

## Domestic economy has worsened for seven months in a row

~ While deterioration in manufacturing continues, last-minute demand appeared in part of the retail industry ~

(Companies researched: 23,632; Valid responses: 9,977; Response rate: 42.2%; Survey start date: May 2002)

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### < Overview of May 2019: Possibility of entering a recession phase >

The economic diffusion index (DI) in June 2019 was 45.1, down 0.3 points from the previous month, and worsened for the seventh consecutive month. Stagnant exports and the cost burden remaining at a high level continued to exert a downward pressure on the domestic economy, and it may have entered a recession phase.

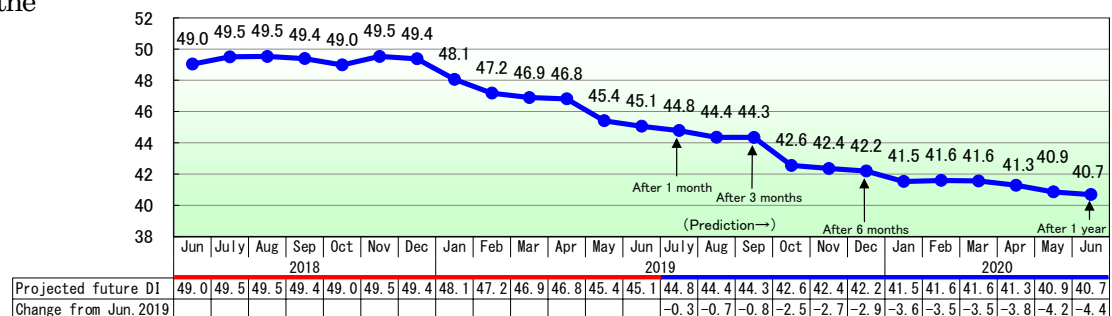
### < Future outlook: Uncertainty has further intensified >

With the decrease in consumption due to the consumption tax hike, and concerns over the future of US-China trade friction, uncertainty about the domestic economy has further intensified.

By industry : Machinery manufacturing continued to show a deteriorating trend. Durable goods-related business in “retail” improved.

By size : All sizes worsened for the third consecutive month. US-China trade friction exerted a downward pressure on machinery and export-related businesses.

By region : Eight of the ten regions worsened. “Kinki” was also impacted by the convening of the G20 summit.



\*: 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

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Ratio to the PrFDious Month
Total	49.0	49.5	49.5	49.4	49.0	49.5	49.4	48.1	47.2	46.9	46.8	45.4	45.1	▲ 0.3
Large Firms	51.3	51.8	51.6	51.4	51.4	51.4	51.7	50.6	49.8	49.8	49.7	48.8	48.7	▲ 0.1
Small to Medium-sized Firms	48.5	48.9	49.0	48.9	48.4	49.0	48.8	47.4	46.5	46.2	46.1	44.6	44.2	▲ 0.4
Micro Firms	47.6	48.1	48.4	48.4	47.9	48.2	48.2	47.0	46.5	46.3	46.2	44.5	44.1	▲ 0.4

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Ratio to the PrFDious Month	
Agriculture,Forestry,Fisheries	43.3	43.4	45.7	43.8	41.5	40.7	40.7	41.8	41.7	42.3	41.3	40.5	43.2	2.7	
Finance	47.2	49.5	47.5	48.5	46.2	47.1	46.5	46.1	45.2	45.9	45.1	44.7	44.8	0.1	
Construction	51.9	52.8	53.1	53.8	53.4	53.9	54.1	53.9	53.6	53.6	52.8	51.7	51.6	▲ 0.1	
Real Estate	51.1	50.5	51.1	50.7	49.3	49.3	49.7	49.1	47.5	47.4	48.7	47.6	48.3	0.7	
Manufacturing	Food,BEWerages,Livestock Feed	43.2	43.1	43.3	42.9	42.0	42.4	43.0	41.6	40.6	40.6	42.2	41.3	40.3	▲ 1.0
	Textile,Textile Products,Clothing	42.8	42.1	41.8	41.9	41.4	41.6	41.3	37.7	38.8	39.2	39.0	36.6	36.5	▲ 0.1
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	45.9	46.6	45.6	45.2	46.1	47.5	48.3	47.1	45.5	44.1	45.7	45.4	43.5	▲ 1.9
	Pulp, Paper and Paper Products	45.2	44.5	44.5	45.4	44.3	46.5	49.3	44.6	45.2	44.1	45.7	43.0	41.7	▲ 1.3
	Publishing,Printing	33.7	35.0	33.8	34.6	33.2	34.8	35.0	33.5	33.2	34.4	35.6	34.3	33.9	▲ 0.4
	Chemical	51.6	52.2	51.3	51.4	50.4	51.4	50.2	48.1	46.3	45.4	46.2	43.9	42.5	▲ 1.4
	Steel,Nonferrous Metals,Mining	53.3	54.1	54.2	52.8	53.0	54.4	52.5	50.4	48.0	45.4	45.5	42.9	41.8	▲ 1.1
	General Machinery	60.3	60.7	59.9	59.1	58.1	57.5	55.9	52.5	51.4	48.9	49.0	46.0	45.1	▲ 0.9
	Electrical Machinery	53.4	52.8	52.0	53.3	52.9	52.5	50.5	49.2	47.6	46.0	44.7	43.1	43.0	▲ 0.1
	Transportation Machinery,Equipment	57.3	56.6	58.7	58.3	56.9	56.4	53.8	52.3	50.9	49.3	49.4	48.1	47.5	▲ 0.6
	Precision Machinery,Medical Instruments and Equipment	57.2	55.1	54.8	54.3	53.7	53.4	54.0	51.3	48.6	45.5	47.3	44.4	42.4	▲ 2.0
Other	42.5	41.5	40.7	42.6	42.8	41.8	42.8	42.7	42.1	45.3	40.2	40.2	40.2	0.0	
Total	50.4	50.6	50.2	50.0	49.5	50.0	49.2	47.1	45.8	44.5	44.8	42.9	42.0	▲ 0.9	
Wholesale	Food,BEWerages	42.4	40.9	41.9	41.3	40.6	41.9	41.1	39.4	40.5	40.5	41.1	40.8	40.4	▲ 0.4
	Textile,Textile Products,Clothing	37.3	35.9	37.3	35.1	35.3	33.5	34.3	34.0	32.0	33.6	33.2	31.6	31.6	▲ 1.6
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	44.4	44.8	44.2	44.8	43.9	46.9	47.8	47.4	46.5	46.4	45.6	44.7	43.8	▲ 0.9
	Paper Products,Stationery,Books	36.2	35.4	36.6	36.9	36.5	38.1	39.3	37.9	36.0	39.0	39.2	39.0	36.4	▲ 2.6
	Chemical	46.8	48.9	48.1	47.1	47.0	47.8	47.7	45.3	44.3	44.3	44.2	41.8	41.2	▲ 0.6
	Recycled Resources	50.6	48.2	51.2	47.8	49.4	44.0	47.6	39.8	45.6	48.6	41.0	40.2	37.1	▲ 3.1
	Steel,Nonferrous Metals,Mining Products	47.8	48.0	50.3	49.2	49.4	48.8	50.2	46.3	45.0	43.7	43.4	40.8	40.4	▲ 0.4
	Machinery,Equipment	50.0	50.9	51.0	50.2	49.6	49.9	50.0	48.4	46.9	46.5	45.9	44.2	44.4	0.2
	Other	43.3	43.2	42.4	42.4	43.4	44.0	43.9	41.9	41.2	42.5	42.7	40.6	40.6	0.0
	Total	45.7	45.9	46.3	45.6	45.4	46.0	46.3	44.4	43.6	43.7	43.3	41.9	41.4	▲ 0.5

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

		Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Ratio to the PrFDious Month
Retail	Food,BEVerages	45.2	44.5	45.3	45.7	44.4	45.5	42.8	43.4	41.5	42.5	42.5	44.8	42.9	▲ 1.9
	Textile,Textile Products,Clothing	32.1	34.6	32.7	30.6	32.7	31.3	34.0	30.9	32.7	38.9	39.1	36.9	36.6	▲ 0.3
	Drugs,Sundries	42.9	41.0	41.3	40.2	38.4	42.4	44.4	44.8	39.7	39.7	40.9	41.0	38.5	▲ 2.5
	Furniture	38.3	38.3	37.0	37.0	37.9	37.5	35.4	38.9	33.3	33.3	38.9	39.6	48.5	8.9
	Electrical Household Appliances, Information Machinery and Equipment	41.9	45.5	43.7	42.8	40.6	39.7	43.1	39.0	40.7	38.9	41.7	39.1	43.5	4.4
	Motor Vehicles,Motor Vehicle Parts	42.9	45.0	43.5	46.1	40.8	41.5	42.2	44.6	44.3	45.2	43.3	41.5	42.5	1.0
	Special Merchandise	39.7	40.7	39.1	39.1	39.7	43.3	43.2	41.9	41.3	40.8	42.1	41.3	41.1	▲ 0.2
	Various Merchandise	44.2	48.2	46.5	43.6	46.4	43.6	44.7	42.9	41.9	43.5	43.3	43.8	44.7	0.9
	Other	33.3	36.1	40.5	38.9	41.7	38.1	35.7	35.7	31.3	33.3	43.8	39.6	46.3	6.7
	Total	41.3	42.7	41.7	41.6	40.9	42.1	42.3	41.6	40.8	41.4	42.1	41.6	42.0	0.4
Transportation,Warehousing		48.7	50.3	50.3	49.5	48.7	50.1	50.5	49.1	48.2	48.1	48.2	46.7	45.6	▲ 1.1
Service	Restaurants	42.5	42.7	42.5	39.3	37.0	37.6	40.7	37.9	41.0	37.8	42.9	40.6	42.9	2.3
	Postal,Telecommunications	54.5	55.6	55.0	56.1	59.7	57.1	54.5	60.0	57.6	62.1	57.6	56.7	60.0	3.3
	Electricity,Gas,Water,Heat	57.4	56.3	57.4	59.3	56.7	57.1	61.9	57.4	57.4	56.3	58.3	55.6	54.5	▲ 1.1
	Leasing,Rentals	52.9	54.5	54.2	55.9	56.5	57.1	55.7	55.0	52.0	52.7	54.1	50.9	52.5	1.6
	Lodging, Hotels	50.0	45.2	46.6	43.6	41.0	45.5	45.7	44.9	44.2	42.3	41.0	50.0	44.9	▲ 5.1
	Recreation	40.9	39.8	40.0	39.9	35.5	40.6	39.3	38.9	37.8	41.0	38.8	42.0	41.5	▲ 0.5
	Broadcasting	40.3	42.3	38.5	41.7	40.5	40.0	36.7	40.5	44.4	43.3	41.7	44.1	43.3	▲ 0.8
	Maintenance,Guarding,Testing	48.5	50.5	52.3	51.8	51.4	51.6	50.7	50.7	51.0	50.0	48.1	48.2	48.8	0.6
	Advertising	40.2	41.7	41.4	42.3	42.3	41.2	41.7	40.4	40.1	40.3	40.7	40.5	40.7	0.2
	Information	58.8	58.7	59.1	59.7	59.8	60.7	59.3	60.1	59.0	60.3	59.6	58.0	57.8	▲ 0.2
	Labor Dispatching	59.1	59.3	59.2	58.0	59.4	58.8	59.0	57.2	54.6	53.8	53.5	53.9	52.8	▲ 1.1
	Special Services	54.6	54.8	55.3	53.9	55.0	54.6	53.6	53.5	52.8	52.5	51.5	49.5	50.1	0.6
	Medical,Welfare,Public Health	46.8	46.1	48.2	48.3	48.8	48.3	47.4	47.5	46.5	47.1	46.9	47.8	47.0	▲ 0.8
	Education	40.6	42.6	46.5	46.4	43.8	43.5	46.2	38.5	44.7	45.8	44.2	43.6	44.0	0.4
	Other	50.0	51.3	50.2	51.6	49.3	49.8	52.0	50.2	49.7	49.0	50.2	47.9	48.5	0.6
Total	52.0	52.4	52.8	52.9	52.9	53.2	52.7	52.4	51.7	51.9	51.6	50.6	50.8	0.2	
Other		46.3	46.1	45.0	46.3	46.2	45.3	46.6	44.1	48.3	45.2	44.9	43.2	42.6	▲ 0.6

		Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Ratio to the PrFDious Month
Hokkaido		46.5	46.6	47.5	44.3	43.9	45.2	45.2	43.9	44.4	44.6	45.5	45.3	45.1	▲ 0.2
Tohoku		44.2	46.8	46.6	46.4	45.9	46.5	45.4	44.4	43.1	42.8	43.1	42.2	41.9	▲ 0.3
kitakanto		49.4	50.6	50.0	50.0	49.0	48.5	48.5	45.8	44.8	44.7	44.3	43.1	42.5	▲ 0.6
minamikanto		50.2	50.3	50.0	50.4	49.8	50.4	50.1	49.0	48.1	47.8	47.7	46.0	46.0	0.0
Hokuriku		48.7	49.4	49.8	49.3	49.4	49.3	48.6	47.7	46.3	45.3	45.3	44.6	44.2	▲ 0.4
Tokai		50.9	51.6	51.8	51.4	51.3	51.8	51.8	50.1	48.6	48.4	48.0	46.8	45.8	▲ 1.0
Kinki		48.4	48.6	49.4	48.9	48.8	49.7	49.7	48.4	47.6	47.3	46.9	45.0	44.6	▲ 0.4
Chugoku		47.9	47.0	47.1	48.0	48.6	48.5	48.7	47.7	47.2	46.7	47.2	45.6	45.5	▲ 0.1
Shikoku		47.2	47.5	47.9	47.0	47.6	47.2	48.4	46.8	47.6	46.8	46.9	46.7	44.8	▲ 1.9
Kyushu		49.8	50.9	50.6	50.8	49.1	50.6	50.7	49.7	48.5	48.6	48.3	46.9	47.0	0.1

## Appendix

### 1. Research Subjects (Companies researched: 23,632; Valid responses: 9,977; Response rate: 42.2%)

Appendix

#### 1. Region

Hokkaido	499	Tokai	1,114
Tohoku	658	Kinki	1,666
kitaKanto	737	Chugoku	545
minamikanto	3,194	Shikoku	299
Hokuriku	547	Kyushu	718
		<b>Total</b>	<b>9,977</b>

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

Agriculture, Forestry, Fisheries		54
Finance		112
Construction		1,498
Real Estate		308
Manufacturing 3,223	Food, Beverages, Livestock Feed	317
	Textile, Textile Products, Clothing	104
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	212
	Pulp, Paper and Paper Products	101
	Publishing, Printing	182
	Chemical	390
	Steel, Nonferrous Metals, Mining	486
	General Machinery	449
	Electrical Machinery	313
	Transportation Machinery, Equipment	99
	Precision Machinery, Medical Instruments and Equipment	85
Others	88	
Wholesale 3,959	Food, Beverages	332
	Textile, Textile Products, Clothing	177
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	318
	Paper Products, Stationery, Books	92
	Chemical	263
	Recycled Resources	31
	Steel, Nonferrous Metals, Mining Products	292
	Machinery, Equipment	875
	Others	332

Retail 480	Food, Beverages	68
	Textile, Textile Products, Clothing	31
	Drugs, Sundries	26
	Furniture	11
	Electrical Household Appliances, Information Machinery and Equipment	36
	Motor Vehicles, Motor Vehicle Parts	69
	Special Merchandise	128
	Various Merchandise	44
	Others	9
Transportation, Warehousing		433
Service 1,384	Restaurants	42
	Telecommunications	10
	Electricity, Gas, Water, Heat	11
	Leasing, Rentals	114
	Lodging, Hotels	26
	Recreation	59
	Broadcasting	15
	Maintenance, Guarding, Testing	159
	Advertising	100
	Information	443
	Labor Dispatching	53
	Special Services	249
	Medical, Welfare, Public Health	105
Education	25	
Others	165	
Others		36
<b>Total</b>		<b>9,977</b>

#### 3. Size

Large Firms	1,914	19.2%
Small to Medium-sized Firms	8,063	80.8%
micro Firms	2,713	27.2%
<b>Total</b>	<b>9,977</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 June 17 – 31 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.