

TDB Economic Trends Research (Research & Summary for March 2013)

Economic DI was 41.3, up 1.5 points from the previous month, improving for the fourth consecutive month

- Improvements are spreading to industry sectors related to domestic demands, in addition to those related to foreign demands, making development toward the recovery of the domestic economy prominent –

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< Overview of March 2013: Development toward recovery >

The Economic DI (Economic DI: 0-100, 50 points is the threshold of assessment) in March 2013 stood at 41.3, up 1.5 points from the previous month, improving for the fourth consecutive month.

Improvements are spreading to industry sectors related to domestic demands, in addition to those related to foreign demands, making development toward the recovery of the domestic economy prominent.

< Future Outlook: Gradual recovery trend continues >

The projected economic DI shows improvements “one month later”, “three months later”, and “six months later”. It is predicted that the gradual recovery trend of the domestic economy is set to continue..

By industry: 8 out of 10 industries improved

By size: “Large firms” “small-to-mid” and “micro” companies reached their highest levels since 2007

By region: 9 out of 10 regions improved

Economic DI	Mar. 2012	Apr	May	June	July	Aug	Sep	Oct	Nov
	38.3	38.5	38.2	37.6	37.9	37.7	36.8	35.5	35.3
Change from prior month	2.0	0.2	▲ 0.3	▲ 0.6	0.3	▲ 0.2	▲ 0.9	▲ 1.3	▲ 0.2
Economic DI	Dec. 2012	Jan. 2013	Feb	Mar	Projected future DI	After 1 month	After 3 months	After 6 months	After 1 year
	35.7	38.0	39.8	41.3		42.4	44.0	45.7	47.4
Change from prior month	0.4	2.3	1.8	1.5	Change from Mar. 2013	1.1	2.7	4.4	6.1

*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.

Economic Diffusion Index (Economic DI)1/2

	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Ratio to the Previous Month
Total	38.3	38.5	38.2	37.6	37.9	37.7	36.8	35.5	35.3	35.7	38.0	39.8	41.3	1.5
Large Firms	40.8	41.2	40.8	40.3	40.8	40.3	39.5	38.2	38.4	38.7	41.0	42.9	44.2	1.3
Small to Medium-sized Firms	37.5	37.7	37.4	36.8	37.1	36.9	36.0	34.6	34.4	34.7	37.1	38.9	40.4	1.5
Micro Firms	35.2	35.4	34.8	34.8	35.4	35.2	35.0	34.0	33.6	33.9	36.9	38.9	40.1	1.2

		Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Ratio to the Previous Month
Agriculture,Forestry, Fisheries		35.8	36.4	35.0	34.8	34.5	35.8	35.2	33.3	33.7	34.9	36.0	36.8	35.7	▲ 1.1
Finance		38.6	38.8	37.6	38.0	37.7	37.7	37.5	35.7	36.1	36.2	41.3	42.4	41.9	▲ 0.5
Construction		35.7	35.7	35.5	36.2	37.2	38.0	38.1	38.6	39.0	38.7	41.9	43.8	45.3	1.5
Real Estate		38.6	38.2	37.9	38.2	39.2	38.5	38.3	36.7	35.7	37.0	40.9	45.7	46.8	1.1
Manufacturing	Food,Beverages,Livestock Feed	36.7	36.7	36.6	35.2	34.5	33.8	34.7	33.4	32.7	33.4	34.5	35.6	36.8	1.2
	Textile,Textile Products,Clothing	38.9	39.9	39.4	37.9	37.9	35.9	36.0	33.7	33.1	35.6	36.9	37.3	38.1	0.8
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	36.0	35.9	34.9	34.5	36.4	35.6	37.9	36.4	37.0	38.2	38.9	40.3	42.7	2.4
	Pulp, Paper and Paper Products	34.6	36.5	34.2	34.2	33.6	34.7	32.7	30.2	30.8	31.1	33.3	33.0	36.0	3.0
	Publishing,Printing	31.8	30.8	30.5	29.3	28.5	29.6	28.6	29.1	29.2	28.3	29.6	31.4	32.8	1.4
	Chemical	39.1	39.3	39.7	39.7	39.2	39.2	36.4	35.0	33.3	34.1	36.4	38.0	39.9	1.9
	Steel,Nonferrous Metals,Mining	39.2	39.2	38.4	37.7	38.0	37.2	35.6	32.1	31.9	32.6	35.5	37.6	38.5	0.9
	General Machinery	42.4	42.4	41.3	39.3	38.6	37.8	36.4	34.0	33.4	32.7	36.3	39.2	39.8	0.6
	Electrical Machinery	38.7	38.2	38.7	37.6	38.2	37.2	34.8	32.6	31.8	32.8	35.8	38.2	38.4	0.2
	Transportation Machinery,Equipment	47.2	48.0	48.2	44.9	44.4	43.1	40.5	33.3	32.8	32.6	34.2	41.2	45.6	4.4
	Precision Machinery, Medical Instruments and Equipment	40.7	38.5	37.1	39.5	39.7	39.4	36.2	33.5	32.5	32.4	33.6	36.5	36.7	0.2
Other	33.0	33.0	33.7	30.8	33.5	32.1	32.2	29.2	30.8	31.0	31.3	34.8	35.4	0.6	
Total		38.5	38.4	38.0	37.0	37.0	36.5	35.4	33.1	32.6	33.1	35.3	37.4	38.6	1.2
Wholesale	Food,Beverages	36.1	36.0	36.8	36.0	36.2	35.2	34.1	32.4	33.5	33.9	34.6	35.3	37.1	1.8
	Textile,Textile Products,Clothing	34.4	37.1	37.2	34.2	33.8	34.4	31.8	32.0	32.4	34.3	34.7	34.6	34.5	▲ 0.1
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	36.1	35.9	35.4	35.3	36.9	37.6	37.3	38.3	39.3	39.9	42.2	43.5	44.5	1.0
	Paper Products,Stationery,Books	34.0	35.2	32.6	32.8	32.2	30.9	32.8	28.0	30.2	31.7	31.8	32.3	34.3	2.0
	Chemical	38.7	38.9	39.1	38.0	38.5	37.6	36.7	35.6	35.1	34.6	35.9	36.1	38.5	2.4
	Recycled Resources	33.3	38.7	36.7	32.2	29.0	35.1	27.0	22.4	30.1	32.1	41.9	48.8	50.6	1.8
	Steel,Nonferrous Metals, Mining Products	38.2	38.7	35.9	35.7	35.2	35.7	33.6	32.6	31.6	34.0	37.3	38.2	40.2	2.0
	Machinery,Equipment	40.1	40.3	38.7	38.8	38.8	37.9	36.9	34.6	33.7	34.1	36.8	38.8	41.0	2.2
	Other	35.7	36.6	37.6	36.1	36.0	35.5	34.1	32.8	32.8	32.2	34.0	35.3	37.1	1.8
	Total		37.6	38.1	37.4	36.7	36.8	36.4	35.3	33.9	33.9	34.5	36.5	37.7	39.5

Economic Diffusion Index (Economic DI)2/2

		Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Ratio to the Previous Month
Retail	Food,Beverages	37.3	38.2	36.4	38.0	35.5	37.2	36.7	33.1	34.7	30.6	32.9	38.8	40.5	1.7
	Textile,Textile Products,Clothing	38.0	36.5	40.7	35.6	34.2	34.0	32.2	32.9	35.5	32.9	34.6	34.8	41.4	6.6
	Drugs,Sundries	45.3	47.9	46.7	43.1	45.3	45.8	43.8	42.3	44.4	47.7	49.4	45.7	44.9	▲ 0.8
	Furniture	39.6	38.5	40.0	36.5	42.4	39.3	36.1	32.1	34.7	38.9	37.5	44.4	46.2	1.8
	Electrical Household Appliances, Information Machinery and Equipment	40.9	38.2	42.1	38.2	38.9	41.1	40.4	33.8	33.3	34.1	39.5	38.7	41.7	3.0
	Motor Vehicles,Motor Vehicle Parts	51.5	46.7	45.5	46.6	46.0	40.8	41.5	36.9	31.5	32.1	41.2	42.9	49.4	6.5
	Special Merchandise	32.3	34.7	35.0	34.9	35.3	33.6	33.0	32.4	32.7	33.0	32.7	35.1	37.0	1.9
	Various Merchandise	39.7	41.2	39.1	36.7	39.7	37.1	36.3	35.8	35.3	35.5	38.4	40.5	42.8	2.3
	Other	30.0	33.3	25.0	30.6	46.7	47.6	36.1	33.3	33.3	36.7	36.7	31.0	33.3	2.3
	Total	38.5	38.9	39.0	38.1	38.3	37.3	36.4	34.2	34.2	34.0	36.3	38.4	41.2	2.8
Transportation,Warehousing		38.7	39.8	39.5	38.1	39.2	39.5	37.6	36.7	35.3	36.9	38.0	39.5	40.6	1.1
Service	Restaurants	39.4	37.1	36.5	40.6	39.6	41.7	39.6	36.0	32.4	35.4	35.7	37.8	43.5	5.7
	Postal,Telecommunications	47.6	47.2	51.5	52.1	47.0	53.0	50.0	45.2	48.7	48.7	53.8	53.0	55.0	2.0
	Electricity,Gas,Water,Heat	41.7	43.8	47.9	45.8	40.0	35.4	41.7	37.0	42.6	37.5	43.8	45.8	40.5	▲ 5.3
	Leasing,Rentals	43.3	40.9	46.1	43.6	44.2	43.6	43.8	43.3	43.7	45.2	45.3	48.4	49.9	1.5
	Lodging, Hotels	38.9	41.5	41.4	41.7	42.4	42.2	41.7	38.1	40.0	37.2	38.4	40.1	45.8	5.7
	Recreation	35.9	38.5	38.1	35.5	33.3	36.1	35.0	37.4	36.2	36.7	38.5	38.5	40.6	2.1
	Broadcasting	40.7	46.1	43.1	45.1	39.2	40.2	41.2	38.2	40.6	38.5	41.7	37.8	43.8	6.0
	Maintenance,Guarding,Testing	38.2	37.0	37.8	39.4	38.1	38.9	39.7	37.7	38.4	37.6	40.7	44.0	43.3	▲ 0.7
	Advertising	36.6	37.4	38.3	37.2	37.3	36.1	35.9	35.1	34.7	34.5	35.4	38.9	40.8	1.9
	Information	43.1	43.7	43.3	43.5	43.9	43.7	42.5	42.2	42.8	42.2	45.2	47.3	47.7	0.4
	Labor Dispatching	48.0	52.0	51.1	51.9	49.2	50.0	48.8	46.6	42.8	44.9	44.7	48.7	50.3	1.6
	Special Services	41.7	40.6	41.6	40.0	41.2	41.6	41.1	40.5	40.4	41.1	44.3	46.9	47.3	0.4
	Medical,Welfare,Public Health	42.6	44.7	44.0	42.4	43.5	43.8	43.4	41.8	41.1	40.8	45.3	45.7	48.0	2.3
	Education	43.2	43.8	42.3	38.2	41.0	43.2	39.3	42.3	40.1	38.3	46.8	46.8	45.3	▲ 1.5
	Other	43.0	44.7	43.9	44.0	44.3	42.8	42.9	41.1	40.7	39.5	42.2	42.1	44.7	2.6
	Total	41.6	41.9	42.4	41.9	42.0	42.1	41.5	40.6	40.5	40.5	43.0	45.0	46.2	1.2
Other		34.4	37.2	33.9	35.8	40.0	35.6	38.7	37.4	36.0	36.2	36.7	33.8	35.7	1.9

	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Ratio to the Previous Month
Hokkaido	31.6	32.6	33.0	33.5	35.1	35.0	35.2	35.3	34.3	34.0	36.1	38.4	40.5	2.1
Tohoku	43.1	44.4	43.7	43.3	44.9	44.2	43.5	42.7	42.8	42.1	42.8	43.3	44.3	1.0
kitakanto	37.1	37.5	37.0	36.2	36.4	35.5	34.8	32.4	31.4	32.7	34.1	37.1	38.3	1.2
minamikanto	39.9	40.1	39.7	38.9	39.1	38.9	37.9	36.6	36.5	37.1	39.4	41.3	42.5	1.2
Hokuriku	38.0	37.9	37.2	37.3	37.7	37.5	36.5	34.2	34.6	34.2	36.9	38.4	40.3	1.9
Tokai	39.9	40.1	39.7	38.7	39.4	39.3	37.3	34.9	34.2	34.6	37.4	39.8	41.5	1.7
Kinki	36.9	37.1	36.8	36.3	36.2	36.3	35.2	33.9	33.8	34.3	36.7	38.5	39.7	1.2
Chugoku	34.7	35.2	34.9	34.3	33.5	33.9	33.1	33.0	33.1	32.6	36.2	37.2	39.4	2.2
Shikoku	37.3	36.2	36.3	36.6	36.1	35.9	35.1	34.6	34.8	36.4	38.4	39.8	39.7	▲ 0.1
Kyushu	37.4	36.9	36.7	36.4	36.6	36.0	36.5	35.2	36.0	36.0	39.0	40.5	42.6	2.1

Corporate Attitudes toward Business Forecast for Fiscal 2013

1 out of 3 companies predict increases in sales and profits

Business performance improvements anticipated with the recovery of individual consumption and increase in public projects

Due to economic policies for overcoming deflation and economic improvement, such as the public investment exceeding five trillion yen and credit relaxation conducted as part of emergency economic package, correction of the strong yen levels and high stock prices are being seen in Japanese economy. As results, expectations for export increase and consumption recovery are heightening. However, although the recovery of export industry performance can be expected from the weakening of the yen, the increase in material prices is also becoming a concern, with attention being paid to the impact on corporate business trends.

Teikoku Databank has conducted a survey on corporate attitude on business forecast for fiscal 2013.

Survey results (Summary)

1. The number of companies that predict their business for fiscal 2013 to see increases in sales and profits have increased 3.6 points, from 1 out of 4 companies (25.8%) in fiscal 2012 performance to 1 out of 3 companies (29.4%). The number of companies that predict decrease in sales and profits decreased 8.4 points from fiscal 2012 performance (26.4%) to 18.0%.
2. The biggest downside factor for fiscal 2013 business forecast was “the trend of crude oil/material price” (42.6%), which increased 1.3 points from the previous year’s survey conducted in March 2012. This was followed by “further personal consumption slump” (35.7%) and “foreign exchange trends” (26.0%).
3. The “recovery of individual consumption” increased 4.9 points to 44.5% from the previous year’s survey (1st place, 39.6%) as a factor that will improve business performance, continuing to be the biggest business improvement factor from the previous year. The “increase in public projects”, which was inquired for the first time for this survey came in second (32.9%) and the “increase in earnings” (22.2%) came in third (previous year: 8th, 14.9%).

Appendix

1. Research Subjects(Corporations: 23,179

Valid responses:10,006,Response rate:43.2%)

1.Region

Hokkaido	536	Tokai	1,100
Tohoku	586	Kinki	1,669
kitaKanto	633	Chugoku	600
minamikanto	3,291	Shikoku	327
Hokuriku	516	Kyushu	748
Total		10,006	

2.Industry (10 Industries 51 Lines of business)

Agriculture,Forestry,Fisheries		42
Finance		120
Construction		1,365
Real Estate		248
Manufacturing 3,223	Food,Beverages,Livestock Feed	344
	Textile,Textile Products,Clothing	113
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	227
	Pulp, Paper and Paper Products	111
	Publishing,Printing	184
	Chemical	381
	Steel,Nonferrous Metals,Mining	504
	General Machinery	432
	Electrical Machinery	327
	Transportation Machinery,Equipment	88
Wholesale 3,959	Precision Machinery,Medical Instruments and Equipment	70
	Others	89
	Food,Beverages	373
	Textile,Textile Products,Clothing	224
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	379
	Paper Products,Stationery,Books	121
	Chemical	311
	Recycled Resources	27
	Steel,Nonferrous Metals,Mining Products	331
	Machinery,Equipment	961
	Others	376

3.Size

Large Firms	2,298	23.0%
Small to Medium-sized Firms	7,708	77.0%
micro Firms	2,306	23.0%
Total	10,006	46.0%

Retail 480	Food,Beverages	72
	Textile,Textile Products,Clothing	37
	Drugs,Sundries	26
	Furniture	13
	Electrical Household Appliances,Information Machinery and Equipment	30
	Motor Vehicles,Motor Vehicle Parts	56
	Special Merchandise	144
	Various Merchandise	46
Service 1,384	Others	7
	Transportation,Warehousing	366
	Restaurants	31
	Telecommunications	10
	Electricity,Gas,Water,Heat	7
	Leasing,Rentals	123
	Lodging, Hotels	36
	Recreation	60
	Broadcasting	16
	Maintenance,Guarding,Testing	144
	Advertising	122
	Information	389
	Labor Dispatching	56
	Special Services	194
	Medical,Welfare,Public Health	94
	Education	25
	Others	126
Others		28
Total		10,006

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 18 to 31, 2013

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.