

## TDB Trends Research (Research & Summary for August 2013)

**Economic DI was 44.6, up 1.0 points from the previous month, improving for 2 months in a row.**

Hokkaido comes out on top among prefectures, setting the new highest record for the prefecture

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### <Overview of August 2013: Continues to improve>

The Economic DI (Economic DI: 0-100, 50 points is the threshold of assessment) in August 2013 stood at 44.6, up 1.0 points from the previous month, improving for 2 months in a row. This is the first time it reached a high level in six years and four months, since April 2007 (45.8): a period that was marked by downward trends, with an increasing number of bankrupt companies in seven consecutive months following the enactment of the *Money Lending Act*.

The Japanese economy continues its upward trend, due to seasonal factors in addition to the ripple effect from last-minute demand in real estate to the related industries.

### <Future Outlook: The improvements will continue>

It is predicted that the Japanese economy will maintain its upward trend despite negative factors, such as overseas situations and an increase in consumer tax.

**By industry: 7 out of 10 industries improved, with 5 out of 51 business sectors seeing new record high figures.**

**By size: “Large” firms, “small-to-mid” firms, and “micro” firms all improved for two months in a row.**

**By region: All 10 regions improved for 2 months in a row; 3 regions saw new record high figures.**

Economic DI	Aug. 2012	Sep	Oct	Nov	Dec	Jan. 2013	Feb	Mar	Apr
	37.7	36.8	35.5	35.3	35.7	38.0	39.8	41.3	42.4
Change from prior month	▲ 0.2	▲ 0.9	▲ 1.3	▲ 0.2	0.4	2.3	1.8	1.5	1.1
Economic DI	May. 2013	Jun	July	Aug	Projected future DI	After 1 month	After 3 months	After 6 months	After 1 year
	43.0	42.5	43.6	44.6		45.4	46.0	46.4	48.2
Change from prior month	0.6	▲ 0.5	1.1	1.0	Change from Aug. 2013	0.8	1.4	1.8	3.6

\*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

		Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Ratio to the Previous Month
Total		37.7	36.8	35.5	35.3	35.7	38.0	39.8	41.3	42.4	43.0	42.5	43.6	44.6	1.0
Large Firms		40.3	39.5	38.2	38.4	38.7	41.0	42.9	44.2	45.3	46.3	45.9	47.0	48.2	1.2
Small to Medium-sized Firms		36.9	36.0	34.6	34.4	34.7	37.1	38.9	40.4	41.5	42.0	41.4	42.6	43.5	0.9
Micro Firms		35.2	35.0	34.0	33.6	33.9	36.9	38.9	40.1	41.2	41.4	41.1	42.2	43.1	0.9

  

		Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Ratio to the Previous Month
Agriculture,Forestry,Fisheries		35.8	35.2	33.3	33.7	34.9	36.0	36.8	35.7	35.4	39.7	39.5	41.0	37.8	▲ 3.2
Finance		37.7	37.5	35.7	36.1	36.2	41.3	42.4	41.9	44.7	44.4	44.0	44.6	45.0	0.4
Construction		38.0	38.1	38.6	39.0	38.7	41.9	43.8	45.3	46.4	47.6	47.5	49.4	50.7	1.3
Real Estate		38.5	38.3	36.7	35.7	37.0	40.9	45.7	46.8	48.8	49.2	47.7	49.3	48.4	▲ 0.9
Manufacturing	Food,Beverages,Livestock Feed	33.8	34.7	33.4	32.7	33.4	34.5	35.6	36.8	38.7	38.1	38.7	39.3	39.0	▲ 0.3
	Textile,Textile Products,Clothing	35.9	36.0	33.7	33.1	35.6	36.9	37.3	38.1	39.9	37.8	37.8	40.2	39.9	▲ 0.3
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	35.6	37.9	36.4	37.0	38.2	38.9	40.3	42.7	43.4	45.3	46.5	47.4	49.6	2.2
	Pulp, Paper and Paper Products	34.7	32.7	30.2	30.8	31.1	33.3	33.0	36.0	37.0	38.2	34.9	36.0	37.3	1.3
	Publishing,Printing	29.6	28.6	29.1	29.2	28.3	29.6	31.4	32.8	32.8	33.1	31.9	32.1	31.7	▲ 0.4
	Chemical	39.2	36.4	35.0	33.3	34.1	36.4	38.0	39.9	41.0	42.6	42.1	42.4	43.9	1.5
	Steel,Nonferrous Metals,Mining	37.2	35.6	32.1	31.9	32.6	35.5	37.6	38.5	39.7	40.0	39.8	42.3	44.1	1.8
	General Machinery	37.8	36.4	34.0	33.4	32.7	36.3	39.2	39.8	40.0	41.0	40.8	42.8	44.0	1.2
	Electrical Machinery	37.2	34.8	32.6	31.8	32.8	35.8	38.2	38.4	40.1	41.9	40.2	42.3	43.3	1.0
	Transportation Machinery,Equipment	43.1	40.5	33.3	32.8	32.6	34.2	41.2	45.6	47.0	46.5	47.6	48.0	49.9	1.9
	Precision Machinery,Medical Instruments and Equipment	39.4	36.2	33.5	32.5	32.4	33.6	36.5	36.7	39.6	39.3	38.7	39.3	40.8	1.5
	Other	32.1	32.2	29.2	30.8	31.0	31.3	34.8	35.4	35.6	33.3	33.7	35.9	35.1	▲ 0.8
	Total	36.5	35.4	33.1	32.6	33.1	35.3	37.4	38.6	39.7	40.3	40.0	41.4	42.5	1.1
Wholesale	Food,Beverages	35.2	34.1	32.4	33.5	33.9	34.6	35.3	37.1	38.0	39.4	38.6	39.7	39.7	0.0
	Textile,Textile Products,Clothing	34.4	31.8	32.0	32.4	34.3	34.7	34.6	34.5	37.5	36.4	36.3	36.6	36.5	▲ 0.1
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	37.6	37.3	38.3	39.3	39.9	42.2	43.5	44.5	46.3	46.1	46.8	47.7	49.2	1.5
	Paper Products,Stationery,Books	30.9	32.8	28.0	30.2	31.7	31.8	32.3	34.3	36.3	36.5	35.3	35.2	34.9	▲ 0.3
	Chemical	37.6	36.7	35.6	35.1	34.6	35.9	36.1	38.5	39.7	41.4	40.2	41.0	41.9	0.9
	Recycled Resources	35.1	27.0	22.4	30.1	32.1	41.9	48.8	50.6	50.6	46.6	43.1	46.5	44.4	▲ 2.1
	Steel,Nonferrous Metals,Mining Products	35.7	33.6	32.6	31.6	34.0	37.3	38.2	40.2	38.7	39.9	39.0	41.4	43.4	2.0
	Machinery,Equipment	37.9	36.9	34.6	33.7	34.1	36.8	38.8	41.0	42.1	41.9	40.4	42.3	43.4	1.1
	Other	35.5	34.1	32.8	32.8	32.2	34.0	35.3	37.1	38.1	39.3	38.8	38.9	39.4	0.5
	Total	36.4	35.3	33.9	33.9	34.5	36.5	37.7	39.5	40.5	40.9	40.1	41.4	42.2	0.8

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

		Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Ratio to the Previous Month
Retail	Food,Beverages	37.2	36.7	33.1	34.7	30.6	32.9	38.8	40.5	40.5	41.0	38.2	40.0	39.9	▲ 0.1
	Textile,Textile Products,Clothing	34.0	32.2	32.9	35.5	32.9	34.6	34.8	41.4	40.7	38.6	39.2	38.6	34.5	▲ 4.1
	Drugs,Sundries	45.8	43.8	42.3	44.4	47.7	49.4	45.7	44.9	44.7	50.7	44.0	46.7	45.8	▲ 0.9
	Furniture	39.3	36.1	32.1	34.7	38.9	37.5	44.4	46.2	50.0	50.0	48.8	57.4	41.7	▲ 15.7
	Electrical Household Appliances, Information Machinery and Equipment	41.1	40.4	33.8	33.3	34.1	39.5	38.7	41.7	44.1	42.1	47.5	44.1	46.1	2.0
	Motor Vehicles,Motor Vehicle Parts	40.8	41.5	36.9	31.5	32.1	41.2	42.9	49.4	43.4	47.2	43.8	45.0	47.8	2.8
	Special Merchandise	33.6	33.0	32.4	32.7	33.0	32.7	35.1	37.0	36.9	37.2	37.0	37.0	37.4	0.4
	Various Merchandise	37.1	36.3	35.8	35.3	35.5	38.4	40.5	42.8	45.5	46.9	46.2	45.7	45.4	▲ 0.3
	Other	47.6	36.1	33.3	33.3	36.7	36.7	31.0	33.3	40.5	35.7	38.9	37.5	33.3	▲ 4.2
	Total	37.3	36.4	34.2	34.2	34.0	36.3	38.4	41.2	41.1	41.9	40.9	41.1	41.1	0.0
Transportation,Warehousing		39.5	37.6	36.7	35.3	36.9	38.0	39.5	40.6	41.5	42.6	41.7	42.9	43.7	0.8
Service	Restaurants	41.7	39.6	36.0	32.4	35.4	35.7	37.8	43.5	43.8	48.0	47.5	45.2	45.6	0.4
	Postal,Telecommunications	53.0	50.0	45.2	48.7	48.7	53.8	53.0	55.0	56.4	55.0	54.5	51.7	55.6	3.9
	Electricity,Gas,Water,Heat	35.4	41.7	37.0	42.6	37.5	43.8	45.8	40.5	48.1	48.1	51.7	48.1	48.1	0.0
	Leasing,Rentals	43.6	43.8	43.3	43.7	45.2	45.3	48.4	49.9	49.6	50.7	50.7	51.2	51.6	0.4
	Lodging, Hotels	42.2	41.7	38.1	40.0	37.2	38.4	40.1	45.8	48.2	49.1	48.3	51.4	50.8	▲ 0.6
	Recreation	36.1	35.0	37.4	36.2	36.7	38.5	38.5	40.6	41.0	38.5	40.5	36.7	38.6	1.9
	Broadcasting	40.2	41.2	38.2	40.6	38.5	41.7	37.8	43.8	43.5	49.0	44.0	45.1	45.4	0.3
	Maintenance,Guarding,Testing	38.9	39.7	37.7	38.4	37.6	40.7	44.0	43.3	43.3	44.8	43.7	43.5	45.0	1.5
	Advertising	36.1	35.9	35.1	34.7	34.5	35.4	38.9	40.8	42.5	42.4	42.6	42.3	42.5	0.2
	Information	43.7	42.5	42.2	42.8	42.2	45.2	47.3	47.7	49.5	49.3	48.7	49.4	50.6	1.2
	Labor Dispatching	50.0	48.8	46.6	42.8	44.9	44.7	48.7	50.3	50.3	50.6	52.2	52.6	54.5	1.9
	Special Services	41.6	41.1	40.5	40.4	41.1	44.3	46.9	47.3	48.7	50.8	47.7	50.4	52.8	2.4
	Medical,Welfare,Public Health	43.8	43.4	41.8	41.1	40.8	45.3	45.7	48.0	49.0	48.8	47.3	45.7	46.9	1.2
	Education	43.2	39.3	42.3	40.1	38.3	46.8	46.8	45.3	48.0	47.0	46.7	46.4	47.1	0.7
	Other	42.8	42.9	41.1	40.7	39.5	42.2	42.1	44.7	44.7	46.2	46.2	47.0	47.9	0.9
	Total	42.1	41.5	40.6	40.5	40.5	43.0	45.0	46.2	47.3	47.9	47.2	47.6	48.8	1.2
Other		35.6	38.7	37.4	36.0	36.2	36.7	33.8	35.7	42.3	41.5	41.4	38.9	40.1	1.2

  

	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Ratio to the Previous Month
Hokkaido	35.0	35.2	35.3	34.3	34.0	36.1	38.4	40.5	43.2	43.3	44.8	47.4	48.6	1.2
Tohoku	44.2	43.5	42.7	42.8	42.1	42.8	43.3	44.3	44.9	45.9	45.8	45.9	46.9	1.0
kitakanto	35.5	34.8	32.4	31.4	32.7	34.1	37.1	38.3	39.9	41.4	40.1	42.8	43.0	0.2
minamikanto	38.9	37.9	36.6	36.5	37.1	39.4	41.3	42.5	43.5	44.2	43.5	44.1	44.8	0.7
Hokuriku	37.5	36.5	34.2	34.6	34.2	36.9	38.4	40.3	42.0	43.5	42.8	45.2	45.7	0.5
Tokai	39.3	37.3	34.9	34.2	34.6	37.4	39.8	41.5	42.8	44.2	43.0	44.4	45.4	1.0
Kinki	36.3	35.2	33.9	33.8	34.3	36.7	38.5	39.7	40.6	40.5	40.0	40.9	42.2	1.3
Chugoku	33.9	33.1	33.0	33.1	32.6	36.2	37.2	39.4	40.4	40.4	40.2	41.7	43.1	1.4
Shikoku	35.9	35.1	34.6	34.8	36.4	38.4	39.8	39.7	41.0	41.2	41.2	42.2	43.4	1.2
Kyushu	36.0	36.5	35.2	36.0	36.0	39.0	40.5	42.6	42.6	43.0	42.5	43.7	45.4	1.7

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## Corporate Attitudes toward the Consumption Tax Increase

### 55.3% of companies surveyed predict that the consumption tax

#### increase will “negatively affect” their business

~ The most common planned countermeasures against consumption tax increases by companies are “modifying basic systems”, “ascertaining transitional measures”, and “concluding agreements with business partners”~

On August 10, 2012, bills for the integrated reform of Japan’s social security and tax systems, which included the consumption tax hike bill, were passed under the agreement of the Democratic Party of Japan, the Liberal Democratic Party, and the New Komeito Party. It was decided that the consumption tax rate will be raised to 8% in April 2014 and to 10% in October 2015. The government is said to have make a decision around October this year, based on meetings to examine the impact of a consumption tax increases with a panel of experts. However, there remains concern over the impact of the tax increase on corporate performance, in addition to the impact on individual consumption and tax investment trends.

Based on these developments, Teikoku Databank conducted a survey about companies’ perspective on the tax hike.

### Survey results (summary)

1. 55.3% of companies surveyed are concerned that the consumption tax increase will “negatively affect” their business performance. In particular, this included over 80% of “retail” companies. Compared to the previous survey (conducted in July 2012), the percentage of companies fearing negative impact has decreased.

2. Over half (52.5%) of the companies surveyed stated that “they do not have any plans to take any particular measure” concerning measures toward a consumption tax raise.

3. The most common specific measure was “the modification of basic systems”, followed by “ascertaining transitional measures”, both surpassing 40%.

4. Only one out of three companies stated that they will “not approve” requests from their business partners to decrease the price due to the consumption tax increase. The most common response was “depends on the conditions and the relationship with one’s own company” (46.0%), with 5.9% of companies stating that they will “approve” such requests.

5. Last-minute demand ahead of the consumption tax hike is confined to specific industries such as construction and real estate.

## Appendix

### 1. Research Subjects(Corporations: 22,760

Valid responses:11,114,Response rate:48.8%)

#### 1.Region

Hokkaido	566	Tokai	1,236
Tohoku	644	Kinki	1,851
kitaKanto	748	Chugoku	684
minamikanto	3,629	Shikoku	340
Hokuriku	580	Kyushu	836
Total		11,114	

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

Agriculture,Forestry,Fisheries		75
Finance		117
Construction		1,461
Real Estate		286
Manufacturing 3,223	Food,Beverages,Livestock Feed	388
	Textile,Textile Products,Clothing	124
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	265
	Pulp, Paper and Paper Products	121
	Publishing,Printing	210
	Chemical	443
	Steel,Nonferrous Metals,Mining	590
	General Machinery	484
	Electrical Machinery	390
	Transportation Machinery,Equipment	124
	Precision Machinery,Medical Instruments and Equipment	89
	Others	95
Wholesale 3,959	Food,Beverages	407
	Textile,Textile Products,Clothing	221
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	377
	Paper Products,Stationery,Books	124
	Chemical	318
	Recycled Resources	30
	Steel,Nonferrous Metals,Mining Products	340
	Machinery,Equipment	984
	Others	393

Retail 480	Food,Beverages	81
	Textile,Textile Products,Clothing	42
	Drugs,Sundries	28
	Furniture	12
	Electrical Household Appliances,Information Machinery and Equipment	34
	Motor Vehicles,Motor Vehicle Parts	61
	Special Merchandise	144
	Various Merchandise	54
	Others	5
Transportation,Warehousing		468
Service 1,384	Restaurants	38
	Telecommunications	9
	Electricity,Gas,Water,Heat	9
	Leasing,Rentals	135
	Lodging, Hotels	41
	Recreation	63
	Broadcasting	18
	Maintenance,Guarding,Testing	150
	Advertising	146
	Information	516
	Labor Dispatching	67
	Special Services	225
	Medical,Welfare,Public Health	112
	Education	23
	Others	140
Others		37
Total		11,114

#### 3.Size

Large Firms	2,576	23.2%
Small to Medium-sized Firms	8,538	76.8%
micro Firms	2,475	22.3%
Total	11,114	45.4%

## 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 August 20 to 31, 2013

### 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.