

Domestic economy continues at a standstill
 ~ Uncertainty about the future has intensified due to growing overseas risks ~

(Companies researched: 23,099 ; Valid responses: 9,918 ; Response rate: 42.9 %;
 Survey start date: May 2002)

< Overview of August 2018: Economy continues at a standstill >

The economic diffusion index (DI) in August 2018 was unchanged from the previous month, at 49.5. While automobile-related production recovers and strong inbound demand continues, the heatwave and natural disasters had various impacts on the domestic economy, which continued at a standstill.

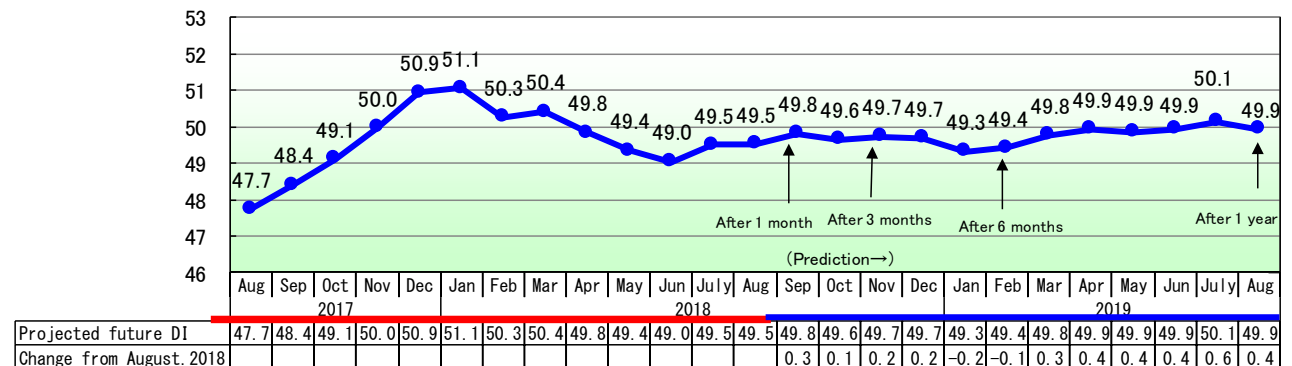
< Future outlook: Uncertainty has intensified >

While capital investment and exports continue to be strong hereafter, uncertainty about the future has intensified due to growing overseas risks, although reconstruction demand is expected.

By industry : “Retail” worsened due to a move to refrain from going out due to the heatwave and typhoons.

By size : “SMEs” and “small enterprises” improved for two consecutive months.

By region : While six of the ten regions improved, four worsened. There is a difference of view on business confidence.



*: 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

	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Ratio to the PrFDious Month
Total	47.7	48.4	49.1	50.0	50.9	51.1	50.3	50.4	49.8	49.4	49.0	49.5	49.5	0.0
Large Firms	50.5	51.3	51.6	52.1	53.0	53.2	52.2	52.5	52.2	51.6	51.3	51.8	51.6	▲ 0.2
Small to Medium-sized Firms	47.0	47.7	48.5	49.4	50.4	50.5	49.8	49.9	49.3	48.8	48.5	48.9	49.0	0.1
Micro Firms	45.7	46.7	47.6	48.7	49.8	49.6	49.0	49.2	48.1	48.1	47.6	48.1	48.4	0.3

	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Ratio to the PrFDious Month	
Agriculture,Forestry,Fisheries	44.5	45.6	47.5	46.7	49.2	47.1	45.5	44.4	43.5	44.2	43.3	43.4	45.7	2.3	
Finance	46.8	48.0	47.9	49.0	48.9	49.6	48.0	50.3	49.4	47.8	47.2	49.5	47.5	▲ 2.0	
Construction	50.7	51.7	52.7	53.7	54.2	54.0	53.4	52.9	51.4	51.8	51.9	52.8	53.1	0.3	
Real Estate	49.3	49.9	50.9	50.3	51.3	52.3	52.1	53.1	50.9	51.0	51.1	50.5	51.1	0.6	
Manufacturing	Food,BEWerages,Livestock Feed	42.9	43.0	42.8	42.9	44.8	44.0	43.2	41.9	42.9	43.4	43.2	43.1	43.3	0.2
	Textile,Textile Products,Clothing	38.4	37.7	38.6	39.6	42.0	39.1	41.3	42.4	42.4	42.7	42.8	42.1	41.8	▲ 0.3
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	45.9	45.6	47.0	46.8	48.0	46.8	46.2	46.3	45.7	45.8	45.9	46.6	45.6	▲ 1.0
	Pulp, Paper and Paper Products	41.9	44.4	46.6	45.6	48.7	46.6	44.1	45.8	46.3	43.1	45.2	44.5	44.5	0.0
	Publishing,Printing	34.6	36.4	35.7	35.4	35.8	36.4	37.4	37.1	36.2	36.3	33.7	35.0	33.8	▲ 1.2
	Chemical	50.5	51.8	52.5	53.3	54.1	53.9	53.2	53.8	52.3	51.8	51.6	52.2	51.3	▲ 0.9
	Steel,Nonferrous Metals,Mining	51.6	53.0	54.3	56.6	56.3	57.6	55.6	55.6	53.7	53.5	53.3	54.1	54.2	0.1
	General Machinery	56.2	57.2	59.3	59.3	60.8	62.4	62.0	61.2	60.9	60.6	60.3	60.7	59.9	▲ 0.8
	Electrical Machinery	51.5	52.2	53.7	54.5	55.7	56.9	56.5	54.8	54.9	53.4	53.4	52.8	52.0	▲ 0.8
	Transportation Machinery,Equipment	54.7	54.8	54.2	58.6	56.9	57.9	56.6	59.8	57.6	58.4	57.3	56.6	58.7	2.1
	Precision Machinery,Medical Instruments and Equipment	51.8	51.5	53.2	55.1	54.7	57.4	56.2	54.8	57.5	56.6	57.2	55.1	54.8	▲ 0.3
	Other	39.7	41.6	39.6	40.9	42.6	43.4	43.1	43.8	43.2	44.3	42.5	41.5	40.7	▲ 0.8
Total	48.6	49.4	50.3	51.2	52.1	52.6	51.9	51.6	51.0	50.8	50.4	50.6	50.2	▲ 0.4	
Wholesale	Food,BEWerages	41.3	41.6	41.1	42.4	43.5	42.9	42.1	43.0	42.9	42.8	42.4	40.9	41.9	1.0
	Textile,Textile Products,Clothing	34.2	35.3	35.4	36.1	37.4	37.2	35.5	37.2	37.2	36.8	37.3	35.9	37.3	1.4
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	43.8	44.0	44.2	45.1	46.7	46.2	44.9	44.7	45.0	43.3	44.4	44.8	44.2	▲ 0.6
	Paper Products,Stationery,Books	35.7	38.8	38.4	38.9	38.4	37.6	34.9	36.8	38.0	37.5	36.2	35.4	36.6	1.2
	Chemical	47.2	47.5	48.1	48.6	50.7	49.7	49.0	49.1	49.1	49.1	46.8	48.9	48.1	▲ 0.8
	Recycled Resources	55.4	52.4	51.6	57.8	58.3	56.2	51.0	51.9	49.5	46.6	50.6	48.2	51.2	3.0
	Steel,Nonferrous Metals,Mining Products	45.6	46.2	49.5	50.5	52.3	53.1	51.9	50.8	49.7	48.2	47.8	48.0	50.3	2.3
	Machinery,Equipment	48.2	48.5	49.3	50.9	52.1	52.3	51.4	51.8	51.1	50.6	50.0	50.9	51.0	0.1
	Other	41.3	42.0	42.0	42.7	43.7	43.9	42.8	43.8	45.4	43.4	43.3	43.2	42.4	▲ 0.8
	Total	44.3	44.8	45.5	46.5	47.9	47.8	46.6	47.1	47.0	46.1	45.7	45.9	46.3	0.4

Economic Diffusion Index (Economic DI)2/2

		Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Ratio to the PrFDious Month
Retail	Food,BEWerages	44.3	44.4	42.1	45.2	45.3	44.1	45.6	46.1	47.4	45.7	45.2	44.5	45.3	0.8
	Textile,Textile Products,Clothing	35.1	34.4	37.5	32.7	35.6	41.0	38.2	37.3	38.9	36.7	32.1	34.6	32.7	▲ 1.9
	Drugs,Sundries	46.8	44.2	44.9	46.2	44.4	46.4	45.7	47.2	44.9	47.1	42.9	41.0	41.3	0.3
	Furniture	37.5	41.7	40.9	45.0	40.7	43.9	35.2	35.0	36.7	35.2	38.3	38.3	37.0	▲ 1.3
	Electrical Household Appliances, Information Machinery and Equipment	44.6	40.2	43.9	43.9	47.7	41.9	40.4	45.7	46.5	40.2	41.9	45.5	43.7	▲ 1.8
	Motor Vehicles,Motor Vehicle Parts	45.5	46.2	45.3	45.6	44.2	49.2	47.8	48.3	48.2	43.5	42.9	45.0	43.5	▲ 1.5
	Special Merchandise	39.8	39.7	39.6	38.8	41.5	41.9	42.5	42.9	41.0	39.7	39.7	40.7	39.1	▲ 1.6
	Various Merchandise	45.8	45.7	46.3	45.7	46.4	46.9	46.0	47.5	49.6	44.1	44.2	48.2	46.5	▲ 1.7
	Other	44.4	46.7	46.7	43.3	50.0	50.0	43.3	41.7	36.1	41.7	33.3	36.1	40.5	4.4
	Total		42.7	42.2	42.4	42.4	43.4	44.3	43.8	44.8	44.6	42.0	41.3	42.7	41.7
Transportation,Warehousing		48.4	49.0	49.9	50.7	52.5	50.7	49.6	50.5	50.0	49.3	48.7	50.3	50.3	0.0
Service	Restaurants	41.9	45.2	45.1	42.9	44.9	45.2	43.6	44.2	44.7	45.0	42.5	42.7	42.5	▲ 0.2
	Postal,Telecommunications	54.2	59.1	54.5	57.7	56.4	56.1	59.1	57.7	56.9	50.0	54.5	55.6	55.0	▲ 0.6
	Electricity,Gas,Water,Heat	52.8	57.1	58.3	59.5	54.2	60.4	58.3	61.1	54.2	56.3	57.4	56.3	57.4	1.1
	Leasing,Rentals	49.7	52.0	54.2	54.9	55.9	56.9	56.0	56.0	55.2	51.5	52.9	54.5	54.2	▲ 0.3
	Lodging, Hotels	47.4	41.7	43.6	51.9	48.0	46.9	48.7	52.0	51.7	50.6	50.0	45.2	46.6	1.4
	Recreation	38.3	40.0	39.1	39.0	42.2	41.7	42.2	42.5	41.5	39.5	40.9	39.8	40.0	0.2
	Broadcasting	47.2	47.2	46.2	44.4	47.6	47.6	47.4	47.0	39.7	37.2	40.3	42.3	38.5	▲ 3.8
	Maintenance,Guarding,Testing	51.4	51.3	50.3	51.6	50.3	51.5	50.7	51.1	49.9	50.2	48.5	50.5	52.3	1.8
	Advertising	41.9	40.5	43.6	41.8	41.5	46.1	42.3	43.4	44.2	43.0	40.2	41.7	41.4	▲ 0.3
	Information	56.1	57.2	57.9	57.6	58.4	59.4	58.8	58.6	59.4	58.4	58.8	58.7	59.1	0.4
	Labor Dispatching	58.6	57.5	58.2	59.0	57.9	58.6	56.5	57.9	57.8	59.0	59.1	59.3	59.2	▲ 0.1
	Special Services	53.4	53.2	53.3	53.2	55.5	53.4	53.1	54.3	53.6	53.7	54.6	54.8	55.3	0.5
	Medical,Welfare,Public Health	46.1	47.4	44.1	47.9	48.3	47.6	48.6	48.1	48.8	48.0	46.8	46.1	48.2	2.1
	Education	42.5	41.7	41.0	40.5	42.4	45.1	41.7	44.2	42.4	42.8	40.6	42.6	46.5	3.9
	Other	50.5	50.7	50.6	53.9	52.6	51.6	51.3	51.8	50.7	50.8	50.0	51.3	50.2	▲ 1.1
Total		51.1	51.5	51.8	52.5	53.0	53.4	52.7	53.1	52.8	52.1	52.0	52.4	52.8	0.4
Other		42.4	43.6	43.3	47.9	48.2	47.8	47.9	50.8	49.2	50.0	46.3	46.1	45.0	▲ 1.1

		Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Ratio to the PrFDious Month
Hokkaido		48.8	48.6	48.6	48.6	48.4	47.8	45.7	46.6	46.2	45.8	46.5	46.6	47.5	0.9
Tohoku		45.4	45.9	45.9	47.2	47.9	46.9	46.1	46.4	45.7	45.0	44.2	46.8	46.6	▲ 0.2
kitakanto		47.8	49.1	50.2	51.2	52.9	52.3	51.7	51.4	50.7	49.8	49.4	50.6	50.0	▲ 0.6
minamikanto		48.2	49.1	49.7	50.5	51.3	51.8	51.0	51.5	50.7	50.3	50.2	50.3	50.0	▲ 0.3
Hokuriku		48.0	48.8	49.3	49.0	49.9	49.7	47.7	48.5	48.7	48.5	48.7	49.4	49.8	0.4
Tokai		48.8	49.2	50.0	51.2	52.5	52.6	52.5	52.3	51.9	51.9	50.9	51.6	51.8	0.2
Kinki		46.1	46.7	48.0	49.0	50.8	51.1	50.3	50.0	49.7	48.8	48.4	48.6	49.4	0.8
Chugoku		47.7	47.8	48.6	50.1	50.6	50.8	50.1	49.6	48.7	48.7	47.9	47.0	47.1	0.1
Shikoku		46.8	48.5	48.2	48.5	49.0	49.4	48.5	48.4	48.2	47.8	47.2	47.5	47.9	0.4
Kyushu		49.4	49.9	50.5	51.3	51.7	51.7	51.8	51.7	51.4	50.4	49.8	50.9	50.6	▲ 0.3

Appendix

1. Research Subjects (Companies Researched 23,099 ; Valid responses: 9,918 ; Response rate: 42.9%)

Appendix

1. Region

Hokkaido	530	Tokai	1,081
Tohoku	629	Kinki	1,646
kita Kanto	725	Chugoku	566
minamikanto	3,193	Shikoku	286
Hokuriku	558	Kyushu	704
		Total	9,918

2. Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		54
Finance		127
Construction		1,440
Real Estate		290
Manufacturing 3,223	Food, Beverages, Livestock Feed	313
	Textile, Textile Products, Clothing	112
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	217
	Pulp, Paper and Paper Products	97
	Publishing, Printing	173
	Chemical	396
	Steel, Nonferrous Metals, Mining	495
	General Machinery	434
	Electrical Machinery	319
	Transportation Machinery, Equipment	96
Wholesale 3,959	Precision Machinery, Medical Instruments and Equipment	73
	Others	86
	Food, Beverages	345
	Textile, Textile Products, Clothing	178
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	335
	Paper Products, Stationery, Books	103
	Chemical	274
	Recycled Resources	27
	Steel, Nonferrous Metals, Mining Products	319
	Machinery, Equipment	879
Others	335	

Retail 480	Food, Beverages	64
	Textile, Textile Products, Clothing	26
	Drugs, Sundries	23
	Furniture	9
	Electrical Household Appliances, Information Machinery and Equipment	37
	Motor Vehicles, Motor Vehicle Parts	59
	Special Merchandise	128
	Various Merchandise	47
Others	7	
Transportation, Warehousing		433
Service 1,384	Restaurants	42
	Telecommunications	10
	Electricity, Gas, Water, Heat	9
	Leasing, Rentals	112
	Lodging, Hotels	29
	Recreation	55
	Broadcasting	16
	Maintenance, Guarding, Testing	151
	Advertising	101
	Information	422
	Labor Dispatching	58
	Special Services	239
	Medical, Welfare, Public Health	103
Education	24	
Others	154	
Others		43
Total		9,918

3. Size

Large Firms	2,010	20.3%
Small to Medium-sized Firms	7,908	79.7%
micro Firms	2,591	26.1%
Total	9,918	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 August 20– 31 2018

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 ₆	N ₅	N ₄	N ₃	N ₂	N ₁	N ₀

Economic DI

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

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

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.