

Characteristics of Planned Capital Spending for FY2021

- A K-shaped recovery from a sizable decline during the Covid-19 pandemic, particularly prominent in the manufacturing sector
- Investment to address pressing issues for achieving carbon neutrality nationwide, including the development of cutting-edge technology mainly in urban areas
- Widespread investment to enhance resilience, including in the diversification of overseas sites and suppliers

Executive Summary

1. In FY2020, domestic capital spending by major firms (capitalized at ¥1 billion or over) dipped **10.2% overall, the first decline in nine years** as the Covid-19 pandemic affected both manufacturing and non-manufacturing sectors. Planned capital spending for FY2021 shows **a recovery (up 12.6% overall) led by the manufacturing sector (up 18.6% in manufacturing and 9.7% in non-manufacturing)**, on the back of the implementation of projects postponed during the pandemic and the acceleration of investment in preparation for a carbon-neutral, digitalized society.
2. Taking into account our findings from the **Mind Survey on Corporate Activities**, planned capital spending for FY2021 also shows the following characteristics, including trends among medium-sized firms and by region.

Impact of Covid-19

- Capital spending in the manufacturing sector will exceed the pre-Covid level, but investment in transportation, services and other non-manufacturing industries hit hardest by the pandemic is not expected to resume the pre-Covid level. Overall, the recovery will be K-shaped as further cuts in spending are planned by medium-sized firms for FY2021 with downward pressure coming from the lodging industry in particular.

Investment for carbon neutrality

- Investment is planned to address immediate pressing issues (electric vehicles, energy conservation, renewable energy, etc.) while many firms remain at the stage of preparation, seeking to establish their vision.

Innovation to advance toward a carbon-neutral, digitalized society

- In view of the mounting technological challenges for carbon neutrality, firms are engaging in research and development, including for energy transformation, in recognition of the rising need for innovation. Many projects are also planned to invest in AI- and IoT-driven innovation for remote contactless operation and automation, a trend accelerated during the pandemic.

Investment to enhance resilience

- Efforts have been made to strengthen supply chains following major disasters both in Japan and abroad. Supply chains have come under further scrutiny during the pandemic with heightened awareness of semiconductor shortages and geopolitical risks, resulting in planned spending on the diversification of overseas sites and suppliers.

Characteristics by region

- Investment for innovation, including in the development of cutting-edge technology, is planned in metropolitan areas in particular. Spending is planned across the board to address pressing issues, including on electric vehicles and renewable energy, and on disaster risk management.