

The domestic economy improved for the first time in three months, temporarily avoiding a deeper slump
 ~ Continued caution over rising costs and supply constraints amid a “Middle East supply shock” ~

(Companies researched: 22,749; Valid responses: 10,521; Response rate: 46.2%; Survey start date: May 2002)

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< Trend in May 2026: Slight Improvement >

The Economic Diffusion Index (DI) for May 2026 increased by 0.1 points from the previous month to 41.6, improving for the first time in three months.

Although the domestic economy remained at a low level due to rising procurement costs driven by higher crude oil prices and delays in passing on costs, robust performance in AI-related sectors helped the economy avoid a deeper slump for the time being.

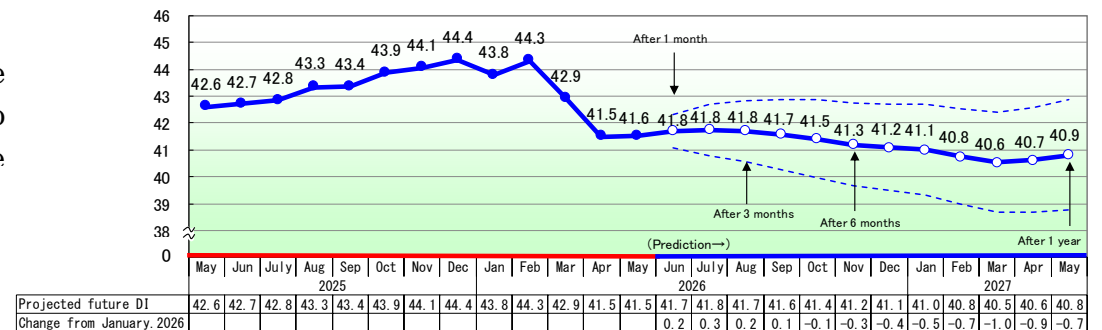
< Future outlook: Unchanged >

Looking ahead, while there are factors supporting a recovery, the pace of improvement is expected to remain slow, with the economy likely to move within a flat range accompanied by downside risks for the time being.

By industry: 6 of the 10 industries improved, indicating a divergence in business conditions across industries.

By scale: “Large firms” and “small to medium-sized firms” improved, while “micro firms” deteriorated.

By region: 4 regions improved while 5 deteriorated, highlighting a split in regional economic conditions.



*: 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

	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Ratio to the Rrevious Month
Total	42.6	42.7	42.8	43.3	43.4	43.9	44.1	44.4	43.8	44.3	42.9	41.5	41.6	0.1
Large Firms	46.8	47.1	47.3	47.8	48.2	48.0	48.5	48.7	48.7	48.8	47.3	45.8	45.9	0.1
Small to Medium-sized Firms	41.9	41.9	42.0	42.6	42.5	43.1	43.3	43.6	42.9	43.5	42.1	40.7	40.9	0.2
Micro Firms	40.8	41.0	40.9	41.7	41.5	42.2	42.1	42.8	42.0	42.6	41.0	39.3	39.2	▲ 0.1

	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Ratio to the Rrevious Month	
Agriculture,Forestry,Fisheries	48.1	49.3	46.1	47.9	46.6	51.8	52.7	51.4	50.6	46.3	44.2	43.0	44.0	1.0	
Finance	46.0	47.7	46.2	46.5	48.0	49.1	48.5	48.0	48.1	47.9	46.8	46.0	45.9	▲ 0.1	
Construction	45.9	45.9	46.4	46.8	47.3	47.7	47.6	48.1	47.4	47.5	46.3	42.4	41.4	▲ 1.0	
Real Estate	49.0	48.4	47.7	48.1	49.3	49.9	49.2	48.6	48.4	49.6	48.3	45.8	46.0	0.2	
Manufacturing	Food,BEWerages,Livestock Feed	42.0	40.9	41.3	42.8	41.7	42.4	43.1	43.3	41.7	41.9	40.1	39.8	37.5	▲ 2.3
	Textile,Textile Products,Clothing	34.1	32.9	33.6	34.2	36.8	34.6	34.9	34.4	34.3	34.3	32.9	31.5	33.3	1.8
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	36.8	39.3	40.0	39.0	38.7	40.1	40.0	41.1	40.3	40.7	37.5	36.6	36.7	0.1
	Pulp, Paper and Paper Products	34.9	35.3	35.6	38.0	38.4	40.0	37.9	38.1	38.7	38.0	38.4	37.8	37.4	▲ 0.4
	Publishing,Printing	32.9	32.0	32.6	33.2	32.4	32.6	33.4	33.3	34.1	34.8	34.2	32.6	32.0	▲ 0.6
	Chemical	41.5	41.4	42.4	43.3	42.3	43.2	43.7	44.6	44.0	44.7	41.6	41.0	43.1	2.1
	Steel,Nonferrous Metals,Mining	35.3	35.7	36.6	37.8	36.4	37.8	37.8	37.5	38.5	38.6	39.4	39.4	39.8	0.4
	General Machinery	37.8	38.4	37.5	38.5	37.8	40.3	39.7	39.7	40.8	43.6	43.1	41.8	42.8	1.0
	Electrical Machinery	39.9	41.6	42.8	42.0	44.1	44.0	44.6	45.2	45.2	46.8	44.9	44.8	46.1	1.3
	Transportation Machinery,Equipment	36.5	39.9	40.7	39.1	41.9	43.9	44.2	44.2	45.8	46.4	45.3	43.3	44.3	1.0
	Precision Machinery, Medical Instruments and Equipment	44.1	44.3	44.1	47.0	44.4	44.8	45.6	46.7	45.2	49.0	46.9	46.0	46.7	0.7
	Other Manufacturing	40.5	37.2	38.9	40.1	38.1	40.1	39.4	40.0	38.8	40.3	38.7	34.0	37.0	3.0
Total	38.1	38.4	38.9	39.6	39.2	40.3	40.3	40.7	40.8	41.8	40.5	39.8	40.4	0.6	
Wholesale	Food,BEWerages	41.2	40.3	41.1	41.8	41.8	41.1	41.3	42.3	40.3	40.5	39.1	38.6	39.4	0.8
	Textile,Textile Products,Clothing	35.1	34.8	34.8	33.7	33.2	32.2	33.8	34.4	34.1	34.8	33.3	32.3	33.6	1.3
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	39.0	38.2	37.4	37.6	38.1	39.2	39.6	38.4	37.4	37.5	38.3	34.9	34.9	0.0
	Paper Products,Stationery,Books	36.8	36.6	35.3	36.2	35.3	37.2	38.4	37.0	36.9	39.0	37.3	37.8	35.5	▲ 2.3
	Chemical	41.2	41.8	41.7	42.0	42.4	43.2	43.7	42.5	43.6	43.9	41.6	39.0	40.7	1.7
	Recycled Resources	35.1	36.6	36.0	37.0	37.3	40.8	41.2	42.1	39.7	43.4	41.7	41.7	42.9	1.2
	Steel,Nonferrous Metals, Mining Products	32.4	33.0	33.7	34.5	34.9	35.3	36.1	35.8	36.4	35.7	35.3	35.3	35.9	0.6
	Machinery,Equipment	42.2	42.6	42.3	43.1	42.8	43.4	43.6	43.9	43.4	44.4	43.0	42.0	42.6	0.6
	Other Wholesale	40.7	40.1	40.2	40.5	40.4	39.7	40.4	39.4	39.1	41.0	39.3	38.6	39.6	1.0
	Total	39.7	39.6	39.5	40.0	40.0	40.3	40.8	40.6	40.2	41.0	39.8	38.6	39.3	0.7

Economic Diffusion Index (Economic DI)2/2

		May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Ratio to the Previous Month
Retail	Food,BEWerages	41.1	40.8	40.3	40.7	41.6	39.1	39.3	40.7	39.9	40.9	39.5	38.8	39.5	0.7
	Textile,Textile Products,Clothing	39.0	35.4	36.4	36.7	34.5	35.0	35.4	36.9	36.5	38.3	36.3	37.9	39.1	1.2
	Drugs,Sundries	35.9	36.1	39.7	41.1	39.2	35.7	39.1	40.3	39.2	38.9	41.2	37.2	36.0	▲ 1.2
	Furniture	33.9	31.8	32.0	35.2	36.1	36.5	34.0	35.1	32.7	34.7	31.3	34.0	33.9	▲ 0.1
	Electrical Household Appliances, Information Machinery and Equipment	39.6	43.0	42.3	42.4	42.6	43.5	41.2	44.4	44.8	41.9	42.2	42.8	44.4	1.6
	Motor Vehicles, Motor Vehicle Parts	38.2	40.8	38.0	40.1	38.8	40.2	38.6	41.5	39.5	40.5	39.2	38.3	37.9	▲ 0.4
	Special Merchandise	37.5	37.4	38.6	38.3	38.4	39.1	39.1	39.7	38.6	39.9	34.5	34.1	34.2	0.1
	Various Merchandise	35.8	36.3	38.5	38.5	37.8	39.9	39.6	37.6	38.5	41.1	39.5	36.6	37.1	0.5
	Other Retail	45.2	44.8	46.9	49.0	36.3	44.1	40.2	45.2	49.0	47.8	43.8	46.3	42.7	▲ 3.6
Total		38.3	38.6	38.9	39.4	38.8	39.1	38.8	40.1	39.3	40.2	37.7	37.2	37.4	0.2
Transportation,Warehousing		42.8	42.3	42.9	43.9	43.2	44.2	45.5	46.2	43.8	43.8	38.5	37.8	39.7	1.9
Service	Restaurants	43.5	44.6	45.6	46.8	45.6	44.1	43.4	47.1	42.4	42.9	43.1	41.3	42.3	1.0
	Postal,Telecommunications	50.0	47.4	51.9	47.9	48.1	53.0	56.3	47.6	50.0	52.1	50.0	48.1	58.3	10.2
	Electricity,Gas,Water,Heat	44.4	43.3	46.1	48.3	48.1	46.5	45.6	45.4	44.2	46.5	40.7	35.8	39.8	4.0
	Leasing,Rentals	49.8	48.0	49.3	49.7	48.3	49.0	48.4	50.0	47.5	48.1	45.2	46.2	46.5	0.3
	Lodging, Hotels	52.4	51.7	49.6	50.5	51.8	53.8	57.3	52.9	49.1	46.3	52.1	49.3	50.9	1.6
	Recreation	47.6	45.2	46.8	45.0	48.4	46.8	46.5	45.8	47.1	47.0	45.4	47.8	46.9	▲ 0.9
	Broadcasting	48.4	49.2	50.8	47.6	48.4	46.5	46.7	45.6	45.7	49.2	49.1	45.6	42.5	▲ 3.1
	Maintenance,Guarding,Testing	46.6	47.0	48.5	47.0	47.4	47.8	48.5	48.3	48.9	47.6	46.1	44.7	44.7	▲ 1.4
	Advertising	46.1	47.2	47.2	45.7	46.4	46.3	46.2	47.4	45.9	45.0	45.4	42.7	42.9	0.2
	Information	52.1	52.5	51.7	51.8	52.3	52.1	52.7	53.6	53.6	53.3	52.4	51.5	50.7	▲ 0.8
	Labor Dispatching	48.2	47.9	48.3	46.7	46.7	47.6	48.4	48.5	46.4	46.9	45.4	46.3	45.9	▲ 0.4
	Special Services	49.7	49.2	49.0	50.3	50.3	50.7	50.5	50.2	49.5	49.8	48.5	47.9	46.9	▲ 1.0
	Medical,Welfare,Public Health	41.4	40.4	38.0	39.5	39.6	39.5	41.0	43.7	41.0	41.7	41.8	40.7	39.9	▲ 0.8
	Education	44.9	43.4	40.6	39.9	43.1	43.9	42.5	43.3	47.8	46.3	43.5	43.8	42.3	▲ 1.5
Other Service	45.5	47.3	47.3	46.5	46.2	46.9	46.5	46.7	45.4	46.6	45.0	44.4	42.8	▲ 1.6	
Total		48.2	48.3	48.3	48.2	48.5	48.6	48.9	49.4	48.4	48.6	47.8	46.9	46.2	▲ 0.7
Other		45.0	39.2	37.9	40.7	42.4	41.4	40.9	38.5	40.5	39.7	38.0	38.9	36.0	▲ 2.9

	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Ratio to the Previous Month
Hokkaido	43.4	43.9	43.7	43.9	44.4	43.4	42.6	43.1	41.8	42.2	41.1	40.1	40.5	0.4
Tohoku	38.2	39.1	39.2	39.5	39.2	39.5	39.4	40.1	38.8	39.9	38.6	38.2	38.1	▲ 0.1
Kita-Kanto	39.3	40.1	41.3	41.0	41.3	41.9	42.1	42.7	43.1	43.0	41.9	40.1	41.0	0.9
Minami-Kanto	45.3	45.5	45.7	45.9	45.9	46.4	46.9	47.2	46.8	47.2	46.3	45.0	44.8	▲ 0.2
Hokuriku	40.4	40.0	40.9	41.0	41.4	41.6	41.7	42.1	41.3	41.8	41.2	40.2	39.4	▲ 0.8
Tokai	41.5	41.4	41.6	43.2	42.8	43.4	43.3	43.3	43.2	43.6	41.4	39.8	40.5	0.7
Kinki	42.2	42.1	41.5	42.7	42.5	43.3	43.2	43.6	42.6	43.5	41.7	39.9	40.3	0.4
Chugoku	41.4	40.9	41.3	42.1	42.1	42.7	43.3	43.5	42.0	43.3	41.5	39.3	39.3	0.0
Shikoku	40.6	39.7	39.9	40.6	41.2	42.0	43.1	42.1	41.9	42.7	40.4	38.8	37.8	▲ 1.0
Kyushu	44.8	44.5	44.4	44.4	44.6	45.5	45.3	45.8	45.6	45.7	43.8	42.2	42.0	▲ 0.2

Appendix

1. Research Subjects (Companies researched: 22,749; Valid responses: 10,521; Response rate: 46.2%)

1. Region

Hokkaido	444	Tokai	1,106
Tohoku	743	Kinki	1,603
kitaKanto	802	Chugoku	644
minamikanto	3,262	Shikoku	357
Hokuriku	523	Kyushu	1,037
		Total	10,521

2. Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		109
Finance		147
Construction		1,657
Real Estate		466
Manufacturing (2,423)	Food, Beverages, Livestock Feed	273
	Textile, Textile Products, Clothing	107
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	180
	Pulp, Paper and Paper Products	81
	Publishing, Printing	152
	Chemical	316
	Steel, Nonferrous Metals, Mining	433
	General Machinery	420
	Electrical Machinery	251
	Transportation Machinery, Equipment	94
	Precision Machinery, Medical Instruments and Equipment	61
	Others	55
Wholesale (2,258)	Food, Beverages	278
	Textile, Textile Products, Clothing	134
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	251
	Paper Products, Stationery, Books	94
	Chemical	215
	Recycled Resources	42
	Steel, Nonferrous Metals, Mining Products	230
	Machinery, Equipment	732
Others	282	

Retail (813)	Food, Beverages	137
	Textile, Textile Products, Clothing	78
	Drugs, Sundries	56
	Furniture	29
	Electrical Household Appliances, Information Machinery and Equipment	63
	Motor Vehicles, Motor Vehicle Parts	128
	Special Merchandise	249
	Various Merchandise	57
	Others	16
Transportation, Warehousing		440
Service (2,171)	Restaurants	121
	Telecommunications	6
	Electricity, Gas, Water, Heat	18
	Leasing, Rentals	91
	Lodging, Hotels	95
	Recreation	87
	Broadcasting	20
	Maintenance, Guarding, Testing	272
	Advertising	113
	Information	482
	Labor Dispatching	77
	Special Services	399
Medical, Welfare, Public Health	111	
Education	37	
Others	242	
Others		37
Total		10,521

3. Size

Large Firms	1,510	14.4%
Small to Medium-sized Firms	9,011	85.6%
micro Firms	3,618	34.4%
Total	10,521	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 May 18 2026 - May 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

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

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

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.