

**Domestic economy worsened for the first time
in five months due to omicron variant**

~ Suppressed corporate activities again, a surge in raw materials cost
also exerted downward pressure ~

e-mail : keiki@mail.tdb.co.jp

(Companies researched: 24,072; Valid responses: 11,981; Response rate: 49.8%;
Survey start date: May 2002)

< Overview of January 2022: Heavy slump >

The economic diffusion index (DI) in January 2022 was 41.2, down 2.7 points from the previous month, and worsened for the first time in five months. The domestic economy experienced a heavy slump, such as corporate activities were suppressed again due to a rapid increase in the numbers of infection.

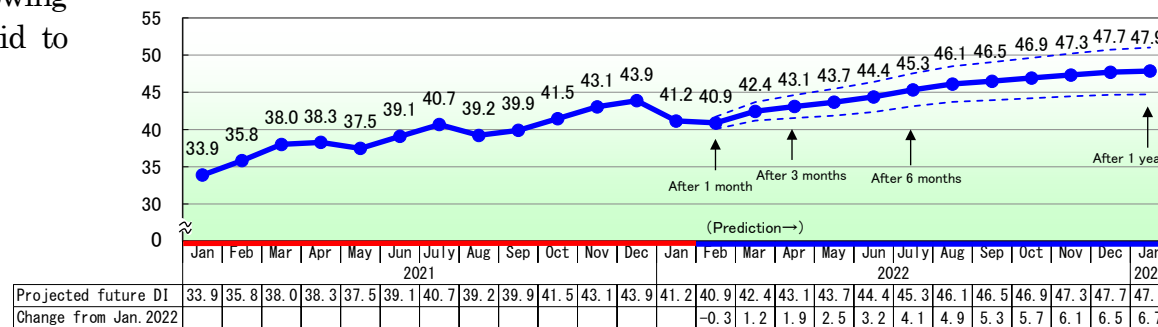
< Future outlook: Gradual recovery following a temporary depression >

The economy is believed to be on a gradual trend of recovery following a temporary depression. However, close attention must be paid to downside risk trends.

By industry: The spread of the omicron variant became a negative factor in many business sectors.

By size: Worsened in all sized for the first time in five months, with a heavy slump in SMEs.

By region: Worsened in all ten regions for the first time in five months, with downward factors of the infection spreading and heavy snow.



*: 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

	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Ratio to the Previous Month
Total	33.9	35.8	38.0	38.3	37.5	39.1	40.7	39.2	39.9	41.5	43.1	43.9	41.2	▲ 2.7
Large Firms	36.3	38.2	40.2	40.8	40.2	41.9	42.9	41.4	42.5	43.8	45.7	45.9	44.0	▲ 1.9
Small to Medium-sized Firms	33.4	35.3	37.5	37.7	36.9	38.5	40.2	38.8	39.4	41.0	42.5	43.5	40.6	▲ 2.9
Micro Firms	32.8	34.7	36.7	36.3	35.6	37.1	38.4	37.4	38.7	40.0	41.3	42.1	39.1	▲ 3.0

	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Ratio to the Previous Month	
Agriculture,Forestry,Fisheries	30.9	33.8	35.0	37.5	37.7	39.1	38.5	37.0	38.1	41.1	42.6	38.2	38.7	0.5	
Finance	36.1	38.3	39.2	38.3	39.5	41.7	42.8	39.7	41.5	43.0	43.3	43.8	41.9	▲ 1.9	
Construction	39.4	40.6	41.6	41.4	40.0	41.6	42.7	42.5	43.7	44.7	45.4	45.2	43.3	▲ 1.9	
Real Estate	35.5	38.3	40.6	40.8	39.4	40.9	41.8	39.4	42.6	43.6	44.7	46.7	42.9	▲ 3.8	
Manufacturing	Food,BEWerages,Livestock Feed	30.7	30.8	34.4	35.2	33.6	34.0	35.5	32.8	34.1	38.1	39.6	40.8	35.4	▲ 5.4
	Textile,Textile Products,Clothing	24.5	26.0	26.8	28.7	29.2	29.3	31.0	29.3	28.2	30.2	31.4	34.1	31.6	▲ 2.5
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	37.3	37.2	37.8	39.3	38.6	40.1	42.5	41.2	42.7	43.7	44.9	46.4	44.1	▲ 2.3
	Pulp, Paper and Paper Products	27.6	29.4	33.0	34.3	33.5	34.9	37.2	36.6	36.2	39.3	41.4	42.9	40.2	▲ 2.7
	Publishing,Printing	20.2	22.2	26.0	27.2	24.2	27.1	27.4	25.6	27.1	29.4	30.2	32.1	28.6	▲ 3.5
	Chemical	38.0	40.9	43.3	44.2	44.3	44.5	46.3	45.0	41.9	42.6	45.7	46.7	44.5	▲ 2.2
	Steel,Nonferrous Metals,Mining	33.9	37.0	39.3	40.5	39.9	43.4	46.4	45.1	43.8	44.2	45.9	46.4	44.6	▲ 1.8
	General Machinery	33.6	36.9	41.2	42.1	42.2	43.7	45.9	46.6	46.2	47.2	47.8	49.1	47.7	▲ 1.4
	Electrical Machinery	36.1	39.6	42.6	43.2	42.8	45.0	46.8	45.9	45.8	47.5	47.0	48.5	46.6	▲ 1.9
	Transportation Machinery,Equipment	40.1	40.3	45.3	45.2	45.3	47.1	50.6	48.2	37.6	37.7	43.4	45.6	41.6	▲ 4.0
	Precision Machinery,Medical Instruments and Equipment	37.9	42.4	44.6	45.6	48.7	49.1	50.5	50.9	50.8	50.4	49.8	53.0	52.0	▲ 1.0
	Other	31.5	31.4	34.1	35.3	33.0	34.1	37.6	33.9	35.3	35.5	36.9	41.1	35.9	▲ 5.2
Total	33.4	35.6	38.5	39.5	39.0	40.6	42.7	41.5	40.7	42.1	43.6	45.1	42.5	▲ 2.6	
Wholesale	Food,BEWerages	26.8	29.2	30.7	30.1	29.4	30.7	31.3	29.1	29.8	33.0	36.9	38.2	32.7	▲ 5.5
	Textile,Textile Products,Clothing	21.2	19.8	23.9	23.1	21.7	22.5	22.8	21.2	22.4	24.5	27.4	29.3	27.6	▲ 1.7
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	34.7	34.8	36.7	37.2	36.5	36.3	37.8	37.7	39.6	39.9	42.6	42.4	40.0	▲ 2.4
	Paper Products,Stationery,Books	26.3	29.3	32.2	32.4	30.6	31.4	31.2	29.2	29.6	31.8	35.0	34.2	32.7	▲ 1.5
	Chemical	34.3	37.7	39.1	40.9	40.7	42.0	42.4	40.7	42.2	44.2	45.3	45.3	43.2	▲ 2.1
	Recycled Resources	45.6	42.4	45.4	55.1	53.4	52.0	53.7	51.4	51.8	53.4	52.9	52.8	45.8	▲ 7.0
	Steel,Nonferrous Metals,Mining Products	32.6	33.4	36.0	37.2	37.5	38.7	41.1	41.1	41.6	41.6	43.2	45.2	42.3	▲ 2.9
	Machinery,Equipment	34.6	36.7	39.5	40.1	39.0	40.7	43.1	41.3	41.8	42.6	44.4	44.7	42.8	▲ 1.9
	Other	29.0	31.3	34.4	34.1	32.2	35.5	36.6	33.0	34.4	37.8	39.7	40.1	36.3	▲ 3.8
	Total	31.6	33.3	35.8	36.2	35.3	36.8	38.3	36.6	37.6	39.1	41.3	41.8	39.0	▲ 2.8

Economic Diffusion Index (Economic DI)2/2

		Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Ratio to the Previous Month
Retail	Food,BEVerages	33.8	33.1	34.1	32.8	32.6	34.9	37.5	36.0	33.1	38.0	39.7	41.1	36.5	▲ 4.6
	Textile,Textile Products,Clothing	22.7	21.4	23.3	25.0	21.2	20.3	25.0	21.4	21.5	27.9	34.1	40.0	31.8	▲ 8.2
	Drugs,Sundries	30.2	32.5	31.1	35.8	29.3	31.4	32.5	33.3	34.6	45.8	37.5	38.4	36.0	▲ 2.4
	Furniture	34.4	36.7	38.9	42.7	40.6	39.8	36.9	34.6	32.2	35.6	34.5	42.9	35.6	▲ 7.3
	Electrical Household Appliances, Information Machinery and Equipment	28.3	36.3	34.4	37.8	30.8	35.8	37.7	33.8	33.8	34.6	35.9	35.5	32.3	▲ 3.2
	Motor Vehicles,Motor Vehicle Parts	35.7	37.6	37.0	38.3	38.6	40.7	40.5	36.8	37.2	35.9	37.8	36.5	35.0	▲ 1.5
	Special Merchandise	32.6	35.5	35.9	34.6	34.5	34.8	34.3	32.6	31.7	32.8	33.5	36.0	33.3	▲ 2.7
	Various Merchandise	38.7	36.2	37.3	32.2	31.1	33.0	35.6	27.3	33.0	35.9	38.0	37.5	36.2	▲ 1.3
	Other	30.3	33.3	35.0	40.5	25.0	33.3	35.7	37.0	35.4	31.7	37.9	43.3	40.0	▲ 3.3
	Total	32.9	34.5	34.9	34.7	33.1	34.5	35.4	32.7	32.6	34.8	36.0	37.7	34.4	▲ 3.3
Transportation,Warehousing		30.0	31.7	33.9	34.5	33.7	34.5	36.3	36.0	35.8	37.1	39.1	40.3	37.7	▲ 2.6
Service	Restaurants	10.3	12.8	18.9	14.9	13.0	20.5	19.7	14.8	15.2	27.8	31.4	34.7	24.2	▲ 10.5
	Postal,Telecommunications	46.3	38.1	43.8	38.9	40.5	27.8	42.9	39.6	41.7	50.0	40.5	41.7	46.7	5.0
	Electricity,Gas,Water,Heat	42.5	39.5	47.1	40.4	41.2	45.0	40.8	44.4	45.8	42.6	38.9	39.7	40.0	0.3
	Leasing,Rentals	33.5	32.8	35.0	35.4	35.0	38.1	41.0	37.4	39.6	43.9	44.9	44.8	42.0	▲ 2.8
	Lodging, Hotels	3.4	4.4	10.9	8.6	5.6	11.6	13.0	10.0	10.4	22.6	30.2	29.5	12.9	▲ 16.6
	Recreation	24.0	25.8	33.1	25.8	29.5	29.2	34.8	29.2	29.0	34.0	36.7	38.4	33.3	▲ 5.1
	Broadcasting	36.3	42.6	51.0	42.7	42.7	42.2	42.2	38.9	39.2	49.1	48.1	46.9	45.8	▲ 1.1
	Maintenance,Guarding,Testing	36.3	37.5	40.4	39.2	40.8	42.7	41.9	41.6	44.0	44.3	45.3	45.7	42.3	▲ 3.4
	Advertising	20.2	24.7	26.5	25.6	23.4	27.5	27.5	26.8	29.5	32.4	36.8	37.7	32.7	▲ 5.0
	Information	41.3	43.6	45.5	45.2	44.9	46.8	48.2	46.7	48.5	50.5	51.2	52.5	50.1	▲ 2.4
	Labor Dispatching	31.6	33.6	34.1	35.8	35.5	36.2	41.9	38.4	41.9	39.7	44.3	43.3	45.1	1.8
	Special Services	38.8	42.9	43.6	43.5	41.5	43.4	47.3	44.4	45.5	47.9	49.2	50.3	47.2	▲ 3.1
	Medical,Welfare,Public Health	32.7	34.7	37.1	39.1	39.2	41.2	42.1	41.1	41.4	42.8	45.7	43.2	42.4	▲ 0.8
	Education	33.3	34.0	32.1	35.7	37.1	38.7	40.3	37.5	39.0	43.5	39.1	43.2	39.7	▲ 3.5
	Other	30.9	34.2	34.5	34.8	35.2	35.8	37.4	34.7	39.2	40.6	41.7	42.4	39.3	▲ 3.1
Total	33.9	36.5	38.5	37.9	37.5	39.7	41.5	39.1	41.1	43.6	45.3	46.1	42.8	▲ 3.3	
Other		29.5	30.5	34.4	34.1	33.3	35.5	34.7	35.3	35.6	38.0	39.6	40.5	36.3	▲ 4.2

		Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Ratio to the Previous Month
Hokkaido		32.4	33.9	35.3	36.2	34.5	37.1	38.3	38.0	38.5	40.8	40.8	41.1	38.6	▲ 2.5
Tohoku		33.8	35.4	36.8	38.0	37.7	39.3	40.0	38.4	39.0	40.2	42.1	41.7	38.1	▲ 3.6
kitakanto		34.9	37.2	39.2	39.7	39.5	41.2	42.7	41.5	40.4	42.8	44.4	45.0	42.3	▲ 2.7
minamikanto		34.0	35.9	38.4	38.7	38.4	39.8	41.0	40.0	41.4	42.4	43.9	44.8	42.6	▲ 2.2
Hokuriku		32.7	34.6	38.2	38.6	37.1	39.2	40.6	39.1	40.4	41.2	42.6	43.6	40.9	▲ 2.7
Tokai		34.1	36.1	38.4	38.9	37.9	39.4	42.0	40.0	39.1	40.1	42.4	44.4	41.1	▲ 3.3
Kinki		33.1	35.5	37.4	37.0	36.2	38.1	40.3	38.7	39.3	41.3	42.7	43.3	40.8	▲ 2.5
Chugoku		34.5	36.2	37.7	37.8	36.0	37.9	39.0	38.2	38.7	41.2	42.3	42.9	40.7	▲ 2.2
Shikoku		33.8	35.4	37.5	36.4	35.8	37.6	38.2	36.9	38.3	39.0	41.8	43.2	39.3	▲ 3.9
Kyushu		35.3	37.0	39.0	39.5	37.5	38.3	40.5	37.4	39.1	42.0	44.3	44.5	41.3	▲ 3.2

Survey of Corporate Attitudes towards Wage Trends for 2022

54.6% of companies anticipate wage improvement in the Wage Trends for 2022

- Companies anticipating an increase in total personnel cost stood at 67.1%, which showed a significant increase from that of the previous year -

According to the Monthly Labour Survey (breaking results for 2021) published by the Ministry of Health, Labour and Welfare on February 8, average total cash earnings equivalent to nominal wages turned to an increase, at up 0.3% year-on-year for the first time in three years. On the other hand, amid continuous surges in prices of raw materials and crude oil, real wages calculated after removing the impact of price fluctuations have remained flat since last year. Meanwhile, Prime Minister Kishida emphasized the importance of investing in people, such as through the wage increase in his policy speech on January 17, and the government indicated a policy to support wage increases through the Tax Credits for Acceleration of Wage Increases.

In such circumstances, Teikoku Databank conducted a survey of corporate attitudes towards wage trends for 2022. This survey was conducted in conjunction with the January 2022 TDB Trends Research.

* Survey period: January 18 - January 31, 2022; Companies Surveyed: 24,072; Valid Responses: 11,981 (Response Rate: 49.8%) The survey on wages has been conducted every January since January 2006, and this is the 17th such survey.

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

Survey results (Summary)

1. 54.6 of companies anticipate wage improvement in 2022.

Companies anticipating wage improvement in 2022 stood at 54.6% (12.6 points up from the 2021 survey), exceeding 50% for the first time in two years. On the other hand, companies 'without' wage improvement stood at 19.5% (8.5 points down from the 2021 survey). Wage improvement comprised 46.4% of 'pay-scale raises', and 27.7% of 'bonus pay (lump-sum payment)', which respectively increased from the previous year's levels. The percentage of 'pay-scale raises' showed the highest level thus far, exceeding 45.6% for 2019.

2. 'Stability of and securing the workforce' constituted the greatest reasons for wage improvement, while a surge in raw materials became a negative factor.

Among the reasons stated by those companies 'with' a wage improvement, 'stability of and securing the workforce' due to a manpower shortage accounted for the majority, at 76.6%. On the other hand, 'slumping business performance of own company' was the most common reason as in the survey for 2021, and stood at 64.7%, among the reasons stated by those companies 'without' wage improvement. In addition, regardless of 'with' or 'without' wage improvement, more companies cited 'price trends' as a factor. Among companies affected by the surge in prices of raw materials, those which have not made much progress in passing on costs to prices tended to have a lower percentage incidence of wage improvement compared to those which have made progress in passing on costs to prices.

3. 67.1% of companies anticipate an 'increase' in total personnel expenses for 2022, which indicated a significant increase and turnaround from 2021.

Companies anticipating that total personnel expenses would 'increase' for 2022 stood at 67.1%, a sizeable increase of 12.9 points from the 2021 survey. While attention is paid to how companies respond to the Tax Credits for Acceleration of Wage Increases, 27.2% of those companies with stated capital exceeding 100 million yen, and 67.7% of those with stated capital of 100 million yen or less, respectively, expect 3% or more, and 1% or more increase in total personnel expenses.

Appendix

1. Research Subjects (Companies researched: 24,072; Valid responses: 11,981; Response rate: 49.8%)

1. Region

Hokkaido	578	Tokai	1,323
Tohoku	836	Kinki	2,085
kitaKanto	929	Chugoku	736
minamikanto	3,470	Shikoku	411
Hokuriku	633	Kyushu	980
		Total	11,981

2. Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		72
Finance		123
Construction		2,010
Real Estate		415
Manufacturing (3,201)	Food, Beverages, Livestock Feed	395
	Textile, Textile Products, Clothing	113
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	248
	Pulp, Paper and Paper Products	107
	Publishing, Printing	182
	Chemical	430
	Steel, Nonferrous Metals, Mining	576
	General Machinery	523
	Electrical Machinery	341
	Transportation Machinery, Equipment	113
	Precision Machinery, Medical Instruments and Equipment	83
Others	90	
Wholesale (3,058)	Food, Beverages	412
	Textile, Textile Products, Clothing	196
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	356
	Paper Products, Stationery, Books	113
	Chemical	287
	Recycled Resources	40
	Steel, Nonferrous Metals, Mining Products	315
	Machinery, Equipment	973
	Others	366

Retail (546)	Food, Beverages	80
	Textile, Textile Products, Clothing	44
	Drugs, Sundries	31
	Furniture	15
	Electrical Household Appliances, Information Machinery and Equipment	47
	Motor Vehicles, Motor Vehicle Parts	92
	Special Merchandise	181
	Various Merchandise	46
	Others	10
Transportation, Warehousing		549
Service (1,956)	Restaurants	64
	Telecommunications	10
	Electricity, Gas, Water, Heat	15
	Leasing, Rentals	127
	Lodging, Hotels	44
	Recreation	70
	Broadcasting	16
	Maintenance, Guarding, Testing	222
	Advertising	99
	Information	511
	Labor Dispatching	68
	Special Services	326
	Medical, Welfare, Public Health	129
	Education	39
Others	216	
Others		51
Total		11,981

3. Size

Large Firms	1,987	16.6%
Small to Medium-sized Firms	9,994	83.4%
micro Firms	3,624	30.2%
Total	11,981	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 2022

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 24,000 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

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

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

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.