

TDB Trends Research (Nationwide) - Research & Summary for December 2013

Economic DI was 49.5, updating the record high results for two months in a row

The economic upswing has also spread to the real sector of the economy, including rural areas and small-scale firms, gathering momentum

(Companies researched: 22,884; Valid responses: 10,375; Response rate: 45.3%; Research start date: May 2002)

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<Overview of December 2013: Strength seen in the economic upswing >

The Economic DI (Economic DI: 0-100, 50 points is the threshold of assessment) in December 2013 stood at 49.5, up 1.2 points from the previous month, improving for 6 months in a row. Just like in the previous month, this month also set record high results.

The Abenomics effect is spreading steadily to the real economy of the rural areas, exhibiting further strength in the overall upswing of the Japanese economy.

<Future Outlook: The economic upswing will continue>

The upswing of the Japanese economy is expected to continue, due to the anticipated favorable factors which will overcome the challenges of the consumption tax hike.

By industry: All 10 industries improved, with 11 out of 51 job sectors producing new record high results

By size: The discrepancies between corporate sizes have shrunk for 4 months in a row, with Abenomics effects also extending to small-scale firms.

By region: 9 out of 10 regions surpassed previous month's result, with 6 regions producing new record high results.

Economic DI	Dec	Jan. 2013	Feb	Mar	Apr	May	Jun	July	Aug
	35.7	38.0	39.8	41.3	42.4	43.0	42.5	43.6	44.6
Change from prior month	0.4	2.3	1.8	1.5	1.1	0.6	▲ 0.5	1.1	1.0
Economic DI	Sep	Oct	Nov	Dec	Projected future DI	After 1 month	After 3 months	After 6 months	After 1 year
	46.1	46.8	48.3	49.5	Change from Dec. 2013	50.1	52.3	51.9	53.2
Change from prior month	1.5	0.7	1.5	1.2		0.5	2.8	2.4	3.7

*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

	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Ratio to the Previous Month
Total	35.7	38.0	39.8	41.3	42.4	43.0	42.5	43.6	44.6	46.1	46.8	48.3	49.5	1.2
Large Firms	38.7	41.0	42.9	44.2	45.3	46.3	45.9	47.0	48.2	49.6	50.0	51.4	52.5	1.1
Small to Medium-sized Firms	34.7	37.1	38.9	40.4	41.5	42.0	41.4	42.6	43.5	45.0	45.9	47.4	48.6	1.2
Micro Firms	33.9	36.9	38.9	40.1	41.2	41.4	41.1	42.2	43.1	45.1	45.8	46.9	48.5	1.6

	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Ratio to the Previous Month	
Agriculture,Forestry,Fisheries	34.9	36.0	36.8	35.7	35.4	39.7	39.5	41.0	37.8	40.1	40.8	40.3	45.5	5.2	
Finance	36.2	41.3	42.4	41.9	44.7	44.4	44.0	44.6	45.0	45.6	46.4	45.7	47.9	2.2	
Construction	38.7	41.9	43.8	45.3	46.4	47.6	47.5	49.4	50.7	53.8	54.8	56.6	57.2	0.6	
Real Estate	37.0	40.9	45.7	46.8	48.8	49.2	47.7	49.3	48.4	49.9	48.8	49.5	49.7	0.2	
Manufacturing	Food,Beverages,Livestock Feed	33.4	34.5	35.6	36.8	38.7	38.1	38.7	39.3	39.0	40.4	40.0	41.3	41.8	0.5
	Textile,Textile Products,Clothing	35.6	36.9	37.3	38.1	39.9	37.8	37.8	40.2	39.9	40.3	40.4	40.1	42.4	2.3
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	38.2	38.9	40.3	42.7	43.4	45.3	46.5	47.4	49.6	49.9	53.1	55.0	55.3	0.3
	Pulp, Paper and Paper Products	31.1	33.3	33.0	36.0	37.0	38.2	34.9	36.0	37.3	38.6	40.0	42.9	46.9	4.0
	Publishing,Printing	28.3	29.6	31.4	32.8	32.8	33.1	31.9	32.1	31.7	33.8	34.7	33.6	34.4	0.8
	Chemical	34.1	36.4	38.0	39.9	41.0	42.6	42.1	42.4	43.9	45.0	46.5	48.2	49.9	1.7
	Steel,Nonferrous Metals,Mining	32.6	35.5	37.6	38.5	39.7	40.0	39.8	42.3	44.1	46.2	48.2	50.4	51.8	1.4
	General Machinery	32.7	36.3	39.2	39.8	40.0	41.0	40.8	42.8	44.0	46.0	46.8	49.7	50.7	1.0
	Electrical Machinery	32.8	35.8	38.2	38.4	40.1	41.9	40.2	42.3	43.3	43.7	44.6	47.6	49.4	1.8
	Transportation Machinery,Equipment	32.6	34.2	41.2	45.6	47.0	46.5	47.6	48.0	49.9	51.4	50.3	53.7	55.3	1.6
	Precision Machinery,Medical Instruments and Equipment	32.4	33.6	36.5	36.7	39.6	39.3	38.7	39.3	40.8	42.9	44.4	45.2	46.0	0.8
	Other	31.0	31.3	34.8	35.4	35.6	33.3	33.7	35.9	35.1	36.7	34.8	38.0	41.2	3.2
	Total	33.1	35.3	37.4	38.6	39.7	40.3	40.0	41.4	42.5	43.9	44.9	46.9	48.2	1.3
Wholesale	Food,Beverages	33.9	34.6	35.3	37.1	38.0	39.4	38.6	39.7	39.7	41.0	39.2	40.3	42.1	1.8
	Textile,Textile Products,Clothing	34.3	34.7	34.6	34.5	37.5	36.4	36.3	36.6	36.5	37.8	37.7	38.2	38.1	▲ 0.1
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	39.9	42.2	43.5	44.5	46.3	46.1	46.8	47.7	49.2	50.3	53.4	54.6	57.1	2.5
	Paper Products,Stationery,Books	31.7	31.8	32.3	34.3	36.3	36.5	35.3	35.2	34.9	37.2	37.6	38.3	40.1	1.8
	Chemical	34.6	35.9	36.1	38.5	39.7	41.4	40.2	41.0	41.9	43.2	43.9	45.8	46.4	0.6
	Recycled Resources	32.1	41.9	48.8	50.6	50.6	46.6	43.1	46.5	44.4	49.4	52.1	54.3	53.9	▲ 0.4
	Steel,Nonferrous Metals,Mining Products	34.0	37.3	38.2	40.2	38.7	39.9	39.0	41.4	43.4	44.9	47.8	50.0	51.7	1.7
	Machinery,Equipment	34.1	36.8	38.8	41.0	42.1	41.9	40.4	42.3	43.4	44.4	45.6	47.6	48.7	1.1
	Other	32.2	34.0	35.3	37.1	38.1	39.3	38.8	38.9	39.4	40.7	40.2	41.9	43.4	1.5
Total	34.5	36.5	37.7	39.5	40.5	40.9	40.1	41.4	42.2	43.5	44.3	45.9	47.3	1.4	

Economic Diffusion Index (Economic DI)2/2

		Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Ratio to the Previous Month
Retail	Food,Beverages	30.6	32.9	38.8	40.5	40.5	41.0	38.2	40.0	39.9	39.1	38.6	39.6	42.0	2.4
	Textile,Textile Products,Clothing	32.9	34.6	34.8	41.4	40.7	38.6	39.2	38.6	34.5	39.9	35.4	36.3	38.0	1.7
	Drugs,Sundries	47.7	49.4	45.7	44.9	44.7	50.7	44.0	46.7	45.8	46.7	50.0	49.3	48.4	▲ 0.9
	Furniture	38.9	37.5	44.4	46.2	50.0	50.0	48.8	57.4	41.7	51.5	48.6	55.0	53.0	▲ 2.0
	Electrical Household Appliances, Information Machinery and Equipment	34.1	39.5	38.7	41.7	44.1	42.1	47.5	44.1	46.1	49.2	46.2	46.4	53.2	6.8
	Motor Vehicles,Motor Vehicle Parts	32.1	41.2	42.9	49.4	43.4	47.2	43.8	45.0	47.8	47.7	47.2	51.3	52.5	1.2
	Special Merchandise	33.0	32.7	35.1	37.0	36.9	37.2	37.0	37.0	37.4	37.6	39.7	39.3	38.3	▲ 1.0
	Various Merchandise	35.5	38.4	40.5	42.8	45.5	46.9	46.2	45.7	45.4	46.5	42.7	47.9	49.0	1.1
	Other	36.7	36.7	31.0	33.3	40.5	35.7	38.9	37.5	33.3	41.7	33.3	38.9	41.7	2.8
	Total	34.0	36.3	38.4	41.2	41.1	41.9	40.9	41.1	41.1	42.4	41.7	43.0	44.0	1.0
Transportation,Warehousing		36.9	38.0	39.5	40.6	41.5	42.6	41.7	42.9	43.7	46.4	46.7	47.8	49.5	1.7
Service	Restaurants	35.4	35.7	37.8	43.5	43.8	48.0	47.5	45.2	45.6	44.3	38.9	40.5	45.8	5.3
	Postal,Telecommunications	48.7	53.8	53.0	55.0	56.4	55.0	54.5	51.7	55.6	51.7	54.5	50.0	54.2	4.2
	Electricity,Gas,Water,Heat	37.5	43.8	45.8	40.5	48.1	48.1	51.7	48.1	48.1	45.8	48.6	50.0	46.7	▲ 3.3
	Leasing,Rentals	45.2	45.3	48.4	49.9	49.6	50.7	50.7	51.2	51.6	53.5	57.0	56.2	55.8	▲ 0.4
	Lodging, Hotels	37.2	38.4	40.1	45.8	48.2	49.1	48.3	51.4	50.8	50.9	46.9	49.5	50.5	1.0
	Recreation	36.7	38.5	38.5	40.6	41.0	38.5	40.5	36.7	38.6	39.5	39.2	40.8	41.0	0.2
	Broadcasting	38.5	41.7	37.8	43.8	43.5	49.0	44.0	45.1	45.4	49.1	48.1	45.1	46.9	1.8
	Maintenance,Guarding,Testing	37.6	40.7	44.0	43.3	43.3	44.8	43.7	43.5	45.0	45.7	47.6	46.3	47.7	1.4
	Advertising	34.5	35.4	38.9	40.8	42.5	42.4	42.6	42.3	42.5	41.9	43.2	41.0	43.2	2.2
	Information	42.2	45.2	47.3	47.7	49.5	49.3	48.7	49.4	50.6	51.3	51.8	53.3	53.4	0.1
	Labor Dispatching	44.9	44.7	48.7	50.3	50.3	50.6	52.2	52.6	54.5	55.7	57.2	57.5	58.5	1.0
	Special Services	41.1	44.3	46.9	47.3	48.7	50.8	47.7	50.4	52.8	53.5	55.3	54.9	55.2	0.3
	Medical,Welfare,Public Health	40.8	45.3	45.7	48.0	49.0	48.8	47.3	45.7	46.9	45.0	47.3	50.3	51.0	0.7
	Education	38.3	46.8	46.8	45.3	48.0	47.0	46.7	46.4	47.1	42.0	43.8	44.2	43.3	▲ 0.9
	Other	39.5	42.2	42.1	44.7	44.7	46.2	46.2	47.0	47.9	49.6	48.2	49.8	51.1	1.3
Total	40.5	43.0	45.0	46.2	47.3	47.9	47.2	47.6	48.8	49.3	50.1	50.6	51.3	0.7	
Other		36.2	36.7	33.8	35.7	42.3	41.5	41.4	38.9	40.1	42.8	40.6	42.2	48.2	6.0

		Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Ratio to the Previous Month
Hokkaido		34.0	36.1	38.4	40.5	43.2	43.3	44.8	47.4	48.6	50.2	51.3	51.4	51.9	0.5
Tohoku		42.1	42.8	43.3	44.3	44.9	45.9	45.8	45.9	46.9	49.0	50.1	50.8	51.2	0.4
kitakanto		32.7	34.1	37.1	38.3	39.9	41.4	40.1	42.8	43.0	44.0	44.9	47.0	48.8	1.8
minamikanto		37.1	39.4	41.3	42.5	43.5	44.2	43.5	44.1	44.8	46.4	46.6	48.1	49.0	0.9
Hokuriku		34.2	36.9	38.4	40.3	42.0	43.5	42.8	45.2	45.7	47.9	48.3	50.1	51.2	1.1
Tokai		34.6	37.4	39.8	41.5	42.8	44.2	43.0	44.4	45.4	46.7	47.2	49.1	50.4	1.3
Kinki		34.3	36.7	38.5	39.7	40.6	40.5	40.0	40.9	42.2	43.4	44.7	46.3	48.0	1.7
Chugoku		32.6	36.2	37.2	39.4	40.4	40.4	40.2	41.7	43.1	44.7	46.5	48.0	49.9	1.9
Shikoku		36.4	38.4	39.8	39.7	41.0	41.2	41.2	42.2	43.4	44.5	45.5	48.8	48.8	0.0
Kyushu		36.0	39.0	40.5	42.6	42.6	43.0	42.5	43.7	45.4	46.8	47.8	48.7	50.5	1.8

Appendix

1. Research Subjects(Companies researched: 22,884; Valid responses: 10,375; Response rate: 45.3%)

1.Region

Hokkaido	542	Tokai	1,162
Tohoku	594	Kinki	1,736
kitaKanto	701	Chugoku	631
minamikanto	3,351	Shikoku	316
Hokuriku	549	Kyushu	793
		Total	10,375

2.Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		52
Finance		125
Construction		1,392
Real Estate		261
Manufacturing 3,223	Food, Beverages, Livestock Feed	366
	Textile, Textile Products, Clothing	121
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	233
	Pulp, Paper and Paper Products	112
	Publishing, Printing	197
	Chemical	410
	Steel, Nonferrous Metals, Mining	545
	General Machinery	447
	Electrical Machinery	376
	Transportation Machinery, Equipment	111
Wholesale 3,959	Precision Machinery, Medical Instruments and Equipment	79
	Others	91
	Food, Beverages	398
	Textile, Textile Products, Clothing	199
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	361
	Paper Products, Stationery, Books	116
	Chemical	314
	Recycled Resources	30
	Steel, Nonferrous Metals, Mining Products	335
	Machinery, Equipment	943
Others	360	

Retail 480	Food, Beverages	73
	Textile, Textile Products, Clothing	36
	Drugs, Sundries	21
	Furniture	11
	Electrical Household Appliances, Information Machinery and Equipment	31
	Motor Vehicles, Motor Vehicle Parts	53
	Special Merchandise	140
	Various Merchandise	51
Others	4	
Transportation, Warehousing		435
Service 1,384	Restaurants	32
	Telecommunications	12
	Electricity, Gas, Water, Heat	10
	Leasing, Rentals	124
	Lodging, Hotels	35
	Recreation	54
	Broadcasting	16
	Maintenance, Guarding, Testing	143
	Advertising	130
	Information	433
	Labor Dispatching	61
	Special Services	200
Medical, Welfare, Public Health	104	
Education	20	
Others	134	
Others	38	
Total		10,375

3.Size

Large Firms	2,422	23.3%
Small to Medium-sized Firms	7,953	76.7%
micro Firms	2,345	22.6%
Total	10,375	45.9%

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 16 – 30, 2013 through January 6, 2014.

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.