

All regions worsening for two months in a row for the first time since the Great East Japan Earthquake

Further enhanced Abenomics expected to avoid economic slowdown

(Companies Researched 23,189; Valid Responses 10,497; Response Rate 45.3%; Survey Start Date: May 2002)

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### <Overview of February 2016: Deterioration>

The Economic DI (Economic DI: 50 points is the threshold of assessment) in February 2016 stood at 42.3, down 1.2 points from the previous month, declining for three months in a row. In addition to a downturn in demand for construction and significant deterioration of steel production, the implementation of negative interest rates has greatly exacerbated the business confidence of the financial institutions. The domestic economy has been worsening nationally.

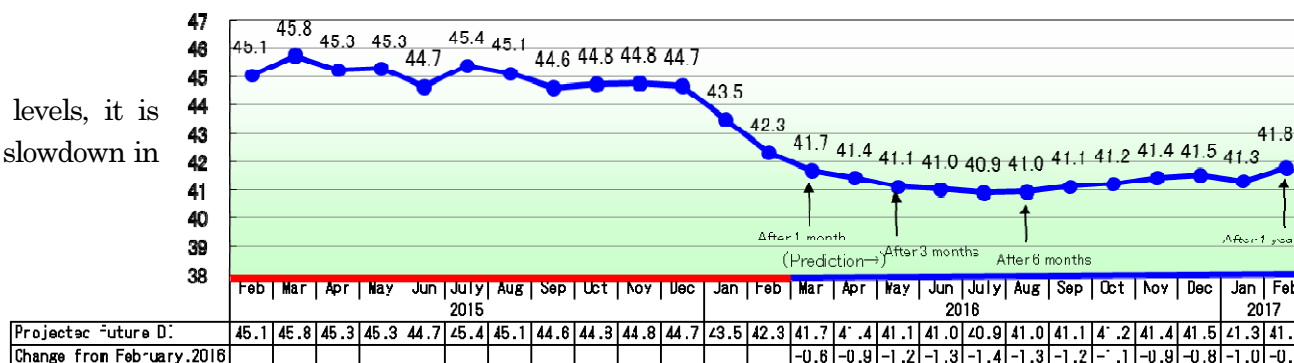
### < Future Outlook: Remaining at low levels>

Although the future economy is likely to remain at low levels, it is expected that Abenomics will be enhanced in order to avoid a slowdown in economic activity.

By industry: 8 out of 10 industries deteriorate; steel production significantly worsening due to the downturn in construction demand.

By size: All size categories deteriorate for two months in a row.

By region: All 10 regions deteriorate for two months in a row for the first time since the occurrence of the Great East Japan Earthquake.



\*: 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

	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Ratio to the PrFDious Month
Total	45.1	45.8	45.3	45.3	44.7	45.4	45.1	44.6	44.8	44.8	44.7	43.5	42.3	▲ 1.2
Large Firms	48.0	48.6	48.9	49.2	48.4	48.8	48.9	48.2	48.4	48.4	47.9	47.1	46.0	▲ 1.1
Small to Medium-sized Firms	44.2	45.0	44.3	44.3	43.6	44.5	44.1	43.6	43.7	43.7	43.8	42.5	41.3	▲ 1.2
Micro Firms	43.4	44.3	43.1	43.2	43.1	43.4	43.2	43.2	43.2	43.1	43.3	41.8	40.3	▲ 1.5

		Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Ratio to the PrFDious Month
Agriculture,Forestry,Fisheries		40.0	44.0	43.7	45.0	41.9	42.9	44.7	44.7	44.6	45.2	46.4	43.6	44.5	0.9
Finance		44.7	48.0	48.1	47.4	49.2	48.1	46.5	46.3	47.3	46.6	46.3	45.3	44.3	▲ 1.0
Construction		50.4	50.8	49.3	48.6	47.7	48.6	48.8	49.1	49.5	49.6	49.3	47.9	45.9	▲ 2.0
Real Estate		47.2	48.8	48.8	49.6	49.1	49.8	48.4	48.7	48.7	48.9	48.4	47.1	48.0	0.9
Manufacturing	Food,BEWerages,Livestock Feed	39.8	43.1	42.1	44.3	43.1	43.4	43.0	43.6	44.3	44.5	44.1	44.2	43.2	▲ 1.0
	Textile,Textile Products,Clothing	39.7	37.6	40.2	41.7	39.4	39.4	40.2	38.8	39.8	39.4	39.3	36.4	37.6	1.2
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	41.9	42.1	40.3	40.9	40.3	41.2	41.2	40.9	40.2	38.9	40.7	38.5	38.0	▲ 0.5
	Pulp, Paper and Paper Products	37.3	39.3	39.8	40.0	39.0	39.7	42.0	40.8	41.1	42.4	41.7	40.3	36.8	▲ 3.5
	Publishing,Printing	33.5	34.1	34.6	34.1	33.5	33.7	34.9	34.8	34.8	34.6	34.7	34.0	34.6	0.6
	Chemical	44.5	44.6	44.1	44.4	43.9	44.7	45.3	44.4	44.4	44.9	45.4	44.3	42.8	▲ 1.5
	Steel,Nonferrous Metals,Mining	46.8	45.2	43.9	43.0	42.9	43.6	42.8	41.7	41.4	41.8	41.5	41.1	38.8	▲ 2.3
	General Machinery	51.5	52.6	52.5	51.6	51.3	51.9	50.3	47.3	47.9	47.3	48.6	46.0	45.5	▲ 0.5
	Electrical Machinery	48.4	49.7	47.7	47.3	47.4	47.4	44.8	45.2	45.2	45.2	44.9	43.0	42.8	▲ 0.2
	Transportation Machinery,Equipment	50.3	50.4	51.1	47.8	49.7	50.9	50.8	48.3	46.3	47.0	46.2	45.7	44.6	▲ 1.1
	Precision Machinery, Medical Instruments and Equipment	48.9	49.2	47.8	49.8	49.4	50.4	51.2	47.9	48.6	47.9	46.1	46.2	43.1	▲ 3.1
	Other	38.7	38.7	37.1	40.7	37.8	39.2	37.7	40.0	39.8	40.0	39.6	39.4	39.1	▲ 0.3
Total		44.6	45.1	44.4	44.5	44.0	44.6	44.2	43.2	43.3	43.3	43.5	42.2	41.2	▲ 1.0
Wholesale	Food,BEWerages	39.7	40.6	42.6	42.9	43.0	44.1	42.7	43.6	43.0	43.1	42.6	41.9	40.9	▲ 1.0
	Textile,Textile Products,Clothing	32.2	33.3	35.5	37.0	34.8	34.4	34.7	36.5	37.8	34.4	34.4	33.5	32.7	▲ 0.8
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	40.5	40.2	38.2	38.7	38.1	39.8	39.7	39.5	41.3	41.5	41.8	40.5	39.1	▲ 1.4
	Paper Products,Stationery,Books	35.1	37.7	37.3	38.1	34.5	37.1	36.5	36.8	36.8	37.4	37.2	38.1	37.4	▲ 0.7
	Chemical	41.2	41.8	42.5	43.0	43.1	43.9	42.6	42.3	42.5	42.8	43.2	40.8	39.2	▲ 1.6
	Recycled Resources	38.5	39.3	39.7	42.3	40.1	35.8	36.0	25.8	29.9	26.7	32.1	25.6	28.4	2.8
	Steel,Nonferrous Metals, Mining Products	43.5	43.2	41.2	40.3	39.3	40.4	40.3	38.5	38.8	39.4	37.7	36.4	35.8	▲ 0.6
	Machinery,Equipment	46.0	47.3	46.7	46.3	45.1	45.6	45.3	43.6	43.6	43.4	43.6	42.6	41.2	▲ 1.4
	Other	38.5	40.7	40.9	41.8	42.0	42.4	41.4	40.8	41.0	41.1	41.1	39.9	39.0	▲ 0.9
	Total		41.5	42.5	42.3	42.5	41.7	42.5	41.9	41.2	41.5	41.4	41.4	40.1	39.0

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

		Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Ratio to the PrFDious Month
Retail	Food,BEWerages	38.2	39.4	39.3	41.6	42.7	45.0	44.0	44.5	44.6	41.4	43.2	39.9	40.4	0.5
	Textile,Textile Products,Clothing	32.3	34.8	38.0	40.2	37.0	38.6	38.7	36.9	40.1	36.8	32.1	34.8	31.6	▲ 3.2
	Drugs,Sundries	45.3	46.0	48.1	48.0	48.6	49.3	48.7	46.7	48.6	50.0	49.4	45.3	45.4	0.1
	Furniture	33.3	27.8	35.0	40.0	43.3	41.7	41.7	42.9	42.9	42.9	47.2	42.9	40.5	▲ 2.4
	Electrical Household Appliances, Information Machinery and Equipment	39.0	43.2	38.4	41.5	40.6	38.9	38.3	44.6	39.6	38.7	40.7	43.8	39.2	▲ 4.6
	Motor Vehicles,Motor Vehicle Parts	40.7	38.8	36.5	39.9	37.2	38.3	38.7	38.6	39.9	38.2	37.9	40.0	37.9	▲ 2.1
	Special Merchandise	43.7	42.3	39.4	40.5	38.0	39.9	41.6	40.7	39.2	39.8	38.4	40.4	39.2	▲ 1.2
	Various Merchandise	41.0	40.6	47.1	49.7	48.1	48.8	49.0	47.3	46.5	47.3	43.8	45.0	43.7	▲ 1.3
	Other	36.7	38.9	41.7	36.1	43.3	35.7	44.4	44.4	36.1	38.9	43.3	44.4	41.7	▲ 2.7
Total		40.5	40.5	40.2	42.1	40.7	41.9	42.4	42.2	41.6	40.9	40.2	41.0	39.5	▲ 1.5
Transportation,Warehousing		44.8	44.9	44.8	44.8	42.6	44.4	44.9	45.1	44.7	45.4	45.3	43.2	41.9	▲ 1.3
Service	Restaurants	45.2	49.2	50.0	49.6	48.3	47.4	51.3	45.3	49.2	46.2	44.4	47.1	42.1	▲ 5.0
	Postal,Telecommunications	53.7	48.3	54.2	53.7	50.0	47.0	53.0	59.3	57.6	53.0	51.5	58.3	54.2	▲ 4.1
	Electricity,Gas,Water,Heat	50.0	48.3	55.0	53.7	53.0	50.0	51.9	56.7	55.0	55.0	55.0	52.4	53.7	1.3
	Leasing,Rentals	50.0	49.3	49.6	47.9	47.9	48.7	49.9	48.0	48.0	49.2	49.7	48.1	46.2	▲ 1.9
	Lodging, Hotels	49.5	48.6	51.4	53.1	54.2	59.2	59.0	58.3	61.4	59.1	55.4	56.9	54.7	▲ 2.2
	Recreation	40.0	45.6	38.7	40.2	37.9	37.3	38.0	37.9	38.0	38.0	38.6	39.1	37.3	▲ 1.8
	Broadcasting	40.0	45.6	47.9	45.6	46.1	49.1	46.1	41.7	45.1	46.9	47.8	43.8	46.9	3.1
	Maintenance,Guarding,Testing	46.9	47.2	47.8	48.1	47.4	47.6	47.4	46.0	46.1	47.1	46.4	44.8	43.8	▲ 1.0
	Advertising	39.3	42.1	42.2	41.1	41.0	39.8	40.7	40.8	40.7	40.3	40.3	39.2	37.2	▲ 2.0
	Information	54.6	56.3	56.3	55.3	55.4	56.4	55.8	55.5	56.0	54.9	54.9	55.2	53.3	▲ 1.9
	Labor Dispatching	57.5	56.7	55.5	56.2	56.3	54.4	55.0	54.2	54.7	52.5	53.1	50.9	52.7	1.8
	Special Services	51.4	53.0	51.0	51.7	50.9	52.0	51.4	51.5	49.0	50.3	52.1	49.1	48.9	▲ 0.2
	Medical,Welfare,Public Health	45.7	45.3	46.1	46.3	43.3	45.3	43.6	42.8	42.3	44.1	42.2	39.9	39.2	▲ 0.7
	Education	40.2	39.5	41.2	41.1	44.4	40.6	44.1	42.1	45.0	50.8	46.7	46.3	46.8	0.5
	Other	48.1	47.2	46.1	46.8	49.5	50.9	48.5	49.3	49.2	50.1	49.0	45.9	47.5	1.6
Total		49.2	50.3	50.1	49.9	49.7	50.4	50.1	49.6	49.6	49.6	49.6	48.4	47.4	▲ 1.0
Other		41.7	42.0	43.2	40.2	41.9	42.6	40.7	41.4	42.3	41.9	43.8	40.9	39.4	▲ 1.5

		Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Ratio to the PrFDious Month
Hokkaido		39.9	40.0	40.8	41.6	40.9	41.8	41.8	41.8	39.3	39.8	39.4	39.0	37.9	▲ 1.1
Tohoku		46.0	46.5	46.0	44.9	45.0	46.3	46.1	45.9	45.8	45.9	45.6	43.9	43.2	▲ 0.7
Kitakanto		45.3	46.2	45.4	45.2	44.8	45.0	45.2	42.6	43.3	43.8	43.0	41.1	40.3	▲ 0.8
Minamikanto		46.0	46.8	46.2	46.5	46.1	46.8	46.1	45.4	45.8	45.8	45.8	44.6	43.2	▲ 1.4
Hokuriku		44.6	44.4	44.4	44.8	43.8	44.3	44.6	44.2	43.9	43.9	43.8	41.1	40.3	▲ 0.8
Tokai		46.3	46.4	45.6	46.5	45.3	46.9	46.5	46.0	46.0	45.9	46.4	45.4	43.6	▲ 1.8
Kinki		43.2	44.5	43.7	43.4	42.6	43.2	43.1	42.7	42.6	42.3	42.5	41.7	40.7	▲ 1.0
Chugoku		44.4	45.5	45.4	45.6	44.8	45.5	44.9	45.0	45.6	45.8	45.8	44.8	43.7	▲ 1.1
Shikoku		45.5	46.6	47.7	46.9	46.3	45.6	47.7	46.5	47.3	48.3	47.5	46.7	45.1	▲ 1.6
Kyushu		46.6	47.2	46.2	45.6	44.3	44.9	44.5	45.7	46.6	46.0	45.6	44.8	44.0	▲ 0.8

## Appendix

### 1.Research Subjects(Companies Researched: 23,189; Valid Responses: 10,497; Response Rate: 45.3%)

Appendix

#### 1.Region

Hokkaido	566	Tokai	1,170
Tohoku	695	Kinki	1,766
kitaKanto	712	Chugoku	598
minamikanto	3,353	Shikoku	321
Hokuriku	561	Kyushu	755
		Total	10,497

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

Agriculture,Forestry,Fisheries		58
Finance		135
Construction		1,523
Real Estate		284
Manufacturing 3,223	Food,Beverages,Livestock Feed	336
	Textile,Textile Products,Clothing	116
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	248
	Pulp, Paper and Paper Products	100
	Publishing,Printing	200
	Chemical	427
	Steel,Nonferrous Metals,Mining	529
	General Machinery	455
	Electrical Machinery	350
	Transportation Machinery,Equipment	99
	Precision Machinery,Medical Instruments and Equipment	80
	Others	90
Wholesale 3,959	Food,Beverages	363
	Textile,Textile Products,Clothing	185
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	375
	Paper Products,Stationery,Books	111
	Chemical	310
	Recycled Resources	44
	Steel,Nonferrous Metals,Mining Products	329
	Machinery,Equipment	950
	Others	361

Retail 480	Food,Beverages	68
	Textile,Textile Products,Clothing	38
	Drugs,Sundries	29
	Furniture	7
	Electrical Household Appliances,Information Machinery and Equipment	34
	Motor Vehicles,Motor Vehicle Parts	62
	Special Merchandise	140
	Various Merchandise	50
Others		6
Transportation,Warehousing		450
Service 1,384	Restaurants	36
	Telecommunications	12
	Electricity,Gas,Water,Heat	9
	Leasing,Rentals	118
	Lodging, Hotels	32
	Recreation	55
	Broadcasting	16
	Maintenance,Guarding,Testing	158
	Advertising	122
	Information	442
	Labor Dispatching	56
	Special Services	210
	Medical,Welfare,Public Health	102
	Education	21
	Others	125
Others		41
Total		10,497

#### 3.Size

Large Firms	2,271	21.6%
Small to Medium-sized Firms	8,226	78.4%
micro Firms	2,535	24.1%
Total	10,497	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 February 16 – 29 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.