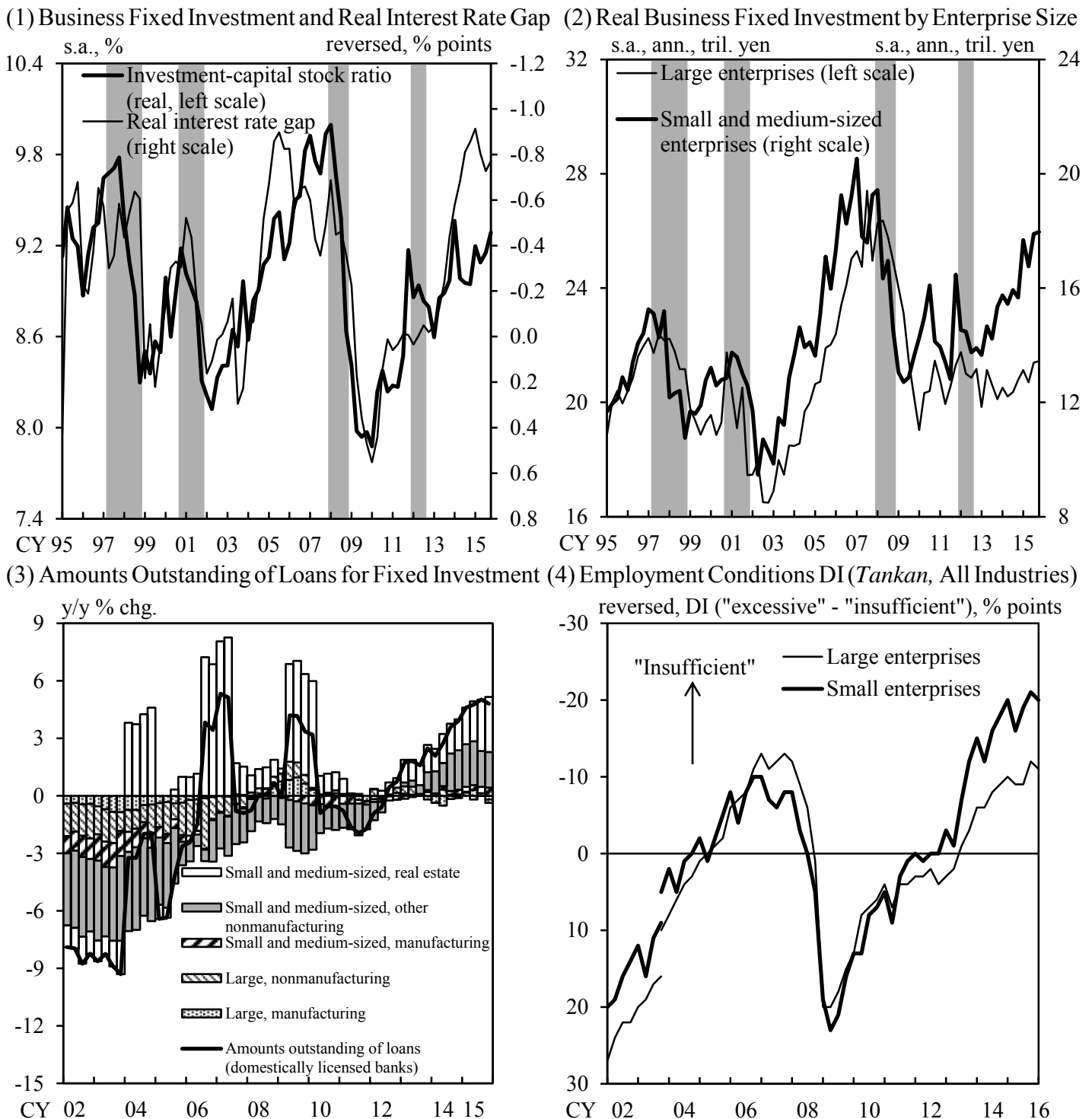


**(Box 2) Recent Developments in Business Fixed Investment by Enterprise Size**

Business fixed investment has been increasing steadily over the past three years under large-scale monetary easing with the real interest rate having been lowered significantly below the natural interest rate (Box Chart 2 [1]). By enterprise size, the increase in business fixed investment by large enterprises, having a relatively close relationship with overseas economies, has stalled somewhat, while that by small and medium-sized enterprises, having a close relationship with domestic demand, has been solid (Box Chart 2 [2]). With regard to funding, bank lending for business fixed investment has been clearly increasing, particularly for nonmanufacturing small and medium-sized enterprises, under the accommodative conditions where financial institutions' lending attitude as perceived by firms has improved to the level seen in 1989 in the "asset bubble" period (Chart 46 and Box Chart 2 [3]).

As detailed in the April 2016 *Regional Economic Report* (Section II, "A Viewpoint from the Region," available in Japanese only), the stance of small and medium-sized enterprises toward labor-saving investment has become positive, taking advantage of a variety of investment subsidies and investment-enhancing tax incentives, against the backdrop of a severe labor shortage compared to large enterprises (Box Chart 2 [4]). This positive stance of small and medium-sized enterprises toward business fixed investment is projected to improve further, supported by the negative real interest rate, with the increases in demand related to hosting the Olympic Games in 2020 and in inbound foreign visitors prevailing across the country.

## Developments in Business Fixed Investment by Enterprise Size



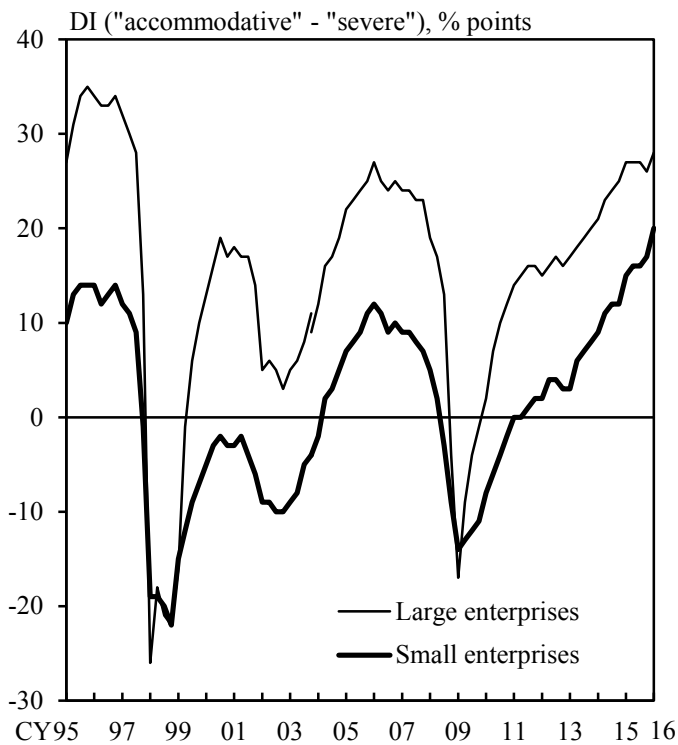
- Notes: 1. In (1), real interest rate gap = real interest rate - natural interest rate (both are based on 10-year JGB yields). For details, see "The Natural Yield Curve: Its Concept and Measurement," Bank of Japan Working Paper Series, 15-E-5.
2. In (2), real business fixed investment by enterprise size is obtained by deflating nominal business fixed investment (all industries excluding "Finance and Insurance" and "Goods Rental and Leasing," and excluding software investment) from the "Financial Statements Statistics of Corporations by Industry, Quarterly," by the SNA business fixed investment deflator.
3. In both (1) and (2), shaded areas indicate recession periods.
4. Figures in (3) are based on the "Loans and Bills Discounted by Sector." The real estate sector includes loans for "House and Room Lending by Households." There are some discontinuities in the data in 2004/Q1, 2006/Q3, and 2009/Q2 due to changes in the way firms are classified by financial institutions.
5. In (4), there is a discontinuity in the data in December 2003 due to a change in the survey framework.

Sources: Bank of Japan; Ministry of Finance; Cabinet Office, etc.

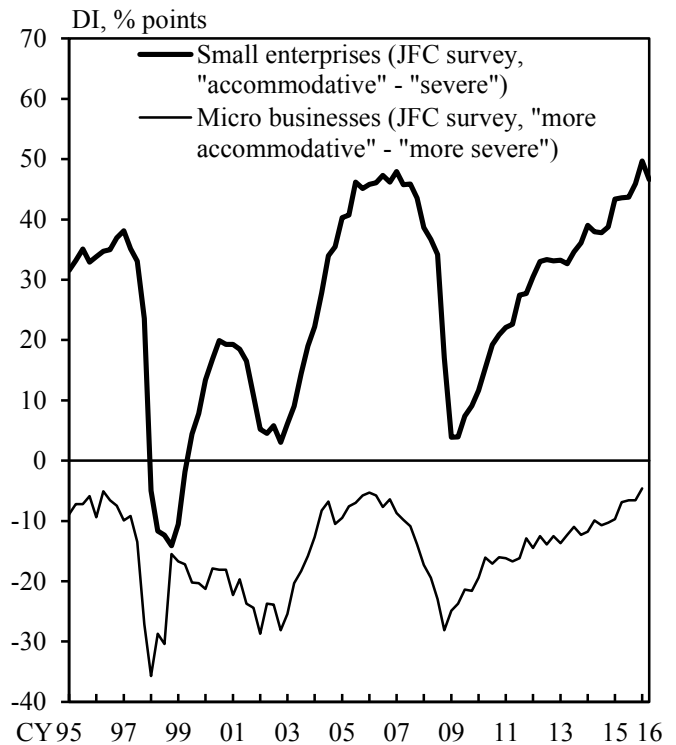
## Corporate Finance-Related Indicators

### (1) Lending Attitude of Financial Institutions as Perceived by Firms

#### (a) *Tankan*

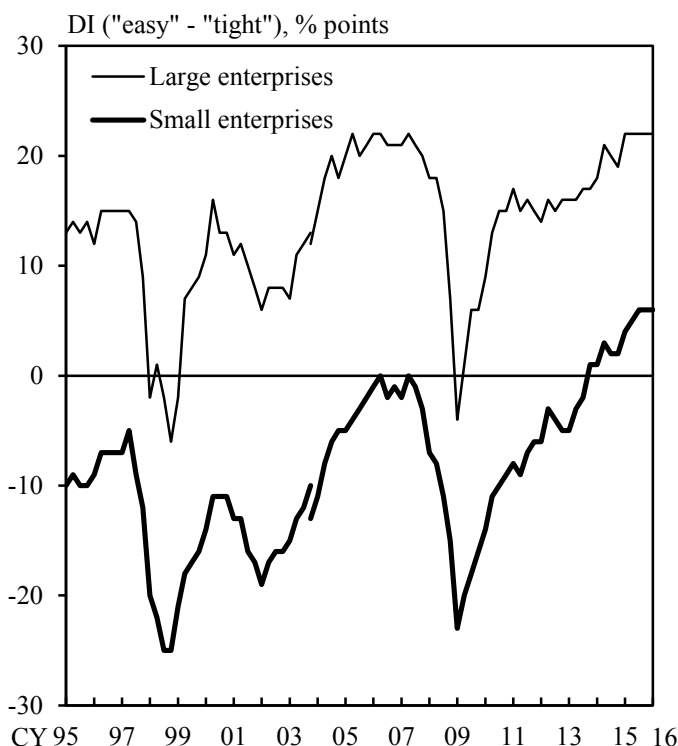


#### (b) Other Surveys

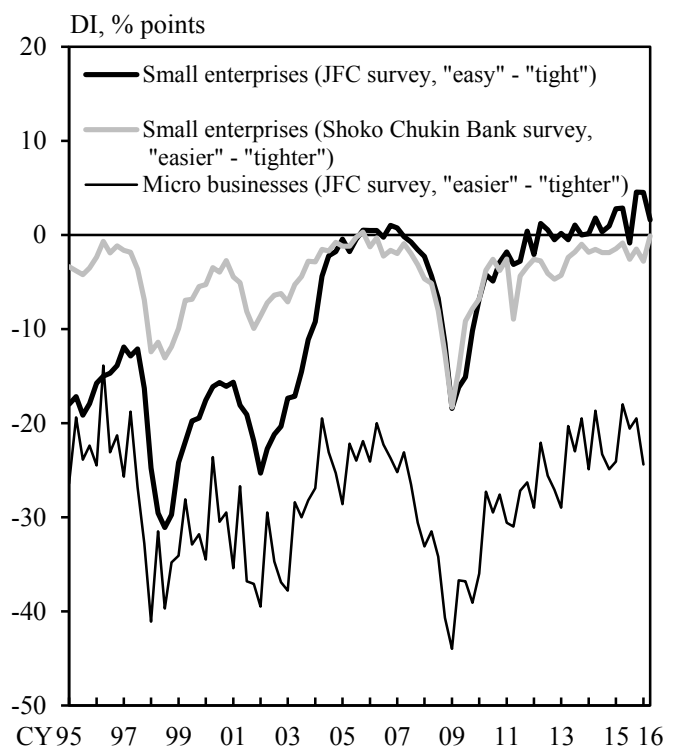


### (2) Financial Position

#### (a) *Tankan*



#### (b) Other Surveys



Notes: 1. Data from the *Tankan* are based on all industries. There is a discontinuity in the data in December 2003 due to a change in the survey framework.

2. The figure for 2016/Q2 is that of April.

Sources: Bank of Japan; Shoko Chukin Bank; Japan Finance Corporation (JFC).