

(Box 2) Recent Features of Business Fixed Investment

There is an increase in the number of business fixed investment plans that envisage a somewhat longer lead time between plan and completion, reflecting firms' investment stance targeted at medium- to long-term growth and the materialization of pent-up investment demand, which has been restrained so far. Total backlogs of machinery orders have clearly tended to accumulate, and recently reached a record high since the start of data publication, particularly that of machines with a long lead time from orders to shipment, such as electricity-related, aircraft, and railway vehicles (Box Chart 2 [1] and [2]). As the number of long-term investment plans increases, the aggregate supply (i.e., domestic shipments) of capital goods and business fixed investment in the GDP statistics have been somewhat stagnant recently, compared with machinery orders (Box Chart 2 [3]).³⁹ On the other hand, the increase in long-term investment plans will push up business fixed investment on a shipment basis for an extended period of time, unless they are canceled due to significant changes in economic conditions, for example. It is therefore expected that the uptrend in business fixed investment will likely be maintained, even toward the second half of the projection period, when the pace of increase in business fixed investment will tend to slow down from the viewpoint of the capital stock cycle.

Although it is possible to assess that the stagnant business fixed investment in the first half of fiscal 2015 is partly attributable to postponing some of the plans, stemming from heightened uncertainties over overseas economies, particularly emerging economies, such moves for postponement are considered to have been limited so far. The revision patterns of export plans and investment plans of large manufacturing firms in the *Tankan* are closely correlated, and it is observed that the larger the downward revision of export plans, the larger the downward revision of investment plans (Box Chart 3 [1]). In light of this correlation, as the export plan of fiscal 2015 reported in the December *Tankan* remains

³⁹ Business fixed investment reported in the *Financial Statements Statistics of Corporations by Industry, Quarterly* includes the assets in construction in progress (CIP) account, which includes deposits, cash advances, cost of materials paid, and machines acquired for the construction of equipment. Accordingly, the long-term investment plans, which are yet to be completed for shipment but are accounted as CIP assets, are included in the business fixed investment reported in the *Financial Statements Statistics of Corporations by Industry, Quarterly*.

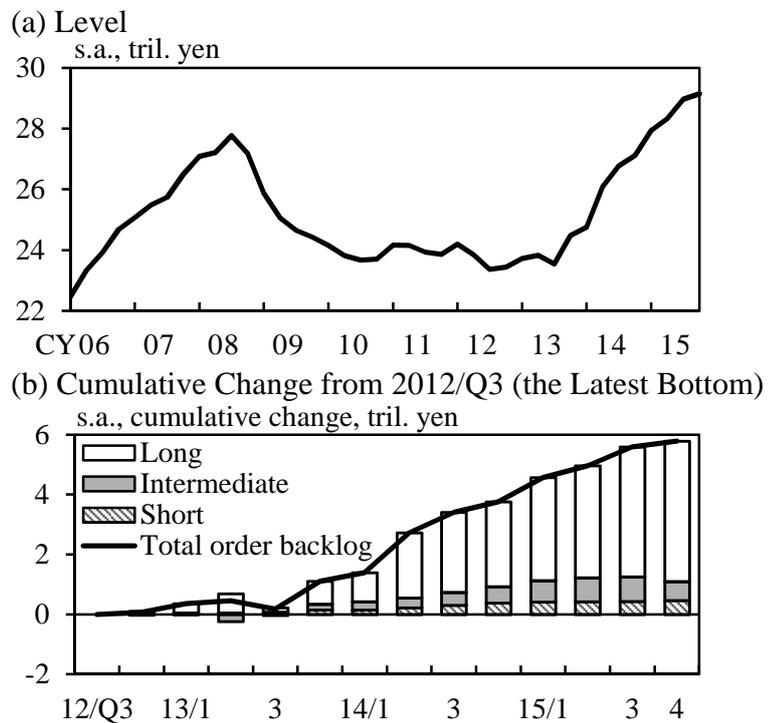
robust, compared with those of fiscal 2011 and fiscal 2012, when exports were substantially revised downward due to the deceleration of overseas economies, it is estimated at the moment that downward pressure on business fixed investment remains limited on this front (Box Chart 3 [2] and [3]).

Lags Between Orders and Shipments for Business Fixed Investment

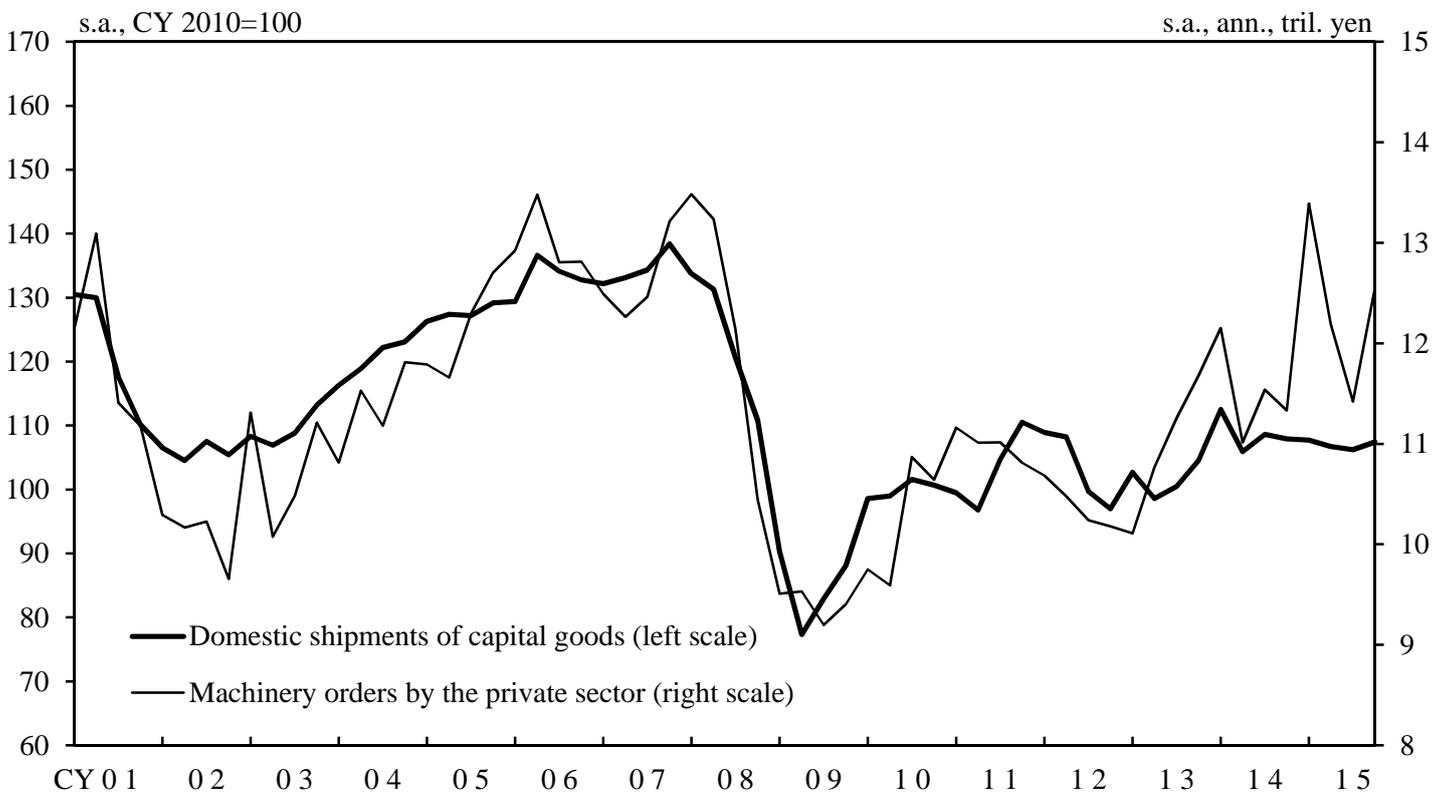
(1) Type of Machinery in the Machinery Orders by Shipment Lead Time

Classification	Shipment lead time	Example of type of machinery	Share in CY 2014
Long	More than 6 months	Boilers and power units, generators, aircraft, ships, railway vehicles	46.9%
Intermediate	2 to 4 months	Construction machinery, metal cutting machines, internal combustion engines, semiconductor making equipment	38.4%
Short	0 to 1 month	Associated electronic equipment, pneumatic and hydraulic equipment, motor vehicles	14.8%

(2) Total Order Backlog in the Machinery Orders



(3) Machinery Orders by the Private Sector and Domestic Shipments of Capital Goods

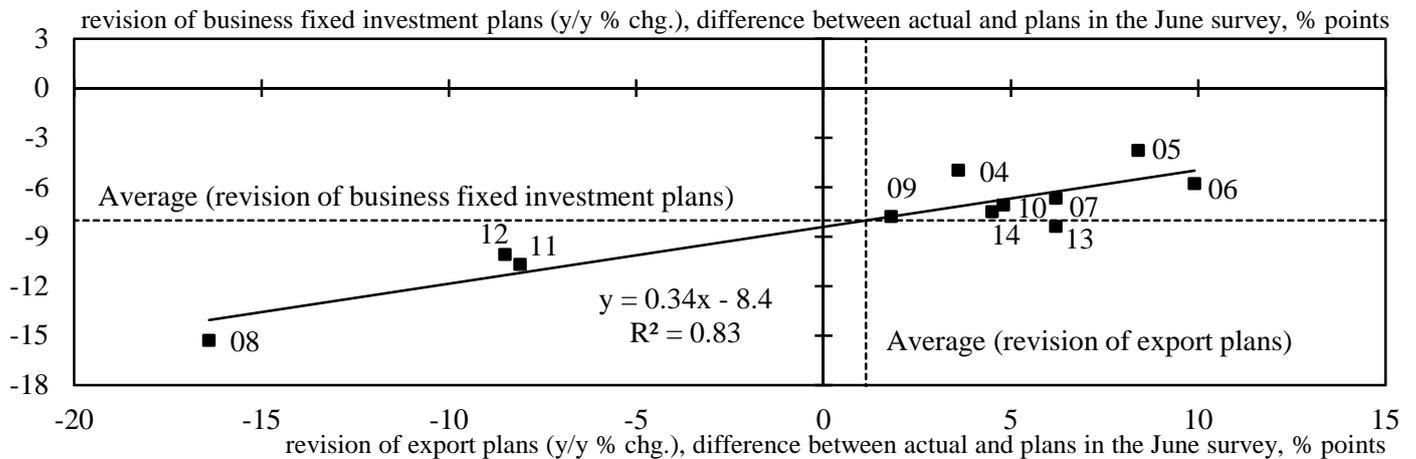


Notes: 1. Shipment lead times in (1) are based on Hori *et al.* (2014), "Business Fixed Investment Implied by Leading Indicators" (available in Japanese only). Shares in CY 2014 are in terms of total order.
2. Figures for 2015/Q4 are October-November averages.

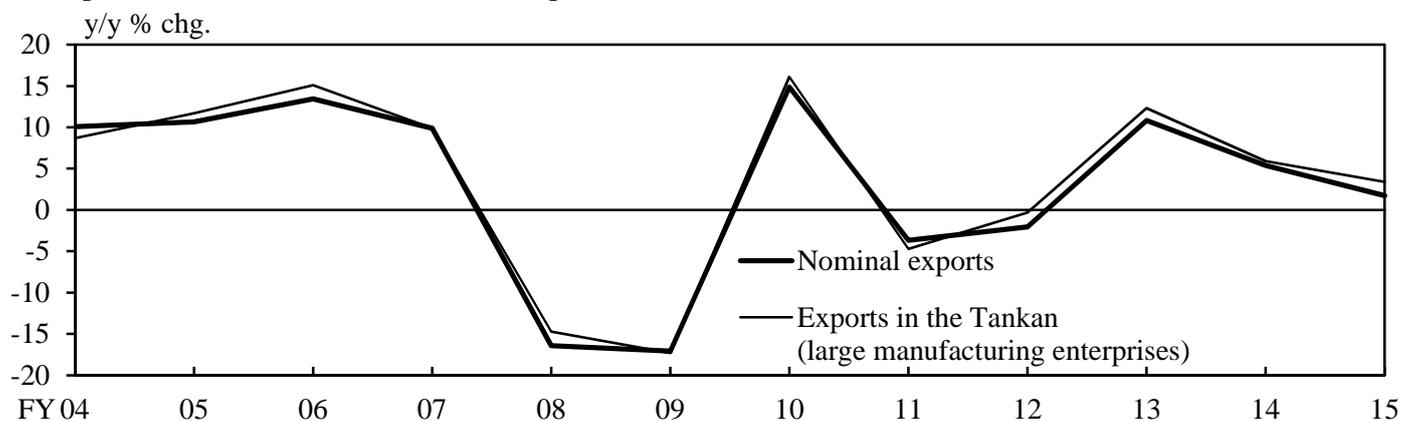
Sources: Cabinet Office; Ministry of Economy, Trade and Industry; Hori *et al.* (2014), "Business Fixed Investment Implied by Leading Indicators" (in Japanese).

Revision Patterns of Export and Investment Plans (Large Manufacturing Enterprises)

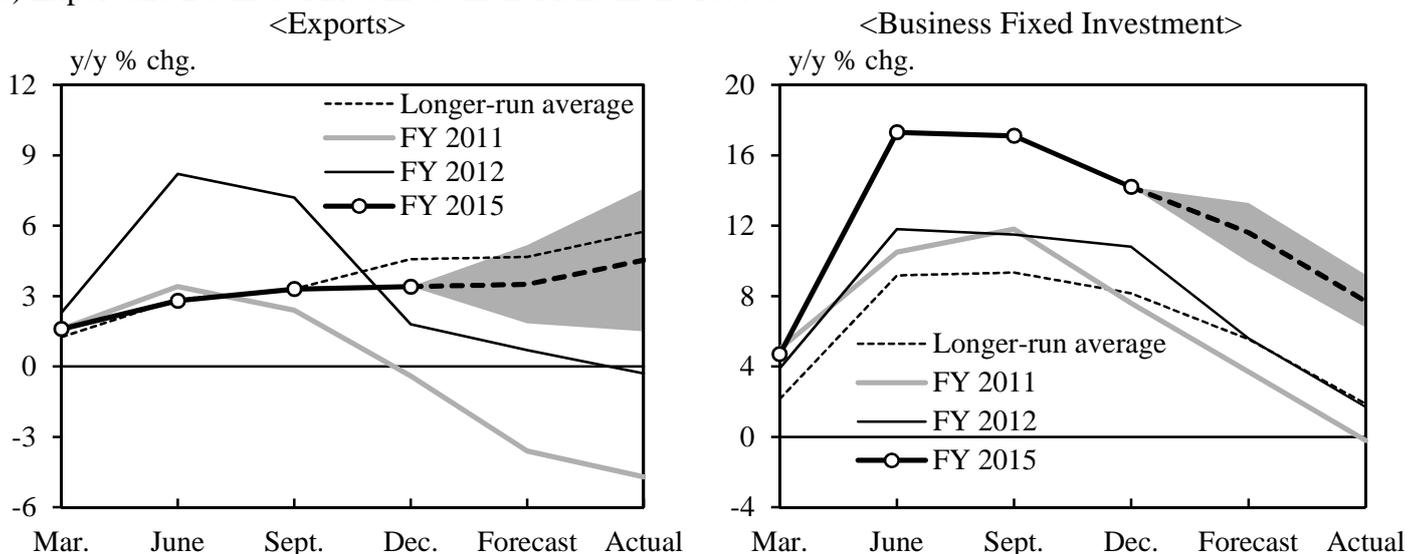
(1) Revision Patterns of Export and Business Fixed Investment Plans in the *Tankan* (FY 2004-14)



(2) Exports in the *Tankan* and Nominal Exports in the Trade Statistics



(3) Export and Business Fixed Investment Plans in the *Tankan*



Notes: 1. Figures for business fixed investment include software investment and exclude land purchasing expenses.

2. In (2), the figure for nominal exports for fiscal 2015 is the April-December average, and the figure for exports in the *Tankan* for fiscal 2015 is based on plans in the December survey.

3. Forecast and Actual figures for fiscal 2015 are estimates based on regressing either Forecast (figures in the March survey of the following year) or Actual (figures in the June survey of the following year) on plans in the December survey. The observation period is fiscal 2004-14, and fiscal 2008 is excluded as an outlier.

Longer-run averages are based on the values in the observation period. Shaded areas indicate 1 standard error bands.

Sources: Ministry of Finance; Bank of Japan.