

Domestic economy improved for four consecutive months, boosted by manufacturing industry

- Construction industry exceeded 50 points
in all of "large-scale enterprises," "SMEs" and "small-scale enterprises"

(Companies researched: 23,341 ; Valid responses: 10,212; Response rate: 43.8%;
Survey start date: May 2002)

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

< Overview of September 2017: Recovery continues >

The economic diffusion index (DI) in September 2017 was 48.4, up 0.7 points from the previous month, which is an improvement for four consecutive months.

Recovery of the domestic economy continued, with an upturn in the stock market and active investment in construction, in addition to overall business confidence boosted by a manufacturing industry whose exports grew.

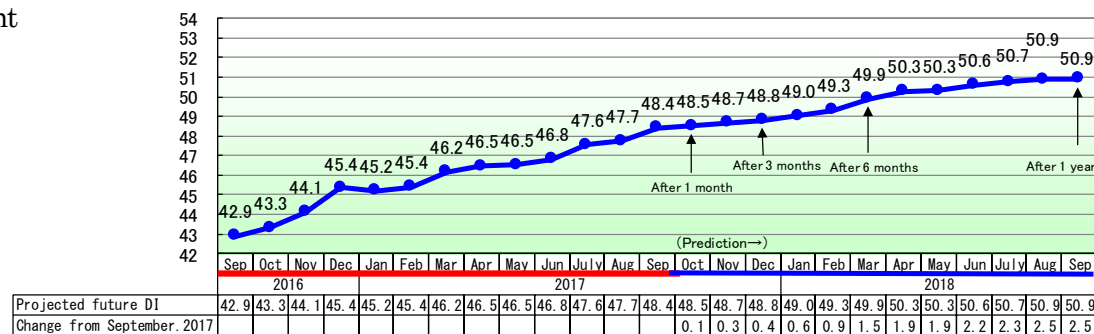
< Future outlook: Recovery trend continues >

The recovery trend in the domestic economy is expected to continue, driven by strong domestic demand such as an increase in future capital investment and recovery in personal consumption.

By industry: Manufacturing industry that continues to improve as a result of export growth hit a new high since the consumption tax rate increase.

By size: The economy improved in all sizes for three consecutive months.

By region: Eight of the ten regions hit new highs since the consumption tax rate increase.



*: 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

	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Ratio to the PrFDious Month
Total	42.9	43.3	44.1	45.4	45.2	45.4	46.2	46.5	46.5	46.8	47.6	47.7	48.4	0.7
Large Firms	46.5	46.5	47.0	48.4	48.2	48.3	48.9	49.4	49.9	49.8	50.3	50.5	51.3	0.8
Small to Medium-sized Firms	41.9	42.4	43.3	44.5	44.4	44.6	45.4	45.7	45.6	46.0	46.8	47.0	47.7	0.7
Micro Firms	41.3	41.9	42.9	43.9	43.5	44.1	44.4	44.5	44.4	44.4	45.6	45.7	46.7	1.0

	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Ratio to the PrFDious Month
Agriculture,Forestry,Fisheries	41.8	41.2	44.6	47.3	43.3	45.1	45.5	47.0	45.4	45.3	44.9	44.5	45.6	1.1
Finance	44.5	44.1	45.2	45.9	46.4	45.5	45.6	46.0	46.4	46.3	47.2	46.8	48.0	1.2
Construction	48.1	48.6	49.2	49.7	49.2	49.5	49.3	49.0	49.5	49.5	50.4	50.7	51.7	1.0
Real Estate	47.0	46.2	47.7	48.7	49.3	49.9	49.4	49.7	50.7	49.4	49.6	49.3	49.9	0.6
Manufacturing	Food,BEWerages,Livestock Feed	41.8	42.2	42.2	43.4	41.9	42.1	42.7	43.0	42.6	43.5	43.5	42.9	0.1
	Textile,Textile Products,Clothing	37.3	36.6	36.7	38.0	36.3	37.7	38.6	38.8	39.4	37.8	37.9	38.4	▲ 0.7
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	40.5	41.7	42.5	43.5	43.3	42.8	43.2	42.4	43.4	43.4	45.3	45.6	▲ 0.3
	Pulp, Paper and Paper Products	39.1	40.1	40.3	43.0	43.3	42.0	42.0	42.9	42.5	43.4	43.8	41.9	2.5
	Publishing,Printing	33.7	34.4	35.0	35.7	33.9	34.6	36.5	35.6	33.4	35.1	34.2	34.6	1.8
	Chemical	44.0	43.8	45.5	48.2	47.5	47.9	48.5	49.9	50.3	50.2	51.4	50.5	1.3
	Steel,Nonferrous Metals,Mining	41.4	42.5	44.3	45.7	45.9	46.2	47.0	47.5	47.3	49.6	51.1	51.6	1.4
	General Machinery	45.3	46.7	47.9	50.3	49.9	51.1	52.9	54.1	54.5	54.8	56.5	56.2	1.0
	Electrical Machinery	42.6	44.5	44.4	45.5	46.3	47.1	47.8	48.6	49.3	49.7	50.3	51.5	0.7
	Transportation Machinery,Equipment	44.2	46.9	46.6	48.6	49.5	49.3	52.5	50.3	52.0	52.7	52.2	54.7	0.1
	Precision Machinery, Medical Instruments and Equipment	44.8	44.0	44.8	46.3	46.7	49.4	48.1	50.0	51.7	51.5	50.4	51.8	▲ 0.3
	Other	37.7	37.3	39.4	39.6	39.2	41.3	41.3	40.1	38.2	38.5	40.3	39.7	1.9
	Total	41.8	42.7	43.5	45.2	44.8	45.4	46.3	46.7	46.9	47.5	48.5	49.4	0.8
Wholesale	Food,BEWerages	39.9	39.9	40.1	41.5	40.6	40.4	41.0	41.7	42.7	41.8	42.2	41.3	0.3
	Textile,Textile Products,Clothing	32.9	31.9	33.1	34.0	33.7	33.4	32.6	34.7	34.5	35.0	34.3	34.2	1.1
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	39.9	40.3	42.6	43.2	42.1	42.6	42.8	41.8	43.2	42.8	43.0	43.8	0.2
	Paper Products,Stationery,Books	37.4	36.1	37.5	37.7	38.6	38.4	38.3	38.5	36.1	38.4	37.4	35.7	3.1
	Chemical	39.6	40.9	40.4	43.1	44.4	42.8	44.5	46.0	45.1	45.3	46.5	47.2	0.3
	Recycled Resources	33.8	36.9	44.0	49.5	49.1	50.0	54.9	49.5	49.0	51.8	49.5	55.4	▲ 3.0
	Steel,Nonferrous Metals, Mining Products	35.5	36.8	39.6	42.6	42.5	42.9	44.0	43.5	41.3	43.1	45.1	46.2	0.6
	Machinery,Equipment	41.2	41.6	42.5	44.2	44.8	44.3	45.8	46.3	46.1	46.6	48.0	48.2	0.3
	Other	38.2	37.6	37.9	39.9	40.1	39.2	39.9	41.1	42.0	41.4	42.1	41.3	0.7
	Total	39.0	39.3	40.4	42.1	42.2	41.8	42.8	43.2	43.1	43.4	44.2	44.3	0.5

Economic Diffusion Index (Economic DI)2/2

		Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Ratio to the PrFDious Month
Retail	Food,BEVerages	39.5	37.6	37.7	40.6	37.4	41.5	41.4	39.0	39.9	42.9	41.1	44.3	44.4	0.1
	Textile,Textile Products,Clothing	28.0	27.6	32.4	31.3	32.7	29.0	30.9	31.8	33.9	34.4	34.6	35.1	34.4	▲ 0.7
	Drugs,Sundries	42.0	38.3	41.1	42.0	43.5	46.0	44.3	46.0	46.4	44.4	43.8	46.8	44.2	▲ 2.6
	Furniture	33.3	37.5	37.5	30.0	33.3	38.1	33.3	35.7	35.7	40.7	39.6	37.5	41.7	4.2
	Electrical Household Appliances, Information Machinery and Equipment	42.7	41.2	37.8	38.6	40.5	39.9	43.0	41.7	38.1	41.9	41.7	44.6	40.2	▲ 4.4
	Motor Vehicles,Motor Vehicle Parts	42.3	39.3	40.2	41.0	43.5	46.3	47.7	41.9	41.5	44.4	44.4	45.5	46.2	0.7
	Special Merchandise	38.1	36.5	36.3	37.1	38.3	39.1	38.8	38.3	39.1	39.8	39.7	39.8	39.7	▲ 0.1
	Various Merchandise	40.6	41.7	44.4	44.6	42.0	45.3	44.6	44.3	45.0	48.7	46.5	45.8	45.7	▲ 0.1
	Other	50.0	46.7	46.7	46.7	45.8	45.8	40.0	40.0	41.7	41.7	38.9	44.4	46.7	2.3
	Total	39.3	37.5	38.3	39.1	39.4	40.9	41.1	39.8	40.2	42.1	41.5	42.7	42.2	▲ 0.5
Transportation,Warehousing		42.7	44.0	44.4	46.1	45.0	43.8	45.6	47.0	46.8	45.7	47.7	48.4	49.0	0.6
Service	Restaurants	39.0	37.0	38.0	37.5	42.3	39.0	45.1	45.0	41.1	43.0	43.9	41.9	45.2	3.3
	Postal,Telecommunications	52.0	53.7	57.7	46.2	55.1	52.8	58.3	54.2	51.3	56.9	55.6	54.2	59.1	4.9
	Electricity,Gas,Water,Heat	43.8	43.3	50.0	41.7	50.0	52.4	47.2	52.4	52.4	57.1	52.4	52.8	57.1	4.3
	Leasing,Rentals	47.4	49.0	49.3	48.9	47.9	48.2	50.1	48.9	50.2	50.0	50.6	49.7	52.0	2.3
	Lodging, Hotels	49.0	49.4	44.3	47.5	43.5	45.6	49.4	48.9	49.4	47.9	46.9	47.4	41.7	▲ 5.7
	Recreation	38.1	37.8	37.0	36.9	37.7	37.1	39.2	39.1	40.9	40.8	40.1	38.3	40.0	1.7
	Broadcasting	44.0	47.9	50.0	49.0	45.6	47.8	47.8	47.8	46.7	42.9	46.2	47.2	47.2	0.0
	Maintenance,Guarding,Testing	47.0	47.0	48.2	47.1	47.4	47.8	48.6	49.4	48.9	49.7	50.2	51.4	51.3	▲ 0.1
	Advertising	39.0	39.8	38.9	40.9	38.6	39.8	41.0	42.3	41.8	40.6	41.0	41.9	40.5	▲ 1.4
	Information	52.6	52.3	52.7	53.2	54.3	54.8	55.3	56.1	55.6	55.7	56.6	56.1	57.2	1.1
	Labor Dispatching	51.8	52.5	51.4	54.4	54.4	50.8	54.6	55.8	52.3	54.8	54.8	58.6	57.5	▲ 1.1
	Special Services	50.3	50.8	50.3	52.8	51.9	51.8	52.6	53.2	52.3	52.3	52.6	53.4	53.2	▲ 0.2
	Medical,Welfare,Public Health	44.1	43.5	43.6	44.0	43.6	44.7	46.4	47.7	47.9	48.3	45.2	46.1	47.4	1.3
	Education	45.0	45.6	43.1	43.7	46.7	44.4	43.7	41.1	43.5	42.1	42.5	42.5	41.7	▲ 0.8
	Other	47.5	47.4	47.9	47.9	47.1	49.6	50.1	50.0	49.3	50.8	50.2	50.5	50.7	0.2
	Total	47.9	48.1	48.2	48.7	48.8	49.1	50.4	50.9	50.4	50.7	50.9	51.1	51.5	0.4
Other		39.4	41.5	38.6	39.5	39.9	40.8	40.2	42.1	41.7	42.2	41.7	42.4	43.6	1.2

		Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Ratio to the PrFDious Month
Hokkaido		41.0	42.1	42.5	42.6	42.2	43.2	43.9	44.3	46.1	45.7	48.4	48.8	48.6	▲ 0.2
Tohoku		43.6	44.7	44.8	44.6	44.2	43.6	44.7	45.2	45.4	45.4	45.7	45.4	45.9	0.5
kitakanto		42.3	42.3	43.3	45.0	44.9	44.2	45.4	46.6	46.4	47.0	48.3	47.8	49.1	1.3
minamikanto		43.5	44.0	45.0	46.1	46.3	46.5	47.1	47.4	47.3	47.7	48.2	48.2	49.1	0.9
Hokuriku		40.2	40.1	41.8	43.0	43.4	42.8	44.1	44.3	45.3	45.9	47.5	48.0	48.8	0.8
Tokai		43.7	43.6	44.2	46.4	45.7	45.9	46.6	46.8	46.4	47.3	48.1	48.8	49.2	0.4
Kinki		41.1	41.6	42.4	43.7	43.7	44.1	45.1	45.2	44.7	44.9	45.6	46.1	46.7	0.6
Chugoku		43.0	43.6	43.9	45.8	44.6	45.1	46.3	46.1	46.0	46.5	47.0	47.7	47.8	0.1
Shikoku		45.6	45.1	45.8	47.2	46.2	46.5	46.1	46.9	46.8	47.0	47.0	46.8	48.5	1.7
Kyushu		45.1	45.6	46.7	48.0	48.1	49.0	48.7	49.1	49.5	48.9	49.4	49.4	49.9	0.5

Appendix

1. Research Subjects (Companies Researched 23,341; Valid responses: 10,212; Response rate: 43.8%)

Appendix

1. Region

Hokkaido	530	Tokai	1,143
Tohoku	635	Kinki	1,747
kitaKanto	712	Chugoku	568
minamikanto	3,306	Shikoku	310
Hokuriku	543	Kyushu	718
Total		10,212	

2. Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		53
Finance		131
Construction		1,477
Real Estate		304
Manufacturing 3,223	Food, Beverages, Livestock Feed	322
	Textile, Textile Products, Clothing	114
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	236
	Pulp, Paper and Paper Products	107
	Publishing, Printing	185
	Chemical	421
	Steel, Nonferrous Metals, Mining	513
	General Machinery	451
	Electrical Machinery	332
	Transportation Machinery, Equipment	105
Wholesale 3,959	Precision Machinery, Medical Instruments and Equipment	78
	Others	85
	Food, Beverages	363
	Textile, Textile Products, Clothing	191
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	349
	Paper Products, Stationery, Books	101
	Chemical	288
	Recycled Resources	35
	Steel, Nonferrous Metals, Mining Products	309
	Machinery, Equipment	896
	Others	348

3. Size

Large Firms	2,122	20.8%
Small to Medium-sized Firms	8,090	79.2%
micro Firms	2,644	25.9%
Total	10,212	100.0%

Retail 480	Food, Beverages	63
	Textile, Textile Products, Clothing	30
	Drugs, Sundries	26
	Furniture	10
	Electrical Household Appliances, Information Machinery and Equipment	41
	Motor Vehicles, Motor Vehicle Parts	62
	Special Merchandise	128
	Various Merchandise	50
Service 1,384	Others	5
	Transportation, Warehousing	435
	Restaurants	42
	Telecommunications	11
	Electricity, Gas, Water, Heat	7
	Leasing, Rentals	100
	Lodging, Hotels	26
	Recreation	60
	Broadcasting	12
	Maintenance, Guarding, Testing	161
	Advertising	109
	Information	424
	Labor Dispatching	49
	Special Services	247
	Medical, Welfare, Public Health	103
	Education	22
	Others	148
	Others	47
Total		10,212

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 September 15 – 30 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.