

Domestic economy modestly recovering from deterioration

- More powerful economic stimulus measures are needed,
including the re-postponement of a consumption tax hike -

(Companies Researched 23,342; Valid Responses 10,622; Response Rate 45.5%;
Survey Start Date: May 2002)

e-mail : keiki@mail.tdb.co.jp

< Overview of March 2016: Deterioration slowing down >

The Economic DI (Economic DI: 50 points is the threshold of assessment) in March 2016 stood at 42.8, up 0.5 points from the previous month, recovering for the first time in four months. The slight recovery from the deteriorating trend is attributable to the stable financial market and strong performance of job-related industries as well as the impact from Hokuriku and Hokkaido Shinkansen and the fiscal year-end demand.

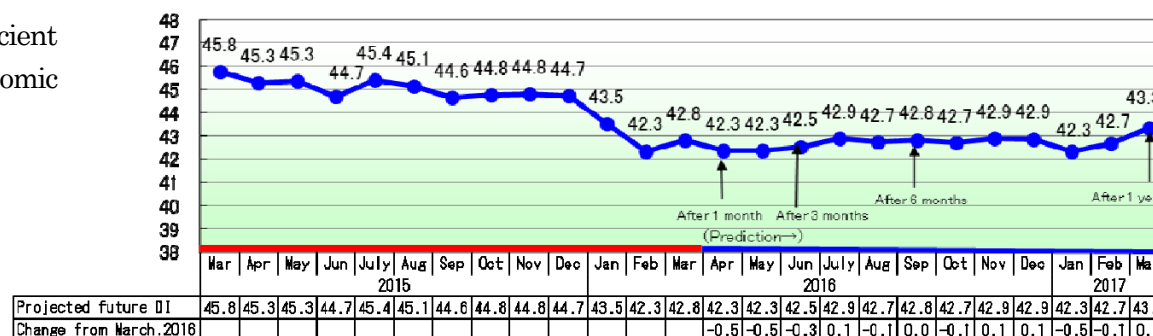
< Future Outlook: Remaining at a standstill >

The future economy is likely to remain at a standstill due to insufficient measures for economic recovery and is in need of more powerful economic measures, including the re-postponement of the consumption tax rate.

By industry: "Services" improved for the first time in 8 months, due mainly to the negative interest effect, especially for the housing sector.

By size: All size categories improved across the board by 0.5 points for the first time in eight months.

By region: 8 out of 10 regions improved, but the economic reconstruction in Tohoku is still midway to completion while five years has passed since the occurrence of the earthquake disaster.



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

Economic Diffusion Index (Economic DI)1/2

	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Ratio to the PrFDious Month
Total	45.8	45.3	45.3	44.7	45.4	45.1	44.6	44.8	44.8	44.7	43.5	42.3	42.8	0.5
Large Firms	48.6	48.9	49.2	48.4	48.8	48.9	48.2	48.4	48.4	47.9	47.1	46.0	46.5	0.5
Small to Medium-sized Firms	45.0	44.3	44.3	43.6	44.5	44.1	43.6	43.7	43.7	43.8	42.5	41.3	41.8	0.5
Micro Firms	44.3	43.1	43.2	43.1	43.4	43.2	43.2	43.2	43.1	43.3	41.8	40.3	40.8	0.5

		Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Ratio to the PrFDious Month
Agriculture,Forestry,Fisheries		44.0	43.7	45.0	41.9	42.9	44.7	44.7	44.6	45.2	46.4	43.6	44.5	42.3	▲ 2.2
Finance		48.0	48.1	47.4	49.2	48.1	46.5	46.3	47.3	46.6	46.3	45.3	44.3	44.8	0.5
Construction		50.8	49.3	48.6	47.7	48.6	48.8	49.1	49.5	49.6	49.3	47.9	45.9	46.3	0.4
Real Estate		48.8	48.8	49.6	49.1	49.8	48.4	48.7	48.7	48.9	48.4	47.1	48.0	48.2	0.2
Manufacturing	Food,BEWerages,Livestock Feed	43.1	42.1	44.3	43.1	43.4	43.0	43.6	44.3	44.5	44.1	44.2	43.2	44.2	1.0
	Textile,Textile Products,Clothing	37.6	40.2	41.7	39.4	39.4	40.2	38.8	39.8	39.4	39.3	36.4	37.6	39.8	2.2
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	42.1	40.3	40.9	40.3	41.2	41.2	40.9	40.2	38.9	40.7	38.5	38.0	38.6	0.6
	Pulp, Paper and Paper Products	39.3	39.8	40.0	39.0	39.7	42.0	40.8	41.1	42.4	41.7	40.3	36.8	37.6	0.8
	Publishing,Printing	34.1	34.6	34.1	33.5	33.7	34.9	34.8	34.8	34.6	34.7	34.0	34.6	35.3	0.7
	Chemical	44.6	44.1	44.4	43.9	44.7	45.3	44.4	44.4	44.9	45.4	44.3	42.8	42.7	▲ 0.1
	Steel,Nonferrous Metals,Mining	45.2	43.9	43.0	42.9	43.6	42.8	41.7	41.4	41.8	41.5	41.1	38.8	38.3	▲ 0.5
	General Machinery	52.6	52.5	51.6	51.3	51.9	50.3	47.3	47.9	47.3	48.6	46.0	45.5	45.7	0.2
	Electrical Machinery	49.7	47.7	47.3	47.4	47.4	44.8	45.2	45.2	45.2	44.9	43.0	42.8	42.8	0.0
	Transportation Machinery,Equipment	50.4	51.1	47.8	49.7	50.9	50.8	48.3	46.3	47.0	46.2	45.7	44.6	46.8	2.2
	Precision Machinery, Medical Instruments and Equipment	49.2	47.8	49.8	49.4	50.4	51.2	47.9	48.6	47.9	46.1	46.2	43.1	44.6	1.5
	Other	38.7	37.1	40.7	37.8	39.2	37.7	40.0	39.8	40.0	39.6	39.4	39.1	40.6	1.5
Total		45.1	44.4	44.5	44.0	44.6	44.2	43.2	43.3	43.3	43.5	42.2	41.2	41.6	0.4
Wholesale	Food,BEWerages	40.6	42.6	42.9	43.0	44.1	42.7	43.6	43.0	43.1	42.6	41.9	40.9	42.2	1.3
	Textile,Textile Products,Clothing	33.3	35.5	37.0	34.8	34.4	34.7	36.5	37.8	34.4	34.4	33.5	32.7	33.8	1.1
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	40.2	38.2	38.7	38.1	39.8	39.7	39.5	41.3	41.5	41.8	40.5	39.1	39.4	0.3
	Paper Products,Stationery,Books	37.7	37.3	38.1	34.5	37.1	36.5	36.8	36.8	37.4	37.2	38.1	37.4	38.0	0.6
	Chemical	41.8	42.5	43.0	43.1	43.9	42.6	42.3	42.5	42.8	43.2	40.8	39.2	40.2	1.0
	Recycled Resources	39.3	39.7	42.3	40.1	35.8	36.0	25.8	29.9	26.7	32.1	25.6	28.4	30.7	2.3
	Steel,Nonferrous Metals, Mining Products	43.2	41.2	40.3	39.3	40.4	40.3	38.5	38.8	39.4	37.7	36.4	35.8	36.1	0.3
	Machinery,Equipment	47.3	46.7	46.3	45.1	45.6	45.3	43.6	43.6	43.4	43.6	42.6	41.2	41.7	0.5
	Other	40.7	40.9	41.8	42.0	42.4	41.4	40.8	41.0	41.1	41.1	39.9	39.0	39.6	0.6
	Total		42.5	42.3	42.5	41.7	42.5	41.9	41.2	41.5	41.4	41.4	40.1	39.0	39.7

Economic Diffusion Index (Economic DI)2/2

		Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Ratio to the PrFDious Month
Retail	Food,BEWerages	39.4	39.3	41.6	42.7	45.0	44.0	44.5	44.6	41.4	43.2	39.9	40.4	43.4	3.0
	Textile,Textile Products,Clothing	34.8	38.0	40.2	37.0	38.6	38.7	36.9	40.1	36.8	32.1	34.8	31.6	33.3	1.7
	Drugs,Sundries	46.0	48.1	48.0	48.6	49.3	48.7	46.7	48.6	50.0	49.4	45.3	45.4	46.1	0.7
	Furniture	27.8	35.0	40.0	43.3	41.7	41.7	42.9	42.9	42.9	47.2	42.9	40.5	40.5	0.0
	Electrical Household Appliances, Information Machinery and Equipment	43.2	38.4	41.5	40.6	38.9	38.3	44.6	39.6	38.7	40.7	43.8	39.2	40.4	1.2
	Motor Vehicles,Motor Vehicle Parts	38.8	36.5	39.9	37.2	38.3	38.7	38.6	39.9	38.2	37.9	40.0	37.9	38.6	0.7
	Special Merchandise	42.3	39.4	40.5	38.0	39.9	41.6	40.7	39.2	39.8	38.4	40.4	39.2	37.4	▲ 1.8
	Various Merchandise	40.6	47.1	49.7	48.1	48.8	49.0	47.3	46.5	47.3	43.8	45.0	43.7	44.8	1.1
	Other	38.9	41.7	36.1	43.3	35.7	44.4	44.4	36.1	38.9	43.3	44.4	41.7	44.4	2.7
	Total	40.5	40.2	42.1	40.7	41.9	42.4	42.2	41.6	40.9	40.2	41.0	39.5	40.1	0.6
Transportation,Warehousing		44.9	44.8	44.8	42.6	44.4	44.9	45.1	44.7	45.4	45.3	43.2	41.9	41.9	0.0
Service	Restaurants	49.2	50.0	49.6	48.3	47.4	51.3	45.3	49.2	46.2	44.4	47.1	42.1	43.6	1.5
	Postal,Telecommunications	48.3	54.2	53.7	50.0	47.0	53.0	59.3	57.6	53.0	51.5	58.3	54.2	50.0	▲ 4.2
	Electricity,Gas,Water,Heat	48.3	55.0	53.7	53.0	50.0	51.9	56.7	55.0	55.0	52.4	53.7	50.0	▲ 3.7	
	Leasing,Rentals	49.3	49.6	47.9	47.9	48.7	49.9	48.0	48.0	49.2	49.7	48.1	46.2	47.1	0.9
	Lodging, Hotels	48.6	51.4	53.1	54.2	59.2	59.0	58.3	61.4	59.1	55.4	56.9	54.7	56.1	1.4
	Recreation	45.6	38.7	40.2	37.9	37.3	38.0	37.9	38.0	38.0	38.6	39.1	37.3	36.9	▲ 0.4
	Broadcasting	45.6	47.9	45.6	46.1	49.1	46.1	41.7	45.1	46.9	47.8	43.8	46.9	45.6	▲ 1.3
	Maintenance,Guarding,Testing	47.2	47.8	48.1	47.4	47.6	47.4	46.0	46.1	47.1	46.4	44.8	43.8	43.9	0.1
	Advertising	42.1	42.2	41.1	41.0	39.8	40.7	40.8	40.7	40.3	40.3	39.2	37.2	40.9	3.7
	Information	56.3	56.3	55.3	55.4	56.4	55.8	55.5	56.0	54.9	54.9	55.2	53.3	53.4	0.1
	Labor Dispatching	56.7	55.5	56.2	56.3	54.4	55.0	54.2	54.7	52.5	53.1	50.9	52.7	54.7	2.0
	Special Services	53.0	51.0	51.7	50.9	52.0	51.4	51.5	49.0	50.3	52.1	49.1	48.9	49.6	0.7
	Medical,Welfare,Public Health	45.3	46.1	46.3	43.3	45.3	43.6	42.8	42.3	44.1	42.2	39.9	39.2	42.5	3.3
	Education	39.5	41.2	41.1	44.4	40.6	44.1	42.1	45.0	50.8	46.7	46.3	46.8	47.4	0.6
	Other	47.2	46.1	46.8	49.5	50.9	48.5	49.3	49.2	50.1	49.0	45.9	47.5	47.1	▲ 0.4
Total	50.3	50.1	49.9	49.7	50.4	50.1	49.6	49.6	49.6	49.6	48.4	47.4	48.2	0.8	
Other		42.0	43.2	40.2	41.9	42.6	40.7	41.4	42.3	41.9	43.8	40.9	39.4	38.8	▲ 0.6

		Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Ratio to the PrFDious Month
Hokkaido		40.0	40.8	41.6	40.9	41.8	41.8	41.8	39.3	39.8	39.4	39.0	37.9	38.6	0.7
Tohoku		46.5	46.0	44.9	45.0	46.3	46.1	45.9	45.8	45.9	45.6	43.9	43.2	43.1	▲ 0.1
kitakanto		46.2	45.4	45.2	44.8	45.0	45.2	42.6	43.3	43.8	43.0	41.1	40.3	41.5	1.2
minamikanto		46.8	46.2	46.5	46.1	46.8	46.1	45.4	45.8	45.8	45.8	44.6	43.2	43.9	0.7
Hokuriku		44.4	44.4	44.8	43.8	44.3	44.6	44.2	43.9	43.9	43.8	41.1	40.3	40.4	0.1
Tokai		46.4	45.6	46.5	45.3	46.9	46.5	46.0	46.0	45.9	46.4	45.4	43.6	43.6	0.0
Kinki		44.5	43.7	43.4	42.6	43.2	43.1	42.7	42.6	42.3	42.5	41.7	40.7	41.1	0.4
Chugoku		45.5	45.4	45.6	44.8	45.5	44.9	45.0	45.6	45.8	45.8	44.8	43.7	44.3	0.6
Shikoku		46.6	47.7	46.9	46.3	45.6	47.7	46.5	47.3	48.3	47.5	46.7	45.1	45.7	0.6
Kyushu		47.2	46.2	45.6	44.3	44.9	44.5	45.7	46.6	46.0	45.6	44.8	44.0	44.3	0.3

Appendix

1. Research Subjects (Companies Researched: 23,342; Valid Responses: 10,622; Response Rate: 45.5%)

Appendix

1. Region

Hokkaido	566	Tokai	1,188
Tohoku	677	Kinki	1,778
kitaKanto	728	Chugoku	598
minamikanto	3,423	Shikoku	330
Hokuriku	570	Kyushu	764
Total		10,622	

2. Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		63
Finance		131
Construction		1,518
Real Estate		288
Manufacturing 3,223	Food, Beverages, Livestock Feed	343
	Textile, Textile Products, Clothing	122
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	242
	Pulp, Paper and Paper Products	109
	Publishing, Printing	209
	Chemical	429
	Steel, Nonferrous Metals, Mining	546
	General Machinery	454
	Electrical Machinery	348
	Transportation Machinery, Equipment	104
Wholesale 3,959	Precision Machinery, Medical Instruments and Equipment	87
	Others	99
	Food, Beverages	378
	Textile, Textile Products, Clothing	192
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	372
	Paper Products, Stationery, Books	111
	Chemical	306
	Recycled Resources	44
	Steel, Nonferrous Metals, Mining Products	331
	Machinery, Equipment	970
	Others	363

Retail 480	Food, Beverages	78
	Textile, Textile Products, Clothing	37
	Drugs, Sundries	30
	Furniture	7
	Electrical Household Appliances, Information Machinery and Equipment	40
	Motor Vehicles, Motor Vehicle Parts	63
	Special Merchandise	138
	Various Merchandise	45
	Others	6
Transportation, Warehousing		457
Service 1,384	Restaurants	39
	Telecommunications	13
	Electricity, Gas, Water, Heat	7
	Leasing, Rentals	122
	Lodging, Hotels	38
	Recreation	60
	Broadcasting	15
	Maintenance, Guarding, Testing	170
	Advertising	115
	Information	447
	Labor Dispatching	53
	Special Services	208
	Medical, Welfare, Public Health	98
	Education	19
	Others	115
Others		43
Total		10,622

3. Size

Large Firms	2,271	21.4%
Small to Medium-sized Firms	8,351	78.6%
micro Firms	2,606	24.5%
Total	10,622	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 March 17 – 31 2016

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.