

## Domestic economy continues at a standstill

~ Economic diffusion index fell below 50 for the first time in six months ~

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(Companies researched: 23, 118 ; Valid responses: 9,924 ; Response rate: 42.9 %;  
Survey start date: May 2002)

### < Overview of April 2018 Economy continues at a standstill >

The economic diffusion index (DI) in April 2018 was 49.8, down 0.6 points from the previous month, and worsened for the first time in two months. The domestic economy remains at a standstill, with the DI falling below 50 due to decreased construction volume and stagnant production activities, in addition to increased cost burden.

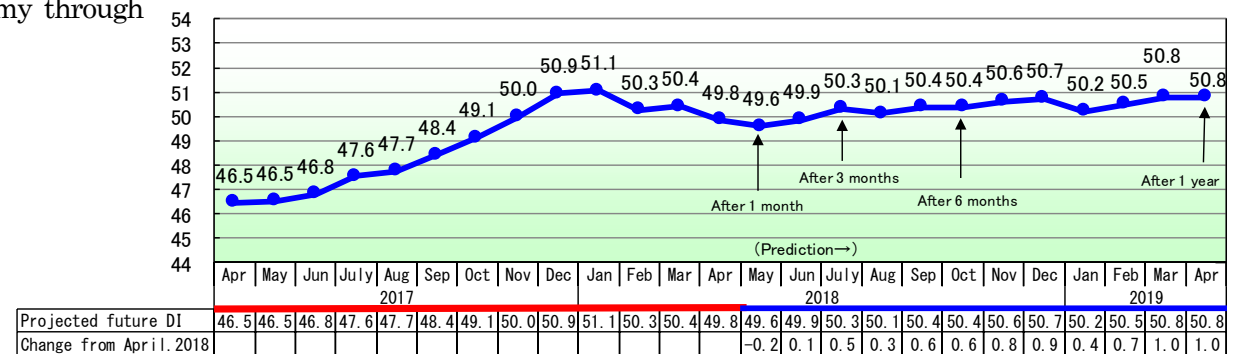
### < Future outlook: Possibility of change in expansion trend >

While the domestic economy is expected to continue to expand slowly, it is necessary to observe carefully the risk of depressing the economy through concern about heightened trade disputes, etc.

**By industry :** All ten industries worsened, and corporate activities have been sluggish as the new fiscal year started.

**By size :** “Small-sized enterprises” took a significant downturn for the first time in two years and two months.

**By region :** Of the ten regions, nine worsened, partly as an effect of a decrease in public works.



\*: 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

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	Ratio to the PrFDious Month
Total	46.5	46.5	46.8	47.6	47.7	48.4	49.1	50.0	50.9	51.1	50.3	50.4	49.8	▲ 0.6
Large Firms	49.4	49.9	49.8	50.3	50.5	51.3	51.6	52.1	53.0	53.2	52.2	52.5	52.2	▲ 0.3
Small to Medium-sized Firms	45.7	45.6	46.0	46.8	47.0	47.7	48.5	49.4	50.4	50.5	49.8	49.9	49.3	▲ 0.6
Micro Firms	44.5	44.4	44.4	45.6	45.7	46.7	47.6	48.7	49.8	49.6	49.0	49.2	48.1	▲ 1.1

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	Ratio to the PrFDious Month	
Agriculture,Forestry,Fisheries	47.0	45.4	45.3	44.9	44.5	45.6	47.5	46.7	49.2	47.1	45.5	44.4	43.5	▲ 0.9	
Finance	46.0	46.4	46.3	47.2	46.8	48.0	47.9	49.0	48.9	49.6	48.0	50.3	49.4	▲ 0.9	
Construction	49.0	49.5	49.5	50.4	50.7	51.7	52.7	53.7	54.2	54.0	53.4	52.9	51.4	▲ 1.5	
Real Estate	49.7	50.7	49.4	49.6	49.3	49.9	50.9	50.3	51.3	52.3	52.1	53.1	50.9	▲ 2.2	
Manufacturing	Food,BEWerages,Livestock Feed	43.0	42.6	43.5	43.5	42.9	43.0	42.8	42.9	44.8	44.0	43.2	41.9	42.9	1.0
	Textile,Textile Products,Clothing	38.8	39.4	37.8	37.9	38.4	37.7	38.6	39.6	42.0	39.1	41.3	42.4	42.4	0.0
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	42.4	43.4	43.4	45.3	45.9	45.6	47.0	46.8	48.0	46.8	46.2	46.3	45.7	▲ 0.6
	Pulp, Paper and Paper Products	42.9	42.5	43.4	43.8	41.9	44.4	46.6	45.6	48.7	46.6	44.1	45.8	46.3	0.5
	Publishing,Printing	35.6	33.4	35.1	34.2	34.6	36.4	35.7	35.4	35.8	36.4	37.4	37.1	36.2	▲ 0.9
	Chemical	49.9	50.3	50.2	51.4	50.5	51.8	52.5	53.3	54.1	53.9	53.2	53.8	52.3	▲ 1.5
	Steel,Nonferrous Metals,Mining	47.5	47.3	49.6	51.1	51.6	53.0	54.3	56.6	56.3	57.6	55.6	55.6	53.7	▲ 1.9
	General Machinery	54.1	54.5	54.8	56.5	56.2	57.2	59.3	59.3	60.8	62.4	62.0	61.2	60.9	▲ 0.3
	Electrical Machinery	48.6	49.3	49.7	50.3	51.5	52.2	53.7	54.5	55.7	56.9	56.5	54.8	54.9	0.1
	Transportation Machinery,Equipment	50.3	52.0	52.7	52.2	54.7	54.8	54.2	58.6	56.9	57.9	56.6	59.8	57.6	▲ 2.2
	Precision Machinery, Medical Instruments and Equipment	50.0	51.7	51.5	50.4	51.8	51.5	53.2	55.1	54.7	57.4	56.2	54.8	57.5	2.7
	Other	40.1	38.2	38.5	40.3	39.7	41.6	39.6	40.9	42.6	43.4	43.1	43.8	43.2	▲ 0.6
Total	46.7	46.9	47.5	48.5	48.6	49.4	50.3	51.2	52.1	52.6	51.9	51.6	51.0	▲ 0.6	
Wholesale	Food,BEWerages	41.7	42.7	41.8	42.2	41.3	41.6	41.1	42.4	43.5	42.9	42.1	43.0	42.9	▲ 0.1
	Textile,Textile Products,Clothing	34.7	34.5	35.0	34.3	34.2	35.3	35.4	36.1	37.4	37.2	35.5	37.2	37.2	0.0
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	41.8	43.2	42.8	43.0	43.8	44.0	44.2	45.1	46.7	46.2	44.9	44.7	45.0	0.3
	Paper Products,Stationery,Books	38.5	36.1	38.4	37.4	35.7	38.8	38.4	38.9	38.4	37.6	34.9	36.8	38.0	1.2
	Chemical	46.0	45.1	45.3	46.5	47.2	47.5	48.1	48.6	50.7	49.7	49.0	49.1	49.1	0.0
	Recycled Resources	49.5	49.0	51.8	49.5	55.4	52.4	51.6	57.8	58.3	56.2	51.0	51.9	49.5	▲ 2.4
	Steel,Nonferrous Metals, Mining Products	43.5	41.3	43.1	45.1	45.6	46.2	49.5	50.5	52.3	53.1	51.9	50.8	49.7	▲ 1.1
	Machinery,Equipment	46.3	46.1	46.6	48.0	48.2	48.5	49.3	50.9	52.1	52.3	51.4	51.8	51.1	▲ 0.7
	Other	41.1	42.0	41.4	42.1	41.3	42.0	42.0	42.7	43.7	43.9	42.8	43.8	45.4	1.6
	Total	43.2	43.1	43.4	44.2	44.3	44.8	45.5	46.5	47.9	47.8	46.6	47.1	47.0	▲ 0.1

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

		Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	Ratio to the PrFDious Month
Retail	Food,BEWerages	39.0	39.9	42.9	41.1	44.3	44.4	42.1	45.2	45.3	44.1	45.6	46.1	47.4	1.3
	Textile,Textile Products,Clothing	31.8	33.9	34.4	34.6	35.1	34.4	37.5	32.7	35.6	41.0	38.2	37.3	38.9	1.6
	Drugs,Sundries	46.0	46.4	44.4	43.8	46.8	44.2	44.9	46.2	44.4	46.4	45.7	47.2	44.9	▲ 2.3
	Furniture	35.7	35.7	40.7	39.6	37.5	41.7	40.9	45.0	40.7	43.9	35.2	35.0	36.7	1.7
	Electrical Household Appliances, Information Machinery and Equipment	41.7	38.1	41.9	41.7	44.6	40.2	43.9	43.9	47.7	41.9	40.4	45.7	46.5	0.8
	Motor Vehicles,Motor Vehicle Parts	41.9	41.5	44.4	44.4	45.5	46.2	45.3	45.6	44.2	49.2	47.8	48.3	48.2	▲ 0.1
	Special Merchandise	38.3	39.1	39.8	39.7	39.8	39.7	39.6	38.8	41.5	41.9	42.5	42.9	41.0	▲ 1.9
	Various Merchandise	44.3	45.0	48.7	46.5	45.8	45.7	46.3	45.7	46.4	46.9	46.0	47.5	49.6	2.1
	Other	40.0	41.7	41.7	38.9	44.4	46.7	46.7	43.3	50.0	50.0	43.3	41.7	36.1	▲ 5.6
Total		39.8	40.2	42.1	41.5	42.7	42.2	42.4	42.4	43.4	44.3	43.8	44.8	44.6	▲ 0.2
Transportation,Warehousing		47.0	46.8	45.7	47.7	48.4	49.0	49.9	50.7	52.5	50.7	49.6	50.5	50.0	▲ 0.5
Service	Restaurants	45.0	41.1	43.0	43.9	41.9	45.2	45.1	42.9	44.9	45.2	43.6	44.2	44.7	0.5
	Postal,Telecommunications	54.2	51.3	56.9	55.6	54.2	59.1	54.5	57.7	56.4	56.1	59.1	57.7	56.9	▲ 0.8
	Electricity,Gas,Water,Heat	52.4	52.4	57.1	52.4	52.8	57.1	58.3	59.5	54.2	60.4	58.3	61.1	54.2	▲ 6.9
	Leasing,Rentals	48.9	50.2	50.0	50.6	49.7	52.0	54.2	54.9	55.9	56.9	56.0	56.0	55.2	▲ 0.8
	Lodging, Hotels	48.9	49.4	47.9	46.9	47.4	41.7	43.6	51.9	48.0	46.9	48.7	52.0	51.7	▲ 0.3
	Recreation	39.1	40.9	40.8	40.1	38.3	40.0	39.1	39.0	42.2	41.7	42.2	42.5	41.5	▲ 1.0
	Broadcasting	47.8	46.7	42.9	46.2	47.2	47.2	46.2	44.4	47.6	47.6	47.4	47.0	39.7	▲ 7.3
	Maintenance,Guarding,Testing	49.4	48.9	49.7	50.2	51.4	51.3	50.3	51.6	50.3	51.5	50.7	51.1	49.9	▲ 1.2
	Advertising	42.3	41.8	40.6	41.0	41.9	40.5	43.6	41.8	41.5	46.1	42.3	43.4	44.2	0.8
	Information	56.1	55.6	55.7	56.6	56.1	57.2	57.9	57.6	58.4	59.4	58.8	58.6	59.4	0.8
	Labor Dispatching	55.8	52.3	54.8	54.8	58.6	57.5	58.2	59.0	57.9	58.6	56.5	57.9	57.8	▲ 0.1
	Special Services	53.2	52.3	52.3	52.6	53.4	53.2	53.3	53.2	55.5	53.4	53.1	54.3	53.6	▲ 0.7
	Medical,Welfare,Public Health	47.7	47.9	48.3	45.2	46.1	47.4	44.1	47.9	48.3	47.6	48.6	48.1	48.8	0.7
	Education	41.1	43.5	42.1	42.5	42.5	41.7	41.0	40.5	42.4	45.1	41.7	44.2	42.4	▲ 1.8
Other	50.0	49.3	50.8	50.2	50.5	50.7	50.6	53.9	52.6	51.6	51.3	51.8	50.7	▲ 1.1	
Total		50.9	50.4	50.7	50.9	51.1	51.5	51.8	52.5	53.0	53.4	52.7	53.1	52.8	▲ 0.3
Other		42.1	41.7	42.2	41.7	42.4	43.6	43.3	47.9	48.2	47.8	47.9	50.8	49.2	▲ 1.6

		Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	Ratio to the PrFDious Month
Hokkaido		44.3	46.1	45.7	48.4	48.8	48.6	48.6	48.4	47.8	45.7	46.6	46.2	▲ 0.4	
Tohoku		45.2	45.4	45.4	45.7	45.4	45.9	45.9	47.2	47.9	46.9	46.1	46.4	45.7	▲ 0.7
kitakanto		46.6	46.4	47.0	48.3	47.8	49.1	50.2	51.2	52.9	52.3	51.7	51.4	50.7	▲ 0.7
minamikanto		47.4	47.3	47.7	48.2	48.2	49.1	49.7	50.5	51.3	51.8	51.0	51.5	50.7	▲ 0.8
Hokuriku		44.3	45.3	45.9	47.5	48.0	48.8	49.3	49.0	49.9	49.7	47.7	48.5	48.7	0.2
Tokai		46.8	46.4	47.3	48.1	48.8	49.2	50.0	51.2	52.5	52.6	52.5	52.3	51.9	▲ 0.4
Kinki		45.2	44.7	44.9	45.6	46.1	46.7	48.0	49.0	50.8	51.1	50.3	50.0	49.7	▲ 0.3
Chugoku		46.1	46.0	46.5	47.0	47.7	47.8	48.6	50.1	50.6	50.8	50.1	49.6	48.7	▲ 0.9
Shikoku		46.9	46.8	47.0	47.0	46.8	48.5	48.2	48.5	49.0	49.4	48.5	48.4	48.2	▲ 0.2
Kyushu		49.1	49.5	48.9	49.4	49.4	49.9	50.5	51.3	51.7	51.7	51.8	51.7	51.4	▲ 0.3

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## Survey of Corporate Attitudes towards Capital Investment in 2018

# 62.4% of companies plan capital investment in FY 2018

**-Investment details, “replacement of equipment” ranked top with over 40%, “labor saving/rationalization” with 28.2%-**

Amidst continuing strong exports but emerging negative factors in the domestic economy, such as a serious manpower shortage and raw material price hikes, capital investment is increasing as corporate performance improves. The government is also promoting policies for productivity improvement, such as expansion of the SME investment promotion tax system in the 2018 budget.

Teikoku Databank has conducted a survey of corporate attitudes towards the capital investment plan for FY 2018. This survey was conducted in conjunction with the April 2018 TDB Trends Research.

\*Survey period: April 16 – April 30, 2018, Companies Surveyed: 23,118, Valid Responses: 9,924 (Response Rate: 42.9%).

\*Details of this survey can be found on the dedicated Economic Trend Survey HP (<http://www.tdb-di.com>)

### Survey results (Summary)

1. 62.4% of companies “have” plans to make capital investments in 2018. There are large differences depending on company size, with “SMEs” (60.3%) and small-sized companies (49.0%), while “large companies” exceed 70% (70.7%). By industry, “agriculture, forestry, and fisheries” show the highest (80.4%), and “transport, warehousing” (78.0%), and “manufacturing” (75.0%) also show high percentages. On the other hand, 29.8% “have no plans.”

2. With respect to capital investment details, “replacement of equipment” (45.4%) was the highest (multiple answers), followed by “maintenance and repair of existing equipment” (35.7%), “labor saving/rationalization” (28.2%), “increased production, strengthening of sales ability (for domestic)” (24.1%), and “informatization-related (IT investments)” (23.8%). Investment in manpower shortage ranked high, along with replacement demand.

3. In terms of costs for capital investment, “10 million yen and above, but less than 50 million yen” had the most answers (28.0%), and the average estimated capital investment amount was approximately 139.28 million yen. The difference depending on the number of employees is large, ranging from 39.61 million yen for “5 people and under,” to 621.04 million yen for “over 1,000 people.” With respect to capital procurement method, “own resources” (48.9%) accounted for the highest percentage, and when combined with “long-term borrowing from a financial institution” (28.4%), these items had 77.3% and occupied 80% of the total.

4. Reasons for not making capital investment included, “cannot foresee the future” (40.0%) had the most answers, followed by “equipment under the present status is at the appropriate level” (35.8%), and “income commensurate with the investment cannot be secured” (21.2%). Uncertainty over the future and profitability, and severe management environments, became factors, especially for SMEs in deferring capital investment.

## Appendix

### 1. Research Subjects (Companies Researched 23,118 ; Valid responses: 9,924 ; Response rate: 42.9%)

Appendix

#### 1. Region

Hokkaido	525	Tokai	1,116
Tohoku	652	Kinki	1,658
kitaKanto	727	Chugoku	532
minamikanto	3,127	Shikoku	299
Hokuriku	561	Kyushu	727
		<b>Total</b>	<b>9,924</b>

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

Agriculture, Forestry, Fisheries		56
Finance		120
Construction		1,460
Real Estate		303
Manufacturing 3,223	Food, Beverages, Livestock Feed	314
	Textile, Textile Products, Clothing	112
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	222
	Pulp, Paper and Paper Products	98
	Publishing, Printing	185
	Chemical	410
	Steel, Nonferrous Metals, Mining	503
	General Machinery	442
	Electrical Machinery	320
	Transportation Machinery, Equipment	92
	Precision Machinery, Medical Instruments and Equipment	73
Others	86	
Wholesale 3,959	Food, Beverages	336
	Textile, Textile Products, Clothing	175
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	325
	Paper Products, Stationery, Books	103
	Chemical	272
	Recycled Resources	31
	Steel, Nonferrous Metals, Mining Products	304
	Machinery, Equipment	888
	Others	329

#### 3. Size

Large Firms	1,977	19.9%
Small to Medium-sized Firms	7,947	80.1%
micro Firms	2,677	27.0%
<b>Total</b>	<b>9,924</b>	<b>100.0%</b>

Retail 480	Food, Beverages	70
	Textile, Textile Products, Clothing	27
	Drugs, Sundries	23
	Furniture	10
	Electrical Household Appliances, Information Machinery and Equipment	38
	Motor Vehicles, Motor Vehicle Parts	65
	Special Merchandise	128
	Various Merchandise	45
Others	6	
Transportation, Warehousing		428
Service 1,384	Restaurants	44
	Telecommunications	12
	Electricity, Gas, Water, Heat	8
	Leasing, Rentals	106
	Lodging, Hotels	29
	Recreation	55
	Broadcasting	13
	Maintenance, Guarding, Testing	151
	Advertising	104
	Information	413
	Labor Dispatching	49
	Special Services	233
	Medical, Welfare, Public Health	99
	Education	22
Others	144	
Others		43
<b>Total</b>		<b>9,924</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 April 16 – 30 2018

### 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 Formula

The DI (Diffusion Index) is calculated by attaching a number (in parenthesis in the diagram below) to each of seven possible responses. Then multiplying the percentage of each response by the appropriate number, and adding the results.

Very Bad	Bad	Moderately Bad	Neither Good or Bad	Moderately Good	Good	Very Good
(0)	(1/6)	(2/6)	(3/6)	(4/6)	(5/6)	(6/6)
0	16.7	33.3	DI=50 Dividing point	66.7	83.3	100

A DI over 50 is in the range of "Good." A score under 50 is "Bad." The number 50 is the dividing point ("Neither Good or Bad"). All numbers are rounded off to the hundredth. It should be noted that no weight is given to a company's responses based on its size. Calculations are made according to a "one company, one vote" rule.

For example, all corporations rated 'Very Good'.

$$DI=6/6 \times 100(\%)=100$$

All corporations rated 'Neither Good nor Bad'.

$$DI=3/6 \times 100(\%)=50$$

#### 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.