

Domestic Economy, biggest drop on record

~ Declined to the level following the Great East Japan Earthquake. Growing uncertainty over the future ~

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(Companies researched: 23,676; Valid responses: 11,330; Response rate: 47.9%; Survey start date: May 2002)

< Overview of March 2020: Recession phase >

The economic diffusion index (DI) in March 2020 was 32.5, down by 6.2 points from the previous month, it has continued to worsen for the sixth consecutive month, and the largest drop on record. The domestic economy recorded its largest decline amid a recession phase, due to the widening impact of COVID-19.

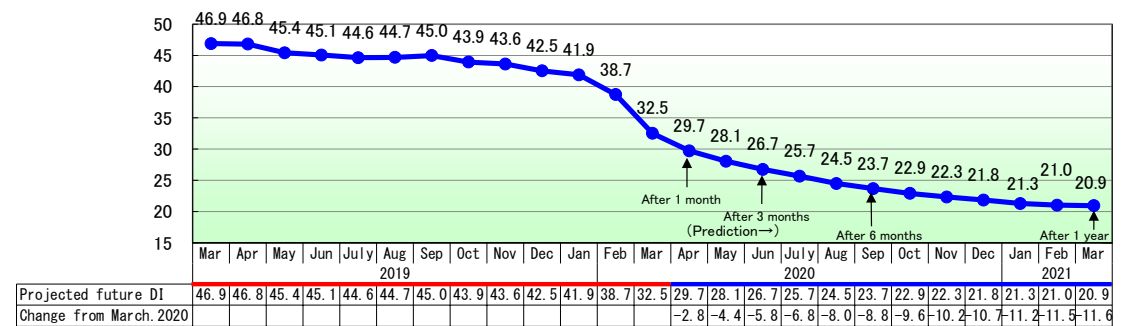
< Future outlook: Recession continues >

With growing uncertainty about overseas trends and COVID-19, the recession is expected to continue.

By industry : Worsening in 51 business categories in all ten industries. Among these, 23 business categories recorded their largest drop.

By size : The largest decline was recorded in all sizes. Stagnation of human resources, goods and capital held down business confidence.

By region : Nationwide worsening in 47 prefectures in all ten regions. COVID-19 impact spread nationwide.



*: 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

	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Ratio to tHK PrFDious Month
Total	46.9	46.8	45.4	45.1	44.6	44.7	45.0	43.9	43.6	42.5	41.9	38.7	32.5	▲ 6.2
Large Firms	49.8	49.7	48.8	48.7	47.7	47.9	48.0	47.1	47.0	45.7	45.3	42.0	34.8	▲ 7.2
Small to Medium-sized Firms	46.2	46.1	44.6	44.2	43.9	43.9	44.2	43.2	42.8	41.7	41.1	38.0	32.0	▲ 6.0
Micro Firms	46.3	46.2	44.5	44.1	43.8	44.2	45.1	43.9	43.5	42.1	41.4	38.8	32.3	▲ 6.5

	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Ratio to tHK PrFDious Month	
Agriculture,Forestry,Fisheries	42.3	41.3	40.5	43.2	39.1	41.5	41.8	42.3	42.5	41.7	38.4	37.9	32.8	▲ 5.1	
Finance	45.9	45.1	44.7	44.8	45.1	44.7	45.8	45.4	46.8	44.5	44.8	42.2	33.3	▲ 8.9	
Construction	53.6	52.8	51.7	51.6	51.7	52.1	53.1	52.1	52.2	51.6	50.0	47.8	41.5	▲ 6.3	
Real Estate	47.4	48.7	47.6	48.3	47.4	46.5	48.0	45.9	46.0	44.2	45.9	42.0	31.6	▲ 10.4	
Manufacturing	Food,BEWerages,Livestock Feed	40.6	42.2	41.3	40.3	40.4	41.1	39.8	39.1	39.7	39.9	38.0	34.5	28.4	▲ 6.1
	Textile,Textile Products,Clothing	39.2	39.0	36.6	36.5	36.4	36.9	36.3	36.1	34.6	32.6	30.5	29.3	23.2	▲ 6.1
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	44.1	45.7	45.4	43.5	43.8	45.2	44.1	44.8	43.8	40.2	39.9	37.2	33.4	▲ 3.8
	Pulp, Paper and Paper Products	44.1	45.7	43.0	41.7	39.6	42.3	42.8	40.2	41.7	40.6	37.3	32.0	29.2	▲ 2.8
	Publishing,Printing	34.4	35.6	34.3	33.9	32.5	33.1	34.1	33.0	32.7	32.9	30.9	29.7	23.1	▲ 6.6
	Chemical	45.4	46.2	43.9	42.5	41.9	41.8	41.0	41.2	40.6	40.1	39.0	35.8	32.1	▲ 3.7
	Steel,Nonferrous Metals,Mining	45.4	45.5	42.9	41.8	41.5	41.2	40.4	39.8	38.1	37.6	36.3	32.9	29.0	▲ 3.9
	General Machinery	48.9	49.0	46.0	45.1	44.0	41.5	41.1	40.8	39.9	38.4	37.3	35.4	31.1	▲ 4.3
	Electrical Machinery	46.0	44.7	43.1	43.0	42.8	43.9	41.2	42.2	40.5	40.4	41.0	38.5	32.7	▲ 5.8
	Transportation Machinery,Equipment	49.3	49.4	48.1	47.5	46.4	43.4	42.3	43.5	41.2	40.9	39.4	36.5	34.2	▲ 2.3
	Precision Machinery, Medical Instruments and Equipment	45.5	47.3	44.4	42.4	43.9	43.4	42.0	41.3	42.0	39.9	40.4	39.0	34.8	▲ 4.2
Other	45.3	40.2	40.2	40.2	38.0	40.7	41.8	37.4	38.4	38.0	36.9	36.8	31.1	▲ 5.7	
Total	44.5	44.8	42.9	42.0	41.5	41.4	40.6	40.3	39.6	38.6	37.6	34.9	30.3	▲ 4.6	
Wholesale	Food,BEWerages	40.5	41.1	40.8	40.4	38.8	39.0	38.8	38.1	37.9	37.4	37.3	33.1	25.6	▲ 7.5
	Textile,Textile Products,Clothing	33.6	33.2	33.2	31.6	29.8	30.8	31.6	28.8	28.8	26.5	26.2	22.0	16.4	▲ 5.6
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	46.4	45.6	44.7	43.8	44.7	44.6	46.0	45.1	43.4	43.1	42.8	38.5	34.4	▲ 4.1
	Paper Products,Stationery,Books	39.0	39.2	39.0	36.4	37.0	37.1	38.0	37.7	36.3	35.0	34.9	33.5	27.5	▲ 6.0
	Chemical	44.3	44.2	41.8	41.2	42.7	42.0	42.7	41.0	40.4	39.0	38.7	35.5	33.2	▲ 2.3
	Recycled Resources	48.6	41.0	40.2	37.1	32.8	32.8	30.6	34.8	29.0	33.3	30.8	27.1	21.2	▲ 5.9
	Steel,Nonferrous Metals, Mining Products	43.7	43.4	40.8	40.4	39.0	38.8	37.6	38.0	37.0	34.8	33.9	31.9	27.8	▲ 4.1
	Machinery,Equipment	46.5	45.9	44.2	44.4	43.8	43.3	44.6	42.7	42.3	41.7	41.2	38.2	33.0	▲ 5.2
	Other	42.5	42.7	40.6	40.6	40.2	40.2	40.7	37.9	37.6	37.1	36.7	31.5	26.5	▲ 5.0
	Total	43.7	43.3	41.9	41.4	41.0	40.8	41.4	39.9	39.3	38.4	37.9	34.4	29.4	▲ 5.0

Economic Diffusion Index (Economic DI)2/2

		Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Ratio to tHK PrFDious Month
Retail	Food,BEWerages	42.5	42.5	44.8	42.9	41.5	41.3	41.8	40.5	40.2	38.4	39.1	36.7	25.8	▲ 10.9
	Textile,Textile Products,Clothing	38.9	39.1	36.9	36.6	34.6	36.5	37.9	32.7	31.5	28.7	28.0	24.2	16.2	▲ 8.0
	Drugs,Sundries	39.7	40.9	41.0	38.5	40.0	37.7	40.6	35.8	37.3	40.2	37.7	34.7	27.5	▲ 7.2
	Furniture	33.3	38.9	39.6	48.5	40.9	45.0	53.0	33.3	26.9	31.8	31.9	29.2	22.6	▲ 6.6
	Electrical Household Appliances, Information Machinery and Equipment	38.9	41.7	39.1	43.5	34.3	38.9	45.0	34.3	32.3	38.1	38.2	36.0	28.4	▲ 7.6
	Motor Vehicles,Motor Vehicle Parts	45.2	43.3	41.5	42.5	39.2	41.1	41.4	34.5	31.4	31.9	36.7	32.9	27.9	▲ 5.0
	Special Merchandise	40.8	42.1	41.3	41.1	40.6	40.7	43.5	38.2	39.1	36.0	35.2	34.7	27.4	▲ 7.3
	Various Merchandise	43.5	43.3	43.8	44.7	39.3	38.9	43.1	36.5	36.5	36.2	37.4	34.4	29.3	▲ 5.1
	Other	33.3	43.8	39.6	46.3	41.7	41.7	40.5	48.1	40.7	47.9	48.1	43.9	31.8	▲ 12.1
	Total	41.4	42.1	41.6	42.0	39.5	40.2	42.6	37.0	36.1	35.8	36.3	34.1	26.7	▲ 7.4
Transportation,Warehousing		48.1	48.2	46.7	45.6	44.5	45.5	46.0	44.9	45.1	42.6	39.5	34.0	27.7	▲ 6.3
Service	Restaurants	37.8	42.9	40.6	42.9	39.6	38.1	43.6	37.3	39.4	40.7	41.0	32.3	14.2	▲ 18.1
	Postal,Telecommunications	62.1	57.6	56.7	60.0	58.3	60.6	56.9	56.1	59.5	52.8	64.6	57.1	50.0	▲ 7.1
	Electricity,Gas,Water,Heat	56.3	58.3	55.6	54.5	54.2	52.6	51.3	51.2	52.2	47.4	52.4	46.7	40.5	▲ 6.2
	Leasing,Rentals	52.7	54.1	50.9	52.5	51.8	51.7	53.5	54.5	53.1	50.4	50.8	46.9	34.0	▲ 12.9
	Lodging, Hotels	42.3	41.0	50.0	44.9	40.3	39.9	47.2	41.3	42.0	39.1	38.5	23.2	7.0	▲ 16.2
	Recreation	41.0	38.8	42.0	41.5	41.8	40.9	38.7	38.2	40.7	37.5	39.4	35.7	17.0	▲ 18.7
	Broadcasting	43.3	41.7	44.1	43.3	41.1	45.2	43.1	42.9	41.7	38.2	38.1	38.9	29.8	▲ 9.1
	Maintenance,Guarding,Testing	50.0	48.1	48.2	48.8	49.3	49.8	48.6	49.1	47.3	46.6	46.4	42.6	36.0	▲ 6.6
	Advertising	40.3	40.7	40.5	40.7	40.4	38.9	40.3	40.4	39.6	37.8	40.0	34.1	21.3	▲ 12.8
	Information	60.3	59.6	58.0	57.8	58.5	58.7	57.7	57.4	57.8	56.2	56.5	54.2	43.9	▲ 10.3
	Labor Dispatching	53.8	53.5	53.9	52.8	52.7	51.0	53.2	53.3	50.9	46.2	49.2	42.5	34.1	▲ 8.4
	Special Services	52.5	51.5	49.5	50.1	49.9	51.1	51.8	51.5	50.8	49.9	50.3	45.8	40.4	▲ 5.4
	Medical,Welfare,Public Health	47.1	46.9	47.8	47.0	48.7	46.5	47.3	46.5	48.5	47.7	47.8	43.2	35.9	▲ 7.3
	Education	45.8	44.2	43.6	44.0	41.1	39.5	40.0	42.4	37.8	43.1	41.4	40.0	29.7	▲ 10.3
	Other	49.0	50.2	47.9	48.5	47.9	48.3	48.4	47.9	47.9	45.6	46.2	39.8	29.2	▲ 10.6
Total	51.9	51.6	50.6	50.8	50.8	50.7	51.0	50.6	50.4	48.8	49.5	45.1	35.3	▲ 9.8	
Other		45.2	44.9	43.2	42.6	44.1	43.2	42.1	43.1	40.4	41.7	42.7	39.2	29.8	▲ 9.4

	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Ratio to tHK PrFDious Month
Hokkaido	44.6	45.5	45.3	45.1	45.7	46.4	46.6	45.7	45.0	43.8	42.4	39.0	31.0	▲ 8.0
Tohoku	42.8	43.1	42.2	41.9	41.7	41.7	43.2	41.9	42.2	40.9	38.8	36.7	30.7	▲ 6.0
kitakanto	44.7	44.3	43.1	42.5	42.5	42.6	42.2	40.9	40.0	40.0	39.4	36.9	31.8	▲ 5.1
minamikanto	47.8	47.7	46.0	46.0	45.5	45.7	46.1	45.5	45.5	44.3	44.5	41.1	34.1	▲ 7.0
Hokuriku	45.3	45.3	44.6	44.2	43.5	44.1	43.5	42.1	40.4	39.5	37.6	35.6	29.7	▲ 5.9
Tokai	48.4	48.0	46.8	45.8	44.7	45.0	45.2	43.6	42.7	41.8	40.6	37.3	31.4	▲ 5.9
Kinki	47.3	46.9	45.0	44.6	44.0	43.8	43.9	42.2	41.9	40.5	39.8	36.3	30.4	▲ 5.9
Chugoku	46.7	47.2	45.6	45.5	45.0	44.8	45.0	44.0	43.6	42.6	41.2	39.0	33.8	▲ 5.2
Shikoku	46.8	46.9	46.7	44.8	43.1	43.8	43.9	44.4	44.0	43.8	42.7	39.5	36.4	▲ 3.1
Kyushu	48.6	48.3	46.9	47.0	47.6	46.3	47.1	46.5	46.8	45.1	45.2	41.5	35.3	▲ 6.2

44.4% of companies anticipating decreases in income and profit for FY 2020

- COVID-19 and prospects for consumer spending determine performance -

Constraints on economic activities continue in the domestic economy due to the novel coronavirus disease (COVID-19), amid continuing slowdown of overseas economies, such as in China and Europe. We don't see when the situation returns to normal, and uncertainty about the future is increasing, such as the decision to postpone the Tokyo 2020 Olympic and Paralympic Games. On the other hand, 5G (fifth generation of wireless communications systems) kicking into full swing, and reshoring of production are expected to be positive factors. Therefore, Teikoku Databank has conducted a survey of corporate attitudes towards the performance outlook for FY 2020. This survey was conducted in conjunction with the March 2020 TDB Trends Research.

* Survey period: March 17 – 31, 2020; Companies Surveyed: 23,676; Valid Responses: 11,330 (Response Rate: 47.9%) The survey of the performance outlook has been conducted every year since February 2009, and this is the 12th survey.

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

Survey results (Summary)

1. 13.5% of companies anticipate “increases in income and profit” in the performance outlook for FY 2020, 11.3 points down from the previous survey's performance outlook for FY 2019 (in March 2019). On the other hand, 44.4% of those anticipate “decreases in income and profit”, 22.6 points up from the performance outlook for 2019. Companies taking a bleak view of the performance outlook for FY 2020 are rapidly increasing.

2. With respect to upside factors in the performance outlook for FY 2020, “convergence of infectious disease” ranked top at 43.3%. “Recovery of consumer spending” (34.8%) was ranked second highest, while continuing to refrain from going out, followed by “an increase in public works”, “Chinese economy growth”, “expansion of economic policies”, and “alleviation of labor shortage”. On the other hand, “spread of infectious disease” ranked top at 62.0% in the downside factors, followed by “further downturn in consumer spending” (40.7%).

3. Companies evaluated the achievements of the economic policies of the Abe Administration (Abenomics) at 59.4 out of 100 points, 2.4 points down from the previous survey, and below 60 points for the first time since 2015 when we started to ask this question. There has been an increasingly bleak view.

Appendix

1. Research Subjects (Companies researched: 23,676; Valid responses: 11,330; Response rate: 47.9%)

Appendix

1. Region

Hokkaido	571	Tokai	1,273
Tohoku	763	Kinki	1,925
kitaKanto	831	Chugoku	610
minamikanto	3,574	Shikoku	335
Hokuriku	614	Kyushu	834
		Total	11,330

2. Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		65
Finance		126
Construction		1,829
Real Estate		361
Manufacturing (3,108)	Food, Beverages, Livestock Feed	359
	Textile, Textile Products, Clothing	120
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	233
	Pulp, Paper and Paper Products	109
	Publishing, Printing	176
	Chemical	434
	Steel, Nonferrous Metals, Mining	546
	General Machinery	510
	Electrical Machinery	341
	Transportation Machinery, Equipment	112
Wholesale (3,032)	Precision Machinery, Medical Instruments and Equipment	80
	Others	88
	Food, Beverages	393
	Textile, Textile Products, Clothing	207
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	350
	Paper Products, Stationery, Books	103
	Chemical	288
	Recycled Resources	37
	Steel, Nonferrous Metals, Mining Products	320
	Machinery, Equipment	964
Others	370	

Retail (467)	Food, Beverages	73
	Textile, Textile Products, Clothing	33
	Drugs, Sundries	23
	Furniture	14
	Electrical Household Appliances, Information Machinery and Equipment	37
	Motor Vehicles, Motor Vehicle Parts	89
	Special Merchandise	138
	Various Merchandise	49
	Others	11
Transportation, Warehousing		485
Service (1,814)	Restaurants	55
	Telecommunications	8
	Electricity, Gas, Water, Heat	14
	Leasing, Rentals	123
	Lodging, Hotels	31
	Recreation	57
	Broadcasting	14
	Maintenance, Guarding, Testing	187
	Advertising	104
	Information	506
	Labor Dispatching	69
	Special Services	294
	Medical, Welfare, Public Health	123
Education	32	
Others	197	
Others		43
Total		11,330

3. Size

Large Firms	2,081	18.4%
Small to Medium-sized Firms	9,249	81.6%
micro Firms	3,249	28.7%
Total	11,330	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 March 17 – 31 2020

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.