

The economy is at a standstill; weather affects business confidence in various regions

- Attention to the direction of domestic monetary easing policy, amid growing uncertainty of overseas circumstances -

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(Companies Researched 23,700; Valid responses: 10,508; Response rate: 44.3%; Survey Start Date: May 2002)

< Overview of August 2016: Economy at a standstill >

The economic diffusion index (DI) in August was 42.3, down 0.1 point from the previous month, and worsened for the first time in two months. While increasing public works and travel demand acted as upward factors, unsettled weather affected various regions and some businesses. Positive and negative factors are mixed in the domestic economy, and the economy remains at a standstill.

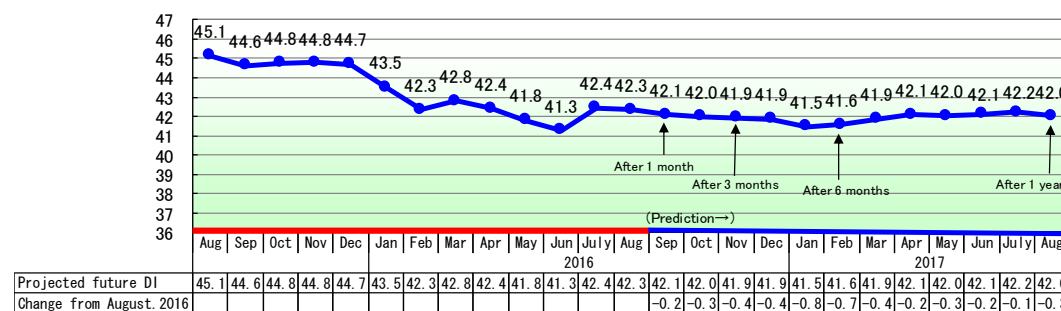
< Future Outlook: Keep on leveling off >

Economic conditions will keep on leveling off, while the financial market has become susceptible to risks from overseas.

By industry: Four industries have improved, and six industries have worsened, affected by a spate of typhoons and heat waves.

By size: Business confidence among SMEs was boosted by "Construction" and "Transport and Warehousing"

By region: The weather determined the outcome.



*: 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-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Ratio to the PrFDious Month
Total	45.1	44.6	44.8	44.8	44.7	43.5	42.3	42.8	42.4	41.8	41.3	42.4	42.3	▲ 0.1
Large Firms	48.9	48.2	48.4	48.4	47.9	47.1	46.0	46.5	46.2	45.7	45.1	46.6	45.7	▲ 0.9
Small to Medium-sized Firms	44.1	43.6	43.7	43.7	43.8	42.5	41.3	41.8	41.4	40.8	40.3	41.3	41.4	0.1
Micro Firms	43.2	43.2	43.2	43.1	43.3	41.8	40.3	40.8	40.3	39.7	39.6	40.3	40.6	0.3

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Ratio to the PrFDious Month
Agriculture,Forestry,Fisheries	44.7	44.7	44.6	45.2	46.4	43.6	44.5	42.3	42.4	42.1	43.7	42.5	40.1	▲ 2.4
Finance	46.5	46.3	47.3	46.6	46.3	45.3	44.3	44.8	45.5	44.3	45.0	45.1	43.7	▲ 1.4
Construction	48.8	49.1	49.5	49.6	49.3	47.9	45.9	46.3	45.2	44.9	44.7	46.5	46.9	0.4
Real Estate	48.4	48.7	48.7	48.9	48.4	47.1	48.0	48.2	48.1	48.3	48.4	47.8	47.3	▲ 0.5
Manufacturing	Food,BEWerages,Livestock Feed	43.0	43.6	44.3	44.5	44.1	44.2	43.2	44.2	44.6	43.4	43.0	43.0	▲ 0.9
	Textile,Textile Products,Clothing	40.2	38.8	39.8	39.4	39.3	36.4	37.6	39.8	38.2	38.4	38.2	37.0	0.8
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	41.2	40.9	40.2	38.9	40.7	38.5	38.0	38.6	37.9	38.3	37.8	40.5	0.2
	Pulp, Paper and Paper Products	42.0	40.8	41.1	42.4	41.7	40.3	36.8	37.6	40.2	38.6	38.5	40.4	▲ 1.0
	Publishing,Printing	34.9	34.8	34.8	34.6	34.7	34.0	34.6	35.3	34.1	34.0	32.9	33.5	▲ 0.7
	Chemical	45.3	44.4	44.4	44.9	45.4	44.3	42.8	42.7	43.0	42.7	42.2	43.3	▲ 1.5
	Steel,Nonferrous Metals,Mining	42.8	41.7	41.4	41.8	41.5	41.1	38.8	38.3	38.3	38.1	37.6	38.7	1.1
	General Machinery	50.3	47.3	47.9	47.3	48.6	46.0	45.5	45.7	45.3	44.0	43.6	44.9	▲ 0.6
	Electrical Machinery	44.8	45.2	45.2	45.2	44.9	43.0	42.8	42.8	42.3	40.4	40.4	41.9	▲ 0.4
	Transportation Machinery,Equipment	50.8	48.3	46.3	47.0	46.2	45.7	44.6	46.8	43.8	42.7	44.0	44.9	0.9
	Precision Machinery, Medical Instruments and Equipment	51.2	47.9	48.6	47.9	46.1	46.2	43.1	44.6	44.6	43.2	43.2	42.6	0.6
	Other	37.7	40.0	39.8	40.0	39.6	39.4	39.1	40.6	37.5	37.8	37.0	39.1	▲ 3.4
Total		44.2	43.2	43.3	43.3	43.5	42.2	41.2	41.6	41.3	40.6	40.1	41.2	▲ 0.3
Wholesale	Food,BEWerages	42.7	43.6	43.0	43.1	42.6	41.9	40.9	42.2	42.6	41.0	40.1	41.1	▲ 0.7
	Textile,Textile Products,Clothing	34.7	36.5	37.8	34.4	34.4	33.5	32.7	33.8	35.7	34.6	35.3	33.5	1.0
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	39.7	39.5	41.3	41.5	41.8	40.5	39.1	39.4	39.2	38.4	37.6	39.0	▲ 0.1
	Paper Products,Stationery,Books	36.5	36.8	36.8	37.4	37.2	38.1	37.4	38.0	36.6	36.7	34.2	35.9	0.4
	Chemical	42.6	42.3	42.5	42.8	43.2	40.8	39.2	40.2	39.5	39.4	38.8	39.5	▲ 0.1
	Recycled Resources	36.0	25.8	29.9	26.7	32.1	25.6	28.4	30.7	39.3	33.3	28.3	29.4	5.6
	Steel,Nonferrous Metals, Mining Products	40.3	38.5	38.8	39.4	37.7	36.4	35.8	36.1	35.2	34.6	33.2	35.7	0.3
	Machinery,Equipment	45.3	43.6	43.6	43.4	43.6	42.6	41.2	41.7	40.9	41.1	39.7	40.9	▲ 0.4
	Other	41.4	40.8	41.0	41.1	41.1	39.9	39.0	39.6	39.1	38.6	38.2	38.0	0.7
Total		41.9	41.2	41.5	41.4	41.4	40.1	39.0	39.7	39.4	38.9	37.9	38.8	0.1

Economic Diffusion Index (Economic DI)2/2

		Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Ratio to the PrFDious Month
Retail	Food,BEWerages	44.0	44.5	44.6	41.4	43.2	39.9	40.4	43.4	42.1	38.9	38.6	40.7	40.0	▲ 0.7
	Textile,Textile Products,Clothing	38.7	36.9	40.1	36.8	32.1	34.8	31.6	33.3	35.1	32.9	32.5	33.8	32.8	▲ 1.0
	Drugs,Sundries	48.7	46.7	48.6	50.0	49.4	45.3	45.4	46.1	42.0	41.1	37.9	42.5	42.5	0.0
	Furniture	41.7	42.9	42.9	42.9	47.2	42.9	40.5	40.5	38.1	42.9	41.7	36.1	35.4	▲ 0.7
	Electrical Household Appliances, Information Machinery and Equipment	38.3	44.6	39.6	38.7	40.7	43.8	39.2	40.4	40.7	35.8	36.6	40.2	37.9	▲ 2.3
	Motor Vehicles,Motor Vehicle Parts	38.7	38.6	39.9	38.2	37.9	40.0	37.9	38.6	40.4	37.2	37.0	39.8	40.1	0.3
	Special Merchandise	41.6	40.7	39.2	39.8	38.4	40.4	39.2	37.4	38.9	37.0	37.4	37.6	36.7	▲ 0.9
	Various Merchandise	49.0	47.3	46.5	47.3	43.8	45.0	43.7	44.8	43.3	43.7	42.6	43.2	39.9	▲ 3.3
	Other	44.4	44.4	36.1	38.9	43.3	44.4	41.7	44.4	41.7	42.9	41.7	46.7	47.2	0.5
	Total	42.4	42.2	41.6	40.9	40.2	41.0	39.5	40.1	40.2	38.0	37.7	39.3	38.4	▲ 0.9
Transportation,Warehousing		44.9	45.1	44.7	45.4	45.3	43.2	41.9	41.9	41.5	41.5	40.0	41.5	42.0	0.5
Service	Restaurants	51.3	45.3	49.2	46.2	44.4	47.1	42.1	43.6	43.1	42.3	40.2	45.3	42.2	▲ 3.1
	Postal,Telecommunications	53.0	59.3	57.6	53.0	51.5	58.3	54.2	50.0	59.1	52.4	46.2	52.6	51.1	▲ 1.5
	Electricity,Gas,Water,Heat	51.9	56.7	55.0	55.0	55.0	52.4	53.7	50.0	51.9	47.6	44.4	42.9	46.3	3.4
	Leasing,Rentals	49.9	48.0	48.0	49.2	49.7	48.1	46.2	47.1	45.9	46.7	45.5	45.9	47.2	1.3
	Lodging, Hotels	59.0	58.3	61.4	59.1	55.4	56.9	54.7	56.1	50.5	44.4	46.8	47.8	50.0	2.2
	Recreation	38.0	37.9	38.0	38.0	38.6	39.1	37.3	36.9	38.0	36.8	38.4	37.1	38.0	0.9
	Broadcasting	46.1	41.7	45.1	46.9	47.8	43.8	46.9	45.6	46.7	44.4	42.7	43.6	44.4	0.8
	Maintenance,Guarding,Testing	47.4	46.0	46.1	47.1	46.4	44.8	43.8	43.9	44.4	44.3	44.3	46.3	46.4	0.1
	Advertising	40.7	40.8	40.7	40.3	40.3	39.2	37.2	40.9	37.5	36.8	37.9	38.9	39.2	0.3
	Information	55.8	55.5	56.0	54.9	54.9	55.2	53.3	53.4	53.4	52.5	52.2	53.0	52.2	▲ 0.8
	Labor Dispatching	55.0	54.2	54.7	52.5	53.1	50.9	52.7	54.7	53.1	52.5	49.4	52.4	52.7	0.3
	Special Services	51.4	51.5	49.0	50.3	52.1	49.1	48.9	49.6	48.3	48.6	49.2	50.5	48.8	▲ 1.7
	Medical,Welfare,Public Health	43.6	42.8	42.3	44.1	42.2	39.9	39.2	42.5	41.5	41.4	41.5	41.6	42.6	1.0
	Education	44.1	42.1	45.0	50.8	46.7	46.3	46.8	47.4	43.0	42.2	43.9	48.2	43.1	▲ 5.1
	Other	48.5	49.3	49.2	50.1	49.0	45.9	47.5	47.1	46.7	45.7	46.8	46.6	48.2	1.6
Total		50.1	49.6	49.6	49.6	49.6	48.4	47.4	48.2	47.5	46.8	46.7	47.8	47.7	▲ 0.1
Other		40.7	41.4	42.3	41.9	43.8	40.9	39.4	38.8	37.4	37.5	37.5	38.8	40.1	1.3

		Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Ratio to the PrFDious Month
Hokkaido		41.8	41.8	39.3	39.8	39.4	39.0	37.9	38.6	39.2	39.6	39.4	40.5	40.6	0.1
Tohoku		46.1	45.9	45.8	45.9	45.6	43.9	43.2	43.1	43.3	41.7	42.9	43.4	42.9	▲ 0.5
kitakanto		45.2	42.6	43.3	43.8	43.0	41.1	40.3	41.5	40.8	41.2	40.0	41.5	41.1	▲ 0.4
minamikanto		46.1	45.4	45.8	45.8	45.8	44.6	43.2	43.9	43.6	43.0	42.3	43.4	43.2	▲ 0.2
Hokuriku		44.6	44.2	43.9	43.9	43.8	41.1	40.3	40.4	39.2	39.3	38.4	39.4	39.6	0.2
Tokai		46.5	46.0	46.0	45.9	46.4	45.4	43.6	43.6	43.3	42.7	41.5	43.1	43.1	0.0
Kinki		43.1	42.7	42.6	42.3	42.5	41.7	40.7	41.1	40.8	40.3	39.4	40.5	40.4	▲ 0.1
Chugoku		44.9	45.0	45.6	45.8	45.8	44.8	43.7	44.3	43.1	41.5	41.5	42.4	42.2	▲ 0.2
Shikoku		47.7	46.5	47.3	48.3	47.5	46.7	45.1	45.7	45.2	45.0	43.4	44.6	44.5	▲ 0.1
Kyushu		44.5	45.7	46.6	46.0	45.6	44.8	44.0	44.3	43.4	41.7	42.5	44.2	44.7	0.5

Appendix

1.Research Subjects(Companies Researched 23,700 ; Valid Responses10,508 ; Response Rate 44.3%)

Appendix

1.Region

Hokkaido	559	Tokai	1,190
Tohoku	640	Kinki	1,756
kitaKanto	723	Chugoku	586
minamikanto	3,418	Shikoku	318
Hokuriku	577	Kyushu	741
		Total	10,508

2.Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		59
Finance		121
Construction		1,515
Real Estate		291
Manufacturing 3,223	Food, Beverages, Livestock Feed	341
	Textile, Textile Products, Clothing	113
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	247
	Pulp, Paper and Paper Products	108
	Publishing, Printing	197
	Chemical	441
	Steel, Nonferrous Metals, Mining	522
	General Machinery	472
	Electrical Machinery	340
	Transportation Machinery, Equipment	99
	Precision Machinery, Medical Instruments and Equipment	78
	Others	98
Wholesale 3,959	Food, Beverages	358
	Textile, Textile Products, Clothing	194
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	361
	Paper Products, Stationery, Books	120
	Chemical	285
	Recycled Resources	39
	Steel, Nonferrous Metals, Mining Products	309
	Machinery, Equipment	945
	Others	356

Retail 480	Food, Beverages	77
	Textile, Textile Products, Clothing	31
	Drugs, Sundries	29
	Furniture	8
	Electrical Household Appliances, Information Machinery and Equipment	40
	Motor Vehicles, Motor Vehicle Parts	59
	Special Merchandise	143
	Various Merchandise	46
	Others	6
Transportation, Warehousing		470
Service 1,384	Restaurants	43
	Telecommunications	15
	Electricity, Gas, Water, Heat	9
	Leasing, Rentals	118
	Lodging, Hotels	32
	Recreation	61
	Broadcasting	15
	Maintenance, Guarding, Testing	159
	Advertising	114
	Information	443
	Labor Dispatching	56
	Special Services	223
	Medical, Welfare, Public Health	106
	Education	17
	Others	137
Others		42
Total		10,508

3.Size

Large Firms	2,254	21.5%
Small to Medium-sized Firms	8,254	78.5%
micro Firms	2,580	24.6%
Total	10,508	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 August 18 – 31 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.