

Capital outlays focal point of corporate data

January-March stats to gauge extent of recovery; overseas investment shouldn't be frowned upon

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The Ministry of Finance will release on June 3 the Financial Statements Statistics of Corporations by Industry for the January-March quarter. The statistics cover the business results of companies with at least ¥10 million (\$111,000) in capital.

The October-December report showed that corporate earnings were steadily picking up. When it comes to the upcoming statistics, the focus will be on how much corporate capital spending — which declined for the seventh-straight quarter in the October-December term — has recovered following an upturn in business results.

Other capital spending-related indicators — such as shipments of capital goods — have largely improved, shoring up the annualized 4.9% growth of gross domestic product for the January-March period, which the government announced May 20 in a preliminary report. Capital investment data in the January-March corporate statistics will be reflected in the revised GDP figure slated to be issued on June 10.

Regarding economic assessments, there is a slight difference between the somewhat cautious government and the Bank of Japan, which sees the Japanese economy recovering slowly. As the gap seems to stem from a difference in views on capital investment, the government could turn optimistic about the economic conditions if the corporate statistics confirm a recovery in capital spending.

Meanwhile, some are concerned that capital investment is being increasingly made outside Japan, rather than domestically. Behind this tendency is a perceived government policy stance that discourages domestic investment — including the moves to backtrack on postal privatization and more restrictive regulation in the labor market. It is time for the government to make it clear that it is set on reforming the domestic

market by, for instance, seriously striving for a lower corporate tax rate.

However, companies' expansion abroad should not be viewed in a negative light. The government's White Paper on Small and Medium Enterprises in Japan for 2010 stated that companies aggressively making direct investment in foreign countries were increasing domestic hiring at a faster pace than others in the medium term. It should be welcome that through a recent flurry of management reshuffles, there are some younger new presidents with strong desires to venture into overseas markets. Capital spending for global efforts is crucial for businesses.



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