Summary of the Results of the 98th Bank of Kyoto Quarterly Survey

(Survey on Assessment of Business Conditions by Companies in Kyoto)

August 2017

(Outline)

The diffusion index (DI) of the current business conditions for companies in Kyoto rose 4 points on an all-industry basis for the fourth consecutive quarterly improvement, swinging into the plus column for the first time in three years and nine months.

— The DI for the manufacturing industry rose again in the plus column, by 2 points, led by the four machinery sectors.

The DI for the nonmanufacturing industry improved 5 points for the second consecutive quarterly improvement, with consumption-related sectors showing signs of recovery at long last.

(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 4 points from minus 3 in the previous survey in May to plus 1. This improvement, the fourth consecutive quarterly rise, has moved the DI into the plus column for the first time in three years and nine months. Business sentiment among companies in Kyoto has been steadily picking up after the DI hit bottom at minus 14 in the survey in August last year. The DI for the manufacturing industry continued to rise slightly (from plus 4 to plus 6) while remaining in the plus column. In particular, the four machinery sectors rose again steeply (from plus 19 to plus 27), producing a favorable impact on the whole of the manufacturing industry. Meanwhile, the DI for the nonmanufacturing industry improved 5 points (from minus 10 to minus 5) for the second consecutive quarterly improvement, indicating steady recovery.

By industry, the DI for the manufacturing industry rose 2 points, from plus 4 to plus 6, marking the fourth consecutive quarterly improvement and staying in the plus column for the second consecutive quarter. Particularly notable is the steep rise of the four machinery sectors (from plus 19 to plus 27) in the plus column. Although the DI for the transport machinery sector declined (from plus 43 to plus 29), it remained at a high level in the plus column. The DI rose in the plus column and remained at a relatively high level for all of the general machinery sector (from plus 17 to plus 27), the precision machinery sector (from plus 20 to plus 35) and the electrical machinery sector (from plus 15 to plus 20).

In other sectors, the DI trend varied. The DI turned negative for the food sector (from plus 7 to minus 4) and declined in the plus column for the chemicals sector (from plus 38 to plus 17) and the metal product sector (from plus 21 to plus 11). However, the DI recovered steeply and swung into the positive column for the paper processing and printing sector (from minus 33 to plus 6). Still, on the whole, the recovery strengthened, significantly supported by the four machinery sectors.

Meanwhile, the DI for the nonmanufacturing industry improved 5 points, from minus 10 to minus 5, for the second consecutive quarterly improvement, suggesting that the recovery is strengthening. By sector, the DI declined for the machinery wholesale sector (from plus 23 to plus 8) and the food wholesale sector (from plus 14 to 0). However, as the DI improved for the other wholesale sector (from minus 11 to 0) and the other textile wholesale sector (from minus 64 to minus 20), the DI rose 7 points for the overall wholesale sector (from minus 14 to minus 7). The DI also rose sharply in the minus column for the retail sector (from minus 26 to minus 13), signaling signs of improvement in consumer-related sectors at long last.

By company size, the DI was on the recovery track for all sizes of enterprises. The DI remained in the plus column for large enterprises (from plus 12 to plus 13) and climbed by 5 points, moving into the plus column, for medium-sized enterprises (from minus 2 to plus 3). The DI also improved to a level just shy of the plus column for small enterprises (from minus 4 to minus 1).

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				
		November	February	May	August	(previous forecast)	November (forecast)
All industries	446	-11	-9	-3	1	(-4)	1
Manufacturing	220	-11	-5	4	6	(5)	7
Nonmanufacturing	226	-11	-14	-10	-5	(-13)	-5
Large enterprises	15	6	18	12	13	(12)	20
Medium-sized enterprises	97	-22	-10	-2	3	(2)	-4
Small enterprises	334	-8	-11	-4	-1	(-6)	1

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 remained unchanged at plus 1. The forecast DI rose 1 point for the manufacturing industry (from plus 6 to plus 7) and remained flat for the nonmanufacturing industry (unchanged at minus 5).

(3) Conditions of Corporate Activities

As for specific corporate activities, the DI for order receipt and demand and the operating ratio DI continued to improve, and the DIs for sales and profit also recovered slightly. By industry, the DIs for order receipt and demand, sales and profit improved for both the manufacturing and nonmanufacturing industries, leading to the improvement of the overall DI.

Although the product order receipt and demand DI remained in the minus column, it continued to recover, rising by 5 points (from minus 7 to minus 2). The DI improved by 5 points and moved into the plus column for the manufacturing industry (from 0 to plus 5) and improved by 4 points for the nonmanufacturing industry (from minus 14 to minus 10). The operating ratio DI (calculated only for the manufacturing industry) rose 4 points (from plus 4 to plus 8), staying in the plus column for the second consecutive quarter, against the backdrop of the improvement in order receipt and demand. The inventory DI fell by 2 points in the plus column (from plus 5 to plus 3). Although the DI remained flat for the manufacturing industry (unchanged at plus 3), it declined by 7 points for the nonmanufacturing industry (from plus 9 to plus 2). Although the inventory level stayed at an appropriate on the whole, there is a growing sense of inventory shortage in some sectors.

The input price DI declined 1 point (from plus 26 to plus 25) on an all-industry basis, representing the first decline in five quarters, but its level remained high. The DI dropped by 2 points for both the manufacturing industry (from plus 28 to plus 26) and the nonmanufacturing industry (from plus 25 to plus 23). The output price DI stopped declining but remained flat (unchanged at minus 1), indicating that it is not easy to raise prices. While the DI improved by 1 point in the minus column for the manufacturing industry (from minus 6 to minus 5), it declined by 1 point in the plus column for the nonmanufacturing industry (from plus 4 to plus 3).

The sales DI rose 1 point (from minus 10 to minus 9) for the fourth straight quarterly improvement. The DI remained in the minus column but improved by 1 point for the manufacturing industry (from minus 4 to minus 3) and by 2 points for the nonmanufacturing industry (from minus 17 to minus 15). The profit DI improved by 3 points (from minus 9 to minus 6) for the fourth consecutive improvement. The DI rose by 6 points for the nonmanufacturing industry (from minus 17 to minus 11) and returned to the neutral point for the manufacturing industry (from minus 1 to 0), indicating that profitability is improving in both industries.

The employment DI fell by 3 points in the minus column (from minus 30 to minus 33), suggesting that a sense of labor shortage is deepening. Although the sense of labor shortage has not directly led to deterioration in business sentiment in any sector for the moment, there is concern that it may put downward pressure on business management in the future. The DI remained deep in the minus column for both the manufacturing industry (from minus 29 to minus 33) and the nonmanufacturing industry (from minus 30 to minus 34), indicating that that the tight labor supply-demand balance is being prolonged. Although the fixed investment DI stayed in the minus column, it improved by 4 points (from minus 13 to minus 9). There are signs of a slight improvement for both the nonmanufacturing industry and the manufacturing industry, with the DI improving 7 points for the former (from minus 20 to minus 13) and 2 points for the latter (from minus 6 to minus 4). However, as far as can be seen from a survey on the amount of investments by small and medium-size enterprises, investments are planned to be reduced, mainly by medium-size enterprises, and there is little notable indication of improvement.

The financial position DI remained almost flat (from plus 8 to plus 9), suggesting that companies' financial position remained easy. The borrowing DI did not show a significant change (from minus 10 to minus 12), meaning that companies were making persistent efforts to reduce borrowing.