

Domestic economy stopped worsening, negative shock moderated

- Nationwide improvement for the first time in a year and five months -

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(Companies Researched 23,639; Valid responses: 10,285; Response rate: 43.5%;
Survey Start Date: May 2002)

< Overview of July 2016: Domestic economy stopped worsening >

The economic diffusion index (DI) in July was 42.4, up 1.1 points from the previous month. This reflects an improvement for the first time in four months. The impact of negative shocks, such as the Kumamoto Earthquake, falsified fuel economy data, the British decision to leave the EU, moderated, and Japan's economy stopped worsening.

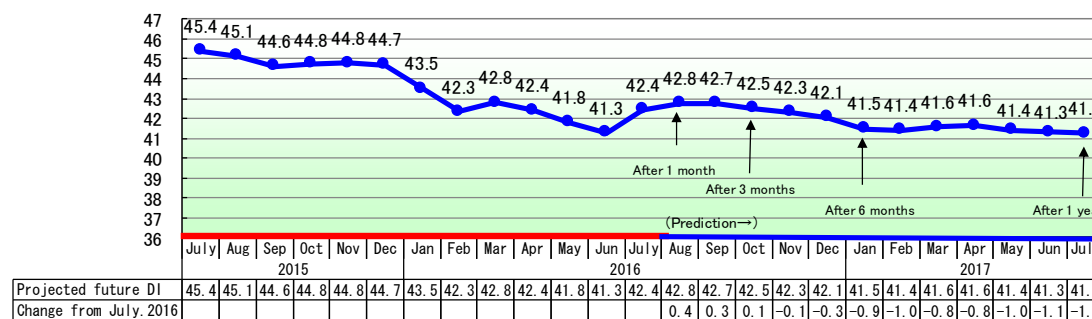
< Future Outlook: Keep on leveling off, while continuing to seesaw >

Economic conditions will keep on leveling off while continuing to seesaw. An expansionary economic policy is a positive factor, but on the other hand, there are many concerns in overseas economies.

By industry: Eight industries have improved. Among these, six industries improved by more than 1 point.

By size: The economy improved in all sizes for the first time in four months. Recovery of "large companies" is noticeable.

By region: All regions improved for the first time in a year and five months. Restoration and reconstruction after the Kumamoto Earthquake are advancing.



*: 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

	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Ratio to the PrFDious Month
Total	45.4	45.1	44.6	44.8	44.8	44.7	43.5	42.3	42.8	42.4	41.8	41.3	42.4	1.1
Large Firms	48.8	48.9	48.2	48.4	48.4	47.9	47.1	46.0	46.5	46.2	45.7	45.1	46.6	1.5
Small to Medium-sized Firms	44.5	44.1	43.6	43.7	43.7	43.8	42.5	41.3	41.8	41.4	40.8	40.3	41.3	1.0
Micro Firms	43.4	43.2	43.2	43.2	43.1	43.3	41.8	40.3	40.8	40.3	39.7	39.6	40.3	0.7

		Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Ratio to the PrFDious Month
Agriculture,Forestry,Fisheries		42.9	44.7	44.7	44.6	45.2	46.4	43.6	44.5	42.3	42.4	42.1	43.7	42.5	▲ 1.2
Finance		48.1	46.5	46.3	47.3	46.6	46.3	45.3	44.3	44.8	45.5	44.3	45.0	45.1	0.1
Construction		48.6	48.8	49.1	49.5	49.6	49.3	47.9	45.9	46.3	45.2	44.9	44.7	46.5	1.8
Real Estate		49.8	48.4	48.7	48.7	48.9	48.4	47.1	48.0	48.2	48.1	48.3	48.4	47.8	▲ 0.6
Manufacturing	Food,BEWerages,Livestock Feed	43.4	43.0	43.6	44.3	44.5	44.1	44.2	43.2	44.2	44.6	43.4	43.0	43.0	0.0
	Textile,Textile Products,Clothing	39.4	40.2	38.8	39.8	39.4	39.3	36.4	37.6	39.8	38.2	38.4	38.2	37.0	▲ 1.2
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	41.2	41.2	40.9	40.2	38.9	40.7	38.5	38.0	38.6	37.9	38.3	37.8	40.5	2.7
	Pulp, Paper and Paper Products	39.7	42.0	40.8	41.1	42.4	41.7	40.3	36.8	37.6	40.2	38.6	38.5	40.4	1.9
	Publishing,Printing	33.7	34.9	34.8	34.8	34.6	34.7	34.0	34.6	35.3	34.1	34.0	32.9	33.5	0.6
	Chemical	44.7	45.3	44.4	44.4	44.9	45.4	44.3	42.8	42.7	43.0	42.7	42.2	43.3	1.1
	Steel,Nonferrous Metals,Mining	43.6	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	51.9	50.3	47.3	47.9	47.3	48.6	46.0	45.5	45.7	45.3	44.0	43.6	44.9	1.3
	Electrical Machinery	47.4	44.8	45.2	45.2	45.2	44.9	43.0	42.8	42.8	42.3	40.4	40.4	41.9	1.5
	Transportation Machinery,Equipment	50.9	50.8	48.3	46.3	47.0	46.2	45.7	44.6	46.8	46.8	43.8	42.7	44.0	1.3
	Precision Machinery, Medical Instruments and Equipment	50.4	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	39.2	37.7	40.0	39.8	40.0	39.6	39.4	39.1	40.6	37.5	37.8	37.0	39.1	2.1
	Total		44.6	44.2	43.2	43.3	43.3	43.5	42.2	41.2	41.6	41.3	40.6	40.1	41.2
Wholesale	Food,BEWerages	44.1	42.7	43.6	43.0	43.1	42.6	41.9	40.9	42.2	42.6	41.0	40.1	41.1	1.0
	Textile,Textile Products,Clothing	34.4	34.7	36.5	37.8	34.4	34.4	33.5	32.7	33.8	35.7	34.6	35.3	33.5	▲ 1.8
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	39.8	39.7	39.5	41.3	41.5	41.8	40.5	39.1	39.4	39.2	38.4	37.6	39.0	1.4
	Paper Products,Stationery,Books	37.1	36.5	36.8	36.8	37.4	37.2	38.1	37.4	38.0	36.6	36.7	34.2	35.9	1.7
	Chemical	43.9	42.6	42.3	42.5	42.8	43.2	40.8	39.2	40.2	39.5	39.4	38.8	39.5	0.7
	Recycled Resources	35.8	36.0	25.8	29.9	26.7	32.1	25.6	28.4	30.7	39.3	33.3	28.3	29.4	1.1
	Steel,Nonferrous Metals, Mining Products	40.4	40.3	38.5	38.8	39.4	37.7	36.4	35.8	36.1	35.2	34.6	33.2	35.7	2.5
	Machinery,Equipment	45.6	45.3	43.6	43.6	43.4	43.6	42.6	41.2	41.7	40.9	41.1	39.7	40.9	1.2
	Other	42.4	41.4	40.8	41.0	41.1	41.1	39.9	39.0	39.6	39.1	38.6	38.2	38.0	▲ 0.2
	Total		42.5	41.9	41.2	41.5	41.4	41.4	40.1	39.0	39.7	39.4	38.9	37.9	38.8

Economic Diffusion Index (Economic DI)2/2

		Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Ratio to the PrFDious Month
Retail	Food,BEWerages	45.0	44.0	44.5	44.6	41.4	43.2	39.9	40.4	43.4	42.1	38.9	38.6	40.7	2.1
	Textile,Textile Products,Clothing	38.6	38.7	36.9	40.1	36.8	32.1	34.8	31.6	33.3	35.1	32.9	32.5	33.8	1.3
	Drugs,Sundries	49.3	48.7	46.7	48.6	50.0	49.4	45.3	45.4	46.1	42.0	41.1	37.9	42.5	4.6
	Furniture	41.7	41.7	42.9	42.9	42.9	47.2	42.9	40.5	40.5	38.1	42.9	41.7	36.1	▲ 5.6
	Electrical Household Appliances, Information Machinery and Equipment	38.9	38.3	44.6	39.6	38.7	40.7	43.8	39.2	40.4	40.7	35.8	36.6	40.2	3.6
	Motor Vehicles,Motor Vehicle Parts	38.3	38.7	38.6	39.9	38.2	37.9	40.0	37.9	38.6	40.4	37.2	37.0	39.8	2.8
	Special Merchandise	39.9	41.6	40.7	39.2	39.8	38.4	40.4	39.2	37.4	38.9	37.0	37.4	37.6	0.2
	Various Merchandise	48.8	49.0	47.3	46.5	47.3	43.8	45.0	43.7	44.8	43.3	43.7	42.6	43.2	0.6
	Other	35.7	44.4	44.4	36.1	38.9	43.3	44.4	41.7	44.4	41.7	42.9	41.7	46.7	5.0
Total		41.9	42.4	42.2	41.6	40.9	40.2	41.0	39.5	40.1	40.2	38.0	37.7	39.3	1.6
Transportation,Warehousing		44.4	44.9	45.1	44.7	45.4	45.3	43.2	41.9	41.9	41.5	41.5	40.0	41.5	1.5
Service	Restaurants	47.4	51.3	45.3	49.2	46.2	44.4	47.1	42.1	43.6	43.1	42.3	40.2	45.3	5.1
	Postal,Telecommunications	47.0	53.0	59.3	57.6	53.0	51.5	58.3	54.2	50.0	59.1	52.4	46.2	52.6	6.4
	Electricity,Gas,Water,Heat	50.0	51.9	56.7	55.0	55.0	55.0	52.4	53.7	50.0	51.9	47.6	44.4	42.9	▲ 1.5
	Leasing,Rentals	48.7	49.9	48.0	48.0	49.2	49.7	48.1	46.2	47.1	45.9	46.7	45.5	45.9	0.4
	Lodging, Hotels	59.2	59.0	58.3	61.4	59.1	55.4	56.9	54.7	56.1	50.5	44.4	46.8	47.8	1.0
	Recreation	37.3	38.0	37.9	38.0	38.0	38.6	39.1	37.3	36.9	38.0	36.8	38.4	37.1	▲ 1.3
	Broadcasting	49.1	46.1	41.7	45.1	46.9	47.8	43.8	46.9	45.6	46.7	44.4	42.7	43.6	0.9
	Maintenance,Guarding,Testing	47.6	47.4	46.0	46.1	47.1	46.4	44.8	43.8	43.9	44.4	44.3	44.3	46.3	2.0
	Advertising	39.8	40.7	40.8	40.7	40.3	40.3	39.2	37.2	40.9	37.5	36.8	37.9	38.9	1.0
	Information	56.4	55.8	55.5	56.0	54.9	54.9	55.2	53.3	53.4	53.4	52.5	52.2	53.0	0.8
	Labor Dispatching	54.4	55.0	54.2	54.7	52.5	53.1	50.9	52.7	54.7	53.1	52.5	49.4	52.4	3.0
	Special Services	52.0	51.4	51.5	49.0	50.3	52.1	49.1	48.9	49.6	48.3	48.6	49.2	50.5	1.3
	Medical,Welfare,Public Health	45.3	43.6	42.8	42.3	44.1	42.2	39.9	39.2	42.5	41.5	41.4	41.5	41.6	0.1
	Education	40.6	44.1	42.1	45.0	50.8	46.7	46.3	46.8	47.4	43.0	42.2	43.9	48.2	4.3
	Other	50.9	48.5	49.3	49.2	50.1	49.0	45.9	47.5	47.1	46.7	45.7	46.8	46.6	▲ 0.2
Total		50.4	50.1	49.6	49.6	49.6	49.6	48.4	47.4	48.2	47.5	46.8	46.7	47.8	1.1
Other		42.6	40.7	41.4	42.3	41.9	43.8	40.9	39.4	38.8	37.4	37.5	37.5	38.8	1.3

		Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Ratio to the PrFDious Month
Hokkaido		41.8	41.8	41.8	39.3	39.8	39.4	39.0	37.9	38.6	39.2	39.6	39.4	40.5	1.1
Tohoku		46.3	46.1	45.9	45.8	45.9	45.6	43.9	43.2	43.1	43.3	41.7	42.9	43.4	0.5
kitakanto		45.0	45.2	42.6	43.3	43.8	43.0	41.1	40.3	41.5	40.8	41.2	40.0	41.5	1.5
minamikanto		46.8	46.1	45.4	45.8	45.8	45.8	44.6	43.2	43.9	43.6	43.0	42.3	43.4	1.1
Hokuriku		44.3	44.6	44.2	43.9	43.9	43.8	41.1	40.3	40.4	39.2	39.3	38.4	39.4	1.0
Tokai		46.9	46.5	46.0	46.0	45.9	46.4	45.4	43.6	43.6	43.3	42.7	41.5	43.1	1.6
Kinki		43.2	43.1	42.7	42.6	42.3	42.5	41.7	40.7	41.1	40.8	40.3	39.4	40.5	1.1
Chugoku		45.5	44.9	45.0	45.6	45.8	45.8	44.8	43.7	44.3	43.1	41.5	41.5	42.4	0.9
Shikoku		45.6	47.7	46.5	47.3	48.3	47.5	46.7	45.1	45.7	45.2	45.0	43.4	44.6	1.2
Kyushu		44.9	44.5	45.7	46.6	46.0	45.6	44.8	44.0	44.3	43.4	41.7	42.5	44.2	1.7

Appendix

1.Research Subjects(Companies Researched 23,639 ; Valid Responses10,285 ; Response Rate 43.5%)

Appendix

1.Region

Hokkaido	535	Tokai	1,149
Tohoku	662	Kinki	1,719
kitaKanto	704	Chugoku	574
minamikanto	3,340	Shikoku	315
Hokuriku	550	Kyushu	737
Total		10,285	

2.Industry (10 Industries 51 Lines of business)

Agriculture,Forestry,Fisheries		58
Finance		127
Construction		1,463
Real Estate		300
Manufacturing 3,223	Food,Beverages,Livestock Feed	338
	Textile,Textile Products,Clothing	114
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	240
	Pulp, Paper and Paper Products	108
	Publishing,Printing	197
	Chemical	421
	Steel,Nonferrous Metals,Mining	508
	General Machinery	463
	Electrical Machinery	335
	Transportation Machinery,Equipment	95
Wholesale 3,959	Precision Machinery,Medical Instruments and Equipment	81
	Others	90
	Food,Beverages	349
	Textile,Textile Products,Clothing	189
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	346
	Paper Products,Stationery,Books	115
	Chemical	288
	Recycled Resources	38
	Steel,Nonferrous Metals,Mining Products	304
	Machinery,Equipment	926
	Others	352

3.Size

Large Firms	2,197	21.4%
Small to Medium-sized Firms	8,088	78.6%
micro Firms	2,524	24.5%
Total	10,285	100.0%

Retail 480	Food,Beverages	72
	Textile,Textile Products,Clothing	38
	Drugs,Sundries	29
	Furniture	6
	Electrical Household Appliances,Information Machinery and Equipment	41
	Motor Vehicles,Motor Vehicle Parts	59
	Special Merchandise	145
	Various Merchandise	44
	Others	5
Transportation,Warehousing		445
Service 1,384	Restaurants	39
	Telecommunications	13
	Electricity,Gas,Water,Heat	7
	Leasing,Rentals	119
	Lodging, Hotels	31
	Recreation	57
	Broadcasting	13
	Maintenance,Guarding,Testing	152
	Advertising	117
	Information	433
	Labor Dispatching	49
	Special Services	214
	Medical,Welfare,Public Health	113
	Education	19
	Others	134
Others		46
Total		10,285

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 July 15 – 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.