

TDB Trends Research (Research & Summary for February 2015)

Japanese economy bottoms out nationwide

Effects of promising automobile export extend to relevant industries

(Companies Researched: 23,365; Valid Responses: 10,593; Response Rate: 45.3%; Survey Start Date: May 2002)

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

<Overview of February: Bottoming out>

The Economic DI (Economic DI: 50 points is the threshold of assessment) in February 2015 stood at 45.1, up 1.2 point from the previous month, showing improvement for two months in a row.

The Japanese economy in February showed signs of bottoming out, as the Nikkei Stock Average marked high prices for the first time in 15 years amid expectations for lower crude oil prices and wage improvement. Decrease in energy prices and positive impacts of a weaker yen contributed to the Japanese economy getting out of the downward trend following the consumption tax hike, thereby bottoming out.

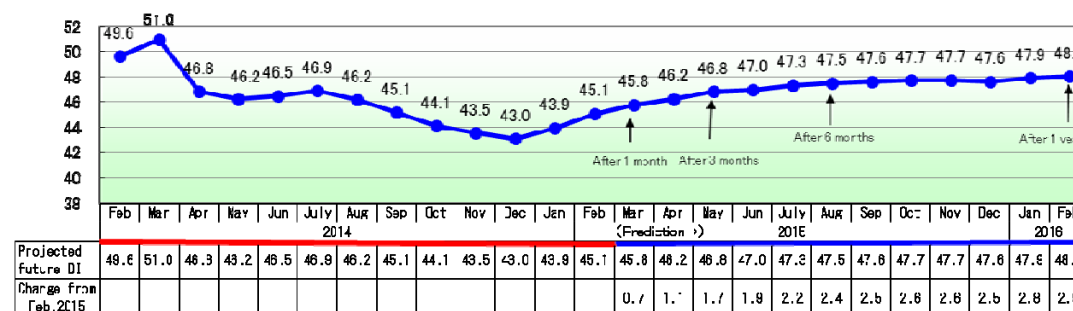
<Future Outlook: Moderate Improvement>

Drop in crude oil and natural gas price is expected to alleviate energy related burden on companies and household, and also to play a role as positive factors for future capital investment and consumption recovery. Execution of a new growth strategy that takes account of local economy revitalization and agricultural reform in addition to economic measures by the government is anticipated. Furthermore, demand for construction is expected to remain high due to plans for infrastructure improvement of highway and bullet train, Tokyo Olympics, along with the 2011 Tohoku earthquake and tsunami recovery. However, labor shortage will suppress economic expansion; therefore, the key point will be to transfer surplus labor force to areas experiencing scarcity. Going forward, external factors will pull the Japanese economy and bring moderate improvement, but a flat outlook is anticipated unless a new economic measure is introduced from the summer.

By industry: Automobile and related industries show promise; captures demand of the Lunar New Year holidays

By size: Improvement shown in all sizes for two consecutive months; effects of the Lunar New Year benefit retail of big companies

By region: Improvement shown in all 10 regions for the first time in 11 months



*: 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

	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Ratio to the PrEYious Month
Total	49.6	51.0	46.8	46.2	46.5	46.9	46.2	45.1	44.1	43.5	43.0	43.9	45.1	1.2
Large Firms	53.0	53.6	49.5	49.3	50.0	49.7	49.2	48.1	47.5	46.9	46.6	47.1	48.0	0.9
Small to Medium-sized Firms	48.6	50.2	46.0	45.3	45.4	46.1	45.3	44.3	43.1	42.6	42.0	43.0	44.2	1.2
Micro Firms	48.2	49.7	45.6	45.0	45.0	45.3	44.7	44.0	42.5	42.1	41.6	42.3	43.4	1.1

		Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Oct-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Ratio to the PrEYious Month
Agriculture,Forestry,Fisheries		45.0	41.9	42.0	40.7	43.0	45.1	40.9	42.1	41.8	38.6	39.5	41.3	40.0	▲ 1.3
Finance		47.7	48.5	46.5	46.6	47.5	49.2	47.9	47.1	44.9	45.3	45.2	45.1	44.7	▲ 0.4
Construction		56.3	56.0	52.9	51.7	52.7	53.5	53.2	52.8	51.6	51.0	50.3	50.4	50.4	0.0
Real Estate		48.5	50.0	48.8	48.3	48.8	47.4	46.8	47.0	45.2	43.6	44.1	45.1	47.2	2.1
Manufacturing	Food,BEWerages,Livestock Feed	41.5	42.1	39.7	40.4	40.4	39.9	39.8	39.5	39.0	36.8	37.5	37.2	39.8	2.6
	Textile,Textile Products,Clothing	42.9	45.8	41.5	43.1	41.1	41.8	42.0	39.8	39.4	36.8	38.1	36.8	39.7	2.9
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	55.8	55.5	48.6	47.5	47.0	45.0	44.6	43.3	44.0	44.1	43.3	43.2	41.9	▲ 1.3
	Pulp, Paper and Paper Products	43.1	47.4	42.8	40.5	38.7	39.4	36.2	36.1	36.7	36.1	36.3	34.8	37.3	2.5
	Publishing,Printing	36.0	40.0	36.8	35.3	34.8	34.9	33.7	33.1	31.5	31.5	31.0	31.8	33.5	1.7
	Chemical	49.6	50.2	47.5	46.7	45.6	46.6	45.8	43.4	42.4	42.9	43.3	43.2	44.5	1.3
	Steel,Nonferrous Metals,Mining	52.3	52.5	47.5	47.4	48.1	48.7	49.1	46.8	45.3	44.4	42.8	44.8	46.8	2.0
	General Machinery	52.9	54.7	51.6	52.3	52.7	53.8	52.2	51.7	50.5	50.0	48.6	49.6	51.5	1.9
	Electrical Machinery	49.9	49.6	47.0	48.1	48.8	49.9	47.3	46.2	46.1	45.9	45.8	47.3	48.4	1.1
	Transportation Machinery,Equipment	54.1	54.6	50.8	50.2	51.7	52.8	53.4	50.7	48.2	48.0	47.7	47.4	50.3	2.9
	Precision Machinery, Medical Instruments and Equipment	49.1	48.4	42.9	45.2	47.7	48.2	49.3	48.1	46.6	45.4	45.0	47.9	48.9	1.0
Other	41.8	47.0	40.5	38.0	37.8	39.2	39.3	38.3	37.9	38.4	35.2	35.4	38.7	3.3	
Total		48.7	49.7	45.9	45.9	45.9	46.3	45.6	44.2	43.4	42.9	42.3	43.0	44.6	1.6
Wholesale	Food,BEWerages	40.3	42.2	39.1	41.3	41.4	41.0	39.6	39.9	39.0	37.1	37.6	38.3	39.7	1.4
	Textile,Textile Products,Clothing	38.0	41.5	38.8	37.7	36.8	36.7	35.9	35.3	34.3	30.7	30.2	31.1	32.2	1.1
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	56.1	56.2	50.0	46.8	44.3	44.3	42.9	41.5	41.0	39.5	39.3	39.0	40.5	1.5
	Paper Products,Stationery,Books	39.3	48.0	40.3	37.0	36.0	35.9	34.6	33.8	32.9	33.5	31.8	33.2	35.1	1.9
	Chemical	46.2	48.7	43.5	41.9	43.5	43.4	42.8	40.8	40.6	40.0	37.8	38.9	41.2	2.3
	Recycled Resources	47.4	44.3	49.5	48.7	50.0	47.3	47.3	46.1	37.8	40.4	40.8	39.0	38.5	▲ 0.5
	Steel,Nonferrous Metals, Mining Products	51.7	52.0	45.2	44.2	44.4	46.0	44.9	43.5	43.2	43.8	42.1	43.9	43.5	▲ 0.4
	Machinery,Equipment	50.4	53.0	47.7	45.8	46.6	47.6	46.7	44.9	43.9	43.6	43.2	44.8	46.0	1.2
	Other	43.4	46.0	40.9	40.5	40.3	40.4	40.2	38.5	36.7	37.1	35.1	37.5	38.5	1.0
	Total		47.4	49.6	44.6	43.3	43.4	43.8	42.9	41.5	40.6	40.0	39.1	40.4	41.5

Economic Diffusion Index (Economic DI)2/2

		Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Oct-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Ratio to the PrEYious Month
Retail	Food,BEWerages	39.1	44.0	37.1	40.8	40.8	39.1	40.7	39.3	36.8	34.7	34.5	36.8	38.2	1.4
	Textile,Textile Products,Clothing	37.0	40.8	36.1	37.7	37.3	36.3	36.2	38.2	36.7	32.0	30.8	30.7	32.3	1.6
	Drugs,Sundries	47.3	55.6	39.9	40.7	44.3	40.8	40.7	41.7	41.1	42.6	38.9	44.6	45.3	0.7
	Furniture	56.4	63.6	35.0	31.7	33.3	28.8	30.6	37.0	22.7	27.3	26.4	28.8	33.3	4.5
	Electrical Household Appliances, Information Machinery and Equipment	55.1	56.7	45.1	38.4	37.4	39.7	37.4	36.1	36.2	36.0	34.3	39.3	39.0	▲ 0.3
	Motor Vehicles,Motor Vehicle Parts	57.3	56.5	32.7	30.9	30.7	32.1	34.4	33.0	30.1	31.8	28.7	37.8	40.7	2.9
	Special Merchandise	37.5	39.9	34.7	35.2	35.7	36.2	36.8	36.2	36.3	36.0	39.2	41.4	43.7	2.3
	Various Merchandise	47.8	55.2	37.3	43.3	45.0	42.1	41.7	41.8	41.2	39.1	40.5	42.6	41.0	▲ 1.6
	Other	33.3	45.8	33.3	33.3	27.8	36.7	43.3	37.5	40.0	40.0	41.7	33.3	36.7	3.4
	Total	43.8	47.1	36.4	37.3	37.8	37.3	37.8	37.5	36.3	35.5	35.9	39.1	40.5	1.4
Transportation,Warehousing		49.8	51.8	46.5	46.3	45.1	44.9	45.8	43.7	43.7	44.8	43.8	43.7	44.8	1.1
Service	Restaurants	48.5	47.4	46.9	46.9	49.5	49.1	48.7	46.7	42.6	45.1	39.9	44.6	45.2	0.6
	Postal,Telecommunications	50.0	50.0	51.9	45.8	50.0	53.3	50.0	50.0	46.3	48.1	50.0	56.3	53.7	▲ 2.6
	Electricity,Gas,Water,Heat	50.0	48.5	53.7	53.7	50.0	51.7	48.3	50.0	46.3	43.8	44.4	50.0	50.0	0.0
	Leasing,Rentals	56.5	56.2	55.7	54.3	52.7	53.8	51.7	51.8	49.7	49.9	49.1	50.9	50.0	▲ 0.9
	Lodging, Hotels	46.6	48.4	44.9	45.2	47.5	47.7	44.4	46.2	46.3	47.0	47.6	47.7	49.5	1.8
	Recreation	41.7	43.3	39.5	38.0	37.6	38.3	39.5	39.4	39.5	36.4	36.5	34.4	36.7	2.3
	Broadcasting	49.0	47.9	41.2	40.7	44.0	44.4	45.2	44.0	45.2	43.3	41.7	44.4	40.0	▲ 4.4
	Maintenance,Guarding,Testing	49.2	52.6	46.8	46.2	46.0	49.4	46.8	45.7	45.8	43.1	42.6	44.6	46.9	2.3
	Advertising	43.0	47.7	42.5	40.8	42.6	42.5	41.4	41.1	38.6	38.7	38.8	38.8	39.3	0.5
	Information	54.8	56.3	54.2	55.5	55.0	54.5	53.5	52.8	51.4	51.6	52.2	53.5	54.6	1.1
	Labor Dispatching	58.9	57.8	57.5	54.6	57.2	57.2	56.2	56.9	55.6	53.9	54.0	55.7	57.5	1.8
	Special Services	56.4	55.8	54.2	53.8	55.1	55.2	53.7	53.9	50.7	50.7	50.3	50.8	51.4	0.6
	Medical,Welfare,Public Health	50.2	50.7	48.3	46.6	47.9	47.6	47.1	46.2	46.2	45.0	44.1	44.7	45.7	1.0
	Education	44.7	45.7	42.1	40.3	44.7	45.1	40.7	41.7	42.4	41.7	39.9	40.5	40.2	▲ 0.3
	Other	48.1	48.6	46.9	47.2	48.1	48.7	48.4	47.2	44.9	45.2	45.0	47.4	48.1	0.7
	Total	51.8	52.9	50.5	50.1	50.6	50.9	49.7	49.2	47.7	47.3	47.2	48.3	49.2	0.9
Other		44.9	52.1	46.0	47.5	44.3	44.9	43.1	42.8	40.6	37.7	41.5	37.3	41.7	4.4

		Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Oct-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Ratio to the PrEYious Month
Hokkaido		50.0	50.2	47.2	46.4	46.4	47.0	46.0	45.0	42.5	41.5	40.1	39.1	39.9	0.8
Tohoku		49.9	51.5	47.2	46.9	46.8	47.6	47.5	46.1	45.2	45.6	44.5	45.4	46.0	0.6
Kitakanto		48.5	50.2	46.3	46.9	47.0	48.1	46.8	45.8	43.1	43.4	43.2	44.1	45.3	1.2
Minamikanto		49.2	50.8	47.5	46.9	47.1	47.4	46.5	45.4	44.4	43.8	43.6	44.7	46.0	1.3
Hokuriku		51.1	51.3	47.1	46.2	46.2	46.5	46.3	45.2	44.3	42.8	41.9	43.6	44.6	1.0
Tokai		51.6	52.3	46.3	45.9	46.9	47.5	47.0	45.6	44.7	44.4	43.4	45.0	46.3	1.3
Kinki		48.4	49.8	45.5	44.8	44.6	45.4	44.4	43.7	42.7	42.1	41.5	42.2	43.2	1.0
Chugoku		49.4	51.1	46.8	45.3	46.3	46.5	46.4	44.5	43.9	44.0	42.9	43.6	44.4	0.8
Shikoku		50.2	52.6	46.1	44.8	45.6	45.1	44.9	44.2	44.5	43.5	43.6	43.8	45.5	1.7
Kyushu		50.8	51.8	47.4	46.7	47.4	46.4	45.9	46.0	45.4	44.2	44.7	45.3	46.6	1.3

Appendix

1. Research Subjects (Companies Researched: 23,365; Valid Responses: 10,593; Response Rate: 45.3%)

Appendix

1. Region

Hokkaido	557	Tokai	1,195
Tohoku	645	Kinki	1,747
kitaKanto	729	Chugoku	602
minamikanto	3,436	Shikoku	318
Hokuriku	564	Kyushu	800
		Total	10,593

2. Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		50
Finance		120
Construction		1,471
Real Estate		277
Manufacturing	Food, Beverages, Livestock Feed	351
	Textile, Textile Products, Clothing	112
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	246
	Pulp, Paper and Paper Products	109
	Publishing, Printing	204
	Chemical	445
	Steel, Nonferrous Metals, Mining	529
	General Machinery	472
	Electrical Machinery	354
	Transportation Machinery, Equipment	108
Wholesale	Precision Machinery, Medical Instruments and Equipment	76
	Others	93
	Food, Beverages	387
	Textile, Textile Products, Clothing	196
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	376
	Paper Products, Stationery, Books	120
	Chemical	310
	Recycled Resources	39
	Steel, Nonferrous Metals, Mining Products	342
	Machinery, Equipment	966
	Others	380

Retail	480	Food, Beverages	78
		Textile, Textile Products, Clothing	33
		Drugs, Sundries	25
		Furniture	12
		Electrical Household Appliances, Information Machinery and Equipment	35
		Motor Vehicles, Motor Vehicle Parts	52
		Special Merchandise	140
		Various Merchandise	52
Service		Others	5
		Transportation, Warehousing	463
		Restaurants	38
		Telecommunications	9
		Electricity, Gas, Water, Heat	9
		Leasing, Rentals	112
		Lodging, Hotels	37
		Recreation	59
		Broadcasting	15
		Maintenance, Guarding, Testing	159
		Advertising	134
		Information	441
		Labor Dispatching	58
		Special Services	209
		Medical, Welfare, Public Health	104
		Education	22
		Others	121
		Others	38
Total			10,593

3. Size

Large Firms	2,352	22.2%
Small to Medium-sized Firms	8,241	77.8%
micro Firms	2,529	23.9%
Total	10,593	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 February 16 – 28 2015

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.