

Japan's Tankan: OK, but heading lower

Japan's Tankan survey by the Bank of Japan highlights the state of the economy as it was in Q1 20 headed into the current quarter. And the news, whilst not good, isn't bad compared to what we are seeing both regionally and globally



This won't last

To a large extent, the reasonable outturn of this Tankan survey highlights Japan's relatively good pandemic performance in 1Q20. Considering where it started this outbreak, it is still avoiding lockdown and life goes on relatively normally. This may not last if the rate of new case increase is any guide.

The main figures are shown in the table below, and while none of them is particularly encouraging, they were almost all better than the consensus expectations.

March 2020 Tankan survey

	Dec-19	Mar-20	Outlook
Manufacturing firms			
Large	0	-8	-11
Medium	1	-8	-20
Small	-9	-15	-29
Non Manufacturing firms			
Large	20	8	-1
Medium	14	0	-14
Small	7	-1	-19

Source: Bank of Japan
March 2020 Tankan

Enjoy it while it lasts

Notably, outlooks are fairly horrible, so this plays to where Japan is headed next as the coronavirus interrupts daily life and business more substantially on the assumption that a lockdown is at some stage inevitable. And there is also some evidence of a bigger squeeze on smaller firms, perhaps as larger firms exert pressure on smaller suppliers.

A sizeable (at least in terms of its headline) fiscal stimulus package is on its way, perhaps as soon as next week. Figures in excess of JPY60tr are being floated. It won't change what will be an inevitable recession unless the COid-19 case numbers stop rising.

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