

TDB Trends Research (Research & Summary for January 2015)

Falling oil prices offset economic downturn trend

Retail sales improves significantly through inbound consumption brought by a weaker yen

(Companies Researched:23,402; Valid Responses:10,794; Response Rate: 46.1%; Survey Start Date: May 2002)

<Overview of January 2015: Economic downturn trend ceases>

The Economic DI (Economic DI: 50 points is the threshold of assessment) in January 2015 stood at 43.9, up 0.9 point from the previous month, showing the first improvement in six months.

The Japanese economy in January showed two main characteristic trends: 1) a favorable impact brought by the falling oil prices, and 2) a boost in inbound consumption brought by a weaker yen. Improvement of external factors ceased the downturn trend of the Japanese economy, as sudden drop in oil prices brought gradual mitigating effect on cost burden for companies.

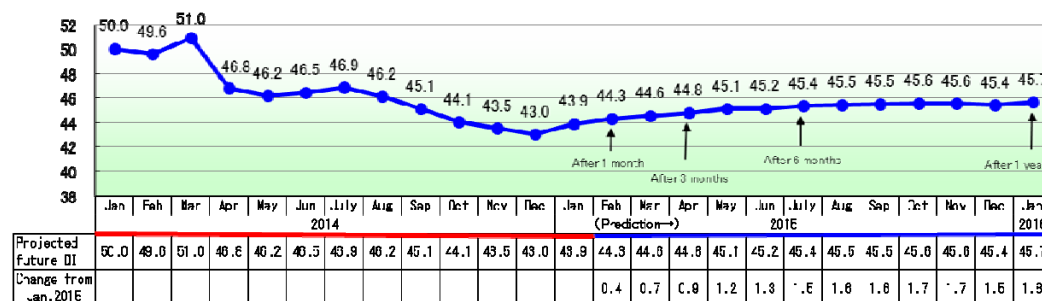
<Future Outlook: Expected to remain flat>

Companies will gradually begin to enjoy the growing positive effects of mitigating cost burden, brought by the falling oil prices. In addition, economic measures such as the enforcement of fiscal 2014 supplementary budget and the cutting of effective corporate tax rates are likely to contribute positively. Actions for revitalizing Japan's local economy are also expected to set in motion. Improvement of external factors is expected to make up for the domestic demand lacking vigor, anticipating a generally flat outlook.

By industry: Falling oil prices result in mitigating cost burden; inbound consumption also a plus

By size: First improvement in 7 months for all sizes

By region: 9 out of 10 regions show improvement; however, benefits of a weaker yen vary by region



*: 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

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Ratio to the PrEXious Month
Total	50.0	49.6	51.0	46.8	46.2	46.5	46.9	46.2	45.1	44.1	43.5	43.0	43.9	0.9
Large Firms	53.3	53.0	53.6	49.5	49.3	50.0	49.7	49.2	48.1	47.5	46.9	46.6	47.1	0.5
Small to Medium-sized Firms	49.1	48.6	50.2	46.0	45.3	45.4	46.1	45.3	44.3	43.1	42.6	42.0	43.0	1.0
Micro Firms	49.1	48.2	49.7	45.6	45.0	45.0	45.3	44.7	44.0	42.5	42.1	41.6	42.3	0.7

		Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Oct-14	Oct-14	Nov-14	Dec-14	Jan-15	Ratio to the PrEXious Month
Agriculture,Forestry,Fisheries		44.0	45.0	41.9	42.0	40.7	43.0	45.1	40.9	42.1	41.8	38.6	39.5	41.3	1.8
Finance		47.8	47.7	48.5	46.5	46.6	47.5	49.2	47.9	47.1	44.9	45.3	45.2	45.1	▲ 0.1
Construction		56.8	56.3	56.0	52.9	51.7	52.7	53.5	53.2	52.8	51.6	51.0	50.3	50.4	0.1
Real Estate		51.8	48.5	50.0	48.8	48.3	48.8	47.4	46.8	47.0	45.2	43.6	44.1	45.1	1.0
Manufacturing	Food,BEWerages,Livestock Feed	41.6	41.5	42.1	39.7	40.4	40.4	39.9	39.8	39.5	39.0	36.8	37.5	37.2	▲ 0.3
	Textile,Textile Products,Clothing	43.2	42.9	45.8	41.5	43.1	41.1	41.8	42.0	39.8	39.4	36.8	38.1	36.8	▲ 1.3
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	56.2	55.8	55.5	48.6	47.5	47.0	45.0	44.6	43.3	44.0	44.1	43.3	43.2	▲ 0.1
	Pulp, Paper and Paper Products	46.7	43.1	47.4	42.8	40.5	38.7	39.4	36.2	36.1	36.7	36.1	36.3	34.8	▲ 1.5
	Publishing,Printing	36.2	36.0	40.0	36.8	35.3	34.8	34.9	33.7	33.1	31.5	31.5	31.0	31.8	0.8
	Chemical	48.9	49.6	50.2	47.5	46.7	45.6	46.6	45.8	43.4	42.4	42.9	43.3	43.2	▲ 0.1
	Steel,Nonferrous Metals,Mining	52.6	52.3	52.5	47.5	47.4	48.1	48.7	49.1	46.8	45.3	44.4	42.8	44.8	2.0
	General Machinery	52.2	52.9	54.7	51.6	52.3	52.7	53.8	52.2	51.7	50.5	50.0	48.6	49.6	1.0
	Electrical Machinery	49.2	49.9	49.6	47.0	48.1	48.8	49.9	47.3	46.2	46.1	45.9	45.8	47.3	1.5
	Transportation Machinery,Equipment	55.6	54.1	54.6	50.8	50.2	51.7	52.8	53.4	50.7	48.2	48.0	47.7	47.4	▲ 0.3
	Precision Machinery,Medical Instruments and Equipment	47.9	49.1	48.4	42.9	45.2	47.7	48.2	49.3	48.1	46.6	45.4	45.0	47.9	2.9
	Other	41.1	41.8	47.0	40.5	38.0	37.8	39.2	39.3	38.3	37.9	38.4	35.2	35.4	0.2
Total		48.7	48.7	49.7	45.9	45.9	45.9	46.3	45.6	44.2	43.4	42.9	42.3	43.0	0.7
Wholesale	Food,BEWerages	41.5	40.3	42.2	39.1	41.3	41.4	41.0	39.6	39.9	39.0	37.1	37.6	38.3	0.7
	Textile,Textile Products,Clothing	37.6	38.0	41.5	38.8	37.7	36.8	36.7	35.9	35.3	34.3	30.7	30.2	31.1	0.9
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	58.2	56.1	56.2	50.0	46.8	44.3	44.3	42.9	41.5	41.0	39.5	39.3	39.0	▲ 0.3
	Paper Products,Stationery,Books	41.4	39.3	48.0	40.3	37.0	36.0	35.9	34.6	33.8	32.9	33.5	31.8	33.2	1.4
	Chemical	46.5	46.2	48.7	43.5	41.9	43.5	43.4	42.8	40.8	40.6	40.0	37.8	38.9	1.1
	Recycled Resources	52.1	47.4	44.3	49.5	48.7	50.0	47.3	47.3	46.1	37.8	40.4	40.8	39.0	▲ 1.8
	Steel,Nonferrous Metals,Mining Products	51.8	51.7	52.0	45.2	44.2	44.4	46.0	44.9	43.5	43.2	43.8	42.1	43.9	1.8
	Machinery,Equipment	50.2	50.4	53.0	47.7	45.8	46.6	47.6	46.7	44.9	43.9	43.6	43.2	44.8	1.6
	Other	42.7	43.4	46.0	40.9	40.5	40.3	40.4	40.2	38.5	36.7	37.1	35.1	37.5	2.4
Total		47.8	47.4	49.6	44.6	43.3	43.4	43.8	42.9	41.5	40.6	40.0	39.1	40.4	1.3

Economic Diffusion Index (Economic DI)2/2

		Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Oct-14	Oct-14	Nov-14	Dec-14	Jan-15	Ratio to the PrEXious Month
Retail	Food,BEWerages	42.6	39.1	44.0	37.1	40.8	40.8	39.1	40.7	39.3	36.8	34.7	34.5	36.8	2.3
	Textile,Textile Products,Clothing	39.6	37.0	40.8	36.1	37.7	37.3	36.3	36.2	38.2	36.7	32.0	30.8	30.7	▲ 0.1
	Drugs,Sundries	50.0	47.3	55.6	39.9	40.7	44.3	40.8	40.7	41.7	41.1	42.6	38.9	44.6	5.7
	Furniture	59.7	56.4	63.6	35.0	31.7	33.3	28.8	30.6	37.0	22.7	27.3	26.4	28.8	2.4
	Electrical Household Appliances, Information Machinery and Equipment	50.5	55.1	56.7	45.1	38.4	37.4	39.7	37.4	36.1	36.2	36.0	34.3	39.3	5.0
	Motor Vehicles,Motor Vehicle Parts	60.1	57.3	56.5	32.7	30.9	30.7	32.1	34.4	33.0	30.1	31.8	28.7	37.8	9.1
	Special Merchandise	37.3	37.5	39.9	34.7	35.2	35.7	36.2	36.8	36.2	36.3	36.0	39.2	41.4	2.2
	Various Merchandise	48.6	47.8	55.2	37.3	43.3	45.0	42.1	41.7	41.8	41.2	39.1	40.5	42.6	2.1
	Other	33.3	33.3	45.8	33.3	33.3	27.8	36.7	43.3	37.5	40.0	40.0	41.7	33.3	▲ 8.4
	Total	44.7	43.8	47.1	36.4	37.3	37.8	37.3	37.8	37.5	36.3	35.5	35.9	39.1	3.2
Transportation,Warehousing		50.0	49.8	51.8	46.5	46.3	45.1	44.9	45.8	43.7	43.7	44.8	43.8	43.7	▲ 0.1
Service	Restaurants	45.2	48.5	47.4	46.9	46.9	49.5	49.1	48.7	46.7	42.6	45.1	39.9	44.6	4.7
	Postal,Telecommunications	54.5	50.0	50.0	51.9	45.8	50.0	53.3	50.0	50.0	46.3	48.1	50.0	56.3	6.3
	Electricity,Gas,Water,Heat	50.0	50.0	48.5	53.7	53.7	50.0	51.7	48.3	50.0	46.3	43.8	44.4	50.0	5.6
	Leasing,Rentals	57.8	56.5	56.2	55.7	54.3	52.7	53.8	51.7	51.8	49.7	49.9	49.1	50.9	1.8
	Lodging, Hotels	50.0	46.6	48.4	44.9	45.2	47.5	47.7	44.4	46.2	46.3	47.0	47.6	47.7	0.1
	Recreation	43.0	41.7	43.3	39.5	38.0	37.6	38.3	39.5	39.4	39.5	36.4	36.5	34.4	▲ 2.1
	Broadcasting	49.1	49.0	47.9	41.2	40.7	44.0	44.4	45.2	44.0	45.2	43.3	41.7	44.4	2.7
	Maintenance,Guarding,Testing	49.0	49.2	52.6	46.8	46.2	46.0	49.4	46.8	45.7	45.8	43.1	42.6	44.6	2.0
	Advertising	43.3	43.0	47.7	42.5	40.8	42.6	42.5	41.4	41.1	38.6	38.7	38.8	38.8	0.0
	Information	55.6	54.8	56.3	54.2	55.5	55.0	54.5	53.5	52.8	51.4	51.6	52.2	53.5	1.3
	Labor Dispatching	57.7	58.9	57.8	57.5	54.6	57.2	57.2	56.2	56.9	55.6	53.9	54.0	55.7	1.7
	Special Services	56.9	56.4	55.8	54.2	53.8	55.1	55.2	53.7	53.9	50.7	50.7	50.3	50.8	0.5
	Medical,Welfare,Public Health	50.6	50.2	50.7	48.3	46.6	47.9	47.6	47.1	46.2	46.2	45.0	44.1	44.7	0.6
	Education	43.9	44.7	45.7	42.1	40.3	44.7	45.1	40.7	41.7	42.4	41.7	39.9	40.5	0.6
	Other	49.1	48.1	48.6	46.9	47.2	48.1	48.7	48.4	47.2	44.9	45.2	45.0	47.4	2.4
	Total	52.3	51.8	52.9	50.5	50.1	50.6	50.9	49.7	49.2	47.7	47.3	47.2	48.3	1.1
Other		46.8	44.9	52.1	46.0	47.5	44.3	44.9	43.1	42.8	40.6	37.7	41.5	37.3	▲ 4.2

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Oct-14	Oct-14	Nov-14	Dec-14	Jan-15	Ratio to the PrEXious Month
Hokkaido	50.9	50.0	50.2	47.2	46.4	46.4	47.0	46.0	45.0	42.5	41.5	40.1	39.1	▲ 1.0
Tohoku	51.4	49.9	51.5	47.2	46.9	46.8	47.6	47.5	46.1	45.2	45.6	44.5	45.4	0.9
kitakanto	49.7	48.5	50.2	46.3	46.9	47.0	48.1	46.8	45.8	43.1	43.4	43.2	44.1	0.9
minamikanto	49.6	49.2	50.8	47.5	46.9	47.1	47.4	46.5	45.4	44.4	43.8	43.6	44.7	1.1
Hokuriku	51.7	51.1	51.3	47.1	46.2	46.2	46.5	46.3	45.2	44.3	42.8	41.9	43.6	1.7
Tokai	50.7	51.6	52.3	46.3	45.9	46.9	47.5	47.0	45.6	44.7	44.4	43.4	45.0	1.6
Kinki	48.3	48.4	49.8	45.5	44.8	44.6	45.4	44.4	43.7	42.7	42.1	41.5	42.2	0.7
Chugoku	50.9	49.4	51.1	46.8	45.3	46.3	46.5	46.4	44.5	43.9	44.0	42.9	43.6	0.7
Shikoku	50.0	50.2	52.6	46.1	44.8	45.6	45.1	44.9	44.2	44.5	43.5	43.6	43.8	0.2
Kyushu	51.5	50.8	51.8	47.4	46.7	47.4	46.4	45.9	46.0	45.4	44.2	44.7	45.3	0.6

A record-high 48.3% of companies expect wage improvement

Salary and bonus estimated to increase by a total of 3.2 trillion yen

Amid sluggish economy following the consumption tax hike in April 2014, the government is requesting for wage increase through meeting of the Council and other means. Wage improvement trends such as job security as well as across-the-board pay raise and increase in bonus (one time payment) are therefore attracting attention as the decisive component of the course of Abenomics.

Teikoku Databank conducted a survey on corporate attitudes toward 2015 wage trends. This research was conducted in conjunction with the January 2015 TDB Trends Research.

*Survey Period: January 19-31, 2015; Companies Researched: 23,402; Valid Responses: 10,794 (Response Rate: 46.1%). Since January 2006, survey on wage has been conducted every January. This marks the 10th survey.

Survey Results (Summary)

1. 48.3% of companies anticipated wage improvement for fiscal year 2015, showing a 1.9 points increase from the previous year and marking an all-time high since the start of the this survey in January 2006. Over 60% of the companies actually increased their wage in fiscal year 2014.
2. Details of wage improvement were 36.7% (2.7 points increase from the previous year) for across-the-board pay raise, and 27.4% (0.4 points decrease from the previous year) for bonus (one time payment). Many companies are using across-the-board pay raise as a means to improve wages.
3. Among reasons for improving wage, retention and securement of labor workforce showed a significant increase, nearing 70%; a record-high number of companies mentioned competitors' wage trend - an apparent sign that companies are closely observing the moves of their competition. Poor company performance was noted the most as a reason for not improving wages, while the impact of consumption tax hike has started to show signs of decline.
4. Total labor cost for fiscal year 2015 is expected to increase by 2.50% on average, while employee salaries and bonuses are estimated to increase by a total of about 3.2 trillion yen.

Appendix

1. Research Subjects (Companies Researched: 23,402; Valid Responses: 10,794; Response Rate: 46.1%)

Appendix

1. Region

Hokkaido	558	Tokai	1,214
Tohoku	643	Kinki	1,789
kitaKanto	755	Chugoku	613
minamikanto	3,513	Shikoku	330
Hokuriku	587	Kyushu	792
Total		10,794	

2. Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		52
Finance		125
Construction		1,484
Real Estate		278
Manufacturing 3,223	Food, Beverages, Livestock Feed	368
	Textile, Textile Products, Clothing	114
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	254
	Pulp, Paper and Paper Products	110
	Publishing, Printing	215
	Chemical	463
	Steel, Nonferrous Metals, Mining	550
	General Machinery	478
	Electrical Machinery	367
	Transportation Machinery, Equipment	108
	Precision Machinery, Medical Instruments and Equipment	78
Others	99	
Wholesale 3,959	Food, Beverages	372
	Textile, Textile Products, Clothing	196
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	376
	Paper Products, Stationery, Books	125
	Chemical	309
	Recycled Resources	41
	Steel, Nonferrous Metals, Mining Products	358
	Machinery, Equipment	1,008
	Others	396

3. Size

Large Firms	2,360	21.9%
Small to Medium-sized Firms	8,434	78.1%
micro Firms	2,582	23.9%
Total	10,794	100.0%

Retail 480	Food, Beverages	76
	Textile, Textile Products, Clothing	32
	Drugs, Sundries	28
	Furniture	11
	Electrical Household Appliances, Information Machinery and Equipment	39
	Motor Vehicles, Motor Vehicle Parts	56
	Special Merchandise	142
	Various Merchandise	47
Service 1,384	Others	5
	Transportation, Warehousing	453
	Restaurants	40
	Telecommunications	8
	Electricity, Gas, Water, Heat	10
	Leasing, Rentals	117
	Lodging, Hotels	37
	Recreation	61
	Broadcasting	15
	Maintenance, Guarding, Testing	156
	Advertising	136
	Information	441
	Labor Dispatching	58
	Special Services	217
	Medical, Welfare, Public Health	100
	Education	21
	Others	126
	Others	38
Total		10,794

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 January 19 – 31 2015

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.