The domestic economy improved for the third consecutive month

～ Recovering sales and production, together with spillover effects from AI-related demand, boosted business sentiment ～

(Companies researched: 22,350; Valid responses: 10,518; Response rate: 47.1%; Survey start date: May 2002)

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< Trend in July 2026: Improvement >

The Economic Diffusion Index (DI) for July 2026 increased by 1.0 point from the previous month to 43.6, marking a third consecutive month of improvement.

The domestic economy was supported by a recovery in sales, production, and shipment volumes, as well as expanding demand related to AI and semiconductors. Strong demand for air conditioners and other seasonal products driven by extreme heat also contributed to the improvement.

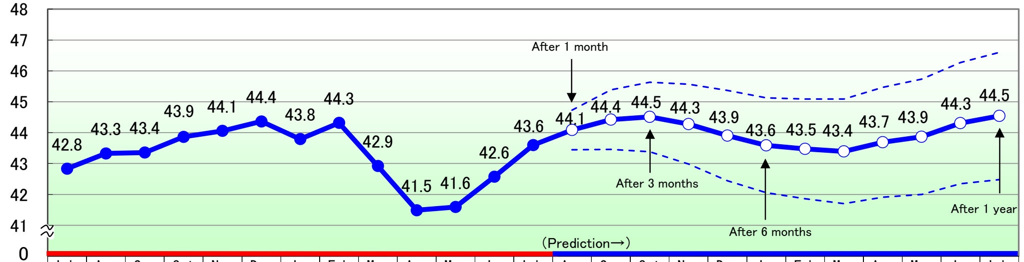
< Future outlook: Gradual recovery >

The economy is expected to continue improving in the near term. However, the pace of recovery is likely to slow due to the impact of rising costs and higher interest rates, resulting in only gradual improvement.

By industry: 6 of the 10 industries improved, with recoveries in "manufacturing" and "construction" providing significant support.

By scale: All company sizes improved for the second consecutive month, supported by demand for summer-related products as well as AI- and semiconductor-related sectors.

By region: All ten regions improved for the second consecutive month, underpinned by vigorous production activity.



	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July
	2025						2026												2027						
Projected future DI	42.8	43.3	43.4	43.9	44.1	44.4	43.8	44.3	42.9	41.5	41.6	42.6	43.6	44.1	44.4	44.5	44.3	43.9	43.6	43.5	43.4	43.7	43.9	44.3	44.5
Change from January.2026														0.5	0.8	0.9	0.7	0.3	0.0	-0.1	-0.2	0.1	0.3	0.7	0.9
Upper														44.7	45.4	45.6	45.6	45.4	45.1	45.1	45.1	45.5	45.7	46.3	46.6

Economic Diffusion Index (Economic DI)1/2

	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Ratio to the Rrevious Month
Total	42.8	43.3	43.4	43.9	44.1	44.4	43.8	44.3	42.9	41.5	41.6	42.6	43.6	1.0
Large Firms	47.3	47.8	48.2	48.0	48.5	48.7	48.7	48.8	47.3	45.8	45.9	46.9	47.8	0.9
Small to Medium-sized Firms	42.0	42.6	42.5	43.1	43.3	43.6	42.9	43.5	42.1	40.7	40.9	41.8	42.9	1.1
Micro Firms	40.9	41.7	41.5	42.2	42.1	42.8	42.0	42.6	41.0	39.3	39.2	40.0	41.1	1.1

		Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Ratio to the Rrevious Month
Agriculture,Forestry,Fisheries		46.1	47.9	46.6	51.8	52.7	51.4	50.6	46.3	44.2	43.0	44.0	45.8	42.8	▲ 3.0
Finance		46.2	46.5	48.0	49.1	48.5	48.0	48.1	47.9	46.8	46.0	45.9	48.4	45.9	▲ 2.5
Construction		46.4	46.8	47.3	47.7	47.6	48.1	47.4	47.5	46.3	42.4	41.4	43.2	44.9	1.7
Real Estate		47.7	48.1	49.3	49.9	49.2	48.6	48.4	49.6	48.3	45.8	46.0	46.8	46.8	0.0
Manufacturing	Food,BEWerages,Livestock Feed	41.3	42.8	41.7	42.4	43.1	43.3	41.7	41.9	40.1	39.8	37.5	37.3	40.2	2.9
	Textile,Textile Products,Clothing	33.6	34.2	36.8	34.6	34.9	34.4	34.3	34.3	32.9	31.5	33.3	32.6	35.6	3.0
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	40.0	39.0	38.7	40.1	40.0	41.1	40.3	40.7	37.5	36.6	36.7	38.9	38.3	▲ 0.6
	Pulp, Paper and Paper Products	35.6	38.0	38.4	40.0	37.9	38.1	38.7	38.0	38.4	37.8	37.4	39.7	39.3	▲ 0.4
	Publishing,Printing	32.6	33.2	32.4	32.6	33.4	33.3	34.1	34.8	34.2	32.6	32.0	32.6	34.2	1.6
	Chemical	42.4	43.3	42.3	43.2	43.7	44.6	44.0	44.7	41.6	41.0	43.1	45.8	47.3	1.5
	Steel,Nonferrous Metals,Mining	36.6	37.8	36.4	37.8	37.8	37.5	38.5	38.6	39.4	39.4	39.8	42.6	43.9	1.3
	General Machinery	37.5	38.5	37.8	40.3	39.7	39.7	40.8	43.6	43.1	41.8	42.8	46.0	50.0	4.0
	Electrical Machinery	42.8	42.0	44.1	44.0	44.6	45.2	45.2	46.8	44.9	44.8	46.1	48.4	50.9	2.5
	Transportation Machinery,Equipment	40.7	39.1	41.9	43.9	44.2	44.2	45.8	46.4	45.3	43.3	44.3	45.2	48.1	2.9
	Precision Machinery, Medical Instruments and Equipment	44.1	47.0	44.4	44.8	45.6	46.7	45.2	49.0	46.9	46.0	46.7	46.2	50.0	3.8
	Other Manufacturing	38.9	40.1	38.1	40.1	39.4	40.0	38.8	40.3	38.7	34.0	37.0	38.4	38.2	▲ 0.2
	Total	38.9	39.6	39.2	40.3	40.3	40.7	40.8	41.8	40.5	39.8	40.4	42.2	44.3	2.1
Wholesale	Food,BEWerages	41.1	41.8	41.8	41.1	41.3	42.3	40.3	40.5	39.1	38.6	39.4	38.1	38.9	0.8
	Textile,Textile Products,Clothing	34.8	33.7	33.2	32.2	33.8	34.4	34.1	34.8	33.3	32.3	33.6	34.1	33.2	▲ 0.9
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	37.4	37.6	38.1	39.2	39.6	38.4	37.4	37.5	38.3	34.9	34.9	35.1	36.2	1.1
	Paper Products,Stationery,Books	35.3	36.2	35.3	37.2	38.4	37.0	36.9	39.0	37.3	37.8	35.5	35.5	35.8	0.3
	Chemical	41.7	42.0	42.4	43.2	43.7	42.5	43.6	43.9	41.6	39.0	40.7	41.4	43.4	2.0
	Recycled Resources	36.0	37.0	37.3	40.8	41.2	42.1	39.7	43.4	41.7	41.7	42.9	43.6	44.4	0.8
	Steel,Nonferrous Metals, Mining Products	33.7	34.5	34.9	35.3	36.1	35.8	36.4	35.7	35.3	35.3	35.9	37.2	39.0	1.8
	Machinery,Equipment	42.3	43.1	42.8	43.4	43.6	43.9	43.4	44.4	43.0	42.0	42.6	44.1	44.9	0.8
	Other Wholesale	40.2	40.5	40.4	39.7	40.4	39.4	39.1	41.0	39.3	38.6	39.6	39.2	40.5	1.3
	Total	39.5	40.0	40.0	40.3	40.8	40.6	40.2	41.0	39.8	38.6	39.3	39.7	40.8	1.1

Economic Diffusion Index (Economic DI)2/2

		Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Ratio to the Rrevious Month
Retail	Food,BEWerages	40.3	40.7	41.6	39.1	39.3	40.7	39.9	40.9	39.5	38.8	39.5	40.6	40.2	▲ 0.4
	Textile,Textile Products,Clothing	36.4	36.7	34.5	35.0	35.4	36.9	36.5	38.3	36.3	37.9	39.1	34.9	31.9	▲ 3.0
	Drugs,Sundries	39.7	41.1	39.2	35.7	39.1	40.3	39.2	38.9	41.2	37.2	36.0	38.1	38.5	0.4
	Furniture	32.0	35.2	36.1	36.5	34.0	35.1	32.7	34.7	31.3	34.0	33.9	32.7	35.8	3.1
	Electrical Household Appliances, Information Machinery and Equipment	42.3	42.4	42.6	43.5	41.2	44.4	44.8	41.9	42.2	42.8	44.4	45.5	43.7	▲ 1.8
	Motor Vehicles,Motor Vehicle Parts	38.0	40.1	38.8	40.2	38.6	41.5	39.5	40.5	39.2	38.3	37.9	36.3	38.7	2.4
	Special Merchandise	38.6	38.3	38.4	39.1	39.1	39.7	38.6	39.9	34.5	34.1	34.2	34.8	35.0	0.2
	Various Merchandise	38.5	38.5	37.8	39.9	39.6	37.6	38.5	41.1	39.5	36.6	37.1	37.9	38.8	0.9
	Other Retail	46.9	49.0	36.3	44.1	40.2	45.2	49.0	47.8	43.8	46.3	42.7	45.1	38.9	▲ 6.2
	Total	38.9	39.4	38.8	39.1	38.8	40.1	39.3	40.2	37.7	37.2	37.4	37.3	37.3	0.0
Transportation,Warehousing		42.9	43.9	43.2	44.2	45.5	46.2	43.8	43.8	38.5	37.8	39.7	40.6	41.9	1.3
Service	Restaurants	45.6	46.8	45.6	44.1	43.4	47.1	42.4	42.9	43.1	41.3	42.3	41.7	44.3	2.6
	Postal,Telecommunications	51.9	47.9	48.1	53.0	56.3	47.6	50.0	52.1	50.0	48.1	58.3	47.2	50.0	2.8
	Electricity,Gas,Water,Heat	46.1	48.3	48.1	46.5	45.6	45.4	44.2	46.5	40.7	35.8	39.8	39.2	40.8	1.6
	Leasing,Rentals	49.3	49.7	48.3	49.0	48.4	50.0	47.5	48.1	45.2	46.2	46.5	44.1	46.3	2.2
	Lodging, Hotels	49.6	50.5	51.8	53.8	57.3	52.9	49.1	46.3	52.1	49.3	50.9	46.4	46.6	0.2
	Recreation	46.8	45.0	48.4	46.8	46.5	45.8	47.1	47.0	45.4	47.8	46.9	47.8	46.9	▲ 0.9
	Broadcasting	50.8	47.6	48.4	46.5	46.7	45.6	45.7	49.2	49.1	45.6	42.5	46.3	45.2	▲ 1.1
	Maintenance,Guarding,Testing	48.5	47.0	47.0	47.4	47.8	48.5	48.3	48.9	47.6	46.1	44.7	45.8	47.7	1.9
	Advertising	47.2	45.7	46.4	46.3	46.2	47.4	45.9	45.0	45.4	42.7	42.9	43.5	42.8	▲ 0.7
	Information	51.7	51.8	52.3	52.1	52.7	53.6	53.6	53.3	52.4	51.5	50.7	51.0	50.0	▲ 1.0
	Labor Dispatching	48.3	46.7	46.7	47.6	48.4	48.5	46.4	46.9	45.4	46.3	45.9	46.5	47.1	0.6
	Special Services	49.0	50.3	50.3	50.7	50.5	50.2	49.5	49.8	48.5	47.9	46.9	47.9	48.8	0.9
	Medical,Welfare,Public Health	38.0	39.5	39.6	39.5	41.0	43.7	41.0	41.7	41.8	40.7	39.9	41.8	40.9	▲ 0.9
	Education	40.6	39.9	43.1	43.9	42.5	43.3	47.8	46.3	43.5	43.8	42.3	44.7	43.3	▲ 1.4
	Other Service	47.3	46.5	46.2	46.9	46.5	46.7	45.4	46.6	45.0	44.4	42.8	43.3	42.6	▲ 0.7
	Total	48.3	48.2	48.5	48.6	48.9	49.4	48.4	48.6	47.8	46.9	46.2	46.5	46.7	0.2
Other		37.9	40.7	42.4	41.4	40.9	38.5	40.5	39.7	38.0	38.9	36.0	39.4	40.3	0.9

	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Ratio to the Rrevious Month
Hokkaido	43.7	43.9	44.4	43.4	42.6	43.1	41.8	42.2	41.1	40.1	40.5	42.0	42.4	0.4
Tohoku	39.2	39.5	39.2	39.5	39.4	40.1	38.8	39.9	38.6	38.2	38.1	38.4	40.1	1.7
Kita-Kanto	41.3	41.0	41.3	41.9	42.1	42.7	43.1	43.0	41.9	40.1	41.0	41.4	43.1	1.7
Minami-Kanto	45.7	45.9	45.9	46.4	46.9	47.2	46.8	47.2	46.3	45.0	44.8	45.7	46.2	0.5
Hokuriku	40.9	41.0	41.4	41.6	41.7	42.1	41.3	41.8	41.2	40.2	39.4	41.5	42.2	0.7
Tokai	41.6	43.2	42.8	43.4	43.3	43.3	43.2	43.6	41.4	39.8	40.5	41.2	42.9	1.7
Kinki	41.5	42.7	42.5	43.3	43.2	43.6	42.6	43.5	41.7	39.9	40.3	41.5	42.6	1.1
Chugoku	41.3	42.1	42.1	42.7	43.3	43.5	42.0	43.3	41.5	39.3	39.3	40.7	42.0	1.3
Shikoku	39.9	40.6	41.2	42.0	43.1	42.1	41.9	42.7	40.4	38.8	37.8	39.4	40.2	0.8
Kyushu	44.4	44.4	44.6	45.5	45.3	45.8	45.6	45.7	43.8	42.2	42.0	43.0	43.9	0.9

Appendix

1.Research Subjects(Companies researched: 22,350; Valid responses: 10,518; Response rate: 47.1%)

1.Region

Hokkaido	446	Tokai	1,124
Tohoku	742	Kinki	1,577
kitaKanto	806	Chugoku	637
minamikanto	3,258	Shikoku	364
Hokuriku	499	Kyushu	1,065
		Total	10,518

2.Industry (10 Industries 51 Lines of business)

Agriculture,Forestry,Fisheries		121
Finance		159
Construction		1,675
Real Estate		451
Manufacturing (2,434)	Food,Beverages,Livestock Feed	287
	Textile,Textile Products,Clothing	111
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	168
	Pulp, Paper and Paper Products	78
	Publishing,Printing	156
	Chemical	317
	Steel,Nonferrous Metals,Mining	428
	General Machinery	411
	Electrical Machinery	264
	Transportation Machinery,Equipment	90
	Precision Machinery,Medical Instruments and Equipment	66
	Others	58
Wholesale (2,237)	Food,Beverages	294
	Textile,Textile Products,Clothing	137
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	242
	Paper Products,Stationery,Books	93
	Chemical	204
	Recycled Resources	39
	Steel,Nonferrous Metals,Mining Products	222
	Machinery,Equipment	725
	Others	281
Retail (812)	Food,Beverages	141
	Textile,Textile Products,Clothing	79
	Drugs,Sundries	58
	Furniture	27
	Electrical Household Appliances,Information Machinery and Equipment	53
	Motor Vehicles,Motor Vehicle Parts	124
	Special Merchandise	257
	Various Merchandise	58
	Others	15
Transportation,Warehousing		452
Service (2,146)	Restaurants	111
	Telecommunications	8
	Electricity,Gas,Water,Heat	20
	Leasing,Rentals	94
	Lodging, Hotels	98
	Recreation	91
	Broadcasting	21
	Maintenance,Guarding,Testing	274
	Advertising	106
	Information	455
	Labor Dispatching	81
	Special Services	397
	Medical,Welfare,Public Health	117
	Education	40
	Others	233
Others		31
Total		10,518

3.Size

Large Firms	1,533	14.6%
Small to Medium-sized Firms	8,985	85.4%
micro Firms	3,596	34.2%
Total	10,518	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 July 17 2026 - July 31 2026

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 23,000 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	very 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 midium-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 midium-sized corporations in Small to Medium-Sized Enterprises Basic Act.