

## Significant deterioration in the retail industry due to consumption tax rate increase

~ Typhoons also put downward pressure  
on the domestic economy ~

(Companies researched: 23,731; Valid responses: 10,113; Response rate: 42.6%;  
Survey start date: May 2002)

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

The economic diffusion index (DI) in October 2019 was 43.9, down 1.1 points from the previous month, and the first worsening in three months. While the possibility of entering a recession phase continued in the domestic economy due to sluggish capital spending and a consumption tax rate increase, damage caused by typhoons also had an adverse effect.

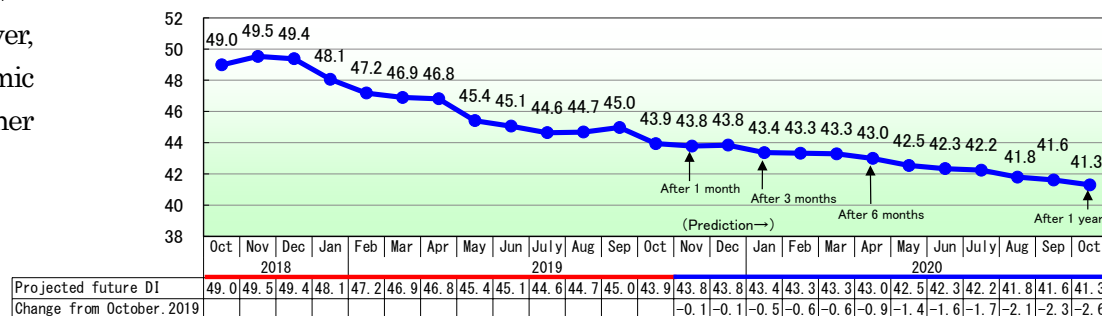
### < Future outlook: Uncertainty will further intensify, due to many downside factors >

Consumption trends are key for the future domestic economy. Moreover, there are many causes of concern, such as trade friction and global economic slowdown. Uncertainty about the domestic economy has been further intensifying.

**By industry :** Eight of the ten industries deteriorated. The consumption tax rate increase and typhoons had an impact.

**By size :** All sizes deteriorated. The consumption tax rate increase and typhoon damage exerted downward pressure.

**By region :** Nine of the ten regions deteriorated. Deterioration stood out in urban regions which have a large consumption area.



\*: 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-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Ratio to tHF PrFDious Month
Total	49.5	49.4	49.0	49.5	49.4	48.1	47.2	46.9	46.8	45.4	45.1	44.6	44.7	45.0	43.9	▲ 1.1
Large Firms	51.6	51.4	51.4	51.4	51.7	50.6	49.8	49.8	49.7	48.8	48.7	47.7	47.9	48.0	47.1	▲ 0.9
Small to Medium-sized Firms	49.0	48.9	48.4	49.0	48.8	47.4	46.5	46.2	46.1	44.6	44.2	43.9	43.9	44.2	43.2	▲ 1.0
Micro Firms	48.4	48.4	47.9	48.2	48.2	47.0	46.5	46.3	46.2	44.5	44.1	43.8	44.2	45.1	43.9	▲ 1.2

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Ratio to tHF PrFDious Month	
Agriculture,Forestry,Fisheries	45.7	43.8	41.5	40.7	40.7	41.8	41.7	42.3	41.3	40.5	43.2	39.1	41.5	41.8	42.3	0.5	
Finance	47.5	48.5	46.2	47.1	46.5	46.1	45.2	45.9	45.1	44.7	44.8	45.1	44.7	45.8	45.4	▲ 0.4	
Construction	53.1	53.8	53.4	53.9	54.1	53.9	53.6	53.6	52.8	51.7	51.6	51.7	52.1	53.1	52.1	▲ 1.0	
Real Estate	51.1	50.7	49.3	49.3	49.7	49.1	47.5	47.4	48.7	47.6	48.3	47.4	46.5	48.0	45.9	▲ 2.1	
Manufacturing	Food,BEWerages,Livestock Feed	43.3	42.9	42.0	42.4	43.0	41.6	40.6	40.6	42.2	41.3	40.3	40.4	41.1	39.8	39.1	▲ 0.7
	Textile,Textile Products,Clothing	41.8	41.9	41.4	41.6	41.3	37.7	38.8	39.2	39.0	36.6	36.5	36.4	36.9	36.3	36.1	▲ 0.2
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	45.6	45.2	46.1	47.5	48.3	47.1	45.5	44.1	45.7	45.4	43.5	43.8	45.2	44.1	44.8	0.7
	Pulp, Paper and Paper Products	44.5	45.4	44.3	46.5	49.3	44.6	45.2	44.1	45.7	43.0	41.7	39.6	42.3	42.8	40.2	▲ 2.6
	Publishing,Printing	33.8	34.6	33.2	34.8	35.0	33.5	33.2	34.4	35.6	34.3	33.9	32.5	33.1	34.1	33.0	▲ 1.1
	Chemical	51.3	51.4	50.4	51.4	50.2	48.1	46.3	45.4	46.2	43.9	42.5	41.9	41.8	41.0	41.2	0.2
	Steel,Nonferrous Metals,Mining	54.2	52.8	53.0	54.4	52.5	50.4	48.0	45.4	45.5	42.9	41.8	41.5	41.2	40.4	39.8	▲ 0.6
	General Machinery	59.9	59.1	58.1	57.5	55.9	52.5	51.4	48.9	49.0	46.0	45.1	44.0	41.5	41.1	40.8	▲ 0.3
	Electrical Machinery	52.0	53.3	52.9	52.5	50.5	49.2	47.6	46.0	44.7	43.1	43.0	42.8	43.9	41.2	42.2	1.0
	Transportation Machinery,Equipment	58.7	58.3	56.9	56.4	53.8	52.3	50.9	49.3	49.4	48.1	47.5	46.4	43.4	42.3	43.5	1.2
	Precision Machinery, Medical Instruments and Equipment	54.8	54.3	53.7	53.4	54.0	51.3	48.6	45.5	47.3	44.4	42.4	43.9	43.4	42.0	41.3	▲ 0.7
	Other	40.7	42.6	42.8	41.8	42.8	42.7	42.1	45.3	40.2	40.2	40.2	38.0	40.7	41.8	37.4	▲ 4.4
	Total	50.2	50.0	49.5	50.0	49.2	47.1	45.8	44.5	44.8	42.9	42.0	41.5	41.4	40.6	40.3	▲ 0.3
Wholesale	Food,BEWerages	41.9	41.3	40.6	41.9	41.1	39.4	40.5	40.5	41.1	40.8	40.4	38.8	39.0	38.8	38.1	▲ 0.7
	Textile,Textile Products,Clothing	37.3	35.1	35.3	33.5	34.3	34.0	32.0	33.6	33.2	33.2	31.6	29.8	30.8	31.6	28.8	▲ 2.8
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	44.2	44.8	43.9	46.9	47.8	47.4	46.5	46.4	45.6	44.7	43.8	44.7	44.6	46.0	45.1	▲ 0.9
	Paper Products,Stationery,Books	36.6	36.9	36.5	38.1	39.3	37.9	36.0	39.0	39.2	39.0	36.4	37.0	37.1	38.0	37.7	▲ 0.3
	Chemical	48.1	47.1	47.0	47.8	47.7	45.3	44.3	44.3	44.2	41.8	41.2	42.7	42.0	42.7	41.0	▲ 1.7
	Recycled Resources	51.2	47.8	49.4	44.0	47.6	39.8	45.6	48.6	41.0	40.2	37.1	32.8	32.8	30.6	34.8	4.2
	Steel,Nonferrous Metals, Mining Products	50.3	49.2	49.4	48.8	50.2	46.3	45.0	43.7	43.4	40.8	40.4	39.0	38.8	37.6	38.0	0.4
	Machinery,Equipment	51.0	50.2	49.6	49.9	50.0	48.4	46.9	46.5	45.9	44.2	44.4	43.8	43.3	44.6	42.7	▲ 1.9
	Other	42.4	42.4	43.4	44.0	43.9	41.9	41.2	42.5	42.7	40.6	40.6	40.2	40.2	40.7	37.9	▲ 2.8
	Total	46.3	45.6	45.4	46.0	46.3	44.4	43.6	43.7	43.3	41.9	41.4	41.0	40.8	41.4	39.9	▲ 1.5

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

		Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Ratio to tHF PrFDious Month
Retail	Food,BEWerages	45.3	45.7	44.4	45.5	42.8	43.4	41.5	42.5	42.5	44.8	42.9	41.5	41.3	41.8	40.5	▲ 1.3
	Textile,Textile Products,Clothing	32.7	30.6	32.7	31.3	34.0	30.9	32.7	38.9	39.1	36.9	36.6	34.6	36.5	37.9	32.7	▲ 5.2
	Drugs,Sundries	41.3	40.2	38.4	42.4	44.4	44.8	39.7	39.7	40.9	41.0	38.5	40.0	37.7	40.6	35.8	▲ 4.8
	Furniture	37.0	37.0	37.9	37.5	35.4	38.9	33.3	33.3	38.9	39.6	48.5	40.9	45.0	53.0	33.3	▲ 19.7
	Electrical Household Appliances, Information Machinery and Equipment	43.7	42.8	40.6	39.7	43.1	39.0	40.7	38.9	41.7	39.1	43.5	34.3	38.9	45.0	34.3	▲ 10.7
	Motor Vehicles,Motor Vehicle Parts	43.5	46.1	40.8	41.5	42.2	44.6	44.3	45.2	43.3	41.5	42.5	39.2	41.1	41.4	34.5	▲ 6.9
	Special Merchandise	39.1	39.1	39.7	43.3	43.2	41.9	41.3	40.8	42.1	41.3	41.1	40.6	40.7	43.5	38.2	▲ 5.3
	Various Merchandise	46.5	43.6	46.4	43.6	44.7	42.9	41.9	43.5	43.3	43.8	44.7	39.3	38.9	43.1	36.5	▲ 6.6
	Other	40.5	38.9	41.7	38.1	35.7	35.7	31.3	33.3	43.8	39.6	46.3	41.7	41.7	40.5	48.1	7.6
	Total	41.7	41.6	40.9	42.1	42.3	41.6	40.8	41.4	42.1	41.6	42.0	39.5	40.2	42.6	37.0	▲ 5.6
Transportation,Warehousing		50.3	49.5	48.7	50.1	50.5	49.1	48.2	48.1	48.2	46.7	45.6	44.5	45.5	46.0	44.9	▲ 1.1
Service	Restaurants	42.5	39.3	37.0	37.6	40.7	37.9	41.0	37.8	42.9	40.6	42.9	39.6	38.1	43.6	37.3	▲ 6.3
	Postal,Telecommunications	55.0	56.1	59.7	57.1	54.5	60.0	57.6	62.1	57.6	56.7	60.0	58.3	60.6	56.9	56.1	▲ 0.8
	Electricity,Gas,Water,Heat	57.4	59.3	56.7	57.1	61.9	57.4	57.4	56.3	58.3	55.6	54.5	54.2	52.6	51.3	51.2	▲ 0.1
	Leasing,Rentals	54.2	55.9	56.5	57.1	55.7	55.0	52.0	52.7	54.1	50.9	52.5	51.8	51.7	53.5	54.5	1.0
	Lodging, Hotels	46.6	43.6	41.0	45.5	45.7	44.9	44.2	42.3	41.0	50.0	44.9	40.3	39.9	47.2	41.3	▲ 5.9
	Recreation	40.0	39.9	35.5	40.6	39.3	38.9	37.8	41.0	38.8	42.0	41.5	41.8	40.9	38.7	38.2	▲ 0.5
	Broadcasting	38.5	41.7	40.5	40.0	36.7	40.5	44.4	43.3	41.7	44.1	43.3	41.1	45.2	43.1	42.9	▲ 0.2
	Maintenance,Guarding,Testing	52.3	51.8	51.4	51.6	50.7	50.7	51.0	50.0	48.1	48.2	48.8	49.3	49.8	48.6	49.1	0.5
	Advertising	41.4	42.3	42.3	41.2	41.7	40.4	40.1	40.3	40.7	40.5	40.7	40.4	38.9	40.3	40.4	0.1
	Information	59.1	59.7	59.8	60.7	59.3	60.1	59.0	60.3	59.6	58.0	57.8	58.5	58.7	57.7	57.4	▲ 0.3
	Labor Dispatching	59.2	58.0	59.4	58.8	59.0	57.2	54.6	53.8	53.5	53.9	52.8	52.7	51.0	53.2	53.3	0.1
	Special Services	55.3	53.9	55.0	54.6	53.6	53.5	52.8	52.5	51.5	49.5	50.1	49.9	51.1	51.8	51.5	▲ 0.3
	Medical,Welfare,Public Health	48.2	48.3	48.8	48.3	47.4	47.5	46.5	47.1	46.9	47.8	47.0	48.7	46.5	47.3	46.5	▲ 0.8
	Education	46.5	46.4	43.8	43.5	46.2	38.5	44.7	45.8	44.2	43.6	44.0	41.1	39.5	40.0	42.4	2.4
	Other	50.2	51.6	49.3	49.8	52.0	50.2	49.7	49.0	50.2	47.9	48.5	47.9	48.3	48.4	47.9	▲ 0.5
	Total	52.8	52.9	52.9	53.2	52.7	52.4	51.7	51.9	51.6	50.6	50.8	50.8	50.7	51.0	50.6	▲ 0.4
Other	45.0	46.3	46.2	45.3	46.6	44.1	48.3	45.2	44.9	43.2	42.6	44.1	43.2	42.1	43.1	1.0	

		Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Ratio to tHF PrFDious Month
Hokkaido		47.5	44.3	43.9	45.2	45.2	43.9	44.4	44.6	45.5	45.3	45.1	45.7	46.4	46.6	45.7	▲ 0.9
Tohoku		46.6	46.4	45.9	46.5	45.4	44.4	43.1	42.8	43.1	42.2	41.9	41.7	41.7	43.2	41.9	▲ 1.3
kitakanto		50.0	50.0	49.0	48.5	48.5	45.8	44.8	44.7	44.3	43.1	42.5	42.5	42.6	42.2	40.9	▲ 1.3
minamikanto		50.0	50.4	49.8	50.4	50.1	49.0	48.1	47.8	47.7	46.0	46.0	45.5	45.7	46.1	45.5	▲ 0.6
Hokuriku		49.8	49.3	49.4	49.3	48.6	47.7	46.3	45.3	45.3	44.6	44.2	43.5	44.1	43.5	42.1	▲ 1.4
Tokai		51.8	51.4	51.3	51.8	51.8	50.1	48.6	48.4	48.0	46.8	45.8	44.7	45.0	45.2	43.6	▲ 1.6
Kinki		49.4	48.9	48.8	49.7	49.7	48.4	47.6	47.3	46.9	45.0	44.6	44.0	43.8	43.9	42.2	▲ 1.7
Chugoku		47.1	48.0	48.6	48.5	48.7	47.7	47.2	46.7	47.2	45.6	45.5	45.0	44.8	45.0	44.0	▲ 1.0
Shikoku		47.9	47.0	47.6	47.2	48.4	46.8	47.6	46.8	46.9	46.7	44.8	43.1	43.8	43.9	44.4	0.5
Kyushu		50.6	50.8	49.1	50.6	50.7	49.7	48.5	48.6	48.3	46.9	47.0	47.6	46.3	47.1	46.5	▲ 0.6

## Appendix

### 1. Research Subjects (Companies researched: 23,731; Valid responses: 10,113; Response rate: 42.6%)

Appendix

#### 1. Region

Hokkaido	510	Tokai	1,130
Tohoku	635	Kinki	1,693
kitaKanto	743	Chugoku	572
minamikanto	3,281	Shikoku	300
Hokuriku	544	Kyushu	705
		<b>Total</b>	<b>10,113</b>

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

Agriculture, Forestry, Fisheries		52
Finance		113
Construction		1,556
Real Estate		308
Manufacturing 3,223	Food, Beverages, Livestock Feed	313
	Textile, Textile Products, Clothing	103
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	226
	Pulp, Paper and Paper Products	97
	Publishing, Printing	183
	Chemical	400
	Steel, Nonferrous Metals, Mining	494
	General Machinery	466
	Electrical Machinery	314
	Transportation Machinery, Equipment	97
Wholesale 3,959	Precision Machinery, Medical Instruments and Equipment	75
	Others	81
	Food, Beverages	344
	Textile, Textile Products, Clothing	185
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	326
	Paper Products, Stationery, Books	91
	Chemical	262
	Recycled Resources	35
	Steel, Nonferrous Metals, Mining Products	299
	Machinery, Equipment	883
Others	339	

Retail 480	Food, Beverages	63
	Textile, Textile Products, Clothing	26
	Drugs, Sundries	20
	Furniture	11
	Electrical Household Appliances, Information Machinery and Equipment	33
	Motor Vehicles, Motor Vehicle Parts	70
	Special Merchandise	134
	Various Merchandise	48
Others		9
Transportation, Warehousing		436
Service 1,384	Restaurants	46
	Telecommunications	11
	Electricity, Gas, Water, Heat	14
	Leasing, Rentals	114
	Lodging, Hotels	23
	Recreation	58
	Broadcasting	14
	Maintenance, Guarding, Testing	153
	Advertising	94
	Information	437
	Labor Dispatching	61
	Special Services	263
	Medical, Welfare, Public Health	104
Education	22	
Others		171
Others		36
<b>Total</b>		<b>10,113</b>

#### 3. Size

Large Firms	1,996	19.7%
Small to Medium-sized Firms	8,117	80.3%
micro Firms	2,731	27.0%
<b>Total</b>	<b>10,113</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 October 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

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

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

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.