

TDB Economic Trends Research (Research & Summary for April 2013)

Economic DI was 42.4, up 1.1 points from the previous month, improving for the fifth consecutive month

— The Japanese economy continues to increase gradually while receiving support from economic measures. —

e-mail : keiki@mail.tdb.co.jp

< Overview of April 2013: Gradual increase >

The Economic DI (Economic DI: 0-100, 50 points is the threshold of assessment) in April 2013 stood at 42.4, up 1.1 points from the previous month, improving for the fifth consecutive month.

The Japanese economy continues to increase gradually while receiving support from economic measures.

< Future Outlook: Gradual recovery trend continues >

The projected DI is expected to be improved “one month later”, “three months later”, and “six months later”. It is predicted that the gradual recovery trend of the domestic economy is set to continue.

< By industry >

8 out of 10 industries improved

< By size >

“Large firms” improved for the sixth consecutive month, while “small-to-mid” and “micro” companies improved for the fifth consecutive month.

< By region >

9 out of 10 regions improved

Economic DI	Apr. 2012	May	June	July	Aug	Sep	Oct	Nov	Dec
	38.5	38.2	37.6	37.9	37.7	36.8	35.5	35.3	35.7
Change from prior month	0.2	▲ 0.3	▲ 0.6	0.3	▲ 0.2	▲ 0.9	▲ 1.3	▲ 0.2	0.4
Economic DI	Jan. 2013	Feb	Mar	Apr	Projected future DI	After 1 month	After 3 months	After 6 months	After 1 year
	38.0	39.8	41.3	42.4		43.1	44.7	45.7	48.4
Change from prior month	2.3	1.8	1.5	1.1	Change from Apr. 2013	0.7	2.3	3.3	6.0

*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

	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	Ratio to the Previous Month
Total	38.5	38.2	37.6	37.9	37.7	36.8	35.5	35.3	35.7	38.0	39.8	41.3	42.4	1.1
Large Firms	41.2	40.8	40.3	40.8	40.3	39.5	38.2	38.4	38.7	41.0	42.9	44.2	45.3	1.1
Small to Medium-sized Firms	37.7	37.4	36.8	37.1	36.9	36.0	34.6	34.4	34.7	37.1	38.9	40.4	41.5	1.1
Micro Firms	35.4	34.8	34.8	35.4	35.2	35.0	34.0	33.6	33.9	36.9	38.9	40.1	41.2	1.1

		Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	Ratio to the Previous Month
Agriculture,Fore stry,Fisheries		36.4	35.0	34.8	34.5	35.8	35.2	33.3	33.7	34.9	36.0	36.8	35.7	35.4	▲ 0.3
Finance		38.8	37.6	38.0	37.7	37.7	37.5	35.7	36.1	36.2	41.3	42.4	41.9	44.7	2.8
Construction		35.7	35.5	36.2	37.2	38.0	38.1	38.6	39.0	38.7	41.9	43.8	45.3	46.4	1.1
Real Estate		38.2	37.9	38.2	39.2	38.5	38.3	36.7	35.7	37.0	40.9	45.7	46.8	48.8	2.0
Manufacturing	Food,Beverages,Livestock Feed	36.7	36.6	35.2	34.5	33.8	34.7	33.4	32.7	33.4	34.5	35.6	36.8	38.7	1.9
	Textile,Textile Products,Clothing	39.9	39.4	37.9	37.9	35.9	36.0	33.7	33.1	35.6	36.9	37.3	38.1	39.9	1.8
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	35.9	34.9	34.5	36.4	35.6	37.9	36.4	37.0	38.2	38.9	40.3	42.7	43.4	0.7
	Pulp, Paper and Paper Products	36.5	34.2	34.2	33.6	34.7	32.7	30.2	30.8	31.1	33.3	33.0	36.0	37.0	1.0
	Publishing,Printing	30.8	30.5	29.3	28.5	29.6	28.6	29.1	29.2	28.3	29.6	31.4	32.8	32.8	0.0
	Chemical	39.3	39.7	39.7	39.2	39.2	36.4	35.0	33.3	34.1	36.4	38.0	39.9	41.0	1.1
	Steel,Nonferrous Metals,Mining	39.2	38.4	37.7	38.0	37.2	35.6	32.1	31.9	32.6	35.5	37.6	38.5	39.7	1.2
	General Machinery	42.4	41.3	39.3	38.6	37.8	36.4	34.0	33.4	32.7	36.3	39.2	39.8	40.0	0.2
	Electrical Machinery	38.2	38.7	37.6	38.2	37.2	34.8	32.6	31.8	32.8	35.8	38.2	38.4	40.1	1.7
	Transportation Machinery,Equipment	48.0	48.2	44.9	44.4	43.1	40.5	33.3	32.8	32.6	34.2	41.2	45.6	47.0	1.4
	Precision Machinery,Medical Instruments and Equipme nt	38.5	37.1	39.5	39.7	39.4	36.2	33.5	32.5	32.4	33.6	36.5	36.7	39.6	2.9
	Other	33.0	33.7	30.8	33.5	32.1	32.2	29.2	30.8	31.0	31.3	34.8	35.4	35.6	0.2
Total		38.4	38.0	37.0	37.0	36.5	35.4	33.1	32.6	33.1	35.3	37.4	38.6	39.7	1.1
Wholesale	Food,Beverages	36.0	36.8	36.0	36.2	35.2	34.1	32.4	33.5	33.9	34.6	35.3	37.1	38.0	0.9
	Textile,Textile Products,Clothing	37.1	37.2	34.2	33.8	34.4	31.8	32.0	32.4	34.3	34.7	34.6	34.5	37.5	3.0
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	35.9	35.4	35.3	36.9	37.6	37.3	38.3	39.3	39.9	42.2	43.5	44.5	46.3	1.8
	Paper Products,Stationery,Books	35.2	32.6	32.8	32.2	30.9	32.8	28.0	30.2	31.7	31.8	32.3	34.3	36.3	2.0
	Chemical	38.9	39.1	38.0	38.5	37.6	36.7	35.6	35.1	34.6	35.9	36.1	38.5	39.7	1.2
	Recycled Resources	38.7	36.7	32.2	29.0	35.1	27.0	22.4	30.1	32.1	41.9	48.8	50.6	50.6	0.0
	Steel,Nonferrous Metals,Mining Products	38.7	35.9	35.7	35.2	35.7	33.6	32.6	31.6	34.0	37.3	38.2	40.2	38.7	▲ 1.5
	Machinery,Equipment	40.3	38.7	38.8	38.8	37.9	36.9	34.6	33.7	34.1	36.8	38.8	41.0	42.1	1.1
	Other	36.6	37.6	36.1	36.0	35.5	34.1	32.8	32.8	32.2	34.0	35.3	37.1	38.1	1.0
	Total		38.1	37.4	36.7	36.8	36.4	35.3	33.9	33.9	34.5	36.5	37.7	39.5	40.5

Economic Diffusion Index (Economic DI)2/2

		Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	Ratio to the Previous Month
Retail	Food,Beverages	38.2	36.4	38.0	35.5	37.2	36.7	33.1	34.7	30.6	32.9	38.8	40.5	40.5	0.0
	Textile,Textile Products,Clothing	36.5	40.7	35.6	34.2	34.0	32.2	32.9	35.5	32.9	34.6	34.8	41.4	40.7	▲ 0.7
	Drugs,Sundries	47.9	46.7	43.1	45.3	45.8	43.8	42.3	44.4	47.7	49.4	45.7	44.9	44.7	▲ 0.2
	Furniture	38.5	40.0	36.5	42.4	39.3	36.1	32.1	34.7	38.9	37.5	44.4	46.2	50.0	3.8
	Electrical Household Appliances, Information Machinery and Equipment	38.2	42.1	38.2	38.9	41.1	40.4	33.8	33.3	34.1	39.5	38.7	41.7	44.1	2.4
	Motor Vehicles, Motor Vehicle Parts	46.7	45.5	46.6	46.0	40.8	41.5	36.9	31.5	32.1	41.2	42.9	49.4	43.4	▲ 6.0
	Special Merchandise	34.7	35.0	34.9	35.3	33.6	33.0	32.4	32.7	33.0	32.7	35.1	37.0	36.9	▲ 0.1
	Various Merchandise	41.2	39.1	36.7	39.7	37.1	36.3	35.8	35.3	35.5	38.4	40.5	42.8	45.5	2.7
	Other	33.3	25.0	30.6	46.7	47.6	36.1	33.3	33.3	36.7	36.7	31.0	33.3	40.5	7.2
	Total	38.9	39.0	38.1	38.3	37.3	36.4	34.2	34.2	34.0	36.3	38.4	41.2	41.1	▲ 0.1
Transportation,Warehousing		39.8	39.5	38.1	39.2	39.5	37.6	36.7	35.3	36.9	38.0	39.5	40.6	41.5	0.9
Service	Restaurants	37.1	36.5	40.6	39.6	41.7	39.6	36.0	32.4	35.4	35.7	37.8	43.5	43.8	0.3
	Postal,Telecommunications	47.2	51.5	52.1	47.0	53.0	50.0	45.2	48.7	48.7	53.8	53.0	55.0	56.4	1.4
	Electricity,Gas,Water,Heat	43.8	47.9	45.8	40.0	35.4	41.7	37.0	42.6	37.5	43.8	45.8	40.5	48.1	7.6
	Leasing,Rentals	40.9	46.1	43.6	44.2	43.6	43.8	43.3	43.7	45.2	45.3	48.4	49.9	49.6	▲ 0.3
	Lodging, Hotels	41.5	41.4	41.7	42.4	42.2	41.7	38.1	40.0	37.2	38.4	40.1	45.8	48.2	2.4
	Recreation	38.5	38.1	35.5	33.3	36.1	35.0	37.4	36.2	36.7	38.5	38.5	40.6	41.0	0.4
	Broadcasting	46.1	43.1	45.1	39.2	40.2	41.2	38.2	40.6	38.5	41.7	37.8	43.8	43.5	▲ 0.3
	Maintenance, Guarding, Testing	37.0	37.8	39.4	38.1	38.9	39.7	37.7	38.4	37.6	40.7	44.0	43.3	43.3	0.0
	Advertising	37.4	38.3	37.2	37.3	36.1	35.9	35.1	34.7	34.5	35.4	38.9	40.8	42.5	1.7
	Information	43.7	43.3	43.5	43.9	43.7	42.5	42.2	42.8	42.2	45.2	47.3	47.7	49.5	1.8
	Labor Dispatching	52.0	51.1	51.9	49.2	50.0	48.8	46.6	42.8	44.9	44.7	48.7	50.3	50.3	0.0
	Special Services	40.6	41.6	40.0	41.2	41.6	41.1	40.5	40.4	41.1	44.3	46.9	47.3	48.7	1.4
	Medical,Welfare,Public Health	44.7	44.0	42.4	43.5	43.8	43.4	41.8	41.1	40.8	45.3	45.7	48.0	49.0	1.0
	Education	43.8	42.3	38.2	41.0	43.2	39.3	42.3	40.1	38.3	46.8	46.8	45.3	48.0	2.7
	Other	44.7	43.9	44.0	44.3	42.8	42.9	41.1	40.7	39.5	42.2	42.1	44.7	44.7	0.0
	Total	41.9	42.4	41.9	42.0	42.1	41.5	40.6	40.5	40.5	43.0	45.0	46.2	47.3	1.1
Other		37.2	33.9	35.8	40.0	35.6	38.7	37.4	36.0	36.2	36.7	33.8	35.7	42.3	6.6

		Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	Ratio to the Previous Month
Hokkaido		32.6	33.0	33.5	35.1	35.0	35.2	35.3	34.3	34.0	36.1	38.4	40.5	43.2	2.7
Tohoku		44.4	43.7	43.3	44.9	44.2	43.5	42.7	42.8	42.1	42.8	43.3	44.3	44.9	0.6
kitakanto		37.5	37.0	36.2	36.4	35.5	34.8	32.4	31.4	32.7	34.1	37.1	38.3	39.9	1.6
minamikanto		40.1	39.7	38.9	39.1	38.9	37.9	36.6	36.5	37.1	39.4	41.3	42.5	43.5	1.0
Hokuriku		37.9	37.2	37.3	37.7	37.5	36.5	34.2	34.6	34.2	36.9	38.4	40.3	42.0	1.7
Tokai		40.1	39.7	38.7	39.4	39.3	37.3	34.9	34.2	34.6	37.4	39.8	41.5	42.8	1.3
Kinki		37.1	36.8	36.3	36.2	36.3	35.2	33.9	33.8	34.3	36.7	38.5	39.7	40.6	0.9
Chugoku		35.2	34.9	34.3	33.5	33.9	33.1	33.0	33.1	32.6	36.2	37.2	39.4	40.4	1.0
Shikoku		36.2	36.3	36.6	36.1	35.9	35.1	34.6	34.8	36.4	38.4	39.8	39.7	41.0	1.3
Kyushu		36.9	36.7	36.4	36.6	36.0	36.5	35.2	36.0	36.0	39.0	40.5	42.6	42.6	0.0

Corporate Attitudes toward Electricity Price Increases

60% of companies say that they will be “affected negatively” from the electricity price increase

46.1% of companies will not pass on the cost increase at all

Due to cost rises caused by the shutting down of nuclear power plants after the 2011 Tohoku Earthquake, a number of electric companies have applied and received approval for increasing electric prices toward companies and individuals. As such, the electricity price is planned to increase. At the same time, further additional charges on electricity prices will be brought on due to several factors: by the fuel cost adjustment system that is being implemented due to a fossil fuel price increase triggered by the weak yen; and by a feed-in tariff on renewable energy. As a result, electricity prices from all electric companies from May onward will increase by 67 to 221 yen per month on average, compared to April prices, for households.

Based on such developments, Teikoku Databank conducted a survey on impact increases in electricity prices will have on companies.

Survey results (summary)

1. 59.8% of surveyed companies stated that the electricity price increase will “pose negative impact”. While over 70% of companies within the agriculture, forestry, and fisheries industry and the manufacturing industry replied similarly, companies within the service industry that did so remained at the 40% level, showing that disparities between industries are significant.
2. 1.7% of companies surveyed stated that price increase will “pose positive impact”, anticipating an increase in demand related to energy-saving business.
3. 70% of companies that will be affected by the electricity price increase said that they will deal with the increase by “conserving electricity at existing facilities”, while 10.2% of companies said that they will “review their contract with the electric power company”.
4. Regarding shifting prices to address increased costs caused by the electricity price increase, 46.1% of companies surveyed stated that “they will not shift the price at all”. Approximately half of companies intend to absorb the cost rise with their own revenue. On the other hand, only 2.4% of companies stated that they will pass on all cost increases.

Appendix

1. Research Subjects(Corporations: 22,755

Valid responses:10,244,Response rate:45.0%)

1. Region

Hokkaido	538	Tokai	1,117
Tohoku	594	Kinki	1,691
Kitakanto	652	Chugoku	607
Minamikanto	3,395	Shikoku	335
Hokuriku	529	Kyushu	786
Total		10,244	

2. Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		41
Finance		120
Construction		1,404
Real Estate		243
Manufacturing 3,223	Food, Beverages, Live Stock Feed	354
	Textile, Textile Products, Clothing	117
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	234
	Pulp, Paper and Paper Products	109
	Publishing, Printing	190
	Chemical	378
	Steel, Nonferrous Metals, Mining	522
	General Machinery	432
	Electrical Machinery	345
	Transportation Machinery, Equipment	93
	Precision Machinery, Medical Instruments and Equipment	75
	Others	97
Wholesale 3,959	Food, Beverages	382
	Textile, Textile Products, Clothing	223
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	376
	Paper Products, Stationery, Books	122
	Chemical	304
	Recycled Resources	28
	Steel, Nonferrous Metals, Mining Products	341
	Machinery, Equipment	953
	Others	366

3. Size

Large Firms	2,315	22.6%
Small to Medium-sized Firms	7,929	77.4%
micro Firms	2,384	23.3%
Total	10,244	45.9%

Retail 480	Food, Beverages	84
	Textile, Textile Products, Clothing	45
	Drugs, Sundries	25
	Furniture	13
	Electrical Household Appliances, Information Machinery and Equipment	37
	Motor Vehicles, Motor Vehicle Parts	58
	Special Merchandise	144
	Various Merchandise	55
Transportation, Warehousing		385
Service 1,384	Restaurants	32
	Telecommunications	13
	Electricity, Gas, Water, Heat	9
	Leasing, Rentals	127
	Lodging, Hotels	37
	Recreation	61
	Broadcasting	18
	Maintenance, Guarding, Testing	139
	Advertising	122
	Information	411
	Labor Dispatching	64
	Special Services	212
Others	Medical, Welfare, Public Health	103
	Education	25
	Others	132
Total		10,244

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 April 17 to 30, 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.