

Domestic economy improves widely, upward trends continue

- Personal consumption trends in the domestic economy
from now on are key -

(Companies Researched: 23,804 ; Valid responses: 10,033 ; Response rate: 42.1%;
Survey Start Date: May 2002)

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< Overview of December 2016: Upward trend >

The economic diffusion index (DI) in December was 45.4, up 1.3 points from the previous month, and an improvement for four consecutive months. This four consecutive month improvement is for the first time in two years and eleven months, since January 2014 when improvement has continued over a period of seven months.

In the domestic economy, there was steady domestic and foreign demand along with good performance in the year-end shopping season at the same time, and upward trends continued.

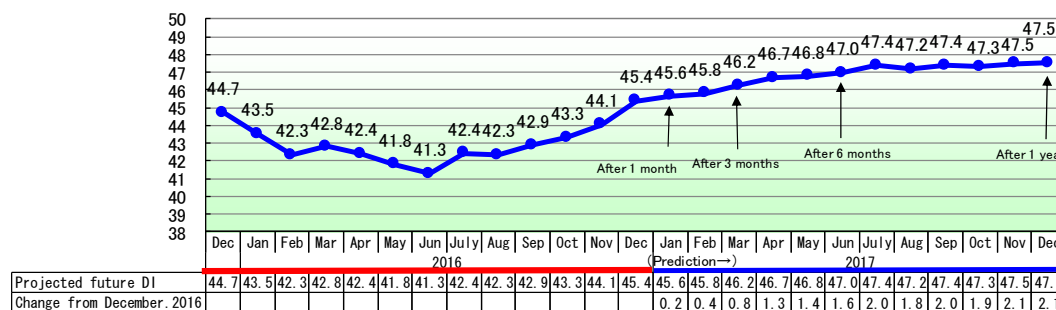
< Future outlook: Mild recovery continues >

Personal consumption trends in the domestic economy from now on are key. Although there are concerns such as an increase in the cost burden associated with a lack of human resources, gradual recovery is expected to continue.

By industry: All ten industries improved for the first time in three years.

By size: All ten industries have improved in full scale for the first time, with "large enterprises" for the first time in thirteen years and two months.

By region: Nine regions have improved, good performance of strong industries/enterprises in the region is spreading to related industries/companies



Economic Diffusion Index (Economic DI)1/2

	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Ratio to the PrFDious Month
Total	44.7	43.5	42.3	42.8	42.4	41.8	41.3	42.4	42.3	42.9	43.3	44.1	45.4	1.3
Large Firms	47.9	47.1	46.0	46.5	46.2	45.7	45.1	46.6	45.7	46.5	46.5	47.0	48.4	1.4
Small to Medium-sized Firms	43.8	42.5	41.3	41.8	41.4	40.8	40.3	41.3	41.4	41.9	42.4	43.3	44.5	1.2
Micro Firms	43.3	41.8	40.3	40.8	40.3	39.7	39.6	40.3	40.6	41.3	41.9	42.9	43.9	1.0

		Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Ratio to the PrFDious Month
Agriculture,Forestry,Fisheries		46.4	43.6	44.5	42.3	42.4	42.1	43.7	42.5	40.1	41.8	41.2	44.6	47.3	2.7
Finance		46.3	45.3	44.3	44.8	45.5	44.3	45.0	45.1	43.7	44.5	44.1	45.2	45.9	0.7
Construction		49.3	47.9	45.9	46.3	45.2	44.9	44.7	46.5	46.9	48.1	48.6	49.2	49.7	0.5
Real Estate		48.4	47.1	48.0	48.2	48.1	48.3	48.4	47.8	47.3	47.0	46.2	47.7	48.7	1.0
Manufacturing	Food,BEWerages,Livestock Feed	44.1	44.2	43.2	44.2	44.6	43.4	43.0	43.0	42.1	41.8	42.2	42.2	43.4	1.2
	Textile,Textile Products,Clothing	39.3	36.4	37.6	39.8	38.2	38.4	38.2	37.0	37.8	37.3	36.6	36.7	38.0	1.3
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	40.7	38.5	38.0	38.6	37.9	38.3	37.8	40.5	40.7	40.5	41.7	42.5	43.5	1.0
	Pulp, Paper and Paper Products	41.7	40.3	36.8	37.6	40.2	38.6	38.5	40.4	39.4	39.1	40.1	40.3	43.0	2.7
	Publishing,Printing	34.7	34.0	34.6	35.3	34.1	34.0	32.9	33.5	32.8	33.7	34.4	35.0	35.7	0.7
	Chemical	45.4	44.3	42.8	42.7	43.0	42.7	42.2	43.3	41.8	44.0	43.8	45.5	48.2	2.7
	Steel,Nonferrous Metals,Mining	41.5	41.1	38.8	38.3	38.3	38.1	37.6	38.7	39.8	41.4	42.5	44.3	45.7	1.4
	General Machinery	48.6	46.0	45.5	45.7	45.3	44.0	43.6	44.9	44.3	45.3	46.7	47.9	50.3	2.4
	Electrical Machinery	44.9	43.0	42.8	42.8	42.3	40.4	40.4	41.9	41.5	42.6	44.5	44.4	45.5	1.1
	Transportation Machinery,Equipment	46.2	45.7	44.6	46.8	46.8	43.8	42.7	44.0	44.9	44.2	46.9	46.6	48.6	2.0
	Precision Machinery, Medical Instruments and Equipment	46.1	46.2	43.1	44.6	44.6	43.2	43.2	42.6	43.2	44.8	44.0	44.8	46.3	1.5
	Other	39.6	39.4	39.1	40.6	37.5	37.8	37.0	39.1	35.7	37.7	37.3	39.4	39.6	0.2
	Total		43.5	42.2	41.2	41.6	41.3	40.6	40.1	41.2	40.9	41.8	42.7	43.5	45.2
Wholesale	Food,BEWerages	42.6	41.9	40.9	42.2	42.6	41.0	40.1	41.1	40.4	39.9	39.9	40.1	41.5	1.4
	Textile,Textile Products,Clothing	34.4	33.5	32.7	33.8	35.7	34.6	35.3	33.5	34.5	32.9	31.9	33.1	34.0	0.9
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	41.8	40.5	39.1	39.4	39.2	38.4	37.6	39.0	38.9	39.9	40.3	42.6	43.2	0.6
	Paper Products,Stationery,Books	37.2	38.1	37.4	38.0	36.6	36.7	34.2	35.9	36.3	37.4	36.1	37.5	37.7	0.2
	Chemical	43.2	40.8	39.2	40.2	39.5	39.4	38.8	39.5	39.4	39.6	40.9	40.4	43.1	2.7
	Recycled Resources	32.1	25.6	28.4	30.7	39.3	33.3	28.3	29.4	35.0	33.8	36.9	44.0	49.5	5.5
	Steel,Nonferrous Metals, Mining Products	37.7	36.4	35.8	36.1	35.2	34.6	33.2	35.7	36.0	35.5	36.8	39.6	42.6	3.0
	Machinery,Equipment	43.6	42.6	41.2	41.7	40.9	41.1	39.7	40.9	40.5	41.2	41.6	42.5	44.2	1.7
	Other	41.1	39.9	39.0	39.6	39.1	38.6	38.2	38.0	38.7	38.2	37.6	37.9	39.9	2.0
	Total		41.4	40.1	39.0	39.7	39.4	38.9	37.9	38.8	38.9	39.0	39.3	40.4	42.1

Economic Diffusion Index (Economic DI)2/2

		Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Ratio to the PrFDious Month
Retail	Food,BEWerages	43.2	39.9	40.4	43.4	42.1	38.9	38.6	40.7	40.0	39.5	37.6	37.7	40.6	2.9
	Textile,Textile Products,Clothing	32.1	34.8	31.6	33.3	35.1	32.9	32.5	33.8	32.8	28.0	27.6	32.4	31.3	▲ 1.1
	Drugs,Sundries	49.4	45.3	45.4	46.1	42.0	41.1	37.9	42.5	42.0	38.3	41.1	42.0		0.9
	Furniture	47.2	42.9	40.5	40.5	38.1	42.9	41.7	36.1	35.4	33.3	37.5	37.5	30.0	▲ 7.5
	Electrical Household Appliances, Information Machinery and Equipment	40.7	43.8	39.2	40.4	40.7	35.8	36.6	40.2	37.9	42.7	41.2	37.8	38.6	0.8
	Motor Vehicles,Motor Vehicle Parts	37.9	40.0	37.9	38.6	40.4	37.2	37.0	39.8	40.1	42.3	39.3	40.2	41.0	0.8
	Special Merchandise	38.4	40.4	39.2	37.4	38.9	37.0	37.4	37.6	36.7	38.1	36.5	36.3	37.1	0.8
	Various Merchandise	43.8	45.0	43.7	44.8	43.3	43.7	42.6	43.2	39.9	40.6	41.7	44.4	44.6	0.2
	Other	43.3	44.4	41.7	44.4	41.7	42.9	41.7	46.7	47.2	50.0	46.7	46.7	46.7	0.0
	Total	40.2	41.0	39.5	40.1	40.2	38.0	37.7	39.3	38.4	39.3	37.5	38.3	39.1	0.8
Transportation,Warehousing		45.3	43.2	41.9	41.9	41.5	41.5	40.0	41.5	42.0	42.7	44.0	44.4	46.1	1.7
Service	Restaurants	44.4	47.1	42.1	43.6	43.1	42.3	40.2	45.3	42.2	39.0	37.0	38.0	37.5	▲ 0.5
	Postal,Telecommunications	51.5	58.3	54.2	50.0	59.1	52.4	46.2	52.6	51.1	52.0	53.7	57.7	46.2	▲ 11.5
	Electricity,Gas,Water,Heat	55.0	52.4	53.7	50.0	51.9	47.6	44.4	42.9	46.3	43.8	43.3	50.0	41.7	▲ 8.3
	Leasing,Rentals	49.7	48.1	46.2	47.1	45.9	46.7	45.5	45.9	47.2	47.4	49.0	49.3	48.9	▲ 0.4
	Lodging, Hotels	55.4	56.9	54.7	56.1	50.5	44.4	46.8	47.8	50.0	49.0	49.4	44.3	47.5	3.2
	Recreation	38.6	39.1	37.3	36.9	38.0	36.8	38.4	37.1	38.0	38.1	37.8	37.0	36.9	▲ 0.1
	Broadcasting	47.8	43.8	46.9	45.6	46.7	44.4	42.7	43.6	44.4	44.0	47.9	50.0	49.0	▲ 1.0
	Maintenance,Guarding,Testing	46.4	44.8	43.8	43.9	44.4	44.3	44.3	46.3	46.4	47.0	47.0	48.2	47.1	▲ 1.1
	Advertising	40.3	39.2	37.2	40.9	37.5	36.8	37.9	38.9	39.2	39.0	39.8	38.9	40.9	2.0
	Information	54.9	55.2	53.3	53.4	53.4	52.5	52.2	53.0	52.2	52.6	52.3	52.7	53.2	0.5
	Labor Dispatching	53.1	50.9	52.7	54.7	53.1	52.5	49.4	52.4	52.7	51.8	52.5	51.4	54.4	3.0
	Special Services	52.1	49.1	48.9	49.6	48.3	48.6	49.2	50.5	48.8	50.3	50.8	50.3	52.8	2.5
	Medical,Welfare,Public Health	42.2	39.9	39.2	42.5	41.5	41.4	41.5	41.6	42.6	44.1	43.5	43.6	44.0	0.4
	Education	46.7	46.3	46.8	47.4	43.0	42.2	43.9	48.2	43.1	45.0	45.6	43.1	43.7	0.6
	Other	49.0	45.9	47.5	47.1	46.7	45.7	46.8	46.6	48.2	47.5	47.4	47.9	47.9	0.0
	Total	49.6	48.4	47.4	48.2	47.5	46.8	46.7	47.8	47.7	47.9	48.1	48.2	48.7	0.5
Other		43.8	40.9	39.4	38.8	37.4	37.5	37.5	38.8	40.1	39.4	41.5	38.6	39.5	0.9

		Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Ratio to the PrFDious Month
Hokkaido		39.4	39.0	37.9	38.6	39.2	39.6	39.4	40.5	40.6	41.0	42.1	42.5	42.6	0.1
Tohoku		45.6	43.9	43.2	43.1	43.3	41.7	42.9	43.4	42.9	43.6	44.7	44.8	44.6	▲ 0.2
kitakanto		43.0	41.1	40.3	41.5	40.8	41.2	40.0	41.5	41.1	42.3	42.3	43.3	45.0	1.7
minamikanto		45.8	44.6	43.2	43.9	43.6	43.0	42.3	43.4	43.2	43.5	44.0	45.0	46.1	1.1
Hokuriku		43.8	41.1	40.3	40.4	39.2	39.3	38.4	39.4	39.6	40.2	40.1	41.8	43.0	1.2
Tokai		46.4	45.4	43.6	43.6	43.3	42.7	41.5	43.1	43.1	43.7	43.6	44.2	46.4	2.2
Kinki		42.5	41.7	40.7	41.1	40.8	40.3	39.4	40.5	40.4	41.1	41.6	42.4	43.7	1.3
Chugoku		45.8	44.8	43.7	44.3	43.1	41.5	41.5	42.4	42.2	43.0	43.6	43.9	45.8	1.9
Shikoku		47.5	46.7	45.1	45.7	45.2	45.0	43.4	44.6	44.5	45.6	45.1	45.8	47.2	1.4
Kyushu		45.6	44.8	44.0	44.3	43.4	41.7	42.5	44.2	44.7	45.1	45.6	46.7	48.0	1.3

Appendix

1. Research Subjects (Companies Researched 23,804; Valid responses: 10,033; Response rate: 42.1%)

Appendix

1. Region

Hokkaido	525	Tokai	1,134
Tohoku	634	Kinki	1,657
kitaKanto	697	Chugoku	568
minamikanto	3,240	Shikoku	314
Hokuriku	555	Kyushu	709
Total		10,033	

2. Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		62
Finance		130
Construction		1,442
Real Estate		281
Manufacturing 3,223	Food, Beverages, Livestock Feed	329
	Textile, Textile Products, Clothing	108
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	237
	Pulp, Paper and Paper Products	105
	Publishing, Printing	180
	Chemical	414
	Steel, Nonferrous Metals, Mining	507
	General Machinery	433
	Electrical Machinery	339
	Transportation Machinery, Equipment	97
	Precision Machinery, Medical Instruments and Equipment	76
	Others	88
Wholesale 3,959	Food, Beverages	342
	Textile, Textile Products, Clothing	183
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	338
	Paper Products, Stationery, Books	106
	Chemical	274
	Recycled Resources	33
	Steel, Nonferrous Metals, Mining Products	308
	Machinery, Equipment	898
	Others	351

Retail 480	Food, Beverages	69
	Textile, Textile Products, Clothing	33
	Drugs, Sundries	27
	Furniture	5
	Electrical Household Appliances, Information Machinery and Equipment	38
	Motor Vehicles, Motor Vehicle Parts	61
	Special Merchandise	138
	Various Merchandise	52
	Others	5
Transportation, Warehousing		427
Service 1,384	Restaurants	36
	Telecommunications	13
	Electricity, Gas, Water, Heat	6
	Leasing, Rentals	109
	Lodging, Hotels	34
	Recreation	61
	Broadcasting	16
	Maintenance, Guarding, Testing	150
	Advertising	108
	Information	409
	Labor Dispatching	53
	Special Services	214
	Medical, Welfare, Public Health	112
	Education	21
	Others	132
Others		43
Total		10,033

3. Size

Large Firms	2,145	21.4%
Small to Medium-sized Firms	7,888	78.6%
micro Firms	2,509	25.0%
Total	10,033	100.0%

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)

3. Research Period and Methodology

Internet-based survey conducted December 15 2016– January 5 2017

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.