

# TANKAN Summary (December 1998)

166th Short-Term Economic Survey of Principal Enterprises in Japan

99th Short-Term Economic Survey of All Enterprises in Japan

Number of Sample Companies

Principal enterprises  
All enterprises  
Small enterprises

Manufacturing	Nonmanufacturing	Total	Response rate
382	315	697	100.0%
3,921	5,208	9,129	91.8%
2,032	3,187	5,219	89.4%

Not to be released before 8:50 a.m.  
on Monday, 14th December 1998.

14th December 1998

Research and Statistics Department  
Bank of Japan

## 1. Business Conditions (Principal Enterprises)

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

	Sept'98	Dec	Change between Sept and Dec	Mar'99 (Forecast)	Change between Dec and Mar
Manufacturing	( -34 ) -51	( -46 ) -56	-5	-48	+8
Basic materials	-60	( -56 ) -67	-7	-58	+9
Textiles	-64	( -59 ) -74	-10	-59	+15
Pulp & paper	-55	( -45 ) -82	-27	-73	+9
Chemicals	-48	( -48 ) -52	-4	-46	+6
Petroleum refining	-70	( -60 ) -70	0	-60	+10
Ceramics	-71	( -71 ) -75	-4	-81	-6
Iron & steel	-76	( -72 ) -80	-4	-76	+4
Nonferrous metals	-57	( -48 ) -70	-13	-45	+25
Processing	-43	( -37 ) -46	-3	-38	+8
Food & beverages	-26	( -13 ) -16	+10	-6	+10
Processed metals	-50	( -57 ) -50	0	-50	0
Industrial machinery	-49	( -36 ) -54	-5	-44	+10
Electrical machinery	-34	( -27 ) -51	-17	-31	+20
Shipbuilding & heavy machinery	-50	( -50 ) -50	0	-67	-17
Motor vehicles	-57	( -35 ) -50	+7	-32	+18
Precision machinery	-27	( -55 ) -46	-19	-55	-9
Nonmanufacturing	( -23 ) -36	( -31 ) -41	-5	-34	+7
Construction	-61	( -54 ) -59	+2	-54	+5
Real estate	-40	( -31 ) -43	-3	-34	+9
Wholesaling	-38	( -32 ) -43	-5	-36	+7
Retailing	-59	( -41 ) -58	+1	-42	+16
Transportation & communications	-30	( -30 ) -36	-6	-32	+4
Services	-20	( -20 ) -26	-6	-27	-1
Leasing	-6	( -13 ) -29	-23	-29	0
Electric & gas utilities	-7	( 0 ) 0	+7	0	0

(Reference)

Average of predicted exchange rates for principal enterprises (manufacturing) on which replies are based:  
FY1998 129.37 yen/U.S. dollar (129.90 yen/U.S. dollar in the September 1998 survey)  
1H 135.32 yen/U.S. dollar 2H 123.30 yen/U.S. dollar

(Small Enterprises)

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

	Sept'98	Dec	Change between Sept and Dec	Mar'99 (Forecast)	Change between Dec and Mar
Manufacturing	( -53 ) -57	( -57 ) -60	-3	-60	0
Textiles	-70	( -69 ) -77	-7	-74	+3
Lumber & lumber products	-75	( -70 ) -70	+5	-68	+2
Pulp & paper	-48	( -43 ) -46	+2	-48	-2
Chemicals	-35	( -34 ) -40	-5	-41	-1
Ceramics, stone & clay	-68	( -59 ) -64	+4	-61	+3
Iron & steel	-81	( -75 ) -81	0	-75	+6
Nonferrous metals	-66	( -67 ) -68	-2	-66	+2
Food & beverages	-30	( -31 ) -32	-2	-34	-2
Processed metals	-68	( -63 ) -73	-5	-64	+9
Industrial machinery	-56	( -66 ) -64	-8	-76	-12
Electrical machinery	-53	( -58 ) -62	-9	-62	0
Transportation machinery	-55	( -57 ) -53	+2	-55	-2
Nonmanufacturing	( -43 ) -44	( -46 ) -43	+1	-45	-2
Construction	-37	( -38 ) -33	+4	-35	-2
Real estate	-38	( -38 ) -38	0	-37	+1
Wholesaling & retailing	-55	( -54 ) -54	+1	-53	+1
Transportation & communications	-49	( -54 ) -50	-1	-54	-4
Services & leasing	-33	( -37 ) -32	+1	-38	-6
Electric & gas utilities	8	( 0 ) -4	-12	-4	0

## 2. Supply and Demand Conditions for Products; Inventories; and Prices

[DI, % points]					
	Sept'98	Dec	Change between Sept and Dec	Mar'99 (Forecast)	Change between Dec and Mar
Supply and demand conditions * for products [ 6]	-55	( -48 ) -55	0	-48	+7
Basic materials	-65	( -55 ) -64	+1	-53	+11
Processing	-45	( -40 ) -46	-1	-43	+3
Supply and demand condition for products overseas [ 6]	-35	( -33 ) -38	-3	-35	+3
Inventory level of finished goods [ 7]	39	( 24 ) 37	-2	23	-14
Basic materials	45	( 30 ) 42	-3	28	-14
Processing	33	( 18 ) 31	-2	20	-11
Wholesalers' inventory level [ 7]	42	( 33 ) 43	+1	34	-9
Basic materials	51	( 42 ) 52	+1	40	-12
Processing	32	( 23 ) 32	0	27	-5

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

[Y/y % chg]							
	FY97	FY98 (Forecast)	Revision rate	1H FY98	Revision rate	2H FY98 (Forecast)	Revision rate
Manufacturing	-0.1	-5.0	-2.5	-7.3	-1.2	-2.8	-3.6
Domestic sales	-3.7	-6.9	-3.7	-10.8	-3.3	-3.1	-4.1
Exports	12.8	0.7	+1.1	3.6	+4.5	-2.2	-2.2
Nonmanufacturing	-0.1	-6.5	-3.8	-8.0	-3.1	-5.1	-4.4

### Current Profits

[Y/y % chg]							
Manufacturing (excluding petroleum refining)	-6.3	-22.7	-12.7	-27.8	+7.0	-17.1	-25.8
Basic materials (excluding petroleum refining)	2.8	-27.7	-10.1	-29.3	+6.8	-26.0	-21.6
Processing	-10.2	-20.3	-13.8	-27.1	+7.1	-12.2	-27.6
Nonmanufacturing (excluding electric & gas utilities)	-7.9	-9.8	-3.6	-13.7	+6.5	-5.5	-11.9

### Current Profit to Sales Ratio

(%)							
Manufacturing (excluding petroleum refining)	4.04	3.27	-0.38	3.35	+0.26	3.21	-0.95
Nonmanufacturing (excluding electric & gas utilities)	1.50	1.47	+0.01	1.55	+0.15	1.40	-0.12

[DI, % points]					
	Sept'98	Dec	Change between Sept and Dec	Mar'99 (Forecast)	Change between Dec and Mar
Change in output prices * [ 8]	-34	( -27 ) -38	-4	-25	+13
Basic materials	-37	( -24 ) -40	-3	-17	+23
Processing	-32	( -29 ) -37	-5	-33	+4
Change in input prices [ 8]	-10	( -8 ) -19	-9	-8	+11
Basic materials	-13	( -8 ) -26	-13	-9	+17
Processing	-8	( -8 ) -13	-5	-8	+5

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

## (Small Enterprises) Sales

[Y/y % chg]							
	FY97	FY98 (Forecast)	Revision rate	1H FY98	Revision rate	2H FY98 (Forecast)	Revision rate
Manufacturing	-2.5	-7.8	-2.0	-8.8	-0.9	-6.7	-3.0
Nonmanufacturing	-3.3	-3.9	-1.1	-5.4	-0.4	-2.6	-1.7

### Current Profits

[Y/y % chg]							
Manufacturing	-20.4	-50.7	-28.7	-67.6	-6.2	-35.0	-35.5
Nonmanufacturing	-16.6	-15.0	-9.6	-19.3	+1.1	-11.8	-15.6

### Current Profit to Sales Ratio

(%)							
Manufacturing	2.03	1.09	-0.34	0.71	+0.05	1.45	-0.71
Nonmanufacturing	2.36	2.13	-0.20	1.89	+0.06	2.34	-0.42

#### 4.Fixed Investments

(Fixed Investments)

[Y/y % chg]

		FY97	FY98 (Forecast)	Revision rate
Principal enterprises	All industries	-0.4	-2.6	-0.4
	Manufacturing	6.4	-7.7	-3.0
	Nonmanufacturing	-3.7	0.2	+1.0
Small enterprises	All industries	-4.6	-15.0	+2.7
	Manufacturing	3.7	-18.1	+2.6
	Nonmanufacturing	-7.9	-13.7	+2.7
All enterprises	All industries	-3.0	-7.4	+1.1
	Manufacturing	4.2	-10.6	-1.9
	Nonmanufacturing	-6.4	-5.8	+2.7

#### 5.Overseas Production and Investment\*

(Overseas Production <Principal Enterprises>)

[Y/y % chg]

Figure in parentheses = number of respondents		FY97	Revision rate	FY98 (Forecast)	Revision rate
Manufacturing ( 225 )		11.7	-0.5	6.0	-0.8
Share of overseas production		23.7	-0.1	25.7	+0.6

(Overseas Investment <Principal Enterprises>)

[Y/y % chg]

Figure in parentheses = number of respondents		FY97	Revision rate	FY98 (Forecast)	Revision rate
Manufacturing ( 183 )		9.4	+0.5	-7.0	+1.6
Share of overseas investment		34.3	-0.0	34.8	+1.4

\* See notes 9 to 12 under NOTES.

(Production Capacity DI <Manufacturing>)

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

[D] = Excessive; minus = insufficient; +, % points					
	Sept'98	Dec	Change between Sept and Dec	Mar'99 (Forecast)	Change between Dec and Mar
Principal enterprises	25	( 24 ) 27	+2	24	-3
Small enterprises	28	( 27 ) 28	0	29	+1

## 6. Employment (Employment DI)

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

		Sept'98	Dec	Change between Sept and Dec	Mar'99 (Forecast)	Change between Dec and Mar
Principal enterprises	All industries	25	( 24 ) 29	+4	28	-1
	Manufacturing	33	( 32 ) 39	+6	37	-2
	Nonmanufacturing	16	( 14 ) 18	+2	15	-3
Small enterprises	All industries	20	( 18 ) 20	0	20	0
	Manufacturing	30	( 27 ) 32	+2	31	-1
	Nonmanufacturing	13	( 11 ) 12	-1	11	-1

(Number of Employees <All Industries>)

[Y/y % chg]

	Dec-end'97	Mar-end'98	June-end	Sept-end
Principal enterprises	-2.2	-2.1	-2.3	-2.0
Small enterprises	0.5	0.5	-0.8	-1.5

(Employment of New Graduates <All Industries>)

[Y/y % chg]

	FY96	FY97	FY98	FY99 (Forecast)
Principal enterprises	-9.0	12.7	11.8	-21.8
Small enterprises	-14.7	-8.9	-10.5	-28.9

## 7. Corporate Finance

(Corporate Finance-Related DIs <All Industries>)

		[DI, % points]				
		Sept'98	Dec	Change between Sept and Dec	Mar'99 (Forecast)	Change between Dec and Mar
Principal enterprises	Financial position [13]	-5	( -12 ) -7	-2	-15	-8
	Lending attitude of financial institutions [14]	-33	( -38 ) -36	-3	-40	-4
	Change in interest rate [15]	8	( 10 ) 9	+1	26	+17
Small enterprises	Financial position [13]	-25	( -36 ) -25	0	-36	-11
	Lending attitude of financial institutions [14]	-20	( -30 ) -22	-2	-29	-7
	Change in interest rate [15]	6	( 7 ) -1	-7	10	+11

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

(Liquidity Ratio <All Industries>)\*

[Seasonally adjusted, months]				
	Dec-end '97	Mar-end '98	June-end	Sept-end
Principal enterprises	1.32	1.35	1.37	1.43
Small enterprises	1.58	1.55	1.63	1.64

\* See note 16 under *NOTES*.

(Appendix) Fixed Investments of Financial Institutions\*

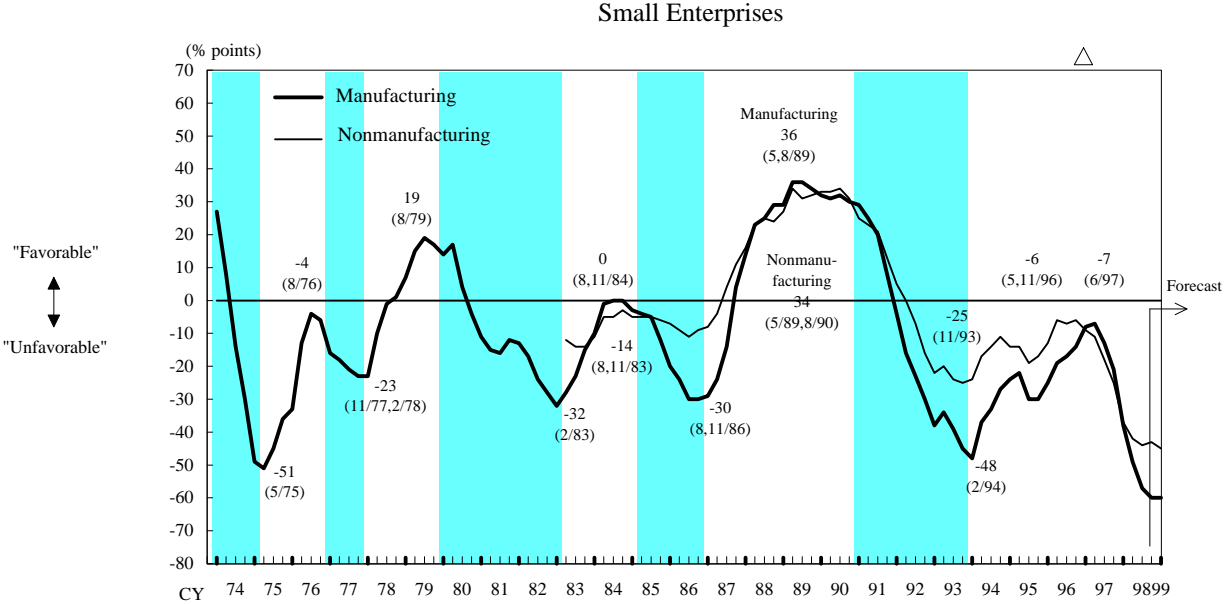
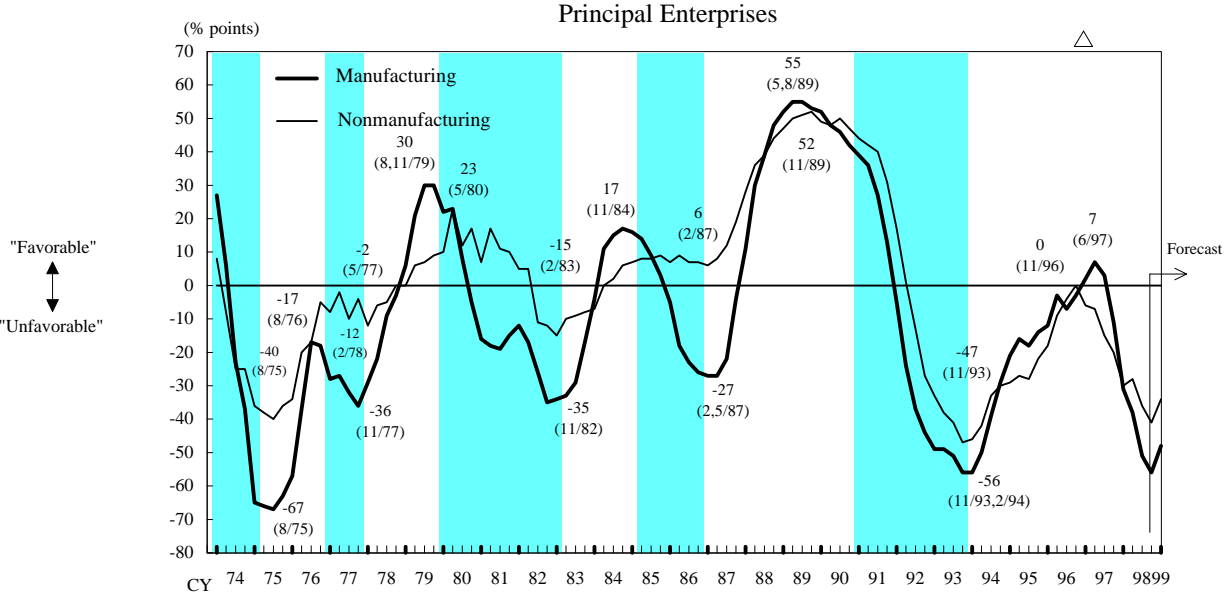
(Fixed Investments)

[Y/y% chg, trillion yen]			
	FY97	FY98 (Forecast)	Revision rate
Financial institutions <194>	( 1.3 ) 5.3	( 1.3 ) -5.2	+1.3
Banks <144>	-8.7	6.7	+4.4
Securities companies <25>	68.9	33.9	+0.3
Insurance companies <25>	17.5	-16.9	-1.7

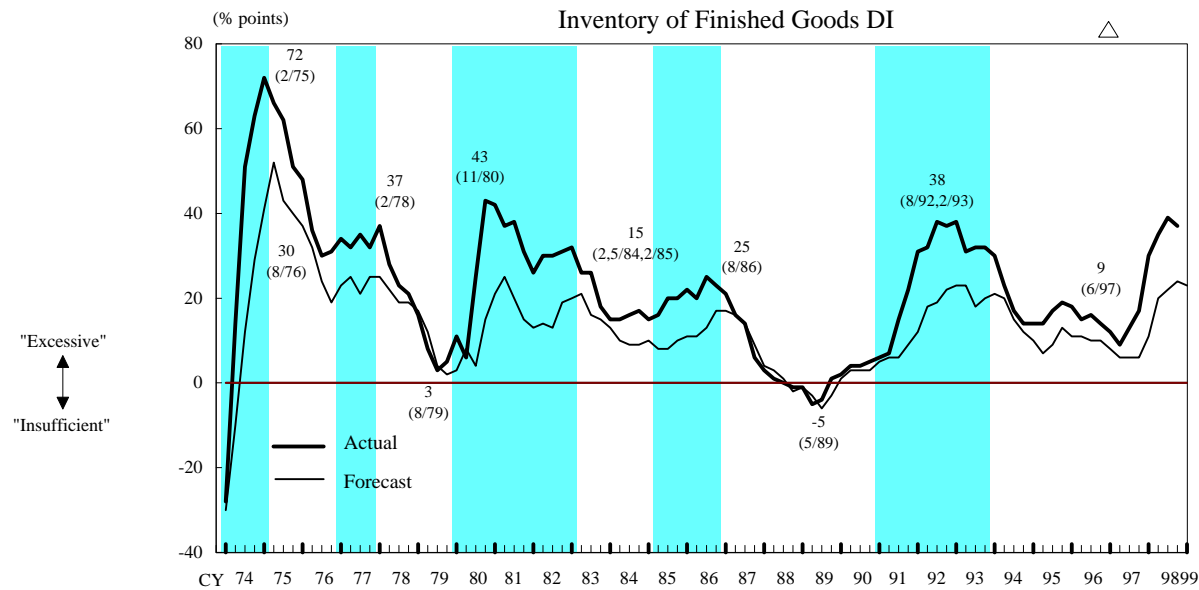
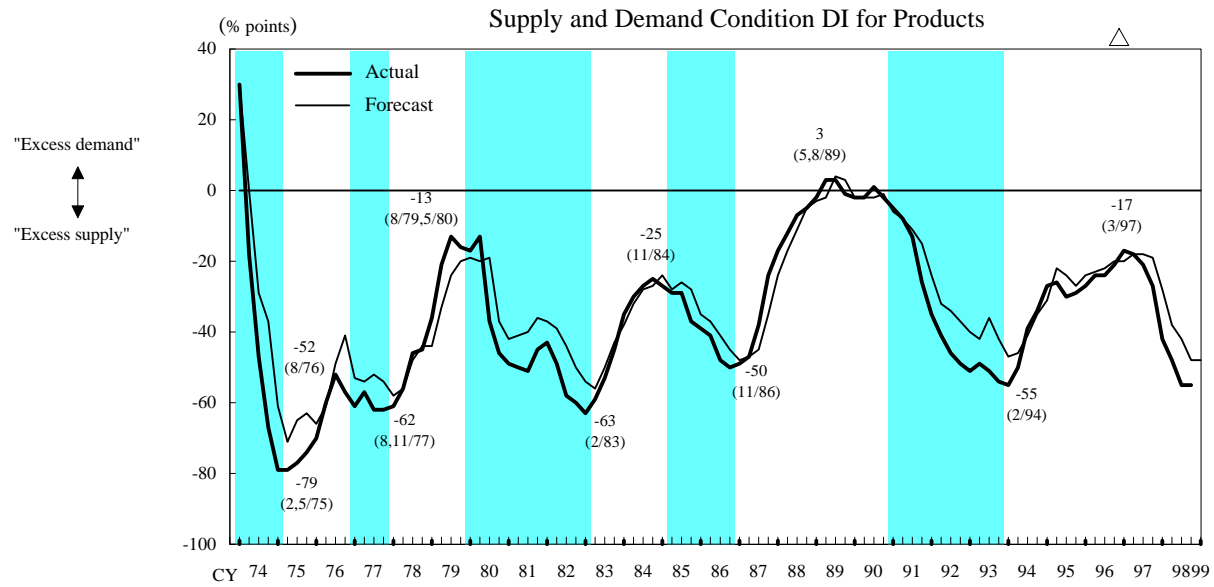
\* See notes 17 to 19 under *NOTES*.

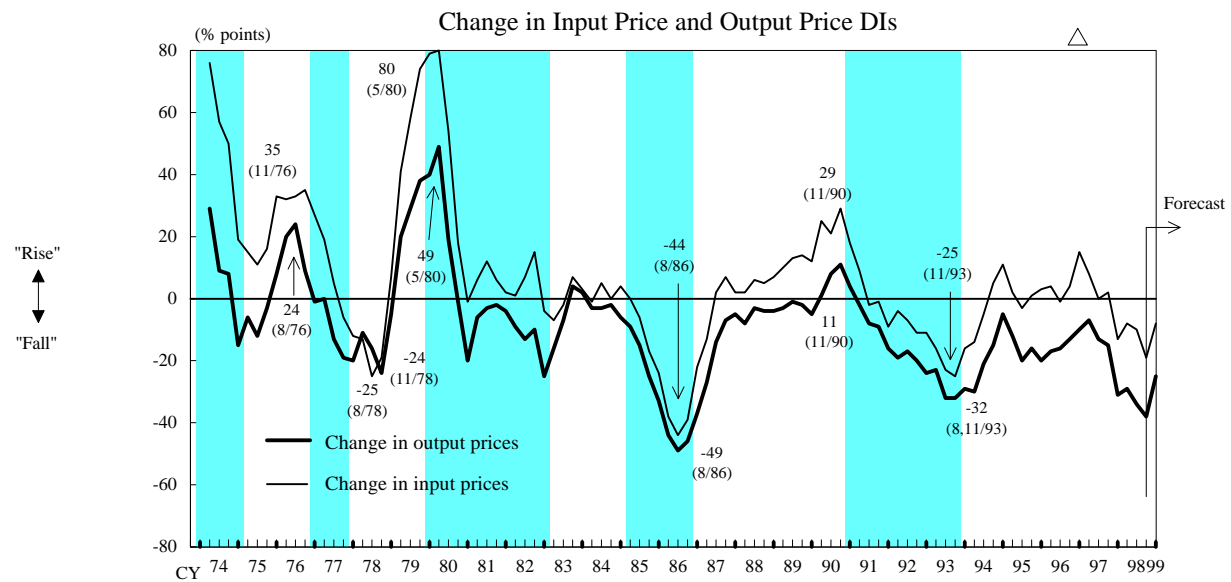
(Investments for Computerizing)

[Y/y% chg, trillion yen]			
	FY97	FY98 (Forecast)	Revision rate
Financial institutions <194>	( 1.1 ) 3.9	( 1.2 ) 11.4	-4.9
Banks <144>	0.0	13.7	-5.9
Securities companies <25>	-1.3	13.7	-4.1
Insurance companies <25>	16.9	5.2	-2.6

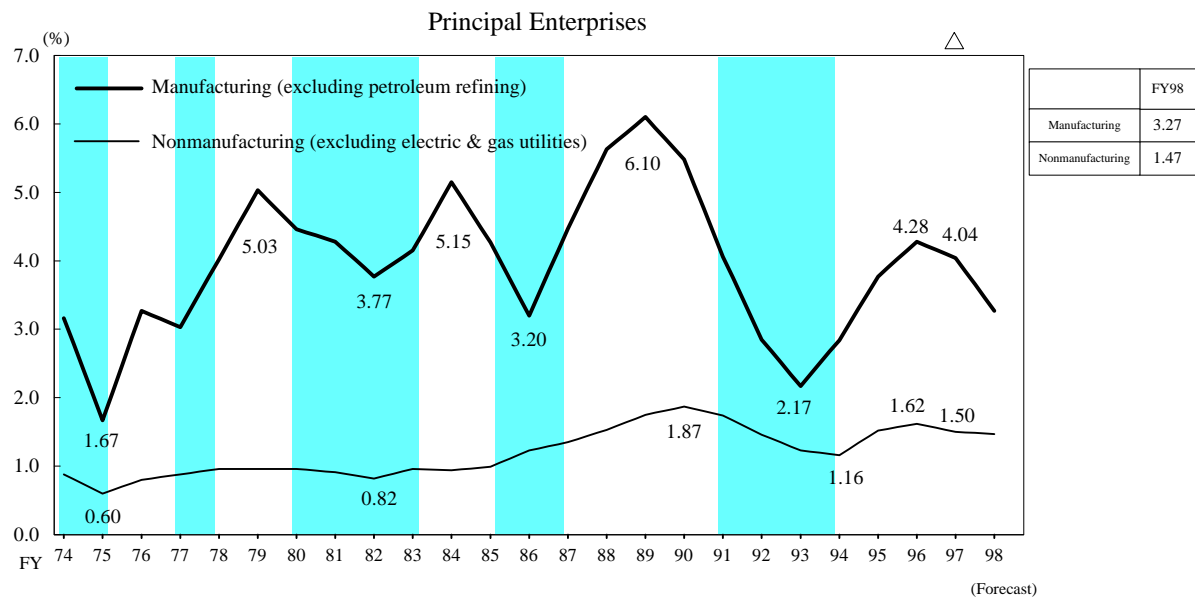


[Supply and Demand Conditions for Products; Inventories; and Prices (Principal Enterprises, Manufacturing)]

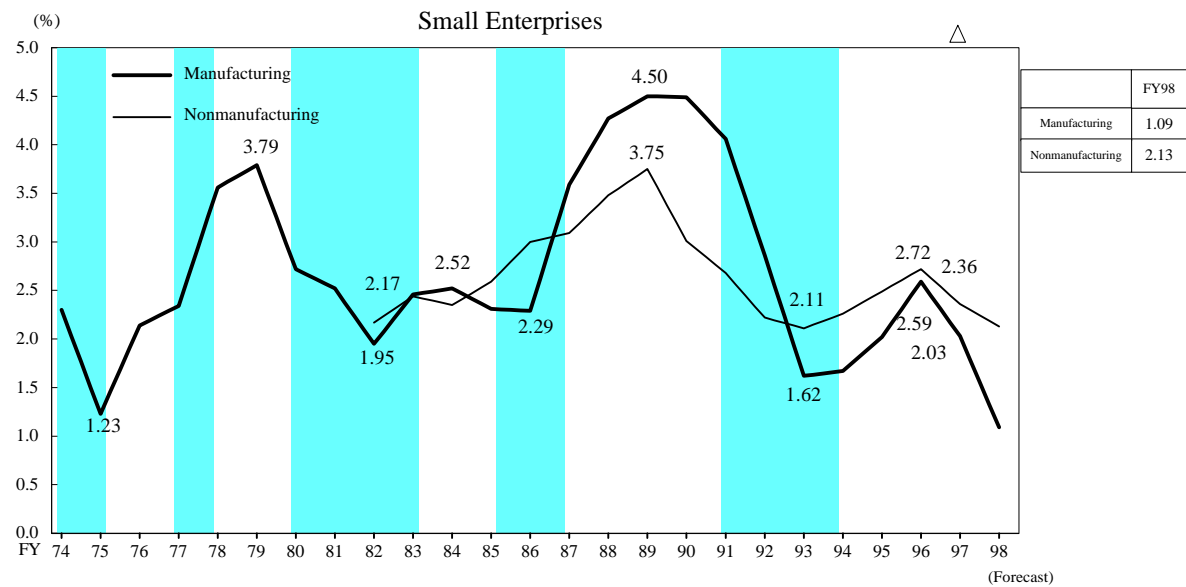




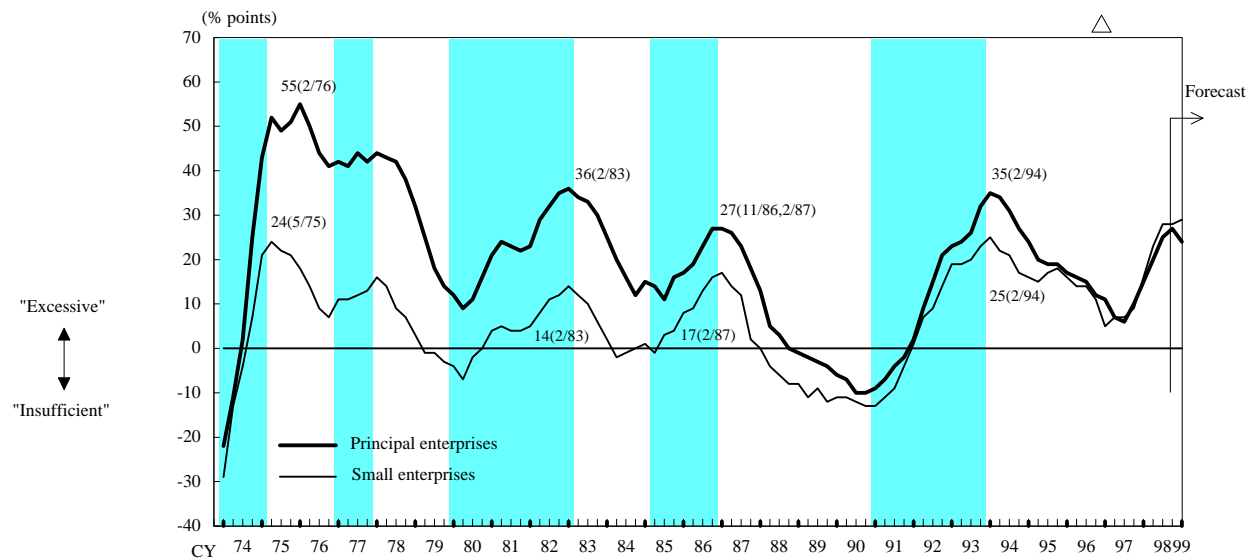
[Current Profit to Sales Ratio]





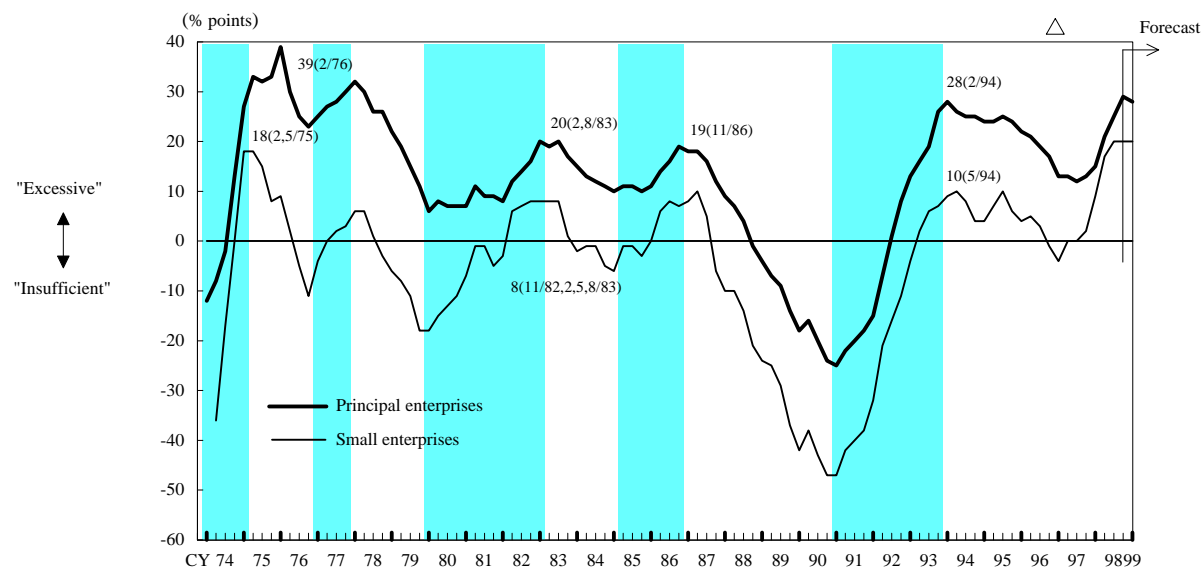


[Production Capacity DI (Manufacturing)]



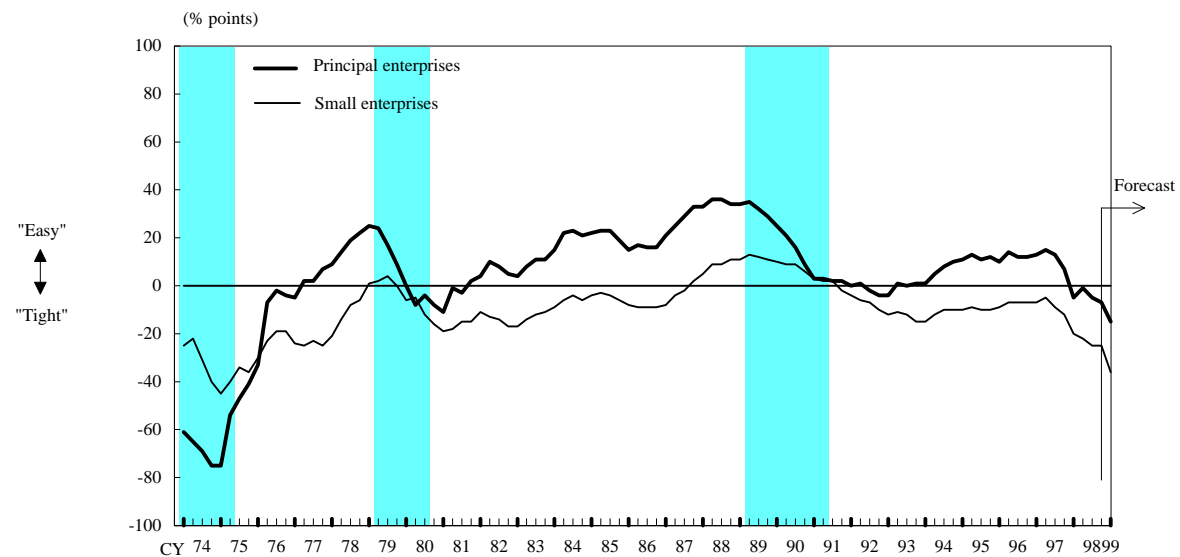
# [Employment DI (All Industries)]

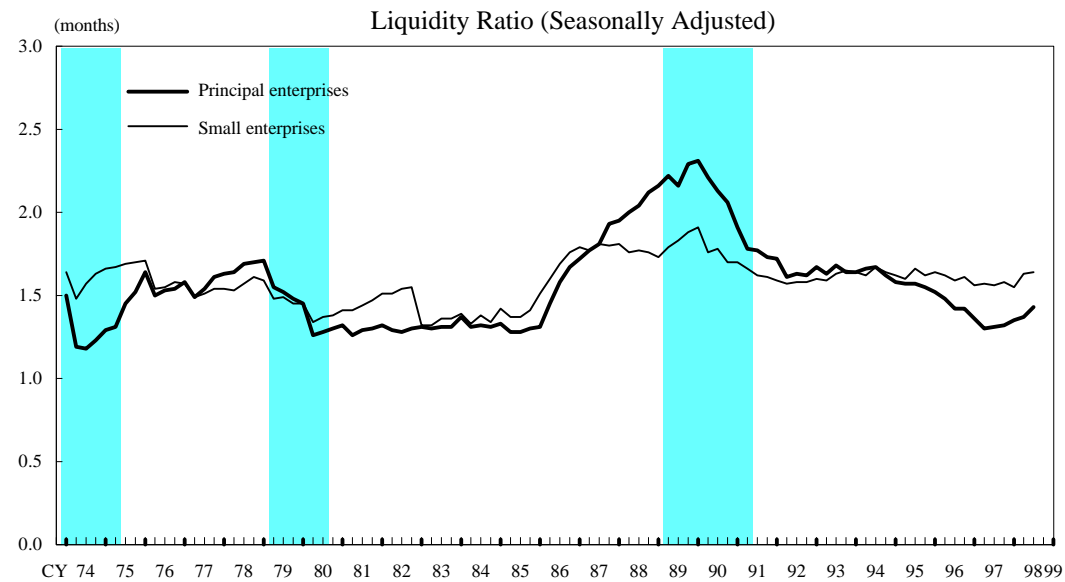
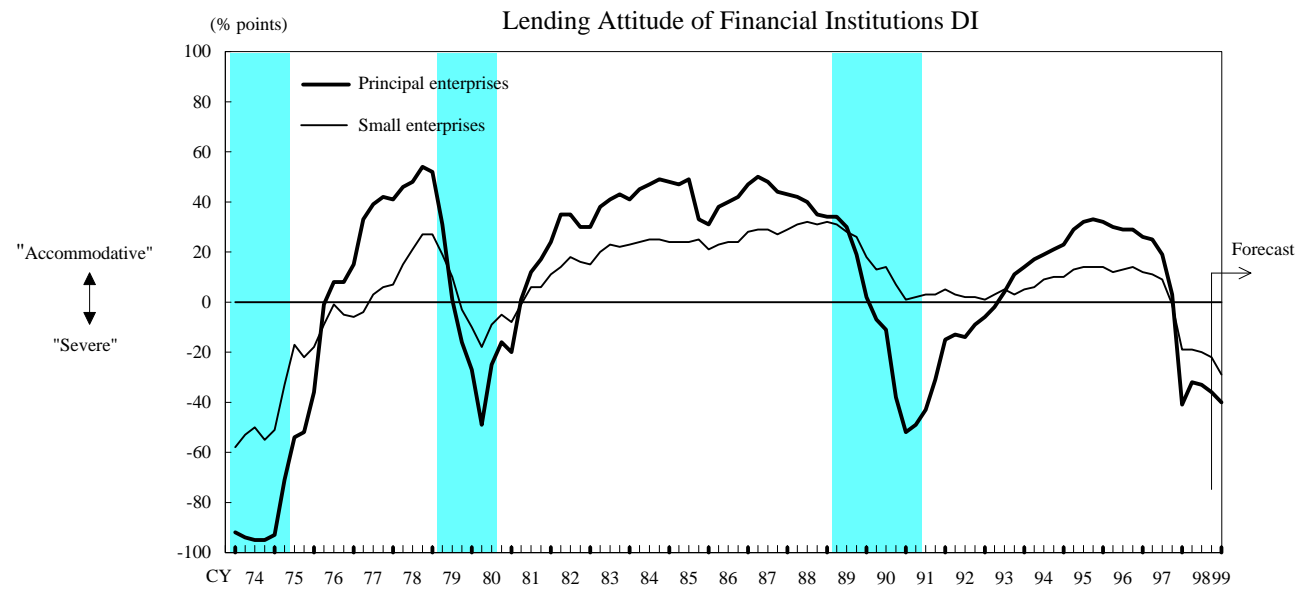
\* See notes 21 and 22 under *NOTES*.



# [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 September 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 June 1998.

### 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 June 1998.

## 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. Nonmanufacturing not included in small enterprises before May 1983 for employment DI, financial position DI and lending attitude of financial institutions DI.
22. As for "Corporate Finance-Related Indicators", shaded areas indicate periods of restraint.
23. Nonmanufacturing not included in small enterprises before March-end 1983 for the liquidity ratio.