

**Domestic economy at a standstill- insufficient price pass-through**

~ Amidst labor shortages and rising prices for daily necessities, gaps between regions widen ~

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(Companies researched: 27,607; Valid responses: 10,203; Response rate: 37.0%; Survey start date: May 2002)

< Trends in February 2023: Standstill >

The economic diffusion index (DI) in February 2023 was 42.1, the same as the previous month. The domestic economy remains at a standstill with insufficient progress in price pass-through and continued labor shortages.

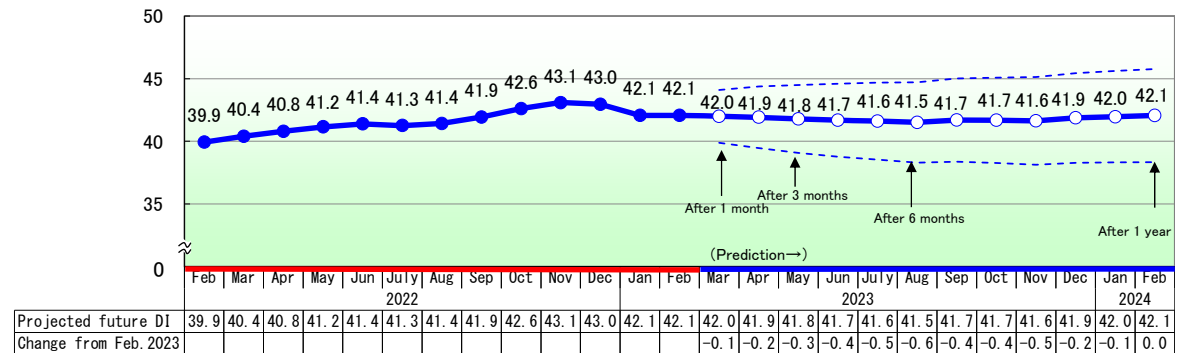
< Future outlook: Generally continued tendency to plateau >

Although the outlook is bearish with many factors that could cause a downturn, the present forecast is a generally continued tendency to plateau.

By industry: Improvement in 5 industries in spite of the harsh environment surrounding corporations, including a jump in purchase prices.

By size: Although “small and medium-sized corporations” saw an improvement for the first time in 3 months, price increases and high costs exerted downward pressure.

By region: Economic conditions worsened in 5 out of 10 regions, with the between-region gap widening to 7.6 points.



\*: The economic forecast DI is calculated using the Forecast Combination method of the results of the ARIMA model and the structural equation model.

## Economic Diffusion Index (Economic DI)1/2

	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Ratio to the Previous Month
Total	39.9	40.4	40.8	41.2	41.4	41.3	41.4	41.9	42.6	43.1	43.0	42.1	42.1	0.0
Large Firms	42.9	43.4	43.1	43.5	43.5	43.4	43.8	43.6	44.2	45.0	44.8	44.8	44.2	▲ 0.6
Small to Medium-sized Firms	39.3	39.8	40.3	40.7	41.0	40.8	41.0	41.6	42.3	42.7	42.6	41.6	41.7	0.1
Micro Firms	37.9	38.4	38.9	39.5	40.0	39.7	39.8	40.7	41.1	41.4	41.3	40.4	40.9	0.5

	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Ratio to the Previous Month	
Agriculture,Forestry,Fisheries	36.4	34.8	35.0	37.6	34.7	36.3	35.9	35.8	36.4	37.7	37.9	37.4	38.9	1.5	
Finance	41.6	42.5	41.1	42.7	42.3	41.9	41.7	43.6	43.2	44.5	44.3	44.8	43.3	▲ 1.5	
Construction	42.5	42.8	41.8	42.2	42.5	43.1	43.3	44.0	44.2	44.9	44.6	44.1	43.7	▲ 0.4	
Real Estate	42.6	42.8	43.2	44.7	45.9	44.7	44.8	45.3	44.0	45.6	44.8	46.1	46.3	0.2	
Manufacturing	Food,BEWerages,Livestock Feed	33.4	34.2	36.4	37.6	37.8	36.7	36.1	35.5	38.2	38.8	38.3	38.1	37.0	▲ 1.1
	Textile,Textile Products,Clothing	31.7	33.0	34.6	33.8	34.4	36.1	32.6	36.2	35.7	36.5	37.9	37.7	39.0	1.3
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	42.7	41.1	41.7	41.1	40.4	40.8	39.8	40.2	40.9	41.9	41.0	38.0	37.6	▲ 0.4
	Pulp, Paper and Paper Products	36.4	37.2	40.3	38.3	37.4	37.5	36.6	38.0	40.4	40.2	39.2	39.8	36.6	▲ 3.2
	Publishing,Printing	29.5	29.6	30.7	30.3	29.7	29.1	29.6	30.0	31.8	32.9	32.4	31.7	31.6	▲ 0.1
	Chemical	42.3	42.7	42.3	41.7	41.1	41.8	42.6	42.3	40.8	40.8	41.5	40.3	39.2	▲ 1.1
	Steel,Nonferrous Metals,Mining	43.8	42.6	42.1	40.9	41.2	42.9	42.7	43.0	43.9	43.6	43.1	41.7	41.0	▲ 0.7
	General Machinery	46.7	46.7	45.9	46.9	46.3	46.3	46.2	45.4	45.8	45.9	44.9	43.3	43.7	0.4
	Electrical Machinery	46.1	44.3	44.8	44.3	44.8	44.7	44.2	45.2	44.8	45.4	44.5	43.3	43.2	▲ 0.1
	Transportation Machinery,Equipment	39.9	40.0	38.1	37.6	36.8	40.3	41.2	40.2	42.2	42.1	41.0	38.7	39.6	0.9
	Precision Machinery,Medical Instruments and Equipment	49.5	47.1	46.8	48.2	48.8	48.5	46.5	46.2	46.1	46.1	46.3	46.5	49.0	2.5
	Other	36.1	35.4	37.3	39.2	38.1	37.8	38.2	37.5	35.4	35.9	37.0	39.1	36.1	▲ 3.0
Total	41.2	40.9	41.2	41.0	40.8	41.3	41.0	41.1	41.6	41.9	41.5	40.4	40.0	▲ 0.4	
Wholesale	Food,BEWerages	30.1	32.6	36.2	37.3	37.1	37.0	35.6	35.8	37.4	38.8	38.2	37.5	38.3	0.8
	Textile,Textile Products,Clothing	24.9	25.4	28.7	31.4	31.3	29.9	29.9	29.9	32.4	33.1	34.0	34.7	35.9	1.2
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	39.7	40.5	38.6	38.1	38.3	38.6	38.5	37.5	39.8	39.5	40.2	38.3	37.2	▲ 1.1
	Paper Products,Stationery,Books	31.9	34.6	33.8	34.2	32.8	33.0	33.5	34.5	37.1	37.0	33.8	34.8	35.6	0.8
	Chemical	41.9	43.5	42.3	42.3	41.6	43.5	43.0	43.4	42.6	43.8	43.5	42.8	41.7	▲ 1.1
	Recycled Resources	50.5	53.2	54.0	47.5	41.4	40.9	39.6	47.0	46.3	43.5	46.2	43.3	43.2	▲ 0.1
	Steel,Nonferrous Metals,Mining Products	40.5	41.1	40.3	40.0	39.7	39.3	39.3	39.8	39.7	40.2	39.9	38.5	37.1	▲ 1.4
	Machinery,Equipment	42.4	41.9	42.5	42.0	42.9	43.1	42.6	43.3	44.1	44.1	43.8	43.0	43.3	0.3
	Other	33.7	35.5	37.3	37.8	38.1	37.7	37.7	38.2	39.0	39.6	40.9	40.0	40.9	0.9
	Total	37.7	38.6	39.2	39.4	39.4	39.5	39.2	39.6	40.6	41.0	41.0	40.1	40.1	0.0

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

		Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Ratio to the Previous Month
Retail	Food,BEWerages	36.3	38.6	37.7	41.8	42.7	40.3	39.9	40.2	39.6	43.2	42.2	42.3	40.6	▲ 1.7
	Textile,Textile Products,Clothing	23.8	30.6	33.6	33.9	33.6	37.7	33.6	34.9	38.7	38.1	35.4	34.2	35.7	1.5
	Drugs,Sundries	32.1	36.8	32.1	38.9	40.1	37.1	41.9	39.5	38.9	40.6	39.0	37.2	38.5	1.3
	Furniture	29.8	30.6	39.2	34.3	39.8	35.2	36.1	40.0	37.8	36.2	31.0	34.2	33.3	▲ 0.9
	Electrical Household Appliances, Information Machinery and Equipment	30.2	33.0	33.7	34.7	34.0	36.7	32.7	37.1	35.1	35.3	37.2	36.3	37.5	1.2
	Motor Vehicles,Motor Vehicle Parts	33.5	34.7	35.1	37.1	36.4	32.4	35.9	38.8	37.6	37.2	35.3	38.2	38.7	0.5
	Special Merchandise	30.9	29.9	31.3	33.1	34.3	33.2	34.7	34.0	33.5	35.4	34.8	34.4	35.3	0.9
	Various Merchandise	32.6	34.0	36.4	39.9	37.8	40.2	38.0	36.1	41.3	41.4	42.6	42.5	41.0	▲ 1.5
	Other	40.0	43.9	34.7	41.0	39.7	36.9	42.3	32.1	36.5	44.9	41.1	42.3	44.8	2.5
Total		31.9	33.3	34.0	36.4	36.7	35.7	36.3	36.7	36.8	38.2	37.4	37.5	37.7	0.2
Transportation,Warehousing		35.5	35.4	36.6	37.2	37.1	37.8	37.3	38.2	40.7	41.6	41.6	38.9	38.0	▲ 0.9
Service	Restaurants	16.9	23.8	32.8	34.3	38.0	34.0	28.1	31.8	39.0	39.1	41.5	38.5	42.4	3.9
	Postal,Telecommunications	50.0	48.5	50.0	53.0	56.0	47.0	47.9	51.9	52.4	50.0	48.3	47.6	44.4	▲ 3.2
	Electricity,Gas,Water,Heat	37.5	33.3	35.7	40.6	34.3	37.7	35.9	36.1	31.1	32.3	36.7	32.4	32.1	▲ 0.3
	Leasing,Rentals	41.0	40.2	42.0	43.3	44.9	40.8	44.7	45.6	47.5	48.4	47.4	46.8	47.4	0.6
	Lodging, Hotels	12.8	18.1	28.3	33.0	33.3	30.3	38.0	37.4	53.3	54.8	52.2	48.3	48.0	▲ 0.3
	Recreation	31.2	35.1	35.6	38.9	41.6	40.7	40.1	42.2	45.0	43.8	43.2	42.1	44.1	2.0
	Broadcasting	47.6	44.4	43.9	43.3	41.7	43.0	38.3	46.1	43.1	41.7	39.5	40.7	41.1	0.4
	Maintenance,Guarding,Testing	40.2	42.3	43.1	42.5	44.2	42.2	43.4	42.8	42.8	43.6	45.6	42.9	42.6	▲ 0.3
	Advertising	31.5	36.4	36.9	34.8	37.3	34.3	36.7	39.3	40.9	40.3	39.7	40.2	41.4	1.2
	Information	50.2	51.1	50.8	50.8	52.0	51.5	52.7	53.0	52.3	53.0	53.6	53.2	53.8	0.6
	Labor Dispatching	41.5	44.4	45.7	47.6	45.7	46.5	49.8	47.4	48.8	46.5	50.0	48.5	47.9	▲ 0.6
	Special Services	46.2	46.9	48.1	48.1	49.6	48.7	48.3	49.4	49.0	48.8	48.7	48.5	49.2	0.7
	Medical,Welfare,Public Health	41.0	42.5	44.5	44.4	43.5	42.5	41.2	41.7	43.2	43.6	42.8	42.9	41.5	▲ 1.4
	Education	40.2	37.8	39.6	35.6	40.1	38.8	39.7	43.7	42.1	42.8	41.2	38.4	41.9	3.5
Other	36.9	39.3	42.1	42.7	42.8	42.4	41.2	42.8	43.3	43.5	44.0	42.2	44.3	2.1	
Total		41.4	43.1	44.5	44.8	45.9	44.4	45.4	46.3	47.1	47.3	47.7	46.6	47.4	0.8
Other		37.3	38.7	36.8	38.1	35.6	36.6	38.3	37.2	37.9	38.2	36.7	36.5	37.0	0.5

		Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Ratio to the Previous Month
Hokkaido		37.0	36.5	37.9	38.9	40.1	41.0	40.2	40.7	41.2	40.9	40.8	40.1	40.6	0.5
Tohoku		37.0	37.0	37.6	39.1	39.0	38.8	38.1	39.3	39.9	40.3	39.4	38.0	37.2	▲ 0.8
kitakanto		40.7	40.7	42.0	42.1	42.6	42.9	43.8	42.5	43.7	43.7	43.1	40.9	41.4	0.5
minamikanto		41.5	42.1	42.4	42.7	43.2	42.6	43.3	43.6	43.8	44.4	44.7	44.1	43.9	▲ 0.2
Hokuriku		39.2	39.2	39.9	40.6	40.5	41.5	40.8	41.7	42.3	42.2	42.2	40.9	41.2	0.3
Tokai		39.7	40.2	40.2	40.1	39.5	39.5	39.7	40.4	41.1	41.4	41.7	41.0	41.1	0.1
Kinki		39.8	40.5	40.8	40.9	40.9	40.9	41.1	41.5	42.3	43.0	42.7	42.0	41.8	▲ 0.2
Chugoku		40.0	40.7	39.8	40.6	41.1	41.3	40.9	41.8	42.8	43.8	43.4	41.9	41.8	▲ 0.1
Shikoku		37.1	38.9	38.1	38.7	38.4	38.3	37.7	38.7	40.3	40.0	39.3	39.0	38.6	▲ 0.4
Kyushu		39.5	40.9	41.5	41.6	42.2	41.5	41.3	43.0	44.0	45.1	44.8	44.0	44.8	0.8

## Appendix

### 1. Research Subjects (Companies researched: 27,607; Valid responses: 10,203; Response rate: 37.0%)

#### 1. Region

Hokkaido	480	Tokai	1,090
Tohoku	669	Kinki	1,758
kitaKanto	790	Chugoku	711
minamikanto	2,980	Shikoku	336
Hokuriku	536	Kyushu	853
		<b>Total</b>	<b>10,203</b>

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

Agriculture, Forestry, Fisheries		98
Finance		147
Construction		1,613
Real Estate		402
Manufacturing (2,569)	Food, Beverages, Livestock Feed	307
	Textile, Textile Products, Clothing	106
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	185
	Pulp, Paper and Paper Products	81
	Publishing, Printing	141
	Chemical	344
	Steel, Nonferrous Metals, Mining	465
	General Machinery	431
	Electrical Machinery	279
	Transportation Machinery, Equipment	95
	Precision Machinery, Medical Instruments and Equipment	68
Others	67	
Wholesale (2,368)	Food, Beverages	319
	Textile, Textile Products, Clothing	147
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	270
	Paper Products, Stationery, Books	82
	Chemical	216
	Recycled Resources	27
	Steel, Nonferrous Metals, Mining Products	242
	Machinery, Equipment	759
	Others	306

Retail (590)	Food, Beverages	89
	Textile, Textile Products, Clothing	49
	Drugs, Sundries	52
	Furniture	17
	Electrical Household Appliances, Information Machinery and Equipment	36
	Motor Vehicles, Motor Vehicle Parts	81
	Special Merchandise	200
	Various Merchandise	50
Others	16	
Transportation, Warehousing		457
Service (1,923)	Restaurants	81
	Telecommunications	6
	Electricity, Gas, Water, Heat	13
	Leasing, Rentals	103
	Lodging, Hotels	82
	Recreation	94
	Broadcasting	15
	Maintenance, Guarding, Testing	181
	Advertising	95
	Information	523
	Labor Dispatching	78
	Special Services	285
	Medical, Welfare, Public Health	122
Education	35	
Others	210	
Others		36
<b>Total</b>		<b>10,203</b>

#### 3. Size

Large Firms	1,598	15.7%
Small to Medium-sized Firms	8,605	84.3%
micro Firms	3,261	32.0%
<b>Total</b>	<b>10,203</b>	<b>100.0%</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 February 14– 28 2023

### 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 26,000 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 <sub>6</sub>	N <sub>5</sub>	N <sub>4</sub>	N <sub>3</sub>	N <sub>2</sub>	N <sub>1</sub>	N <sub>0</sub>

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.