

## Domestic economy improved for three consecutive months

- US presidential election shock reversed in a short period,  
weakening yen and higher stock prices have good material –

(Companies Researched: 23,850; Valid responses: 10,110; Response rate: 42.4%;  
Survey Start Date: May 2002)

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### < Overview of November 2016: Upward trend >

The economic diffusion index (DI) in November was 44.1, up 0.8 points from the previous month, and an improvement for three consecutive months. The US presidential election shock reversed in a short period, and the weakening yen/higher stock prices advanced. Housing starts and automobile production are also showing strong growth, and the domestic economy is improving, with improvements in both rural areas and big cities.

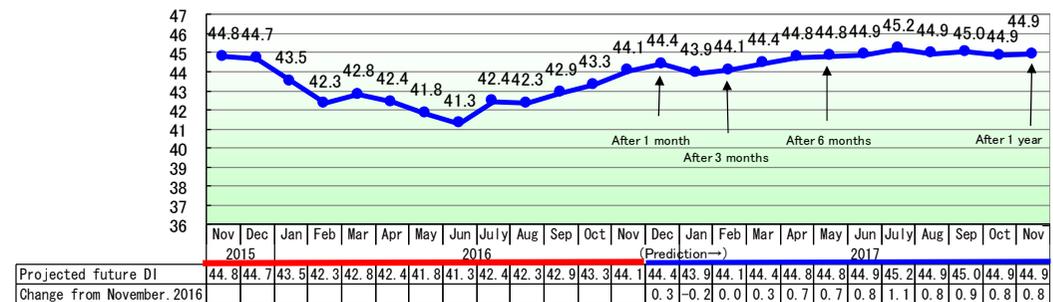
### < Future outlook: Gradual upward trend >

Economic conditions expect to see changes in a gradual upward trend, with improvements in employment and income environments as well as items like public investment.

By industry: The weakening yen/higher stock prices and temperature drop are making a positive contribution, nine companies have improved.

By size: All sizes have improved for the first time in two months.

By region: All ten regions have improved for the first time in two months, both rural areas and big cities are looking up.



\*: 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

	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Ratio to the PrFDious Month
Total	44.8	44.7	43.5	42.3	42.8	42.4	41.8	41.3	42.4	42.3	42.9	43.3	44.1	0.8
Large Firms	48.4	47.9	47.1	46.0	46.5	46.2	45.7	45.1	46.6	45.7	46.5	46.5	47.0	0.5
Small to Medium-sized Firms	43.7	43.8	42.5	41.3	41.8	41.4	40.8	40.3	41.3	41.4	41.9	42.4	43.3	0.9
Micro Firms	43.1	43.3	41.8	40.3	40.8	40.3	39.7	39.6	40.3	40.6	41.3	41.9	42.9	1.0

	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Ratio to the PrFDious Month	
Agriculture,Forestry,Fisheries	45.2	46.4	43.6	44.5	42.3	42.4	42.1	43.7	42.5	40.1	41.8	41.2	44.6	3.4	
Finance	46.6	46.3	45.3	44.3	44.8	45.5	44.3	45.0	45.1	43.7	44.5	44.1	45.2	1.1	
Construction	49.6	49.3	47.9	45.9	46.3	45.2	44.9	44.7	46.5	46.9	48.1	48.6	49.2	0.6	
Real Estate	48.9	48.4	47.1	48.0	48.2	48.1	48.3	48.4	47.8	47.3	47.0	46.2	47.7	1.5	
Manufacturing	Food,BEWerages,Livestock Feed	44.5	44.1	44.2	43.2	44.2	44.6	43.4	43.0	43.0	42.1	41.8	42.2	42.2	0.0
	Textile,Textile Products,Clothing	39.4	39.3	36.4	37.6	39.8	38.2	38.4	38.2	37.0	37.8	37.3	36.6	36.7	0.1
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	38.9	40.7	38.5	38.0	38.6	37.9	38.3	37.8	40.5	40.7	40.5	41.7	42.5	0.8
	Pulp, Paper and Paper Products	42.4	41.7	40.3	36.8	37.6	40.2	38.6	38.5	40.4	39.4	39.1	40.1	40.3	0.2
	Publishing,Printing	34.6	34.7	34.0	34.6	35.3	34.1	34.0	32.9	33.5	32.8	33.7	34.4	35.0	0.6
	Chemical	44.9	45.4	44.3	42.8	42.7	43.0	42.7	42.2	43.3	41.8	44.0	43.8	45.5	1.7
	Steel,Nonferrous Metals,Mining	41.8	41.5	41.1	38.8	38.3	38.3	38.1	37.6	38.7	39.8	41.4	42.5	44.3	1.8
	General Machinery	47.3	48.6	46.0	45.5	45.7	45.3	44.0	43.6	44.9	44.3	45.3	46.7	47.9	1.2
	Electrical Machinery	45.2	44.9	43.0	42.8	42.8	42.3	40.4	40.4	41.9	41.5	42.6	44.5	44.4	▲ 0.1
	Transportation Machinery,Equipment	47.0	46.2	45.7	44.6	46.8	46.8	43.8	42.7	44.0	44.9	44.2	46.9	46.6	▲ 0.3
	Precision Machinery,Medical Instruments and Equipment	47.9	46.1	46.2	43.1	44.6	44.6	43.2	43.2	42.6	43.2	44.8	44.0	44.8	0.8
	Other	40.0	39.6	39.4	39.1	40.6	37.5	37.8	37.0	39.1	35.7	37.7	37.3	39.4	2.1
	Total	43.3	43.5	42.2	41.2	41.6	41.3	40.6	40.1	41.2	40.9	41.8	42.7	43.5	0.8
Wholesale	Food,BEWerages	43.1	42.6	41.9	40.9	42.2	42.6	41.0	40.1	41.1	40.4	39.9	39.9	40.1	0.2
	Textile,Textile Products,Clothing	34.4	34.4	33.5	32.7	33.8	35.7	34.6	35.3	33.5	34.5	32.9	31.9	33.1	1.2
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	41.5	41.8	40.5	39.1	39.4	39.2	38.4	37.6	39.0	38.9	39.9	40.3	42.6	2.3
	Paper Products,Stationery,Books	37.4	37.2	38.1	37.4	38.0	36.6	36.7	34.2	35.9	36.3	37.4	36.1	37.5	1.4
	Chemical	42.8	43.2	40.8	39.2	40.2	39.5	39.4	38.8	39.5	39.4	39.6	40.9	40.4	▲ 0.5
	Recycled Resources	26.7	32.1	25.6	28.4	30.7	39.3	33.3	28.3	29.4	35.0	33.8	36.9	44.0	7.1
	Steel,Nonferrous Metals,Mining Products	39.4	37.7	36.4	35.8	36.1	35.2	34.6	33.2	35.7	36.0	35.5	36.8	39.6	2.8
	Machinery,Equipment	43.4	43.6	42.6	41.2	41.7	40.9	41.1	39.7	40.9	40.5	41.2	41.6	42.5	0.9
	Other	41.1	41.1	39.9	39.0	39.6	39.1	38.6	38.2	38.0	38.7	38.2	37.6	37.9	0.3
	Total	41.4	41.4	40.1	39.0	39.7	39.4	38.9	37.9	38.8	38.9	39.0	39.3	40.4	1.1

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

		Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Ratio to the PrFDious Month
Retail	Food,BEVerages	41.4	43.2	39.9	40.4	43.4	42.1	38.9	38.6	40.7	40.0	39.5	37.6	37.7	0.1
	Textile,Textile Products,Clothing	36.8	32.1	34.8	31.6	33.3	35.1	32.9	32.5	33.8	32.8	28.0	27.6	32.4	4.8
	Drugs,Sundries	50.0	49.4	45.3	45.4	46.1	42.0	41.1	37.9	42.5	42.5	42.0	38.3	41.1	2.8
	Furniture	42.9	47.2	42.9	40.5	40.5	38.1	42.9	41.7	36.1	35.4	33.3	37.5	37.5	0.0
	Electrical Household Appliances, Information Machinery and Equipment	38.7	40.7	43.8	39.2	40.4	40.7	35.8	36.6	40.2	37.9	42.7	41.2	37.8	▲ 3.4
	Motor Vehicles,Motor Vehicle Parts	38.2	37.9	40.0	37.9	38.6	40.4	37.2	37.0	39.8	40.1	42.3	39.3	40.2	0.9
	Special Merchandise	39.8	38.4	40.4	39.2	37.4	38.9	37.0	37.4	37.6	36.7	38.1	36.5	36.3	▲ 0.2
	Various Merchandise	47.3	43.8	45.0	43.7	44.8	43.3	43.7	42.6	43.2	39.9	40.6	41.7	44.4	2.7
	Other	38.9	43.3	44.4	41.7	44.4	41.7	42.9	41.7	46.7	47.2	50.0	46.7	46.7	0.0
Total		40.9	40.2	41.0	39.5	40.1	40.2	38.0	37.7	39.3	38.4	39.3	37.5	38.3	0.8
Transportation,Warehousing		45.4	45.3	43.2	41.9	41.9	41.5	41.5	40.0	41.5	42.0	42.7	44.0	44.4	0.4
Service	Restaurants	46.2	44.4	47.1	42.1	43.6	43.1	42.3	40.2	45.3	42.2	39.0	37.0	38.0	1.0
	Postal,Telecommunications	53.0	51.5	58.3	54.2	50.0	59.1	52.4	46.2	52.6	51.1	52.0	53.7	57.7	4.0
	Electricity,Gas,Water,Heat	55.0	55.0	52.4	53.7	50.0	51.9	47.6	44.4	42.9	46.3	43.8	43.3	50.0	6.7
	Leasing,Rentals	49.2	49.7	48.1	46.2	47.1	45.9	46.7	45.5	45.9	47.2	47.4	49.0	49.3	0.3
	Lodging, Hotels	59.1	55.4	56.9	54.7	56.1	50.5	44.4	46.8	47.8	50.0	49.0	49.4	44.3	▲ 5.1
	Recreation	38.0	38.6	39.1	37.3	36.9	38.0	36.8	38.4	37.1	38.0	38.1	37.8	37.0	▲ 0.8
	Broadcasting	46.9	47.8	43.8	46.9	45.6	46.7	44.4	42.7	43.6	44.4	44.0	47.9	50.0	2.1
	Maintenance,Guarding,Testing	47.1	46.4	44.8	43.8	43.9	44.4	44.3	44.3	46.3	46.4	47.0	47.0	48.2	1.2
	Advertising	40.3	40.3	39.2	37.2	40.9	37.5	36.8	37.9	38.9	39.2	39.0	39.8	38.9	▲ 0.9
	Information	54.9	54.9	55.2	53.3	53.4	53.4	52.5	52.2	53.0	52.2	52.6	52.3	52.7	0.4
	Labor Dispatching	52.5	53.1	50.9	52.7	54.7	53.1	52.5	49.4	52.4	52.7	51.8	52.5	51.4	▲ 1.1
	Special Services	50.3	52.1	49.1	48.9	49.6	48.3	48.6	49.2	50.5	48.8	50.3	50.8	50.3	▲ 0.5
	Medical,Welfare,Public Health	44.1	42.2	39.9	39.2	42.5	41.5	41.4	41.5	41.6	42.6	44.1	43.5	43.6	0.1
	Education	50.8	46.7	46.3	46.8	47.4	43.0	42.2	43.9	48.2	43.1	45.0	45.6	43.1	▲ 2.5
	Other	50.1	49.0	45.9	47.5	47.1	46.7	45.7	46.8	46.6	47.8	47.7	47.5	47.4	47.9
Total		49.6	49.6	48.4	47.4	48.2	47.5	46.8	46.7	47.8	47.7	47.9	48.1	48.2	0.1
Other		41.9	43.8	40.9	39.4	38.8	37.4	37.5	37.5	38.8	40.1	39.4	41.5	38.6	▲ 2.9

		Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Ratio to the PrFDious Month
Hokkaido		39.8	39.4	39.0	37.9	38.6	39.2	39.6	39.4	40.5	40.6	41.0	42.1	42.5	0.4
Tohoku		45.9	45.6	43.9	43.2	43.1	43.3	41.7	42.9	43.4	42.9	43.6	44.7	44.8	0.1
kitakanto		43.8	43.0	41.1	40.3	41.5	40.8	41.2	40.0	41.5	41.1	42.3	42.3	43.3	1.0
minamikanto		45.8	45.8	44.6	43.2	43.9	43.6	43.0	42.3	43.4	43.2	43.5	44.0	45.0	1.0
Hokuriku		43.9	43.8	41.1	40.3	40.4	39.2	39.3	38.4	39.4	39.6	40.2	40.1	41.8	1.7
Tokai		45.9	46.4	45.4	43.6	43.6	43.3	42.7	41.5	43.1	43.1	43.7	43.6	44.2	0.6
Kinki		42.3	42.5	41.7	40.7	41.1	40.8	40.3	39.4	40.5	40.4	41.1	41.6	42.4	0.8
Chugoku		45.8	45.8	44.8	43.7	44.3	43.1	41.5	41.5	42.4	42.2	43.0	43.6	43.9	0.3
Shikoku		48.3	47.5	46.7	45.1	45.7	45.2	45.0	43.4	44.6	44.5	45.6	45.1	45.8	0.7
Kyushu		46.0	45.6	44.8	44.0	44.3	43.4	41.7	42.5	44.2	44.7	45.1	45.6	46.7	1.1

## Appendix

### 1. Research Subjects (Companies Researched 23,850; Valid responses: 10,110; Response rate: 42.4%)

Appendix

#### 1. Region

Hokkaido	540	Tokai	1,152
Tohoku	623	Kinki	1,657
kitakanto	713	Chugoku	564
minamikanto	3,271	Shikoku	312
Hokuriku	542	Kyushu	736
		<b>Total</b>	<b>10,110</b>

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

Agriculture, Forestry, Fisheries		56
Finance		131
Construction		1,472
Real Estate		300
Manufacturing 3,223	Food, Beverages, Livestock Feed	333
	Textile, Textile Products, Clothing	113
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	230
	Pulp, Paper and Paper Products	100
	Publishing, Printing	190
	Chemical	411
	Steel, Nonferrous Metals, Mining	503
	General Machinery	444
	Electrical Machinery	338
	Transportation Machinery, Equipment	98
	Precision Machinery, Medical Instruments and Equipment	77
Others	94	
Wholesale 3,959	Food, Beverages	346
	Textile, Textile Products, Clothing	184
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	333
	Paper Products, Stationery, Books	105
	Chemical	265
	Recycled Resources	36
	Steel, Nonferrous Metals, Mining Products	310
	Machinery, Equipment	914
	Others	351

Retail 480	Food, Beverages	68
	Textile, Textile Products, Clothing	34
	Drugs, Sundries	28
	Furniture	8
	Electrical Household Appliances, Information Machinery and Equipment	37
	Motor Vehicles, Motor Vehicle Parts	66
	Special Merchandise	130
	Various Merchandise	48
Others	5	
Transportation, Warehousing		429
Service 1,384	Restaurants	36
	Telecommunications	13
	Electricity, Gas, Water, Heat	6
	Leasing, Rentals	121
	Lodging, Hotels	29
	Recreation	54
	Broadcasting	15
	Maintenance, Guarding, Testing	151
	Advertising	113
	Information	414
	Labor Dispatching	58
	Special Services	210
	Medical, Welfare, Public Health	107
Education	17	
Others	138	
Others		41
<b>Total</b>		<b>10,110</b>

#### 3. Size

Large Firms	2,159	21.4%
Small to Medium-sized Firms	7,951	78.6%
micro Firms	2,519	24.9%
<b>Total</b>	<b>10,110</b>	<b>100.0%</b>

## 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 November 16 – 30 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.