

# TANKAN Summary (September 1998)

165th Short-Term Economic Survey of Principal Enterprises in Japan

98th Short-Term Economic Survey of All Enterprises in Japan

## Number of Sample Companies

Principal enterprises  
All enterprises  
Small enterprises

	Manufacturing	Nonmanufacturing	Total	Response rate
Principal enterprises	385	318	703	100.0%
All enterprises	3,944	5,242	9,186	91.8%
Small enterprises	2,048	3,209	5,257	89.7%

Not to be released before 8:50 a.m.  
on Thursday, 1st October 1998.

1st October 1998  
Research and Statistics Department  
Bank of Japan

## 1. Business Conditions

(Principal Enterprises)

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

	June'98	Sept	Change between June and Sept	Dec (Forecast)	Change between Sept and Dec
Manufacturing	( -31 ) -38	( -34 ) -51	-13	-46	+5
Basic materials	( -43 ) -52	( -60 ) -60	-8	-56	+4
Textiles	( -49 ) -54	( -64 ) -64	-10	-59	+5
Pulp & paper	( -18 ) -36	( -55 ) -55	-19	-45	+10
Chemicals	( -37 ) -47	( -48 ) -48	-1	-48	0
Petroleum refining	( -70 ) -60	( -70 ) -70	-10	-60	+10
Ceramics	( -59 ) -65	( -71 ) -71	-6	-71	0
Iron & steel	( -52 ) -68	( -76 ) -76	-8	-72	+4
Nonferrous metals	( -23 ) -33	( -57 ) -57	-24	-48	+9
Processing	( -25 ) -26	( -43 ) -43	-17	-37	+6
Food & beverages	( -10 ) -10	( -26 ) -26	-16	-13	+13
Processed metals	( -36 ) -50	( -50 ) -50	0	-57	-7
Industrial machinery	( -22 ) -12	( -49 ) -49	-37	-36	+13
Electrical machinery	( -13 ) -18	( -34 ) -34	-16	-27	+7
Shipbuilding & heavy machinery	( -67 ) -67	( -50 ) -50	+17	-50	0
Motor vehicles	( -35 ) -46	( -57 ) -57	-11	-35	+22
Precision machinery	( -18 ) -9	( -27 ) -27	-18	-55	-28
Nonmanufacturing	( -24 ) -28	( -23 ) -36	-8	-31	+5
Construction	( -46 ) -52	( -61 ) -61	-9	-54	+7
Real estate	( -20 ) -26	( -40 ) -40	-14	-31	+9
Wholesaling	( -20 ) -27	( -38 ) -38	-11	-32	+6
Retailing	( -25 ) -46	( -59 ) -59	-13	-41	+18
Transportation & communications	( -23 ) -23	( -30 ) -30	-7	-30	0
Services	( -18 ) -20	( -20 ) -20	0	-20	0
Leasing	( -6 ) 0	( -6 ) -6	-6	-13	-7
Electric & gas utilities	( 0 ) 0	( -7 ) -7	-7	0	+7

(Reference)

Average of predicted exchange rates for principal enterprises (manufacturing) on which replies are based:  
FY1998 129.90 yen/U.S. dollar (125.75 yen/U.S. dollar in the June 1998 survey)  
1H 130.74 yen/U.S. dollar, 2H 129.10 yen/U.S. dollar

(Small Enterprises)

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

	June'98	Sept	Change between June and Sept	Dec (Forecast)	Change between Sept and Dec
Manufacturing	( -44 ) -49	( -53 ) -57	-8	-57	0
Textiles	( -64 ) -67	( -70 ) -70	-3	-69	+1
Lumber & lumber products	( -70 ) -77	( -75 ) -75	+2	-70	+5
Pulp & paper	( -44 ) -53	( -48 ) -48	+5	-43	+5
Chemicals	( -30 ) -31	( -35 ) -35	-4	-34	+1
Ceramics, stone & clay	( -64 ) -54	( -68 ) -68	-14	-59	+9
Iron & steel	( -72 ) -68	( -81 ) -81	-13	-75	+6
Nonferrous metals	( -50 ) -51	( -66 ) -66	-15	-67	-1
Food & beverages	( -28 ) -31	( -30 ) -30	+1	-31	-1
Processed metals	( -67 ) -58	( -67 ) -68	-10	-63	+5
Industrial machinery	( -56 ) -43	( -56 ) -56	-13	-66	-10
Electrical machinery	( -57 ) -43	( -53 ) -53	-10	-58	-5
Transportation machinery	( -50 ) -45	( -55 ) -55	-10	-57	-2
Nonmanufacturing	( -41 ) -42	( -43 ) -44	-2	-46	-2
Construction	( -41 ) -40	( -37 ) -37	+3	-38	-1
Real estate	( -37 ) -35	( -38 ) -38	-3	-38	0
Wholesaling & retailing	( -50 ) -53	( -55 ) -55	-2	-54	+1
Transportation & communications	( -49 ) -45	( -49 ) -49	-4	-54	-5
Services & leasing	( -32 ) -28	( -33 ) -33	-5	-37	-4
Electric & gas utilities	( -4 ) 8	( 8 ) 8	0	0	-8

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

		[DI, % points]			
	June'98	Sept	Change between June and Sept	Dec (Forecast)	Change between Sept and Dec
Supply and demand condition * for products [ 6]	-48	( -42 ) -55	-7	-48	+7
Basic materials	-58	( -48 ) -65	-7	-55	+10
Processing	-39	( -36 ) -45	-6	-40	+5
Supply and demand condition for products overseas [ 6]	-32	( -30 ) -35	-3	-33	+2
Inventory level of finished goods [ 7]	35	( 22 ) 39	+4	24	-15
Basic materials	44	( 30 ) 45	+1	30	-15
Processing	26	( 16 ) 33	+7	18	-15
Wholesalers' inventory level [ 7]	39	( 29 ) 42	+3	33	-9
Basic materials	49	( 37 ) 51	+2	42	-9
Processing	29	( 20 ) 32	+3	23	-9

## 3. Sales and Current Profits (Principal Enterprises) Sales

	FY97	FY98 (Forecast)	Revision rate	1H FY98 (Forecast)	Revision rate	2H FY98 (Forecast)	Revision rate
Manufacturing	-0.1	-2.6	-1.9	-6.1	-1.9	0.8	-1.8
Domestic sales	-3.7	-3.3	-2.4	-7.8	-2.9	1.1	-1.9
Exports	12.8	-0.4	-0.3	-0.9	+1.1	0.0	-1.6
Nonmanufacturing	-0.1	-2.8	-0.8	-5.0	-1.3	-0.7	-0.4

### Current Profits

	FY97	FY98 (Forecast)	Revision rate	1H FY98 (Forecast)	Revision rate	2H FY98 (Forecast)	Revision rate
Manufacturing (excluding petroleum refining)	-6.3	-11.6	-10.4	-32.5	-11.2	11.6	-9.8
Basic materials (excluding petroleum refining)	2.8	-19.8	-15.0	-33.8	-14.0	-6.1	-15.7
Processing	-10.2	-7.5	-8.2	-31.9	-9.9	21.4	-7.1
Nonmanufacturing (excluding electric & gas utilities)	-7.9	-6.0	-1.8	-18.8	-4.0	7.9	+0.1

### Current Profit to Sales Ratio

	FY97	FY98 (Forecast)	Revision rate	1H FY98 (Forecast)	Revision rate	2H FY98 (Forecast)	Revision rate
Manufacturing (excluding petroleum refining)	4.04	3.65	-0.35	3.09	-0.33	4.16	-0.37
Nonmanufacturing (excluding electric & gas utilities)	1.50	1.46	-0.01	1.40	-0.03	1.52	+0.02

	June'98	Sept	Change between June and Sept	Dec (Forecast)	Change between Sept and Dec
Change in output prices * [ 8]	-29	( -20 ) -34	-5	-27	+7
Basic materials	-31	( -16 ) -37	-6	-24	+13
Processing	-27	( -22 ) -32	-5	-29	+3
Change in input prices [ 8]	-8	( -2 ) -10	-2	-8	+2
Basic materials	-9	( 0 ) -13	-4	-8	+5
Processing	-6	( -4 ) -8	-2	-8	0

\* See notes 6 to 8 under *NOTES*.

## (Small Enterprises) Sales

	FY97	FY98 (Forecast)	Revision rate	1H FY98 (Forecast)	Revision rate	2H FY98 (Forecast)	Revision rate
Manufacturing	-2.5	-5.9	-3.2	-7.9	-3.1	-3.8	-3.4
Nonmanufacturing	-3.3	-2.9	-2.1	-4.8	-2.8	-1.1	-1.4

### Current Profits

	FY97	FY98 (Forecast)	Revision rate	1H FY98 (Forecast)	Revision rate	2H FY98 (Forecast)	Revision rate
Manufacturing	-20.4	-33.2	-31.8	-69.0	-54.8	-0.5	-20.6
Nonmanufacturing	-16.6	-4.2	-8.1	-19.7	-13.4	7.6	-4.7

### Current Profit to Sales Ratio

	FY97	FY98 (Forecast)	Revision rate	1H FY98 (Forecast)	Revision rate	2H FY98 (Forecast)	Revision rate
Manufacturing	2.03	1.43	-0.58	0.66	-0.70	2.16	-0.46
Nonmanufacturing	2.36	2.33	-0.15	1.83	-0.22	2.76	-0.10

#### 4.Fixed Investments (Fixed Investments)

		[Y/y % chg]		
		FY97	FY98 (Forecast)	Revision rate
Principal enterprises	All industries	-0.4	-2.3	-1.1
	Manufacturing	6.4	-4.8	-2.3
	Nonmanufacturing	-3.7	-1.0	-0.5
Small enterprises	All industries	-4.6	-16.7	+3.8
	Manufacturing	3.7	-17.1	+3.1
	Nonmanufacturing	-7.9	-16.5	+4.1
All enterprises	All industries	-3.0	-8.7	-0.1
	Manufacturing	4.2	-8.4	-2.1
	Nonmanufacturing	-6.4	-8.8	+1.0

#### (Production Capacity DI <Manufacturing>)

		[DI<"Excessive" minus "Insufficient">, % points]			
	June'98	Sept	Change between June and Sept	Dec (Forecast)	Change between Sept and Dec
Principal enterprises	20	( 17 ) 25	+5	24	-1
Small enterprises	23	( 21 ) 28	+5	27	-1

#### 5.Employment (Employment DI)

		[DI<"Excessive" minus "Insufficient">, % points]				
		June'98	Sept	Change between June and Sept	Dec (Forecast)	Change between Sept and Dec
Principal enterprises	All industries	21	( 19 ) 25	+4	24	-1
	Manufacturing	28	( 25 ) 33	+5	32	-1
	Nonmanufacturing	13	( 12 ) 16	+3	14	-2
Small enterprises	All industries	17	( 15 ) 20	+3	18	-2
	Manufacturing	25	( 22 ) 30	+5	27	-3
	Nonmanufacturing	11	( 9 ) 13	+2	11	-2

#### (Number of Employees <All Industries>)

	[Y/y % chg]			
	Sept-end'97	Dec-end	Mar-end'98	June-end
Principal enterprises	-1.8	-2.2	-2.1	-2.3
Small enterprises	0.7	0.5	0.5	-0.8

## 6. Corporate Finance

(Corporate Finance-Related DIs <All Industries>)

		[DI, % points]				
		June'98	Sept	Change between June and Sept	Dec (Forecast)	Change between Sept and Dec
Principal enterprises	Financial position <sup>*</sup> [ 9]	-1	( -9 ) -5	-4	-12	-7
	Lending attitude of financial institutions [10]	-32	( -35 ) -33	-1	-38	-5
	Change in interest rate [11]	0	( 21 ) 8	+8	10	+2
Small enterprises	Financial position [ 9]	-22	( -33 ) -25	-3	-36	-11
	Lending attitude of financial institutions [10]	-19	( -27 ) -20	-1	-30	-10
	Change in interest rate [11]	5	( 14 ) 6	+1	7	+1

\* See notes 9 to 11 under *NOTES*.

(Liquidity Ratio <All Industries>)\*

[Seasonally adjusted, months]				
	Sept-end'97	Dec-end	Mar-end'98	June-end
Principal enterprises	1.31	1.32	1.35	1.37
Small enterprises	1.56	1.58	1.55	1.63

\* See note 12 under *NOTES*.

(Appendix) Fixed Investments of Financial Institutions\*

(Fixed Investments)

[Y/y% chg, trillion yen]			
	FY97	FY98 (Forecast)	Revision rate
Financial institutions <195>	( 1.3 ) 5.3	( 1.2 ) -6.4	-4.2
Banks <145>	-8.7	2.2	-6.2
Securities companies < 25>	68.9	33.5	-2.8
Insurance companies < 25>	17.5	-15.5	-2.3

\* See notes 13 to 15 under *NOTES*.

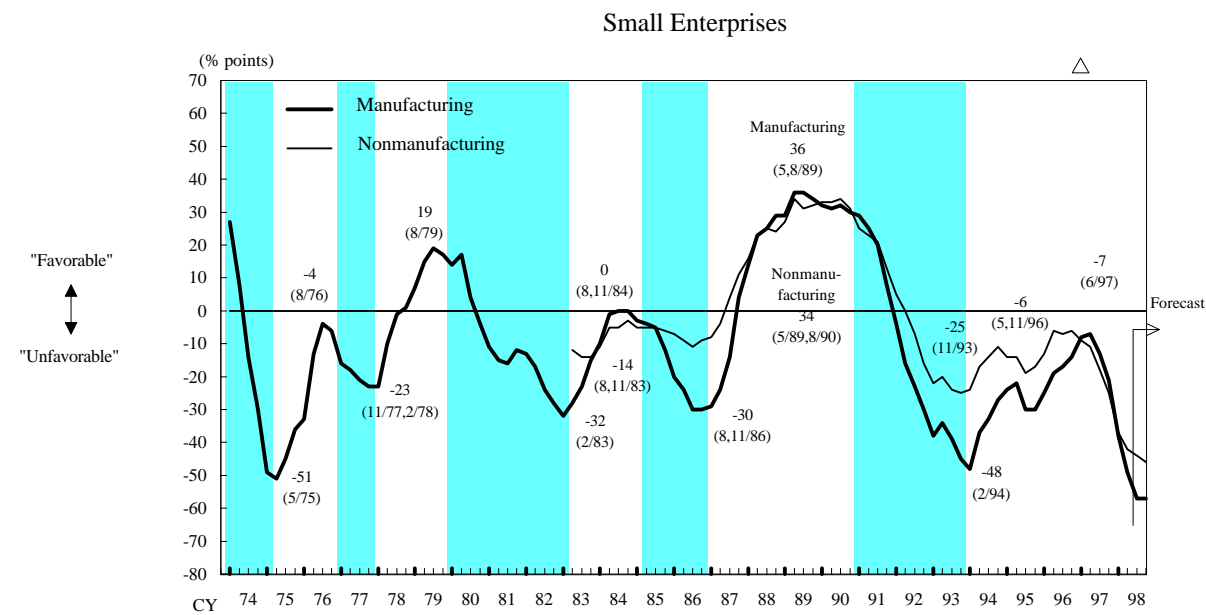
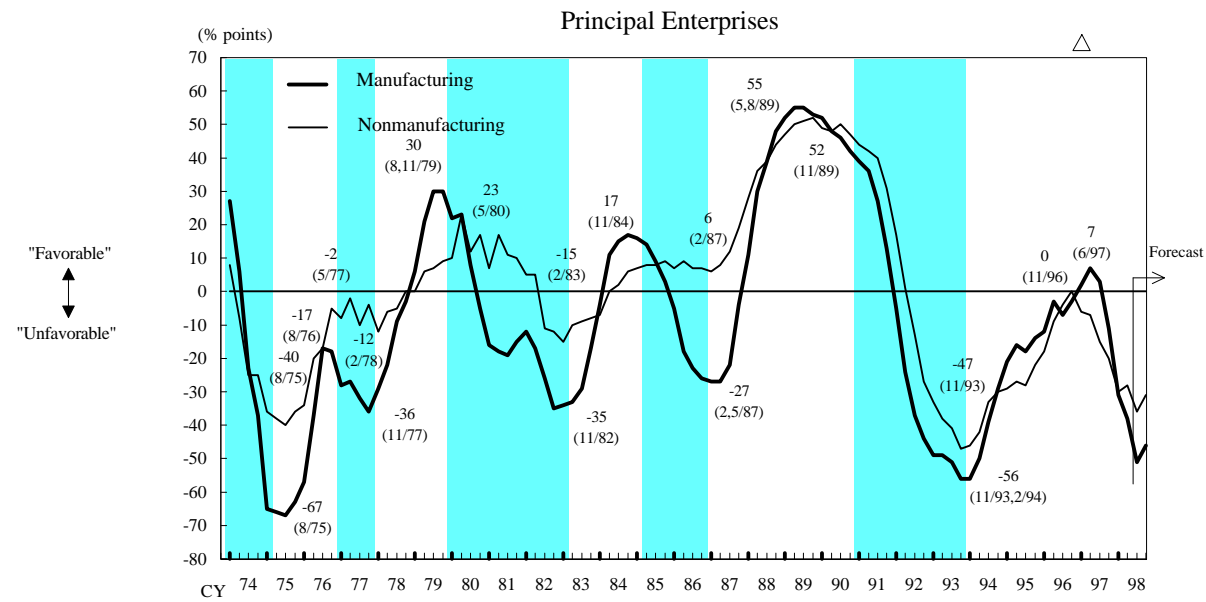
(<Reference> Investments for Computerizing)

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

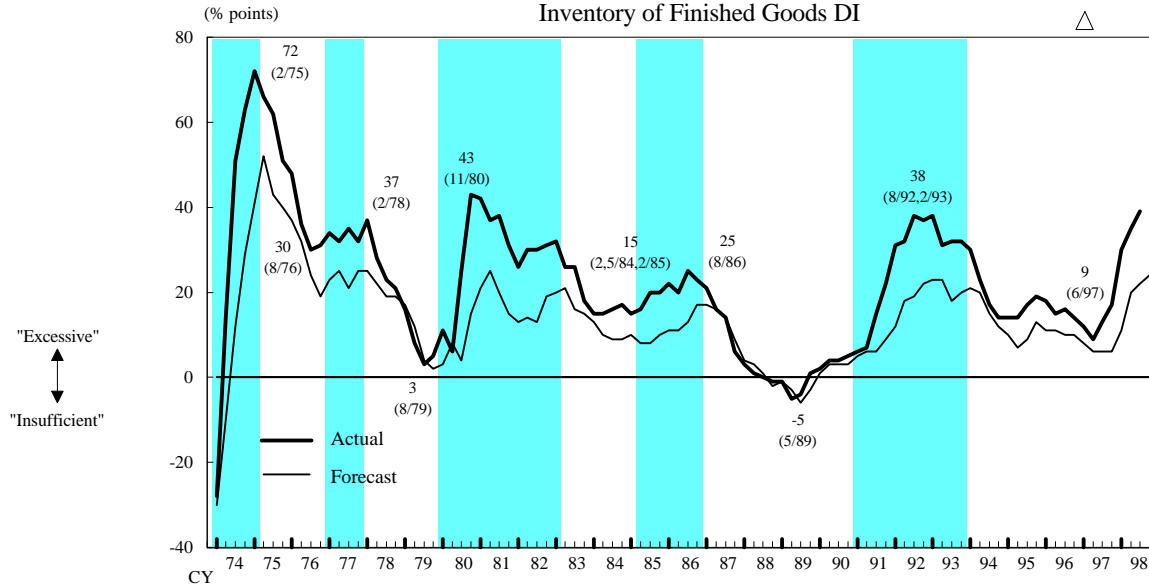
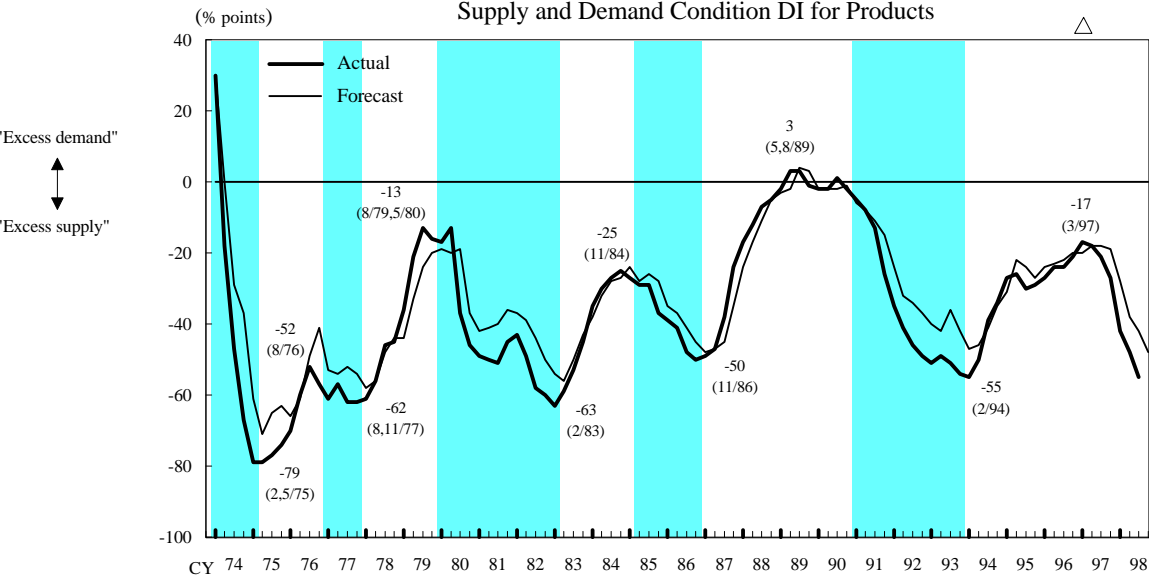
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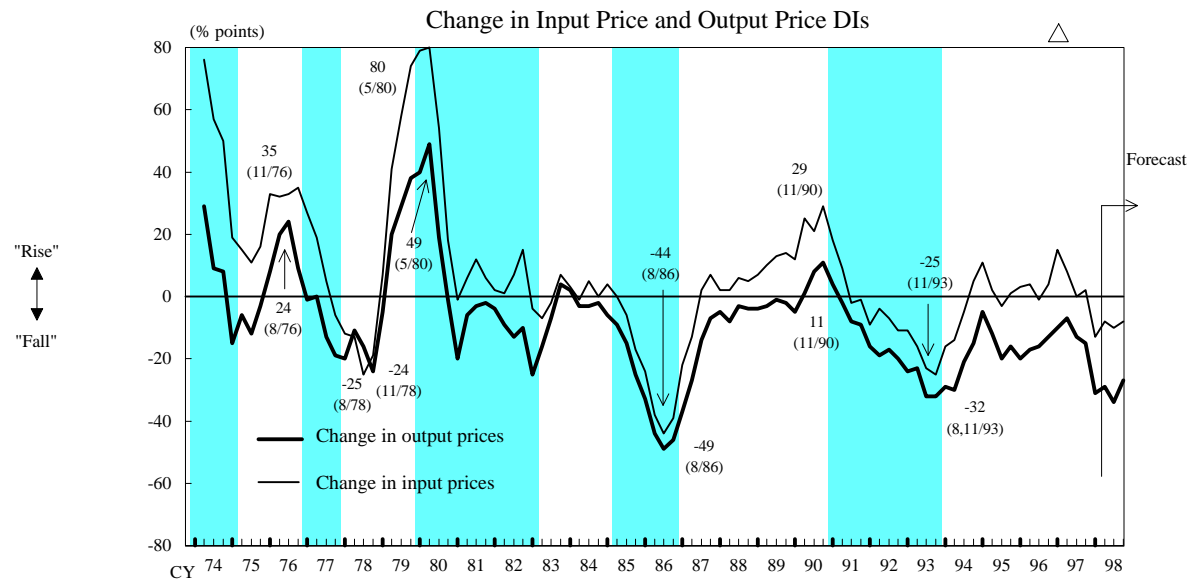
[Business Condition DI]

\* See note 16 under *NOTES*.

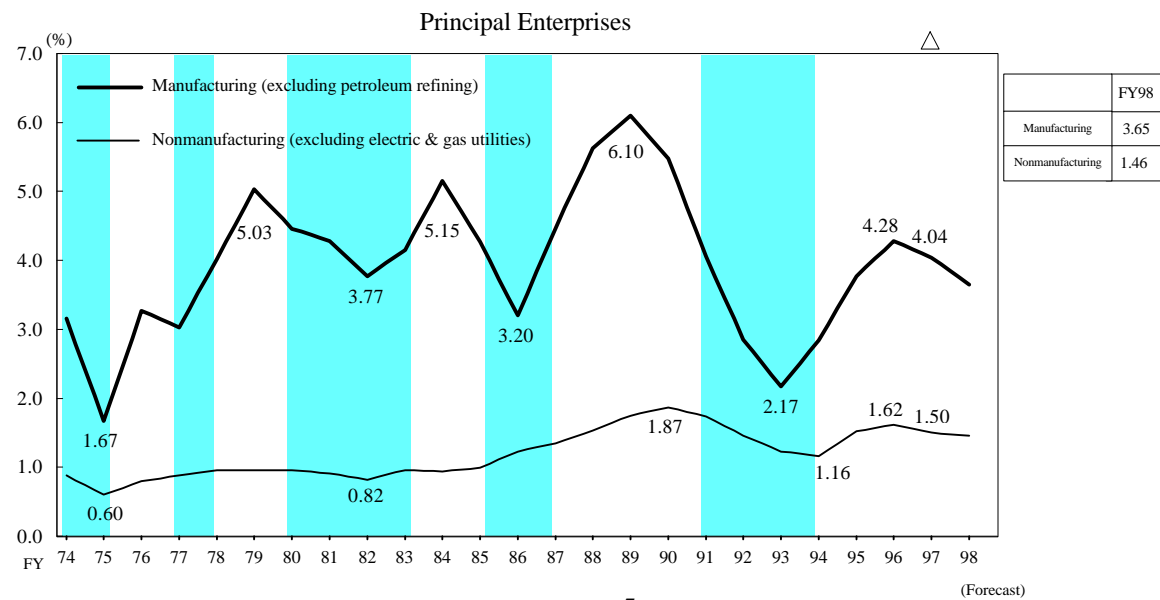


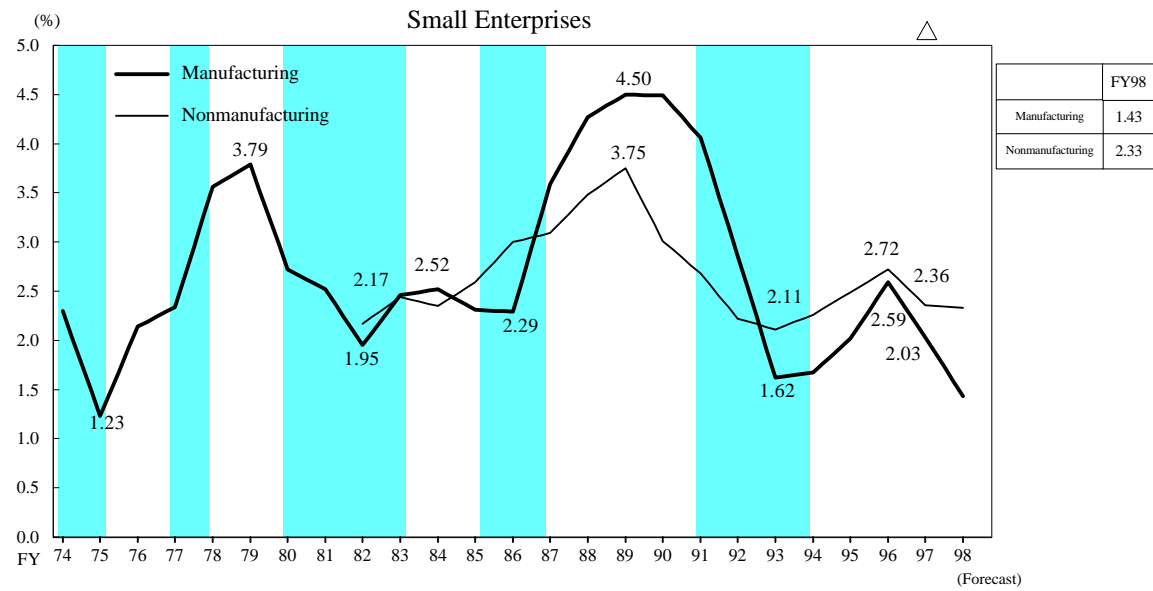
[Supply and Demand Conditions for Products; Inventories; and Prices (Principal Enterprises, Manufacturing)]



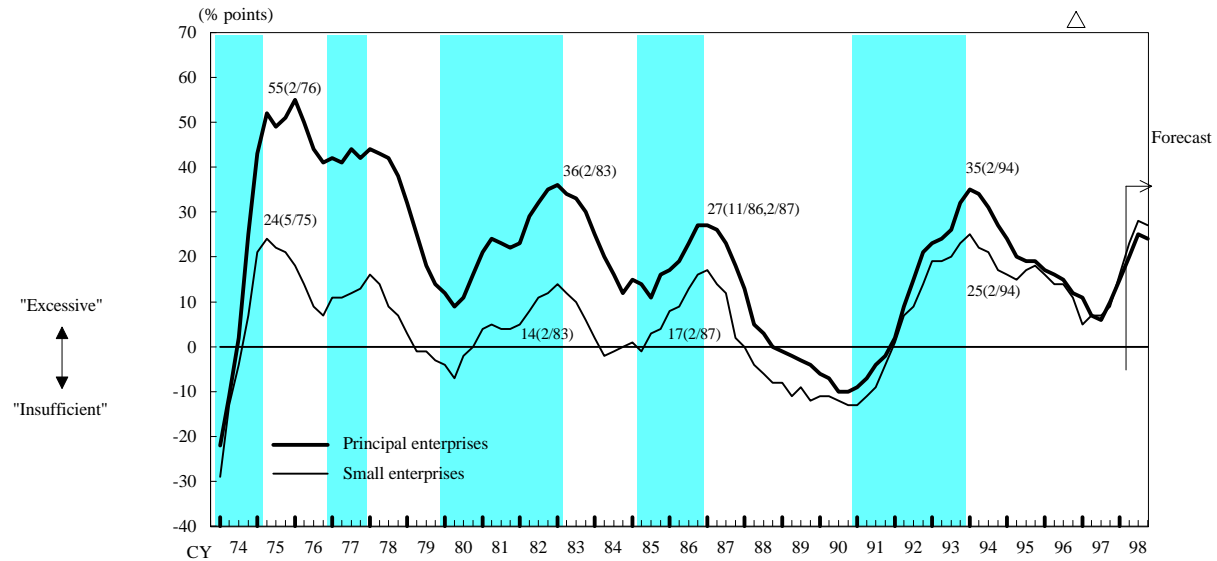


[Current Profit to Sales Ratio]





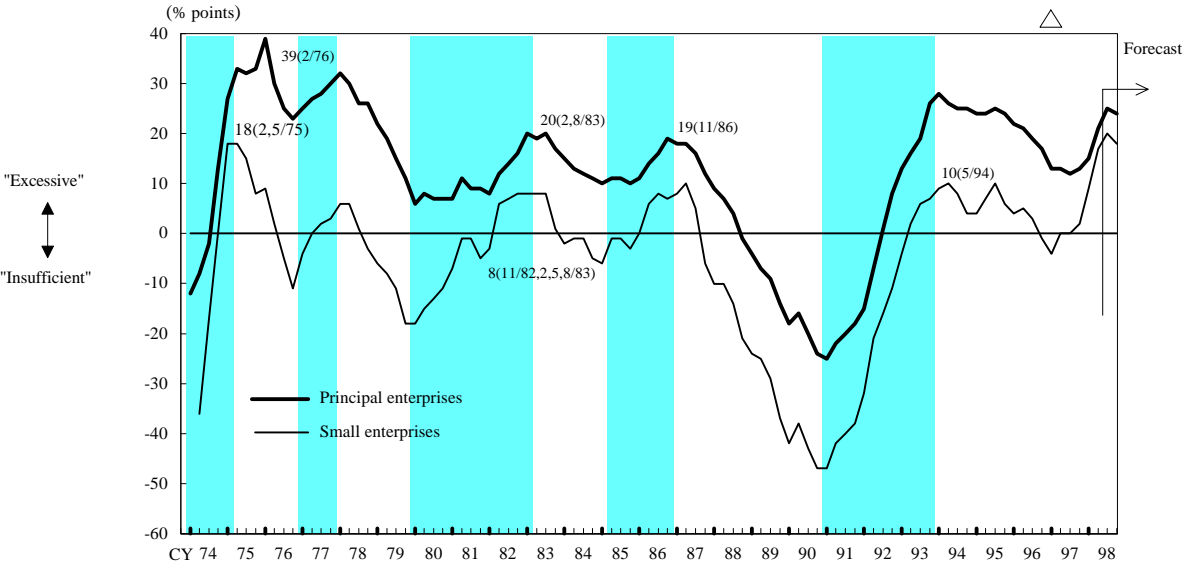
[Production Capacity DI (Manufacturing)]





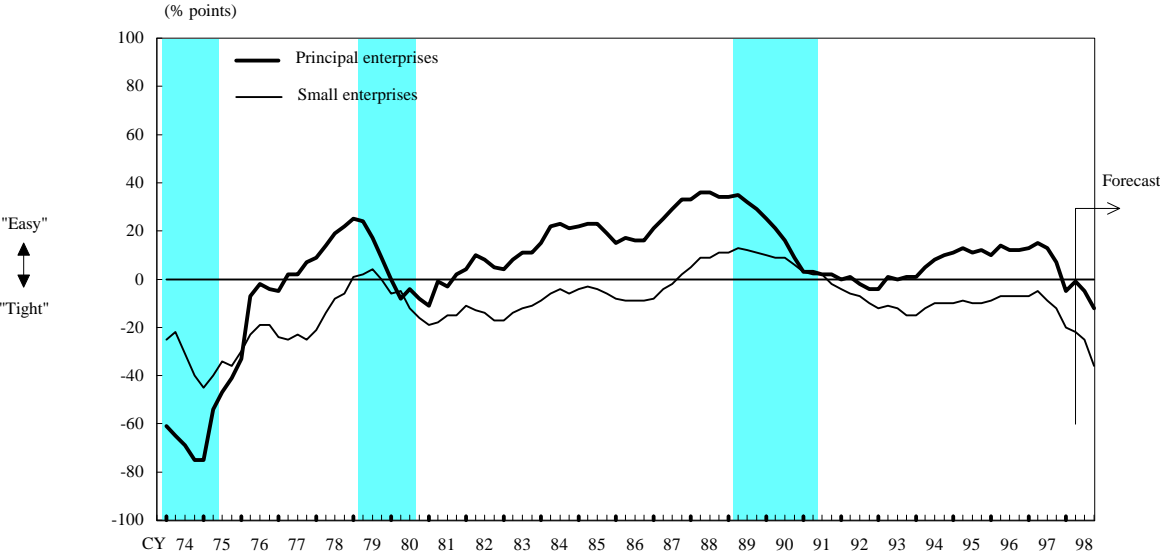
[Employment DI (All Industries)]

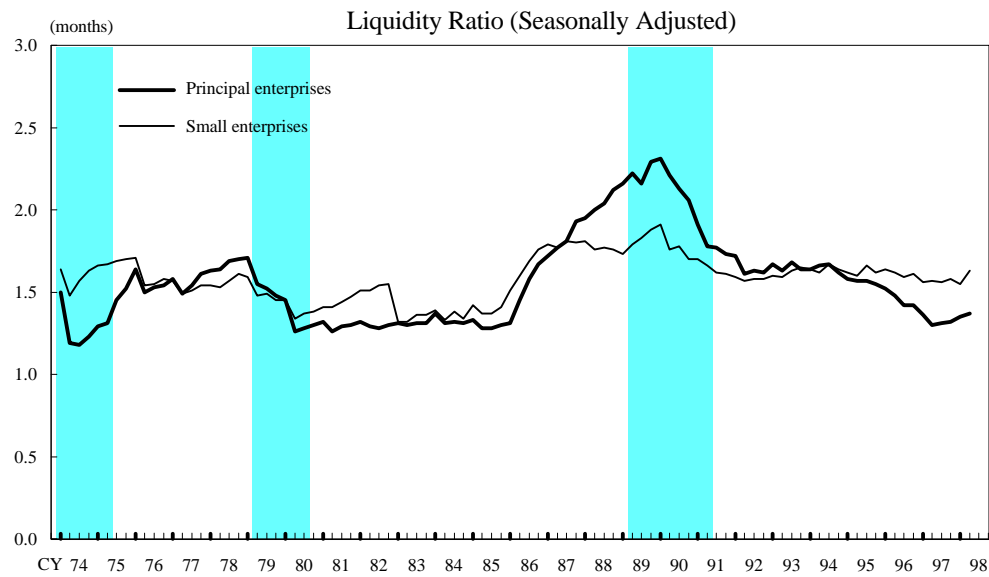
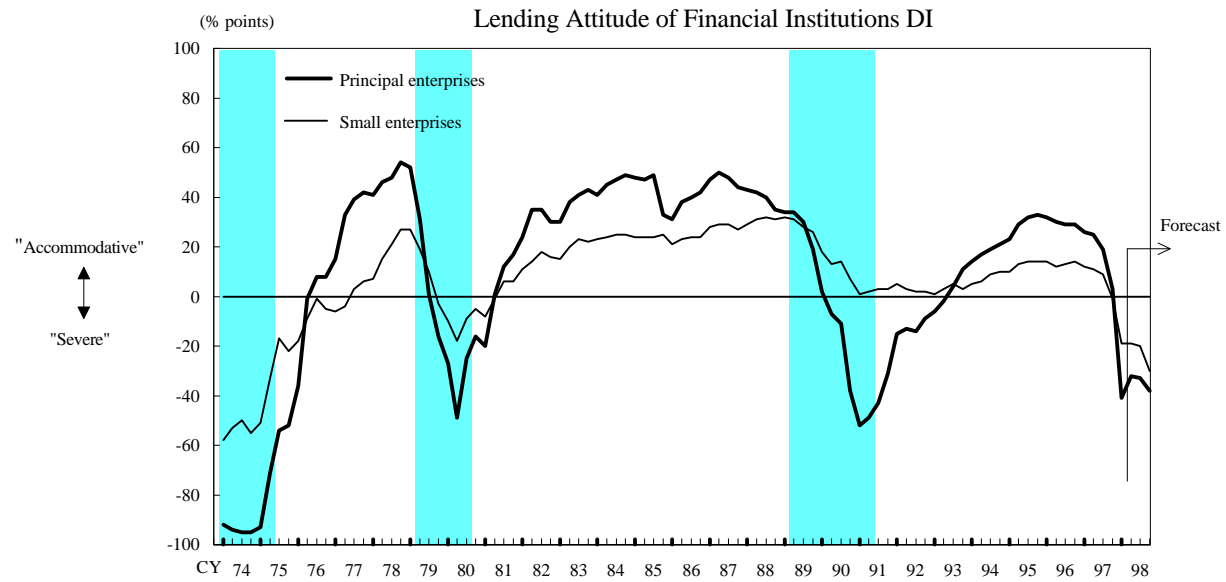
\* See notes 17 and 18 under *NOTES*.



[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,  
$$\text{"Revision rate" (\%)} = (\text{Projection in this survey} - \text{Previous projection*}) / \text{Previous projection*} \times 100$$
  
For ratio- or share-based figures,  
$$\text{"Revision rate" (\%points)} = \text{Projection in this survey (\%)} - \text{Previous projection*}(\%)$$
  
\* The previous projections were conducted in June 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 "6. Corporate Finance"*

9. ("Easy" minus "Tight")
10. ("Accommodative" minus "Severe")
11. ("Rise" minus "Fall")
12. "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"*

13. Figures in parentheses are amounts (trillion yen).
14. Figures in angle brackets are numbers of financial institutions.
15. Survey on "Investments for Computerizing" was conducted in June 1998.

## CHART NOTES

16. Shaded areas indicate periods of recession, unless otherwise noted. Triangles indicate the latest peak, March 1997. According to the Economic Planning Agency.
17. Nonmanufacturing not included in small enterprises before May 1983 for employment DI, financial position DI and lending attitude of financial institutions DI.
18. As for "Corporate Finance-Related Indicators", shaded areas indicate periods of restraint.
19. Nonmanufacturing not included in small enterprises before March-end 1983 for the liquidity ratio.