

## Rapid deterioration continues in domestic economy

~ Many market functions restricted due to State of Emergency declaration. SMEs experienced the biggest drop on record ~

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(Companies researched: 23,672; Valid responses: 11,961; Response rate: 50.5%; Survey start date: May 2002)

### < Overview of April 2020: Contraction >

The economic diffusion index (DI) in April 2020 was 25.8, down 6.7 points from the previous month, worsening for the seventh consecutive month, and the biggest drop on record, continued from last month. While the economy contracts, corporate activities are restricted, and rapid deterioration continued in the domestic economy.

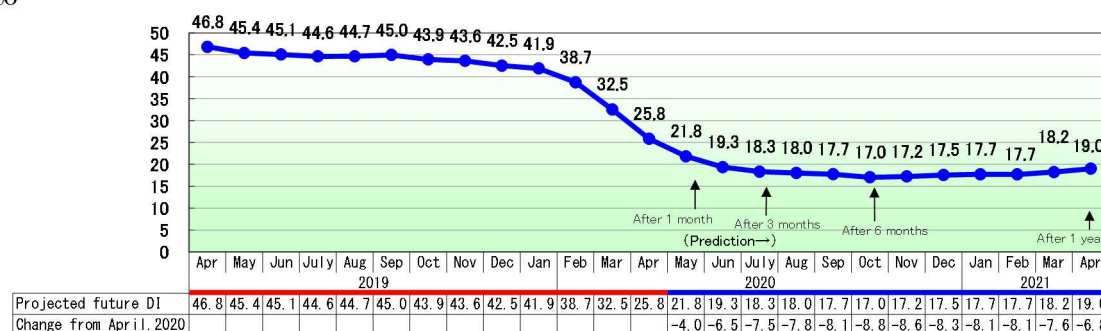
### < Future outlook: Recession continues >

With strong uncertainty, such as about the COVID-19 situation returning to normal, the recession is expected to continue.

By industry : Worsening in all ten industries. Lowest-ever economic DI was recorded in 14 business categories.

By size : Decline in all sizes for the seventh consecutive month. SMEs recorded their biggest-ever drop.

By region : Nationwide worsening in 47 prefectures in all ten regions for the second consecutive month. Stagnation in local economic activities.



\*: 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-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	Ratio to tHL PrFDious Month
Total	46.8	45.4	45.1	44.6	44.7	45.0	43.9	43.6	42.5	41.9	38.7	32.5	25.8	▲ 6.7
Large Firms	49.7	48.8	48.7	47.7	47.9	48.0	47.1	47.0	45.7	45.3	42.0	34.8	28.2	▲ 6.6
Small to Medium-sized Firms	46.1	44.6	44.2	43.9	43.9	44.2	43.2	42.8	41.7	41.1	38.0	32.0	25.3	▲ 6.7
Micro Firms	46.2	44.5	44.1	43.8	44.2	45.1	43.9	43.5	42.1	41.4	38.8	32.3	25.4	▲ 6.9

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	Ratio to tHL PrFDious Month
Agriculture,Forestry,Fisheries	41.3	40.5	43.2	39.1	41.5	41.8	42.3	42.5	41.7	38.4	37.9	32.8	28.2	▲ 4.6
Finance	45.1	44.7	44.8	45.1	44.7	45.8	45.4	46.8	44.5	44.8	42.2	33.3	27.3	▲ 6.0
Construction	52.8	51.7	51.6	51.7	52.1	53.1	52.1	52.2	51.6	50.0	47.8	41.5	33.9	▲ 7.6
Real Estate	48.7	47.6	48.3	47.4	46.5	48.0	45.9	46.0	44.2	45.9	42.0	31.6	21.9	▲ 9.7
Manufacturing	Food,BEWerages,Livestock Feed	42.2	41.3	40.3	40.4	41.1	39.8	39.1	39.7	39.9	38.0	34.5	24.8	▲ 3.6
	Textile,Textile Products,Clothing	39.0	36.6	36.5	36.4	36.9	36.3	36.1	34.6	32.6	30.5	29.3	16.7	▲ 6.5
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	45.7	45.4	43.5	43.8	45.2	44.1	44.8	43.8	40.2	39.9	37.2	29.2	▲ 4.2
	Pulp, Paper and Paper Products	45.7	43.0	41.7	39.6	42.3	42.8	40.2	41.7	40.6	37.3	32.0	29.2	▲ 5.2
	Publishing,Printing	35.6	34.3	33.9	32.5	33.1	34.1	33.0	32.7	32.9	30.9	29.7	23.1	▲ 6.3
	Chemical	46.2	43.9	42.5	41.9	41.8	41.0	41.2	40.6	40.1	39.0	35.8	32.1	▲ 4.6
	Steel,Nonferrous Metals,Mining	45.5	42.9	41.8	41.5	41.2	40.4	39.8	38.1	37.6	36.3	32.9	29.0	▲ 5.4
	General Machinery	49.0	46.0	45.1	44.0	41.5	41.1	40.8	39.9	38.4	37.3	35.4	31.1	▲ 5.8
	Electrical Machinery	44.7	43.1	43.0	42.8	43.9	41.2	42.2	40.5	40.4	41.0	38.5	32.7	▲ 5.1
	Transportation Machinery,Equipment	49.4	48.1	47.5	46.4	43.4	42.3	43.5	41.2	40.9	39.4	36.5	34.2	▲ 12.0
	Precision Machinery, Medical Instruments and Equipment	47.3	44.4	42.4	43.9	43.4	42.0	41.3	42.0	39.9	40.4	39.0	34.8	▲ 7.6
	Other	40.2	40.2	40.2	38.0	40.7	41.8	37.4	38.4	38.0	36.9	36.8	31.1	▲ 10.4
	Total	44.8	42.9	42.0	41.5	41.4	40.6	40.3	39.6	38.6	37.6	34.9	30.3	▲ 5.6
Wholesale	Food,BEWerages	41.1	40.8	40.4	38.8	39.0	38.8	38.1	37.9	37.4	37.3	33.1	25.6	▲ 4.3
	Textile,Textile Products,Clothing	33.2	33.2	31.6	29.8	30.8	31.6	28.8	28.8	26.5	26.2	22.0	16.4	▲ 6.1
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	45.6	44.7	43.8	44.7	44.6	46.0	45.1	43.4	43.1	42.8	38.5	34.4	▲ 6.5
	Paper Products,Stationery,Books	39.2	39.0	36.4	37.0	37.1	38.0	37.7	36.3	35.0	34.9	33.5	27.5	▲ 5.5
	Chemical	44.2	41.8	41.2	42.7	42.0	42.7	41.0	40.4	39.0	38.7	35.5	33.2	▲ 4.3
	Recycled Resources	41.0	40.2	37.1	32.8	32.8	30.6	34.8	29.0	33.3	30.8	27.1	21.2	▲ 2.5
	Steel,Nonferrous Metals, Mining Products	43.4	40.8	40.4	39.0	38.8	37.6	38.0	37.0	34.8	33.9	31.9	27.8	▲ 4.6
	Machinery,Equipment	45.9	44.2	44.4	43.8	43.3	44.6	42.7	42.3	41.7	41.2	38.2	33.0	▲ 7.1
	Other	42.7	40.6	40.6	40.2	40.2	40.7	37.9	37.6	37.1	36.7	31.5	26.5	▲ 5.1
	Total	43.3	41.9	41.4	41.0	40.8	41.4	39.9	39.3	38.4	37.9	34.4	29.4	▲ 5.7

## Economic Diffusion Index (Economic DI)2/2

		Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	Ratio to tHL PrFDious Month
Retail	Food,BEWerages	42.5	44.8	42.9	41.5	41.3	41.8	40.5	40.2	38.4	39.1	36.7	25.8	26.3	0.5
	Textile,Textile Products,Clothing	39.1	36.9	36.6	34.6	36.5	37.9	32.7	31.5	28.7	28.0	24.2	16.2	11.4	▲ 4.8
	Drugs,Sundries	40.9	41.0	38.5	40.0	37.7	40.6	35.8	37.3	40.2	37.7	34.7	27.5	28.7	1.2
	Furniture	38.9	39.6	48.5	40.9	45.0	53.0	33.3	26.9	31.8	31.9	29.2	22.6	10.8	▲ 11.8
	Electrical Household Appliances, Information Machinery and Equipment	41.7	39.1	43.5	34.3	38.9	45.0	34.3	32.3	38.1	38.2	36.0	28.4	19.3	▲ 9.1
	Motor Vehicles,Motor Vehicle Parts	43.3	41.5	42.5	39.2	41.1	41.4	34.5	31.4	31.9	36.7	32.9	27.9	17.0	▲ 10.9
	Special Merchandise	42.1	41.3	41.1	40.6	40.7	43.5	38.2	39.1	36.0	35.2	34.7	27.4	20.2	▲ 7.2
	Various Merchandise	43.3	43.8	44.7	39.3	38.9	43.1	36.5	36.5	36.2	37.4	34.4	29.3	32.3	3.0
	Other	43.8	39.6	46.3	41.7	41.7	40.5	48.1	40.7	47.9	48.1	43.9	31.8	26.9	▲ 4.9
Total		42.1	41.6	42.0	39.5	40.2	42.6	37.0	36.1	35.8	36.3	34.1	26.7	21.2	▲ 5.5
Transportation,Warehousing		48.2	46.7	45.6	44.5	45.5	46.0	44.9	45.1	42.6	39.5	34.0	27.7	22.4	▲ 5.3
Service	Restaurants	42.9	40.6	42.9	39.6	38.1	43.6	37.3	39.4	40.7	41.0	32.3	14.2	4.3	▲ 9.9
	Postal,Telecommunications	57.6	56.7	60.0	58.3	60.6	56.9	56.1	59.5	52.8	64.6	57.1	50.0	30.3	▲ 19.7
	Electricity,Gas,Water,Heat	58.3	55.6	54.5	54.2	52.6	51.3	51.2	52.2	47.4	52.4	46.7	40.5	28.4	▲ 12.1
	Leasing,Rentals	54.1	50.9	52.5	51.8	51.7	53.5	54.5	53.1	50.4	50.8	46.9	34.0	27.8	▲ 6.2
	Lodging, Hotels	41.0	50.0	44.9	40.3	39.9	47.2	41.3	42.0	39.1	38.5	23.2	7.0	1.5	▲ 5.5
	Recreation	38.8	42.0	41.5	41.8	40.9	38.7	38.2	40.7	37.5	39.4	35.7	17.0	5.6	▲ 11.4
	Broadcasting	41.7	44.1	43.3	41.1	45.2	43.1	42.9	41.7	38.2	38.1	38.9	29.8	22.9	▲ 6.9
	Maintenance,Guarding,Testing	48.1	48.2	48.8	49.3	49.8	48.6	49.1	47.3	46.6	46.4	42.6	36.0	27.5	▲ 8.5
	Advertising	40.7	40.5	40.7	40.4	38.9	40.3	40.4	39.6	37.8	40.0	34.1	21.3	11.3	▲ 10.0
	Information	59.6	58.0	57.8	58.5	58.7	57.7	57.4	57.8	56.2	56.5	54.2	43.9	33.7	▲ 10.2
	Labor Dispatching	53.5	53.9	52.8	52.7	51.0	53.2	53.3	50.9	46.2	49.2	42.5	34.1	21.0	▲ 13.1
	Special Services	51.5	49.5	50.1	49.9	51.1	51.8	51.5	50.8	49.9	50.3	45.8	40.4	31.4	▲ 9.0
	Medical,Welfare,Public Health	46.9	47.8	47.0	48.7	46.5	47.3	46.5	48.5	47.7	47.8	43.2	35.9	26.4	▲ 9.5
	Education	44.2	43.6	44.0	41.1	39.5	40.0	42.4	37.8	43.1	41.4	40.0	29.7	13.9	▲ 15.8
	Other	50.2	47.9	48.5	47.9	48.3	48.4	47.9	47.9	45.6	46.2	39.8	29.2	21.2	▲ 8.0
Total		51.6	50.6	50.8	50.7	50.7	51.0	50.6	50.4	48.8	49.5	45.1	35.3	25.8	▲ 9.5
Other		44.9	43.2	42.6	44.1	43.2	42.1	43.1	40.4	41.7	42.7	39.2	29.8	24.4	▲ 5.4

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	Ratio to tHL PrFDious Month
Hokkaido	45.5	45.3	45.1	45.7	46.4	46.6	45.7	45.0	43.8	42.4	39.0	31.0	28.4	▲ 2.6
Tohoku	43.1	42.2	41.9	41.7	41.7	43.2	41.9	42.2	40.9	38.8	36.7	30.7	26.0	▲ 4.7
kitakanto	44.3	43.1	42.5	42.5	42.6	42.2	40.9	40.0	40.0	39.4	36.9	31.8	25.8	▲ 6.0
minamikanto	47.7	46.0	46.0	45.5	45.7	46.1	45.5	45.5	44.3	44.5	41.1	34.1	26.3	▲ 7.8
Hokuriku	45.3	44.6	44.2	43.5	44.1	43.5	42.1	40.4	39.5	37.6	35.6	29.7	24.9	▲ 4.8
Tokai	48.0	46.8	45.8	44.7	45.0	45.2	43.6	42.7	41.8	40.6	37.3	31.4	23.7	▲ 7.7
Kinki	46.9	45.0	44.6	44.0	43.8	43.9	42.2	41.9	40.5	39.8	36.3	30.4	23.9	▲ 6.5
Chugoku	47.2	45.6	45.5	45.0	44.8	45.0	44.0	43.6	42.6	41.2	39.0	33.8	27.0	▲ 6.8
Shikoku	46.9	46.7	44.8	43.1	43.8	43.9	44.4	44.0	43.8	42.7	39.5	36.4	30.8	▲ 5.6
Kyushu	48.3	46.9	47.0	47.6	46.3	47.1	46.5	46.8	45.1	45.2	41.5	35.3	27.5	▲ 7.8

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## Survey of Corporate Attitudes Toward Capital Investment for 2020

### Capital investment decreases markedly from last year, although 52.8% of companies planned to do so

#### — Rapid increase in companies citing “the future cannot be foreseen” as the reason for not making capital investments —

With respect to capital investment trends, demands for labor saving and efficiency to improve productivity are expected through progress in work-style reforms, etc., while there are concerns that uncertainty about the outlook will heighten, such as with the slowdown in overseas economies and the impact of COVID-19, and that capital investment may be adversely affected. The government is adopting capital investment promotion measures targeting large-sized companies in the “Package of Tax Revisions for 2020,” and is also promoting capital investment support, etc., as COVID-19 subsidized projects for SMEs.

Therefore, Teikoku Databank has conducted a survey of corporate attitudes toward capital investment plans, etc. for 2020. This survey was conducted in conjunction with the April 2020 TDB Trends Research.

\* Survey period: April 16 – 30, 2020; Companies Surveyed: 23,672; Valid Responses: 11,961 (Response Rate: 50.5%). The survey of capital investment has been conducted every April since April 2017, and this is the 4th such survey.

\* Details of this survey can be found on the dedicated Economic Trend Survey HP (<http://www.tdb-di.com>).

## Survey results (Summary)

1. Companies responding that they “have” plans to make capital investments in 2020 decreased by 9.5 points from that in the previous survey (April 2019), to 52.8%. By size, any size companies responding that they have plans decreased from last year. By industry, “agriculture, forestry and fisheries,” “manufacturing,” “wholesale” and “retail” in particular showed large decreases. On the other hand, those responding that they “have no plans” increased by 8.4 points from that in the previous survey, to 38.0%.

2. With respect to capital investment details, “replacement of equipment” was top (40.4%), followed by “maintenance and repair of existing equipment” (31.5%), “informatization-related (IT investments)” (31.2%), and “labor saving/rationalization” (28.5%). The percentage for items pertaining to existing equipment has decreased despite being at a high level, but companies that make capital investments for the purpose of improving productivity are increasing. Amid ongoing self-restraint in leaving one’s home, there were many opinions about introducing telework.

3. With respect to capital procurement methods, “own resources” accounted for the highest percentage (44.2%). In particular, the percentage is high in companies with over 300 employees. In second place, “long-term borrowing from a financial institution” was also high (31.3%).

4. Reasons for not making capital investments included, “the future cannot be foreseen” (64.4%) at the top, followed by “equipment in its current state is at the appropriate level” (25.3%), and “income commensurate with the investment cannot be secured” (20.1%). SMEs particularly had higher percentages of “income commensurate with the investment cannot be secured,” “the burden of borrowing is large,” and “cash on hand is small” than did the large companies, and the results show the severity of the current business environment.

## Appendix

### 1. Research Subjects (Companies researched: 23,672; Valid responses: 11,961; Response rate: 50.5%)

Appendix

#### 1. Region

Hokkaido	586	Tokai	1,354
Tohoku	819	Kinki	1,997
kita Kanto	909	Chugoku	647
minamikanto	3,736	Shikoku	357
Hokuriku	665	Kyushu	891
		Total	11,961

#### 2. Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		58
Finance		125
Construction		1,943
Real Estate		388
Manufacturing (3,290)	Food, Beverages, Livestock Feed	402
	Textile, Textile Products, Clothing	133
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	243
	Pulp, Paper and Paper Products	107
	Publishing, Printing	204
	Chemical	461
	Steel, Nonferrous Metals, Mining	566
	General Machinery	522
	Electrical Machinery	357
	Transportation Machinery, Equipment	114
	Precision Machinery, Medical Instruments and Equipment	82
	Others	99
Wholesale (3,174)	Food, Beverages	419
	Textile, Textile Products, Clothing	211
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	364
	Paper Products, Stationery, Books	109
	Chemical	295
	Recycled Resources	42
	Steel, Nonferrous Metals, Mining Products	338
	Machinery, Equipment	1,013
	Others	383

#### 3. Size

Large Firms	2,118	17.7%
Small to Medium-sized Firms	9,843	82.3%
micro Firms	3,506	29.3%
Total	11,961	100.0%

Retail (511)	Food, Beverages	76
	Textile, Textile Products, Clothing	35
	Drugs, Sundries	25
	Furniture	17
	Electrical Household Appliances, Information Machinery and Equipment	45
	Motor Vehicles, Motor Vehicle Parts	96
	Special Merchandise	156
	Various Merchandise	48
	Others	13
Transportation, Warehousing		517
Service (1,914)	Restaurants	58
	Telecommunications	11
	Electricity, Gas, Water, Heat	17
	Leasing, Rentals	127
	Lodging, Hotels	33
	Recreation	62
	Broadcasting	16
	Maintenance, Guarding, Testing	195
	Advertising	118
	Information	533
	Labor Dispatching	70
	Special Services	306
	Medical, Welfare, Public Health	130
	Education	30
	Others	208
Others		41
Total		11,961

## 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 16 – 30 2020

### 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 Calculation

The DI (Diffusion Index) is calculated by multiplying the number of responses for each assessment category by the number given in parentheses in the table below, to a seven-level assessment rated by companies.

Selection category	Extremely good	good	fairly good	neither good nor bad	fairly bad	bad	very bad
points	6	5	4	3	2	1	0
number of responses for each category	N <sub>6</sub>	N <sub>5</sub>	N <sub>4</sub>	N <sub>3</sub>	N <sub>2</sub>	N <sub>1</sub>	N <sub>0</sub>

Economic DI

$$= \frac{\text{Total of (Points for each category} \times \text{Number of responses for each category)}}{\text{Number of valid responses} / N} \times \frac{1}{6} \times 100$$

$$\equiv \frac{\sum_{i=0}^6 i \times N_i}{N} \times \frac{1}{6} \times 100$$

An economic DI of 50 is **the point separating good and bad**, so a DI over 50 means “good,” and below 50 means “bad.” (The numbers are rounded off to one decimal place.) No weight is given according to a company's size, and calculations are made on the basis of “one company, one vote.”

#### 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.