

## Domestic economy continues on a weakening trend

~ A decline in the manufacturing industry's performance due  
to the slowdown in exports ~

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(Companies researched: 23,059; Valid responses: 9,619; Response rate: 41.7%;  
Survey start date: May 2002)

### < Overview of December 2018: Weak domestic economy >

The economic diffusion index (DI) in December 2018 was 49.4, down 0.1 point from the previous month, and worsened for the first time in two months. Although there was year-end demand, the manpower shortage accelerated and the domestic economy continued on a weakening trend, such as a decline in the manufacturing industry's performance due to the slowdown in exports, etc.

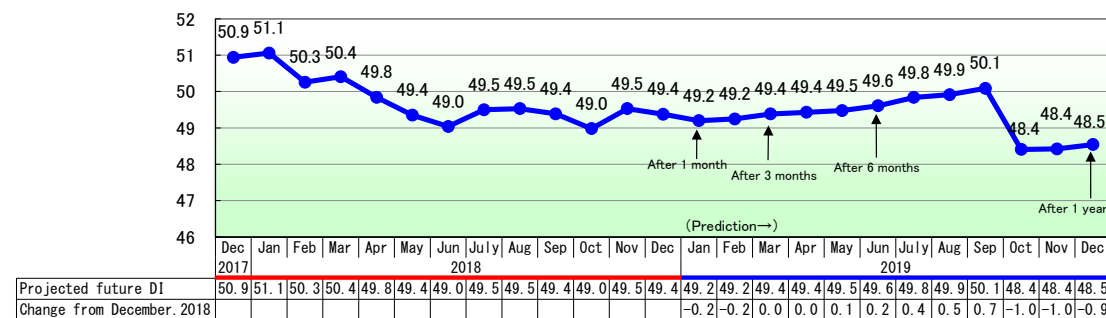
### < Future outlook: Uncertainty has intensified >

While a demand increase due to the hike in the consumption tax and a reactionary decline are expected, there are concerns about the slowdown of external demand in China, etc., and how the US-Japan trade negotiations will progress, so uncertainty has further intensified.

**By industry :** A manpower shortage accelerated due to year-end demand being impacted by the slowdown of external demand.

**By size :** While “SMEs” worsened, “large enterprises” improved for the first time in five months.

**By region :** All ten regions worsened on a year-on-year comparison. Some regions were also impacted by the warm winter.



\*: 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

	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Ratio to the PrFDious Month
Total	50.9	51.1	50.3	50.4	49.8	49.4	49.0	49.5	49.5	49.4	49.0	49.5	49.4	▲ 0.1
Large Firms	53.0	53.2	52.2	52.5	52.2	51.6	51.3	51.8	51.6	51.4	51.4	51.4	51.7	0.3
Small to Medium-sized Firms	50.4	50.5	49.8	49.9	49.3	48.8	48.5	48.9	49.0	48.9	48.4	49.0	48.8	▲ 0.2
Micro Firms	49.8	49.6	49.0	49.2	48.1	48.1	47.6	48.1	48.4	48.4	47.9	48.2	48.2	0.0

	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Ratio to the PrFDious Month	
Agriculture,Forestry,Fisheries	49.2	47.1	45.5	44.4	43.5	44.2	43.3	43.4	45.7	43.8	41.5	40.7	40.7	0.0	
Finance	48.9	49.6	48.0	50.3	49.4	47.8	47.2	49.5	47.5	48.5	46.2	47.1	46.5	▲ 0.6	
Construction	54.2	54.0	53.4	52.9	51.4	51.8	51.9	52.8	53.1	53.8	53.4	53.9	54.1	0.2	
Real Estate	51.3	52.3	52.1	53.1	50.9	51.0	51.1	50.5	51.1	50.7	49.3	49.3	49.7	0.4	
Manufacturing	Food,BEWerages,Livestock Feed	44.8	44.0	43.2	41.9	42.9	43.4	43.2	43.1	42.9	42.0	42.4	43.0	0.6	
	Textile,Textile Products,Clothing	42.0	39.1	41.3	42.4	42.4	42.7	42.8	42.1	41.8	41.9	41.4	41.6	41.3	▲ 0.3
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	48.0	46.8	46.2	46.3	45.7	45.8	45.9	46.6	45.6	45.2	46.1	47.5	48.3	0.8
	Pulp, Paper and Paper Products	48.7	46.6	44.1	45.8	46.3	43.1	45.2	44.5	44.5	45.4	44.3	46.5	49.3	2.8
	Publishing,Printing	35.8	36.4	37.4	37.1	36.2	36.3	33.7	35.0	33.8	34.6	33.2	34.8	35.0	0.2
	Chemical	54.1	53.9	53.2	53.8	52.3	51.8	51.6	52.2	51.3	51.4	50.4	51.4	50.2	▲ 1.2
	Steel,Nonferrous Metals,Mining	56.3	57.6	55.6	55.6	53.7	53.5	53.3	54.1	54.2	52.8	53.0	54.4	52.5	▲ 1.9
	General Machinery	60.8	62.4	62.0	61.2	60.9	60.6	60.3	60.7	59.9	59.1	58.1	57.5	55.9	▲ 1.6
	Electrical Machinery	55.7	56.9	56.5	54.8	54.9	53.4	53.4	52.8	52.0	53.3	52.9	52.5	50.5	▲ 2.0
	Transportation Machinery,Equipment	56.9	57.9	56.6	59.8	57.6	58.4	57.3	56.6	58.7	58.3	56.9	56.4	53.8	▲ 2.6
	Precision Machinery,Medical Instruments and Equipment	54.7	57.4	56.2	54.8	57.5	56.6	57.2	55.1	54.8	54.3	53.7	53.4	54.0	0.6
	Other	42.6	43.4	43.1	43.8	43.2	44.3	42.5	41.5	40.7	42.6	42.8	41.8	42.8	1.0
	Total	52.1	52.6	51.9	51.6	51.0	50.8	50.4	50.6	50.2	50.0	49.5	50.0	49.2	▲ 0.8
Wholesale	Food,BEWerages	43.5	42.9	42.1	43.0	42.9	42.8	42.4	40.9	41.9	41.3	40.6	41.9	41.1	▲ 0.8
	Textile,Textile Products,Clothing	37.4	37.2	35.5	37.2	37.2	36.8	37.3	35.9	37.3	35.1	35.3	33.5	34.3	0.8
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	46.7	46.2	44.9	44.7	45.0	43.3	44.4	44.8	44.2	44.8	43.9	46.9	47.8	0.9
	Paper Products,Stationery,Books	38.4	37.6	34.9	36.8	38.0	37.5	36.2	35.4	36.6	36.9	36.5	38.1	39.3	1.2
	Chemical	50.7	49.7	49.0	49.1	49.1	49.1	46.8	48.9	48.1	47.1	47.0	47.8	47.7	▲ 0.1
	Recycled Resources	58.3	56.2	51.0	51.9	49.5	46.6	50.6	48.2	51.2	47.8	49.4	44.0	47.6	3.6
	Steel,Nonferrous Metals,Mining Products	52.3	53.1	51.9	50.8	49.7	48.2	47.8	48.0	50.3	49.2	49.4	48.8	50.2	1.4
	Machinery,Equipment	52.1	52.3	51.4	51.8	51.1	50.6	50.0	50.9	51.0	50.2	49.6	49.9	50.0	0.1
	Other	43.7	43.9	42.8	43.8	45.4	43.4	43.3	43.2	42.4	42.4	43.4	44.0	43.9	▲ 0.1
	Total	47.9	47.8	46.6	47.1	47.0	46.1	45.7	45.9	46.3	45.6	45.4	46.0	46.3	0.3

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

		Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Ratio to the PrFDious Month
Retail	Food,BE,Werages	45.3	44.1	45.6	46.1	47.4	45.7	45.2	44.5	45.3	45.7	44.4	45.5	42.8	▲ 2.7
	Textile,Textile Products,Clothing	35.6	41.0	38.2	37.3	38.9	36.7	32.1	34.6	32.7	30.6	32.7	31.3	34.0	2.7
	Drugs,Sundries	44.4	46.4	45.7	47.2	44.9	47.1	42.9	41.0	41.3	40.2	38.4	42.4	44.4	2.0
	Furniture	40.7	43.9	35.2	35.0	36.7	35.2	38.3	38.3	37.0	37.0	37.9	37.5	35.4	▲ 2.1
	Electrical Household Appliances, Information Machinery and Equipment	47.7	41.9	40.4	45.7	46.5	40.2	41.9	45.5	43.7	42.8	40.6	39.7	43.1	3.4
	Motor Vehicles,Motor Vehicle Parts	44.2	49.2	47.8	48.3	48.2	43.5	42.9	45.0	43.5	46.1	40.8	41.5	42.2	0.7
	Special Merchandise	41.5	41.9	42.5	42.9	41.0	39.7	39.7	40.7	39.1	39.1	39.7	43.3	43.2	▲ 0.1
	Various Merchandise	46.4	46.9	46.0	47.5	49.6	44.1	44.2	48.2	46.5	43.6	46.4	43.6	44.7	1.1
	Other	50.0	50.0	43.3	41.7	36.1	41.7	33.3	36.1	40.5	38.9	41.7	38.1	35.7	▲ 2.4
Total		43.4	44.3	43.8	44.8	44.6	42.0	41.3	42.7	41.7	41.6	40.9	42.1	42.3	0.2
Transportation,Warehousing		52.5	50.7	49.6	50.5	50.0	49.3	48.7	50.3	50.3	49.5	48.7	50.1	50.5	0.4
Service	Restaurants	44.9	45.2	43.6	44.2	44.7	45.0	42.5	42.7	42.5	39.3	37.0	37.6	40.7	3.1
	Postal,Telecommunications	56.4	56.1	59.1	57.7	56.9	50.0	54.5	55.6	55.0	56.1	59.7	57.1	54.5	▲ 2.6
	Electricity,Gas,Water,Heat	54.2	60.4	58.3	61.1	54.2	56.3	57.4	56.3	57.4	59.3	56.7	57.1	61.9	4.8
	Leasing,Rentals	55.9	56.9	56.0	56.0	55.2	51.5	52.9	54.5	54.2	55.9	56.5	57.1	55.7	▲ 1.4
	Lodging, Hotels	48.0	46.9	48.7	52.0	51.7	50.6	50.0	45.2	46.6	43.6	41.0	45.5	45.7	0.2
	Recreation	42.2	41.7	42.2	42.5	41.5	39.5	40.9	39.8	40.0	39.9	35.5	40.6	39.3	▲ 1.3
	Broadcasting	47.6	47.6	47.4	47.0	39.7	37.2	40.3	42.3	38.5	41.7	40.5	40.0	36.7	▲ 3.3
	Maintenance,Guarding,Testing	50.3	51.5	50.7	51.1	49.9	50.2	48.5	50.5	52.3	51.8	51.4	51.6	50.7	▲ 0.9
	Advertising	41.5	46.1	42.3	43.4	44.2	43.0	40.2	41.7	41.4	42.3	42.3	41.2	41.7	0.5
	Information	58.4	59.4	58.8	58.6	59.4	58.4	58.8	58.7	59.1	59.7	59.8	60.7	59.3	▲ 1.4
	Labor Dispatching	57.9	58.6	56.5	57.9	57.8	59.0	59.1	59.3	59.2	58.0	59.4	58.8	59.0	0.2
	Special Services	55.5	53.4	53.1	54.3	53.6	53.7	54.6	54.8	55.3	53.9	55.0	54.6	53.6	▲ 1.0
	Medical,Welfare,Public Health	48.3	47.6	48.6	48.1	48.8	48.0	46.8	46.1	48.2	48.3	48.8	48.3	47.4	▲ 0.9
	Education	42.4	45.1	41.7	44.2	42.4	42.8	40.6	42.6	46.5	46.4	43.8	43.5	46.2	2.7
	Other	52.6	51.6	51.3	51.8	50.7	50.8	50.0	51.3	50.2	51.6	49.3	49.8	52.0	2.2
Total		53.0	53.4	52.7	53.1	52.8	52.1	52.0	52.4	52.8	52.9	52.9	53.2	52.7	▲ 0.5
Other		48.2	47.8	47.9	50.8	49.2	50.0	46.3	46.1	45.0	46.3	46.2	45.3	46.6	1.3

		Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Ratio to the PrFDious Month
Hokkaido		48.4	47.8	45.7	46.6	46.2	45.8	46.5	46.6	47.5	44.3	43.9	45.2	45.2	0.0
Tohoku		47.9	46.9	46.1	46.4	45.7	45.0	44.2	46.8	46.6	46.4	45.9	46.5	45.4	▲ 1.1
kitakanto		52.9	52.3	51.7	51.4	50.7	49.8	49.4	50.6	50.0	50.0	49.0	48.5	48.5	0.0
minamikanto		51.3	51.8	51.0	51.5	50.7	50.3	50.2	50.3	50.0	50.4	49.8	50.4	50.1	▲ 0.3
Hokuriku		49.9	49.7	47.7	48.5	48.7	48.5	48.7	49.4	49.8	49.3	49.4	49.3	48.6	▲ 0.7
Tokai		52.5	52.6	52.5	52.3	51.9	51.9	50.9	51.6	51.8	51.4	51.3	51.8	51.8	0.0
Kinki		50.8	51.1	50.3	50.0	49.7	48.8	48.4	48.6	49.4	48.9	48.8	49.7	49.7	0.0
Chugoku		50.6	50.8	50.1	49.6	48.7	48.7	47.9	47.0	47.1	48.0	48.6	48.5	48.7	0.2
Shikoku		49.0	49.4	48.5	48.4	48.2	47.8	47.2	47.5	47.9	47.0	47.6	47.2	48.4	1.2
Kyushu		51.7	51.7	51.8	51.7	51.4	50.4	49.8	50.9	50.6	50.8	49.1	50.6	50.7	0.1

## Appendix

### 1. Research Subjects (Companies Researched 23,059 ; Valid responses: 9,619 ; Response rate: 41.7%)

Appendix

#### 1. Region

Hokkaido	512	Tokai	1,074
Tohoku	607	Kinki	1,594
kita Kanto	718	Chugoku	546
minamikanto	3,075	Shikoku	280
Hokuriku	523	Kyushu	690
		<b>Total</b>	<b>9,619</b>

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

Agriculture, Forestry, Fisheries		54
Finance		118
Construction		1,433
Real Estate		286
Manufacturing 3,223	Food, Beverages, Livestock Feed	300
	Textile, Textile Products, Clothing	107
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	207
	Pulp, Paper and Paper Products	94
	Publishing, Printing	170
	Chemical	392
	Steel, Nonferrous Metals, Mining	464
	General Machinery	419
	Electrical Machinery	304
	Transportation Machinery, Equipment	96
	Precision Machinery, Medical Instruments and Equipment	71
Others	83	
Wholesale 3,959	Food, Beverages	333
	Textile, Textile Products, Clothing	173
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	310
	Paper Products, Stationery, Books	90
	Chemical	260
	Recycled Resources	28
	Steel, Nonferrous Metals, Mining Products	281
	Machinery, Equipment	854
	Others	322

Retail 480	Food, Beverages	67
	Textile, Textile Products, Clothing	26
	Drugs, Sundries	21
	Furniture	8
	Electrical Household Appliances, Information Machinery and Equipment	34
	Motor Vehicles, Motor Vehicle Parts	64
	Special Merchandise	128
	Various Merchandise	41
Others	7	
Transportation, Warehousing		417
Service 1,384	Restaurants	43
	Telecommunications	11
	Electricity, Gas, Water, Heat	7
	Leasing, Rentals	108
	Lodging, Hotels	23
	Recreation	53
	Broadcasting	15
	Maintenance, Guarding, Testing	156
	Advertising	92
	Information	425
	Labor Dispatching	52
	Special Services	250
	Medical, Welfare, Public Health	101
Education	26	
Others	156	
Others		39
<b>Total</b>		<b>9,619</b>

#### 3. Size

Large Firms	1,971	20.5%
Small to Medium-sized Firms	7,648	79.5%
micro Firms	2,532	26.3%
<b>Total</b>	<b>9,619</b>	<b>100.0%</b>

## 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 December 14 2018 – January 7 2019

### 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

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

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

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.