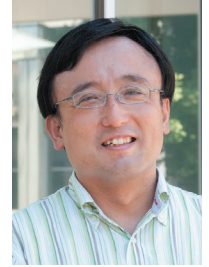


# Can Capital Investment Maintain Robust Growth?



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## Various Data Measuring Capital Investment

With concerns growing about the global economy and challenges such as the United States-China trade war, the key to maintaining positive economic growth for the Japanese economy is private domestic demand. Preliminary GDP data (secondary report) released on Sept. 9, 2019 for the April-June 2019 period showed exports pushing down growth for two consecutive quarters, but with the support of domestic demand it remained positive for three consecutive quarters. On the other hand, there are concerns that personal consumption will become suppressed once the consumption tax rate is raised to 10% in October, and whether capital investment by private business enterprises can maintain its robust growth is being closely monitored.

There are largely three types of data that measure trends in capital investment by private enterprises:

- (1) Data that capture movements in goods (investment goods) used for capital investment
- (2) Data that survey the amount of capital investment conducted by enterprises
- (3) Data that survey the capital investment plans of enterprises

Representative data for the first data sets are data related to Industrial Production released by the Ministry of Economy, Trade and Industry, and Machinery Orders data by the Cabinet Office. For Industrial Production data, Industrial Domestic Shipments of investment goods receives particular attention. It is the sum of production amounts used for domestic investment, out of production amounts as assessed by Industrial Production, and import amounts used for domestic investment. In other words, it looks at the total amount of investment goods as used in domestic capital investment. On the other hand, Machinery Orders are surveyed through interviews with machinery manufacturing enterprises on trends in orders for machinery used

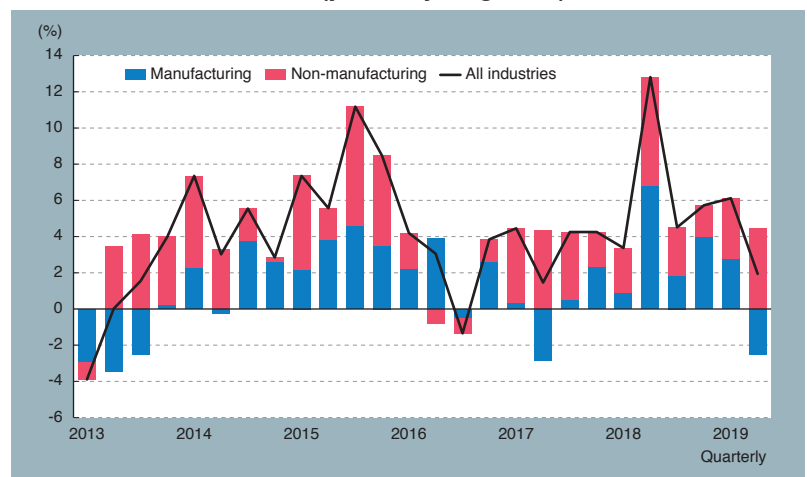
in capital investment, and are useful when considering the immediate future outlook for domestic shipments.

Representative data for the second data sets are Financial Statements Statistics of Corporations by the Ministry of Finance. “Financial Statements Statistics of Corporations by Industry, Quarterly”, which is released every quarter, surveys sales, profits and capital investments for business enterprises with capital over 10 million yen. Like the first set of data, it measures the current status of capital investment, but it is only released every quarter and the time it takes for its release makes it not useful.

Representative data for the third set of data are the Capital Spending Plan in the Bank of Japan’s “Tankan” survey. All together six surveys are conducted from March, immediately before the target fiscal year begins, then on to June, September, December, then forecasts for March the following year which is the month that the fiscal year ends, and actual results for June also for the following year.

CHART 1

## Fixed investment (year-on-year growth)



Source: “Financial Statement Statistics of Corporations by Industry”, Ministry of Finance

## Maintaining Positive Growth for April-June Period

According to the “Financial Statements Statistics of Corporations by Industry, Quarterly” which was released on Sept. 2, capital investments for all industries maintained an increasing trend which began from the October-December 2016 period at a growth rate of 1.9% year-on-year (Chart 1). The manufacturing industry which tends to be impacted by exports turned negative at a decrease of 6.9%, but the non-manufacturing industry grew by 7% contributing to maintaining positive growth for all industries. However, when software investments are excluded, all manufacturing industries show negative growth at a decrease of 1.7%, and the non-manufacturing industry saw a mere 1.8% increase. Software investments, such as for improving business efficiency and cash register repairs ahead of the consumption tax rate hike, are actively conducted in the non-manufacturing sector which suffers from a workforce shortage, and supports the entire capital investment.

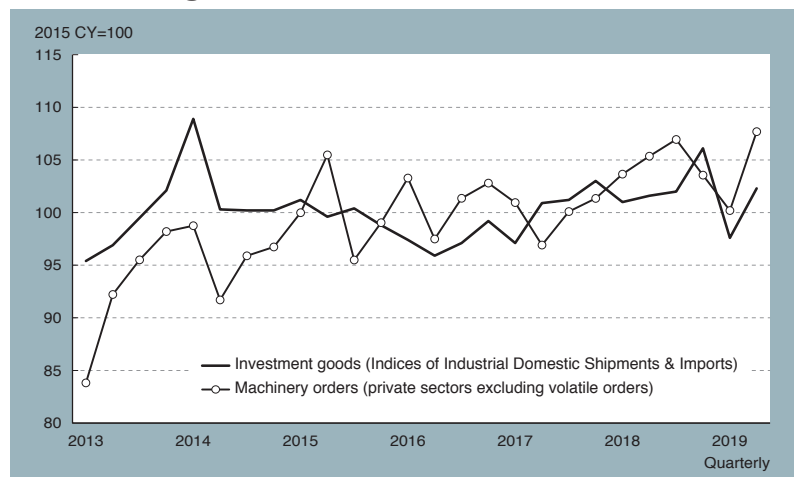
On the other hand, actual figures for Aggregate Supply of Investment Goods for July were released on Sept. 6 and showed a slight increase of 0.6% compared to the April-June period (Chart 2). Aggregate Supply of Investment Goods saw a sharp increase in the October-December 2018 period, followed by a sharp decline for the January-March 2019 period, but on average it has remained in the flat range since 2018. This movement is mainly affected by capital goods such as machinery used in capital investment.

Let us confirm the outlook for machinery in Machinery Orders. The amount of orders for private sectors excluding volatile orders which are closely watched was declining since the July-September 2018 period, but quickly recovered in the April-June 2019 period. July results which were released on Sept. 12 showed a decrease of 1.0% compared to the April-June period. However, they still showed an increase of 6.4% compared to the January-March period. Capital investment for the April-June period and until July seemed to maintain moderate growth.

## Plans for fiscal 2019?

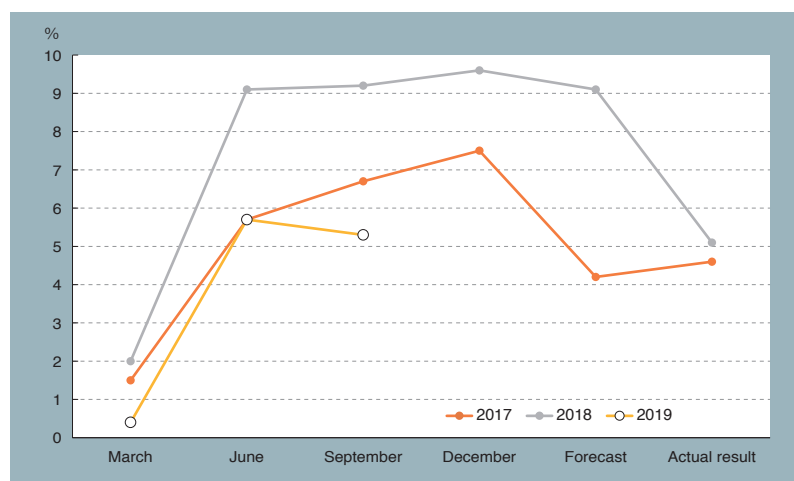
Will this movement, then, be sustained on to the latter half of fiscal 2019? The March survey and June survey for Fiscal 2019 Capital Investment Plans (year-on-year growth) for Software, R&D, and Fixed Investment excluding Land Purchasing Expenses showed trends around the same as fiscal 2017 (Chart 3). While it does not

CHART 2  
Trends in goods for investment



Source: “The Indices of Industrial Domestic Shipments and Exports and The Indices of Industrial Domestic Shipments and Imports”, Ministry of Economy, Trade and Industry; “Machinery Orders”, Cabinet Office

CHART 3  
Developments of fixed investment (All enterprises, year-on-year growth)



Note: Software, R&D, and Fixed Investment excluding Land Purchasing Expenses  
Source: “TANKAN”, Bank of Japan

compare to the sharp rise in Capital Investment growth as was seen in fiscal 2018, it does show a robust plan. According to the September Survey for Fiscal 2019 which was released on Oct. 1, Capital Investment Plans showed 5.3% year-on-year growth, slightly down from the June survey.

**Note:** This article is written based on the information that was available as of Oct. 1, 2019.

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## ECONOMIC INDICATORS FOR JAPAN

Calendar year, Quarter and Month	Real GDP		Nominal GDP		IIP rate of increase over previous year/term (month) (%)	CPI (All terms, less fresh food) rate of increase over previous year/the same term (month) of the previous year (%)
	Amount (trillion yen)	Rate of increase over previous year/term (%)	Amount (trillion yen)	Rate of increase over previous year/term (%)		
2010	492.0	4.2	500.4	2.2	15.6	-1.0
2011	491.5	-0.1	491.4	-1.8	-2.6	-0.3
2012	498.8	1.5	495.0	0.7	0.2	-0.1
2013	508.8	2.0	503.2	1.7	-0.2	0.4
2014	510.7	0.4	513.9	2.1	2.0	2.6
2015	516.9	1.2	531.3	3.4	-1.2	0.5
2016	520.1	0.6	536.0	0.9	0.0	-0.3
2017	530.2	1.9	545.1	1.7	3.1	0.5
2018	534.3	0.8	548.9	0.7	1.1	0.9
2018/3rd Qtr.	533.2	-0.5	547.3	-0.5	-0.7	0.9
4th Qtr.	535.5	0.4	549.7	0.4	1.4	0.9
2019/1st Qtr.	538.4	0.5	554.9	1.0	-2.5	0.8
2nd Qtr.	540.2	0.3	556.5	0.3	0.6	0.8
2019/Jan.	—	—	—	—	-2.5	0.8
Feb.	—	—	—	—	0.7	0.7
March	—	—	—	—	-0.6	0.8
April	—	—	—	—	0.6	0.9
May	—	—	—	—	2.0	0.8
June	—	—	—	—	-3.3	0.6
July	—	—	—	—	1.3	0.6
Aug.	—	—	—	—	-1.2	0.5
Sources	"SNA (National Accounts of Japan)", Cabinet Office				"Indices of Industrial Production", Ministry of Economy, Trade and Industry	"Consumer Price Index", Statistics Bureau, Ministry of Internal Affairs and Communications

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Exports amount (trillion yen)	Exports rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount (trillion yen)	Imports rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to US (trillion yen)	Exports to US rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from US (trillion yen)	Imports from US rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to EU (trillion yen)	Exports to EU rate of increase over previous year/ the same term (month) of the previous year (%)
2010	67.4	24.4	60.8	18.0	10.4	18.8	5.9	7.2	7.6	12.8
2011	65.5	-2.7	68.1	12.1	10.0	-3.4	5.9	0.3	7.6	0.0
2012	63.7	-2.7	70.7	3.8	11.2	11.7	6.1	2.5	6.5	-14.7
2013	69.8	9.5	81.2	14.9	12.9	15.6	6.8	12.0	7.0	7.7
2014	73.1	4.8	85.9	5.7	13.6	5.6	7.5	10.7	7.6	8.4
2015	75.6	3.4	78.4	-8.7	15.2	11.5	8.1	6.9	8.0	5.3
2016	70.0	-7.4	66.0	-15.8	14.1	-7.1	7.3	-9.2	8.0	-0.0
2017	78.3	11.8	75.4	14.1	15.1	6.9	8.1	10.5	8.7	8.5
2018	81.5	4.1	82.7	9.7	15.5	2.4	9.0	11.4	9.2	6.4
2018/3rd Qtr.	20.2	2.9	20.7	12.4	3.8	-0.4	2.2	11.9	2.2	2.7
4th Qtr.	21.2	1.3	22.4	11.2	4.3	4.8	2.5	21.7	2.4	5.1
2019/1st Qtr.	19.2	-3.9	19.7	-2.0	3.9	4.3	2.2	4.2	2.4	2.6
2nd Qtr.	19.1	-5.6	19.4	-0.1	4.0	6.0	2.2	-0.5	2.2	-5.4
2019/Jan.	5.6	-8.4	7.0	-0.8	1.1	6.9	0.8	7.5	0.7	-2.5
Feb.	6.4	-1.2	6.1	-6.5	1.3	2.0	0.7	5.6	0.8	2.5
March	7.2	-2.4	6.7	1.2	1.4	4.4	0.7	-0.1	0.9	7.3
April	6.7	-2.4	6.6	6.5	1.4	9.6	0.7	2.3	0.8	-2.6
May	5.8	-7.8	6.8	-1.4	1.2	3.3	0.8	-1.3	0.6	-7.1
June	6.6	-6.6	6.0	-5.2	1.4	4.9	0.7	-2.4	0.7	-6.7
July	6.6	-1.5	6.9	-1.1	1.4	8.4	0.8	3.5	0.8	2.2
Aug.	6.1	-8.2	6.3	-11.9	1.2	-4.4	0.7	-9.2	0.7	-1.3
Sources	"Trade Statistics of Japan", Ministry of Finance									

## ECONOMIC INDICATORS FOR JAPAN

Calendar year, Quarter and Month	Cash salary amount rate of increase over previous year/ the same term (month) of the previous year (%)	Active job openings-to-applicants ratio (time(s))	Unemployment rate (%)	M2 rate of increase over previous year/ the same term (month) of the previous year (%)	Balance of payments		Yen/\$ rate (averaged during the term)
					Trade balance (trillion yen)	Current balance (trillion yen)	
2010	0.5	0.52	5.1	2.8	9.5	19.4	87.8
2011	-0.2	0.65	4.6	2.7	-0.3	10.4	79.8
2012	-0.9	0.80	4.3	2.5	-4.3	4.8	79.8
2013	-0.2	0.93	4.0	3.6	-8.8	4.5	97.6
2014	0.5	1.09	3.6	3.4	-10.5	3.9	105.8
2015	0.1	1.20	3.4	3.6	-0.9	16.5	121.0
2016	0.6	1.36	3.1	3.4	5.5	21.4	108.8
2017	0.4	1.50	2.8	4.0	4.9	22.6	112.2
2018	1.4	1.61	2.4	2.9	1.2	19.2	110.4
2018/3rd Qtr.	0.9	1.62	2.4	2.9	0.1	5.7	111.5
4th Qtr.	1.5	1.62	2.4	2.5	-0.6	2.6	112.9
2019/1st Qtr.	-0.8	1.63	2.5	2.3	0.2	6.0	110.2
2nd Qtr.	-0.1	1.62	2.4	2.5	-0.0	4.6	109.8
2019/Jan.	-0.6	1.63	2.5	2.3	-1.0	0.6	109.0
Feb.	-0.7	1.63	2.3	2.3	0.5	2.6	110.4
March	-1.3	1.63	2.5	2.4	0.7	2.8	111.2
April	-0.3	1.63	2.4	2.5	-0.1	1.7	111.6
May	-0.5	1.62	2.4	2.6	-0.7	1.7	109.8
June	0.4	1.61	2.3	2.3	0.8	1.3	108.1
July	-1.0	1.59	2.2	2.3	-0.1	2.0	108.2
Aug.	-0.2	1.59	2.2	2.4	0.1	2.2	106.3
Sources	"Monthly Labour Survey", Ministry of Health, Labour and Welfare	"Employment Referrals for General Workers", Ministry of Health, Labour and Welfare	"Labour Force Survey", Statistics Bureau, Ministry of Internal Affairs and Communications	"Money Stock", Bank of Japan	"Balance of Payments", Ministry of Finance		Bank of Japan

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Imports amount from EU (trillion yen)	Imports from EU rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to Asia (excluding China) (trillion yen)	Exports to Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from Asia (excluding China) (trillion yen)	Imports from Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to China (trillion yen)	Exports to China rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from China (trillion yen)	Imports from China rate of increase over previous year/ the same term (month) of the previous year (%)
2010	5.8	5.5	24.7	29.5	14.1	22.0	13.1	27.8	13.4	17.3
2011	6.4	10.1	23.8	-3.9	15.7	11.7	12.9	-1.4	14.6	9.2
2012	6.6	3.6	23.3	-1.8	16.3	3.3	11.5	-10.8	15.0	2.7
2013	7.6	15.2	25.2	8.1	18.3	12.6	12.6	9.7	17.7	17.4
2014	8.2	6.8	26.1	3.5	19.4	6.2	13.4	6.0	19.2	8.6
2015	8.6	5.6	27.1	3.7	18.9	-2.6	13.2	-1.2	19.4	1.3
2016	8.2	-5.5	24.7	-8.7	16.2	-14.5	12.4	-6.5	17.0	-12.4
2017	8.8	7.4	28.0	13.3	18.6	14.8	14.9	20.5	18.5	8.5
2018	9.7	11.0	28.8	2.9	20.0	7.8	15.9	6.8	19.2	4.0
2018/3rd Qtr.	2.5	11.7	7.3	4.0	4.9	5.6	4.0	7.2	4.8	5.7
4th Qtr.	2.6	9.1	7.4	-1.5	5.3	8.7	4.3	0.5	5.4	4.5
2019/1st Qtr.	2.4	-1.1	6.6	-6.3	4.9	-4.1	3.4	-7.5	4.6	0.2
2nd Qtr.	2.4	5.2	6.6	-7.4	4.6	-3.1	3.6	-8.7	4.5	-0.0
2019/Jan.	0.8	-3.2	2.0	-10.9	1.6	-4.9	1.0	-17.4	1.8	5.7
Feb.	0.7	0.5	2.2	-5.2	1.6	-5.8	1.1	5.6	1.3	-15.8
March	0.8	-0.5	2.5	-3.4	1.7	-1.6	1.3	-9.4	1.5	11.0
April	0.8	10.6	2.3	-1.6	1.5	4.0	1.2	-6.3	1.6	6.0
May	0.9	8.7	2.0	-13.4	1.6	-5.5	1.1	-9.7	1.5	-0.8
June	0.7	-3.7	2.3	-7.2	1.5	-7.0	1.2	-10.1	1.4	-5.3
July	0.9	-4.2	2.2	-7.7	1.7	-0.7	1.2	-9.3	1.6	2.9
Aug.	0.8	-2.3	2.1	-10.3	1.5	-11.3	1.2	-12.1	1.4	-8.5
Sources	"Trade Statistics of Japan", Ministry of Finance									