

Trump shock holds up recovery trends

- US policy intensifies feeling of uncertainty about the world economy -

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(Companies Researched: 23,796 ; Valid responses: 10,195 ; Response rate: 42.8% ;
Survey Start Date: May 2002)

< Overview of January 2017: Break in the recovery trend >

The economic diffusion index (DI) in January was 45.2, down 0.2 points from the previous month, and worsened for the first time in five months. Since an increase in the cost of fuel and unstable weather put downward pressure on the domestic economy, and a negative effect that originated in the U.S. was also added, recovery trends were held up.

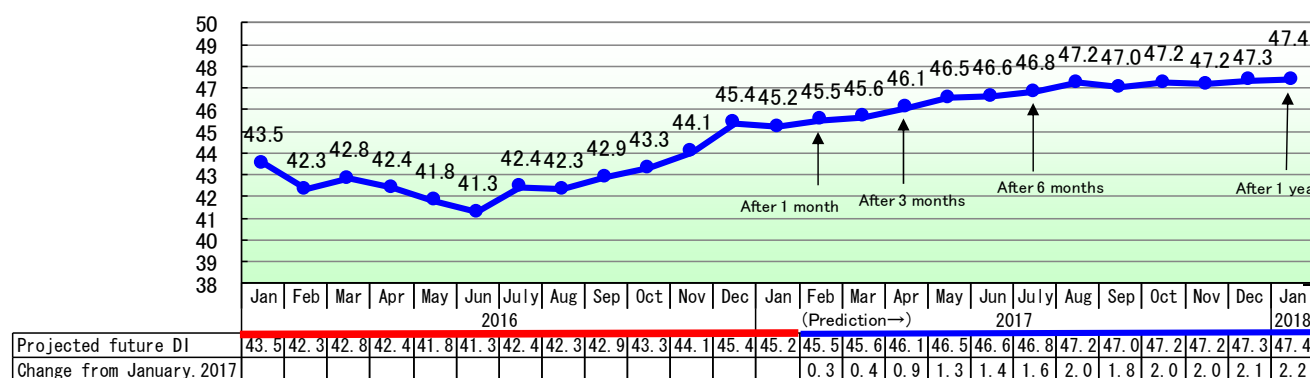
< Future outlook: Gradual recovery continues >

Gradual recovery of economic conditions is expected to continue, but it will be necessary to pay close attention to U.S. policy.

By industry: Four industries have worsened, with a heavy cost burden.

By size: All sizes have worsened for the first time in seven months, although only slightly.

By region: Out of the ten regions, six have worsened due to the negative influence of grounds for concern that originated in the U.S., in addition to heavy snow.



*: 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-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Ratio to the PrFDious Month
Total	43.5	42.3	42.8	42.4	41.8	41.3	42.4	42.3	42.9	43.3	44.1	45.4	45.2	▲ 0.2
Large Firms	47.1	46.0	46.5	46.2	45.7	45.1	46.6	45.7	46.5	46.5	47.0	48.4	48.2	▲ 0.2
Small to Medium-sized Firms	42.5	41.3	41.8	41.4	40.8	40.3	41.3	41.4	41.9	42.4	43.3	44.5	44.4	▲ 0.1
Micro Firms	41.8	40.3	40.8	40.3	39.7	39.6	40.3	40.6	41.3	41.9	42.9	43.9	43.5	▲ 0.4

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Ratio to the PrFDious Month
Agriculture,Forestry,Fisheries	43.6	44.5	42.3	42.4	42.1	43.7	42.5	40.1	41.8	41.2	44.6	47.3	43.3	▲ 4.0
Finance	45.3	44.3	44.8	45.5	44.3	45.0	45.1	43.7	44.5	44.1	45.2	45.9	46.4	0.5
Construction	47.9	45.9	46.3	45.2	44.9	44.7	46.5	46.9	48.1	48.6	49.2	49.7	49.2	▲ 0.5
Real Estate	47.1	48.0	48.2	48.1	48.3	48.4	47.8	47.3	47.0	46.2	47.7	48.7	49.3	0.6
Manufacturing	Food,BEWerages,Livestock Feed	44.2	43.2	44.2	44.6	43.4	43.0	43.0	42.1	41.8	42.2	43.4	41.9	▲ 1.5
	Textile,Textile Products,Clothing	36.4	37.6	39.8	38.2	38.4	38.2	37.0	37.8	37.3	36.6	36.7	38.0	▲ 1.7
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	38.5	38.0	38.6	37.9	38.3	37.8	40.5	40.7	40.5	41.7	42.5	43.5	▲ 0.2
	Pulp, Paper and Paper Products	40.3	36.8	37.6	40.2	38.6	38.5	40.4	39.4	39.1	40.1	40.3	43.0	0.3
	Publishing,Printing	34.0	34.6	35.3	34.1	34.0	32.9	33.5	32.8	33.7	34.4	35.0	35.7	▲ 1.8
	Chemical	44.3	42.8	42.7	43.0	42.7	42.2	43.3	41.8	44.0	43.8	45.5	48.2	▲ 0.7
	Steel,Nonferrous Metals,Mining	41.1	38.8	38.3	38.3	38.1	37.6	38.7	39.8	41.4	42.5	44.3	45.9	0.2
	General Machinery	46.0	45.5	45.7	45.3	44.0	43.6	44.9	44.3	45.3	46.7	47.9	50.3	▲ 0.4
	Electrical Machinery	43.0	42.8	42.8	42.3	40.4	40.4	41.9	41.5	42.6	44.5	44.4	45.5	0.8
	Transportation Machinery,Equipment	45.7	44.6	46.8	46.8	43.8	42.7	44.0	44.9	44.2	46.9	46.6	48.6	0.9
	Precision Machinery, Medical Instruments and Equipment	46.2	43.1	44.6	44.6	43.2	43.2	42.6	43.2	44.8	44.0	44.8	46.3	0.4
	Other	39.4	39.1	40.6	37.5	37.8	37.0	39.1	35.7	37.7	37.3	39.4	39.6	▲ 0.4
	Total	42.2	41.2	41.6	41.3	40.6	40.1	41.2	40.9	41.8	42.7	43.5	44.8	▲ 0.4
Wholesale	Food,BEWerages	41.9	40.9	42.2	42.6	41.0	40.1	41.1	40.4	39.9	39.9	40.1	41.5	▲ 0.9
	Textile,Textile Products,Clothing	33.5	32.7	33.8	35.7	34.6	35.3	33.5	34.5	32.9	31.9	33.1	34.0	▲ 0.3
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	40.5	39.1	39.4	39.2	38.4	37.6	39.0	38.9	39.9	40.3	42.6	43.2	▲ 1.1
	Paper Products,Stationery,Books	38.1	37.4	38.0	36.6	36.7	34.2	35.9	36.3	37.4	36.1	37.5	37.7	0.9
	Chemical	40.8	39.2	40.2	39.5	39.4	38.8	39.5	39.4	39.6	40.9	40.4	43.1	1.3
	Recycled Resources	25.6	28.4	30.7	39.3	33.3	28.3	29.4	35.0	33.8	36.9	44.0	49.5	▲ 0.4
	Steel,Nonferrous Metals, Mining Products	36.4	35.8	36.1	35.2	34.6	33.2	35.7	36.0	35.5	36.8	39.6	42.6	▲ 0.1
	Machinery,Equipment	42.6	41.2	41.7	40.9	41.1	39.7	40.9	40.5	41.2	41.6	42.5	44.2	0.6
	Other	39.9	39.0	39.6	39.1	38.6	38.2	38.0	38.7	38.2	37.6	37.9	39.9	0.2
	Total	40.1	39.0	39.7	39.4	38.9	37.9	38.8	38.9	39.0	39.3	40.4	42.1	0.1

Economic Diffusion Index (Economic DI)2/2

		Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Ratio to the PrFDious Month
Retail	Food,BEVerages	39.9	40.4	43.4	42.1	38.9	38.6	40.7	40.0	39.5	37.6	37.7	40.6	37.4	▲ 3.2
	Textile,Textile Products,Clothing	34.8	31.6	33.3	35.1	32.9	32.5	33.8	32.8	28.0	27.6	32.4	31.3	32.7	1.4
	Drugs,Sundries	45.3	45.4	46.1	42.0	41.1	37.9	42.5	42.5	42.0	38.3	41.1	42.0	43.5	1.5
	Furniture	42.9	40.5	40.5	38.1	42.9	41.7	36.1	35.4	33.3	37.5	37.5	30.0	33.3	3.3
	Electrical Household Appliances, Information Machinery and Equipment	43.8	39.2	40.4	40.7	35.8	36.6	40.2	37.9	42.7	41.2	37.8	38.6	40.5	1.9
	Motor Vehicles,Motor Vehicle Parts	40.0	37.9	38.6	40.4	37.2	37.0	39.8	40.1	42.3	39.3	40.2	41.0	43.5	2.5
	Special Merchandise	40.4	39.2	37.4	38.9	37.0	37.4	37.6	36.7	38.1	36.5	36.3	37.1	38.3	1.2
	Various Merchandise	45.0	43.7	44.8	43.3	43.7	42.6	43.2	39.9	40.6	41.7	44.4	44.6	42.0	▲ 2.6
	Other	44.4	41.7	44.4	41.7	42.9	41.7	46.7	47.2	50.0	46.7	46.7	46.7	45.8	▲ 0.9
	Total	41.0	39.5	40.1	40.2	38.0	37.7	39.3	38.4	39.3	37.5	38.3	39.1	39.4	0.3
Transportation,Warehousing		43.2	41.9	41.9	41.5	41.5	40.0	41.5	42.0	42.7	44.0	44.4	46.1	45.0	▲ 1.1
Service	Restaurants	47.1	42.1	43.6	43.1	42.3	40.2	45.3	42.2	39.0	37.0	38.0	37.5	42.3	4.8
	Postal,Telecommunications	58.3	54.2	50.0	59.1	52.4	46.2	52.6	51.1	52.0	53.7	57.7	46.2	55.1	8.9
	Electricity,Gas,Water,Heat	52.4	53.7	50.0	51.9	47.6	44.4	42.9	46.3	43.8	43.3	50.0	41.7	50.0	8.3
	Leasing,Rentals	48.1	46.2	47.1	45.9	46.7	45.5	45.9	47.2	47.4	49.0	49.3	48.9	47.9	▲ 1.0
	Lodging, Hotels	56.9	54.7	56.1	50.5	44.4	46.8	47.8	50.0	49.0	49.4	44.3	47.5	43.5	▲ 4.0
	Recreation	39.1	37.3	36.9	38.0	36.8	38.4	37.1	38.0	38.1	37.8	37.0	36.9	37.7	0.8
	Broadcasting	43.8	46.9	45.6	46.7	44.4	42.7	43.6	44.4	44.0	47.9	50.0	49.0	45.6	▲ 3.4
	Maintenance,Guarding,Testing	44.8	43.8	43.9	44.4	44.3	44.3	46.3	46.4	47.0	47.0	48.2	47.1	47.4	0.3
	Advertising	39.2	37.2	40.9	37.5	36.8	37.9	38.9	39.2	39.0	39.8	38.9	40.9	38.6	▲ 2.3
	Information	55.2	53.3	53.4	53.4	52.5	52.2	53.0	52.2	52.6	52.3	52.7	53.2	54.3	1.1
	Labor Dispatching	50.9	52.7	54.7	53.1	52.5	49.4	52.4	52.7	51.8	52.5	51.4	54.4	54.4	0.0
	Special Services	49.1	48.9	49.6	48.3	48.6	49.2	50.5	48.8	50.3	50.8	50.3	52.8	51.9	▲ 0.9
	Medical,Welfare,Public Health	39.9	39.2	42.5	41.5	41.4	41.5	41.6	42.6	44.1	43.5	43.6	44.0	43.6	▲ 0.4
	Education	46.3	46.8	47.4	43.0	42.2	43.9	48.2	43.1	45.0	45.6	43.1	43.7	46.7	3.0
	Other	45.9	47.5	47.1	46.7	45.7	46.8	46.6	48.2	47.5	47.4	47.9	47.9	47.1	▲ 0.8
Total		48.4	47.4	48.2	47.5	46.8	46.7	47.8	47.7	47.9	48.1	48.2	48.7	48.8	0.1
Other		40.9	39.4	38.8	37.4	37.5	37.5	38.8	40.1	39.4	41.5	38.6	39.5	39.9	0.4

		Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Ratio to the PrFDious Month
Hokkaido		39.0	37.9	38.6	39.2	39.6	39.4	40.5	40.6	41.0	42.1	42.5	42.6	42.2	▲ 0.4
Tohoku		43.9	43.2	43.1	43.3	41.7	42.9	43.4	42.9	43.6	44.7	44.8	44.6	44.2	▲ 0.4
kitakanto		41.1	40.3	41.5	40.8	41.2	40.0	41.5	41.1	42.3	42.3	43.3	45.0	44.9	▲ 0.1
minamikanto		44.6	43.2	43.9	43.6	43.0	42.3	43.4	43.2	43.5	44.0	45.0	46.1	46.3	0.2
Hokuriku		41.1	40.3	40.4	39.2	39.3	38.4	39.4	39.6	40.2	40.1	41.8	43.0	43.4	0.4
Tokai		45.4	43.6	43.6	43.3	42.7	41.5	43.1	43.1	43.7	43.6	44.2	46.4	45.7	▲ 0.7
Kinki		41.7	40.7	41.1	40.8	40.3	39.4	40.5	40.4	41.1	41.6	42.4	43.7	43.7	0.0
Chugoku		44.8	43.7	44.3	43.1	41.5	41.5	42.4	42.2	43.0	43.6	43.9	45.8	44.6	▲ 1.2
Shikoku		46.7	45.1	45.7	45.2	45.0	43.4	44.6	44.5	45.6	45.1	45.8	47.2	46.2	▲ 1.0
Kyushu		44.8	44.0	44.3	43.4	41.7	42.5	44.2	44.7	45.1	45.6	46.7	48.0	48.1	0.1

Appendix

1. Research Subjects (Companies Researched 23,796; Valid responses: 10,195; Response rate: 42.8%)

Appendix

1. Region

Hokkaido	542	Tokai	1,135
Tohoku	634	Kinki	1,688
kita Kanto	711	Chugoku	560
minamikanto	3,302	Shikoku	321
Hokuriku	571	Kyushu	731
Total		10,195	

2. Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		57
Finance		125
Construction		1,483
Real Estate		290
Manufacturing 3,223	Food, Beverages, Livestock Feed	330
	Textile, Textile Products, Clothing	112
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	234
	Pulp, Paper and Paper Products	105
	Publishing, Printing	189
	Chemical	428
	Steel, Nonferrous Metals, Mining	517
	General Machinery	438
	Electrical Machinery	337
	Transportation Machinery, Equipment	102
	Precision Machinery, Medical Instruments and Equipment	75
	Others	91
Wholesale 3,959	Food, Beverages	343
	Textile, Textile Products, Clothing	187
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	342
	Paper Products, Stationery, Books	110
	Chemical	272
	Recycled Resources	37
	Steel, Nonferrous Metals, Mining Products	301
	Machinery, Equipment	918
	Others	356

Retail 480	Food, Beverages	66
	Textile, Textile Products, Clothing	28
	Drugs, Sundries	28
	Furniture	7
	Electrical Household Appliances, Information Machinery and Equipment	37
	Motor Vehicles, Motor Vehicle Parts	59
	Special Merchandise	142
	Various Merchandise	44
	Others	4
Transportation, Warehousing		453
Service 1,384	Restaurants	41
	Telecommunications	13
	Electricity, Gas, Water, Heat	7
	Leasing, Rentals	110
	Lodging, Hotels	31
	Recreation	57
	Broadcasting	15
	Maintenance, Guarding, Testing	162
	Advertising	114
	Information	420
	Labor Dispatching	53
	Special Services	217
	Medical, Welfare, Public Health	107
	Education	20
	Others	138
Others		43
Total		10,195

3. Size

Large Firms	2,130	20.9%
Small to Medium-sized Firms	8,065	79.1%
micro Firms	2,550	25.0%
Total	10,195	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 January 18 – 31 2017

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.