

Domestic economy worsens for the second month in a row

~ Downward pressure increased as a state of emergency was
declared in 11 prefectures ~

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(Companies researched: 23,695; Valid responses: 11,441; Response rate: 48.3%;
Survey start date: May 2002)

< Overview of January 2021: Worsening continues >

The economic diffusion index (DI) in January 2021 was 33.9, down 1.1 points from the previous month, and worsening for the second month in a row. The domestic economy worsened for the second consecutive month, mainly in consumer spending, due to re-declaration of a state of emergency, etc.

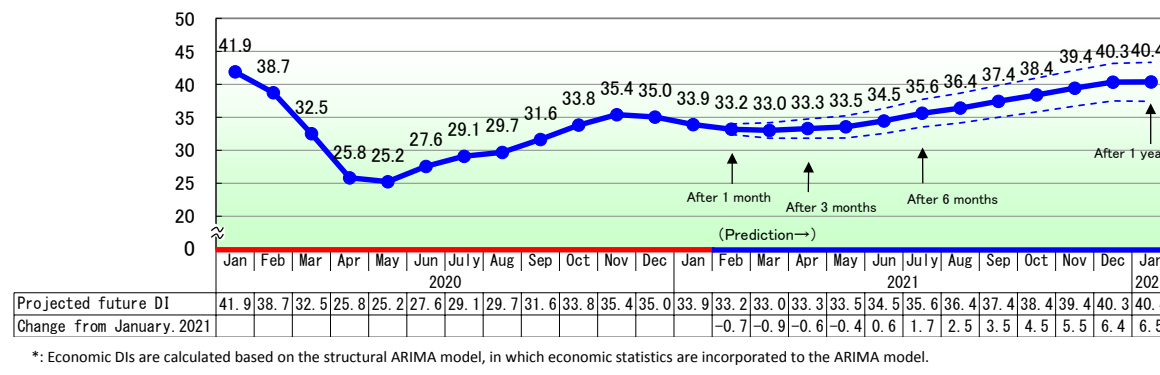
< Future outlook: Temporary setback >

The economy shows a temporary setback, but it is believed it will gradually improve after bottoming out around spring.

By industry : The economy deteriorated in nine industries, and was pushed further downward by consumer spending-related aspects under the declaration of a state of emergency.

By size : The economy deteriorated in all sizes for the second month in a row, and was affected by decreased movement of people and low seasonal demand.

By region : The economy deteriorated in all ten regions, and was pushed downward by re-declaration of a state of emergency and heavy snow, etc.



Economic Diffusion Index (Economic DI)1/2

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Ratio to the Previous Month
Total	41.9	38.7	32.5	25.8	25.2	27.6	29.1	29.7	31.6	33.8	35.4	35.0	33.9	▲ 1.1
Large Firms	45.3	42.0	34.8	28.2	28.1	30.1	31.7	32.4	33.9	36.4	37.6	37.4	36.3	▲ 1.1
Small to Medium-sized Firms	41.1	38.0	32.0	25.3	24.6	27.0	28.5	29.1	31.1	33.3	34.9	34.5	33.4	▲ 1.1
Micro Firms	41.4	38.8	32.3	25.4	24.6	27.8	29.4	30.0	32.0	33.9	35.2	34.2	32.8	▲ 1.4

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Ratio to the Previous Month	
Agriculture,Forestry,Fisheries	38.4	37.9	32.8	28.2	25.1	29.6	31.4	31.0	30.3	34.4	38.7	35.4	30.9	▲ 4.5	
Finance	44.8	42.2	33.3	27.3	28.7	32.4	31.5	32.6	35.3	38.3	37.7	35.6	36.1	0.5	
Construction	50.0	47.8	41.5	33.9	33.5	36.3	37.5	38.4	40.4	41.1	41.8	40.9	39.4	▲ 1.5	
Real Estate	45.9	42.0	31.6	21.9	23.5	29.2	32.5	33.1	35.6	36.4	36.8	36.4	35.5	▲ 0.9	
Manufacturing	Food,BEWerages,Livestock Feed	38.0	34.5	28.4	24.8	24.6	27.2	29.6	30.5	32.0	34.2	36.0	32.5	30.7	▲ 1.8
	Textile,Textile Products,Clothing	30.5	29.3	23.2	16.7	17.7	17.9	19.8	20.3	23.5	24.7	26.8	26.1	24.5	▲ 1.6
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	39.9	37.2	33.4	29.2	26.5	28.1	28.3	29.8	31.3	35.1	35.4	36.0	37.3	1.3
	Pulp, Paper and Paper Products	37.3	32.0	29.2	24.0	21.4	19.3	21.0	22.9	24.1	26.2	29.2	29.3	27.6	▲ 1.7
	Publishing,Printing	30.9	29.7	23.1	16.8	14.4	16.0	15.8	18.8	20.4	21.9	22.7	21.8	20.2	▲ 1.6
	Chemical	39.0	35.8	32.1	27.5	25.3	25.9	27.3	27.8	31.1	34.4	37.7	39.3	38.0	▲ 1.3
	Steel,Nonferrous Metals,Mining	36.3	32.9	29.0	23.6	21.5	20.8	22.3	23.6	25.4	29.2	33.1	34.3	33.9	▲ 0.4
	General Machinery	37.3	35.4	31.1	25.3	23.6	23.5	24.6	25.0	26.5	29.1	31.7	33.5	33.6	0.1
	Electrical Machinery	41.0	38.5	32.7	27.6	26.1	27.0	27.5	27.7	28.9	33.0	34.8	35.5	36.1	0.6
	Transportation Machinery,Equipment	39.4	36.5	34.2	22.2	18.2	18.1	21.2	24.2	27.8	34.9	36.3	40.1	40.1	0.0
	Precision Machinery,Medical Instruments and Equipment	40.4	39.0	34.8	27.2	26.3	28.6	28.1	29.6	30.2	32.7	35.5	37.1	37.9	0.8
	Other	36.9	36.8	31.1	20.7	19.8	23.9	25.2	22.8	26.3	29.0	29.6	31.9	31.5	▲ 0.4
Total	37.6	34.9	30.3	24.7	23.0	23.6	24.9	25.9	27.8	31.0	33.3	33.9	33.4	▲ 0.5	
Wholesale	Food,BEWerages	37.3	33.1	25.6	21.3	21.0	24.5	27.3	27.2	30.2	32.0	31.6	29.5	26.8	▲ 2.7
	Textile,Textile Products,Clothing	26.2	22.0	16.4	10.3	11.4	15.8	18.2	18.0	19.4	22.6	22.3	22.7	21.2	▲ 1.5
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	42.8	38.5	34.4	27.9	27.7	29.6	30.2	30.4	31.7	33.9	35.9	36.1	34.7	▲ 1.4
	Paper Products,Stationery,Books	34.9	33.5	27.5	22.0	19.1	19.0	21.9	23.2	24.0	26.9	26.7	28.3	26.3	▲ 2.0
	Chemical	38.7	35.5	33.2	28.9	27.4	27.6	29.2	29.5	30.1	32.3	36.1	35.7	34.3	▲ 1.4
	Recycled Resources	30.8	27.1	21.2	18.7	18.8	23.8	24.5	27.8	30.2	32.9	38.7	44.4	45.6	1.2
	Steel,Nonferrous Metals,Mining Products	33.9	31.9	27.8	23.2	22.8	24.0	24.5	25.3	26.4	30.5	32.1	34.0	32.6	▲ 1.4
	Machinery,Equipment	41.2	38.2	33.0	25.9	25.1	27.4	29.0	28.6	30.6	33.1	34.6	34.4	34.6	0.2
	Other	36.7	31.5	26.5	21.4	19.8	23.1	25.1	25.4	27.6	30.6	33.0	31.6	29.0	▲ 2.6
Total	37.9	34.4	29.4	23.7	23.0	25.3	27.0	27.1	28.9	31.5	33.0	32.8	31.6	▲ 1.2	

Economic Diffusion Index (Economic DI)2/2

		Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Ratio to the Previous Month
Retail	Food,BEWerages	39.1	36.7	25.8	26.3	27.4	30.8	30.7	29.1	34.0	38.8	37.0	34.6	33.8	▲ 0.8
	Textile,Textile Products,Clothing	28.0	24.2	16.2	11.4	8.8	23.6	24.7	24.0	19.9	27.8	23.7	22.0	22.7	0.7
	Drugs,Sundries	37.7	34.7	27.5	28.7	25.3	32.7	32.7	31.3	32.6	33.3	29.8	31.3	30.2	▲ 1.1
	Furniture	31.9	29.2	22.6	10.8	15.5	31.7	40.0	38.9	38.5	37.5	38.9	35.4	34.4	▲ 1.0
	Electrical Household Appliances, Information Machinery and Equipment	38.2	36.0	28.4	19.3	21.9	33.8	29.8	30.5	30.6	34.2	33.3	29.5	28.3	▲ 1.2
	Motor Vehicles,Motor Vehicle Parts	36.7	32.9	27.9	17.0	15.8	25.4	29.3	29.3	32.4	34.6	40.2	37.2	35.7	▲ 1.5
	Special Merchandise	35.2	34.7	27.4	20.2	19.9	27.7	30.2	30.0	31.6	33.9	33.3	34.7	32.6	▲ 2.1
	Various Merchandise	37.4	34.4	29.3	32.3	29.9	34.5	40.9	36.9	37.0	37.6	37.3	39.2	38.7	▲ 0.5
	Other	48.1	43.9	31.8	26.9	30.6	31.8	26.7	25.9	33.3	33.3	34.8	33.3	30.3	▲ 3.0
Total		36.3	34.1	26.7	21.2	21.1	29.1	31.0	30.3	32.1	34.8	35.0	34.2	32.9	▲ 1.3
Transportation,Warehousing		39.5	34.0	27.7	22.4	22.7	21.5	24.2	25.4	28.1	30.1	32.5	31.5	30.0	▲ 1.5
Service	Restaurants	41.0	32.3	14.2	4.3	5.5	13.8	13.7	12.7	14.5	18.2	21.0	15.3	10.3	▲ 5.0
	Postal,Telecommunications	64.6	57.1	50.0	30.3	33.3	43.3	41.7	42.6	46.7	41.7	47.2	38.9	46.3	7.4
	Electricity,Gas,Water,Heat	52.4	46.7	40.5	28.4	32.4	34.4	34.9	42.5	42.5	40.4	40.0	38.6	42.5	3.9
	Leasing,Rentals	50.8	46.9	34.0	27.8	29.1	30.2	31.4	32.7	34.5	34.9	37.5	36.2	33.5	▲ 2.7
	Lodging, Hotels	38.5	23.2	7.0	1.5	2.9	4.8	5.1	6.0	12.4	27.2	28.8	11.9	3.4	▲ 8.5
	Recreation	39.4	35.7	17.0	5.6	9.3	11.5	17.5	22.9	22.4	23.7	29.0	27.0	24.0	▲ 3.0
	Broadcasting	38.1	38.9	29.8	22.9	22.5	26.7	25.6	34.5	33.3	34.4	38.6	42.2	36.3	▲ 5.9
	Maintenance,Guarding,Testing	46.4	42.6	36.0	27.5	26.6	29.9	33.2	34.1	36.5	38.5	38.5	38.6	36.3	▲ 2.3
	Advertising	40.0	34.1	21.3	11.3	10.7	14.3	19.0	18.0	20.4	21.1	22.3	22.5	20.2	▲ 2.3
	Information	56.5	54.2	43.9	33.7	34.0	35.8	37.2	37.9	38.9	40.1	41.6	41.2	41.3	0.1
	Labor Dispatching	49.2	42.5	34.1	21.0	20.0	25.3	24.6	25.4	26.7	29.2	34.3	31.5	31.6	0.1
	Special Services	50.3	45.8	40.4	31.4	32.2	35.0	36.7	36.1	40.0	40.7	42.5	41.0	38.8	▲ 2.2
	Medical,Welfare,Public Health	47.8	43.2	35.9	26.4	26.1	30.5	29.9	31.0	31.4	33.6	34.9	34.8	32.7	▲ 2.1
	Education	41.4	40.0	29.7	13.9	18.8	28.0	29.5	31.7	34.0	34.7	34.0	34.0	33.3	▲ 0.7
Other	46.2	39.8	29.2	21.2	21.8	26.6	28.7	28.4	31.1	31.6	31.4	32.6	30.9	▲ 1.7	
Total		49.5	45.1	35.3	25.8	26.1	29.4	31.2	31.8	33.9	35.1	36.8	35.7	33.9	▲ 1.8
Other		42.7	39.2	29.8	24.4	26.2	27.1	29.3	28.8	31.5	28.2	29.4	30.8	29.5	▲ 1.3

		Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Ratio to the Previous Month
Hokkaido		42.4	39.0	31.0	28.4	27.5	30.6	32.3	33.4	34.4	36.0	34.4	33.0	32.4	▲ 0.6
Tohoku		38.8	36.7	30.7	26.0	25.3	28.5	29.7	30.4	32.6	34.4	36.0	35.4	33.8	▲ 1.6
kitakanto		39.4	36.9	31.8	25.8	24.5	26.2	27.1	28.0	30.6	33.2	36.6	35.9	34.9	▲ 1.0
minamikanto		44.5	41.1	34.1	26.3	25.5	28.4	29.7	30.4	32.3	34.2	35.3	35.2	34.0	▲ 1.2
Hokuriku		37.6	35.6	29.7	24.9	25.1	26.5	27.5	28.5	30.0	31.8	34.7	35.0	32.7	▲ 2.3
Tokai		40.6	37.3	31.4	23.7	23.4	25.3	27.0	27.7	30.3	32.6	35.6	35.3	34.1	▲ 1.2
Kinki		39.8	36.3	30.4	23.9	23.8	25.9	27.8	28.1	29.5	32.4	34.1	33.9	33.1	▲ 0.8
Chugoku		41.2	39.0	33.8	27.0	25.7	27.2	29.4	29.7	32.0	34.3	35.5	34.8	34.5	▲ 0.3
Shikoku		42.7	39.5	36.4	30.8	28.5	30.3	30.5	31.5	32.6	33.9	35.3	35.4	33.8	▲ 1.6
Kyushu		45.2	41.5	35.3	27.5	27.4	29.7	32.5	31.8	34.2	36.9	37.7	36.9	35.3	▲ 1.6

Survey of Corporate Attitudes Towards Wage Trends for 2021

Companies anticipating wage improvement stood at 42%, the lowest level in seven years

— **“Slumping business performance of own company due to COVID-19”
accounts for 70% of the reasons for no wage improvement** —

The percentage of companies that considered the domestic economy for 2020 was in a “recovery phase” remained in single digits for the third consecutive year, and those that considered it was in a “downturn phase” exceeded 50% for the first time in the eight years since 2012. It was a year of increased severity. While the spread of COVID-19 infection greatly impacts corporate activities, wage trends attract a lot of attention, such as the Japan Business Federation (Keidanren) indicating a policy of not adopting across-the-board pay increases in order to place utmost priority on maintaining employment and staying in business.

In such circumstances, Teikoku Databank conducted a survey of corporate attitudes towards wage trends for 2021. This survey was conducted in conjunction with the January 2021 TDB Trends Research.

*Survey period: January 18 - January 31, 2021; Companies Surveyed: 23,695; Valid Responses: 11,441 (Response Rate: 48.3%) The survey on wages has been conducted every January since 2006, and this is the 16th such survey.

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

*Wage improvement means improvement (increase) in wages by pay-scale raises and bonus pay (lump-sum pay) increases, and does not include annual pay raises.

Survey results (Summary)

1. Companies anticipating “wage improvement” in 2021 stood at 42.0%, 11.3 points down from the 2020 survey, and a drop to the lowest level in the seven years since the 2014 survey (46.4%). By industry, the highest percentage is in “construction,” whose labor shortage is evident, at 47.8%. The percentage (36.7%) in “transportation and warehousing” which include tourism-related sectors such as travel agencies and passenger vehicle transportation decreased considerably, by 18.5 points.

2. With respect to the details of wage improvement, pay-scale raises and bonus pay (lump-sum pay) stood at 35.9% (a decrease of 9.3 points y-o-y), and 20.3% (a decrease of 6.0 points y-o-y), respectively. Both dropped substantially from the previous survey.

3. With respect to the reasons for wage improvement, “stability of and securing the workforce” was at 78.7%. Although there was a decrease from the 2020 survey, the trend to increase wages for stability of and to secure the workforce has remained strong. With respect to the reasons for no wage improvement, “slumping business performance of own company due to COVID-19” reached almost 70%, at 69.4%.

4. Companies responding that total personnel expenses would “increase” for 2021 stood at 54.2%, a sizeable decrease of 14.7 points from the 2020 survey. By industry, the percentage exceeds 60% only in “construction,” followed by 56.0% in “service.” In particular, sectors in which a labor shortage is evident, such as “medical care, welfare, health, and hygiene,” “information service,” “maintenance, security, and inspection” show a tendency for total personnel expenses to increase.

Appendix

1. Research Subjects (Companies researched: 23,695; Valid responses: 11,441; Response rate: 48.3%)

Appendix

1. Region

Hokkaido	563	Tokai	1,273
Tohoku	785	Kinki	1,956
kitaKanto	883	Chugoku	661
minamikanto	3,452	Shikoku	386
Hokuriku	604	Kyushu	878
		Total	11,441

2. Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		76
Finance		127
Construction		1,893
Real Estate		372
Manufacturing (3,136)	Food, Beverages, Livestock Feed	387
	Textile, Textile Products, Clothing	122
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	237
	Pulp, Paper and Paper Products	102
	Publishing, Printing	186
	Chemical	424
	Steel, Nonferrous Metals, Mining	543
	General Machinery	510
	Electrical Machinery	351
	Transportation Machinery, Equipment	106
	Precision Machinery, Medical Instruments and Equipment	77
Others	91	
Wholesale (3,002)	Food, Beverages	412
	Textile, Textile Products, Clothing	203
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	358
	Paper Products, Stationery, Books	100
	Chemical	286
	Recycled Resources	38
	Steel, Nonferrous Metals, Mining Products	302
	Machinery, Equipment	939
	Others	364

Retail (457)	Food, Beverages	71
	Textile, Textile Products, Clothing	33
	Drugs, Sundries	21
	Furniture	16
	Electrical Household Appliances, Information Machinery and Equipment	33
	Motor Vehicles, Motor Vehicle Parts	84
	Special Merchandise	138
	Various Merchandise	50
	Others	11
Transportation, Warehousing		493
Service (1,842)	Restaurants	65
	Telecommunications	9
	Electricity, Gas, Water, Heat	20
	Leasing, Rentals	128
	Lodging, Hotels	39
	Recreation	64
	Broadcasting	17
	Maintenance, Guarding, Testing	184
	Advertising	110
	Information	493
	Labor Dispatching	66
	Special Services	292
	Medical, Welfare, Public Health	125
Education	26	
Others	204	
Others		43
Total		11,441

3. Size

Large Firms	2,007	17.5%
Small to Medium-sized Firms	9,434	82.5%
micro Firms	3,426	29.9%
Total	11,441	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 January 18 – 31 2021

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

EconomicDI

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

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

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.