

**Domestic economy deteriorates for second straight month while cost burden increases**

~ Reflects rising living costs, lackluster production and shipments, and economic uncertainty overseas ~

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(Companies researched: 27,362; Valid responses: 11,719; Response rate: 42.8%; Survey start date: May 2002)

**< Trends in January 2023: Deterioration continues >**

The economic diffusion index (DI) in January 2023 was 42.1, down 0.9 point from the previous month, for a second straight month of deterioration. In addition to rising living costs, lackluster production and shipments owing to a reduction in the operation rate of facilities have caused the domestic economy to decline for a second straight month.

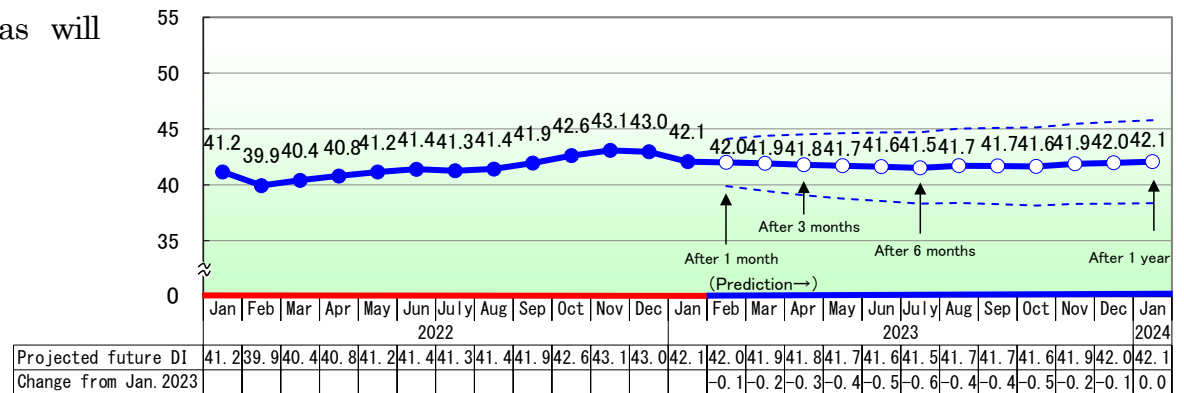
**< Future outlook: Continued tendency to level off >**

Although uncertainty about economic conditions overseas will heighten, the economy is expected to generally level off.

**By industry: Downturn in 7 industries, 37 business categories. The cost of raw materials and the jump in electric bills are a heavy burden on corporate activity**

**By size: Large corporations are leveling off, but small- and medium-sized companies had a second straight month of decline**

**By region: Worsened in all 10 regions for the first time in 11 months. Regional disparities are tending to expand**



\*: The economic forecast DI is calculated using the Forecast Combination method of the results of the ARIMA model and the structural equation model.

## Economic Diffusion Index (Economic DI)1/2

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Ratio to the Previous Month
Total	41.2	39.9	40.4	40.8	41.2	41.4	41.3	41.4	41.9	42.6	43.1	43.0	42.1	▲ 0.9
Large Firms	44.0	42.9	43.4	43.1	43.5	43.5	43.4	43.8	43.6	44.2	45.0	44.8	44.8	0.0
Small to Medium-sized Firms	40.6	39.3	39.8	40.3	40.7	41.0	40.8	41.0	41.6	42.3	42.7	42.6	41.6	▲ 1.0
Micro Firms	39.1	37.9	38.4	38.9	39.5	40.0	39.7	39.8	40.7	41.1	41.4	41.3	40.4	▲ 0.9

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Ratio to the Previous Month	
Agriculture,Forestry,Fisheries	38.7	36.4	34.8	35.0	37.6	34.7	36.3	35.9	35.8	36.4	37.7	37.9	37.4	▲ 0.5	
Finance	41.9	41.6	42.5	41.1	42.7	42.3	41.9	41.7	43.6	43.2	44.5	44.3	44.8	0.5	
Construction	43.3	42.5	42.8	41.8	42.2	42.5	43.1	43.3	44.0	44.2	44.9	44.6	44.1	▲ 0.5	
Real Estate	42.9	42.6	42.8	43.2	44.7	45.9	44.7	44.8	45.3	44.0	45.6	44.8	46.1	1.3	
Manufacturing	Food,BEWerages,Livestock Feed	35.4	33.4	34.2	36.4	37.6	37.8	36.7	36.1	35.5	38.2	38.8	38.3	38.1	▲ 0.2
	Textile,Textile Products,Clothing	31.6	31.7	33.0	34.6	33.8	34.4	36.1	32.6	36.2	35.7	36.5	37.9	37.7	▲ 0.2
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	44.1	42.7	41.1	41.7	41.1	40.4	40.8	39.8	40.2	40.9	41.9	41.0	38.0	▲ 3.0
	Pulp, Paper and Paper Products	40.2	36.4	37.2	40.3	38.3	37.4	37.5	36.6	38.0	40.4	40.2	39.2	39.8	0.6
	Publishing,Printing	28.6	29.5	29.6	30.7	30.3	29.7	29.1	29.6	30.0	31.8	32.9	32.4	31.7	▲ 0.7
	Chemical	44.5	42.3	42.7	42.3	41.7	41.1	41.8	42.6	42.3	40.8	40.8	41.5	40.3	▲ 1.2
	Steel,Nonferrous Metals,Mining	44.6	43.8	42.6	42.1	40.9	41.2	42.9	42.7	43.0	43.9	43.6	43.1	41.7	▲ 1.4
	General Machinery	47.7	46.7	46.7	45.9	46.9	46.3	46.3	46.2	45.4	45.8	45.9	44.9	43.3	▲ 1.6
	Electrical Machinery	46.6	46.1	44.3	44.8	44.3	44.8	44.7	44.2	45.2	44.8	45.4	44.5	43.3	▲ 1.2
	Transportation Machinery,Equipment	41.6	39.9	40.0	38.1	37.6	36.8	40.3	41.2	40.2	42.2	42.1	41.0	38.7	▲ 2.3
	Precision Machinery, Medical Instruments and Equipment	52.0	49.5	47.1	46.8	48.2	48.8	48.5	46.5	46.2	46.1	46.1	46.3	46.5	0.2
Other	35.9	36.1	35.4	37.3	39.2	38.1	37.8	38.2	37.5	35.4	35.9	37.0	39.1	2.1	
Total	42.5	41.2	40.9	41.2	41.0	40.8	41.3	41.0	41.1	41.6	41.9	41.5	40.4	▲ 1.1	
Wholesale	Food,BEWerages	32.7	30.1	32.6	36.2	37.3	37.1	37.0	35.6	35.8	37.4	38.8	38.2	37.5	▲ 0.7
	Textile,Textile Products,Clothing	27.6	24.9	25.4	28.7	31.4	31.3	29.9	29.9	29.9	32.4	33.1	34.0	34.7	0.7
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	40.0	39.7	40.5	38.6	38.1	38.3	38.6	38.5	37.5	39.8	39.5	40.2	38.3	▲ 1.9
	Paper Products,Stationery,Books	32.7	31.9	34.6	33.8	34.2	32.8	33.0	33.5	34.5	37.1	37.0	33.8	34.8	1.0
	Chemical	43.2	41.9	43.5	42.3	42.3	41.6	43.5	43.0	43.4	42.6	43.8	43.5	42.8	▲ 0.7
	Recycled Resources	45.8	50.5	53.2	54.0	47.5	41.4	40.9	39.6	47.0	46.3	43.5	46.2	43.3	▲ 2.9
	Steel,Nonferrous Metals,Mining Products	42.3	40.5	41.1	40.3	40.0	39.7	39.3	39.3	39.8	39.7	40.2	39.9	38.5	▲ 1.4
	Machinery,Equipment	42.8	42.4	41.9	42.5	42.0	42.9	43.1	42.6	43.3	44.1	44.1	43.8	43.0	▲ 0.8
Other	36.3	33.7	35.5	37.3	37.8	38.1	37.7	37.7	38.2	39.0	39.6	40.9	40.0	▲ 0.9	
Total	39.0	37.7	38.6	39.2	39.4	39.4	39.5	39.2	39.6	40.6	41.0	41.0	40.1	▲ 0.9	

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

		Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Ratio to the Previous Month
Retail	Food,BEWerages	36.5	36.3	38.6	37.7	41.8	42.7	40.3	39.9	40.2	39.6	43.2	42.2	42.3	0.1
	Textile,Textile Products,Clothing	31.8	23.8	30.6	33.6	33.9	33.6	37.7	33.6	34.9	38.7	38.1	35.4	34.2	▲ 1.2
	Drugs,Sundries	36.0	32.1	36.8	32.1	38.9	40.1	37.1	41.9	39.5	38.9	40.6	39.0	37.2	▲ 1.8
	Furniture	35.6	29.8	30.6	39.2	34.3	39.8	35.2	36.1	40.0	37.8	36.2	31.0	34.2	3.2
	Electrical Household Appliances, Information Machinery and Equipment	32.3	30.2	33.0	33.7	34.7	34.0	36.7	32.7	37.1	35.1	35.3	37.2	36.3	▲ 0.9
	Motor Vehicles, Motor Vehicle Parts	35.0	33.5	34.7	35.1	37.1	36.4	32.4	35.9	38.8	37.6	37.2	35.3	38.2	2.9
	Special Merchandise	33.3	30.9	29.9	31.3	33.1	34.3	33.2	34.7	34.0	33.5	35.4	34.8	34.4	▲ 0.4
	Various Merchandise	36.2	32.6	34.0	36.4	39.9	37.8	40.2	38.0	36.1	41.3	41.4	42.6	42.5	▲ 0.1
	Other	40.0	40.0	43.9	34.7	41.0	39.7	36.9	42.3	32.1	36.5	44.9	41.1	42.3	1.2
	Total	34.4	31.9	33.3	34.0	36.4	36.7	35.7	36.3	36.7	36.8	38.2	37.4	37.5	0.1
Transportation,Warehousing		37.7	35.5	35.4	36.6	37.2	37.1	37.8	37.3	38.2	40.7	41.6	41.6	38.9	▲ 2.7
Service	Restaurants	24.2	16.9	23.8	32.8	34.3	38.0	34.0	28.1	31.8	39.0	39.1	41.5	38.5	▲ 3.0
	Postal,Telecommunications	46.7	50.0	48.5	50.0	53.0	56.0	47.0	47.9	51.9	52.4	50.0	48.3	47.6	▲ 0.7
	Electricity,Gas,Water,Heat	40.0	37.5	33.3	35.7	40.6	34.3	37.7	35.9	36.1	31.1	32.3	36.7	32.4	▲ 4.3
	Leasing,Rentals	42.0	41.0	40.2	42.0	43.3	44.9	40.8	44.7	45.6	47.5	48.4	47.4	46.8	▲ 0.6
	Lodging, Hotels	12.9	12.8	18.1	28.3	33.0	33.3	30.3	38.0	37.4	53.3	54.8	52.2	48.3	▲ 3.9
	Recreation	33.3	31.2	35.1	35.6	38.9	41.6	40.7	40.1	42.2	45.0	43.8	43.2	42.1	▲ 1.1
	Broadcasting	45.8	47.6	44.4	43.9	43.3	41.7	43.0	38.3	46.1	43.1	41.7	39.5	40.7	1.2
	Maintenance,Guarding,Testing	42.3	40.2	42.3	43.1	42.5	44.2	42.2	43.4	42.8	42.8	43.6	45.6	42.9	▲ 2.7
	Advertising	32.7	31.5	36.4	36.9	34.8	37.3	34.3	36.7	39.3	40.9	40.3	39.7	40.2	0.5
	Information	50.1	50.2	51.1	50.8	50.8	52.0	51.5	52.7	53.0	52.3	53.0	53.6	53.2	▲ 0.4
	Labor Dispatching	45.1	41.5	44.4	45.7	47.6	45.7	46.5	49.8	47.4	48.8	46.5	50.0	48.5	▲ 1.5
	Special Services	47.2	46.2	46.9	48.1	48.1	49.6	48.7	48.3	49.4	49.0	48.8	48.7	48.5	▲ 0.2
	Medical,Welfare,Public Health	42.4	41.0	42.5	44.5	44.4	43.5	42.5	41.2	41.7	43.2	43.6	42.8	42.9	0.1
	Education	39.7	40.2	37.8	39.6	35.6	40.1	38.8	39.7	43.7	42.1	42.8	41.2	38.4	▲ 2.8
	Other	39.3	36.9	39.3	42.1	42.7	42.8	42.4	41.2	42.8	43.3	43.5	44.0	42.2	▲ 1.8
Total	42.8	41.4	43.1	44.5	44.8	45.9	44.4	45.4	46.3	47.1	47.3	47.7	46.6	▲ 1.1	
Other		36.3	37.3	38.7	36.8	38.1	35.6	36.6	38.3	37.2	37.9	38.2	36.7	36.5	▲ 0.2

		Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Ratio to the Previous Month
Hokkaido		38.6	37.0	36.5	37.9	38.9	40.1	41.0	40.2	40.7	41.2	40.9	40.8	40.1	▲ 0.7
Tohoku		38.1	37.0	37.0	37.6	39.1	39.0	38.8	38.1	39.3	39.9	40.3	39.4	38.0	▲ 1.4
kitakanto		42.3	40.7	40.7	42.0	42.1	42.6	42.9	43.8	42.5	43.7	43.7	43.1	40.9	▲ 2.2
minamikanto		42.6	41.5	42.1	42.4	42.7	43.2	42.6	43.3	43.6	43.8	44.4	44.7	44.1	▲ 0.6
Hokuriku		40.9	39.2	39.2	39.9	40.6	40.5	41.5	40.8	41.7	42.3	42.2	42.2	40.9	▲ 1.3
Tokai		41.1	39.7	40.2	40.2	40.1	39.5	39.5	39.7	40.4	41.1	41.4	41.7	41.0	▲ 0.7
Kinki		40.8	39.8	40.5	40.8	40.9	40.9	40.9	41.1	41.5	42.3	43.0	42.7	42.0	▲ 0.7
Chugoku		40.7	40.0	40.7	39.8	40.6	41.1	41.3	40.9	41.8	42.8	43.8	43.4	41.9	▲ 1.5
Shikoku		39.3	37.1	38.9	38.1	38.7	38.4	38.3	37.7	38.7	40.3	40.0	39.3	39.0	▲ 0.3
Kyushu		41.3	39.5	40.9	41.5	41.6	42.2	41.5	41.3	43.0	44.0	45.1	44.8	44.0	▲ 0.8

## Appendix

### 1. Research Subjects (Companies researched: 27,362; Valid responses: 11,719; Response rate: 42.8%)

#### 1. Region

Hokkaido	564	Tokai	1,273
Tohoku	800	Kinki	1,988
kitaKanto	889	Chugoku	819
minamikanto	3,389	Shikoku	373
Hokuriku	599	Kyushu	1,025
		<b>Total</b>	<b>11,719</b>

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

Agriculture, Forestry, Fisheries	120	
Finance	163	
Construction	1,834	
Real Estate	463	
Manufacturing (2,900)	Food, Beverages, Livestock Feed	341
	Textile, Textile Products, Clothing	118
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	221
	Pulp, Paper and Paper Products	87
	Publishing, Printing	168
	Chemical	388
	Steel, Nonferrous Metals, Mining	538
	General Machinery	468
	Electrical Machinery	309
	Transportation Machinery, Equipment	100
Precision Machinery, Medical Instruments and Equipment	76	
Others	86	
Wholesale (2,729)	Food, Beverages	361
	Textile, Textile Products, Clothing	172
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	311
	Paper Products, Stationery, Books	92
	Chemical	272
	Recycled Resources	30
	Steel, Nonferrous Metals, Mining Products	283
	Machinery, Equipment	863
	Others	345

#### 3. Size

Large Firms	1,791	15.3%
Small to Medium-sized Firms	9,928	84.7%
micro Firms	3,806	32.5%
<b>Total</b>	<b>11,719</b>	<b>100.0%</b>

Retail (714)	Food, Beverages	126
	Textile, Textile Products, Clothing	60
	Drugs, Sundries	64
	Furniture	19
	Electrical Household Appliances, Information Machinery and Equipment	39
	Motor Vehicles, Motor Vehicle Parts	100
	Special Merchandise	233
	Various Merchandise	60
Others	13	
Transportation, Warehousing		532
Service (2,222)	Restaurants	93
	Telecommunications	7
	Electricity, Gas, Water, Heat	17
	Leasing, Rentals	108
	Lodging, Hotels	111
	Recreation	108
	Broadcasting	18
	Maintenance, Guarding, Testing	206
	Advertising	121
	Information	601
	Labor Dispatching	88
	Special Services	315
	Medical, Welfare, Public Health	147
Education	36	
Others	246	
Others	42	
<b>Total</b>		<b>11,719</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 January 18 – 31 2023

### 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 26,000 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.