

TANKAN Summary (June 1998)

164th Short-Term Economic Survey of Principal Enterprises in Japan

97th Short-Term Economic Survey of All Enterprises in Japan

Number of Sample Companies

	Manufacturing	Nonmanufacturing	Total	Response rate
Principal enterprises	385	320	705	100.0%
All enterprises	3,966	5,298	9,264	91.4%
Small enterprises	2,067	3,255	5,322	89.0%

Not to be released before 8:50 a.m.
on Monday, 29th June 1998.

29th June 1998
Research and Statistics Department
Bank of Japan

1. Business Conditions

(Principal Enterprises)

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

	Mar'98	June	Change between Mar and June	Sept (Forecast)	Change between June and Sept
Manufacturing	(-15) -31	(-31) -38	-7	-34	+4
Basic materials	-42	(-40) -52	-10	-43	+9
Textiles	-51	(-44) -54	-3	-49	+5
Pulp & paper	-18	(-27) -36	-18	-18	+18
Chemicals	-32	(-29) -47	-15	-37	+10
Petroleum refining	-70	(-60) -60	+10	-70	-10
Ceramics	-47	(-53) -65	-18	-59	+6
Iron & steel	-60	(-56) -68	-8	-52	+16
Nonferrous metals	-28	(-38) -33	-5	-23	+10
Processing	-21	(-22) -26	-5	-25	+1
Food & beverages	-10	(3) -10	0	-10	0
Processed metals	-50	(-50) -50	0	-36	+14
Industrial machinery	-7	(-2) -12	-5	-22	-10
Electrical machinery	-15	(-15) -18	-3	-13	+5
Shipbuilding & heavy machinery	-67	(-67) -67	0	-67	0
Motor vehicles	-32	(-50) -46	-14	-35	+11
Precision machinery	9	(-9) -9	-18	-18	-9
Nonmanufacturing	(-22) -30	(-24) -28	+2	-23	+5
Construction	-49	(-44) -52	-3	-46	+6
Real estate	-28	(-26) -26	+2	-20	+6
Wholesaling	-26	(-22) -27	-1	-20	+7
Retailing	-66	(-36) -46	+20	-25	+21
Transportation & communications	-22	(-20) -23	-1	-23	0
Services	-13	(-7) -20	-7	-18	+2
Leasing	-20	(-13) 0	+20	-6	-6
Electric & gas utilities	0	(-7) 0	0	0	0

(Reference)

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

FY1997 120.87yen/U.S.dollar (119.83yen/U.S.dollar in the March 1998 survey)

FY1998 125.75yen/U.S.dollar (121.71yen/U.S.dollar in the March 1998 survey)

1H 126.51yen/U.S.dollar , 2H 125.04yen/U.S.dollar

(Small Enterprises)

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

	Mar'98	June	Change between Mar and June	Sept (Forecast)	Change between June and Sept
Manufacturing	(-33) -38	(-44) -49	-11	-53	-4
Textiles	-59	(-58) -67	-8	-64	+3
Lumber & lumber products	-80	(-72) -77	+3	-70	+7
Pulp & paper	-42	(-37) -53	-11	-44	+9
Chemicals	-25	(-21) -31	-6	-30	+1
Ceramics, stone & clay	-49	(-60) -54	-5	-64	-10
Iron & steel	-48	(-60) -68	-20	-72	-4
Nonferrous metals	-31	(-45) -51	-20	-50	+1
Food & beverages	-27	(-21) -31	-4	-28	+3
Processed metals	-40	(-48) -58	-18	-67	-9
Industrial machinery	-19	(-38) -43	-24	-56	-13
Electrical machinery	-26	(-36) -43	-17	-57	-14
Transportation machinery	-37	(-46) -45	-8	-50	-5
Nonmanufacturing	(-33) -37	(-41) -42	-5	-43	-1
Construction	-32	(-45) -40	-8	-41	-1
Real estate	-29	(-34) -35	-6	-37	-2
Wholesaling & retailing	-50	(-49) -53	-3	-50	+3
Transportation & communications	-42	(-44) -45	-3	-49	-4
Services & leasing	-21	(-26) -28	-7	-32	-4
Electric & gas utilities	4	(0) 8	+4	-4	-12

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

	Mar'98	[DI, % points]			
		June	Change between Mar and June	Sept (Forecast)	Change between June and Sept
Supply and demand conditions * for products [6]	-42	(-38) -48	-6	-42	+6
Basic materials	-51	(-45) -58	-7	-48	+10
Processing	-33	(-32) -39	-6	-36	+3
Supply and demand conditions for products overseas [6]	-31	(-30) -32	-1	-30	+2
Inventory level of finished goods [7]	30	(20) 35	+5	22	-13
Basic materials	41	(25) 44	+3	30	-14
Processing	19	(14) 26	+7	16	-10
Wholesalers' inventory level [7]	36	(28) 39	+3	29	-10
Basic materials	47	(39) 49	+2	37	-12
Processing	25	(19) 29	+4	20	-9

3. Sales and Current Profits (Principal Enterprises) Sales

	FY97		FY98 (Forecast)		FY97 1H	FY97 2H		FY98 1H (Forecast)		FY98 2H (Forecast)		[Y/y % chg]	
	Revision rate		Revision rate			Revision rate		Revision rate		Revision rate			
Manufacturing	-0.1	-0.6	-0.8	-1.4	4.5	-4.2	-1.3	-4.3	-2.1	2.6	-0.7		
Domestic sales	-3.7	-1.1	-1.0	-2.4	0.9	-7.7	-2.2	-5.0	-3.3	3.0	-1.6		
Exports	12.8	+0.9	-0.1	+1.8	17.4	8.6	+1.8	-1.9	+1.5	1.6	+2.2		
Nonmanufacturing	-0.1	-0.7	-2.0	-2.1	1.8	-1.7	-1.4	-3.8	-3.6	-0.3	-0.7		

Current Profits

	FY97		FY98 (Forecast)		FY97 1H	FY97 2H		FY98 1H (Forecast)		FY98 2H (Forecast)		[Y/y % chg]	
	Revision rate		Revision rate			Revision rate		Revision rate		Revision rate			
Manufacturing (excluding petroleum refining)	-6.3	-0.9	-1.4	-2.8	12.8	-21.1	-2.1	-24.0	-13.8	23.6	+6.3		
Basic materials (excluding petroleum refining)	2.8	-0.2	-5.6	-4.8	15.2	-7.0	-0.3	-23.0	-16.3	11.3	+4.9		
Processing	-10.2	-1.3	0.7	-1.9	11.7	-27.1	-3.0	-24.4	-12.5	30.4	+7.0		
Nonmanufacturing (excluding electric & gas utilities)	-7.9	-0.4	-4.2	-4.0	-6.0	-9.8	-0.9	-15.5	-9.4	8.2	+1.0		

Current Profit to Sales Ratio

	FY97		FY98 (Forecast)		FY97 1H	FY97 2H		FY98 1H (Forecast)		FY98 2H (Forecast)		[Y/y % chg]	
	Revision rate		Revision rate			Revision rate		Revision rate		Revision rate			
Manufacturing (excluding petroleum refining)	4.04	-0.02	4.00	-0.07	4.32	3.78	-0.03	3.42	-0.46	4.53	+0.29		
Nonmanufacturing (excluding electric & gas utilities)	1.50	0.00	1.47	-0.03	1.63	1.39	+0.01	1.43	-0.09	1.50	+0.02		

	Mar'98	[DI, % points]			
		June	Change between Mar and June	Sept (Forecast)	Change between June and Sept
Change in output prices *	[8]	(-23) -29	+2	-20	+9
Basic materials	-37	(-24) -31	+6	-16	+15
Processing	-24	(-23) -27	-3	-22	+5
Change in input prices [8]	-13	(-7) -8	+5	-2	+6
Basic materials	-24	(-11) -9	+15	0	+9
Processing	-4	(-5) -6	-2	-4	+2

* See notes 6 to 8 under *NOTES*.

(Small Enterprises) Sales

	FY97		FY98 (Forecast)		FY97 1H	FY97 2H		FY98 1H (Forecast)		FY98 2H (Forecast)		[Y/y % chg]	
	Revision rate		Revision rate			Revision rate		Revision rate		Revision rate			
Manufacturing	-2.5	-0.2	-2.9	-2.0	0.7	-5.4	-0.4	-5.4	-2.5	-0.5	-1.5		
Nonmanufacturing	-3.3	-0.1	-1.0	-1.0	-1.3	-5.1	-0.3	-2.3	-1.2	0.2	-0.8		

Current Profits

	FY97		FY98 (Forecast)		FY97 1H	FY97 2H		FY98 1H (Forecast)		FY98 2H (Forecast)		[Y/y % chg]	
	Revision rate		Revision rate			Revision rate		Revision rate		Revision rate			
Manufacturing	-20.4	+1.2	-3.5	-14.3	1.6	-33.6	+1.1	-34.2	-26.9	24.6	-6.9		
Nonmanufacturing	-16.6	-1.4	4.1	-4.5	-19.2	-14.5	-2.2	-9.5	-13.1	15.1	+1.8		

Current Profit to Sales Ratio

	FY97		FY98 (Forecast)		FY97 1H	FY97 2H		FY98 1H (Forecast)		FY98 2H (Forecast)		[Y/y % chg]	
	Revision rate		Revision rate			Revision rate		Revision rate		Revision rate			
Manufacturing	2.03	-0.03	2.01	-0.34	1.96	2.10	-0.03	1.36	-0.47	2.62	-0.21		
Nonmanufacturing	2.36	0.00	2.48	-0.11	2.22	2.49	-0.02	2.05	-0.27	2.86	+0.04		

4. Fixed Investments (Fixed Investments)

		[Y/y % chg]			
		FY97	Revision rate	FY98 (Forecast)	Revision rate
Principal enterprises	All industries	-0.4	-2.4	-1.3	+0.6
	Manufacturing	6.4	-2.6	-2.6	+2.2
	Nonmanufacturing	-3.7	-2.4	-0.6	-0.2
Small enterprises	All industries	-4.6	+3.2	-19.1	+3.7
	Manufacturing	3.7	+2.7	-21.7	+4.8
	Nonmanufacturing	-7.9	+3.4	-17.9	+3.2
All enterprises	All industries	-3.0	-0.3	-8.7	+0.8
	Manufacturing	4.2	-1.4	-7.1	+2.0
	Nonmanufacturing	-6.4	+0.3	-9.6	+0.1

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

		[Y/y % chg]		
Figure in parentheses = number of respondents	FY97 (Preliminary Figures)	Revision rate	FY98 (Forecast)	
Manufacturing (221)	11.7	+6.8	6.2	
Share of overseas production	24.0	+1.5	25.2	

(Overseas Investment <Principal Enterprises>)

		[Y/y % chg]		
Figure in parentheses = number of respondents	FY97 (Preliminary Figures)	Revision rate	FY98 (Forecast)	
Manufacturing (170)	9.4	+4.1	-8.3	
Share of overseas investment	34.6	+1.7	33.6	

* See notes 9 to 12 under *NOTES*.

(Production Capacity DI <Manufacturing>)

		[DI<"Excessive" minus "Insufficient">, % points]			
	Mar'98	June	Change between Mar and June	Sept (Forecast)	Change between June and Sept
Principal enterprises	15	(15) 20	+5	17	-3
Small enterprises	16	(16) 23	+7	21	-2

6. Employment

(Employment DI)

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

		Mar'98	June	Change between Mar and June	Sept (Forecast)	Change between June and Sept
Principal enterprises	All industries	15	(17) 21	+6	19	-2
	Manufacturing	21	(23) 28	+7	25	-3
	Nonmanufacturing	8	(9) 13	+5	12	-1
Small enterprises	All industries	9	(11) 17	+8	15	-2
	Manufacturing	14	(16) 25	+11	22	-3
	Nonmanufacturing	5	(7) 11	+6	9	-2

(Number of Employees <All Industries>)

[Y/y % chg]

	June-end'97	Sept-end	Dec-end	Mar-end'98
Principal enterprises	-1.3	-1.8	-2.2	-2.1
Small enterprises	0.4	0.7	0.5	0.5

7. Corporate Finance

(Corporate Finance-Related DIs <All Industries>)

		[DI, % points]				
		Mar'98	June	Change between Mar and June	Sept (Forecast)	Change between June and Sept
Principal enterprises	* Financial position [13]	-5	(-8) -1	+4	-9	-8
	Lending attitude of financial institutions [14]	-41	(-38) -32	+9	-35	-3
	Change in interest rate [15]	42	(23) 0	-42	21	+21
Small enterprises	Financial position [13]	-20	(-32) -22	-2	-33	-11
	Lending attitude of financial institutions [14]	-19	(-29) -19	0	-27	-8
	Change in interest rate [15]	11	(22) 5	-6	14	+9

* See notes 13 to 15 under *NOTES*.

(Liquidity Ratio <All Industries>)*

[Seasonally adjusted, months]				
	June-end '97	Sept-end	Dec-end	Mar-end '98
Principal enterprises	1.30	1.29	1.33	1.35
Small enterprises	1.62	1.57	1.62	1.58

* See note 16 under *NOTES*.

(Appendix) Fixed Investments of Financial Institutions*

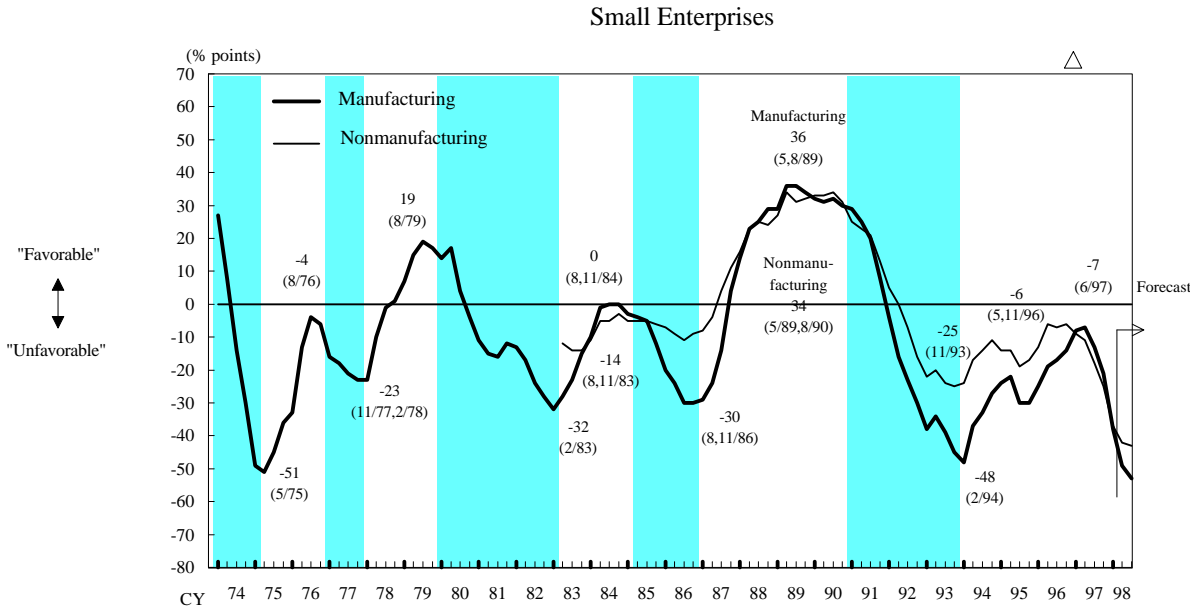
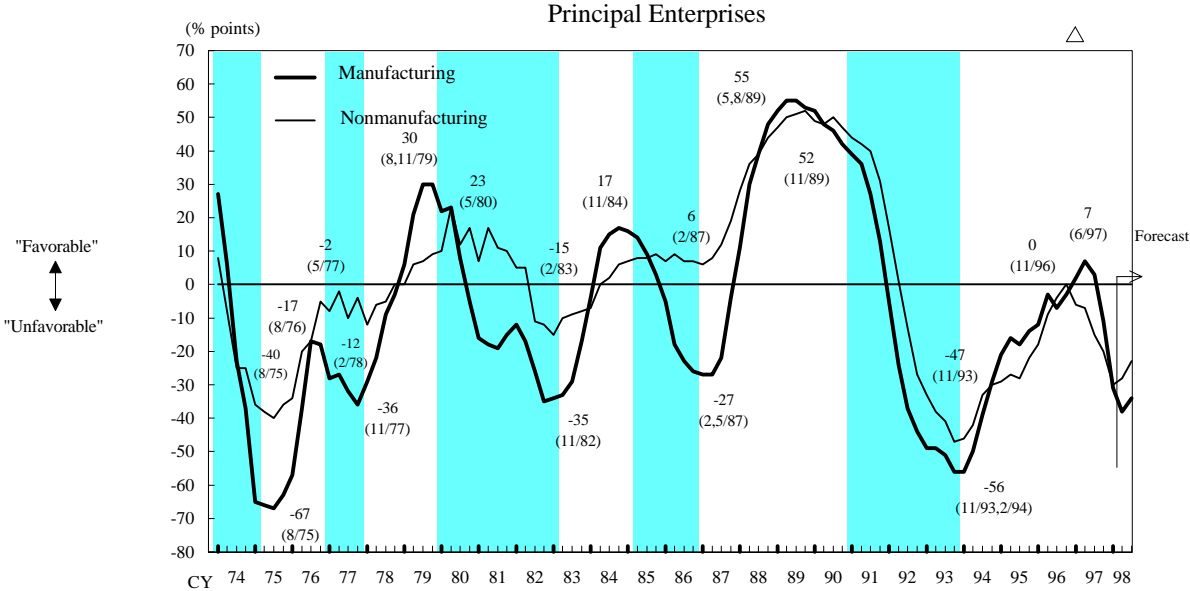
(Fixed Investments)

[Y/y% chg, trillion yen]				
	FY97	Revision rate	FY98 (Forecast)	Revision rate
Financial institutions <195>	(1.3) 5.3	-1.8	(1.3) -2.3	+3.9
Banks <145>	-8.7	-0.3	9.0	+0.8
Securities companies < 25>	68.9	-2.6	37.4	-17.3
Insurance companies < 25>	17.5	-3.0	-13.5	+9.7

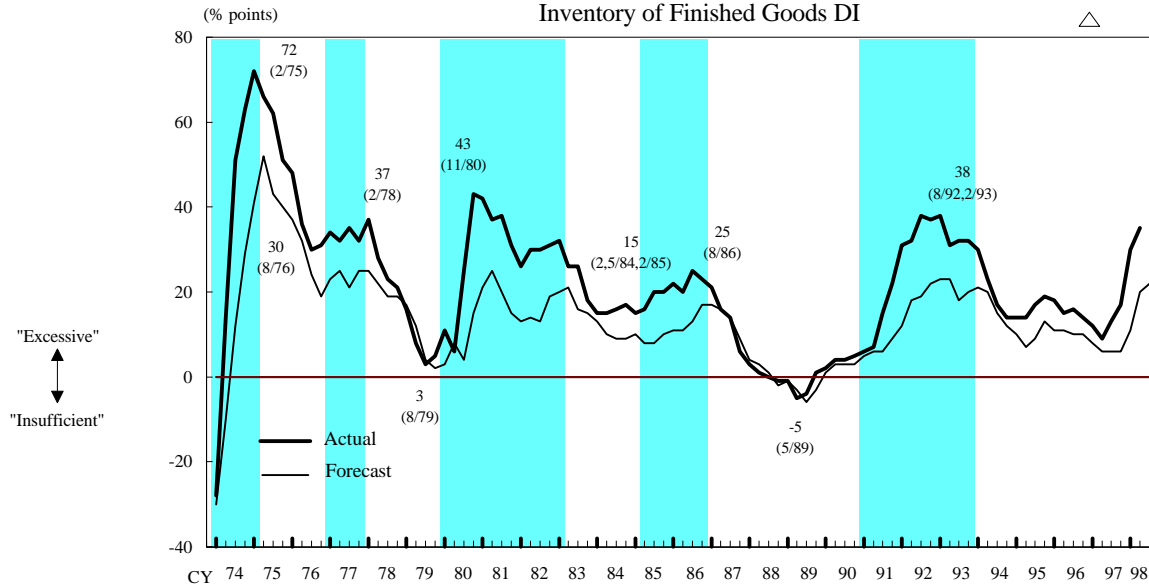
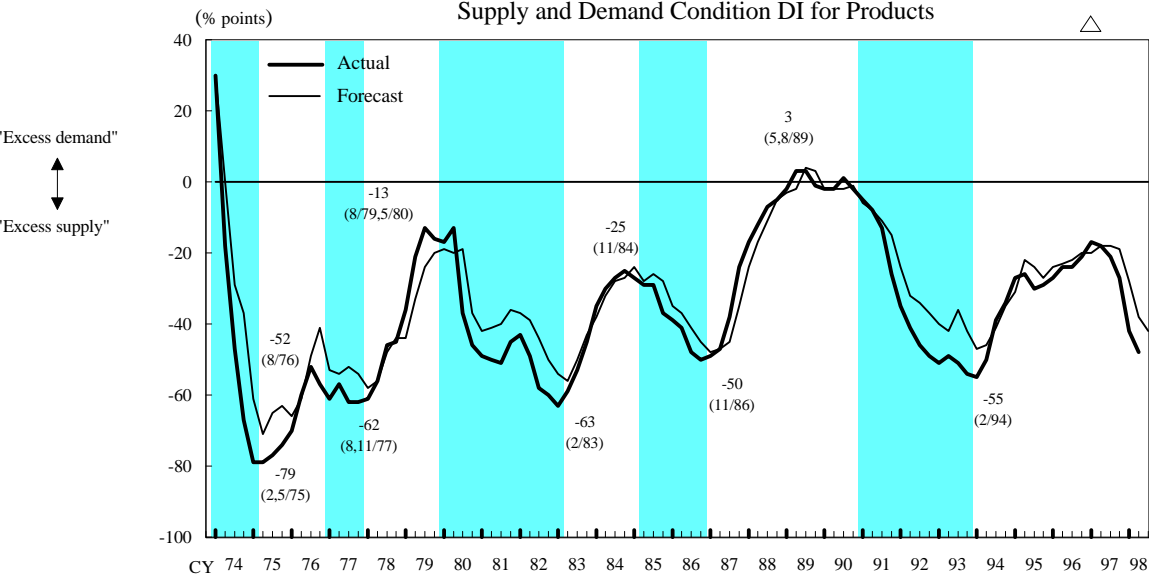
* See notes 17 to 19 under *NOTES*.

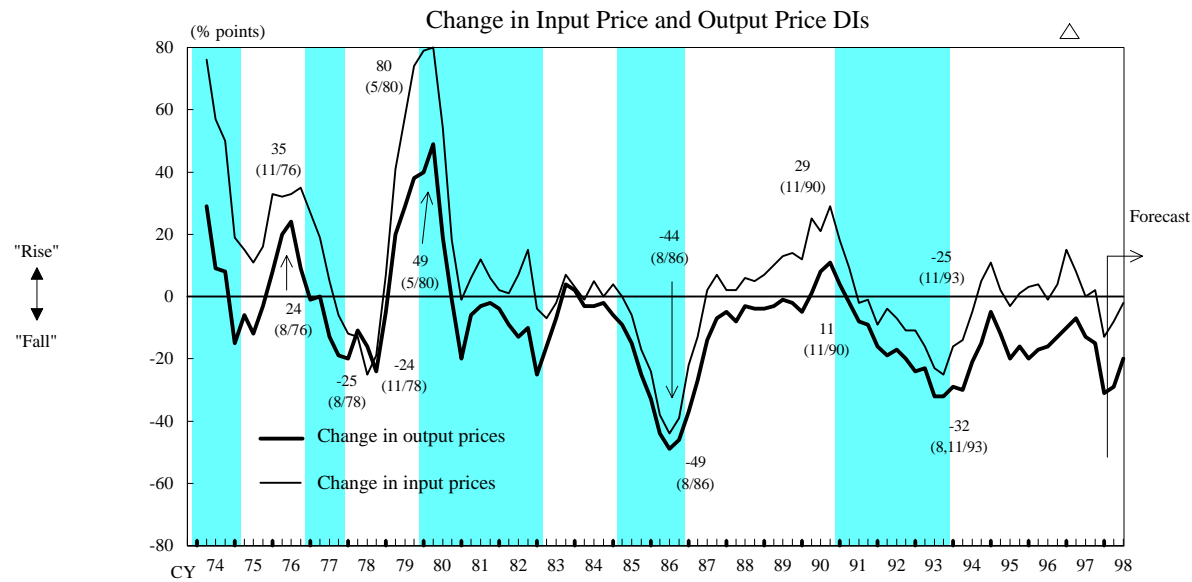
(Investments for Computerizing)

[Y/y% chg, trillion yen]			
	FY97	Revision rate	FY98 (Forecast)
Financial institutions <195>	(1.1) 3.9	-8.1	(1.3) 16.8
Banks <145>	0.0	-7.9	20.2
Securities companies < 25>	-1.3	-7.6	18.6
Insurance companies < 25>	16.9	-8.8	8.0

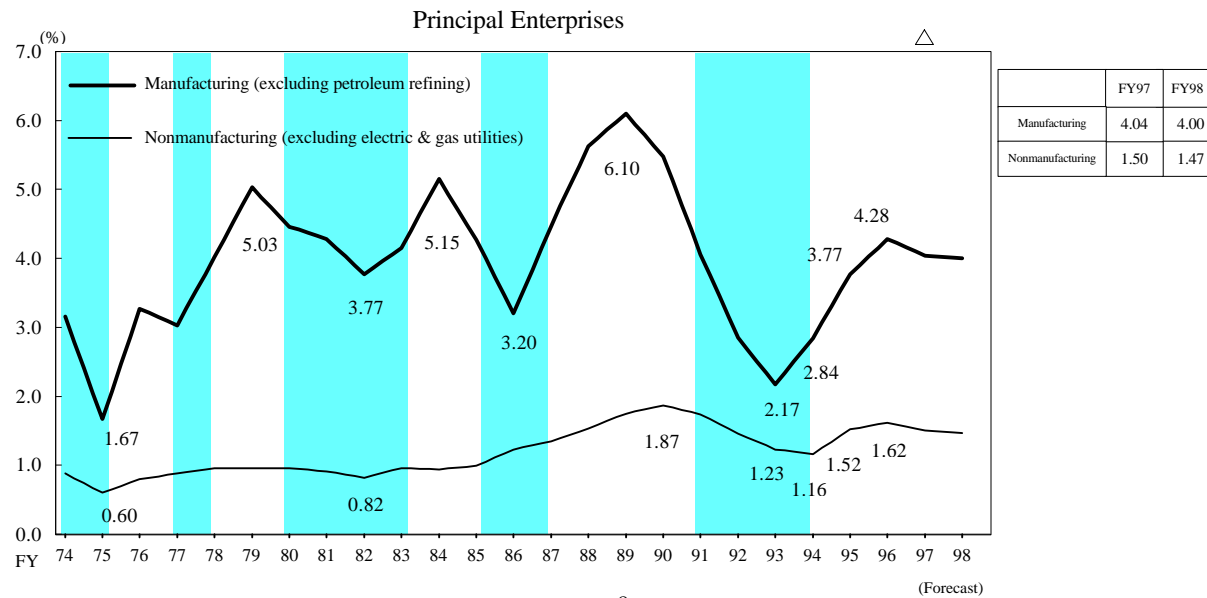


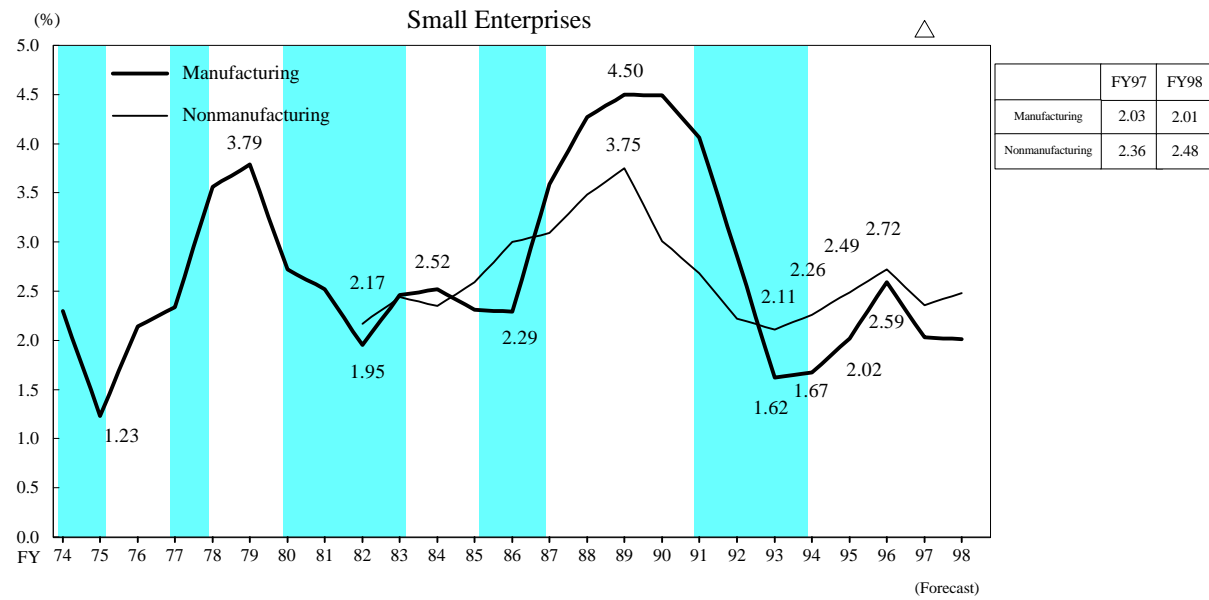
[Supply and Demand Conditions for Products; Inventories; and Prices (Principal Enterprises, Manufacturing)]



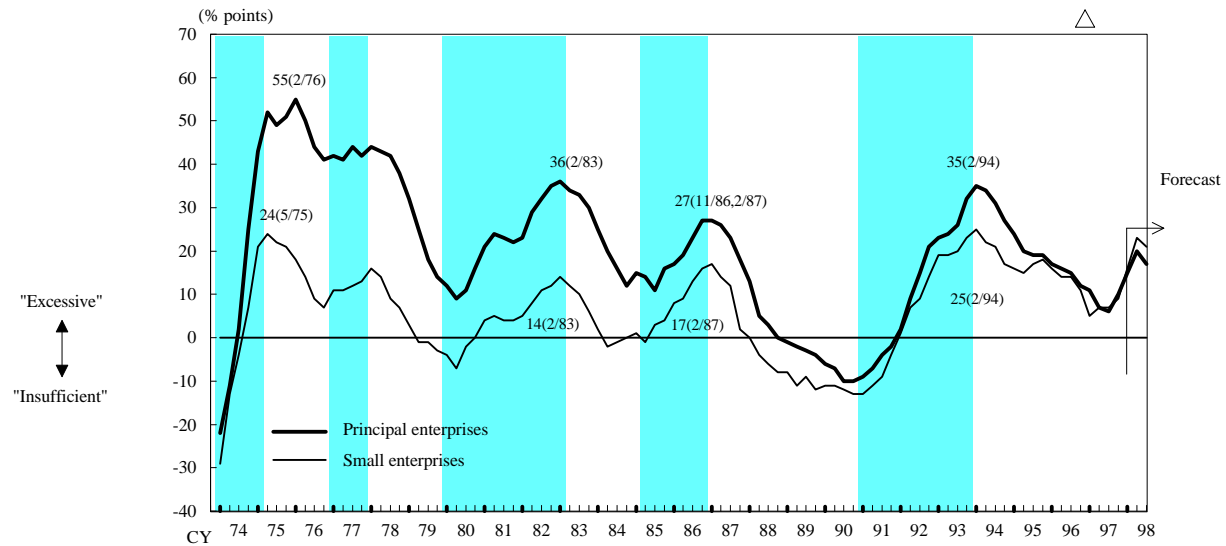


[Current Profit to Sales Ratio]



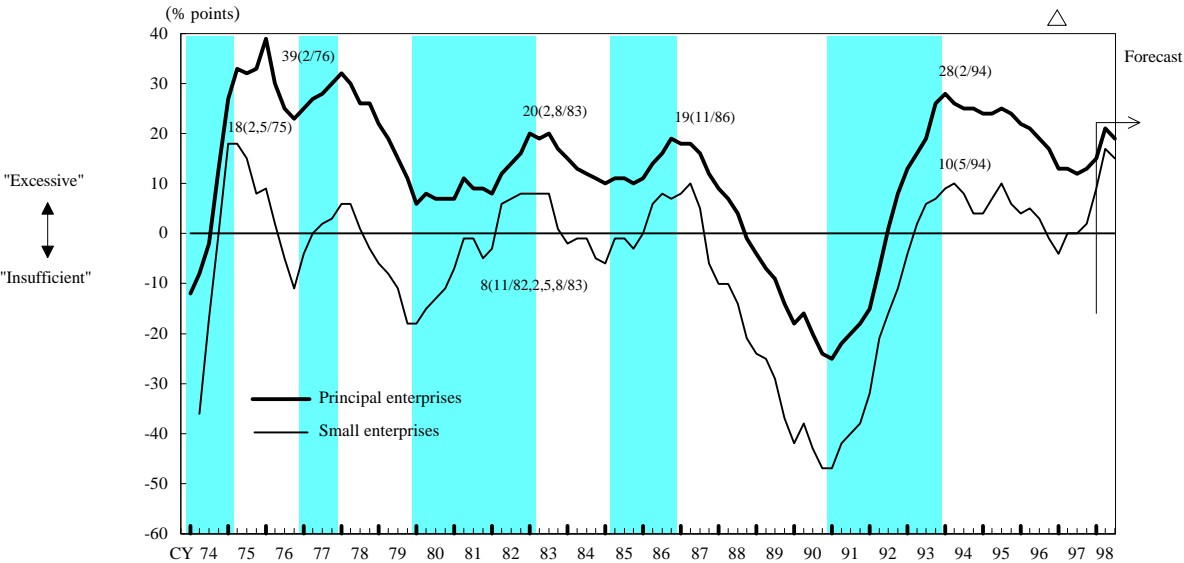


[Production Capacity DI (Manufacturing)]



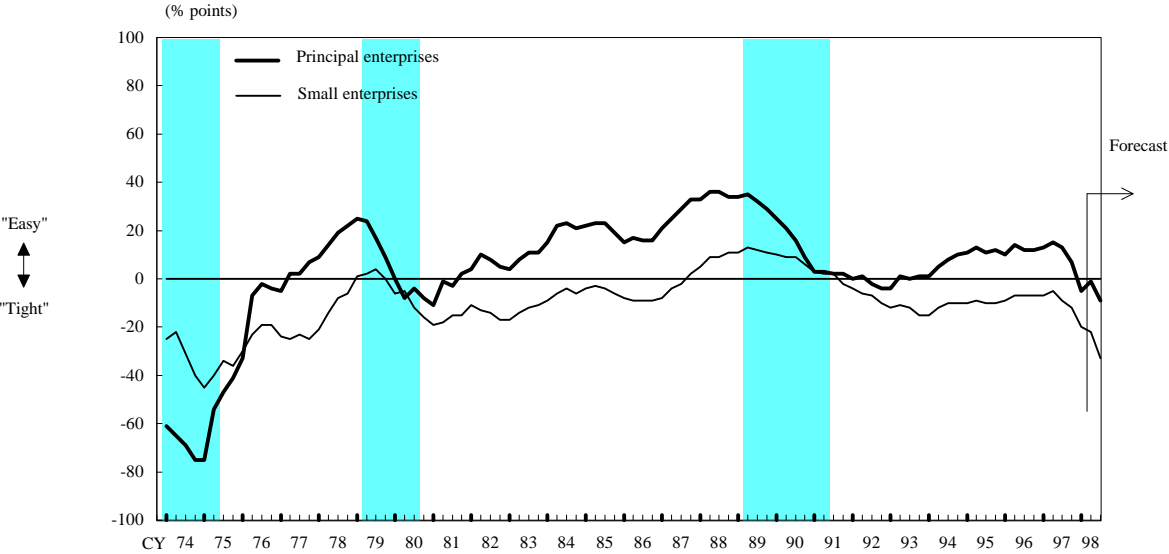
[Employment DI (All Industries)]

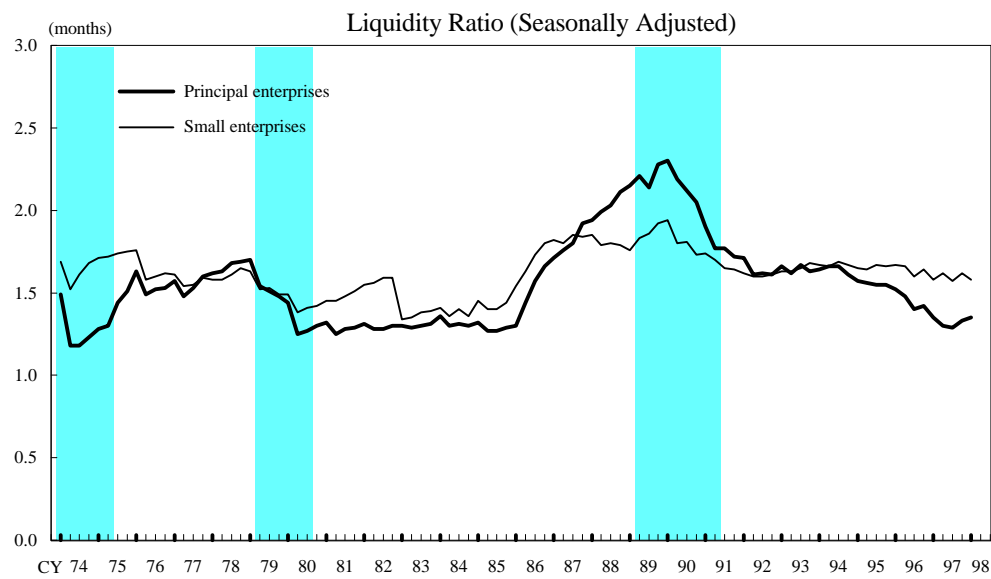
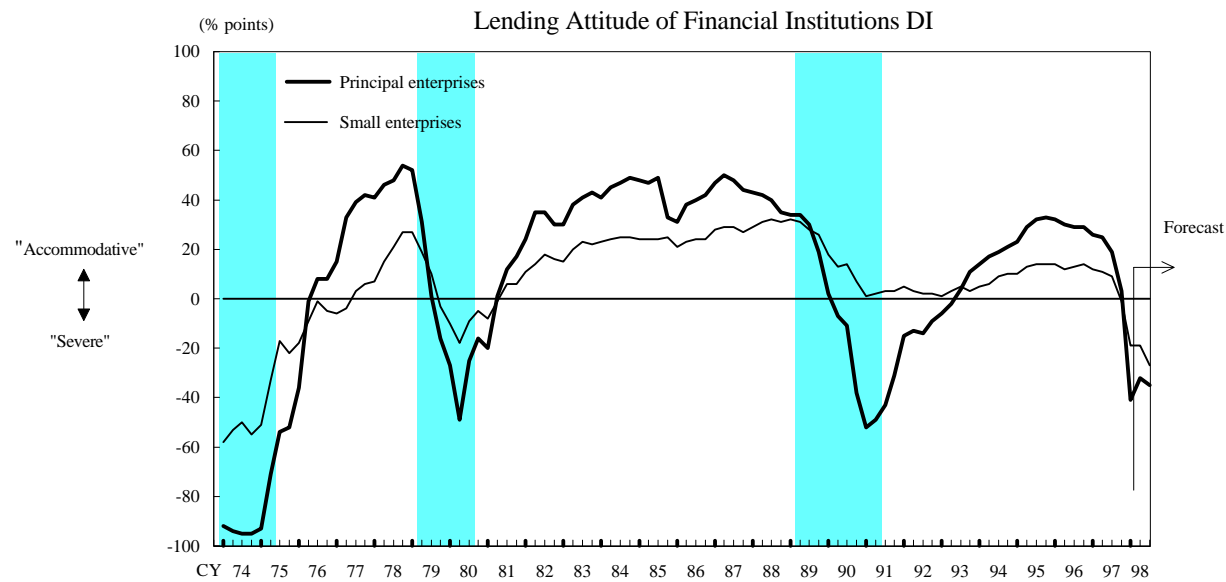
* See notes 21 and 22 under *NOTES*.



[Corporate Finance-Related Indicators (All Industries)]

Financial Position DI





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,
$$\text{"Revision rate" (\%)} = \frac{\text{Projection in this survey} - \text{Previous projection*}}{\text{Previous projection*}} \times 100$$

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

*The previous projections were conducted in March 1998, 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 (%)
$$= \frac{\text{Value of overseas production}}{(\text{Value of sales**} + \text{Value of overseas production})} \times 100$$

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

** "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 December 1997.

Notes for "7. Corporate Finance"

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

** "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 December 1997.

CHART NOTES

20. Shaded areas indicate periods of recession, unless otherwise noted.
Triangles indicate the latest peak, March 1997.
According to the Economic Planning Agency.
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.