

**Domestic economy is weak and has worsened for three months in a row**

~ Greater uncertainty due to expanding trade friction ~

(Companies researched: 23,149 ; Valid responses: 9,694 ; Response rate: 41.9 % ; Survey start date: May 2002)

< Overview of June 2018: Weak domestic economy >

The economic diffusion index (DI) in June 2018 was 49.0, down 0.4 points from the previous month, and worsened for the third consecutive month. The domestic economy has weakened as a result of an increase in the cost burden resulting from the high price of crude oil, amid greater uncertainty due to expanding trade friction in the domestic economy.

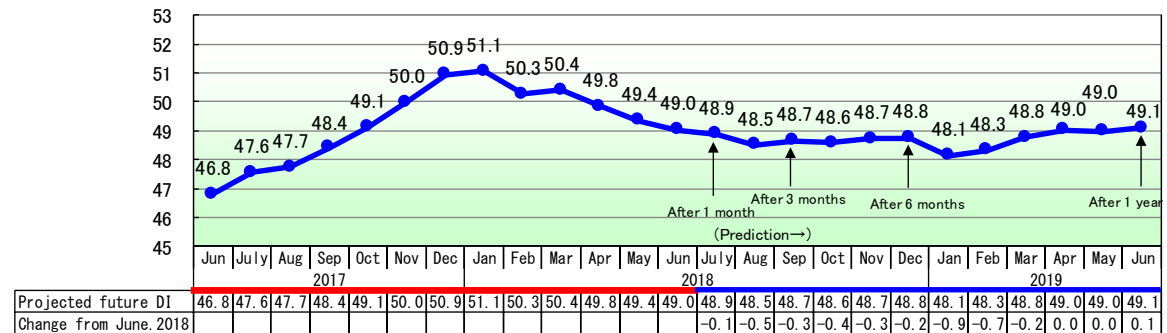
< Future outlook: Possibility of situation change >

While exports and capital investments are expected to continue to be strong, it is necessary to observe carefully the possibility of overseas risks, such as intensified trade friction holding down the domestic economy

By industry : The “Manufacturing” industry worsened for the fifth month in a row, due to the burden caused by a rise in raw material prices.

By size :All of “large enterprises,” “SMEs” and “small enterprises” took a downturn for the first time in two months.

By region : Eight of the ten regions worsened, and business confidence for some regions was held down due to consequences of the earthquake.



\*: 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-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Ratio to the PrFDious Month
Total	46.8	47.6	47.7	48.4	49.1	50.0	50.9	51.1	50.3	50.4	49.8	49.4	49.0	▲ 0.4
Large Firms	49.8	50.3	50.5	51.3	51.6	52.1	53.0	53.2	52.2	52.5	52.2	51.6	51.3	▲ 0.3
Small to Medium-sized Firms	46.0	46.8	47.0	47.7	48.5	49.4	50.4	50.5	49.8	49.9	49.3	48.8	48.5	▲ 0.3
Micro Firms	44.4	45.6	45.7	46.7	47.6	48.7	49.8	49.6	49.0	49.2	48.1	48.1	47.6	▲ 0.5

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Ratio to the PrFDious Month	
Agriculture,Forestry,Fisheries	45.3	44.9	44.5	45.6	47.5	46.7	49.2	47.1	45.5	44.4	43.5	44.2	43.3	▲ 0.9	
Finance	46.3	47.2	46.8	48.0	47.9	49.0	48.9	49.6	48.0	50.3	49.4	47.8	47.2	▲ 0.6	
Construction	49.5	50.4	50.7	51.7	52.7	53.7	54.2	54.0	53.4	52.9	51.4	51.8	51.9	0.1	
Real Estate	49.4	49.6	49.3	49.9	50.9	50.3	51.3	52.3	52.1	53.1	50.9	51.0	51.1	0.1	
Manufacturing	Food,BEWerages,Livestock Feed	43.5	43.5	42.9	43.0	42.8	42.9	44.8	44.0	43.2	41.9	42.9	43.4	43.2	▲ 0.2
	Textile,Textile Products,Clothing	37.8	37.9	38.4	37.7	38.6	39.6	42.0	39.1	41.3	42.4	42.7	42.8	0.1	
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	43.4	45.3	45.9	45.6	47.0	46.8	48.0	46.8	46.2	46.3	45.7	45.8	45.9	0.1
	Pulp, Paper and Paper Products	43.4	43.8	41.9	44.4	46.6	45.6	48.7	46.6	44.1	45.8	46.3	43.1	45.2	2.1
	Publishing,Printing	35.1	34.2	34.6	36.4	35.7	35.4	35.8	36.4	37.4	37.1	36.2	36.3	33.7	▲ 2.6
	Chemical	50.2	51.4	50.5	51.8	52.5	53.3	54.1	53.9	53.2	53.8	52.3	51.8	51.6	▲ 0.2
	Steel,Nonferrous Metals,Mining	49.6	51.1	51.6	53.0	54.3	56.6	56.3	57.6	55.6	55.6	53.7	53.5	53.3	▲ 0.2
	General Machinery	54.8	56.5	56.2	57.2	59.3	59.3	60.8	62.4	62.0	61.2	60.9	60.6	60.3	▲ 0.3
	Electrical Machinery	49.7	50.3	51.5	52.2	53.7	54.5	55.7	56.9	56.5	54.8	54.9	53.4	53.4	0.0
	Transportation Machinery,Equipment	52.7	52.2	54.7	54.8	54.2	58.6	56.9	57.9	56.6	59.8	57.6	58.4	57.3	▲ 1.1
	Precision Machinery, Medical Instruments and Equipment	51.5	50.4	51.8	51.5	53.2	55.1	54.7	57.4	56.2	54.8	57.5	56.6	57.2	0.6
	Other	38.5	40.3	39.7	41.6	39.6	40.9	42.6	43.4	43.1	43.8	43.2	44.3	42.5	▲ 1.8
Total	47.5	48.5	48.6	49.4	50.3	51.2	52.1	52.6	51.9	51.6	51.0	50.8	50.4	▲ 0.4	
Wholesale	Food,BEWerages	41.8	42.2	41.3	41.6	41.1	42.4	43.5	42.9	42.1	43.0	42.9	42.8	42.4	▲ 0.4
	Textile,Textile Products,Clothing	35.0	34.3	34.2	35.3	35.4	36.1	37.4	37.2	35.5	37.2	37.2	36.8	37.3	0.5
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	42.8	43.0	43.8	44.0	44.2	45.1	46.7	46.2	44.9	44.7	45.0	43.3	44.4	1.1
	Paper Products,Stationery,Books	38.4	37.4	35.7	38.8	38.4	38.9	38.4	37.6	34.9	36.8	38.0	37.5	36.2	▲ 1.3
	Chemical	45.3	46.5	47.2	47.5	48.1	48.6	50.7	49.7	49.0	49.1	49.1	49.1	46.8	▲ 2.3
	Recycled Resources	51.8	49.5	55.4	52.4	51.6	57.8	58.3	56.2	51.0	51.9	49.5	46.6	50.6	4.0
	Steel,Nonferrous Metals, Mining Products	43.1	45.1	45.6	46.2	49.5	50.5	52.3	53.1	51.9	50.8	49.7	48.2	47.8	▲ 0.4
	Machinery,Equipment	46.6	48.0	48.2	48.5	49.3	50.9	52.1	52.3	51.4	51.8	51.1	50.6	50.0	▲ 0.6
	Other	41.4	42.1	41.3	42.0	42.0	42.7	43.7	43.9	42.8	43.8	45.4	43.4	43.3	▲ 0.1
Total	43.4	44.2	44.3	44.8	45.5	46.5	47.9	47.8	46.6	47.1	47.0	46.1	45.7	▲ 0.4	

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

		Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Ratio to the PrFDious Month
Retail	Food,BEverages	42.9	41.1	44.3	44.4	42.1	45.2	45.3	44.1	45.6	46.1	47.4	45.7	45.2	▲ 0.5
	Textile,Textile Products,Clothing	34.4	34.6	35.1	34.4	37.5	32.7	35.6	41.0	38.2	37.3	38.9	36.7	32.1	▲ 4.6
	Drugs,Sundries	44.4	43.8	46.8	44.2	44.9	46.2	44.4	46.4	45.7	47.2	44.9	47.1	42.9	▲ 4.2
	Furniture	40.7	39.6	37.5	41.7	40.9	45.0	40.7	43.9	35.2	35.0	36.7	35.2	38.3	3.1
	Electrical Household Appliances, Information Machinery and Equipment	41.9	41.7	44.6	40.2	43.9	43.9	47.7	41.9	40.4	45.7	46.5	40.2	41.9	1.7
	Motor Vehicles,Motor Vehicle Parts	44.4	44.4	45.5	46.2	45.3	45.6	44.2	49.2	47.8	48.3	48.2	43.5	42.9	▲ 0.6
	Special Merchandise	39.8	39.7	39.8	39.7	39.6	38.8	41.5	41.9	42.5	42.9	41.0	39.7	39.7	0.0
	Various Merchandise	48.7	46.5	45.8	45.7	46.3	45.7	46.4	46.9	46.0	47.5	49.6	44.1	44.2	0.1
	Other	41.7	38.9	44.4	46.7	46.7	43.3	50.0	50.0	43.3	41.7	36.1	41.7	33.3	▲ 8.4
Total		42.1	41.5	42.7	42.2	42.4	42.4	43.4	44.3	43.8	44.8	44.6	42.0	41.3	▲ 0.7
Transportation,Warehousing		45.7	47.7	48.4	49.0	49.9	50.7	52.5	50.7	49.6	50.5	50.0	49.3	48.7	▲ 0.6
Service	Restaurants	43.0	43.9	41.9	45.2	45.1	42.9	44.9	45.2	43.6	44.2	44.7	45.0	42.5	▲ 2.5
	Postal,Telecommunications	56.9	55.6	54.2	59.1	54.5	57.7	56.4	56.1	59.1	57.7	56.9	50.0	54.5	4.5
	Electricity,Gas,Water,Heat	57.1	52.4	52.8	57.1	58.3	59.5	54.2	60.4	58.3	61.1	54.2	56.3	57.4	1.1
	Leasing,Rentals	50.0	50.6	49.7	52.0	54.2	54.9	55.9	56.9	56.0	56.0	55.2	51.5	52.9	1.4
	Lodging, Hotels	47.9	46.9	47.4	41.7	43.6	51.9	48.0	46.9	48.7	52.0	51.7	50.6	50.0	▲ 0.6
	Recreation	40.8	40.1	38.3	40.0	39.1	39.0	42.2	41.7	42.2	42.5	41.5	39.5	40.9	1.4
	Broadcasting	42.9	46.2	47.2	47.2	46.2	44.4	47.6	47.6	47.4	47.0	39.7	37.2	40.3	3.1
	Maintenance,Guarding,Testing	49.7	50.2	51.4	51.3	50.3	51.6	50.3	51.5	50.7	51.1	49.9	50.2	48.5	▲ 1.7
	Advertising	40.6	41.0	41.9	40.5	43.6	41.8	41.5	46.1	42.3	43.4	44.2	43.0	40.2	▲ 2.8
	Information	55.7	56.6	56.1	57.2	57.9	57.6	58.4	59.4	58.8	58.6	59.4	58.4	58.8	0.4
	Labor Dispatching	54.8	54.8	58.6	57.5	58.2	59.0	57.9	58.6	56.5	57.9	57.8	59.0	59.1	0.1
	Special Services	52.3	52.6	53.4	53.2	53.3	53.2	55.5	53.4	53.1	54.3	53.6	53.7	54.6	0.9
	Medical,Welfare,Public Health	48.3	45.2	46.1	47.4	44.1	47.9	48.3	47.6	48.6	48.1	48.8	48.0	46.8	▲ 1.2
	Education	42.1	42.5	42.5	41.7	41.0	40.5	42.4	45.1	41.7	44.2	42.4	42.8	40.6	▲ 2.2
Other	50.8	50.2	50.5	50.7	50.6	53.9	52.6	51.6	51.3	51.8	50.7	50.8	50.0	▲ 0.8	
Total		50.7	50.9	51.1	51.5	51.8	52.5	53.0	53.4	52.7	53.1	52.8	52.1	52.0	▲ 0.1
Other		42.2	41.7	42.4	43.6	43.3	47.9	48.2	47.8	47.9	50.8	49.2	50.0	46.3	▲ 3.7

		Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Ratio to the PrFDious Month
Hokkaido		45.7	48.4	48.8	48.6	48.6	48.6	48.4	47.8	45.7	46.6	46.2	45.8	46.5	0.7
Tohoku		45.4	45.7	45.4	45.9	45.9	47.2	47.9	46.9	46.1	46.4	45.7	45.0	44.2	▲ 0.8
kitakanto		47.0	48.3	47.8	49.1	50.2	51.2	52.9	52.3	51.7	51.4	50.7	49.8	49.4	▲ 0.4
minamikanto		47.7	48.2	48.2	49.1	49.7	50.5	51.3	51.8	51.0	51.5	50.7	50.3	50.2	▲ 0.1
Hokuriku		45.9	47.5	48.0	48.8	49.3	49.0	49.9	49.7	47.7	48.5	48.7	48.5	48.7	0.2
Tokai		47.3	48.1	48.8	49.2	50.0	51.2	52.5	52.6	52.5	52.3	51.9	51.9	50.9	▲ 1.0
Kinki		44.9	45.6	46.1	46.7	48.0	49.0	50.8	51.1	50.3	50.0	49.7	48.8	48.4	▲ 0.4
Chugoku		46.5	47.0	47.7	47.8	48.6	50.1	50.6	50.8	50.1	49.6	48.7	48.7	47.9	▲ 0.8
Shikoku		47.0	47.0	46.8	48.5	48.2	48.5	49.0	49.4	48.5	48.4	48.2	47.8	47.2	▲ 0.6
Kyushu		48.9	49.4	49.4	49.9	50.5	51.3	51.7	51.7	51.8	51.7	51.4	50.4	49.8	▲ 0.6

---

---

## Survey of Corporate Attitudes Toward Trade Protection

### 56.9% of companies support “free trade”

~ Discussion and implementation of countermeasures against trade protectionism do not progress ~

In recent years, exports from Japan have continued to increase and have been a catalyst for economic growth, with the backdrop of recovery of the global economy. The government promotes policies such as the Free Trade Agreement (FTA), the Economic Partnership Agreement (EPA), the Trans-Pacific Partnership Agreement (TPP) to expand transactions with other countries and regions. On the other hand, there is a concern about the global spread of trade protectionism, such as the intensifying China-US trade friction.

Teikoku Databank has conducted a survey on corporate attitudes towards trade protection. This survey was conducted in conjunction with the June 2018 TDB Trends Research.

\*Survey period: June 18 – June 30, 2018, Companies Surveyed: 23,149, Valid Responses: 9,694 (Response Rate: 41.9%).

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

### Survey results (Summary)

1. While 56.9% of companies said “free trade” is desirable for all of Japan, those companies that said that “trade protection” is desirable, including domestic industry protection, remained at 9.9%. On the other hand, for the industry to which their companies belong, companies saying “free trade” is desirable fell to 43.0%, while those in favor of “trade protection” rose to 13.1%.

2. When the policy of trade protectionism spread globally, 28.7% of companies said that has a “negative impact” on the company’s performance; those saying “positive impact” remained at 2.5%, 38.5% said “neither,” and those saying “no impact” stood at 12.7%.

3. Companies that have implemented countermeasures against growing trade protectionism to date stood at 0.5%. Even combined with those companies that are “currently discussing countermeasures” (4.4%), those who have implemented or are discussing some kind of countermeasures remained at 4.9%.

4. With respect to countermeasures that have been implemented or discussed, “strengthening information gathering and analysis” is at the top, at 57.0%, followed by “review of suppliers” (32.0%), “review of sales planning” (28.8%), “review of company’s types and contents of products and services” (26.9%), and “review of production planning” (20.8%).

5. What has been implemented or discussed by those companies that have conducted a “review of production planning” is “expansion of domestic production,” at 30.6%. With respect to “review of sales planning,” the “expansion of domestic sales” stood at 46.3%. Companies tend to focus on “domestic” expansion through review of production/sales planning.

## Appendix

### 1. Research Subjects (Companies Researched 23,149 ; Valid responses: 9,694 ; Response rate: 41.9%)

Appendix

#### 1. Region

Hokkaido	505	Tokai	1,080
Tohoku	636	Kinki	1,506
kitaKanto	698	Chugoku	535
minamikanto	3,165	Shikoku	292
Hokuriku	556	Kyushu	721
		<b>Total</b>	<b>9,694</b>

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

Agriculture, Forestry, Fisheries		52
Finance		117
Construction		1,437
Real Estate		290
Manufacturing 3,223	Food, Beverages, Livestock Feed	307
	Textile, Textile Products, Clothing	104
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	214
	Pulp, Paper and Paper Products	98
	Publishing, Printing	173
	Chemical	385
	Steel, Nonferrous Metals, Mining	477
	General Machinery	420
	Electrical Machinery	307
	Transportation Machinery, Equipment	94
	Precision Machinery, Medical Instruments and Equipment	69
Others	84	
Wholesale 3,959	Food, Beverages	338
	Textile, Textile Products, Clothing	167
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	315
	Paper Products, Stationery, Books	100
	Chemical	262
	Recycled Resources	30
	Steel, Nonferrous Metals, Mining Products	297
	Machinery, Equipment	862
	Others	333

#### 3. Size

Large Firms	1,954	20.2%
Small to Medium-sized Firms	7,740	79.8%
micro Firms	2,566	26.5%
<b>Total</b>	<b>9,694</b>	<b>100.0%</b>

Retail 480	Food, Beverages	66
	Textile, Textile Products, Clothing	26
	Drugs, Sundries	21
	Furniture	10
	Electrical Household Appliances, Information Machinery and Equipment	39
	Motor Vehicles, Motor Vehicle Parts	63
	Special Merchandise	130
	Various Merchandise	46
Others	7	
Transportation, Warehousing		421
Service 1,384	Restaurants	40
	Telecommunications	11
	Electricity, Gas, Water, Heat	9
	Leasing, Rentals	114
	Lodging, Hotels	27
	Recreation	55
	Broadcasting	12
	Maintenance, Guarding, Testing	145
	Advertising	107
	Information	410
	Labor Dispatching	53
	Special Services	239
	Medical, Welfare, Public Health	94
Education	23	
Others	154	
Others		40
<b>Total</b>		<b>9,694</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 18 – 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.