Summary of the Results of the 95th Bank of Kyoto Quarterly Survey
(Survey on Assessment of Business Conditions by Companies in Kyoto)
November 2016 Survey

(Outline)

The diffusion index (DI) of the current business conditions for companies in Kyoto rose 3 points on an all-industry basis, representing the first improvement in four quarters. This indicates that the prolonged deterioration in business sentiment may be coming to a halt.

—The DI for the manufacturing industry rose 1 point. However, the disparity between sectors widened. The DI for the nonmanufacturing industry rose 6 points, marking the end of the prolonged downtrend. The DIs for order receipt and demand, sales and profit improved slightly, indicating signs of a change in the downtrend.—

(1) Notable Features of the Assessment of Business Conditions (current conditions) by companies in Kyoto

The diffusion index (DI) of the current business conditions (the percentage of companies that described the conditions as favorable minus the percentage of companies that described the conditions as unfavorable) for companies in Kyoto rose 3 points from the previous survey in August to minus 11, representing the first improvement in four quarters. This indicates that the deterioration in business confidence in Kyoto may be coming to a halt at last, after continuing for the past one year. However, the disparity between well-performing sectors and poorly-performing ones widened further in the manufacturing industry. Meanwhile, in the nonmanufacturing industry, the DIs for consumption-related sectors, such as the wholesale and retail sectors, remained deep in the minus column despite the improvement, suggesting that the recovery is weak.

By industry, the DI for the manufacturing industry improved albeit slightly, by 1 point, from minus 12 to minus 11. However, performance varied within the machinery sector depending on the type of machinery: the DI improved significantly for general machinery (from minus 3 to plus 16) and precision machinery (from 0 to plus 18) but fell for electrical machinery (from minus 7 to minus 16) and transportation machinery (from minus 14 to minus 25). Among other sectors, there was also a polarization between well-performing ones and poorly-performing ones. For example, the DI pulled out of the minus column for the chemicals sector (from 0 to plus 31) and the plastics sector (from minus 25 to 0). On the other hand, the DI fell deep into the minus column for the lumber and wooden product sector (from 0 to minus 43) and the kimono fabric sector (from minus 67 to minus 75).

The DI for the nonmanufacturing industry rose 6 points, from minus 17 to minus 11, marking the first improvement in four quarters. The DI improved substantially, albeit in the minus column, for the services sector (from minus 16 to minus 6), the retail sector (from minus 28 to minus 19) and the wholesale sector (from minus 35 to minus 21), while the DI remained relatively firm for the real estate sector (from plus 14 to plus 13) and the construction sector (from 0 to minus 2). The results indicate that the prolonged downtrend for the nonmanufacturing sector as a whole may be coming to a halt.

By company size, the DI remained in the plus column for large enterprises (from plus 13 to plus 6) while it improved, despite remaining in the minus column, for medium-sized enterprises (from minus 27 to minus 22) and small enterprises (from minus 12 to minus 8).

Changes in the business conditions DI (the percentage of companies that described the conditions as favorable minus the percentage of companies that described the conditions as unfavorable)

	(Number of companies)	2016					2017
		February	May	August	November	(previous forecast)	February (forecast)
All industries	455	-9	-10	-14	(-11)	(-8)	(-10)
Manufacturing	228	-12	-12	-12	(-11)	(-5)	(-8)
Nonmanufacturing	227	-6	-8	-17	(-11)	(-11)	(-11)
Large enterprises	17	-19	-7	13	(6)	(20)	(12)
Medium-sized enterprises	103	-19	-18	-27	(-22)	(-13)	(-14)
Small enterprises	335	-6	-8	-12	(-8)	(-8)	(-9)

Note: Large enterprises are those which employ 500 or more workers, medium-sized enterprises are those which employ 100 to 499 workers, and small enterprises are those which employ 99 or fewer workers.

(2) Forecast of Future Business Conditions (three months later)

The forecast DI (forecast of conditions three months later) for all industries improved from minus 11 to minus 10, making the second consecutive improvement, but the marginal rise of 1 point means that companies are somewhat cautious about the future outlook. Although the forecast DI for the manufacturing industry rose slightly, by 3 points (from minus 11 to minus 8), the DI for the nonmanufacturing industry remained flat (unchanged at minus 11).

(3) Conditions of Corporate Activities

As for specific corporate activities, the DIs for order receipt and demand, sales, and profit, which had continued to be sluggish, improved slightly despite staying deep in the minus column, indicating changes in the trend of prolonged stagnation. However, the strength of recovery differs from sector to sector.

The product order receipt and demand DI (from minus 22 to minus 20) rose 2 points on an all-industry basis although it remained deep in the minus column. The DI for the manufacturing industry (from minus 14 to minus 18) declined 4 points, while the DI for the nonmanufacturing industry (from minus 30 to minus 21) increased 9 points. The operating ratio DI (from minus 4 to zero) rose 4 points and returned to the neutral position for the first time in four quarters. The inventory DI (from plus 6 to plus 8) improved 2 points. Although the DI for the manufacturing industry (from plus 8 to plus 6) dropped 2 points, the DI for the nonmanufacturing industry (from plus 3 to plus 10) gained 7 points, suggesting that companies were building up inventories to some degree due to the improvement in their sentiment on demand.

The input price DI (from plus 11 to plus 13) recorded a small rise of 2 points, on an all-industry basis. The DI for the manufacturing industry (from plus 7 to plus 9) rose 2 points, while the DI for the nonmanufacturing industry (from plus 14 to plus 18) increased 4 points, indicating the return of an uptrend in input prices. On the other hand, although the output price DI (from minus 7 to minus 5) rose slightly, by 2 points, it stayed in the minus column. However, while the DI for the manufacturing industry (from minus 10 to minus 8) improved only 2 points, the DI for the nonmanufacturing industry (from minus 4 to 0) increased 4 points and pulled out of the minus column.

The sales DI (from minus 28 to minus 22) remained deep in the minus column but improved 6 points, marking the first rise in two quarters. Both the DI for the manufacturing industry (from minus 24 to minus 22) and the DI for the nonmanufacturing industry (from minus 33 to minus 22) improved despite remaining in the minus column. The profit DI (from minus 17 to minus 15) recorded a marginal rise of 2 points. Although the DI for the nonmanufacturing industry (unchanged at minus 18) remained flat, the DI for the manufacturing industry (from minus 17 to minus 13) increased 4 points, signaling an improvement in sentiment on profit.

The employment DI (from minus 20 to minus 27) declined 7 points in the minus column. Both the DI for the manufacturing industry (from minus 16 to minus 25) and the DI for the nonmanufacturing industry (from minus 24 to minus 29) fell in the minus column, indicating that the labor shortage is growing further and becoming more prolonged. The fixed investment DI (from minus 15 to minus 14) improved slightly, by 1 point, but it still stayed deep in the minus column, suggesting that companies maintained a cautious stance on investment. The DI for the manufacturing industry (from minus 13 to minus 7) improved somewhat, but the DI for the nonmanufacturing industry (from minus 17 to minus 20) declined in the minus column, meaning that cautiousness grew.

The financial position DI (from plus 6 to plus 7) rose slightly, by 1 point, suggesting that the fiscal position remained easy. There was no change in the underlying trend in the borrowing DI (from minus 13 to minus 12), indicating that companies continued to make persistent efforts to reduce borrowing.