

Domestic economy has worsened for eight months in a row

~ Downturn in overseas economies,
further worsened due to unstable weather ~

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(Companies researched: 23,650; Valid responses: 10,091; Response rate: 42.7%;
Survey start date: May 2002)

< Overview of July 2019: Possibility of entering a recession phase >

The economic diffusion index (DI) in July 2019 was 44.6, down 0.5 points from the previous month, and worsened for the eighth consecutive month. Amid the continuing deterioration in the manufacturing industry and declining capital investment incentives, as well as the impact of unstable weather, the possibility of entering a recession phase has increased.

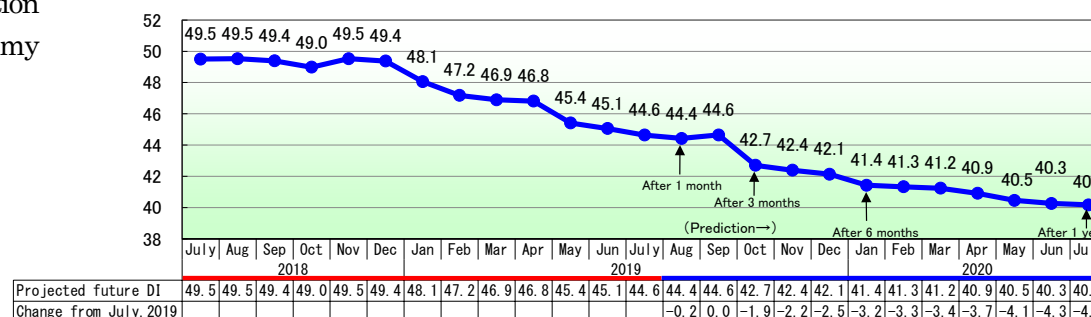
< Future outlook: Uncertainty has further intensified >

There are concerns over the impact of US-Japan trade talks and the interest-rate cut by the Federal Reserve Board, besides the decrease in consumption due to the consumption tax hike, and uncertainty about the domestic economy has further intensified.

By industry : Six of the ten industries worsened. Adversely affected by unstable weather and export deceleration.

By size : All sizes worsened for the fourth consecutive month. Economic deceleration overseas and unstable weather exerted downward pressure.

By region : Seven of the ten regions worsened. Capital investment incentives declined in nine regions.



*: 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	Jul-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	44.6	▲ 0.5
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	47.7	▲ 1.0
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	43.9	▲ 0.3
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	43.8	▲ 0.3

	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	Jul-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	39.1	▲ 4.1
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	45.1	0.3
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	51.7	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	47.4	▲ 0.9
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	0.1
	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	43.8	0.3
	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	▲ 2.1
	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	▲ 1.4
	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	▲ 0.6
	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	▲ 0.3
	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	▲ 1.1
	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	▲ 0.2
	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	▲ 1.1
	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	1.5
	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	38.0	▲ 2.2
	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	▲ 0.5
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	▲ 1.6
	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	33.2	31.6	▲ 1.8
	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	0.6
	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	1.5
	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	▲ 4.3
	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	▲ 1.4
	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	▲ 0.6
	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	▲ 0.4
	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	▲ 0.4

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	Jul-19	Ratio to the PrFDious Month
Retail	Food,BEWerages	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	41.5	▲ 1.4
	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	34.6	▲ 2.0
	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	40.0	1.5
	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	40.9	▲ 7.6
	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	34.3	▲ 9.2
	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	39.2	▲ 3.3
	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	40.6	▲ 0.5
	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	39.3	▲ 5.4
	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	41.7	▲ 4.6
	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	39.5	▲ 2.5
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	44.5	▲ 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	39.6	▲ 3.3
	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	58.3	▲ 1.7
	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	54.2	▲ 0.3
	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	51.8	▲ 0.7
	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	40.3	▲ 4.6
	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	41.8	0.3
	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	41.1	▲ 2.2
	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	49.3	0.5
	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	40.4	▲ 0.3
	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	58.5	0.7
	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	52.7	▲ 0.1
	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	49.9	▲ 0.2
	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	48.7	1.7
	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	41.1	▲ 2.9
	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	47.9	▲ 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	50.8	0.0
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	44.1	1.5

		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	Jul-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	45.7	0.6
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	41.7	▲ 0.2
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	42.5	0.0
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	45.5	▲ 0.5
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	43.5	▲ 0.7
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	44.7	▲ 1.1
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	44.0	▲ 0.6
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	45.0	▲ 0.5
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	43.1	▲ 1.7
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	47.6	0.6

Appendix

1. Research Subjects (Companies researched: 23,650; Valid responses: 10,091; Response rate: 42.7%)

Appendix

1. Region

Hokkaido	497	Tokai	1,123
Tohoku	648	Kinki	1,668
kitaKanto	774	Chugoku	542
minamikanto	3,238	Shikoku	294
Hokuriku	578	Kyushu	729
Total		10,091	

2. Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		58
Finance		115
Construction		1,531
Real Estate		309
Manufacturing 3,223	Food, Beverages, Livestock Feed	319
	Textile, Textile Products, Clothing	99
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	224
	Pulp, Paper and Paper Products	106
	Publishing, Printing	172
	Chemical	407
	Steel, Nonferrous Metals, Mining	484
	General Machinery	450
	Electrical Machinery	311
	Transportation Machinery, Equipment	96
	Precision Machinery, Medical Instruments and Equipment	76
	Others	85
Wholesale 3,959	Food, Beverages	349
	Textile, Textile Products, Clothing	176
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	315
	Paper Products, Stationery, Books	91
	Chemical	269
	Recycled Resources	33
	Steel, Nonferrous Metals, Mining Products	303
	Machinery, Equipment	901
	Others	334

Retail 480	Food, Beverages	69
	Textile, Textile Products, Clothing	26
	Drugs, Sundries	25
	Furniture	11
	Electrical Household Appliances, Information Machinery and Equipment	33
	Motor Vehicles, Motor Vehicle Parts	71
	Special Merchandise	124
	Various Merchandise	45
	Others	6
Transportation, Warehousing		425
Service 1,384	Restaurants	45
	Telecommunications	12
	Electricity, Gas, Water, Heat	12
	Leasing, Rentals	114
	Lodging, Hotels	24
	Recreation	57
	Broadcasting	15
	Maintenance, Guarding, Testing	162
	Advertising	94
	Information	456
	Labor Dispatching	55
	Special Services	262
	Medical, Welfare, Public Health	105
	Education	30
	Others	163
Others		37
Total		10,091

3. Size

Large Firms	1,981	19.6%
Small to Medium-sized Firms	8,110	80.4%
micro Firms	2,696	26.7%
Total	10,091	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 July 18 – 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 ₆	N ₅	N ₄	N ₃	N ₂	N ₁	N ₀

Economic DI

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

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

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.