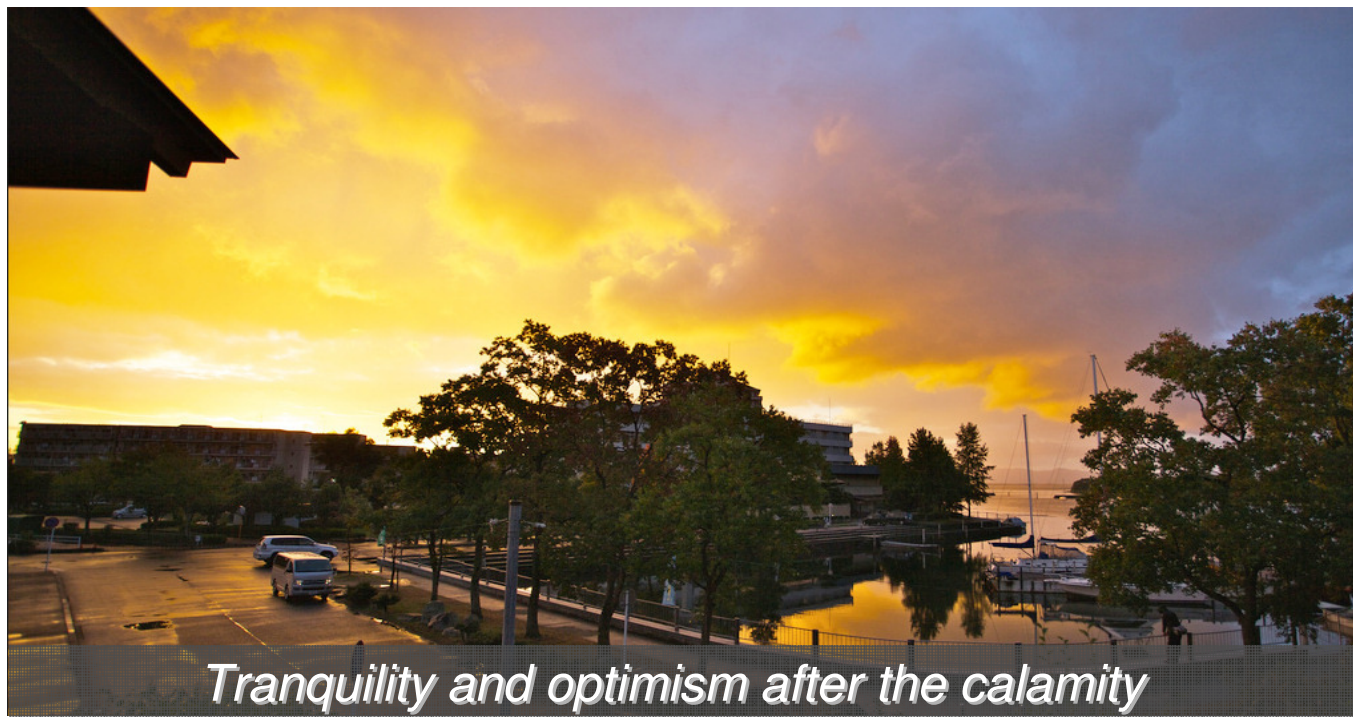




FCIJ

Foreign Chambers  
in Japan



*Tranquility and optimism after the calamity*

# FCIJ Business Confidence Survey

Fall 2011

*Commentary by Dr. William Schrade*

**FINNAIR**



Survey idea and technical implementation by the Finnish Chamber of Commerce in Japan



## ***FCIJ Business Confidence Survey – Fall 2011***

### **Executive Summary**

The Foreign Chambers in Japan (FCIJ) has been conducting Business Confidence surveys online twice a year since 2002 among foreign-affiliated companies in Japan. This, the twentieth, survey was conducted between October 11 and 22, 2011, and received 302 valid responses from members of 17 foreign chambers of commerce and business organizations.

This survey shows clearly that the problems and uncertainties caused by the 3/11 disaster are now to a large extent behind. All indicators, from views on the Japanese economy to the performance of the companies as well as their strategies for the future are more or less back to normal.

The Japanese economy for the next 6 months is expected to rebound from the disaster, the index (on a scale from +2 to -2) was now +0.31 (compared to -0.93 in spring 2011), and looking 12 months ahead, the companies see an even stronger turn for the better and the index was now +0.55, a significant improvement from the +0.08 in the previous survey.

The reported sales performance in the past six months was inevitably, because of the disaster, lower than in the previous, but not as much as expected, now +0.44 compared to +0.61 the spring survey. Similarly, the profitability had also deteriorated, but only marginally, now +0.46 now compared to +0.59. But the recovery can clearly be seen in the sales forecast for the coming six months, the index was +0.73 (previous survey -0.14) and a similar development can be seen for profitability, now +0.68 (-0.14).

The strategies of the foreign-affiliated companies in Japan continue to be rather bullish. 68% (65% in the spring 2011 survey) are looking for further growth and 29% (same as in spring 2011) expecting to sustain their current level. 2% (5% in spring 2011) are planning to downsize, but only 1% (four companies out of the surveyed 302) are considering withdrawing from the market.

This time the survey included two alternating questions; one regarding the effects of the strong yen, the other on the current influence of the 3/11 disaster. As for the strong yen, the main issue, as the respondents saw it, was that it had a negative influence on their business as their Japanese clients suffered (30%). 20% responded that it helped them improve profitability while 17% saw the currency issue in a longer term and has not changed their pricing strategies in Japan.

As for how the 3/11 disaster still affects their business and/or operations, 54% reported that business was back to normal, 24% still saw some difficulties while 13% reported that the disaster actually had improved their business from the level prior to 3/11.

The next survey will be conducted in April 2012.

## ***FCIJ Business Confidence Survey – Fall 2011***

### **About the Foreign Chambers in Japan (FCIJ)**

The Foreign Chambers in Japan (FCIJ) is an informal organization comprised of foreign chambers of commerce and business groups in Japan mainly for the purpose of information exchange and enhancement of the activities of the component organizations.

The group started out as the Foreign Chambers Information Group (FCIG) and it was set up in the mid-1980's. The original goal was to help the smaller chambers by meeting with the larger more experienced ones. In 2004 the name was changed to Foreign Chambers in Japan (FCIJ).

The FCIJ conducted its first Business Confidence survey in April 2002, based on a format developed by the Finnish Chamber of Commerce in Japan (FCCJ). This survey, conducted twice a year, has become an important barometer of foreign business in Japan.

The survey is run and processed on behalf of all the chambers by the FCCJ.

## FCIJ Business Confidence Survey – Fall 2011

### About the Survey

#### *Purpose of the survey*

1. Provide chambers with significant trend information on the foreign and foreign-affiliated business community's business outlook and outlook on the current state of the Japanese economy, noting challenges and the context of current market trends;
2. Reveal how foreign companies view the Japanese market;
3. Enable comparisons between the sentiments of participating chambers and between North American and European companies; and
4. Obtain reliable data on how foreign and foreign-affiliated businesses perform in Japan to dispel misconceptions about Japan in the home countries of the chamber members.

*Survey period*      *October 11 – 21, 2011*

*Survey method*    *online only*

*Survey population* *about 2,000 companies*

*Survey questions*    *Two questions on economy*  
*Four on company performance*  
*Strategies in Japan*  
*Strong yen's influence*  
*Current effects of the 3/11 disaster*  
*Two question related to air travel*  
*Company profile*  
*Contact information*

#### **Notes**

One main objective of the survey is to be simple to understand and easy to complete.

Providing contact information is optional to encourage as many individuals as possible to submit the form without privacy concerns. However, 60% gave contact information in the latest survey.

Although all questions were marked compulsory in the survey, we did not apply any error checking in the online form so as not to discourage respondents with messages like "You forgot to fill in question 2, please go back to the form." Because of this, each question does not have the same number of responses.

## FCIJ Business Confidence Survey – Fall 2011

### Participating Organizations



The American Chamber of  
Commerce in Japan



The Australia-New Zealand Chamber  
of Commerce in Japan



The Austrian Business  
Council



The British Chamber of  
Commerce in Japan



The Belgium-Luxembourg  
Chamber of Commerce in Japan



The Canadian Chamber of  
Commerce in Japan



The Danish Chamber of  
Commerce in Japan



The Finnish Chamber of  
Commerce in Japan



The French Chamber of  
Commerce and Industry in Japan



The German Chamber of  
Commerce and Industry in Japan



The Ireland Japan  
Chamber of Commerce



The Italian Chamber of  
Commerce in Japan



The Netherlands Chamber of  
Commerce in Japan



The Norwegian Chamber of  
Commerce in Japan



The South Africa Chamber of  
Commerce in Japan



The Swedish Chamber of Commerce  
and Industry in Japan



The Swiss Chamber of Commerce  
and Industry in Japan

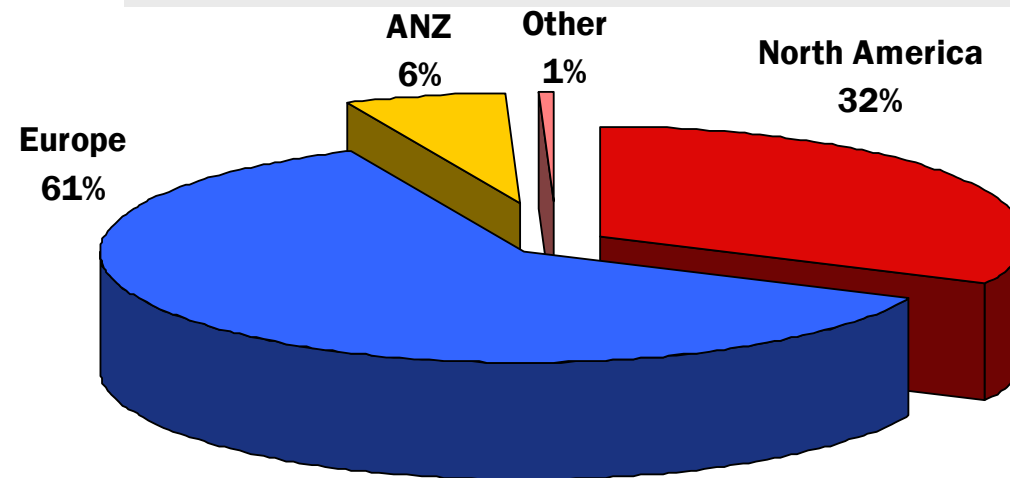
## FCIJ Business Confidence Survey – Fall 2011

### Survey Responses

Total number of responses: 302

Response rate: ca 16%

#### Shares of total responses - by area



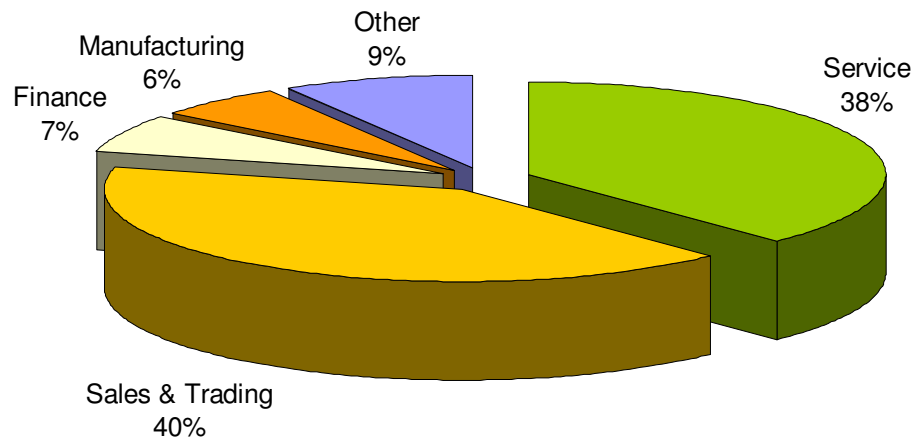
#### Responses by chamber

American Chamber	79	Swedish Chamber	16	Italian Chamber	9
German Chamber	41	Danish Chamber	14	Dutch Chamber	9
British Chamber	25	Swiss Chamber	12	Norwegian Chamber	7
Finnish Chamber	22	Austrian Business C.	9	Irish Chamber	3
Australia & NZ Chamber	18	Belgian-Lux. Chamber	9	South African Chamber	2
Canadian Chamber	17				

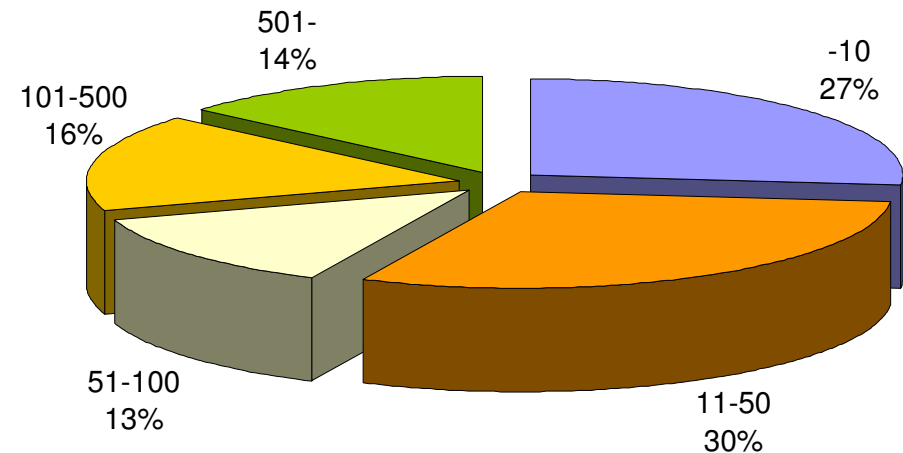
## FCIJ Business Confidence Survey – Fall 2011

### Respondent Company Demographics

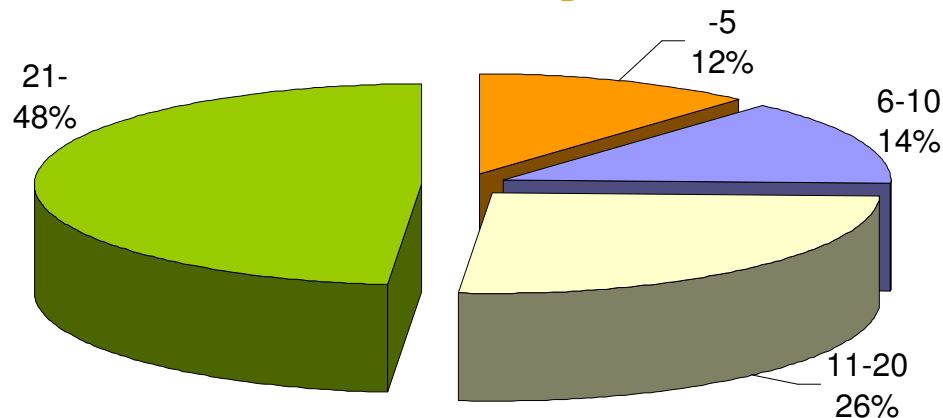
#### Type of business



#### Number of employees



#### Years in Japan



#### ***A typical respondent company***

has been in Japan for over 19 years, has 40 employees and is involved in service or sales and trading industry.






## FCIJ Business Confidence Survey – Fall 2011

### Survey Analysis Methods

#### Questions

- 1.1. Japan's economic situation next **6** months
- 1.2. Japan's economic situation next **12** months
- 2.1. Sales during the **past** 6 months
- 2.2. Sales forecast for the **next** 6 months
- 3.1. Profitability during the **past** 6 months
- 3.2. Profitability forecast for the **next** 6 months

#### Legend

- A. Strong improvement = +2 
- B. Some improvement = +1 
- C. No change = 0 
- D. Some decline = -1 
- E. Strong decline = -2 

$$\text{INDEX} = (A_n * 2 + B_n * 1 + D_n * -1 + E_n * -2) / \text{TOTAL}$$

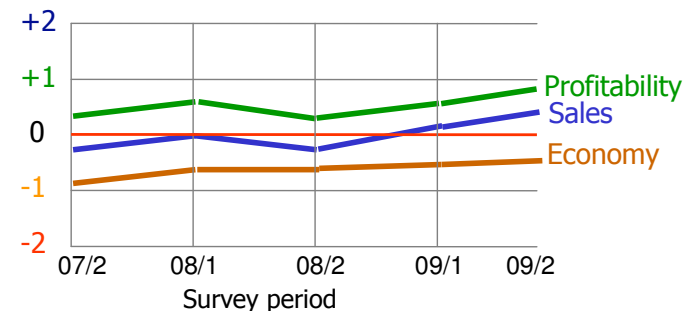
- 4. Strategies in Japan
- 5. Business still affected by the 3/11 disaster?

#### AIRLINE QUESTIONS

- 1. Factors affecting selection of airline
- 2. Where do you mainly get your air tickets

The index makes it possible to compare results from consecutive surveys and to create graphs on how the sentiments change over time.

#### EXAMPLE

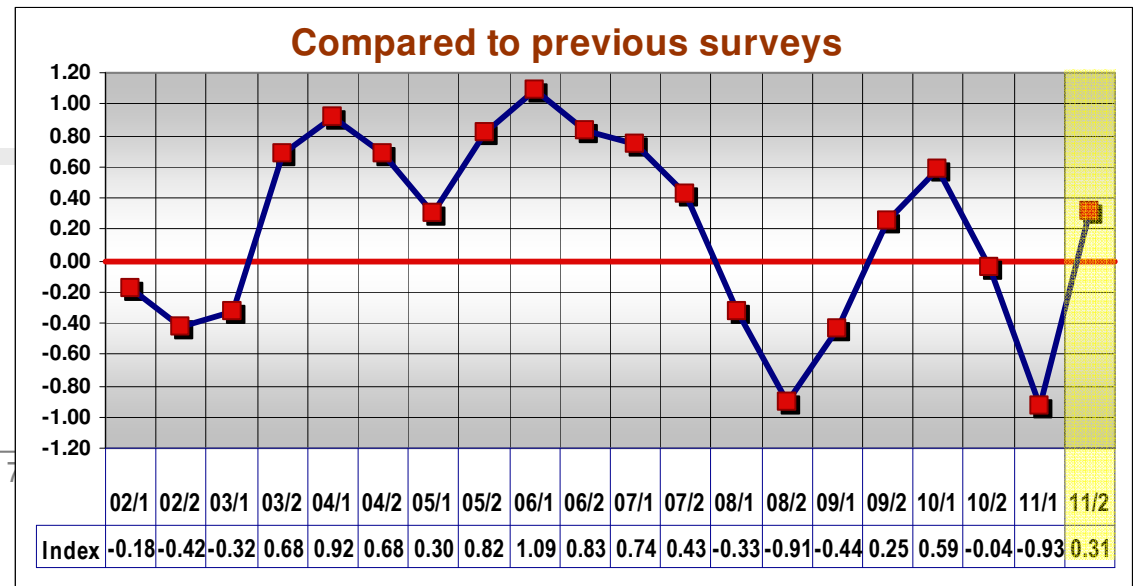
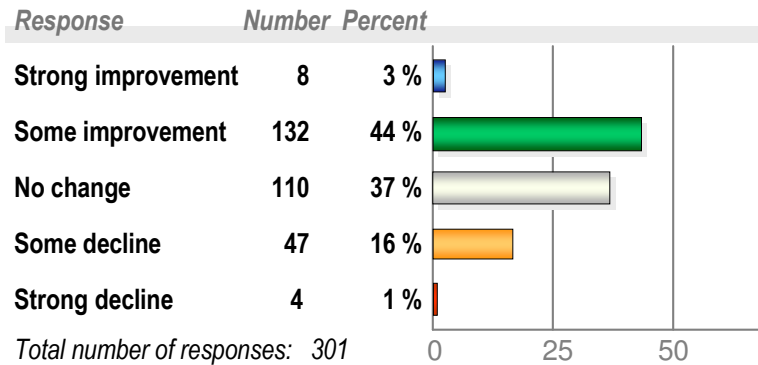


## FCIJ Business Confidence Survey – Fall 2011

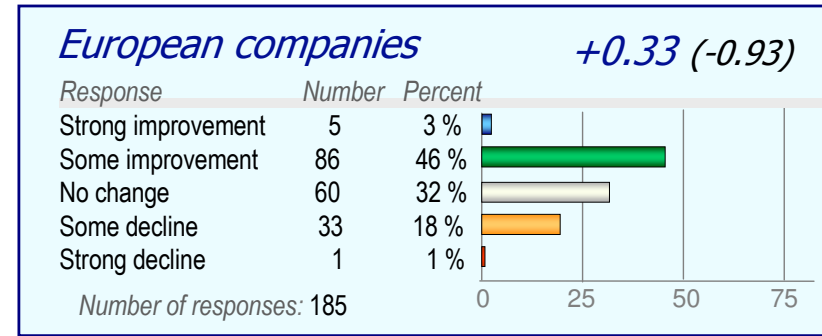
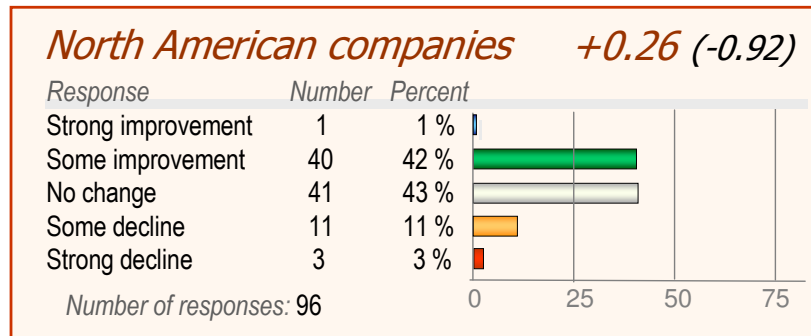
### 1.1. Japan's economic situation for the next 6 months

#### TOTAL FOR THIS SURVEY

**INDEX +0.31** (previous survey -0.93)



#### COMPARISON BY AREA



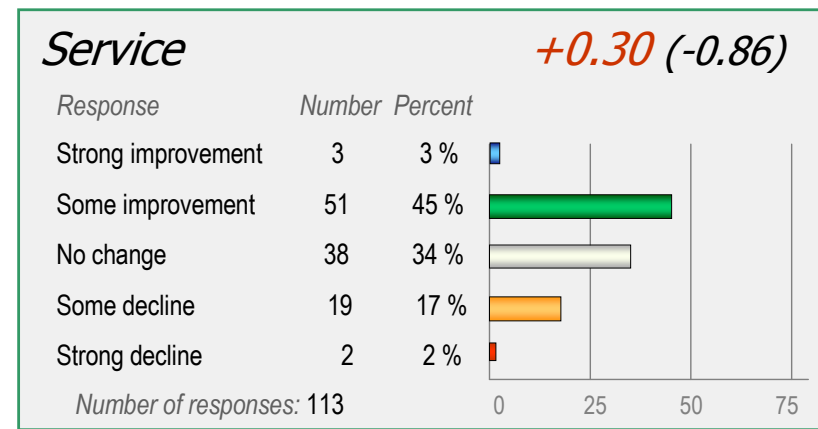
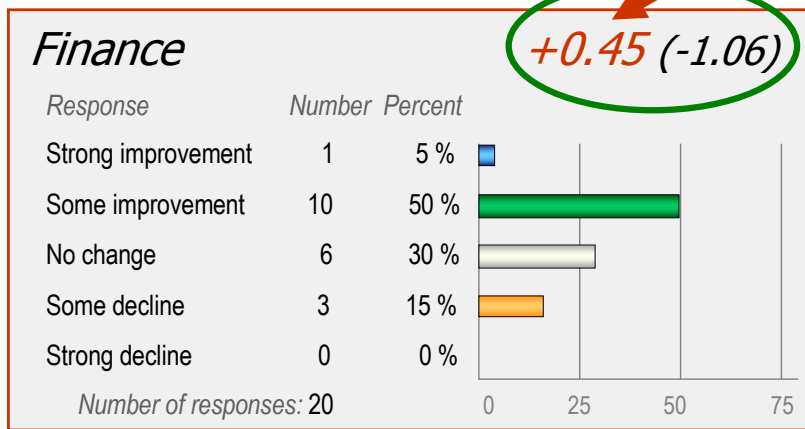
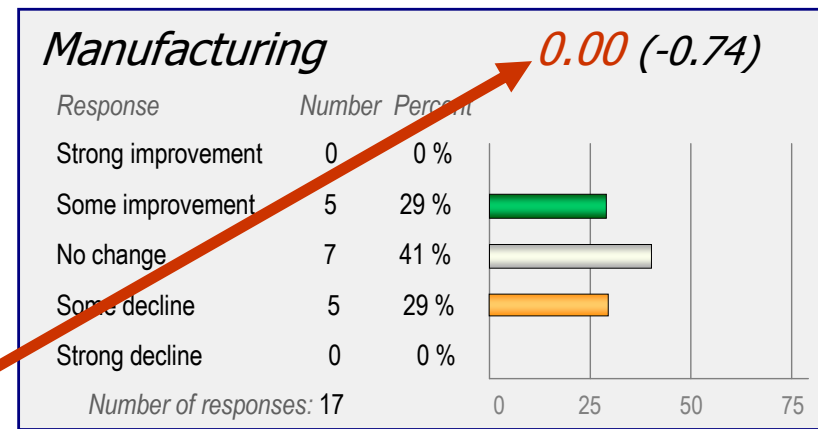
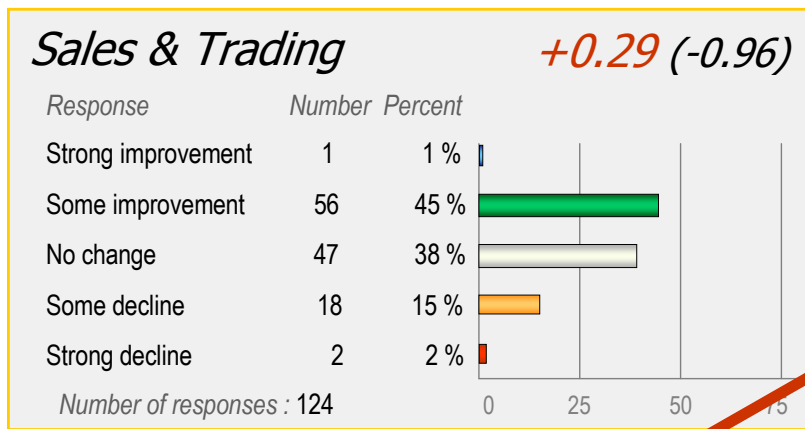
Australia/New Zealand: +0.28 (-1.12)

## FCIJ Business Confidence Survey – Fall 2011

### 1.1. Japan's economic situation for the next 6 months (2)

By type of business

OVERALL INDEX **+0.31**



NOTES:



Notable changes



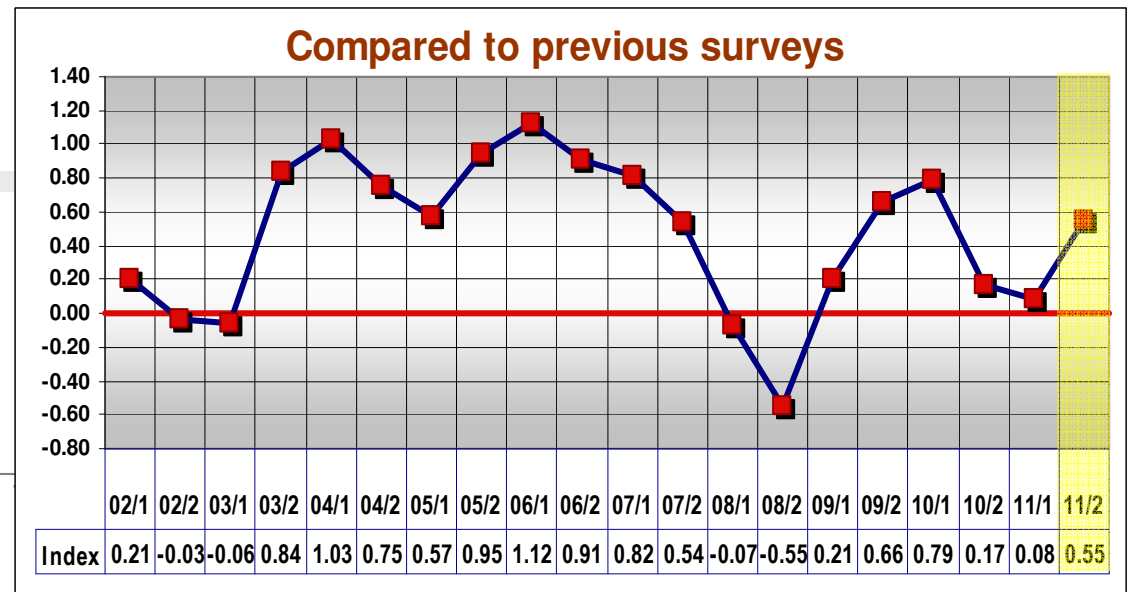
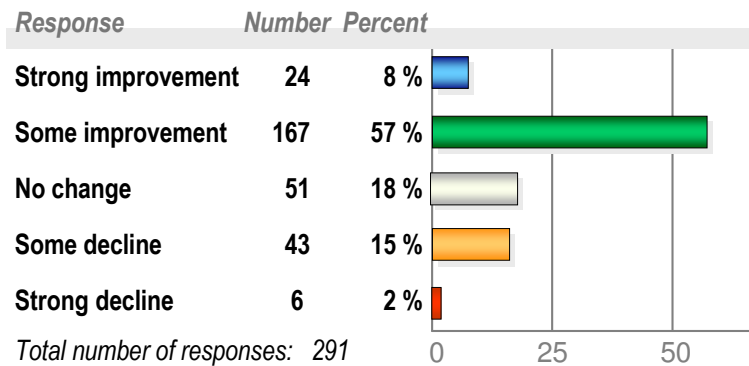
Highest-lowest

## FCIJ Business Confidence Survey – Fall 2011

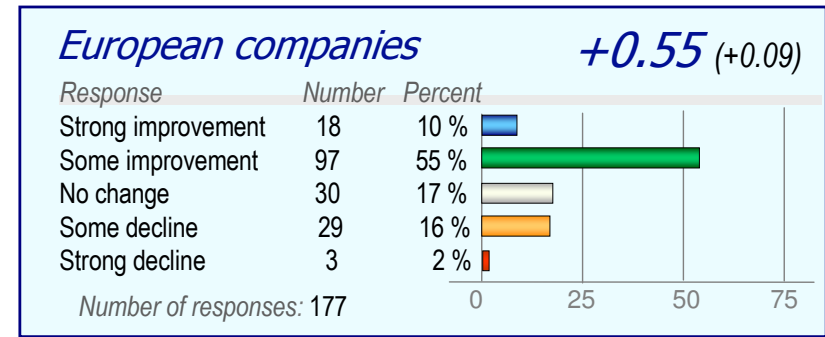
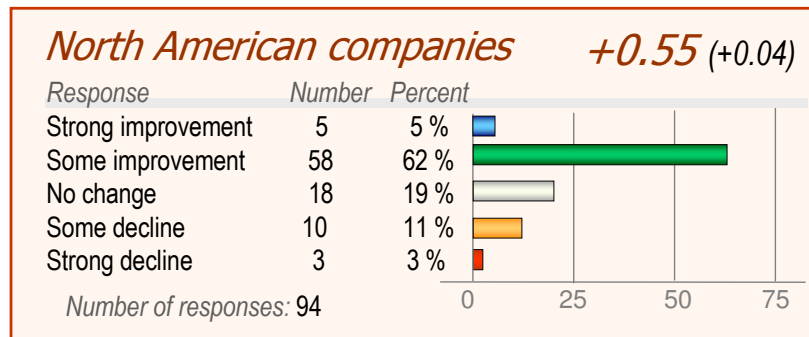
### 1.2. Japan's economic situation for the next 12 months

#### TOTAL FOR THIS SURVEY

**INDEX +0.55** (+0.08)



#### COMPARISON BY AREA



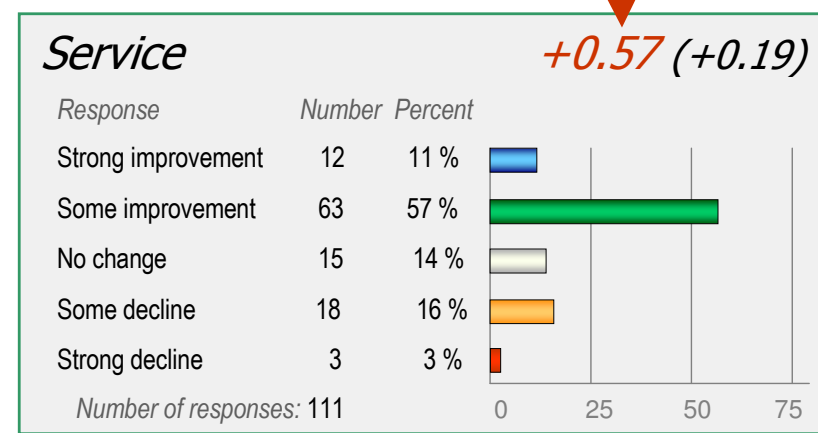
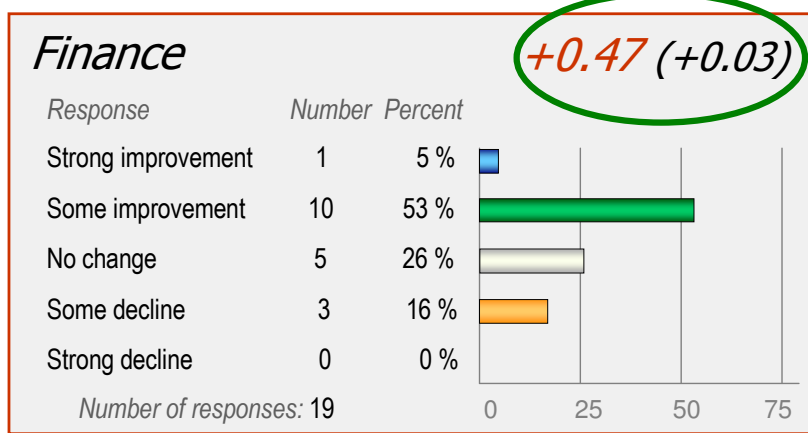
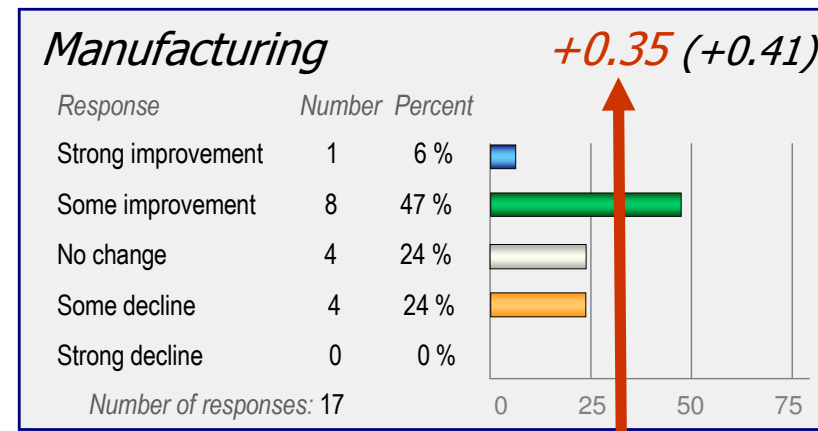
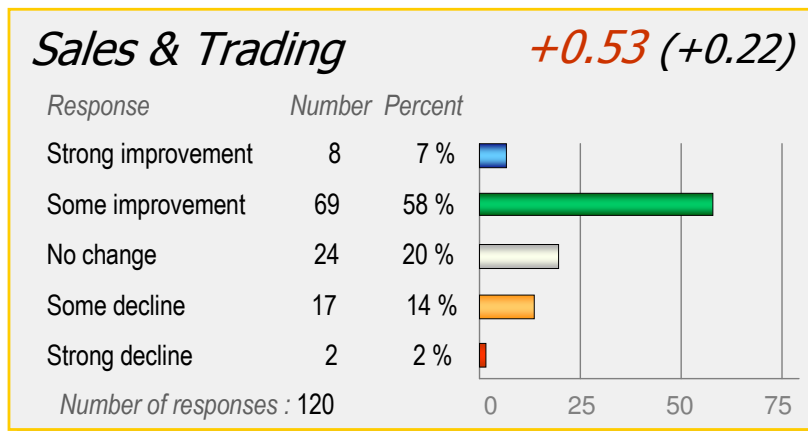
Australia/New Zealand: +0.56 (-0.04)

## FCIJ Business Confidence Survey – Fall 2011

### 1.2. Japan's economic situation for the next 12 months (2)

By type of business

OVERALL INDEX **+0.55**



NOTES:



Notable changes



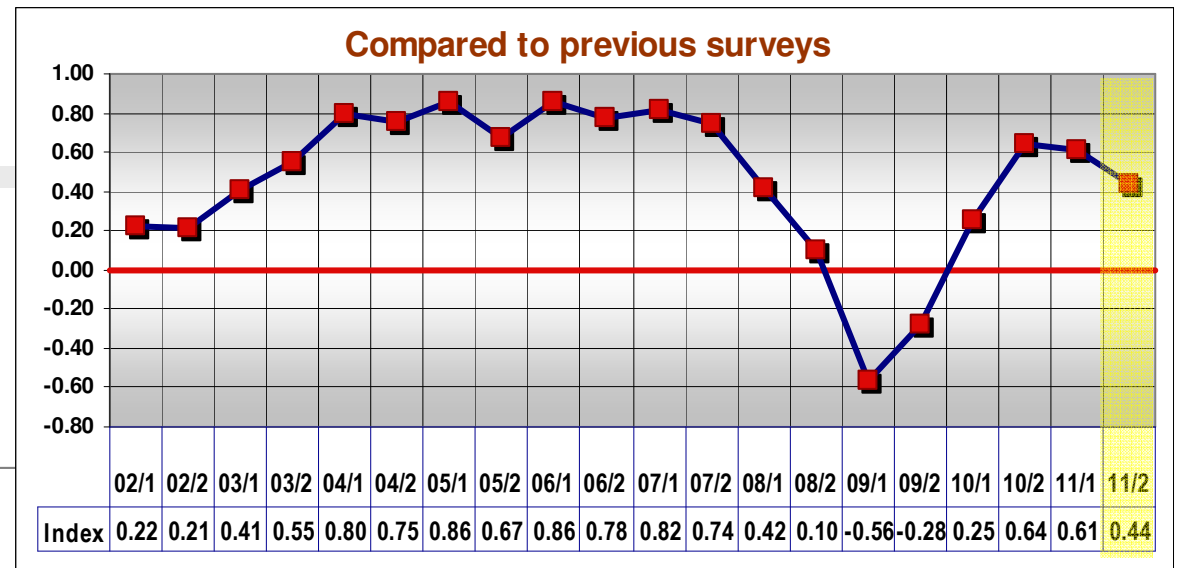
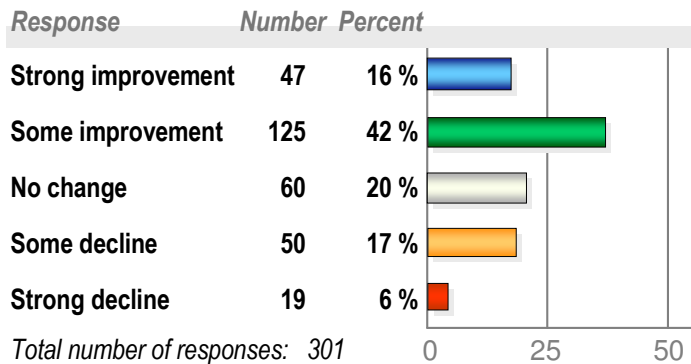
Highest-lowest

## FCIJ Business Confidence Survey – Fall 2011

### 2.1. Sales performance during the **past 6 months**

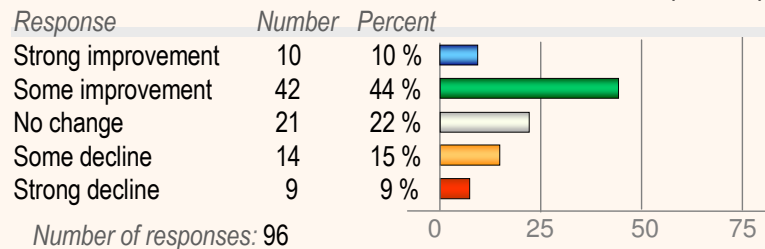
#### TOTAL FOR THIS SURVEY

**INDEX +0.44** (+0.61)

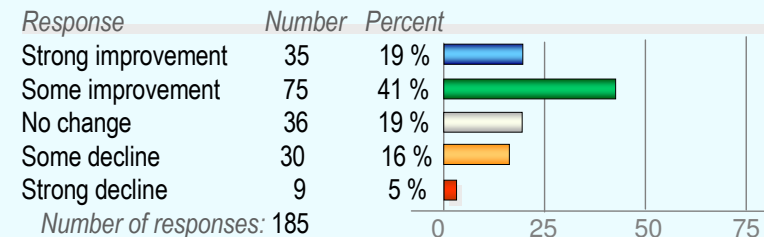


#### COMPARISON BY AREA

**North American companies +0.31** (+0.54)



**European companies +0.52** (+0.65)



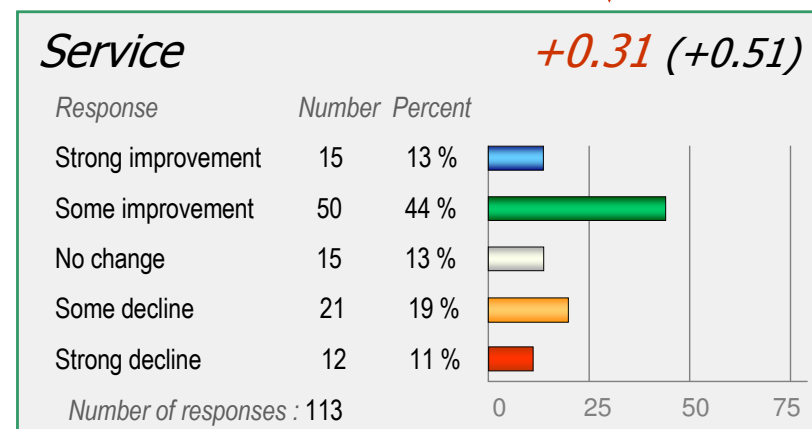
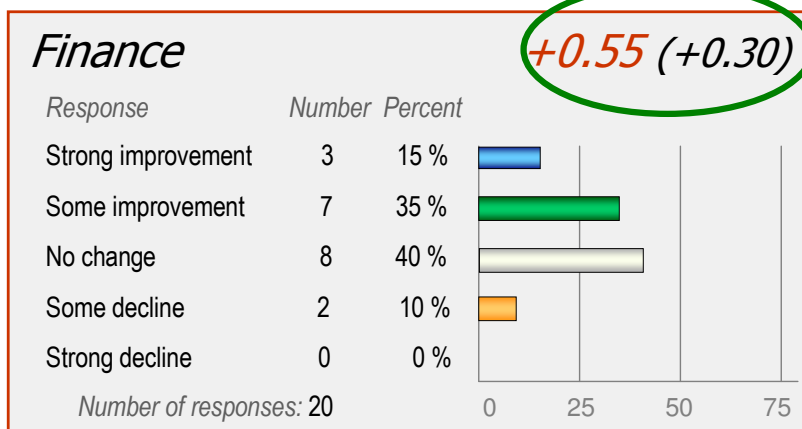
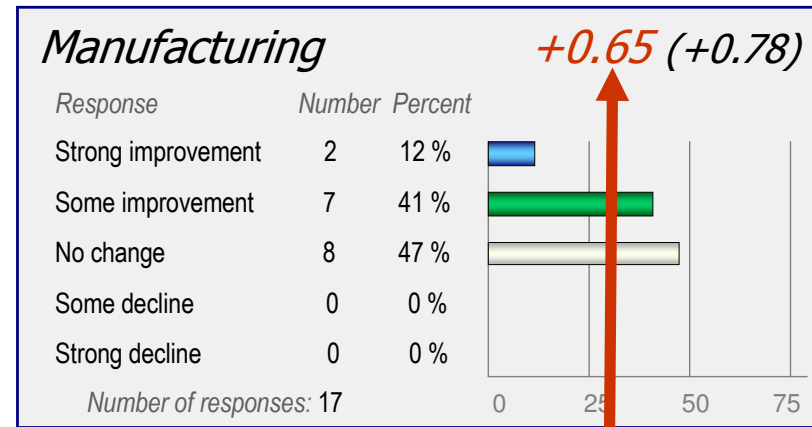
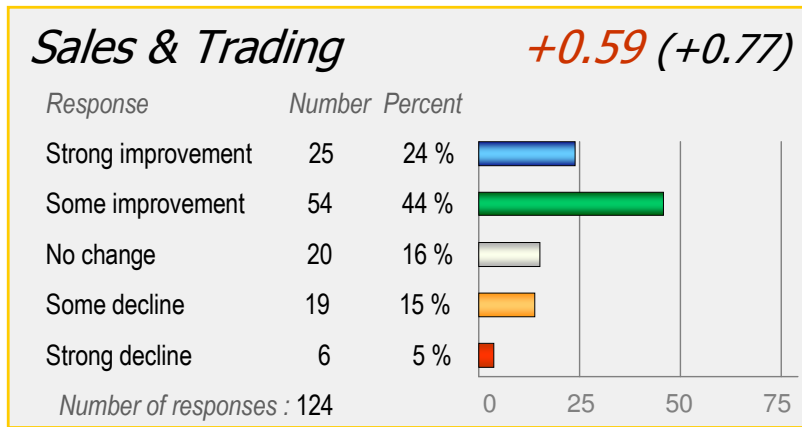
Australia/New Zealand: +0.11 (+0.56)

## FCIJ Business Confidence Survey – Fall 2011

### 2.1. Sales performance during the **past 6 months (2)**

By type of business

OVERALL INDEX **+0.44**



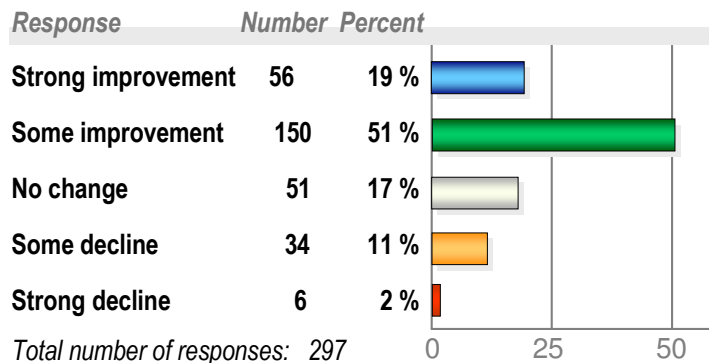
**NOTES:**  Notable changes  Highest-lowest

## FCIJ Business Confidence Survey – Fall 2011

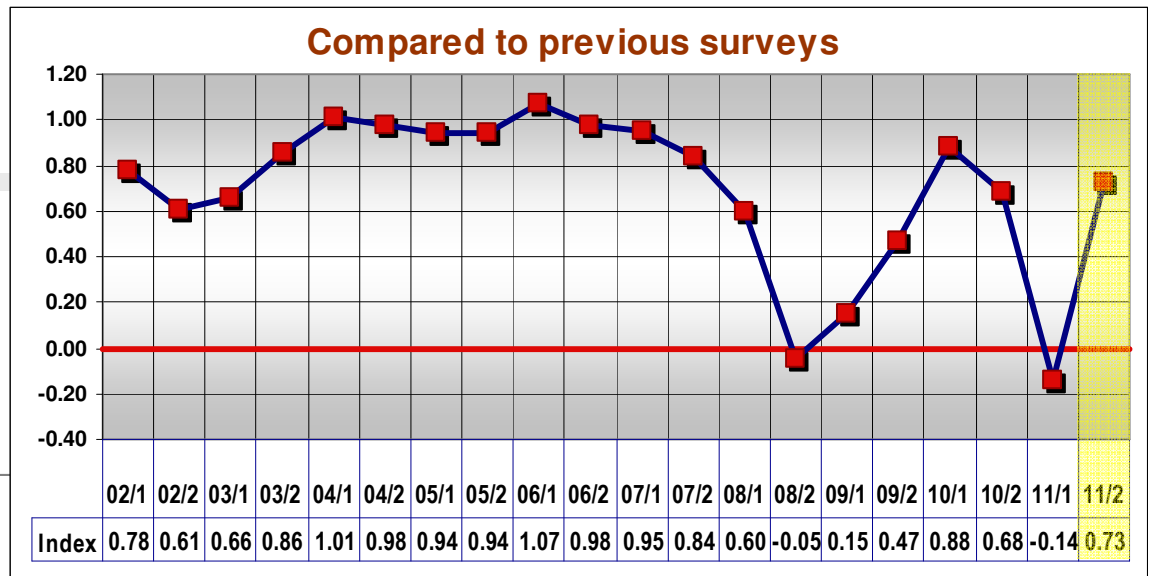
### 2.2. Sales forecast for the **next** 6 months

#### TOTAL FOR THIS SURVEY

**INDEX +0.73** (-0.14)

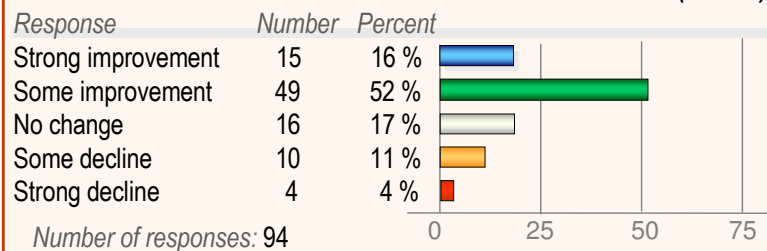


#### Compared to previous surveys

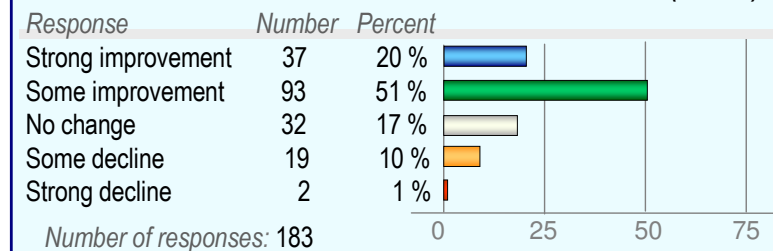


#### COMPARISON BY AREA

##### North American companies **+0.65** (-0.03)



##### European companies **+0.79** (-0.20)



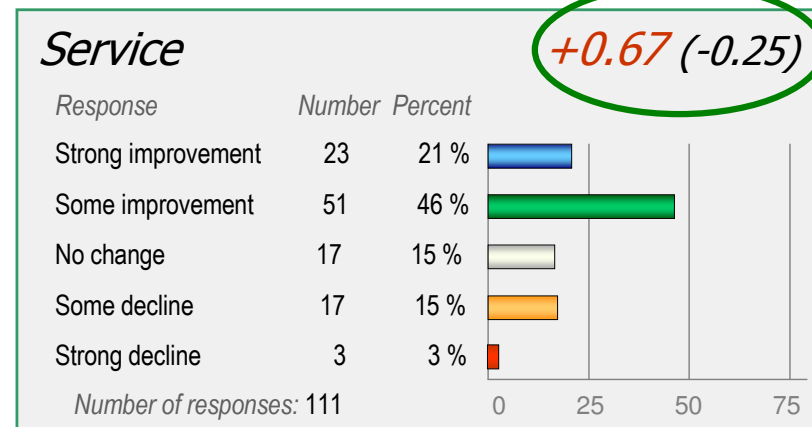
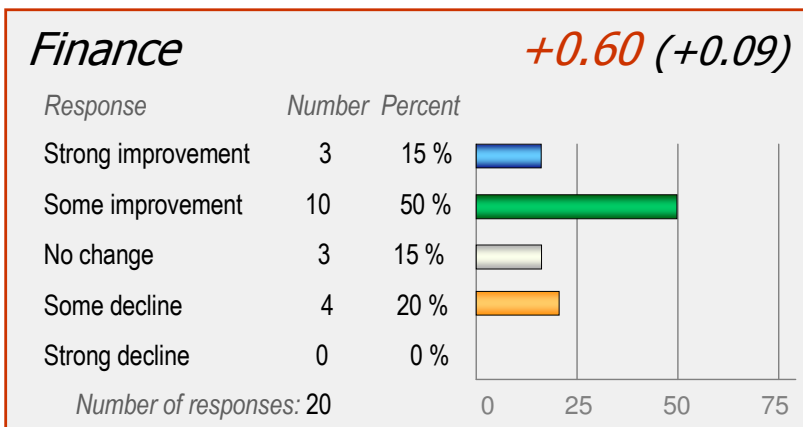
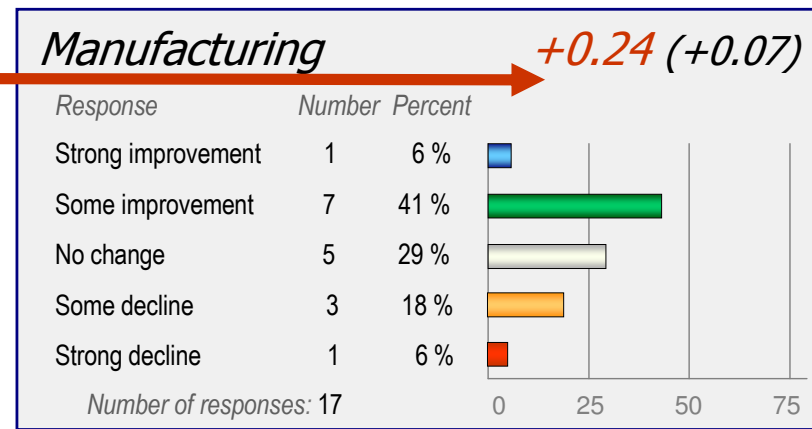
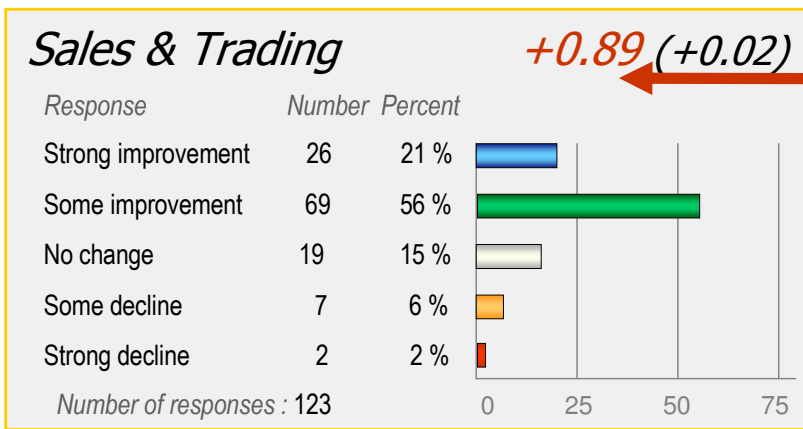
Australia/New Zealand: +0.50 (-0.32)

## FCIJ Business Confidence Survey – Fall 2011

### 2.2. Sales forecast for the **next** 6 months (2)

By type of business

OVERALL INDEX **+0.73**



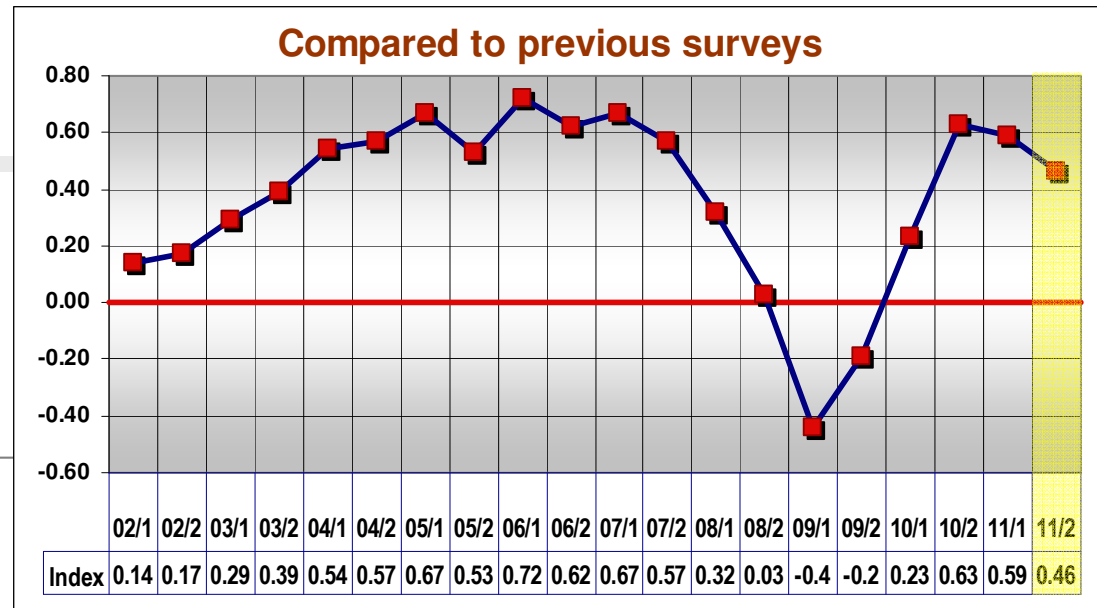
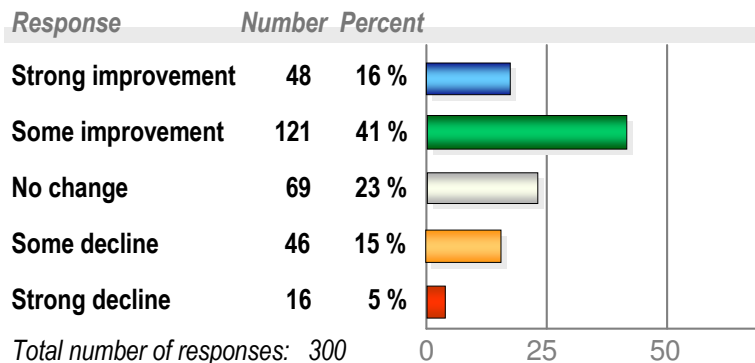
**NOTES:**  Notable changes  Highest-lowest

## FCIJ Business Confidence Survey – Fall 2011

### 3.1. Profitability performance during the **past 6 months**

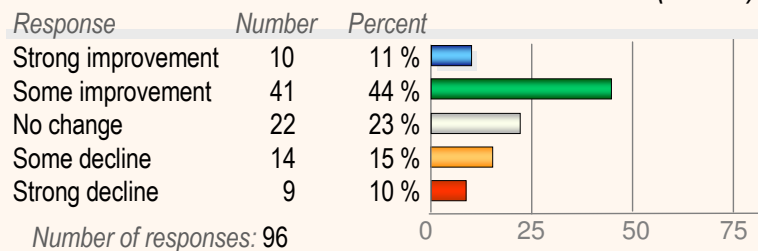
#### TOTAL FOR THIS SURVEY

**INDEX +0.46** (+0.59)

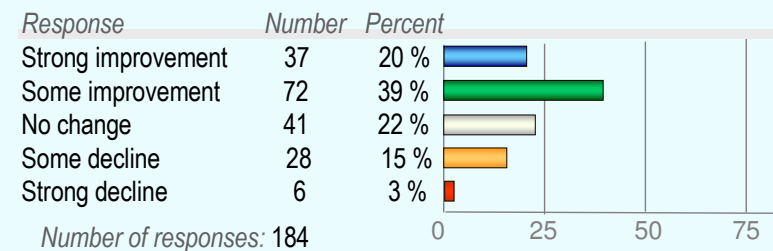


#### COMPARISON BY AREA

##### North American companies **+0.30** (+0.55)



##### European companies **+0.58** (+0.61)



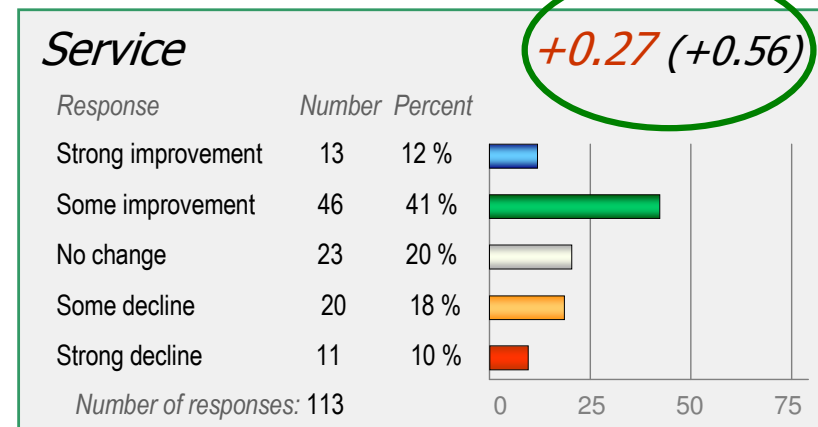
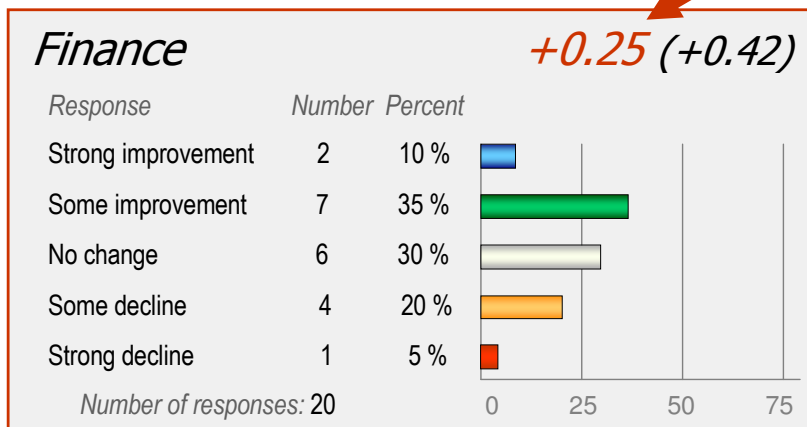
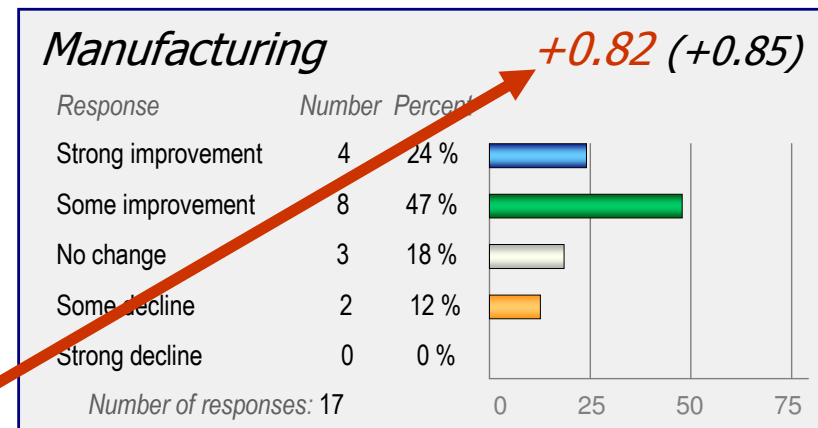
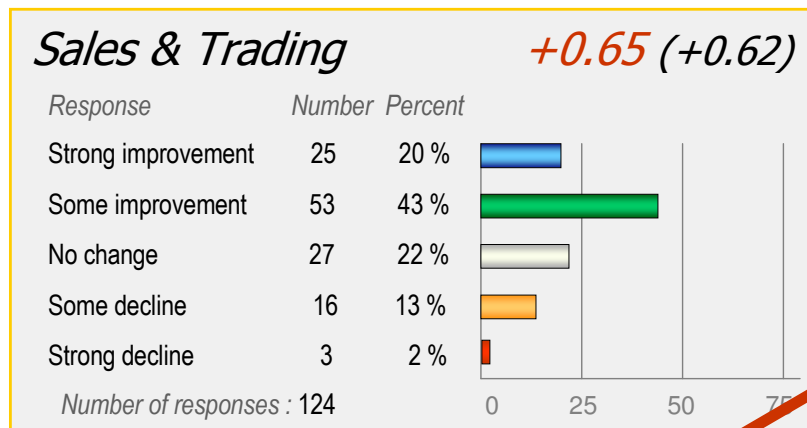
Australia/New Zealand: +0.06 (+0.64)

## FCIJ Business Confidence Survey – Fall 2011

### 3.1. Profitability performance during the **past 6 months (2)**

By type of business

OVERALL INDEX **+0.46**



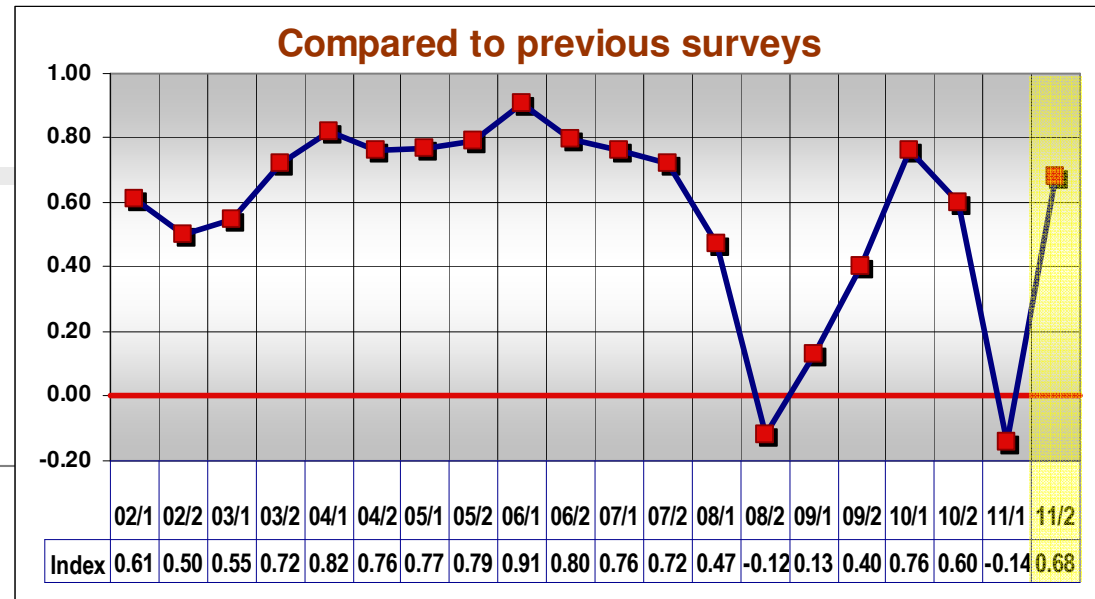
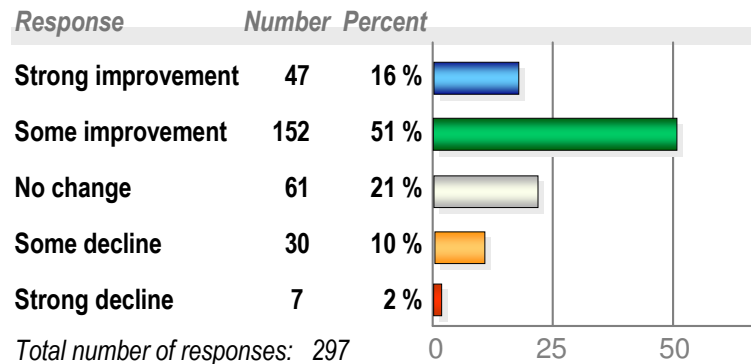
NOTES:  Notable changes  Highest-lowest

## FCIJ Business Confidence Survey – Fall 2011

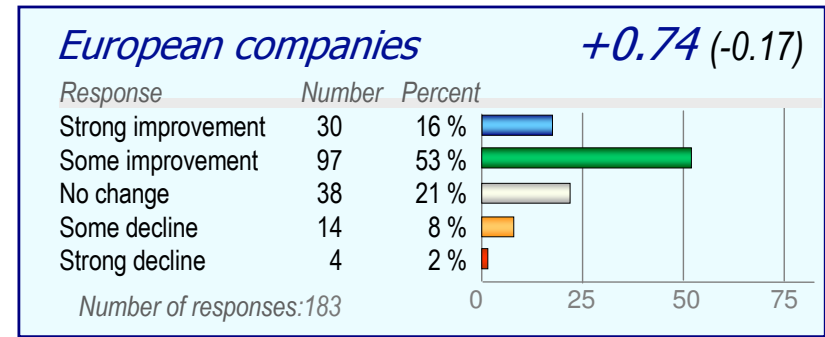
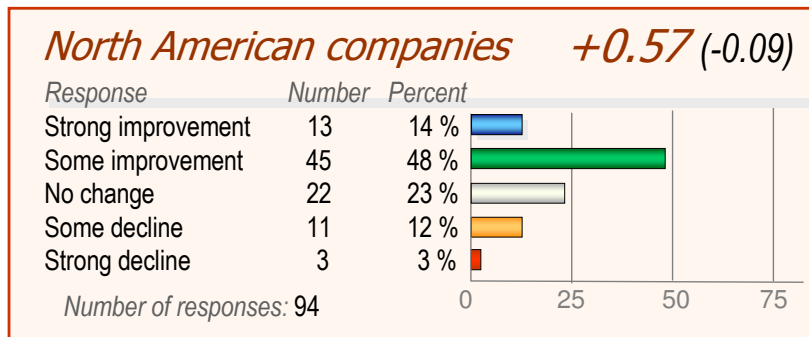
### 3.2. Profitability forecast for the **next** 6 months

#### TOTAL FOR THIS SURVEY

**INDEX +0.68** (-0.14)



#### COMPARISON BY AREA



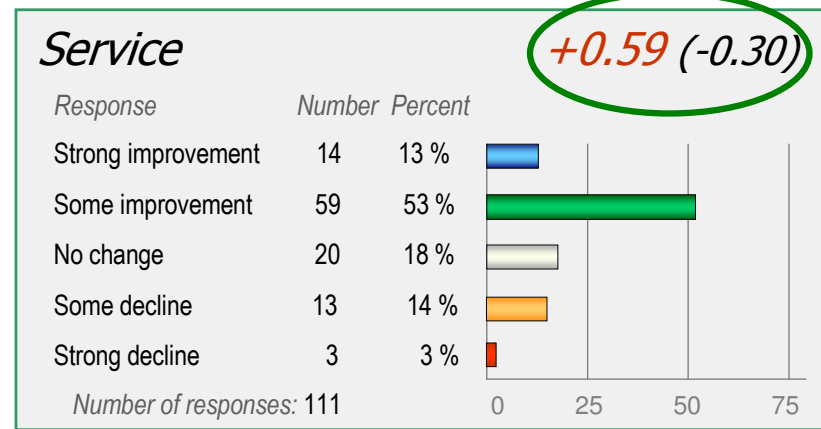
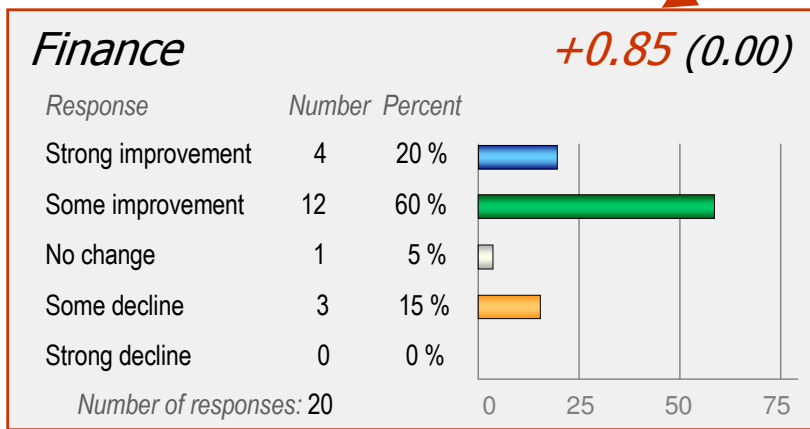
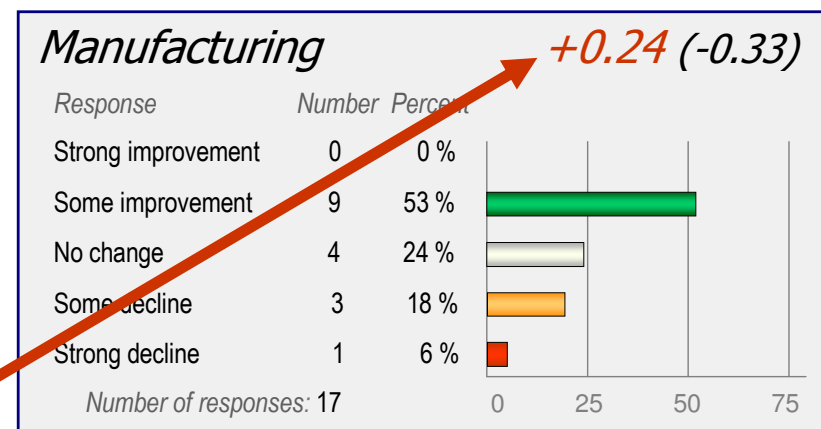
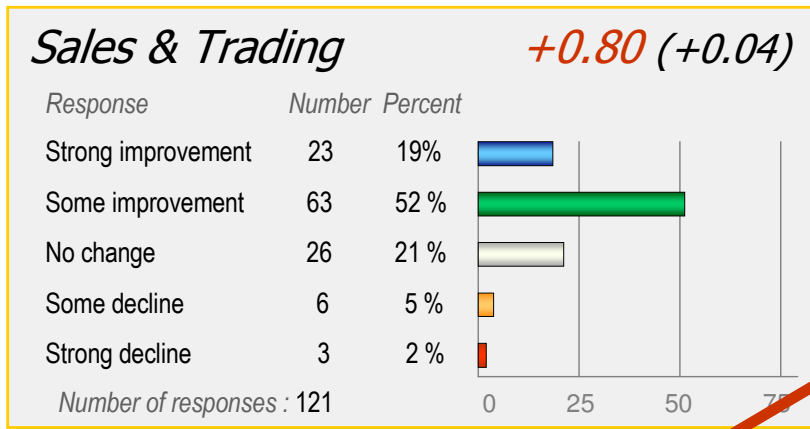
Australia/New Zealand: +0.56 (-0.20)

## FCIJ Business Confidence Survey – Fall 2011

### 3.2. Profitability forecast for the **next 6 months (2)**

By type of business

OVERALL INDEX **+0.68**



NOTES:



Notable changes

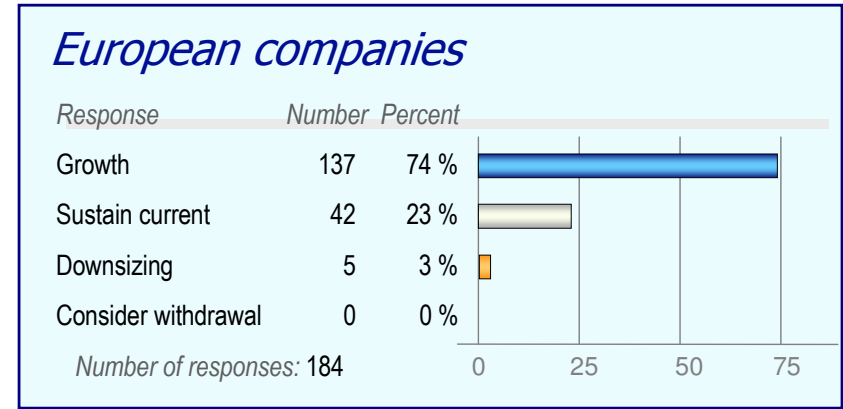
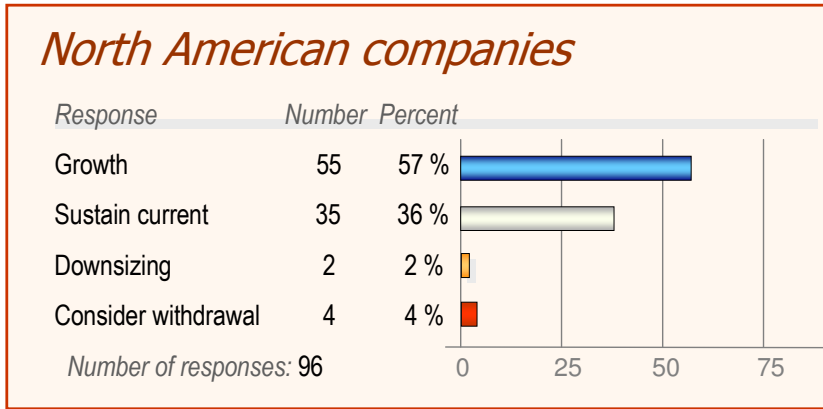
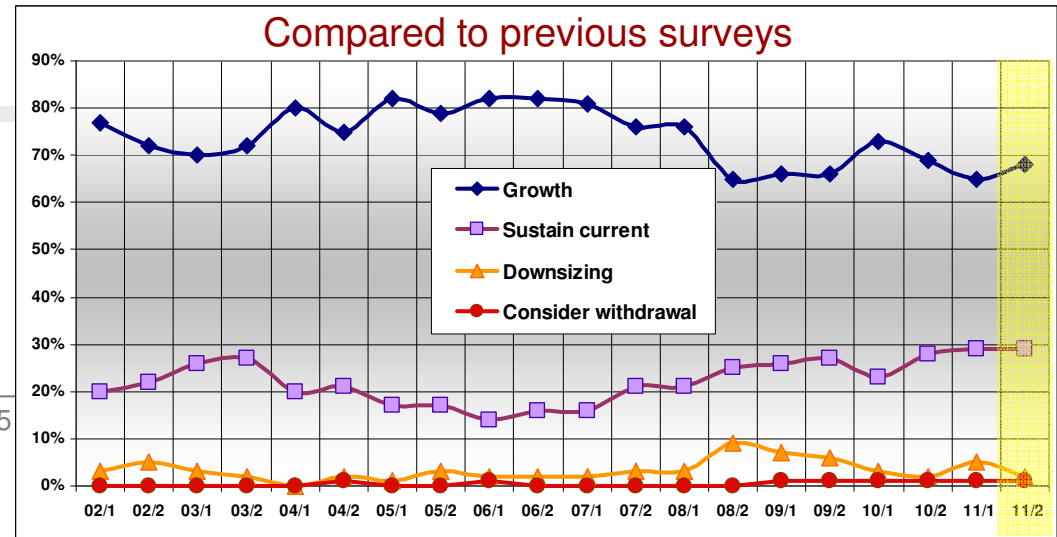
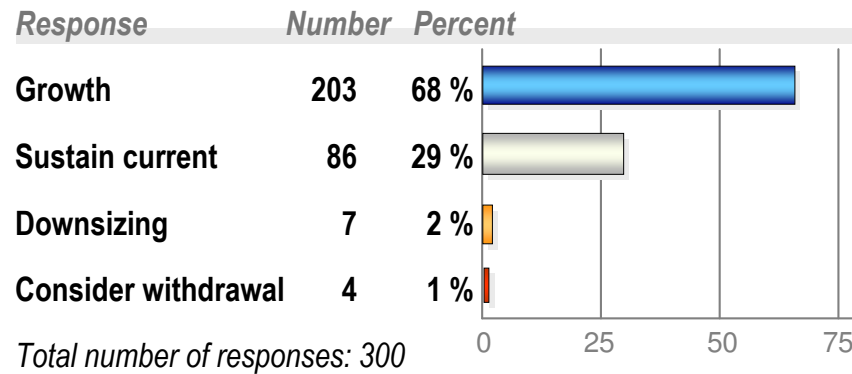


Highest-lowest

## FCIJ Business Confidence Survey – Fall 2011

### 4. Strategies in Japan

#### TOTAL FOR SURVEY



**Australia/New Zealand:** Growth: 50%, Sustain current: 50%, Downsizing: 0%, Consider withdrawal: 0%

## FCIJ Business Confidence Survey – Fall 2011

### 4. Strategies in Japan - Comments

(All comments are available on the website)

*Be more accessible to our target client base. Increase visibility through activities that are also communicated on Twitter, Facebook etc.*

*By end 2012 our business will be back at almost pre 3/11 levels.*

*Continuing shift from wholesale to retail and brand management.*

*Create partnerships with Japanese Industry*

*Expanding in key retail channels. Bringing in a new product line designed just for Japan.*

*Expecting consumer spending to continue to decline, trying to vary product mix and expand market sectors covered.*

*Finding new ways to connect with clients, creating new client solutions and looking at different pricing strategies.*

*First, downsize as much as possible. Then run the operations with minimum level of staff.*

*Focus on areas of strength that company can bring to Japan or Japan has and can take global*

*Further development and investments in specific areas, even while some deleveraging may occur in other parts of the business*

*Further increase in trading activities and opening a separate Securities KK end of this year.*

*In Japan it is to protect our position. Growth is expected on other Asian countries.*

*Japan has lost its way, and it happened several years ago. We have lost confidence in this market and are withdrawing.*

*Japan is still a major market, where, if done right, one can make a good business. (no one said business should be easy)*

*Only innovative services and products can make money in this environment*

## FCIJ Business Confidence Survey – Fall 2011

### 4. Strategies in Japan – Comments (2)

(All comments are available on the website)

*Re-opening offices closed in 2009 and hiring more staff to cover new market and adapt to our new sales strategy by market*

*Several of our customers are building production facilities outside of Japan. This will offset growth from new projects*

*Still base in Japan, but seeking more from outside of Japan.*

*Strengthen support to our Japanese business to allow us to follow business moving offshore.*

*Sustaining current level is optimistic due to the strong Japanese yen.*

*To be major player within our industry!*

*To develop new services to help foreign-affiliated companies succeed in the Japanese market and Japanese companies in the foreign market.*

*We are a professional services firm that has focused on financial services clients. We are actively diversifying our offering to focus on other, more stable industries.*

*We are aiming to continue to grow but the next 12 months growth will be modest.*

*We are focused on increasing our number of resale partners by 50%.*

*We are in a growing market and we aim to take full advantage of opportunities*

*We are seeking growth through established areas of our business rather than looking to expand into new areas.*

*We have a near monopoly situation with a limited number of products for a very limited number of clients. We fight to maintain this position.*

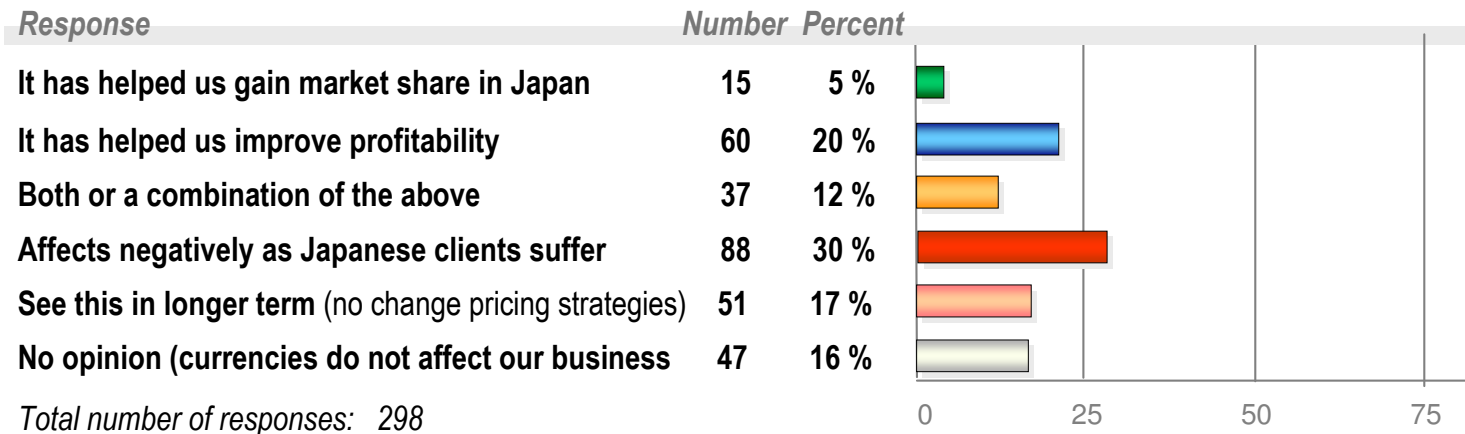
*While Japan is growing very slowly the rest of Asia is strongly positively affecting our sales in Asia.*

*Will invest to Japan by putting the new products in the market place in 2012 proactively.*

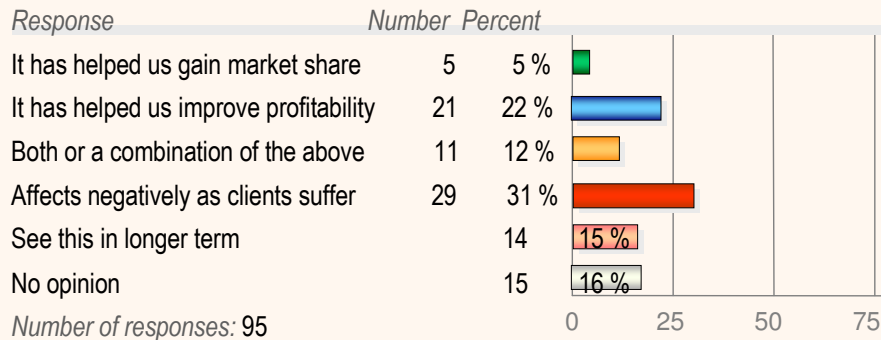
## FCIJ Business Confidence Survey – Fall 2011

### 5. The yen has strengthened against most other currencies. What would best describe how it has affected business?

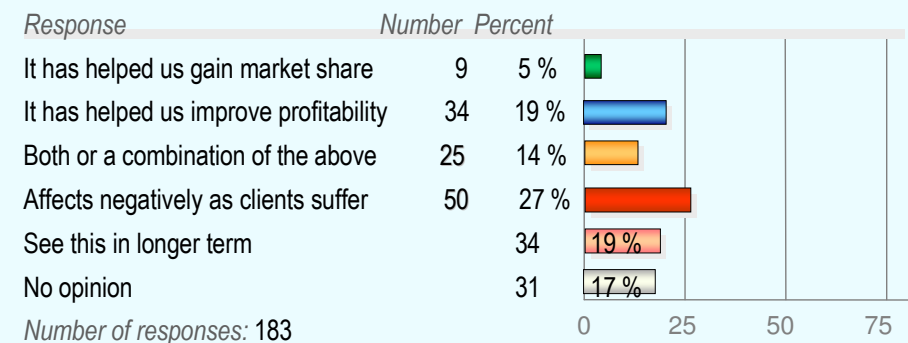
#### TOTAL FOR SURVEY



#### North American companies



#### European companies



## FCIJ Business Confidence Survey – Fall 2011

### 5. Strong yen - Comments

(All comments are available on the website)

*A strong benefits our business in that Japanese companies will tend to invest overseas, while it increases our cost of operation in Euro.*

*Affects inbound travel to Japan and visiting guests. Also allows Japanese nationals to travel abroad at a cheaper cost, and therefore decreases domestic leisure travel.*

*Affects our business negatively as we buy services for our non-Japanese clients in Japan at relatively fixed prices. So far we have largely absorbed the cost but recently raised our prices making the cost to our clients higher.*

*As a hotel, our business is dependant to a varying extent on international visitors, who are impacted by currency strength among other factors..*

*Both a help and a hindrance - help in that our services to Japanese clients have increased as they look to invest overseas, but also a hindrance as it has had the effect of increasing our prices for the export of services.*

*Industrial manufacturing activity will move out more from Japan and local demand on our product will decline.*

*It is currently offset by the strength of the currency we buy our products in, so no problem currently.*

*It makes our corporate training solutions look expensive against trainings offered by overseas based companies. Additionally, when we are asked to deliver on behalf of other partners the dollar facilitation rate we are offered is way below our usual yen charges*

*Japanese manufacturers are still filling up stocks with good volumes after the Tsunami, however, we do not expect this situation to last when stocks are normal.*

*Long may it last, but we expect the Yen to normalize towards the Euro over the next 12 months*

*Strong yen provides overseas investment incentives for some of our Japanese clients*

## FCIJ Business Confidence Survey – Fall 2011

### 5. Strong yen – Comments (2)

(All comments are available on the website)

*Outsourcing overseas, while profitable to Japanese manufacturers, hurts the Japanese economy.*

*Strong yen is not positive in the long term. In recent months it helped profitability but a slow Japanese economy will negatively affect consumer expenditure*

*The reality is more complex/diverse. We are taking partly advantage in terms of improved competitiveness, hence at least potentially increasing share, or in terms of improved margins depending on the segment specific global market conditions. At the same time, demand of Japanese industries is or will be affected after catching up with delays from the crisis, either by direct effects of the strong yen or by unstable, if not truly weakening world economy.*

*The strong Yen hurts inbound business. Inbound M&A and real estate investment are very quiet.*

*The strong yen is discouraging our MNC clients from making significant investments in Japan, which lowers demand for our services.*

*We are operating in Japan and revenue are based on US dollars. Significant decline of revenue every year since 2005 when we started. Although activities have been expanded, financial result have been expanded slowly.*

*We buy at fixed rate from HQ, but of course the strong yen gives us more flexibility locally.*

*We compete with other European companies, hence very little effect.*

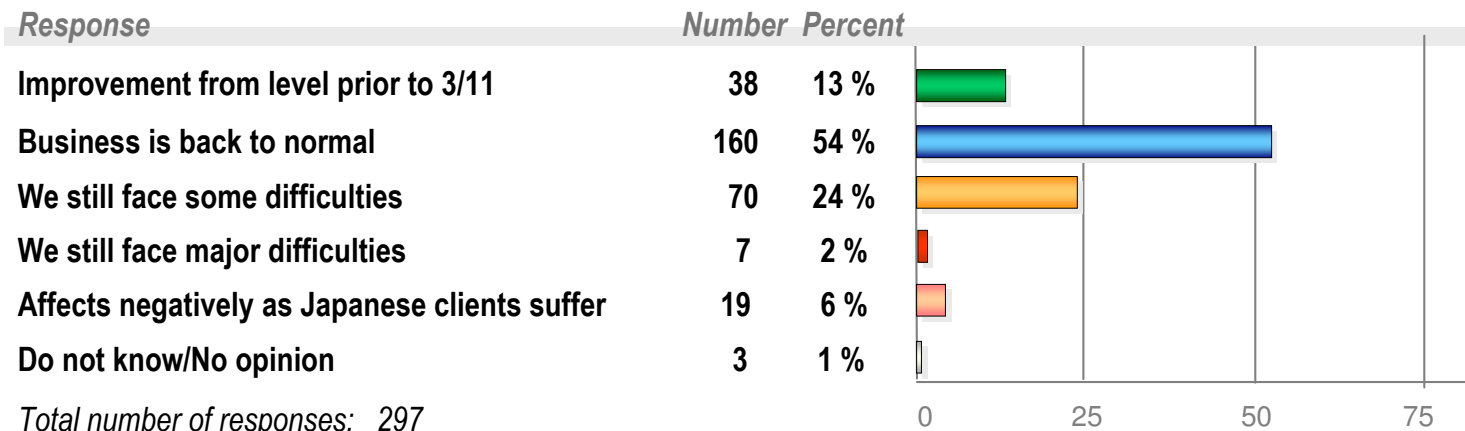
*We haven't see any impact yet, thought a lot of our customers in automotive industry are selling abroad (integrators creating production lines for main automotive manufacturers). They are still enjoying a lot of success thanks to the strength of the "made in japan" for production line manufacturing.*

*We make different type of agreements in Japan. Some order are e.g. taken in USD. We have long term vision on business in japan and do not bother too much about the current yen-level. Biggest negative factor is that our customers are suffering in their export. This can eventually hurt our business as well!*

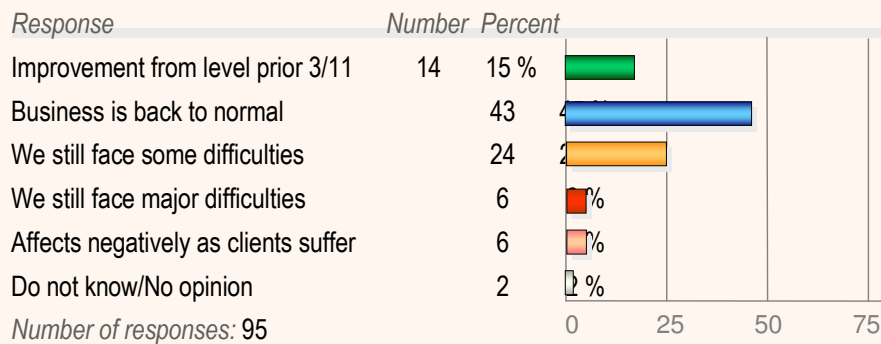
## FCIJ Business Confidence Survey – Fall 2011

### 6. Is your business and/or operations still affected by 3/11?

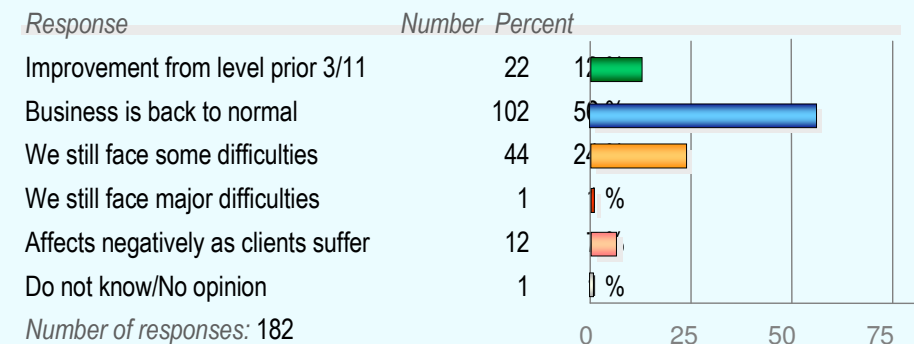
#### TOTAL FOR SURVEY



#### North American companies



#### European companies



## FCIJ Business Confidence Survey – Fall 2011

### 6. 3/11 disaster's current effects - Comments

(All comments are available on the website)

*Because of increase of LNG import into Japan as an alternative fuel to nukes, our business activities are increasing.*

*Business generally not affected by 3/11*

*Business is slowly returning to normal after months of uncertainty in which budgets were frozen and Japanese customers reluctant to spend until the situation becomes clearer. Lack of strong government to lead and to promptly put in place appropriate policies to aid recovery has been a major negative.*

*Consumer confidence continues to be below pre-march 11th levels. We also observe that small "road bumps" that in the past would have been absorbed by the consumer are more severely impacting upon Consumer behavior. In short, the market is very uncertain when it comes to spending money on "luxury" items.*

*Domestic market recovery has been steady and improving, however recovery of our international markets have yet to come close to pre 3/11 levels.*

*Everything green has worked in our favor.*

*Foreigners and firms are pulling out, and more bad is on its way as people uncover what has and is happening in Japan.*

*Fukushima nuclear power station has significantly affected the in-bound tourist business throughout Japan. Although customer numbers are growing again I expect many related business (foreign and Japanese) will continue to struggle, or close, through mid-2012.*

*Japanese companies are still reluctant to make new investments. Perhaps it is more because the disaster made them focus on Japan's limitations than that the disaster itself has hurt them. So far, the money spent on recovery has not helped our business, though it will certainly help Tohoku.*

*Lack of tourists (especially from China) affects the sales and strong yen is not helping*

## FCIJ Business Confidence Survey – Fall 2011

### 6. 3/11 disaster's current effects - Comments (2)

(All comments are available on the website)

*Less expat families in Tokyo*

*Our business is to provide off-site data backup for companies so 3/11 really brought to light the need for a concrete disaster recovery plan.*

*Our original March forecast had been very high and impact on business for us was severe with a knock on effect of cancellations for the next few months. We are now seeing foreign companies return that delayed all projects from the 1-3/4 until this 4th quarter.*

*Our sales has largely improved this year, but it is hard to say how much the 3/11 and reconstruction have been part of it, because it coincided with our distribution structure change, and we consider that has been the main factor behind the growth in sales.*

*Q2 slower because of 3/11, thereafter resuming to normal.*

*The number of travelers from other countries have extremely decreased and does not come back to normal yet.*

*Very dependent on foreigners in Japan and many companies have stopped sending foreigners here and even repatriated many that were here.*

*We are in consumer goods business in mass retail. We have suffered for change of retailers and consumers focus to categories related to emergency prevention etc.*

*We believe phase of improvement is already almost over and situation levels out to normal. However, the future strength of this demand is in question given the global economical development.*

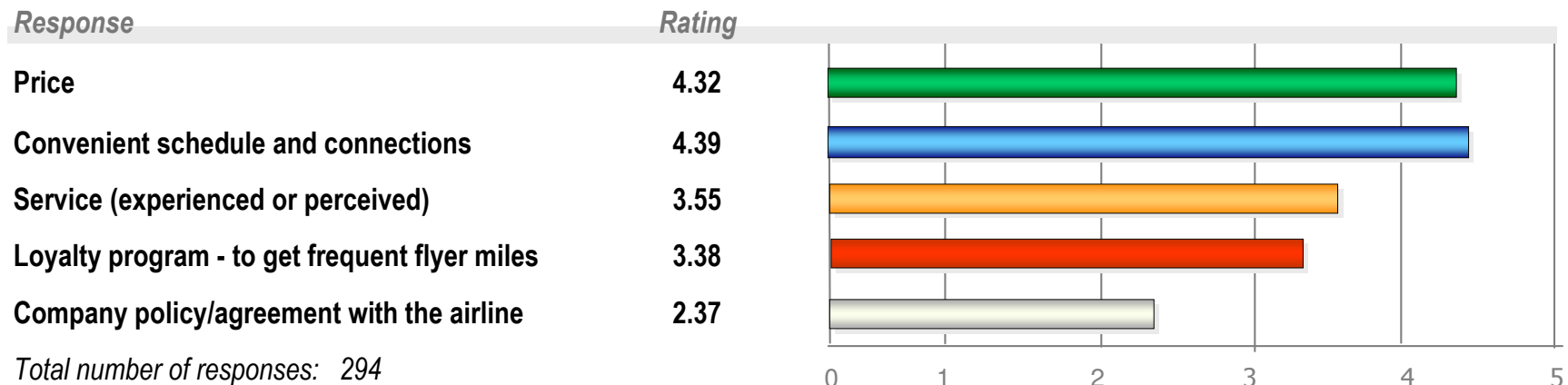
*We seen new business for the reconstruction in Tohoku, as well as new business for abroad projects (automotive manufacturer are building new plants in other countries to avoid future supply problem in case of new disaster)*

## FCIJ Business Confidence Survey – Fall 2011

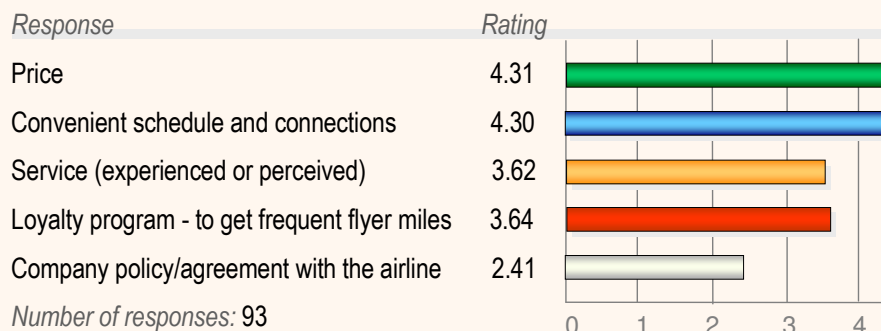
**AIRLINE Q1 – When selecting airline, how do you rate the importance of the following factors:**

### TOTAL FOR SURVEY

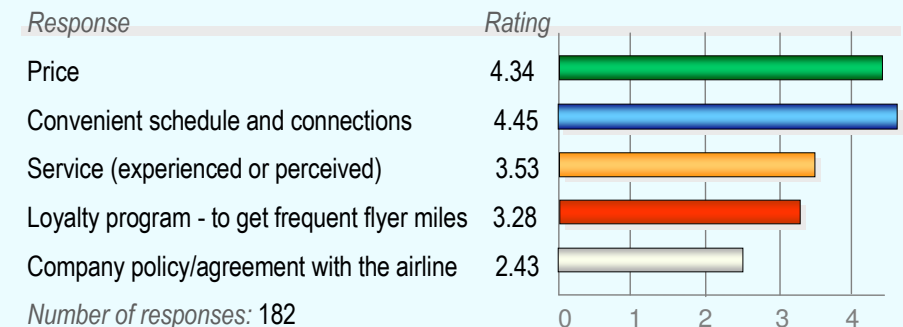
Scale from 5 (very important) to 1 (not important)



### North American companies



### European companies



## ***FCIJ Business Confidence Survey – Fall 2011***

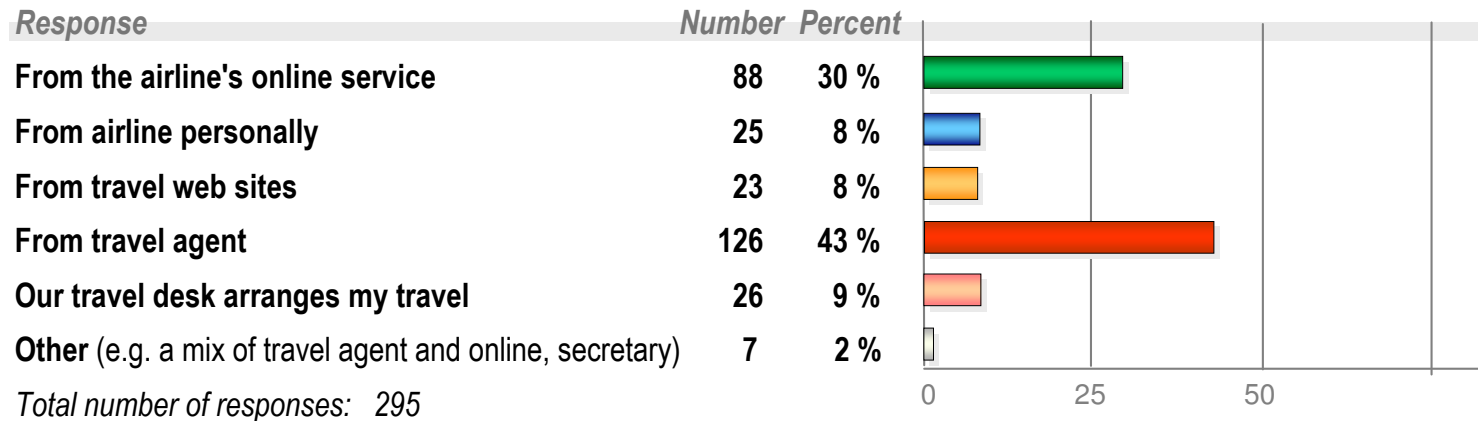
### **AIRLINE Q1 – Other factors:**

- Having enough space to use a small lap top while seated
- Booking flexibility such as changing flights possibility or cancelation., etc.
- Airport (HND/NRT)
- Airport location (i.e. Haneda)
- Booking System
- Branding
- Departure from Haneda
- Flexibility of tickets
- Flight staff attitude
- Fly from Haneda
- Great fully reclining seats
- Haneda & 180° HORIZONTAL flat
- Haneda vs Narita
- Home country of the airline
- Lounges at airports
- NO OVER-WEIGHT CHARGES
- PRICE
- Reliability
- Reputation on Safety
- Routes/Non-stop
- Safety
- Safety & security
- Safety record

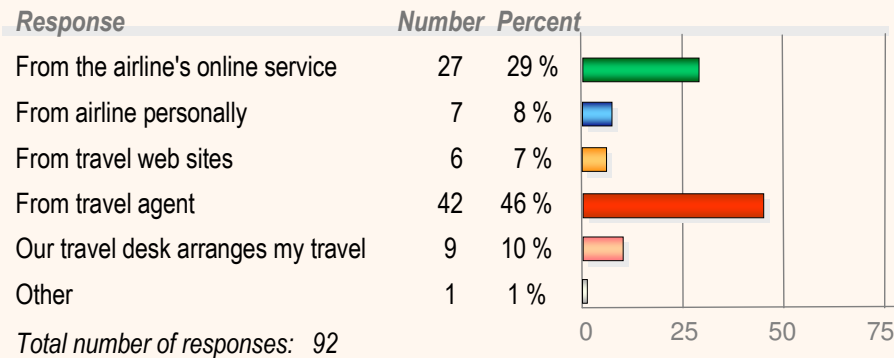
## FCIJ Business Confidence Survey – Fall 2011

### AIRLINE Q2 – where do you mainly get your air tickets :

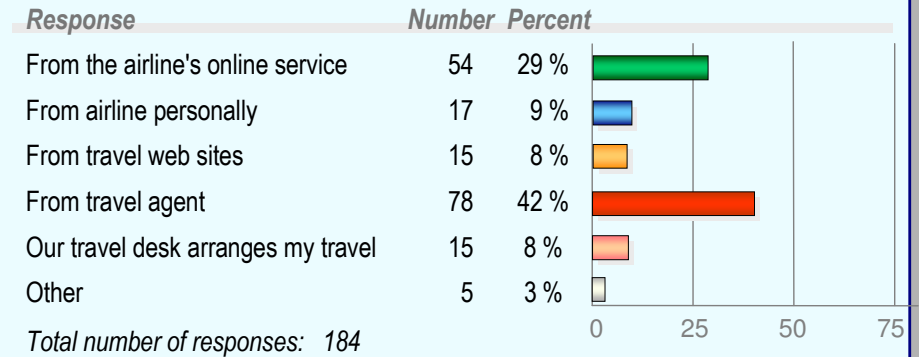
#### TOTAL FOR SURVEY



#### North American companies



#### European companies



## FCIJ Business Confidence Survey – Fall 2011

### General Comments

(All comments are available on the website)

*Expect Japanese government support to increase use of bio based materials which is still higher cost than current oil based. Shifting to bio based material will significant reduction of CO2 which also related to energy saving.*

*A part of our business covers imports to Japan. Bureaucratic and regulatory hurdles keep generating non-tariff barriers that almost cancel positive impact of FTA (for ex. with Switzerland). There is still a strong feeling of protectionism of long-established Japanese trade companies by custom officials.*

*Regulatory framework continue to complicate our operations, effectively serving as NTB's.*

*Accurate information about real levels of radiation and concerns about food. Recent news about 384 animals in 16 prefectures fed radiated hay for example.*

*Ensuring a stable supply of Medical Products is more critical than most other sectors of the economy. Any unexpected disruption will always create challenges.*

*Regulatory issue, especially Approval process does no get better.*

*Remain concerned about political environment and lack of clear 3/11 crisis and economic responses. More concerned about Japan tackling longer term issues of aging population, manufacturing shift offshore and needed business reinvention.*

*The chamber had better focus more on good sides of the Japanese market for foreign-affiliated companies doing business in Japan.*

*Updates on the ETA would be useful.*

*We are facing difficulties in promoting the sales of one of our products in Japan, due to the JAS (Japan Agricultural Standard) regulations.*

*We surely hope that the FTA agreement can be a reality during next year!*

## FCIJ Business Confidence Survey – Fall 2011

### Summary

#### Economy in the next 6 months: a rebound into positive territory

- ❑ The forecast on the Japanese economy for the next six months rebounded significantly. The index went now well into positive territory and shows now +0.31, compared to -0.93 in the spring 2011 survey. This time 47% expect some improvement while only 17% of the respondents some or strong decline.
- ❑ The North American, European and Australia/New Zealand companies had an even view, from +0.26 to +0.33.
- ❑ By type of business, the Finance sector is most positive (+0.45) while the Manufacturing was least so, 0.00 .

#### Economy in the next 12 months: further improvement

- ❑ In the longer term (12 months) the respondents see a further improvement, now +0.55 (compared to +0.04 in spring 2011), now 65% expect strong or some growth, while only 17% see a decline.
- ❑ By area, there were almost no differences, indexes ranged from +0.55 to +0.56.
- ❑ By type of business, while the Finance sector is now most optimistic (+0.57) while Manufacturing sector also see the next 12 months least favorably (+0.35).

## FCIJ Business Confidence Survey – Fall 2011

### Summary (2)

#### Sales Performance better than expected and continued to improve

##### Past 6 months...

- ❑ The spring survey forecasted, as expected, a sharp decline in the sales performance for the next six months. But the reported results were much better than expected, +0.44 when the forecast in spring was -0.14. 58% reported some or strong improvement while only 23% had some or strong decline.
- ❑ The European affiliates reported better sales performance (+0.56) than the American (+0.31) and ANZ (+0.11) affiliates.
- ❑ By sector, the Manufacturing reported the most positive (+0.65) with Service least positive, +0.31.

##### Next 6 months...

- ❑ Looking ahead, obviously the respondents now see the situation much differently from spring, now the index was +0.73 (previous survey -0.14). 70% expect sales increase while 13% see a decline.
- ❑ European affiliates see the future more brighter, +0.79 compared to +0.65 for the Americans and still lower, +0.50, for the ANZ companies.
- ❑ By sector, Sales & Trading are by far most optimistic, +0.89, while the Manufacturing sector is the least positive at +0.24.

## FCIJ Business Confidence Survey – Fall 2011

### Summary (3)

#### Profitability, the past 6 month – improvement in line with sales performance

- ❑ As with the sales performance, also profitability declined from the previous survey, but not as much as expected in the spring survey. The index stood now at +0.59 when the forecast was negative, -0.14 in April. 57% of the respondents saw a strong or some improvement, 20% a decline.
- ❑ Again, European affiliates reported higher figures than the Americans (+0.59 and +0.30), while ANZ affiliates reported the lowest, +0.06.
- ❑ By sector, Manufacturing reported the by far best performance (+0.82), ahead of Sales & Trading (+0.65), Service (+0.27) and Finance (+0.25) sectors.

#### Continued improvement in coming six months

- ❑ The profitability forecast predicts a continued improvement in the coming months. The index was now +0.68 compared to -0.14; now 67% of the respondents forecast strong or some improvement in profitability; only 12% a decline.
- ❑ European affiliates saw the future most positive (+0.74) while Americans and ANZ were a bit lower, +0.57 and +0.56 respectively.
- ❑ By sector, Finance expect the best growth at +0.85 closely followed by Sales & Trading (+0.80). Service and Manufacturing sectors were a bit less optimistic, +0.59 and +0.24 respectively,

## FCIJ Business Confidence Survey – Fall 2011

### Summary (4)

#### Strategies in Japan

- ❑ The strategies of the foreign-affiliated companies in Japan continue to be rather bullish and the views on their strategies in Japan improved. 68% (65% in the spring 2011 survey) are looking for further growth and 28% (29% in spring 2011) expecting to sustain their current level. 2% (5% in spring 2011) are planning to downsize, but only 1% (four companies out of the surveyed 302) are considering withdrawing from the market.
- ❑ Differences between areas were rather significant. The European affiliates were clearly most bullish with 74% of companies striving for further growth. The corresponding figures for American and ANZ companies were 57% and 50% respectively. The Americans had 36% reporting to sustain current, with 50% for ANZ companies, were none reported they planned to downsize or withdraw from the market. Notable was that all the four companies that plan to withdraw were North American.

## **FCIJ Business Confidence Survey – Fall 2011**

### **Commentary by Dr. William Schrade (1)**

For this survey the key point is the return to normalcy in economic operations outside of the disaster area. Normalcy would reflect the economic background at the time of the spring survey. At that time there were a multitude of weak macroeconomic variables: Slow growth in Europe and North America, financial uncertainty in Europe and the “easy money” policy of the US Federal Reserve which helped appreciate the Yen.

The dramatic appreciation of the Yen to historic highs is part of this “new” normalcy. The FCIJ respondents in question 5 were asked how it affected business. Here we see the two edge sword of the Yen appreciation in the answers. 22% report increased profitability but 31 % suffer from the negative income effect on their clients. Unfortunately for many, the appreciated Yen will see no respite from the three main factors that keep it high. The debt crisis will drag on in Europe, the posited episodic danger to the financial system that will continue to pressure the Yen to extremes, and finally, added to this, is the policy of the US Federal Reserve to hold its Federal Funds rate to historic lows for an extended period of time. Given these three factors, the Yen should continue to trade in its current range until the EU solves the short term financing for Greek national debt. That still leaves the US Fed’s policy to cap any depreciation to the mid-80’s range that we saw earlier in the year.

*continued...*

## ***FCIJ Business Confidence Survey – Fall 2011***

### **Commentary by Dr. William Schrade (2)**

As for economic growth in Japan, the survey basically forecasts a continuation of the slow growth for the next 6 months and then increased growth 12 months out when the fiscal stimulus for the rebuilding of the affected disaster area takes effect. The fallout from this year's political and economic events makes forecasting Japanese short term GDP growth problematic. But one would not be surprised to see starting in this 3rd quarter a turnaround from negative to positive real economic growth.

*Dr. Schrade is a part time lecturer at the ICU, International Christian University*



## FCIJ Business Confidence Survey – Fall 2011

The Survey Report and additional comments from respondents  
are available in pdf format at:

<http://www.fcc.or.jp/fcij/bcs.html>

The next survey will be conducted in April 2012.

*This survey has been supported by:*



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