

Domestic economy, signs of entering a recession phase

- Affected by a slowdown in exports to China, etc.,
against the backdrop of US-China trade disputes -

(Companies researched: 23,035; Valid responses: 9,856; Response rate: 42.8%; Survey start date: May 2002)

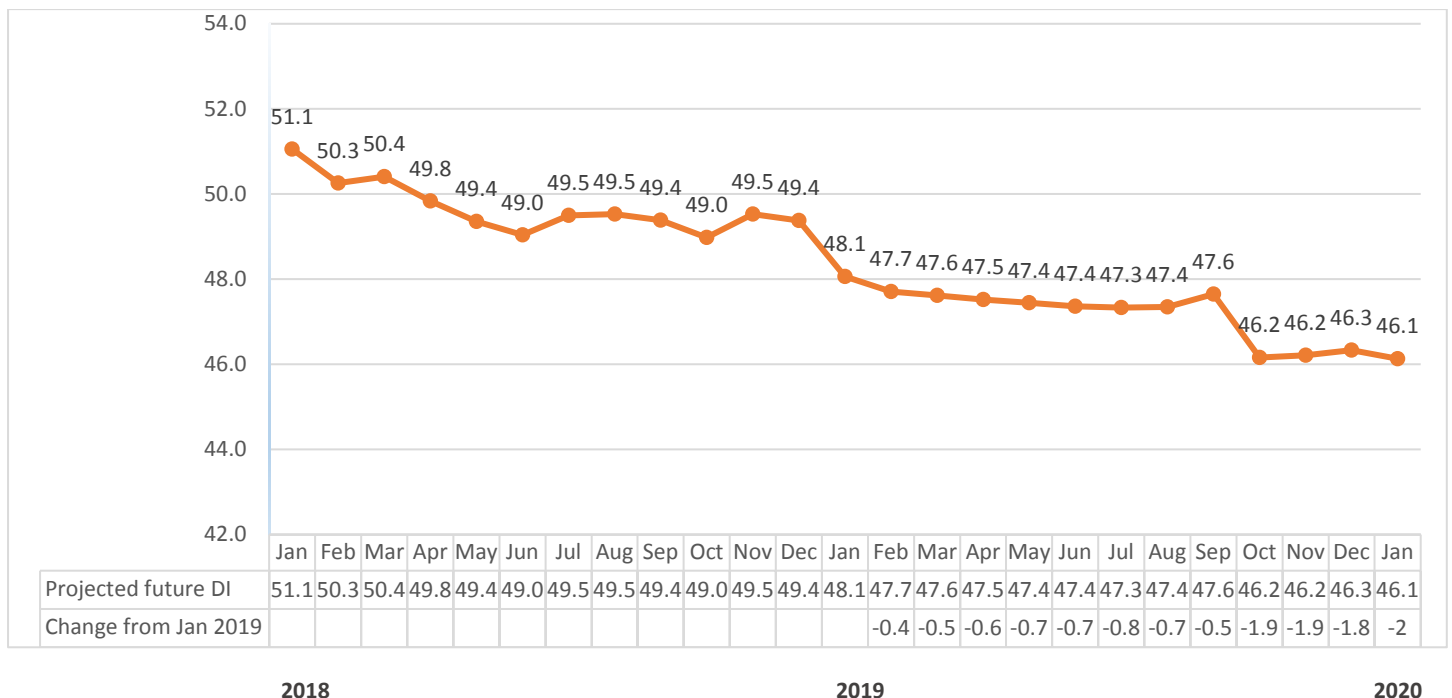
Overview of January 2019: Signs of entering a recession phase

The economic diffusion index (DI) in January 2019 was 48.1, down 1.3 points from the previous month, and worsened for the second consecutive month. In addition to a slowdown in exports to China, the climate's tendency of unusually warm winters and a manpower shortage were also negative factors. As a result, the domestic economy has worsened and begun to show signs of entering a recession phase.

Future outlook: Uncertainly has intensified

The future domestic economy is likely to be pushed downward due to growing risks centered around overseas, in addition to the consumption tax rate hike and increasing cost burden. Uncertainty has intensified further.

- By industry: All twelve business categories in "Manufacturing" worsened, with a significant drop of 2.1 points.
- By size: "Large enterprises," "SMEs," and "small enterprises" all worsened for the first time in seven months.
- By region: All ten regions worsened for the first time in two years and eleven months.



*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. 18	Feb. 18	Mar. 18	Apr. 18	May. 18	Jun. 18	Jul. 18	Aug. 18	Sep. 18	Oct. 18	Nov. 18	Dec. 18	Jan. 19	Ratio to the PrFDious Month
Large Firms	53.2	52.2	52.5	52.2	51.6	51.3	51.8	51.6	51.4	51.4	51.4	51.7	50.6	▲ 1.1
Small to Medium-sized Firms	50.5	49.8	49.9	49.3	48.8	48.5	48.9	49.0	48.9	48.4	49.0	48.8	47.4	▲ 1.4
Micro Firms	49.6	49.0	49.2	48.1	48.1	47.6	48.1	48.4	48.4	47.9	48.2	48.2	47.0	▲ 1.2
Total	51.1	50.3	50.4	49.8	49.4	49.0	49.5	49.5	49.4	49.0	49.5	49.4	48.1	▲ 1.3

	Jan. 18	Feb. 18	Mar. 18	Apr. 18	May. 18	Jun. 18	Jul. 18	Aug. 18	Sep. 18	Oct. 18	Nov. 18	Dec. 18	Jan. 19	Ratio to the PrFDious Month	
Agriculture,Forestry,Fisheries	47.1	45.5	44.4	43.5	44.2	43.3	43.4	45.7	43.8	41.5	40.7	40.7	41.8	1.1	
Finance	49.6	48.0	50.3	49.4	47.8	47.2	49.5	47.5	48.5	46.2	47.1	46.5	46.1	▲ 0.4	
Construction	54.0	53.4	52.9	51.4	51.8	51.9	52.8	53.1	53.8	53.4	53.9	54.1	53.9	▲ 0.2	
Real Estate	52.3	52.1	53.1	50.9	51.0	51.1	50.5	51.1	50.7	49.3	49.3	49.7	49.1	▲ 0.6	
Manufacturing	Food,BEWerages,Livestock Feed	44.0	43.2	41.9	42.9	43.4	43.2	43.1	43.3	42.9	42.0	42.4	43.0	41.6	▲ 1.4
	Textile,Textile Products,Clothing	39.1	41.3	42.4	42.4	42.7	42.8	42.1	41.8	41.9	41.4	41.6	41.3	37.7	▲ 3.6
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	46.8	46.2	46.3	45.7	45.8	45.9	46.6	45.6	45.2	46.1	47.5	48.3	47.1	▲ 1.2
	Pulp, Paper and Paper Products	46.6	44.1	45.8	46.3	43.1	45.2	44.5	44.5	45.4	44.3	46.5	49.3	44.6	▲ 4.7
	Publishing,Printing	36.4	37.4	37.1	36.2	36.3	33.7	35.0	33.8	34.6	33.2	34.8	35.0	33.5	▲ 1.5
	Chemical	53.9	53.2	53.8	52.3	51.8	51.6	52.2	51.3	51.4	50.4	51.4	50.2	48.1	▲ 2.1
	Steel,Nonferrous Metals,Mining	57.6	55.6	55.6	53.7	53.5	53.3	54.1	54.2	52.8	53.0	54.4	52.5	50.4	▲ 2.1
	General Machinery	62.4	62.0	61.2	60.9	60.6	60.3	60.7	59.9	59.1	58.1	57.5	55.9	52.5	▲ 3.4
	Electrical Machinery	56.9	56.5	54.8	54.9	53.4	53.4	52.8	52.0	53.3	52.9	52.5	50.5	49.2	▲ 1.3
	Transportation Machinery,Equipment	57.9	56.6	59.8	57.6	58.4	57.3	56.6	58.7	58.3	56.9	56.4	53.8	52.3	▲ 1.5
	Precision Machinery, Medical Instruments and Equipment	57.4	56.2	54.8	57.5	56.6	57.2	55.1	54.8	54.3	53.7	53.4	54.0	51.3	▲ 2.7
	Other	43.4	43.1	43.8	43.2	44.3	42.5	41.5	40.7	42.6	42.8	41.8	42.8	42.7	▲ 0.1
	Total	52.6	51.9	51.6	51.0	50.8	50.4	50.6	50.2	50.0	49.5	50.0	49.2	47.1	▲ 2.1
Wholesale	Food,BEWerages	42.9	42.1	43.0	42.9	42.8	42.4	40.9	41.9	41.3	40.6	41.9	41.1	39.4	▲ 1.7
	Textile,Textile Products,Clothing	37.2	35.5	37.2	37.2	36.8	37.3	35.9	37.3	35.1	35.3	33.5	34.3	34.0	▲ 0.3
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	46.2	44.9	44.7	45.0	43.3	44.4	44.8	44.2	44.8	43.9	46.9	47.8	47.4	▲ 0.4
	Paper Products,Stationery,Books	37.6	34.9	36.8	38.0	37.5	36.2	35.4	36.6	36.9	36.5	38.1	39.3	37.9	▲ 1.4
	Chemical	49.7	49.0	49.1	49.1	49.1	46.8	48.9	48.1	47.1	47.0	47.8	47.7	45.3	▲ 2.4
	Recycled Resources	56.2	51.0	51.9	49.5	46.6	50.6	48.2	51.2	47.8	49.4	44.0	47.6	39.8	▲ 7.8
	Steel,Nonferrous Metals, Mining Products	53.1	51.9	50.8	49.7	48.2	47.8	48.0	50.3	49.2	49.4	48.8	50.2	46.3	▲ 3.9
	Machinery,Equipment	52.3	51.4	51.8	51.1	50.6	50.0	50.9	51.0	50.2	49.6	49.9	50.0	48.4	▲ 1.6
	Other	43.9	42.8	43.8	45.4	43.4	43.3	43.2	42.4	42.4	43.4	44.0	43.9	41.9	▲ 2.0
	Total	47.8	46.6	47.1	47.0	46.1	45.7	45.9	46.3	45.6	45.4	46.0	46.3	44.4	▲ 1.9

Economic Diffusion Index (Economic DI)2/2

		Jan. 18	Feb. 18	Mar. 18	Apr. 18	May. 18	Jun. 18	Jul. 18	Aug. 18	Sep. 18	Oct. 18	Nov. 18	Dec. 18	Jan. 19	Ratio to the PrFDious Month	
Retail	Food,BEWerages	45.3	44.1	45.6	46.1	47.4	45.7	45.2	44.5	45.3	45.7	44.4	45.5	43.4	▲ 2.1	
	Textile,Textile Products,Clothing	35.6	41.0	38.2	37.3	38.9	36.7	32.1	34.6	32.7	30.6	32.7	31.3	30.9	▲ 0.4	
	Drugs,Sundries	44.4	46.4	45.7	47.2	44.9	47.1	42.9	41.0	41.3	40.2	38.4	42.4	44.8	2.4	
	Furniture	40.7	43.9	35.2	35.0	36.7	35.2	38.3	38.3	37.0	37.0	37.9	37.5	38.9	1.4	
	Electrical Household Appliances, Information Machinery	47.7	41.9	40.4	45.7	46.5	40.2	41.9	45.5	43.7	42.8	40.6	39.7	39.0	▲ 0.7	
	Motor Vehicles,Motor Vehicle Parts	44.2	49.2	47.8	48.3	48.2	43.5	42.9	45.0	43.5	46.1	40.8	41.5	44.6	3.1	
	Special Merchandise	41.5	41.9	42.5	42.9	41.0	39.7	39.7	40.7	39.1	39.1	39.7	43.3	41.9	▲ 1.4	
	Various Merchandise	46.4	46.9	46.0	47.5	49.6	44.1	44.2	48.2	46.5	43.6	46.4	43.6	42.9	▲ 0.7	
	Other	50.0	50.0	43.3	41.7	36.1	41.7	33.3	36.1	40.5	38.9	41.7	38.1	35.7	▲ 2.4	
	Total	43.4	44.3	43.8	44.8	44.6	42.0	41.3	42.7	41.7	41.6	40.9	42.1	41.6	▲ 0.5	
Transportation,Warehousing		52.5	50.7	49.6	50.5	50.0	49.3	48.7	50.3	50.3	49.5	48.7	50.1	49.1	▲ 1.0	
	Restaurants	44.9	45.2	43.6	44.2	44.7	45.0	42.5	42.7	42.5	39.3	37.0	37.6	37.9	0.3	
	Postal,Telecommunications	56.4	56.1	59.1	57.7	56.9	50.0	54.5	55.6	55.0	56.1	59.7	57.1	60.0	2.9	
	Electricity,Gas,Water,Heat	54.2	60.4	58.3	61.1	54.2	56.3	57.4	56.3	57.4	59.3	56.7	57.1	57.4	0.3	
	Leasing,Rentals	55.9	56.9	56.0	56.0	55.2	51.5	52.9	54.5	54.2	55.9	56.5	57.1	55.0	▲ 2.1	
	Lodging, Hotels	48.0	46.9	48.7	52.0	51.7	50.6	50.0	45.2	46.6	43.6	41.0	45.5	44.9	▲ 0.6	
	Recreation	42.2	41.7	42.2	42.5	41.5	39.5	40.9	39.8	40.0	39.9	35.5	40.6	38.9	▲ 1.7	
	Broadcasting	47.6	47.6	47.4	47.0	39.7	37.2	40.3	42.3	38.5	41.7	40.5	40.0	40.5	0.5	
	Maintenance,Guarding,Testing	50.3	51.5	50.7	51.1	49.9	50.2	48.5	50.5	52.3	51.8	51.4	51.6	50.7	▲ 0.9	
	Advertising	41.5	46.1	42.3	43.4	44.2	43.0	40.2	41.7	41.4	42.3	42.3	41.2	40.4	▲ 0.8	
Service	Information	58.4	59.4	58.8	58.6	59.4	58.4	58.8	58.7	59.1	59.7	59.8	60.7	60.1	▲ 0.6	
	Labor Dispatching	57.9	58.6	56.5	57.9	57.8	59.0	59.1	59.3	59.2	58.0	59.4	58.8	57.2	▲ 1.6	
	Special Services	55.5	53.4	53.1	54.3	53.6	53.7	54.6	54.8	55.3	53.9	55.0	54.6	53.5	▲ 1.1	
	Medical,Welfare,Public Health	48.3	47.6	48.6	48.1	48.8	48.0	46.8	46.1	48.2	48.3	48.8	48.3	47.5	▲ 0.8	
	Education	42.4	45.1	41.7	44.2	42.4	42.8	40.6	42.6	46.5	46.4	43.8	43.5	38.5	▲ 5.0	
	Other	52.6	51.6	51.3	51.8	50.7	50.8	50.0	51.3	50.2	51.6	49.3	49.8	50.2	0.4	
	Total	53.0	53.4	52.7	53.1	52.8	52.1	52.0	52.4	52.8	52.9	52.9	53.2	52.4	▲ 0.8	
	Other	48.2	47.8	47.9	50.8	49.2	50.0	46.3	46.1	45.0	46.3	46.2	45.3	44.1	▲ 1.2	
			Jan. 18	Feb. 18	Mar. 18	Apr. 18	May. 18	Jun. 18	Jul. 18	Aug. 18	Sep. 18	Oct. 18	Nov. 18	Dec. 18	Jan. 19	Ratio to the PrFDious Month
		Hokkaido	48.4	47.8	45.7	46.6	46.2	45.8	46.5	46.6	47.5	44.3	43.9	45.2	43.9	▲ 1.3
Tohoku		47.9	46.9	46.1	46.4	45.7	45.0	44.2	46.8	46.6	46.4	45.9	46.5	44.4	▲ 2.1	
kitakanto		52.9	52.3	51.7	51.4	50.7	49.8	49.4	50.6	50.0	50.0	49.0	48.5	45.8	▲ 2.7	
minamikanto		51.3	51.8	51.0	51.5	50.7	50.3	50.2	50.3	50.0	50.4	49.8	50.4	49.0	▲ 1.4	
Hokuriku		49.9	49.7	47.7	48.5	48.7	48.5	48.7	49.4	49.8	49.3	49.4	49.3	47.7	▲ 1.6	
Tokai		52.5	52.6	52.5	52.3	51.9	51.9	50.9	51.6	51.8	51.4	51.3	51.8	50.1	▲ 1.7	
Kinki		50.8	51.1	50.3	50.0	49.7	48.8	48.4	48.6	49.4	48.9	48.8	49.7	48.4	▲ 1.3	
Chugoku		50.6	50.8	50.1	49.6	48.7	48.7	47.9	47.0	47.1	48.0	48.6	48.5	47.7	▲ 0.8	
Shikoku		49.0	49.4	48.5	48.4	48.2	47.8	47.2	47.5	47.9	47.0	47.6	47.2	46.8	▲ 0.4	
Kyushu		51.7	51.7	51.8	51.7	51.4	50.4	49.8	50.9	50.6	50.8	49.1	50.6	49.7	▲ 0.9	

Appendix

1.Region

Hokkaido	494	Tokai	1,071
Tohoku	619	Kinki	1,631
kitaKanto	712	Chugoku	537
minamikanto	3,127	Shikoku	281
Hokuriku	548	Kyushu	681
		Total	9,701

2.Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		50
Finance		121
Construction		1,450
Real Estate		293
Manufacturing 3,223	Food, Beverages, Livestock Feed	299
	Textile, Textile Products, Clothing	104
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	213
	Pulp, Paper and Paper Products	97
	Publishing, Printing	169
	Chemical	389
	Steel, Nonferrous Metals, Mining	474
	General Machinery	424
	Electrical Machinery	312
	Transportation Machinery, Equipment	97
	Precision Machinery, Medical Instruments and Equipment	71
Others	91	
Wholesale 3,959	Food, Beverages	333
	Textile, Textile Products, Clothing	179
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	321
	Paper Products, Stationery, Books	89
	Chemical	267
	Recycled Resources	34
	Steel, Nonferrous Metals, Mining Products	291
	Machinery, Equipment	873
	Others	326

Retail 480	Food,Beverages	65
	Textile,Textile Products,Clothing	27
	Drugs,Sundries	21
	Furniture	8
	Electrical Household Appliances,Information Machinery and Equipment	34
	Motor Vehicles,Motor Vehicle Parts	70
	Special Merchandise	121
	Various Merchandise	41
	Others	8
Transportation,Warehousing		415
Service 1,384	Restaurants	37
	Telecommunications	11
	Electricity,Gas,Water,Heat	9
	Leasing,Rentals	101
	Lodging, Hotels	23
	Recreation	52
	Broadcasting	15
	Maintenance,Guarding,Testing	149
	Advertising	96
	Information	417
	Labor Dispatching	54
	Special Services	244
	Medical,Welfare,Public Health	94
	Education	25
Others	158	
Others		39
Total		9,701

3.Size

Large Firms	1,930	19.9%
Small to Medium-sized Firms	7,771	80.1%
micro Firms	2,587	26.7%
Total	9,701	100.0%