

# DBJ Capital Spending Survey for FY2007

---



## **Global Increase in Demand, and Concerns about the Environment and Resources, to Boost Overall Spending for a Fourth Consecutive Year**

***- A Fifth Consecutive Year of Increase in Manufacturing and a Third Consecutive Year of Accelerating Increase in Non-Manufacturing -***  
**All 10 Regions to Record Growth for the First Time in Two Years**

Planned capital spending of large-sized firms (capitalized at ¥1 billion or over) for 2007 shows a double-digit increase of 11.0% overall: the manufacturing sector will record a fifth consecutive double-digit increase with all industries showing positive growth, while spending in the non-manufacturing sector will accelerate and record an increase for the third straight year.

Planned capital spending of large- and medium-sized firms (capitalized at ¥100 million or over) shows an increase in all 10 regions of Japan for the first time in two years. Nationwide, capital spending will increase for a fourth consecutive year, up 9.4%.

### **DBJ Capital Spending Survey**

This annual survey (mailed questionnaire) has been conducted since 1956 to assess major trends in domestic capital spending of the Japanese private sector. It is known as one of the most reliable surveys in this field, with very broad coverage and deep analyses. Until FY2005, the survey was conducted twice a year, in June and November.

Survey method: Questionnaire

Date of survey: June 22, 2007

Survey on planned capital spending (large-sized firms)

Target firms: 3,545 private firms in Japan's major industries capitalized at ¥1 billion or more

Proportion of valid responses: 71.8% (2,544 firms)

Survey on planned capital spending by region (large- and medium-sized firms)

Target firms: 14,295 private firms in Japan's major industries capitalized at ¥100 million or more

Proportion of valid responses: 45.5% (6,503 firms)

## Executive Summary

1. Planned capital spending of large-sized firms (capitalized at ¥1 billion or over) for 2007 shows a double-digit increase of 11.0% overall: the manufacturing sector will record a fifth consecutive double-digit increase with all industries showing positive growth, while spending in the non-manufacturing sector will accelerate and record an increase for the third straight year.

2. In the manufacturing sector (up 13.5%), a significant growth in spending is expected in chemicals, thanks to active investment in products ranging from basic chemicals to high-performance materials and pharmaceuticals; in non-ferrous metals, led by silicon wafers for semiconductors; and in general machinery, largely due to buoyant investment in industrial machinery. In addition, the automobile industry is planning to increase spending on both finished cars and parts/bodies, while spending in electric machinery is expected to remain strong despite some slowdown, led by electronic devices. Indeed, capital spending is expected to increase across the board in the manufacturing industry. In the non-manufacturing sector (up 9.2%), the spending growth will be led by electric power, with a planned increase in investment in power source development and transmission/distribution facilities, and by transportation, which plans to introduce fuel-saving aircraft and new vehicle models while continuing to invest in safety measures. A considerable increase is also expected in consumption industries such as wholesale & retail and services, led by active spending to construct new stores and facilities.

As regards investment motives, “expansion of production capacity” is the main reason: in the materials manufacturing industries, its share is the highest since the current survey items were introduced in FY1986.

3. According to the present survey, capital spending is now characterized by four developments:

- (1) expansion of global demand as the world economy remains strong: automobiles, electric machinery, non-ferrous metals, general machinery, etc.;
- (2) investment to address environmental and resource concerns: introduction of fuel-saving aircraft, development of, and capacity expansion for, environment-friendly cars, etc.;

- (3) construction and expansion of facilities in anticipation of recovery in consumption: active establishment of new supermarkets and specialty shops, construction of new hotels, etc.; and
- (4) enhancement of competitiveness in response to market reorganization and inflows of foreign capital: establishment of new pharmaceutical laboratories, refurbishment of hotels, etc.

4. Ancillary surveys gave the following results:

- (1) Research and development expenditure will increase for the fifth consecutive year since this survey item was introduced, led by transport equipment and chemicals.
- (2) Investment in information technology will record a back-to-back increase, with the introduction of systems to new plants and spending related to e-money.
- (3) Capital spending overseas will increase in a wide range of industries including automobiles and non-ferrous metals, particularly in North America and Asia.
- (4) Plans to expand operations overseas were reported by 44% of all firms, and 70% of manufacturers. Main targets include emerging economies such as China, India and Vietnam.
- (5) The principal impacts of the revision to the depreciation system in FY2007 include “increase in cash flow,” “replacement of existing facilities” and, particularly for the manufacturing industry, “facilitation of investment in new facilities.”
- (6) In both the manufacturing and non-manufacturing sectors, capital spending is the primary means of increasing corporate value, followed by M&A and business collaboration.

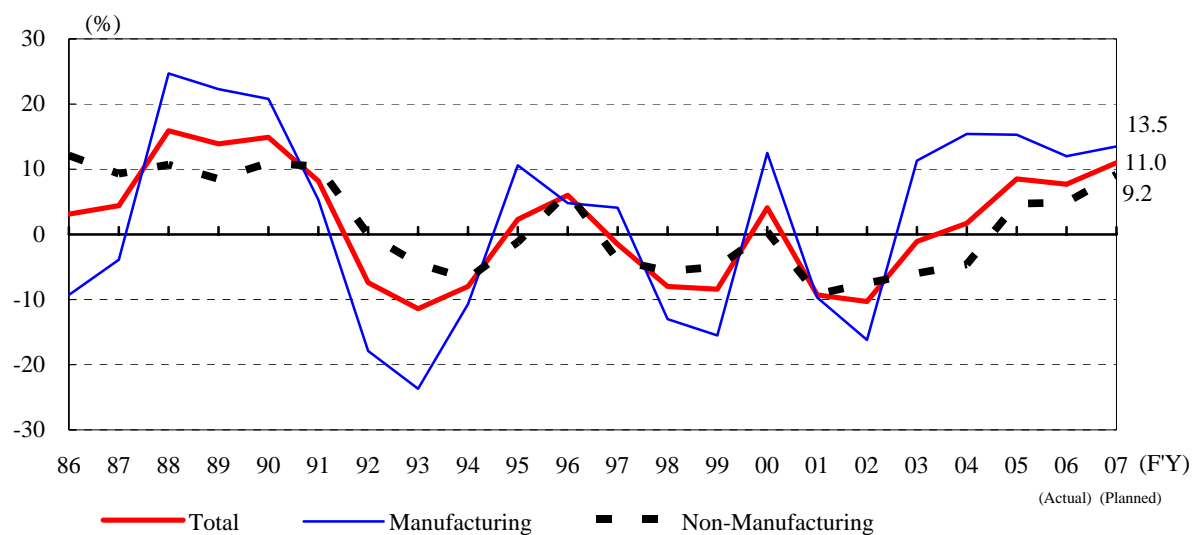
5. Planned capital spending of large- and medium-sized firms (capitalized at ¥100 million or over) shows an increase in all 10 regions of Japan for the first time in two years. Nationwide, capital spending will increase for a fourth consecutive year, up 9.4%.

## Capital Spending

	FY2006 Actual (2,382 firms)			FY2007 Planned (2,544 firms)			FY2008 Planned (1,209 firms)		
	FY2005 Actual	FY2006 Actual	Growth Rate (%) 2006/2005	FY2006 Actual	FY2007 Planned	Growth Rate (%) 2007/2006	FY2007 Planned	FY2008 Planned	Growth Rate (%) 2008/2007
Total	20,302.5	21,861.8	7.7	22,250.2	24,687.6	11.0	8,151.4	7,433.3	-8.8
Manufacturing	7,938.6	8,891.8	12.0	9,111.8	10,339.3	13.5	2,331.8	1,880.2	-19.4
Non-Manufacturing	12,363.9	12,970.0	4.9	13,138.4	14,348.3	9.2	5,819.5	5,553.1	-4.6

Note: Monetary amounts are in billion yen.

## Growth in Capital Spending



Note: Data cover those firms which also responded concerning spending in the previous year.

## Capital Spending by Industry

	Capital Spending				Growth Rate (%)			Component Rate (%)	
	2,544 firms		1,209 firms		2006/2005	2007/2006	2008/2007	2,544 firms	
	FY2006 Actual	FY2007 Planned	FY2007 Planned	FY2008 Planned				FY2006 Actual	FY2007 Planned
Total	22,250.2	24,687.6	8,151.4	7,433.3	7.7	11.0	-8.8	100.0	100.0
Manufacturing	9,111.8	10,339.3	2,331.8	1,880.2	12.0	13.5	-19.4	41.0	41.9
Food & Beverages	414.3	452.7	57.1	61.7	-11.1	9.3	8.2	1.9	1.8
Textiles	55.5	129.4	30.4	23.3	-31.7	133.2	-23.2	0.2	0.5
Pulp & Paper	296.3	370.8	81.8	29.2	34.4	25.2	-64.2	1.3	1.5
Chemicals	1,092.6	1,304.7	443.5	388.5	13.2	19.4	-12.4	4.9	5.3
Petroleum	325.9	363.9	190.9	152.8	79.9	11.7	-20.0	1.5	1.5
Cement, Ceramics & Glass	350.4	414.6	54.8	39.3	16.1	18.3	-28.2	1.6	1.7
Iron & Steel	780.6	828.8	260.2	159.2	35.8	6.2	-38.8	3.5	3.4
Non-Ferrous Metals	321.5	469.7	256.0	234.2	18.5	46.1	-8.5	1.4	1.9
General Machinery	868.6	1,013.6	95.5	65.5	8.7	16.7	-31.4	3.9	4.1
Electric Machinery	1,925.8	2,075.6	344.5	289.0	15.1	7.8	-16.1	8.7	8.4
<i>Electric Devices, etc.</i>	1,432.2	1,475.5	198.7	148.1	22.6	3.0	-25.4	6.4	6.0
Precision Machinery	204.1	223.1	47.8	33.6	-0.2	9.4	-29.6	0.9	0.9
Transport Equipment	1,937.7	2,129.6	305.9	261.0	-1.5	9.9	-14.7	8.7	8.6
<i>Automobiles</i>	1,798.0	1,975.2	289.0	235.6	-3.8	9.9	-18.5	8.1	8.0
Other Manufacturing	538.6	562.9	163.7	142.7	19.9	4.5	-12.8	2.4	2.3
Non-Manufacturing	13,138.4	14,348.3	5,819.5	5,553.1	4.9	9.2	-4.6	59.0	58.1
Construction	212.7	236.2	45.7	38.5	25.2	11.0	-15.7	1.0	1.0
Wholesale & Retail	925.5	1,045.9	234.9	241.2	-3.7	13.0	2.7	4.2	4.2
<i>Retail</i>	792.7	898.9	176.9	171.6	-2.9	13.4	-3.0	3.6	3.6
Real Estate	1,335.4	1,266.9	529.0	454.4	17.6	-5.1	-14.1	6.0	5.1
Transportation	1,988.7	2,385.2	780.5	565.8	14.8	19.9	-27.5	8.9	9.7
Electric Power & City Gas	2,021.2	2,691.9	2,358.4	2,450.9	-1.7	33.2	3.9	9.1	10.9
<i>Electric Power</i>	1,753.9	2,399.5	2,119.0	2,218.6	-2.6	36.8	4.7	7.9	9.7
<i>City Gas</i>	267.3	292.4	239.4	232.3	4.8	9.4	-3.0	1.2	1.2
Telecom. & Information	2,542.4	2,476.9	256.6	246.8	3.5	-2.6	-3.8	11.4	10.0
Leasing	3,722.3	3,756.4	1,418.6	1,425.2	0.6	0.9	0.5	16.7	15.2
Services	315.4	392.0	180.2	121.8	23.7	24.3	-32.4	1.4	1.6
Other Non-Manufacturing	74.7	96.8	15.6	8.5	38.8	29.5	-45.2	0.3	0.4

- Notes: 1. Other Manufacturing includes publishing and printing, rubber, metal products and others.  
Other Non-Manufacturing includes fishing, mining and others.  
2. Monetary amounts are in billion yen.

All inquiries should be directed to  
the Economic & Industrial Research Department,  
Development Bank of Japan.

Yasuo Fujii, Deputy Director  
E-mail: [yafujii@dbj.go.jp](mailto:yafujii@dbj.go.jp)  
Phone: 03-3244-1859