Pulp & paper	18	(0) 9	-9	9	0
Chemicals	3	(-8) 8	+5	1	-7
Petroleum refining	-70	(-50) -40	+30	-30	+10
Ceramics	0	(6) 12	+12	6	-6
Iron & steel	-16	(-20) -8	+8	-8	0
Nonferrous metals	24	(33) 33	+9	43	+10
Processing	8	(2) 11	+3	13	+2
Food & beverages	-16	(-4) -4	+12	6	+10
Processed metals	0	(-15) 0	0	-7	-7
Industrial machinery	20	(17) 22	+2	27	+5
Electrical machinery	7	(4) 14	+7	23	+9
Shipbuilding & heavy machinery	-16	(-16) -16	0	0	+16
Motor vehicles	39	(0) 18	-21	10	-8
Precision machinery	18	(9) 18	0	9	-9
Nonmanufacturing	(-1) -6	(-7) -7	-1	-4	+3
Construction	-31	(-37) -36	-5	-34	+2
Real estate	-5	(-8) -3	+2	-14	-11
Wholesaling	2	(2) -6	-8	7	+13
Retailing	-4	(-7) -15	-11	-5	+10
Transportation & communications	-13	(-11) -7	+6	-8	-1
Services	11	(9) 16	+5	13	-3
Leasing	20	(13) 0	-20	13	+13
Electric & gas utilities	0	(0) 0	0	0	0

(Reference)

Average of predicted exchange rates for principal enterprises (manufacturing) on which replies are based:

FY1996 110.29yen/U.S.dollar (109.00yen/U.S.dollar in the March 1997 survey)

FY1997 114.56yen/U.S.dollar (113.56yen/U.S.dollar in the March 1997 survey)

1H 115.57yen/U.S.dollar , 2H 113.60yen/U.S.dollar

(Small Enterprises)

[DI <"Favorable" minus "Unfavorable">, % points]

	Mar'97	June	Change between Mar and June	Sept (Forecast)	Change between June and Sept
Manufacturing	(-12) -8	(-13) -7	+1	-8	-1
Textiles	-28	(-22) -23	+5	-19	+4
Lumber & lumber products	9	(-18) -11	-20	-16	-5
Pulp & paper	-6	(-6) -6	0	-4	+2
Chemicals	9	(6) 7	-2	7	0
Ceramics, stone & clay	-18	(-35) -24	-6	-28	-4
Iron & steel	-20	(-25) -12	+8	-9	+3
Nonferrous metals	-6	(-8) -5	+1	-5	0
Food & beverages	-8	(-3) -8	0	-3	+5
Processed metals	0	(-6) -2	-2	-2	0
Industrial machinery	-4	(-7) 1	+5	-1	-2
Electrical machinery	-2	(-12) 2	+4	-2	-4
Transportation machinery	4	(-13) -3	-7	-6	-3
Nonmanufacturing	(-8) -9	(-14) -11	-2	-13	-2
Construction	3	(-12) -5	-8	-13	-8
Real estate	0	(-6) -4	-4	-4	0
Wholesaling & retailing	-17	(-20) -18	-1	-18	0
Transportation & communications	-14	(-16) -15	-1	-15	0
Services & leasing	-4	(-8) -5	-1	-4	+1
Electric & gas utilities	19	(15) 16	-3	12	-4

2. Supply and Demand Conditions for Products; Inventories; and Prices (Principal Enterprises, Manufacturing)

	Mar'97	[DI, % points]			
		June	Change between Mar and June	Sept (Forecast)	Change between June and Sept
Supply and demand conditions * for products [6]	-17	(-18) -18	-1	-18	0
Basic materials	-20	(-20) -21	-1	-22	-1
Processing	-14	(-16) -17	-3	-16	+1
Supply and demand conditions for products overseas [6]	-15	(-16) -11	+4	-12	-1
Inventory level of finished goods [7]	12	(6) 9	-3	6	-3
Basic materials	15	(10) 11	-4	8	-3
Processing	9	(4) 7	-2	4	-3
Wholesalers' inventory level [7]	14	(12) 14	0	12	-2
Basic materials	19	(15) 19	0	14	-5
Processing	7	(10) 9	+2	10	+1

3. Sales and Current Profits (Principal Enterprises) Sales

[Y/y % chg]											
	FY96		FY97 (Forecast)		FY96 1H	FY96 2H	Revision rate	FY97 1H (Forecast)	Revision rate	FY97 2H (Forecast)	Revision rate
Manufacturing	6.5	+1.1	3.1	+1.6	4.8	8.1	+2.2	4.7	+1.0	1.7	+2.1
Domestic sales	5.3	+0.8	2.2	+0.9	3.4	7.0	+1.7	3.3	+0.1	1.2	+1.6
Exports	11.2	+2.2	6.6	+4.2	10.1	12.2	+4.2	9.9	+4.5	3.6	+3.9
Nonmanufacturing	4.1	+1.5	2.3	+1.6	4.0	4.2	+2.9	3.1	+0.6	1.6	+2.5

Current Profits

Current Month											[Y/y % chg]
Manufacturing (excluding petroleum refining)	20.0	+3.8	8.5	+2.9	25.3	16.2	+6.9	10.2	+1.9	7.1	+3.7
Basic materials (excluding petroleum refining)	15.8	+5.2	6.7	+2.0	16.6	15.2	+9.6	7.4	-0.6	6.2	+4.3
Processing	21.9	+3.2	9.2	+3.3	29.5	16.6	+5.8	11.5	+3.1	7.5	+3.4
Nonmanufacturing (excluding electric & gas utilities)	9.8	+2.5	4.0	+1.9	28.0	-4.3	+5.2	-4.4	-5.0	12.8	+8.9

Current Profit to Sales Ratio

											(%)
Manufacturing (excluding petroleum refining)	4.28	+0.12	4.49	+0.05	3.97	4.55	+0.20	4.18	+0.04	4.78	+0.07
Nonmanufacturing (excluding electric & gas utilities)	1.62	+0.01	1.65	+0.00	1.75	1.50	+0.03	1.63	-0.09	1.67	+0.09

	Mar'97	[DI, % points]			
		June	Change between Mar and June	Sept (Forecast)	Change between June and Sept
Change in output prices *	[8]	(-10) -7	+3	-6	+1
Basic materials	0	(-1) 2	+2	4	+2
Processing	-21	(-19) -15	+6	-16	-1
Change in input prices [8]	15	(8) 8	-7	6	-2
Basic materials	27	(13) 14	-13	11	-3
Processing	3	(4) 2	-1	2	0

* See notes 6 to 8 under *NOTES*.

(Small Enterprises) Sales

										[Y/y % chg]	
	FY96		FY97 (Forecast)		FY96 1H	FY96 2H	Revision rate	FY97 1H (Forecast)		FY97 2H (Forecast)	Revision rate
		Revision rate		Revision rate					Revision rate		
Manufacturing	3.5	+1.1	0.6	+0.4	2.5	4.4	+2.1	1.4	+0.2	-0.1	+0.5
Nonmanufacturing	4.0	+1.2	-0.2	+0.1	3.6	4.4	+2.4	0.8	-0.1	-1.0	+0.2

Current Profits

											[Y/y % chg]
Manufacturing	30.2	+8.4	13.3	+3.0	44.3	22.9	+14.3	22.9	-0.3	7.4	+5.4
Nonmanufacturing	5.4	+5.0	0.7	-0.7	13.6	-0.7	+9.4	-8.8	-4.1	8.8	+1.9

Current Profit to Sales Ratio

Current Profit to Sales Ratio											(%)
Manufacturing	2.59	+0.19	2.89	+0.11	2.05	3.08	+0.36	2.46	+0.00	3.29	+0.20
Nonmanufacturing	2.72	+0.15	2.75	+0.03	2.67	2.75	+0.21	2.44	-0.04	3.03	+0.09

4. Fixed Investments (Fixed Investments)

		[Y/y % chg]			
		FY96	Revision rate	FY97 (Forecast)	Revision rate
Principal enterprises	All industries	4.0	-0.7	4.6	+1.2
	Manufacturing	5.7	-1.3	8.5	+4.3
	Nonmanufacturing	3.2	-0.4	2.7	-0.3
Small enterprises	All industries	3.5	+2.6	-12.6	+8.6
	Manufacturing	2.2	+1.9	-2.2	+10.5
	Nonmanufacturing	4.1	+2.9	-17.1	+7.7
All enterprises	All industries	4.0	+1.3	-2.6	+3.1
	Manufacturing	6.7	+0.1	4.7	+4.6
	Nonmanufacturing	2.8	+1.9	-6.2	+2.4

5. Overseas Production and Investment* (Overseas Production <Principal Enterprises>)

		[Y/y % chg]		
Figure in parentheses = number of respondents	FY96 (Preliminary Figures)	Revision rate	FY97 (Forecast)	
Manufacturing (211)	20.1	+7.4	11.2	
Share of overseas production	20.0	+0.9	21.2	

(Overseas Investment <Principal Enterprises>)

		[Y/y % chg]		
Figure in parentheses = number of respondents	FY96 (Preliminary Figures)	Revision rate	FY97 (Forecast)	
Manufacturing (171)	41.3	+14.3	4.0	
Share of overseas investment	34.7	+3.5	33.4	

* See notes 9 to 12 under *NOTES*.

(Production Capacity DI <Manufacturing>)

		[DI<"Excessive" minus "Insufficient">, % points]			
	Mar'97	June	Change between Mar and June	Sept (Forecast)	Change between June and Sept
Principal enterprises	11	(10) 7	-4	6	-1
Small enterprises	5	(5) 7	+2	4	-3

6. Employment (Employment DI)

[DI<"Excessive" minus "Insufficient">, % points]

		Mar'97	June	Change between Mar and June	Sept (Forecast)	Change between June and Sept
Principal enterprises	All industries	13	(12) 13	0	12	-1
	Manufacturing	16	(15) 15	-1	13	-2
	Nonmanufacturing	12	(10) 11	-1	10	-1
Small enterprises	All industries	-4	(-2) 0	+4	-3	-3
	Manufacturing	-2	(2) 2	+4	0	-2
	Nonmanufacturing	-6	(-6) -1	+5	-6	-5

(Number of Employees <All Industries>)

[Y/y % chg]

	June-end'96	Sept-end	Dec-end	Mar-end'97
Principal enterprises	-2.2	-1.9	-1.9	-2.0
Small enterprises	-0.5	-0.3	-0.1	0.3

7. Corporate Finance

(Corporate Finance-Related DIs <All Industries>)

[DI, % points]

		Mar'97	June	Change between Mar and June	Sept (Forecast)	Change between June and Sept
Principal enterprises	* Financial position [13]	13	(10) 15	+2	11	-4
	Lending attitude of financial institutions [14]	26	(25) 25	-1	23	-2
	Change in interest rate [15]	-5	(8) 16	+21	33	+17
Small enterprises	Financial position [13]	-7	(-14) -5	+2	-12	-7
	Lending attitude of financial institutions [14]	12	(7) 11	-1	5	-6
	Change in interest rate [15]	-9	(2) 2	+11	27	+25

* See notes 13 to 15 under *NOTES*.

(Liquidity Ratio <All Industries>)*

[Seasonally adjusted, months]

	June-end '96	Sept-end	Dec-end	Mar-end '97
Principal enterprises	1.49	1.41	1.43	1.36
Small enterprises	1.67	1.62	1.65	1.58

* See note 16 under *NOTES*

(Appendix) Fixed Investments of Financial Institutions*

(Fixed Investments)

[Y/y% chg, trillion yen]

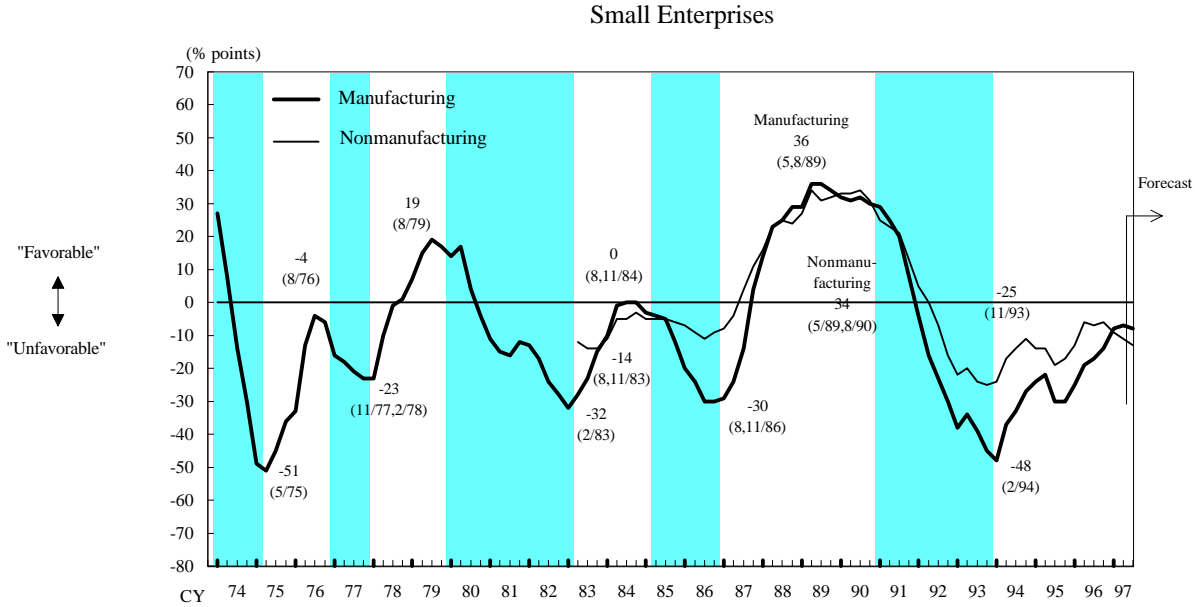
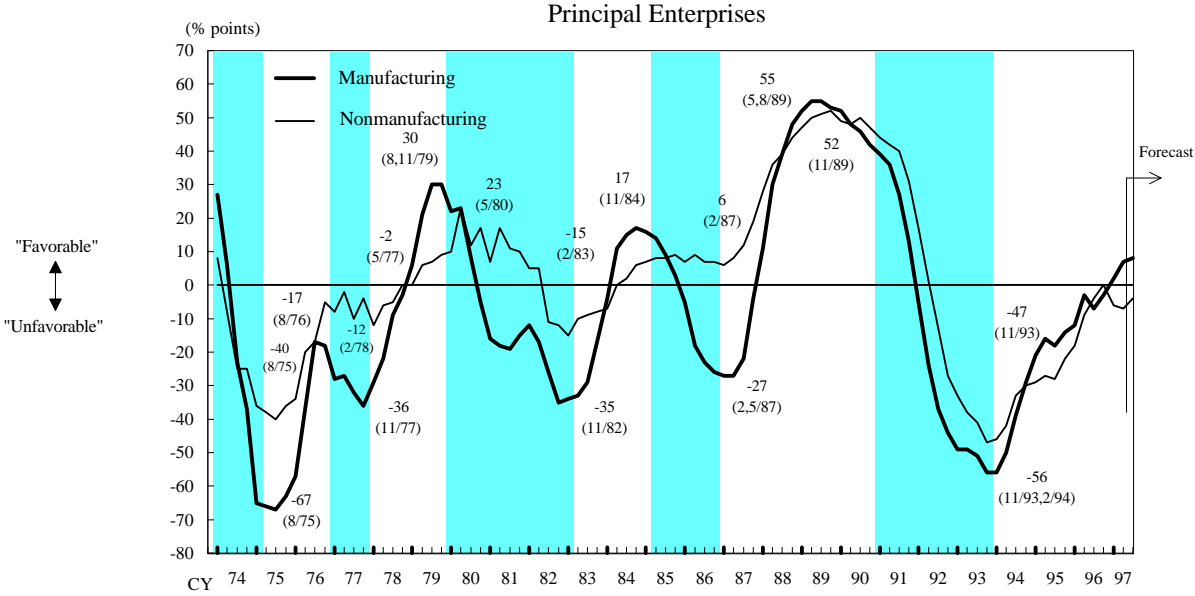
		FY96	Revision rate	FY97 (Forecast)	Revision rate
Financial institutions	<200>	(1.3) -11.2	-1.7	(1.4) 7.7	+1.5
Banks	<148>	-3.6	-0.1	6.3	+2.4
Securities companies	< 27>	5.4	+1.8	46.6	+9.2
Insurance companies	< 25>	-18.6	-3.5	7.3	+0.1

* See notes 17 to 19 under *NOTES*.

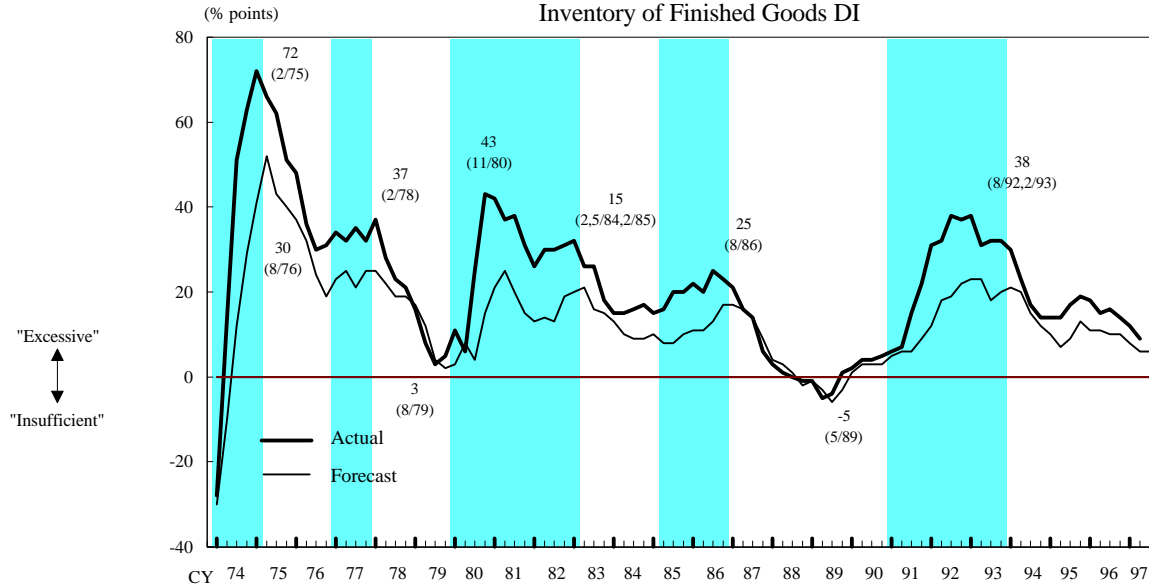
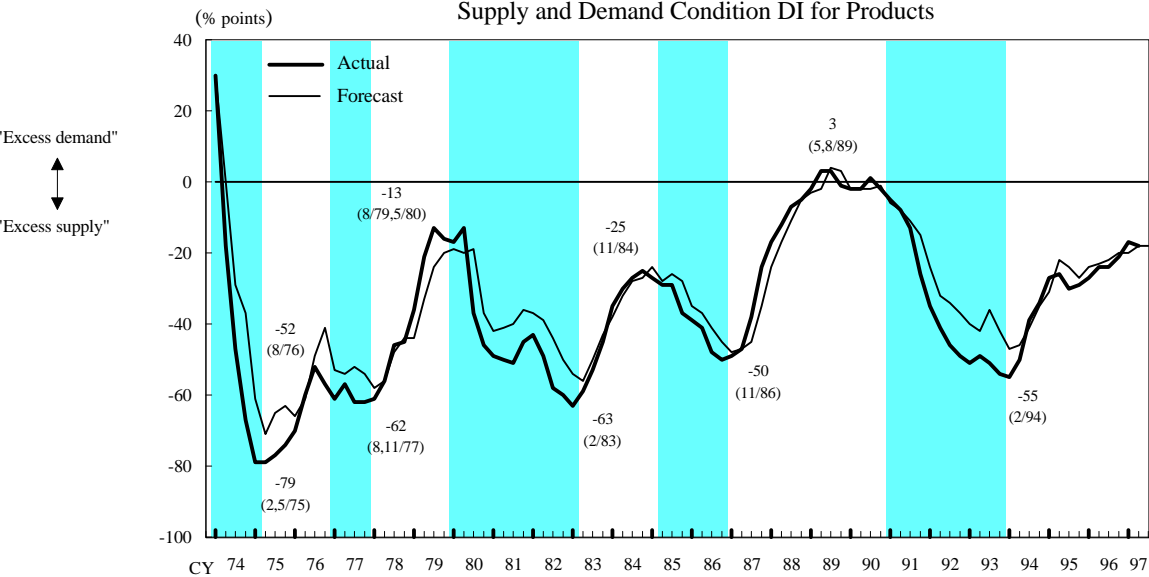
(Investments for Computerizing)

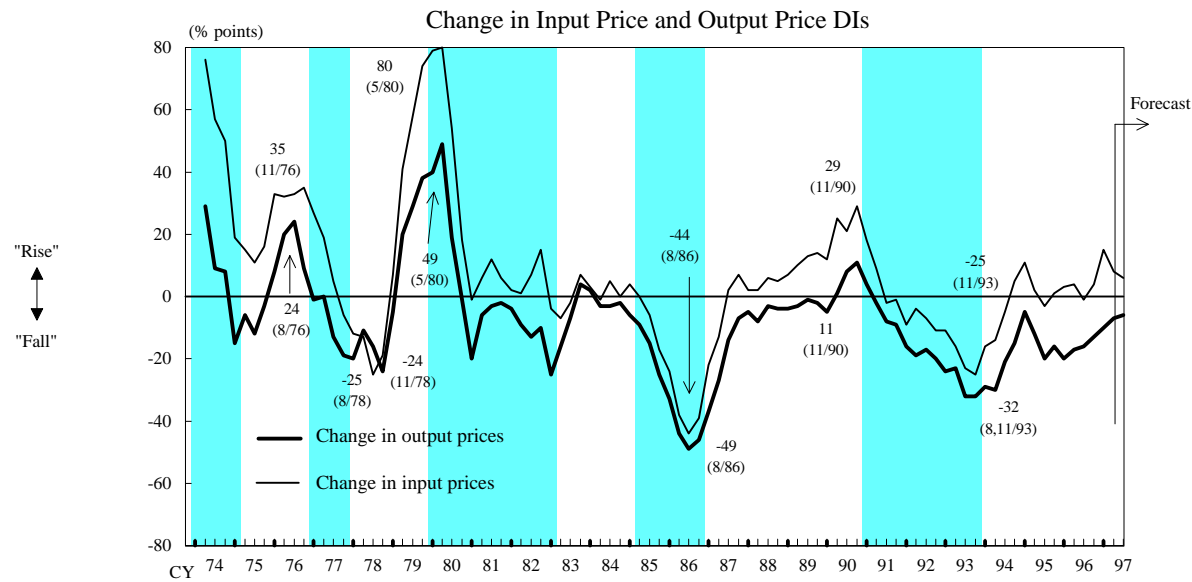
[Y/y% chg, trillion yen]

		FY96	Revision rate	FY97 (Forecast)
Financial institutions	<200>	(1.1) 4.3	-0.4	(1.3) 13.4
Banks	<148>	6.5	+0.1	11.5
Securities companies	< 27>	-10.3	-2.4	2.3
Insurance companies	< 25>	5.7	-0.9	24.1

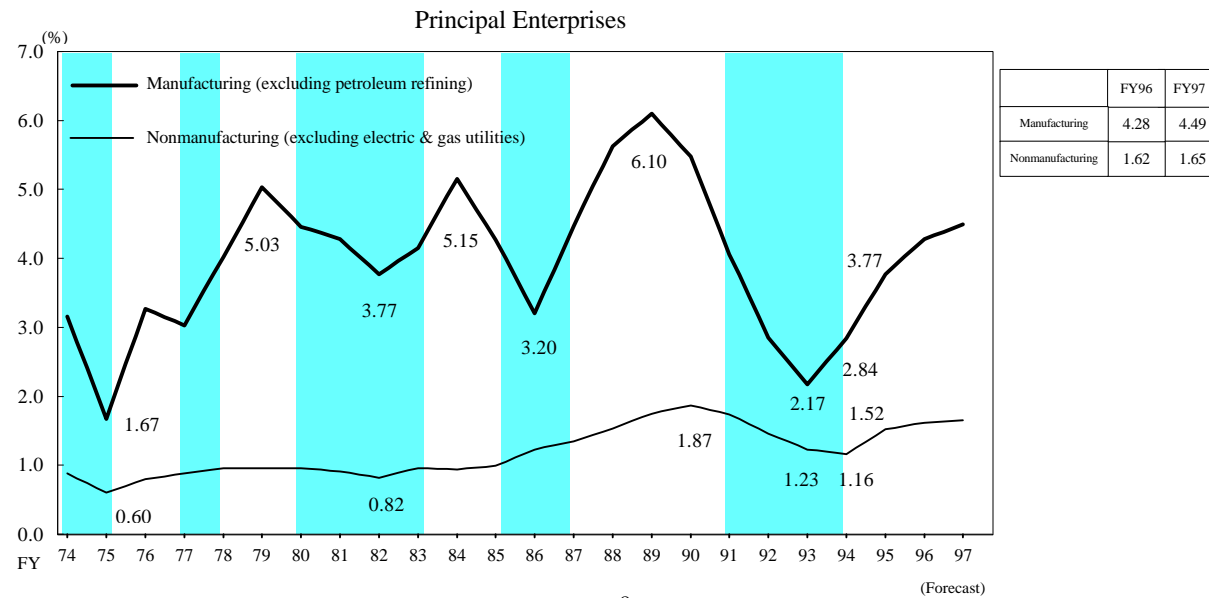


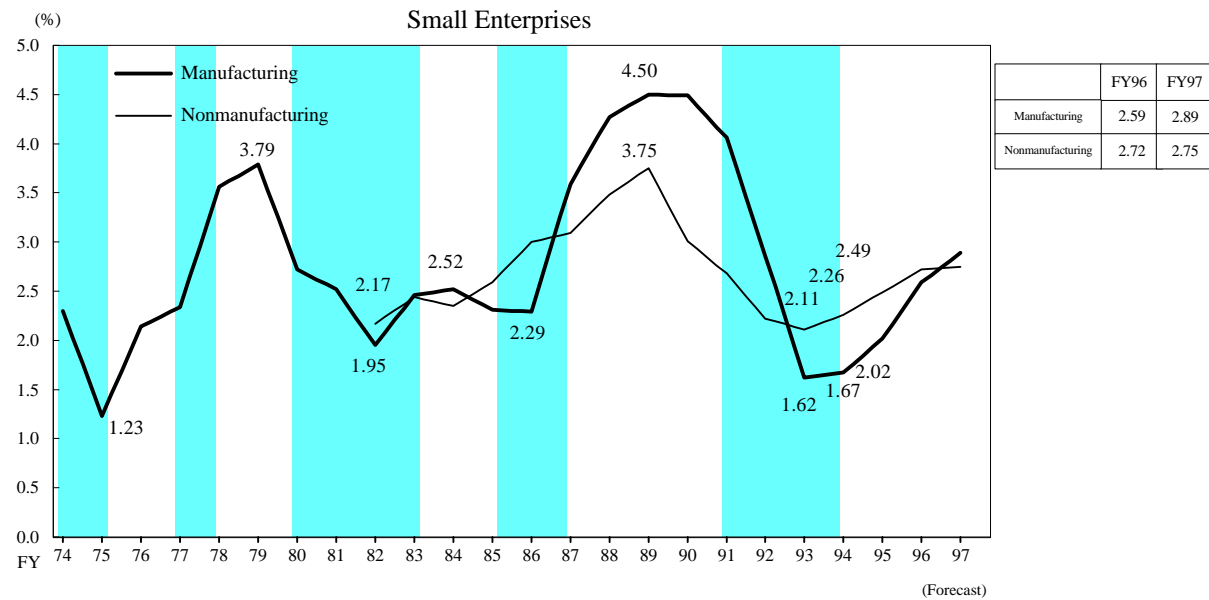
[Supply and Demand Conditions for Products; Inventories; and Prices (Principal Enterprises, Manufacturing)]



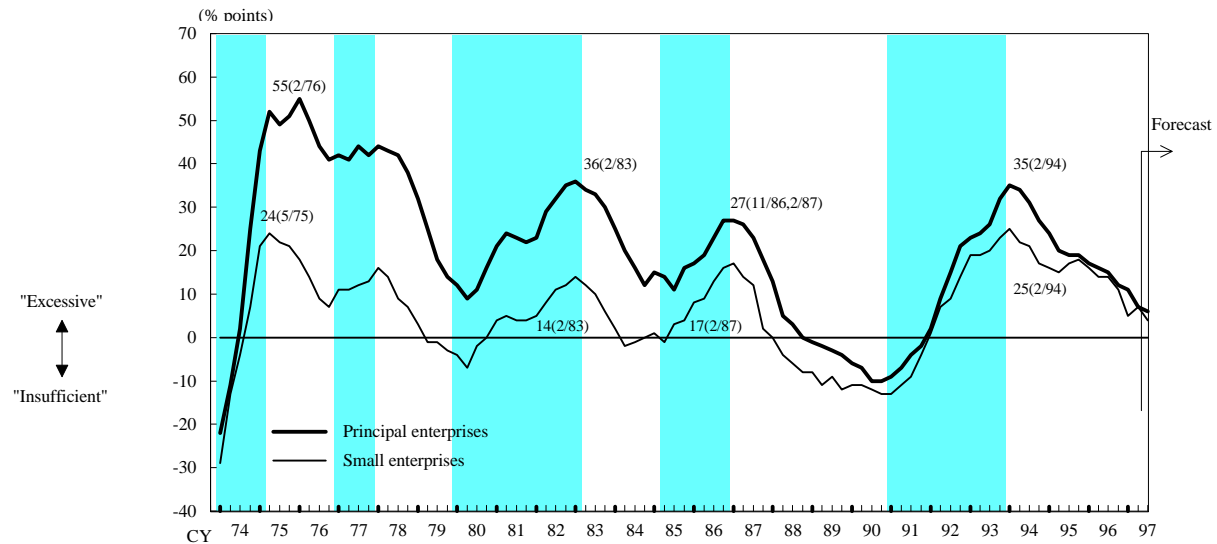


[Current Profit to Sales Ratio]



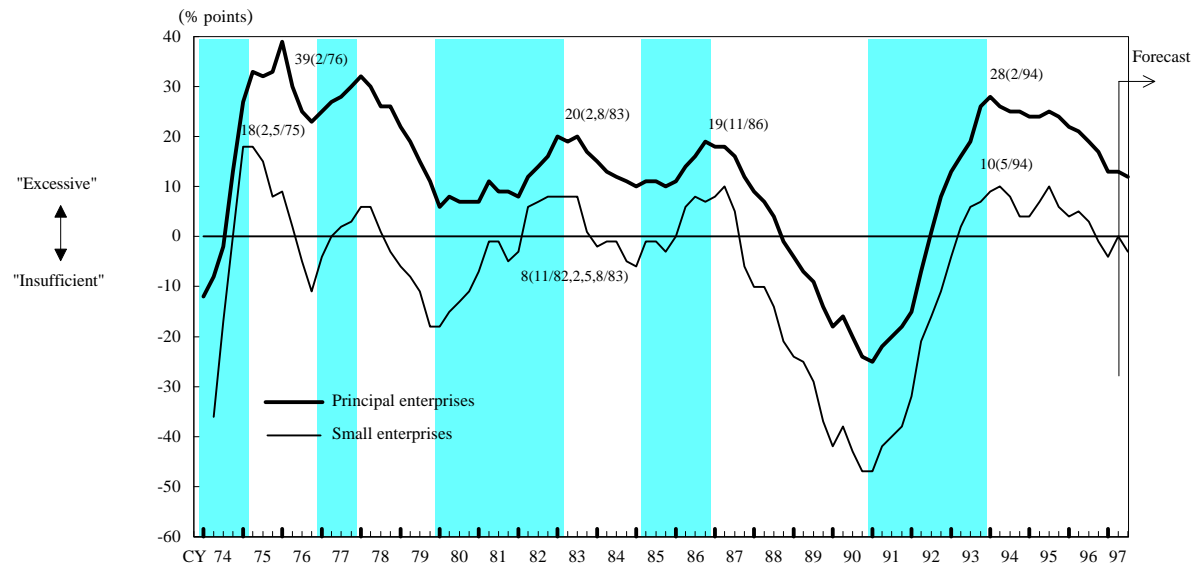


[Production Capacity DI (Manufacturing)]

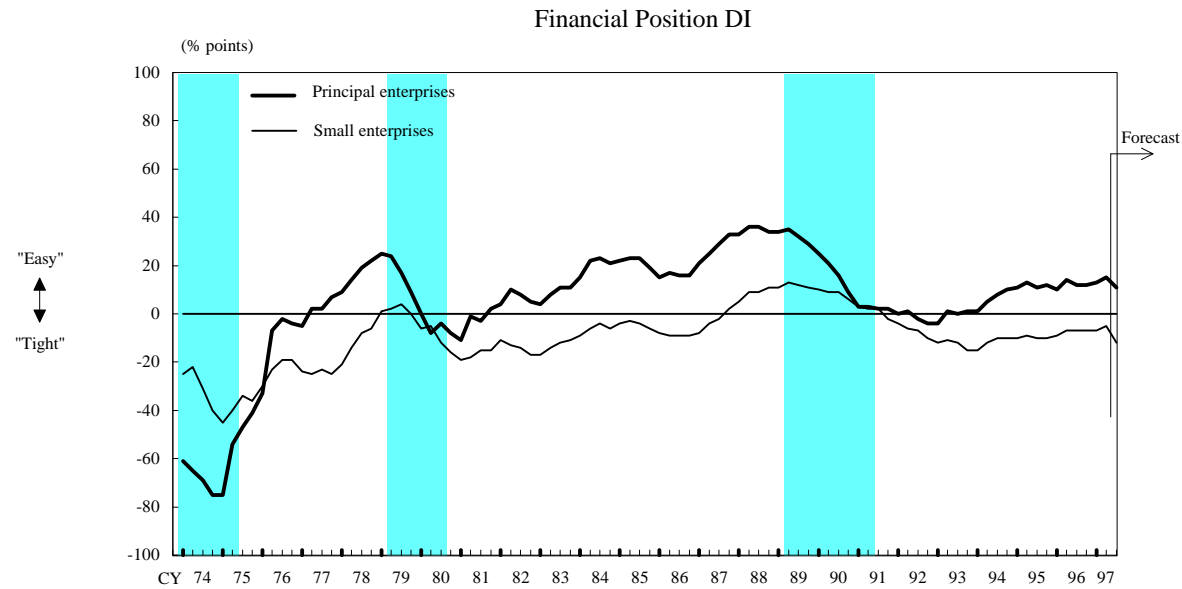


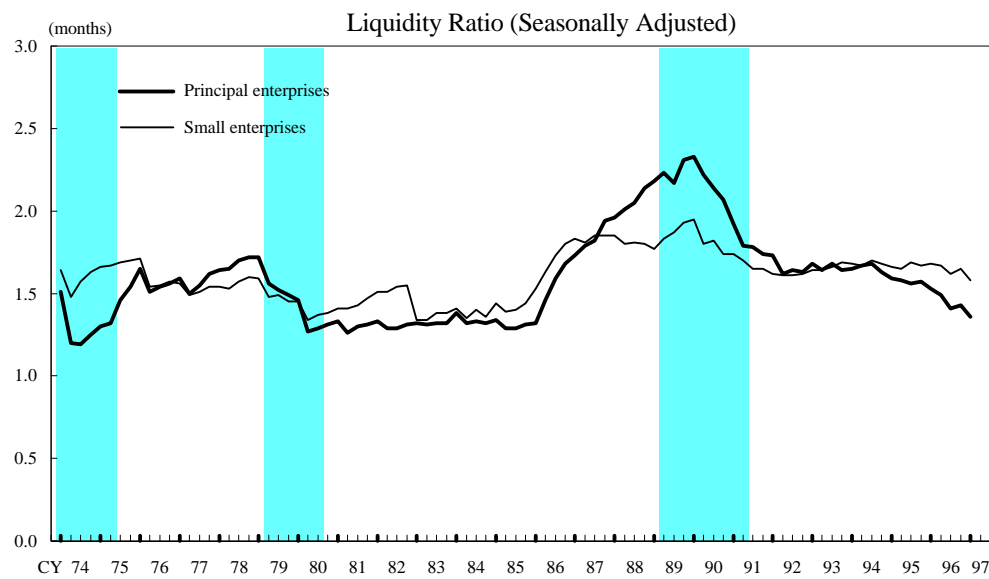
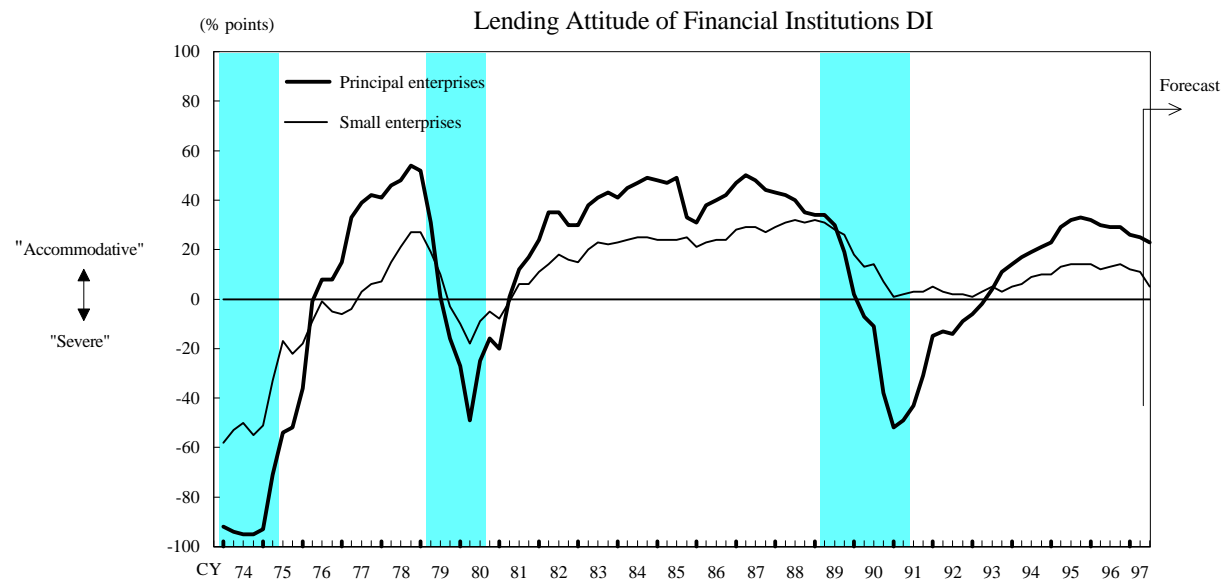
[Employment DI (All Industries)]

* See notes 21 and 22 under *NOTES*.



[Corporate Finance-Related Indicators (All Industries)]





NOTES

1. FY = fiscal year (April - March of the following year)
1H = first half (April - September)
2H = second half (October - March)
2. - indicates a negative figure.
3. DI (diffusion index) is the difference between the percentage share of the number of respondents choosing the first of three situations (e.g. "Favorable", "Not so favorable", and "Unfavorable") minus those choosing the third: "Favorable" minus "Unfavorable".
4. Figures in parentheses are forecasts of the previous survey, unless otherwise noted.
5. For value-based figures,
$$\text{"Revision rate" (\%)} = (\text{Projection in this survey} - \text{Previous projection*}) / \text{Previous projection*} \times 100$$

For ratio- or share-based figures,
$$\text{"Revision rate" (\%points)} = \text{Projection in this survey (\%)} - \text{Previous projection* (\%)}$$

*The previous projections were conducted in March 1997, unless otherwise noted.

Notes for "2. Supply and Demand Conditions for Products; Inventories; and Prices"

6. ("Excess demand" minus "Excess supply")
7. ("Excessive or rather excessive" minus "Insufficient or rather insufficient")
8. ("Rise" minus "Fall")

Notes for "5. Overseas Production and Investment"

9. Companies covered are those with at least a 10% equity interest in overseas affiliates.
10. Partly includes yen conversion estimates in the case of foreign currency dominated transaction.

Notes for "5. Overseas Production and Investment" (Continued)

11. Share of overseas production (%)
$$= \text{Value of overseas production} / (\text{Value of sales**} + \text{Value of overseas production}) \times 100$$

Share of overseas investment (%)
$$= \text{Value of overseas investment} / (\text{Value of domestic investment**} + \text{Value of overseas investment}) \times 100$$

** "Value of sales" is calculated on the same company basis as "Overseas production".
"Value of domestic investment" is calculated in a similar fashion.
12. The previous projections were conducted in August 1996.

Notes for "7. Corporate Finance"

13. ("Easy" minus "Tight")
14. ("Accommodative" minus "Severe")
15. ("Rise" minus "Fall")
16. "Ratio of Liquidity" (month) =
$$(\text{Quarter-end balance of cash and deposits} + \text{Quarter-end balance of securities}) / \text{Monthly average sales during the fiscal year to which the quarter-end figures belong**}$$

** "Sales" is the annual projection when the quarter-end figures were finalized.

Notes for "(Appendix) Fixed Investments of Financial Institutions"

17. Figures in parentheses are amounts (trillion yen).
18. Figures in angle brackets are numbers of financial institutions.
19. The previous projection on "Investments for Computerizing" was conducted in November 1996.

CHART NOTES

20. Shaded areas indicate periods of recession (according to the Economic Planning Agency), unless otherwise noted.
21. As for employment DI, financial position DI and lending attitude of financial institutions DI, nonmanufacturing not included in small enterprises before May 1983.
22. As for "Corporate Finance-Related Indicators", shaded areas indicate periods of restraint.
23. As for the liquidity ratio, nonmanufacturing not included in small enterprises before March-end 1983.