

Summary of the Results of the 97th Bank of Kyoto Quarterly Survey  
(Survey on Assessment of Business Conditions by Companies in Kyoto)

May 2017

(Outline)

The diffusion index (DI) of the current business conditions for companies in Kyoto rose 6 points on an all-industry basis for the third consecutive quarterly improvement, a solid sign of recovery.

—The DI for the manufacturing industry improved significantly, 9 points, to plus 4, climbing into the plus column for the first time in six and a half years and indicating an accelerating recovery.

Although the DI for the nonmanufacturing industry improved 4 points, it has been fluctuating up and down as an underlying trend, suggesting that the recovery is lagging.—

(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 improved 6 points from minus 9 in the previous survey in February to minus 3. As this represents the third quarterly improvement, business confidence among companies in Kyoto is steadily recovering and growing. In particular, the DI for the manufacturing industry rose 9 points (from minus 5 to plus 4), climbing into the plus column for the first time in six and a half years, in a reflection of an accelerating recovery in a broad range of sectors. However, although the DI for the nonmanufacturing industry improved 4 points this time (from minus 14 to minus 10), it has been fluctuating up and down as an underlying trend.

By industry, the DI for the manufacturing industry improved 9 points from minus 5 to plus 4. The DI moved into the plus column for the electric machinery sector (from minus 4 to plus 15) and the precision machinery sector (from 0 to plus 20). The DI also rose steeply in the plus column for the transportation machinery sector (from plus 14 to plus 43) and the general machinery sector (from plus 9 to plus 17). Concerning other sectors, the DI improved significantly albeit in the minus column for the paper processing and printing sector (from minus 47 to minus 33) and the traditional Japanese textile sector (from minus 67 to minus 33). In addition, the DI remained firm for the metal product sector (from plus 12 to plus 21) and swung into the plus column for the food sector (from 0 to plus 7) and the ceramic, stone and clay sector (from minus 14 to plus 17). In total, the DI improved for 10 of the 14 sectors of the manufacturing industry, indicating a broad recovery.

Meanwhile, the DI for the nonmanufacturing industry improved 4 points, from minus 14 to minus 10. The DI fell into the minus column for the construction sector (from 0 to minus 6), dropped further in the minus column for the services sector (from minus 3 to minus 8) and remained deep in the minus column for the retail sector (from minus 25 to minus 26). On the other hand, the DI moved into the plus column for the transportation and warehousing sector (from minus 14 to plus 5) and also improved for the food wholesale sector (from minus 29 to plus 14) and the machinery

wholesale sector (from plus 8 to plus 23).

By company size, the DI declined somewhat in the plus column for large enterprises (from plus 18 to plus 12). However, the DI improved significantly for medium-sized enterprises, by 8 points (from minus 10 to minus 2), and for small enterprises, by 7 points (from minus 11 to minus 4).

**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		
		August	November	February	May (previous forecast)	August (forecast)	
All industries	447	-14	( -11 )	( -9 )	( -3 )	( -6 )	( -4 )
Manufacturing	224	-12	( -11 )	( -5 )	( 4 )	( 0 )	( 5 )
Nonmanufacturing	223	-17	( -11 )	( -14 )	( -10 )	( -12 )	( -13 )
Large enterprises	17	13	( 6 )	( 18 )	( 12 )	( 19 )	( 12 )
Medium-sized enterprises	98	-27	( -22 )	( -10 )	( -2 )	( -6 )	( 2 )
Small enterprises	332	-12	( -8 )	( -11 )	( -4 )	( -8 )	( -6 )

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 declined 1 point, from minus 3 to minus 4, representing the first drop in four quarters, but the level remained relatively firm. The forecast DI for the manufacturing industry continued to recover slightly, 1 point, for the manufacturing industry (from plus 4 to plus 5), while the forecast DI for the nonmanufacturing industry declined 3 points (from minus 10 to minus 13).

(3) Conditions of Corporate Activities

As for specific corporate activities, the DIs for order receipt and demand, sales, and profit all improved on an all-industry basis. In the manufacturing industry, the DIs for many items improved, leading to the improvement of the overall DI. On the other hand, in the nonmanufacturing industry, although the DIs for some items improved, the recovery remained sluggish as exemplified by the sideways movement of the profit DI.

The product order receipt and demand DI continued to improve steadily, rising 7 points (from minus 14 to minus 7), following the improvement of 6 points in the previous survey. The DI for the manufacturing sector improved 4 points (from minus 4 to 0), swinging into the plus column, and the DI for the nonmanufacturing industry also rose steeply, 10 points (from minus 24 to minus 14). The operating ratio DI (calculated only for the manufacturing industry;) improved 4 points (from 0 to plus 4) against the backdrop of the recovery in the product order receipt and demand DI, climbing into the plus column. The inventory DI rose 1 point (from plus 4 to plus 5). While the DI for the manufacturing industry fell 1 point in the plus column (from plus 4 to plus 3), the DI for the

nonmanufacturing industry rose 5 points in the plus column (from plus 4 to plus 9). The rise was largely because the DI improved significantly in the minus column for the real estate sector (from minus 62 to minus 30) and moved into the plus column for the transportation and warehousing sector (from minus 7 to plus 7) and the construction sector (from minus 2 to plus 2).

The input price DI rose 6 points in the plus column (from plus 20 to plus 26) on an all-industry basis. The DI for the nonmanufacturing industry remained flat at a high level (unchanged at plus 25), while the DI for the manufacturing industry rose steeply, by 12 points (from plus 16 to plus 28). The output price DI remained flat (unchanged at minus 1). Although the decline in the output price DI came to a halt, the flat movement indicates that it is not easy to raise prices. The DI for the manufacturing industry deteriorated one point in the minus column (from minus 5 to minus 6), but the DI for the nonmanufacturing sector remained flat (unchanged at plus 4), barely managing to stay in the plus column.

The sales DI improved 8 points (from minus 18 to minus 10) despite remaining in the minus column, marking the third consecutive quarterly improvement. The DI improved 7 points for the manufacturing industry (from minus 11 to minus 4) and 9 points for the nonmanufacturing industry (from minus 26 to minus 17) in the minus column. The profit DI rose 4 points (from minus 13 to minus 9) for the third consecutive improvement. The DI improved markedly, 7 points, for the manufacturing industry (from minus 8 to minus 1), but remained flat for the nonmanufacturing industry (unchanged at minus 17).

The employment DI declined 2 points in the minus column (from minus 28 to minus 30), as an acute labor shortage continued. The DI remained deep in the minus column for both the manufacturing industry (from minus 27 to minus 29) and nonmanufacturing industry (from minus 29 to minus 30), reflecting the prolonged tightness of the labor supply-demand balance. The fixed investment DI rose 2 points (from minus 15 to minus 13) but still stayed deep in the minus column, indicating that companies maintained a cautious stance on investment. Although the DI improved 5 points for the manufacturing industry (from minus 11 to minus 6), it remained flat for the nonmanufacturing industry (unchanged at minus 20).

There was no change in the underlying trend in the financial position DI (from plus 7 to plus 8) and the borrowing DI (unchanged at minus 10). In short, companies' financial position remained easy while they were making persistent efforts to reduce borrowing.

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