



**JRI news release**

**A Forecast of the Bank of Japan's  
*Short-Term Economic Survey ("Tankan")*  
(December Survey)**

**December 5, 2003  
Economics Research Center  
Economics Department  
The Japan Research Institute, Limited  
<http://www.jri.co.jp/>**

**For more information on the content of this report, please contact**

**Hideki Matsumura, Economics Department**

**Tel: 03-3288-4524 E-Mail: [matsumura.hideki@jri.co.jp](mailto:matsumura.hideki@jri.co.jp)**

**A Forecast of the Bank of Japan's  
*Short-Term Economic Survey ("Tankan")* (December Survey)**

The latest edition of the Bank of Japan's *Short-Term Economic Survey* ("Tankan"), based on the December survey, which is due to be published on December 12, is likely to reveal that consumer spending and capital investment held steady and that, business conditions are still improving in the corporate sector in reflection of stronger export growth.

The business sentiment diffusion index for December is likely to be –16% points on an all industries/all sizes of company basis, 5% points up on the level recorded at the end of September. In the manufacturing sector, the upward trend of exports (led by shipments to Asia) is strengthening and, as domestic demand is also recovering, business confidence is expected to see a substantial improvement of 7% points as compared with the September survey. Business confidence is also expected to see a gentle improvement in the non-manufacturing sector, too, owing to the tenacity of domestic demand.

On an all industries/all sizes of company basis, the *Tankan's* forecast of the amount of capital investment in fiscal 2003 is set to see an upward adjustment of 1.3% points on the level recorded in fiscal 2002. Although the upward adjustment is likely to be small in the manufacturing sector, it is expected to be substantial in the manufacturing sector owing to a rise in capacity utilization.

Given that the economy is expected to go on strengthening at a gentle pace, it is likely that the March edition of the Tankan will show a continued improvement of the business sentiment diffusion index. However, given that (i) the recovery is still dependent, to a large extent, on the recovery of overseas economies and may yet suffer from the strengthening of the yen, and (ii) the problem of the polarization of business conditions, which are good for some sectors and sizes of company, bad for others, the economy cannot yet be said to be on a firm footing. If the present economic upturn is to be the start of a sustained recovery, it is vital that the government should implement deregulation and tax reforms with a view to strengthening Japan's industrial infrastructure as well as seeking to reform the social security system and rebuild public finances.