

Domestic economy improved for two consecutive months

- Pushed up by construction and automobile production
while sluggish consumer spending continues -

(Companies Researched: 23,779; Valid responses: 10,243; Response rate: 43.1%;
Survey Start Date: May 2002)

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< Overview of October 2016: Continues to improve >

The economic diffusion index (DI) in October was 43.3, up 0.4 point from the previous month, and an improvement for two consecutive months. Two straight months of improvement is the first time in a year and seven months, since March 2015. The domestic economy has picked up for two consecutive months, with continuously active construction-related demand along with a recovery of automobile production.

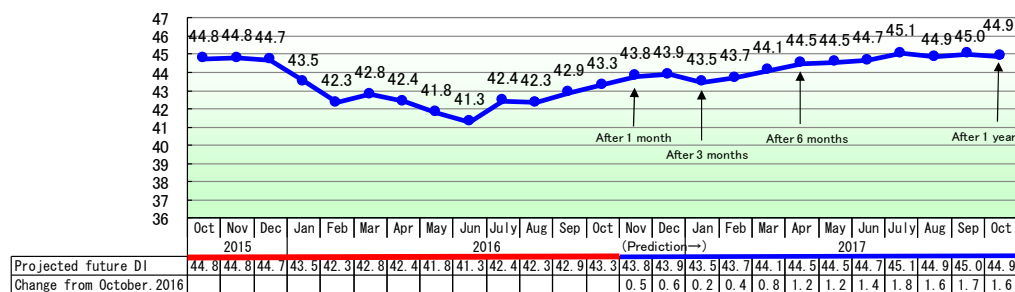
< Future Outlook: Moderate upswing >

Economic conditions will pick up moderately as a result of improvement in employment and income environments, along with unstable trends for the time being.

By industry: Six industries have improved, with good performance in construction, building work, and automobile production.

By size: "SMEs" and "small-scale enterprises" have improved for three consecutive months.

By region: Of the ten regions, six regions have improved and the damages caused by the typhoon are being restored.



*: 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

	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Ratio to the PrFDious Month
Total	44.8	44.8	44.7	43.5	42.3	42.8	42.4	41.8	41.3	42.4	42.3	42.9	43.3	0.4
Large Firms	48.4	48.4	47.9	47.1	46.0	46.5	46.2	45.7	45.1	46.6	45.7	46.5	46.5	0.0
Small to Medium-sized Firms	43.7	43.7	43.8	42.5	41.3	41.8	41.4	40.8	40.3	41.3	41.4	41.9	42.4	0.5
Micro Firms	43.2	43.1	43.3	41.8	40.3	40.8	40.3	39.7	39.6	40.3	40.6	41.3	41.9	0.6

		Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Ratio to the PrFDious Month
Agriculture,Forestry,Fisheries		44.6	45.2	46.4	43.6	44.5	42.3	42.4	42.1	43.7	42.5	40.1	41.8	41.2	▲ 0.6
Finance		47.3	46.6	46.3	45.3	44.3	44.8	45.5	44.3	45.0	45.1	43.7	44.5	44.1	▲ 0.4
Construction		49.5	49.6	49.3	47.9	45.9	46.3	45.2	44.9	44.7	46.5	46.9	48.1	48.6	0.5
Real Estate		48.7	48.9	48.4	47.1	48.0	48.2	48.1	48.3	48.4	47.8	47.3	47.0	46.2	▲ 0.8
Manufacturing	Food,BEWerages,Livestock Feed	44.3	44.5	44.1	44.2	43.2	44.2	44.6	43.4	43.0	43.0	42.1	41.8	42.2	0.4
	Textile,Textile Products,Clothing	39.8	39.4	39.3	36.4	37.6	39.8	38.2	38.4	38.2	37.0	37.8	37.3	36.6	▲ 0.7
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	40.2	38.9	40.7	38.5	38.0	38.6	37.9	38.3	37.8	40.5	40.7	40.5	41.7	1.2
	Pulp, Paper and Paper Products	41.1	42.4	41.7	40.3	36.8	37.6	40.2	38.6	38.5	40.4	39.4	39.1	40.1	1.0
	Publishing,Printing	34.8	34.6	34.7	34.0	34.6	35.3	34.1	34.0	32.9	33.5	32.8	33.7	34.4	0.7
	Chemical	44.4	44.9	45.4	44.3	42.8	42.7	43.0	42.7	42.2	43.3	41.8	44.0	43.8	▲ 0.2
	Steel,Nonferrous Metals,Mining	41.4	41.8	41.5	41.1	38.8	38.3	38.3	38.1	37.6	38.7	39.8	41.4	42.5	1.1
	General Machinery	47.9	47.3	48.6	46.0	45.5	45.7	45.3	44.0	43.6	44.9	44.3	45.3	46.7	1.4
	Electrical Machinery	45.2	45.2	44.9	43.0	42.8	42.8	42.3	40.4	40.4	41.9	41.5	42.6	44.5	1.9
	Transportation Machinery,Equipment	46.3	47.0	46.2	45.7	44.6	46.8	46.8	43.8	42.7	44.0	44.9	44.2	46.9	2.7
	Precision Machinery, Medical Instruments and Equipment	48.6	47.9	46.1	46.2	43.1	44.6	44.6	43.2	43.2	42.6	43.2	44.8	44.0	▲ 0.8
	Other	39.8	40.0	39.6	39.4	39.1	40.6	37.5	37.8	37.0	39.1	35.7	37.7	37.3	▲ 0.4
Total		43.3	43.3	43.5	42.2	41.2	41.6	41.3	40.6	40.1	41.2	40.9	41.8	42.7	0.9
Wholesale	Food,BEWerages	43.0	43.1	42.6	41.9	40.9	42.2	42.6	41.0	40.1	41.1	40.4	39.9	39.9	0.0
	Textile,Textile Products,Clothing	37.8	34.4	34.4	33.5	32.7	33.8	35.7	34.6	35.3	33.5	34.5	32.9	31.9	▲ 1.0
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	41.3	41.5	41.8	40.5	39.1	39.4	39.2	38.4	37.6	39.0	38.9	39.9	40.3	0.4
	Paper Products,Stationery,Books	36.8	37.4	37.2	38.1	37.4	38.0	36.6	36.7	34.2	35.9	36.3	37.4	36.1	▲ 1.3
	Chemical	42.5	42.8	43.2	40.8	39.2	40.2	39.5	39.4	38.8	39.5	39.4	39.6	40.9	1.3
	Recycled Resources	29.9	26.7	32.1	25.6	28.4	30.7	39.3	33.3	28.3	29.4	35.0	33.8	36.9	3.1
	Steel,Nonferrous Metals, Mining Products	38.8	39.4	37.7	36.4	35.8	36.1	35.2	34.6	33.2	35.7	36.0	35.5	36.8	1.3
	Machinery,Equipment	43.6	43.4	43.6	42.6	41.2	41.7	40.9	41.1	39.7	40.9	40.5	41.2	41.6	0.4
	Other	41.0	41.1	41.1	39.9	39.0	39.6	39.1	38.6	38.2	38.0	38.7	38.2	37.6	▲ 0.6
Total		41.5	41.4	41.4	40.1	39.0	39.7	39.4	38.9	37.9	38.8	38.9	39.0	39.3	0.3

Economic Diffusion Index (Economic DI)2/2

		Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Ratio to the PrFDious Month
Retail	Food,BEWerages	44.6	41.4	43.2	39.9	40.4	43.4	42.1	38.9	38.6	40.7	40.0	39.5	37.6	▲ 1.9
	Textile,Textile Products,Clothing	40.1	36.8	32.1	34.8	31.6	33.3	35.1	32.9	32.5	33.8	32.8	28.0	27.6	▲ 0.4
	Drugs,Sundries	48.6	50.0	49.4	45.3	45.4	46.1	42.0	41.1	37.9	42.5	42.5	42.0	38.3	▲ 3.7
	Furniture	42.9	42.9	47.2	42.9	40.5	40.5	38.1	42.9	41.7	36.1	35.4	33.3	37.5	4.2
	Electrical Household Appliances, Information Machinery and Equipment	39.6	38.7	40.7	43.8	39.2	40.4	40.7	35.8	36.6	40.2	37.9	42.7	41.2	▲ 1.5
	Motor Vehicles,Motor Vehicle Parts	39.9	38.2	37.9	40.0	37.9	38.6	40.4	37.2	37.0	39.8	40.1	42.3	39.3	▲ 3.0
	Special Merchandise	39.2	39.8	38.4	40.4	39.2	37.4	38.9	37.0	37.4	37.6	36.7	38.1	36.5	▲ 1.6
	Various Merchandise	46.5	47.3	43.8	45.0	43.7	44.8	43.3	43.7	42.6	43.2	39.9	40.6	41.7	1.1
	Other	36.1	38.9	43.3	44.4	41.7	44.4	41.7	42.9	41.7	46.7	47.2	50.0	46.7	▲ 3.3
	Total	41.6	40.9	40.2	41.0	39.5	40.1	40.2	38.0	37.7	39.3	38.4	39.3	37.5	▲ 1.8
Transportation,Warehousing		44.7	45.4	45.3	43.2	41.9	41.9	41.5	41.5	40.0	41.5	42.0	42.7	44.0	1.3
Service	Restaurants	49.2	46.2	44.4	47.1	42.1	43.6	43.1	42.3	40.2	45.3	42.2	39.0	37.0	▲ 2.0
	Postal,Telecommunications	57.6	53.0	51.5	58.3	54.2	50.0	59.1	52.4	46.2	52.6	51.1	52.0	53.7	1.7
	Electricity,Gas,Water,Heat	55.0	55.0	55.0	52.4	53.7	50.0	51.9	47.6	44.4	42.9	46.3	43.8	43.3	▲ 0.5
	Leasing,Rentals	48.0	49.2	49.7	48.1	46.2	47.1	45.9	46.7	45.5	45.9	47.2	47.4	49.0	1.6
	Lodging, Hotels	61.4	59.1	55.4	56.9	54.7	56.1	50.5	44.4	46.8	47.8	50.0	49.0	49.4	0.4
	Recreation	38.0	38.0	38.6	39.1	37.3	36.9	38.0	36.8	38.4	37.1	38.0	38.1	37.8	▲ 0.3
	Broadcasting	45.1	46.9	47.8	43.8	46.9	45.6	46.7	44.4	42.7	43.6	44.4	44.0	47.9	3.9
	Maintenance,Guarding,Testing	46.1	47.1	46.4	44.8	43.8	43.9	44.4	44.3	44.3	46.3	46.4	47.0	47.0	0.0
	Advertising	40.7	40.3	40.3	39.2	37.2	40.9	37.5	36.8	37.9	38.9	39.2	39.0	39.8	0.8
	Information	56.0	54.9	54.9	55.2	53.3	53.4	53.4	52.5	52.2	53.0	52.2	52.6	52.3	▲ 0.3
	Labor Dispatching	54.7	52.5	53.1	50.9	52.7	54.7	53.1	52.5	49.4	52.4	52.7	51.8	52.5	0.7
	Special Services	49.0	50.3	52.1	49.1	48.9	49.6	48.3	48.6	49.2	50.5	48.8	50.3	50.8	0.5
	Medical,Welfare,Public Health	42.3	44.1	42.2	39.9	39.2	42.5	41.5	41.4	41.5	41.6	42.6	44.1	43.5	▲ 0.6
	Education	45.0	50.8	46.7	46.3	46.8	47.4	43.0	42.2	43.9	48.2	43.1	45.0	45.6	0.6
	Other	49.2	50.1	49.0	45.9	47.5	47.1	46.7	45.7	46.8	46.6	48.2	47.5	47.4	▲ 0.1
	Total	49.6	49.6	49.6	48.4	47.4	48.2	47.5	46.8	46.7	47.8	47.7	47.9	48.1	0.2
Other		42.3	41.9	43.8	40.9	39.4	38.8	37.4	37.5	37.5	38.8	40.1	39.4	41.5	2.1

		Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Ratio to the PrFDious Month
	Hokkaido	39.3	39.8	39.4	39.0	37.9	38.6	39.2	39.6	39.4	40.5	40.6	41.0	42.1	1.1
	Tohoku	45.8	45.9	45.6	43.9	43.2	43.1	43.3	41.7	42.9	43.4	42.9	43.6	44.7	1.1
	kitakanto	43.3	43.8	43.0	41.1	40.3	41.5	40.8	41.2	40.0	41.5	41.1	42.3	42.3	0.0
	minamikanto	45.8	45.8	45.8	44.6	43.2	43.9	43.6	43.0	42.3	43.4	43.2	43.5	44.0	0.5
	Hokuriku	43.9	43.9	43.8	41.1	40.3	40.4	39.2	39.3	38.4	39.4	39.6	40.2	40.1	▲ 0.1
	Tokai	46.0	45.9	46.4	45.4	43.6	43.6	43.3	42.7	41.5	43.1	43.1	43.7	43.6	▲ 0.1
	Kinki	42.6	42.3	42.5	41.7	40.7	41.1	40.8	40.3	39.4	40.5	40.4	41.1	41.6	0.5
	Chugoku	45.6	45.8	45.8	44.8	43.7	44.3	43.1	41.5	41.5	42.4	42.2	43.0	43.6	0.6
	Shikoku	47.3	48.3	47.5	46.7	45.1	45.7	45.2	45.0	43.4	44.6	44.5	45.6	45.1	▲ 0.5
	Kyushu	46.6	46.0	45.6	44.8	44.0	44.3	43.4	41.7	42.5	44.2	44.7	45.1	45.6	0.5

Appendix

1.Research Subjects(Companies Researched 23,779; Valid responses: 10,243; Response rate: 43.1%)

Appendix

1.Region

Hokkaido	539	Tokai	1,158
Tohoku	633	Kinki	1,688
kitaKanto	723	Chugoku	579
minamikanto	3,303	Shikoku	323
Hokuriku	563	Kyushu	734
		Total	10,243

2.Industry (10 Industries 51 Lines of business)

Agriculture,Forestry,Fisheries		55
Finance		129
Construction		1,485
Real Estate		291
Manufacturing 3,223	Food,Beverages,Livestock Feed	328
	Textile,Textile Products,Clothing	111
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	236
	Pulp, Paper and Paper Products	104
	Publishing,Printing	191
	Chemical	422
	Steel,Nonferrous Metals,Mining	514
	General Machinery	458
	Electrical Machinery	343
	Transportation Machinery,Equipment	96
Wholesale 3,959	Precision Machinery,Medical Instruments and Equipment	78
	Others	93
	Food,Beverages	349
	Textile,Textile Products,Clothing	192
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	351
	Paper Products,Stationery,Books	110
	Chemical	267
	Recycled Resources	37
	Steel,Nonferrous Metals,Mining Products	310
	Machinery,Equipment	922
	Others	359

Retail 480	Food,Beverages	67
	Textile,Textile Products,Clothing	38
	Drugs,Sundries	27
	Furniture	8
	Electrical Household Appliances,Information Machinery and Equipment	36
	Motor Vehicles,Motor Vehicle Parts	67
	Special Merchandise	136
	Various Merchandise	46
	Others	5
Transportation,Warehousing		441
Service 1,384	Restaurants	36
	Telecommunications	9
	Electricity,Gas,Water,Heat	5
	Leasing,Rentals	116
	Lodging, Hotels	30
	Recreation	60
	Broadcasting	16
	Maintenance,Guarding,Testing	156
	Advertising	116
	Information	425
	Labor Dispatching	53
	Special Services	215
	Medical,Welfare,Public Health	110
	Education	19
	Others	134
Others		41
Total		10,243

3.Size

Large Firms	2,180	21.3%
Small to Medium-sized Firms	8,063	78.7%
micro Firms	2,553	24.9%
Total	10,243	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 October 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.