

**Economic DI improves for first time in 3 months to 25.1, as domestic economy more apparently led by foreign demand**

— “Manufacturing” hits record high after bottoming out, but domestic demand-led industries remain sluggish

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(Respondents: 21,781, Valid responses: 10,651, Response rate: 48.9%, Survey started in May 2002)

**Overview of January 2010: leveling off**

The Economic DI (Economic DI: 0–100, 50 points is the threshold of assessment) in January 2010 increased 1.2 points from the prior month to 25.1, marking the first improvement in three months.

- (1) [“Manufacturing” hit a record high after bottoming out thanks to increase in demand in emerging countries](#)
- (2) [DIs of domestic demand-led industries such as “Retail” and “Service” remained sluggish due to sluggish household income](#)
- (3) [Companies subject to a tough earnings environment, inhibiting further recovery of the domestic economy](#)

The domestic economy is still leveling off while becoming apparently driven by foreign demand.

**Future outlook: leveling off**

Projected future DIs rose 0.5 points from the prior month for 1 month (25.6), 2.0 points for 3 months (27.1) and 2.7 points for 6 months (27.8). Although there is still concern about a double dip in the domestic economy due to weak domestic demand, it is expected to keep leveling off, driven by foreign demand.

Economic DI	Jan. 2009	Feb.	Mar.	Apr.	May.	Jun.	July.	Aug.	Sep.
Change from prior month	▲ 1.1	▲ 0.7	0.8	1.0	0.3	1.6	0.8	1.4	0.2
Economic DI	Oct.	Nov.	Dec.	Jan. 2010	Projected future DI	After 1 month	After 3 months	After 6 months	After 1 year
Change from prior month	0.2	▲ 0.2	▲ 0.8	1.2	Change from Jan. 2010	0.5	2.0	2.7	4.2

\*1: White columns mean an improvement, yellow-shaded columns mean the value was unchanged, and blue-shaded columns mean a decrease.

\*2: Economic DIs are calculated based on the structural ARIMA model, in which economic statistics are incorporated to the ARIMA model.

**By Industry: “Manufacturing” tops “Retail” for second straight month, showing economy driven by foreign demand**

- Nine industries including “Manufacturing” and “Retail” improved and “Agriculture, Forestry, Fisheries” leveled off.
- **“Construction” (21.0, up 0.2 from prior month)** Remained almost unchanged as the prolonged economic slowdown weighed on capital spending in the private sector and public works projects are decreasing. “Construction” was the lowest among the 10 industries (except “Other”) for the seventh straight month.
- **“Real estate” (26.2, up 2.3)** Improved for the first time in four months as inventories of high-quality products were reduced and the housing eco-points system, which was established under the second supplementary budget for fiscal 2009, partly supported sales, while overall selling prices dropped.
- **“Manufacturing” (26.6, up 1.6)** Hit a record high after bottoming out as “Electric Machinery,” “Transportation Machinery, Equipment” and other sectors continued to improve thanks to foreign demand mainly in Asian countries including China, in addition to political measures that, although lacking strength, supported sales. “Manufacturing” topped “Retail” for the second straight month, implying more strongly that the domestic economy is driven by foreign demand.
- **“Retail” (25.9, up 1.5)** Improved for the first time in two months as sales of medical products, automobiles and electric appliances were relatively favorable. In contrast to “Manufacturing,” which hit a record high after bottoming out, however, the improvement of “Retail” in January recovered only a part of its total drop as it had been continuing to drop due to weak domestic demand since Autumn 2009. “Retail” fell below “Manufacturing” for the second straight month as domestic demand remained sluggish due to the tough employment environment, decreasing income, deflation and diminishing effects of political measures.
- **“Agriculture, Forestry, Fisheries” (26.8, leveled off)** Purchase prices increased because production of leaf vegetables decreased due to the cold weather that continued through the middle of January. Meanwhile, although seasonable demand existed, selling prices were subject to strong downward pressure due to consumers’ persistent preference for lower prices, which made the earnings environment remain tough and “Agriculture, Forestry, Fisheries” remained almost unchanged.

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**By Firm Size: Firms of all sizes, including “large,” “mid-to-small,” and “micro,” showed improvement in DI**

- The DI improved in all corporate sizes for the first time in five months as large enterprises’ DI (26.3) rose 1.1 points from the prior month, mid-to-small enterprises’ (24.7) rose 1.2 points and micro-enterprises’ (22.6) rose 1.0 point. Like previous months, however, the DI was low because of larger companies’ low price strategies that put downward pressure on prices.

**By Region: Regional “Manufacturing” drives improvement in “Kinki,” “Tokai” and other regions**

- The DI improved for all 10 regions for the first time in five months.
- **“Kinki” (25.3, up 1.5)** Improved for the first time in three months and topped the national DI (25.1) for the first time in 10 months as “Manufacturing” improved thanks to a recovery in foreign demand and comparatively favorable domestic demand supported “Retail” and “Service.”
- **“Tokai” (24.3, up 1.6)** Improved for the first time in three months. The region’s “Manufacturing” (25.7) has been the second lowest of all following “Manufacturing” (22.7) of “Hokuriku” (22.0), but it was ranked sixth of all 10 regions’ “Manufacturing” in January as “Transportation Machinery, Equipment” rose 7.2 points, “Chemical” rose 3.6 points and other sectors improved. DIs of domestic demand-driven industries such as “Construction,” “Retail” and “Service,” however, remained lower than the national average, and the overall DI of “Tokai” was the fourth lowest of all following “Hokuriku,” “Tohoku” and “Hokkaido.”
- **“Kyushu” (26.9, up 1.0)** “Manufacturing” (28.8) in the region was ranked second of all due to the strong performance of the steel, electric machinery, chemical and machinery industries. “Kyushu” overall was ranked at the top for the first time in nine months, replacing “Shikoku” (26.5) thanks to relatively steady domestic demand.

## Economic Diffusion Index (Economic DI)1/2

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Ratio to the Previous Month
Total	19.3	18.6	19.4	20.4	20.7	22.3	23.1	24.5	24.7	24.9	24.7	23.9	25.1	1.2
Large Firms	21.1	20.3	21.1	22.4	22.6	24.1	24.8	25.7	25.9	26.0	25.9	25.2	26.3	1.1
Small to Medium-sized Firms	18.6	18.0	18.9	19.8	20.0	21.7	22.6	24.1	24.3	24.5	24.3	23.5	24.7	1.2
Micro Firms	17.7	17.3	18.5	19.3	19.2	21.0	21.6	23.1	23.1	23.0	22.4	21.6	22.6	1.0

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Ratio to the Previous Month	
Agriculture, Forestry, Fisheries	26.9	28.3	24.2	28.3	27.3	28.2	28.8	31.4	30.3	28.9	29.7	26.8	26.8	0.0	
Finance	21.6	22.1	21.9	23.0	25.3	27.1	26.4	27.0	28.2	27.9	28.2	26.2	28.3	2.1	
Construction	18.6	18.2	19.5	19.6	19.0	20.7	21.5	23.1	22.4	22.3	22.0	20.8	21.0	0.2	
Real Estate	18.3	19.8	21.1	21.4	22.7	24.6	26.1	26.0	27.4	26.9	25.4	23.9	26.2	2.3	
Manufacturing	Food, Beverages, Livestock Feed	27.3	27.3	27.8	30.5	29.8	31.5	31.0	32.5	31.9	30.7	29.9	29.0	28.7	▲ 0.3
	Textile, Textile Products, Clothing	18.9	17.2	17.5	19.2	21.8	21.1	23.5	24.1	23.8	22.4	23.1	21.5	23.2	1.7
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	16.0	16.6	16.1	15.9	15.9	18.2	19.7	20.3	19.1	21.2	21.6	20.0	21.3	1.3
	Pulp, Paper and Paper Products	20.2	17.8	19.5	20.8	21.1	22.0	25.4	26.5	26.7	29.0	27.0	26.7	28.0	1.3
	Publishing, Printing	18.2	17.8	19.1	21.0	21.1	20.7	20.4	22.0	22.2	22.1	21.2	21.4	21.4	0.0
	Chemical	17.8	17.9	18.4	20.3	22.1	25.6	26.1	28.5	30.9	31.1	32.9	31.9	32.1	0.2
	Steel, Nonferrous Metals, Mining	13.6	13.3	13.4	14.1	15.1	16.5	18.0	20.9	21.2	21.9	23.1	22.7	25.1	2.4
	General Machinery	16.7	14.5	14.7	15.5	15.6	16.9	18.3	19.7	19.9	20.7	20.4	21.5	24.6	3.1
	Electrical Machinery	14.8	14.0	14.3	15.7	15.9	18.7	21.6	24.0	24.6	26.4	26.7	27.0	29.4	2.4
	Transportation Machinery, Equipment	15.0	14.0	12.1	15.4	15.5	19.0	20.3	22.3	24.6	25.8	26.9	28.0	30.5	2.5
	Precision Machinery, Medical Instruments and Equipment	20.9	16.5	20.1	20.7	20.6	24.1	21.7	25.5	26.9	25.0	28.2	29.5	31.5	2.0
	Other	18.7	18.2	20.3	20.9	19.5	20.8	22.1	21.2	21.0	21.6	22.0	19.1	22.7	3.6
	Total	17.7	17.0	17.5	18.7	19.2	21.0	22.2	24.0	24.4	24.9	25.3	25.0	26.6	1.6
Wholesale	Food, Beverages	25.2	25.5	25.9	27.1	27.7	29.4	28.5	29.8	28.5	28.5	27.0	26.1	25.4	▲ 0.7
	Textile, Textile Products, Clothing	18.5	17.0	18.2	18.9	18.4	20.3	20.9	21.1	21.6	19.4	18.8	20.9	2.1	
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	16.9	16.2	17.2	18.3	17.3	18.3	19.5	19.8	20.4	20.9	20.3	18.9	20.0	1.1
	Paper Products, Stationery, Books	20.1	20.8	20.7	21.9	21.6	23.6	22.1	24.2	23.8	23.6	24.8	24.4	24.5	0.1
	Chemical	21.4	19.9	21.0	22.9	24.2	26.6	27.6	28.7	29.4	29.4	28.5	28.3	30.3	2.0
	Recycled Resources	10.8	9.8	11.9	14.9	19.0	23.2	25.4	32.6	31.7	29.7	29.5	28.3	30.4	2.1
	Steel, Nonferrous Metals, Mining Products	15.2	15.4	15.0	15.7	16.9	16.8	19.5	20.8	21.4	21.4	21.6	21.4	23.5	2.1
	Machinery, Equipment	17.5	16.7	17.6	18.4	18.1	20.3	20.8	22.1	22.6	23.5	23.8	23.1	25.1	2.0
	Other	21.2	20.1	21.5	23.8	24.4	25.2	26.8	26.8	27.5	27.5	26.8	26.0	25.8	▲ 0.2
	Total	19.0	18.4	19.2	20.3	20.5	22.1	22.8	23.9	24.1	24.5	24.1	23.4	24.6	1.2

## Economic Diffusion Index (Economic DI)2/2

		Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Ratio to the Previous Month
Retail	Food,Beverages	24.9	24.5	24.4	26.4	26.6	25.5	29.1	30.3	29.2	28.2	28.5	25.5	26.8	1.3
	Textile,Textile Products,Clothing	16.7	16.7	18.3	19.2	22.2	21.4	22.9	24.3	25.2	21.9	20.3	20.8	19.5	▲ 1.3
	Drugs,Sundries	24.7	27.8	32.0	32.7	37.3	31.8	33.3	34.7	40.2	37.1	38.6	34.2	36.5	2.3
	Furniture	16.7	18.2	21.2	16.7	19.4	16.7	18.1	17.9	20.8	20.4	16.7	16.7	18.1	1.4
	Electrical Household Appliances, Information Machinery and Equipment	25.5	23.3	25.0	27.9	25.0	27.5	26.9	25.8	28.2	27.5	27.3	25.8	28.1	2.3
	Motor Vehicles,Motor Vehicle Parts	14.8	12.9	15.8	19.9	19.6	25.6	23.3	24.4	28.2	27.1	29.2	26.5	31.2	4.7
	Special Merchandise	20.4	17.4	21.2	22.1	22.0	23.9	25.1	25.7	24.5	24.7	24.3	23.1	23.8	0.7
	Various Merchandise	26.6	26.8	25.5	26.2	27.0	27.3	26.3	26.1	25.8	26.2	27.0	24.1	27.5	3.4
	Other	19.4	18.8	24.1	21.4	19.0	22.9	26.2	23.8	22.9	26.2	16.7	19.4	14.3	▲ 5.1
	Total	21.6	20.5	22.4	23.7	24.0	25.1	25.9	26.4	27.0	26.3	26.5	24.4	25.9	1.5
Transportation,Warehousing		17.1	15.9	17.6	19.0	20.1	20.6	22.1	23.2	24.5	26.0	26.0	24.8	25.8	1.0
Service	Restaurants	23.7	23.2	28.1	28.7	29.2	31.9	28.1	29.9	29.5	26.7	21.6	20.3	22.0	1.7
	Postal,Telecommunications	36.7	38.5	34.7	37.5	33.3	42.6	43.9	44.4	43.3	43.3	47.9	42.4	48.6	6.2
	Electricity,Gas,Water,Heat	30.0	26.2	28.6	31.3	31.3	33.3	33.3	31.3	35.7	31.3	35.4	37.5	33.3	▲ 4.2
	Leasing,Rentals	23.6	24.2	25.7	25.4	25.3	25.6	27.2	28.6	27.4	27.2	26.0	26.2	28.4	2.2
	Lodging, Hotels	16.3	16.7	19.8	20.5	15.9	18.2	22.4	26.3	22.5	21.8	21.0	20.9	21.5	0.6
	Recreation	21.4	21.7	24.0	26.1	24.5	29.7	28.9	27.3	28.0	25.2	28.8	25.2	26.1	0.9
	Broadcasting	26.0	18.5	21.6	23.1	25.6	25.5	23.8	27.1	25.0	27.8	22.6	24.4	25.0	0.6
	Maintenance,Guarding,Testing	26.9	26.1	25.7	25.9	25.8	27.0	27.2	27.8	28.8	28.3	28.6	27.6	27.9	0.3
	Advertising	18.0	17.8	16.7	18.2	18.4	20.0	19.3	22.1	19.8	19.6	20.0	17.9	20.1	2.2
	Information	24.2	23.7	23.1	23.1	23.6	24.4	25.0	26.6	26.8	26.6	25.8	25.7	27.1	1.4
	Labor Dispatching	15.1	13.8	16.0	13.6	14.6	19.0	19.7	19.0	22.2	21.3	19.7	22.8	23.2	0.4
	Special Services	21.6	20.0	21.0	23.6	24.6	27.3	28.5	30.3	29.9	28.2	26.8	26.4	26.1	▲ 0.3
	Medical,Welfare,Public Health	25.6	23.1	23.7	27.6	26.4	26.5	27.0	28.1	29.5	29.0	27.9	25.8	27.8	2.0
	Education	26.3	30.0	30.8	27.5	32.4	31.5	26.3	29.2	32.4	28.7	31.5	26.0	28.4	2.4
	Other	26.8	25.1	27.8	28.8	27.7	29.0	29.6	30.8	31.0	31.1	30.6	30.5	29.7	▲ 0.8
Total	23.3	22.6	23.1	24.0	24.0	25.5	26.0	27.5	27.3	26.7	26.1	25.6	26.6	1.0	
Other	16.7	14.7	13.6	16.7	14.9	17.3	18.4	18.1	17.2	19.3	19.9	13.7	19.5	5.8	

  

		Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Ratio to the Previous Month
Hokkaido		18.3	18.4	19.5	20.6	20.8	21.8	23.1	24.6	25.4	25.8	25.3	23.9	24.2	0.3
Tohoku		17.1	16.6	17.6	19.5	18.6	20.8	21.8	24.0	23.7	24.1	23.8	22.5	22.7	0.2
kitakanto		16.5	16.6	17.1	18.2	18.5	19.9	21.3	22.3	23.5	23.6	24.1	23.5	24.4	0.9
minamikanto		20.6	19.6	20.5	21.8	22.1	23.4	24.5	25.4	25.8	25.5	25.6	24.7	26.1	1.4
Hokuriku		18.0	16.6	16.5	16.7	17.7	20.1	19.8	22.0	22.2	22.6	22.4	20.9	22.0	1.1
Tokai		17.0	16.9	17.1	17.6	18.6	20.2	21.1	22.6	22.7	23.6	23.0	22.7	24.3	1.6
Kinki		19.3	18.4	19.5	20.2	19.9	22.2	22.7	24.4	24.4	24.8	24.4	23.8	25.3	1.5
Chugoku		18.8	18.3	19.8	20.9	21.0	22.2	23.0	23.8	24.0	24.1	24.2	22.9	24.6	1.7
Shikoku		21.4	21.7	21.5	21.5	23.2	24.3	25.8	28.2	27.3	27.8	26.4	26.0	26.5	0.5
Kyushu		21.8	21.1	22.3	22.9	22.7	24.1	24.7	25.7	25.7	26.1	25.8	25.9	26.9	1.0

## Appendix

### 1. Research Subjects(Corporations:21,781

Valid responses:10,651,Response rate:48.9%)

#### 1.Region

Hokkaido	543	Tokai	1,151
Tohoku	665	Kinki	1,751
kitaKanto	686	Chugoku	653
minamikanto	3,572	Shikoku	326
Hokuriku	513	Kyushu	791
		Total	10,651

#### 2.Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries	38	
Finance	133	
Construction	1,490	
Real Estate	280	
Manufacturing 3,223	Food, Beverages, Livestock Feed	342
	Textile, Textile Products, Clothing	122
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	239
	Pulp, Paper and Paper Products	116
	Publishing, Printing	206
	Chemical	406
	Steel, Nonferrous Metals, Mining	493
	General Machinery	455
	Electrical Machinery	347
	Transportation Machinery, Equipment	93
	Precision Machinery, Medical Instruments and Equipment	72
Others	97	
Wholesale 3,959	Food, Beverages	399
	Textile, Textile Products, Clothing	219
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	404
	Paper Products, Stationery, Books	124
	Chemical	315
	Recycled Resources	23
	Steel, Nonferrous Metals, Mining Products	399
	Machinery, Equipment	1,084
	Others	420

Retail 480	Food, Beverages	82
	Textile, Textile Products, Clothing	41
	Drugs, Sundries	21
	Furniture	12
	Electrical Household Appliances, Information Machinery and Equipment	35
	Motor Vehicles, Motor Vehicle Parts	47
	Special Merchandise	133
	Various Merchandise	66
	Others	7
Transportation, Warehousing		393
Service 1,384	Restaurants	31
	Postal, Telecommunications	12
	Electricity, Gas, Water, Heat	9
	Leasing, Rentals	148
	Lodging, Hotels	38
	Recreation	51
	Broadcasting	14
	Maintenance, Guarding, Testing	130
	Advertising	144
	Information	391
	Labor Dispatching	51
	Special Services	211
	Medical, Welfare, Public Health	88
Education	17	
Others	134	
Others		29
Total		10,651

#### 3.Size

Large Firms	2,633	24.7%
Small to Medium-sized Firms	8,018	75.3%
micro Firms	2,179	20.5%
Total	10,651	45.2%

## 2. Research Items

- \*Business Confidence (current, in 3 months, in 6 months, in 1 year)
- \*Business Conditions (sales, purchasing and selling unit price, inventory, capacity utilization ratio, number of employees, overtime work hours)
- \* Survey on corporate attitudes towards wage trends in fiscal 2010

## 3. Research Period and Methodology

Internet-based survey conducted December 17, 2009 through January 5, 2010.

### The explanation of the Economic Diffusion Index

#### Research Purpose/Researched Terms

TDB Economic Trend Research (started from May 2002) is a monthly statistical survey conducted for over 20,000 nationwide corporations on their general business activities including the current condition and future outlook of the industry business performance and operating climate. The primary purpose of such a survey is to assess the current state of Japan's economy.

#### Selection of the Subject Corporations

Companies of all sizes in all domestic industries are eligible to participate in the survey.

#### DI Formula

The DI (Diffusion Index) is calculated by attaching a number (in parenthesis in the diagram below) to each of seven possible responses. Then multiplying the percentage of each response by the appropriate number, and adding the results.

Very Bad	Bad	Moderately Bad	Neither Good or Bad	Moderately Good	Good	Very Good
( 0 )	( 1/6 )	( 2/6 )	( 3/6 )	( 4/6 )	( 5/6 )	( 6/6 )
0	16.7	33.3	DI=50 Dividing point	66.7	83.3	100

A DI over 50 is in the range of "Good." A score under 50 is "Bad." The number 50 is the dividing point ("Neither Good or Bad"). All numbers are rounded off to the hundredth. It should be noted that no weight is given to a company's responses based on its size. Calculations are made according to a "one company, one vote" rule.

For example, all corporations rated 'Very Good'.

$$DI=6/6 \times 100(\%)=100$$

All corporations rated 'Neither Good nor Bad'.

$$DI=3/6 \times 100(\%)=50$$

## Size Classification

Industry	Large Firms	Small to Medium-Sized Firms (Micro Firms included)	Micro Firms
Manufacturing and Other Industries*	Capital: More than 300 million yen and No. of Employee: Over 300	Capital: Below 300 million yen or No. of Employee: Below 300	No. of Employee: Below 20
Wholesale Trade	Capital: More than 100 million yen and No. of Employee: Over 100	Capital: Below 100 million yen or No. of Employee: Below 100	No. of Employee: Below 5
Retail Trade	Capital: More than 50 million yen and No. of Employee: Over 50	Capital: Below 50 million yen or No. of Employee: Below 50	No. of Employee: Below 5
Service**	Capital: More than 50 million yen and No. of Employee: Over 100	Capital: Below 50 million yen or No. of Employee: Below 100	No. of Employee: Below 5

Note1: Large Firms refer to companies that rank in the top 3% in terms of sales volume according to the type of business, among small to medium-sized corporations excluding micro firms, which are defined in Small and Medium Enterprises Basic Act.

Note2: Small to Medium-Sized Firms refer to companies that rank in the bottom 50% in terms of sales volume according to the type of business, among those not categorized as small to medium-sized corporations in Small to Medium-Sized Enterprises Basic Act.