

FCIJ

Foreign Chambers
in Japan



FCIJ Business Confidence Survey

Spring 2012



Ascending at a Steady Pace

Including questions about Social Media

Commentary by Dr. William Schrade

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



FCIJ Business Confidence Survey – Spring 2012

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 21st, survey was conducted between April 10 and 20, 2012, and received 325 valid responses from members of 17 foreign chambers of commerce and business organizations.

This survey shows, as could be seen already in the Fall 2011 survey, that the problems and uncertainties caused by the 3.11 disaster are now to a large extent behind and now 3.11. is more seen as an opportunity than a threat. All indexes, from views on the Japanese economy to the performance of the companies, as well as their forecasts for the future, rose about 15-25% from the Fall 2011 survey. Only the profitability forecast for the next 6 months was same as in the previous survey, but still showed a healthy index of +0.68 on the scale from -2 (strong decline) to +2 (strong improvement).

The Japanese economy for the next 6 months is expected to grow further - the index (on a scale from +2 to -2) was now +0.47 (compared to +0.31 in fall 2011), and looking 12 months ahead, the companies see an even stronger turn for the better and the index was now +0.67, an improvement from the +0.55 in the previous survey.

The reported sales performance in the past six months developed positively, now +0.63 compared to +0.44 the fall survey. Similarly, the profitability had also slightly improved, now +0.53 now compared to +0.46 in fall. The recovery can clearly be seen in the sales forecast for the coming six months, the index was +0.81 (previous survey +0.73). The profitability forecast remained unchanged at +0.68.

The strategies of the foreign-affiliated companies in Japan continue to be rather bullish. 73% (68% in the fall 2011 survey) are looking for further growth and 22% are expecting to sustain their current level. 4% are planning to downsize, but only 1% (four companies out of the surveyed 325) are considering withdrawing from Japan.

This time the survey included two alternating questions regarding the use of Social Media. Among the medias used, LinkedIn was reported to be most popular with 76% being users, closely followed by YouTube (74%) and Facebook (69%). The other media (Google+, Twitter and Blogs) were far behind with 27-30%. The second question, regarding use of Social Media in Business Promotion, 22% reported that it is important and they dedicate resources to maintain their presence while 41% said they use to some extent. 11% were of the opinion that social media will not have any significant impact in business promotion. The Europeans were clearly more conservative with 28% considering it insignificant.

The next survey will be conducted in October 2012.

FCIJ Business Confidence Survey – Spring 2012

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 – Spring 2012

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 *April 10 – 20, 2012*

Survey method *online only*

Survey population *about 2,000 companies*

Survey questions *Two questions on economy*
Four on company performance
Reasons behind changes
Strategies in Japan
Strong yen's influence
Two question related Social Media
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, almost 70% 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 – Spring 2012

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



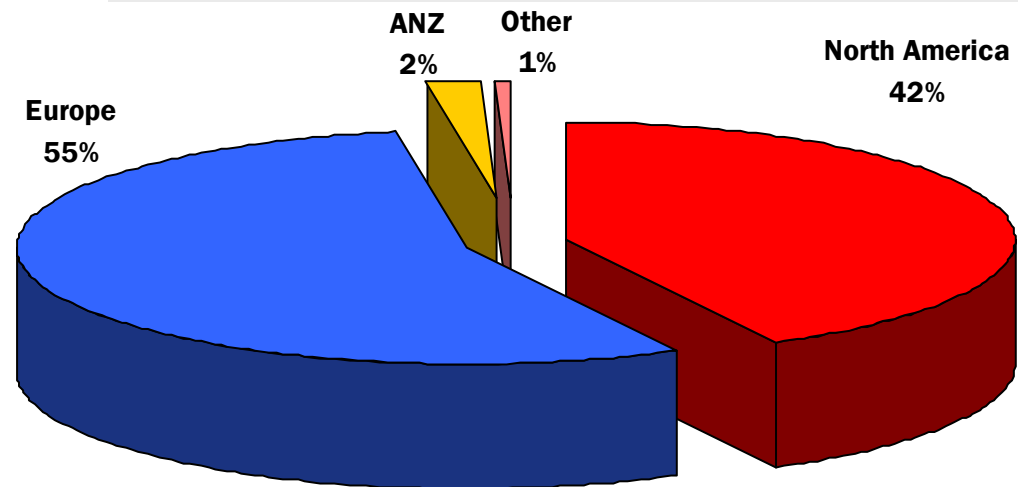
The Swiss Chamber of Commerce
and Industry in Japan

FCIJ Business Confidence Survey – Spring 2012

Survey Responses

Total number of responses: 325 Response rate: ca 18%

Shares of total responses - by area



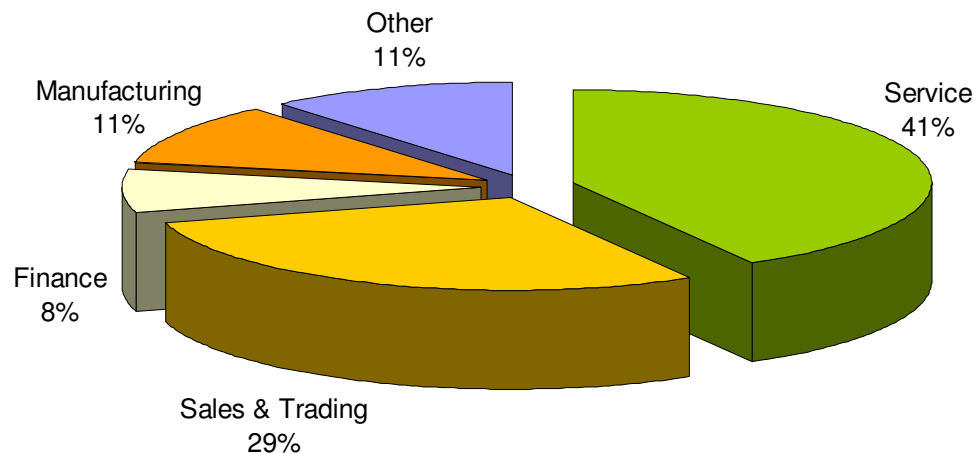
Responses by chamber

American Chamber	121	Belgian-Lux. Chamber	14	Dutch Chamber	7
German Chamber	37	Austrian Business C.	13	ANZ Chamber	6
Swedish Chamber	25	Danish Chamber	10	Italian Chamber	5
Finnish Chamber	23	Swiss Chamber	10	Norwegian Chamber	2
British Chamber	19	French Chamber	7	South African Chamber	2
Canadian Chamber	17	Irish Chamber	7		

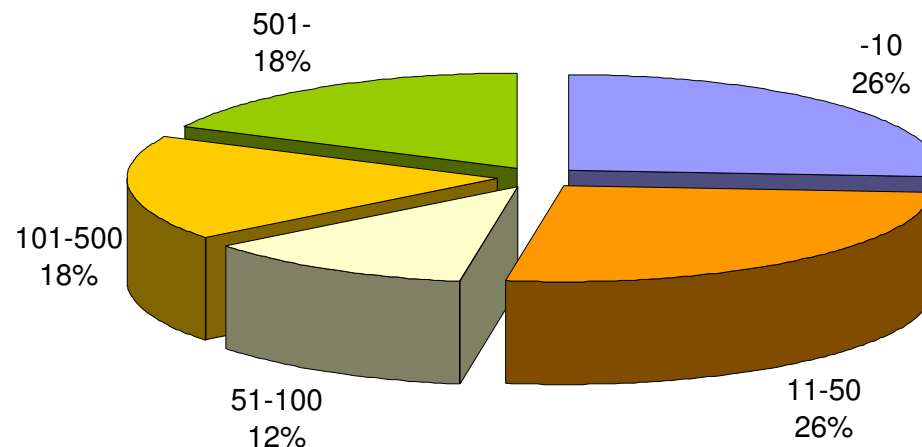
FCIJ Business Confidence Survey – Spring 2012

Respondent Company Demographics

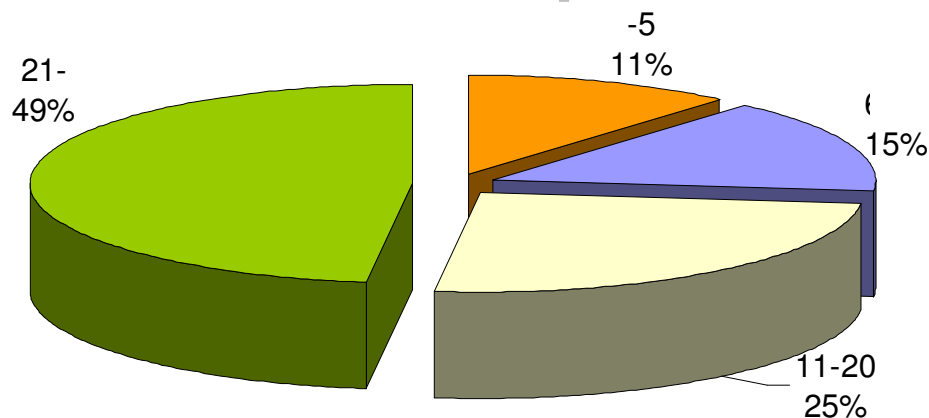
Type of business



Number of employees



Years in Japan



A typical respondent company
 has been in Japan for over 20 years, has 40 employees and is involved in service or sales and trading industry.






FCIJ Business Confidence Survey – Spring 2012

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
- 4. Reasons behind changes
- 5. Strategies in Japan
- 6. Use of Social Media
- 7. Social Media in Business

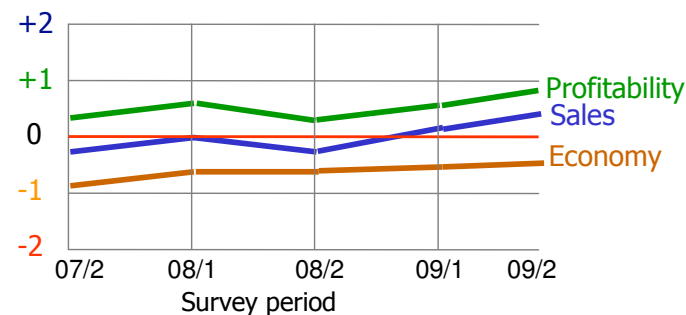
Legend

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

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

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

EXAMPLE

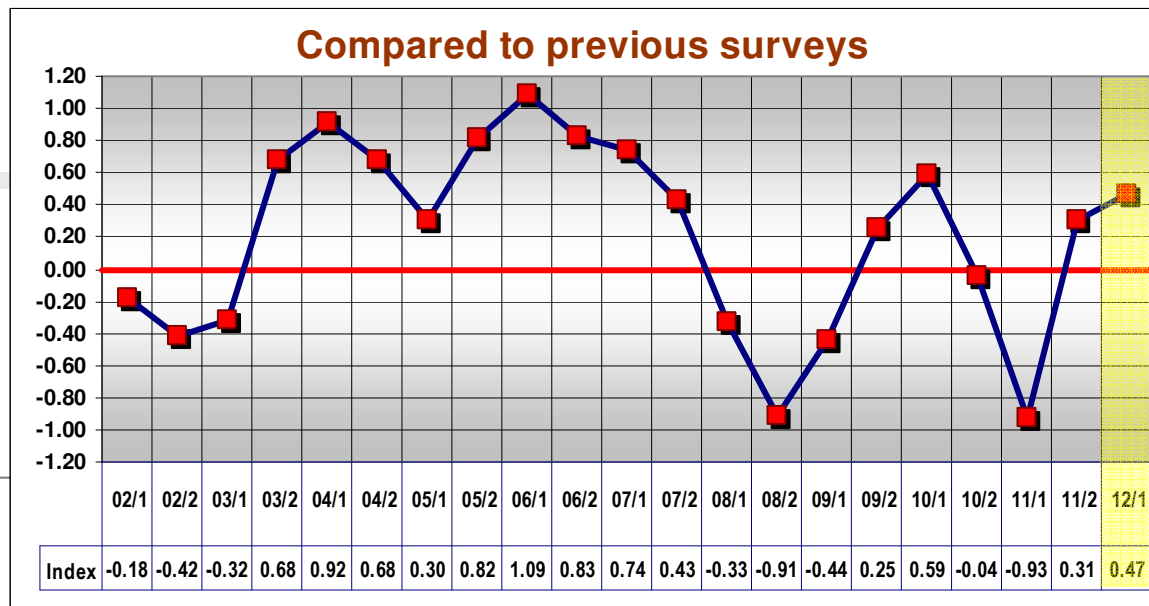
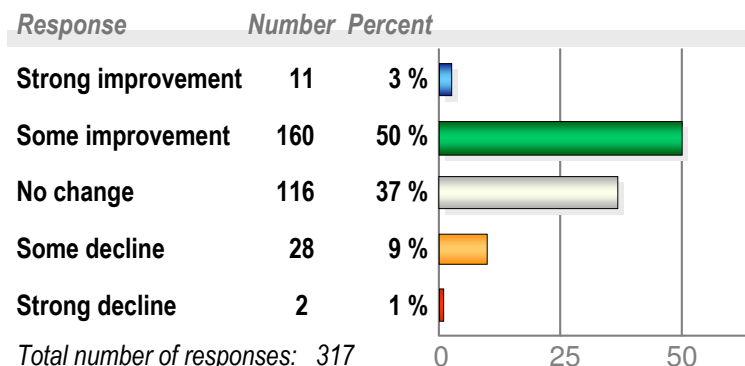


FCIJ Business Confidence Survey – Spring 2012

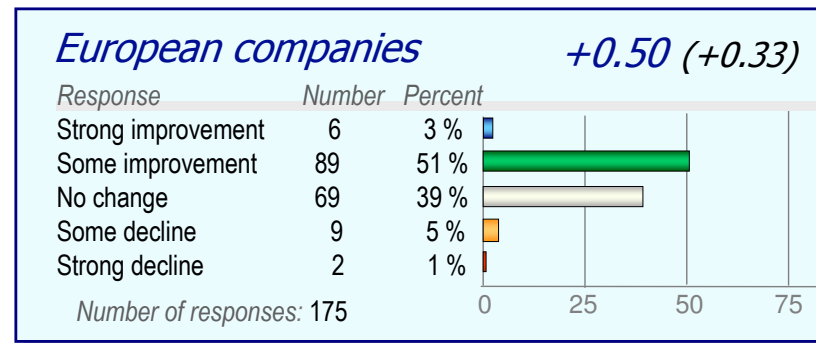
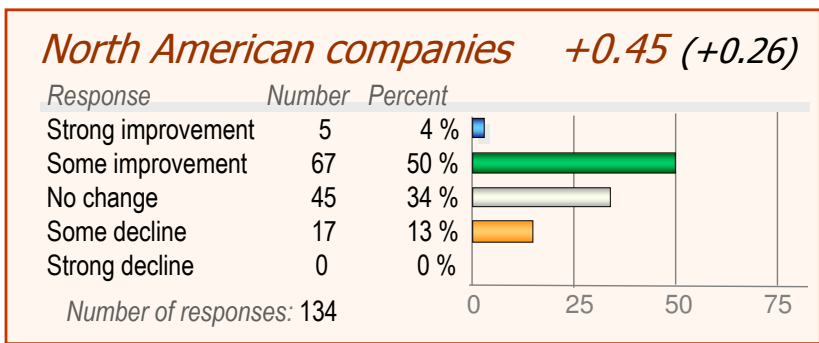
1.1. Japan's economic situation for the next 6 months

TOTAL FOR THIS SURVEY

INDEX +0.47 (previous survey +0.31)



COMPARISON BY AREA

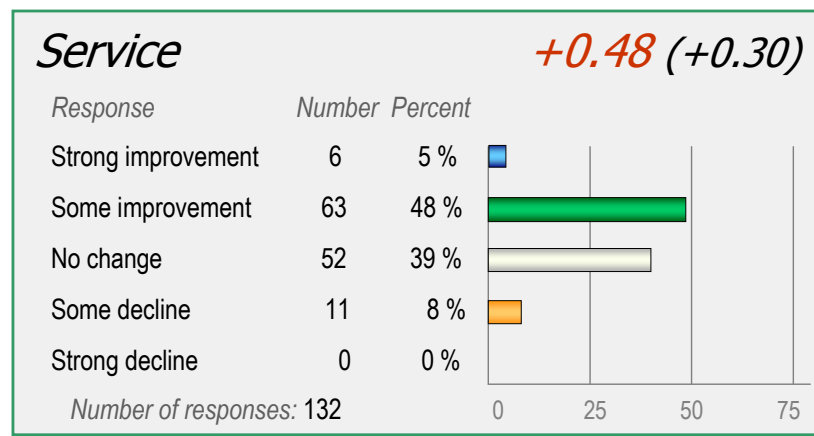
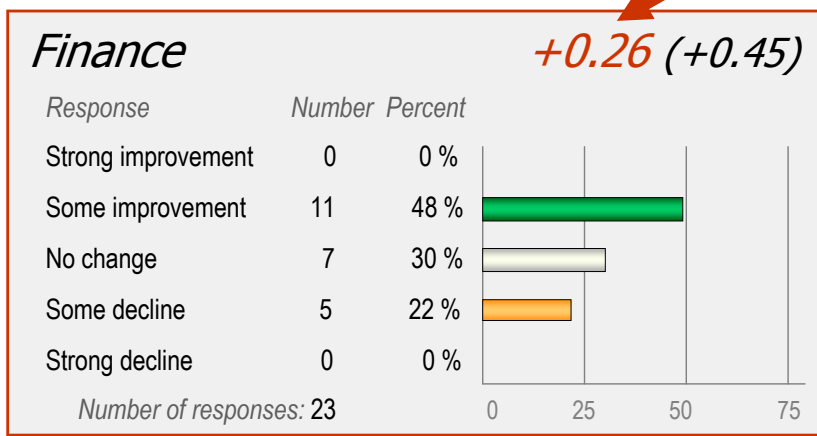
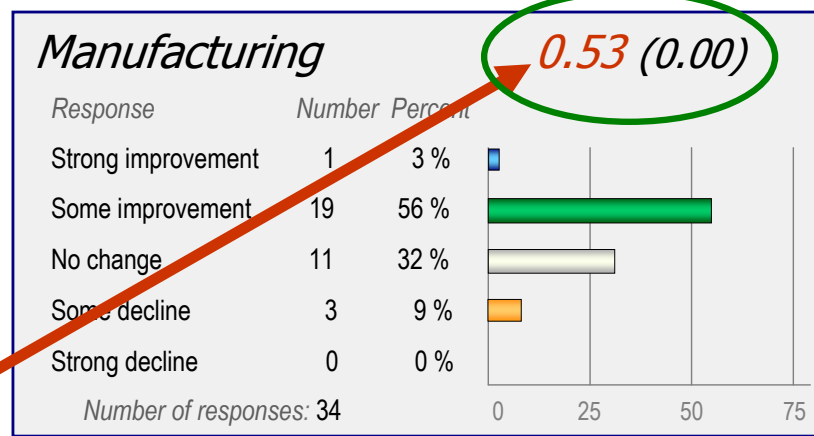
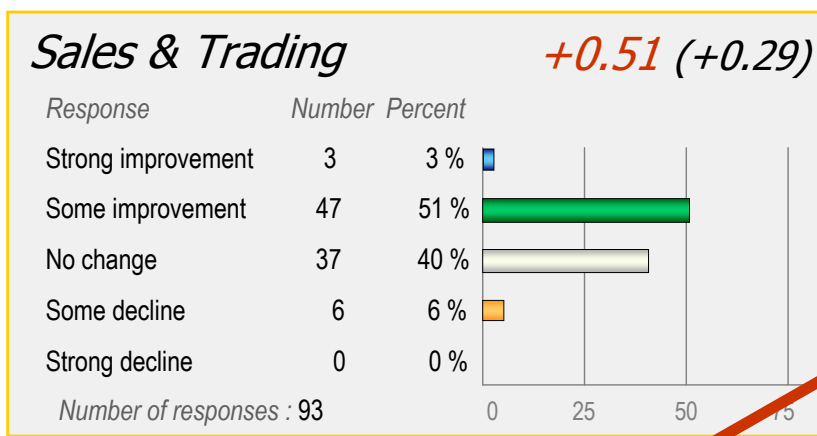


FCIJ Business Confidence Survey – Spring 2012

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

By type of business

OVERALL INDEX **+0.47**



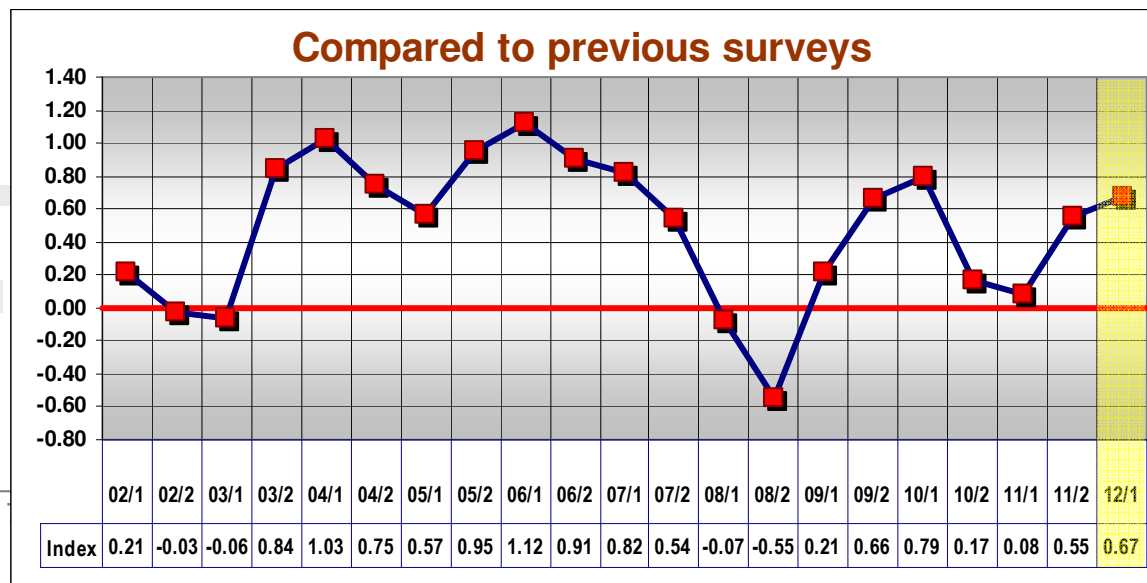
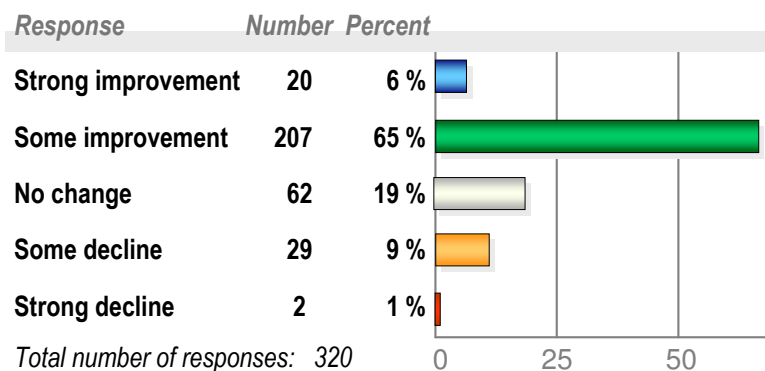
NOTES:  Notable changes  Highest-lowest

FCIJ Business Confidence Survey – Spring 2012

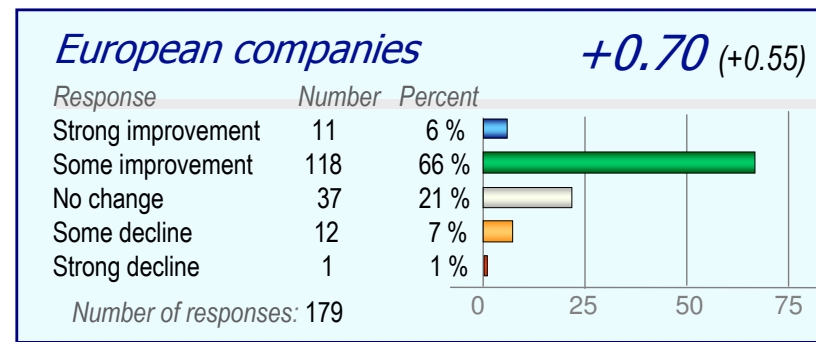
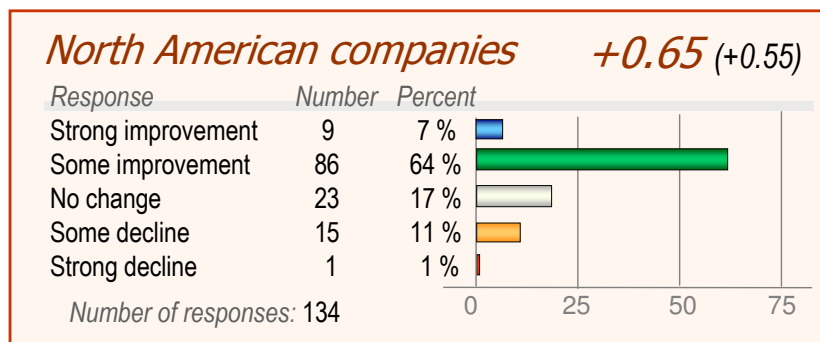
1.2. Japan's economic situation for the next 12 months

TOTAL FOR THIS SURVEY

INDEX +0.67 (+0.55)



COMPARISON BY AREA

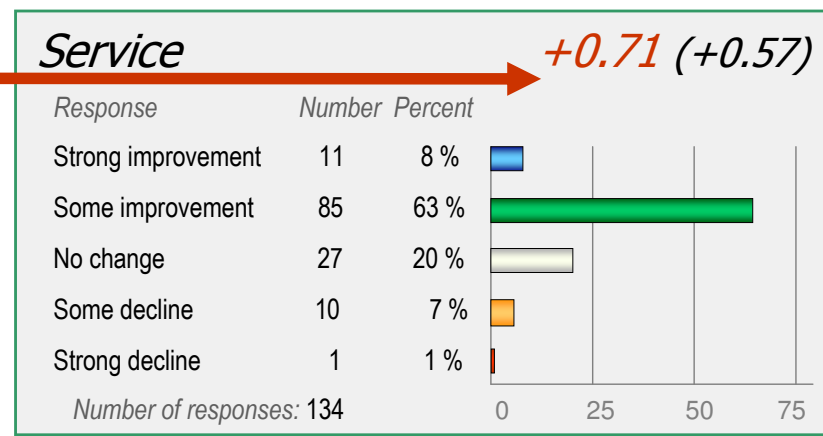
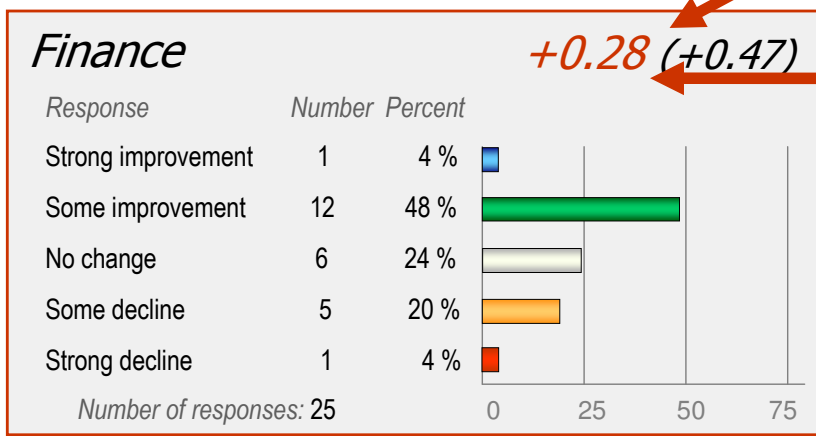
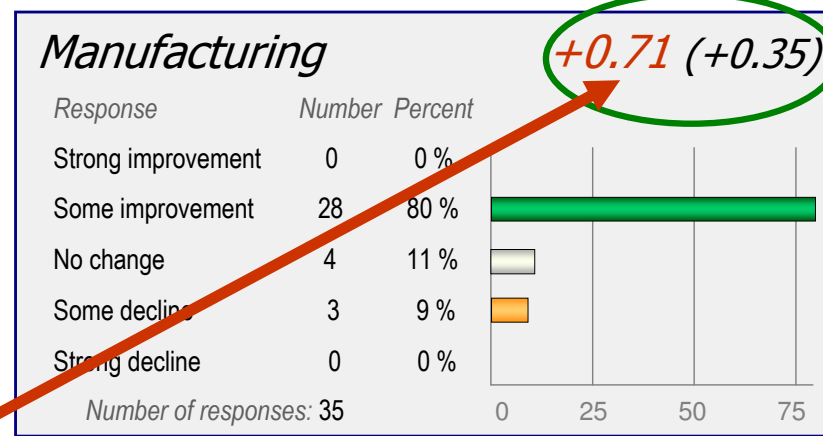
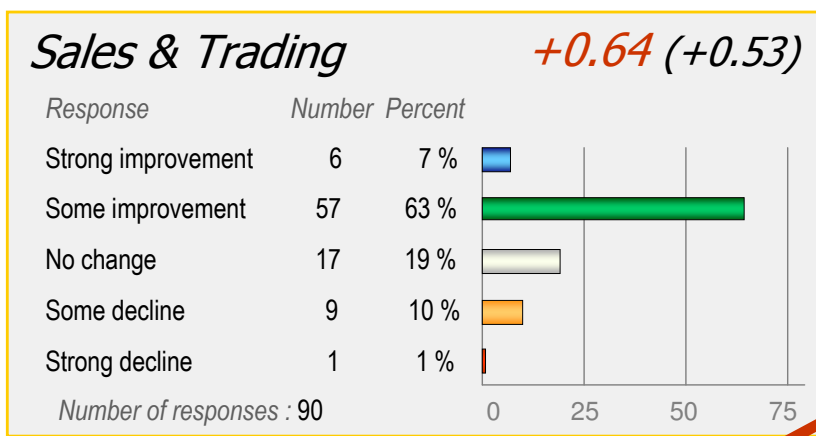


FCIJ Business Confidence Survey – Spring 2012

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

By type of business

OVERALL INDEX **+0.67**



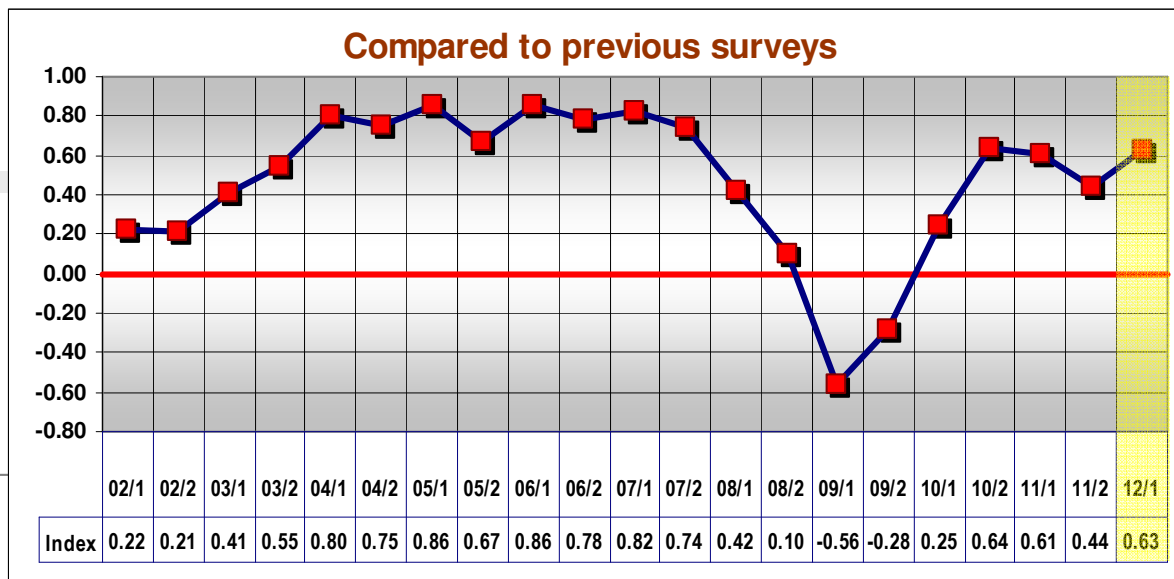
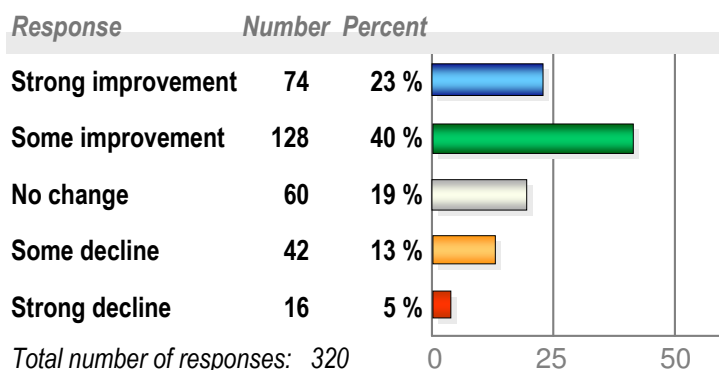
NOTES: Notable changes Highest-lowest

FCIJ Business Confidence Survey – Spring 2012

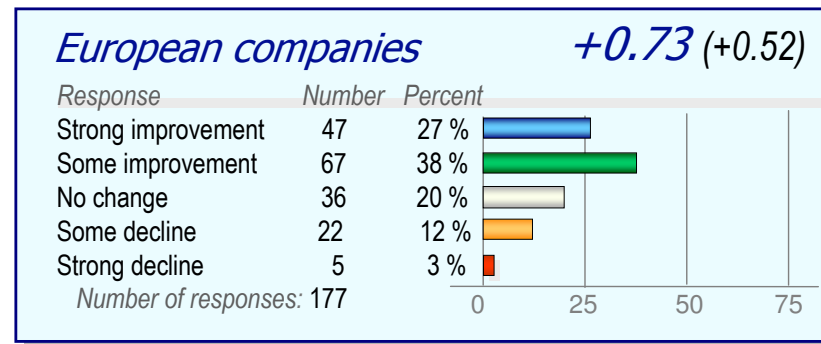
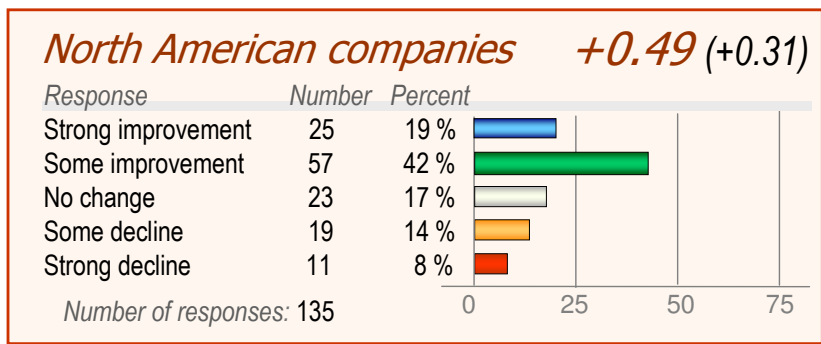
2.1. Sales performance during the **past 6 months**

TOTAL FOR THIS SURVEY

INDEX +0.63 (+0.44)



COMPARISON BY AREA

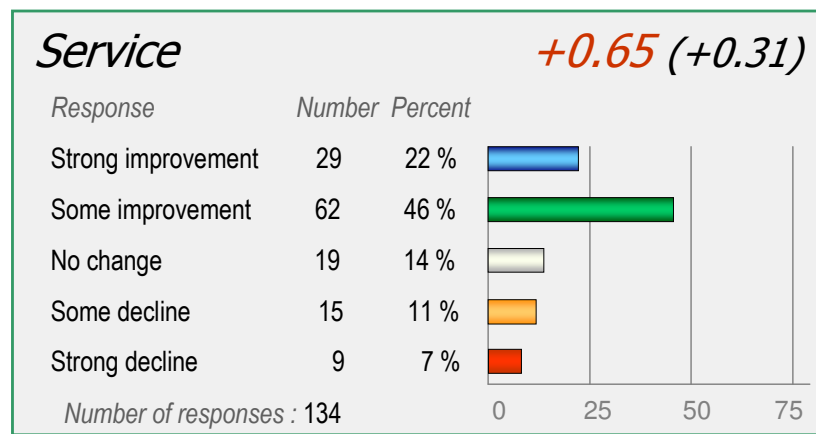
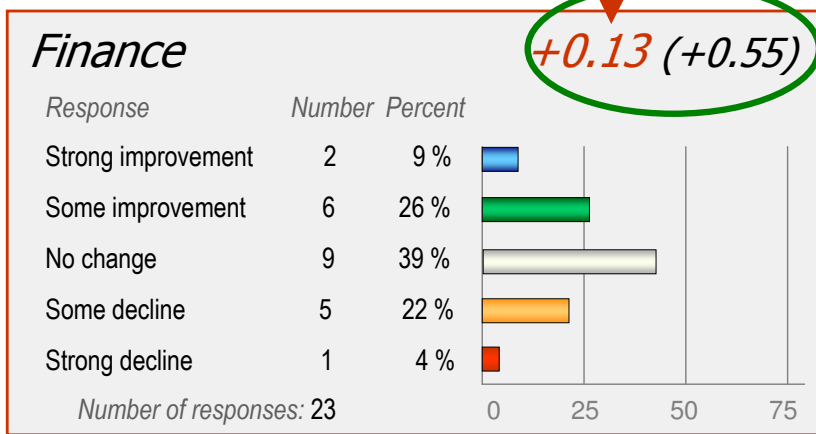
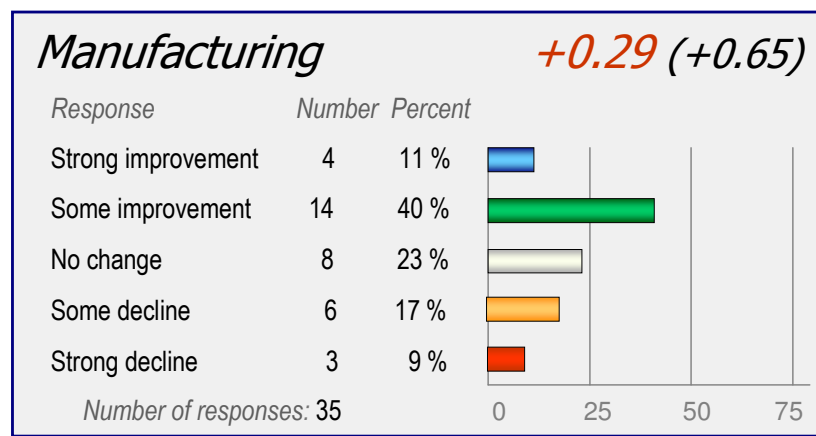
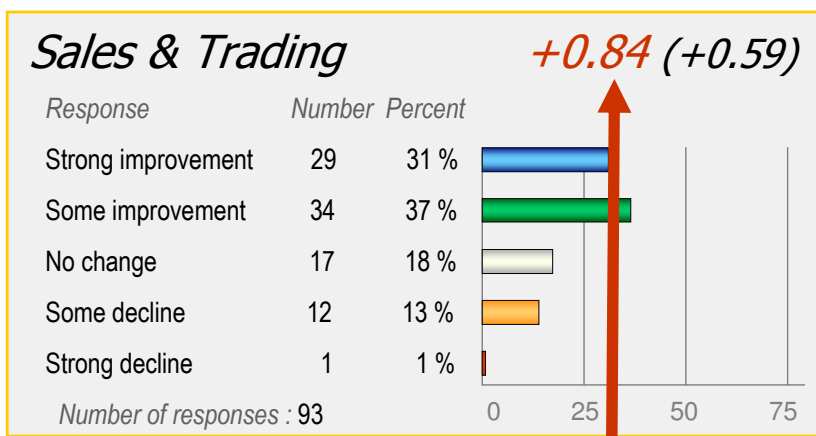


FCIJ Business Confidence Survey – Spring 2012

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

By type of business

OVERALL INDEX **+0.63**



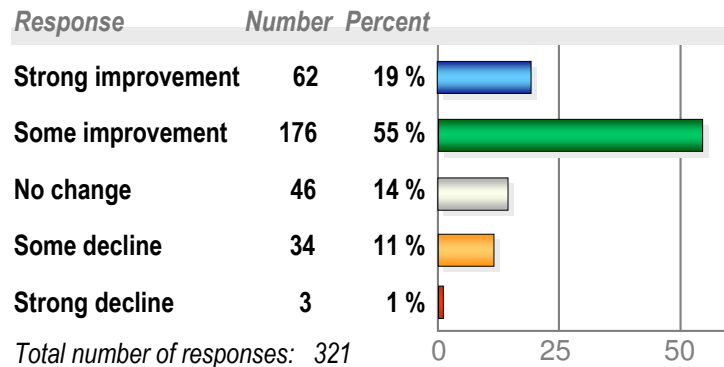
NOTES: Notable changes Highest-lowest

FCIJ Business Confidence Survey – Spring 2012

2.2. Sales forecast for the next 6 months

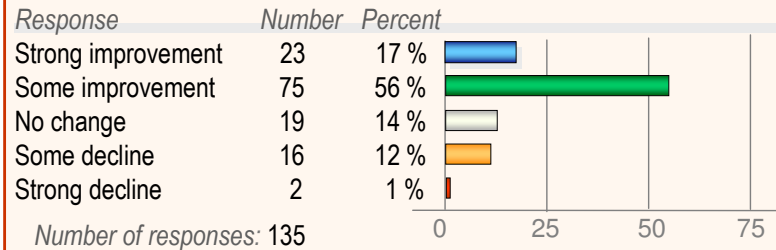
TOTAL FOR THIS SURVEY

INDEX +0.81 (+0.73)

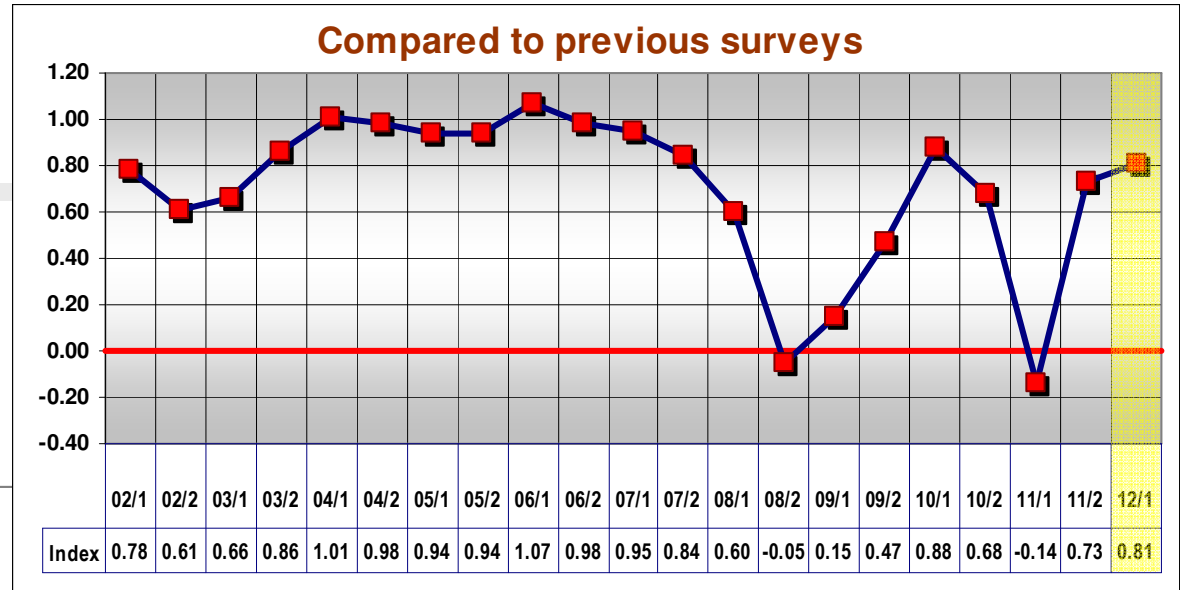
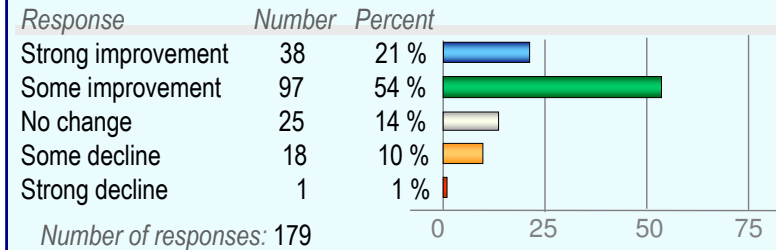


COMPARISON BY AREA

North American companies **+0.75** (+0.65)



European companies **+0.85** (+0.79)



FCIJ Business Confidence Survey – Spring 2012

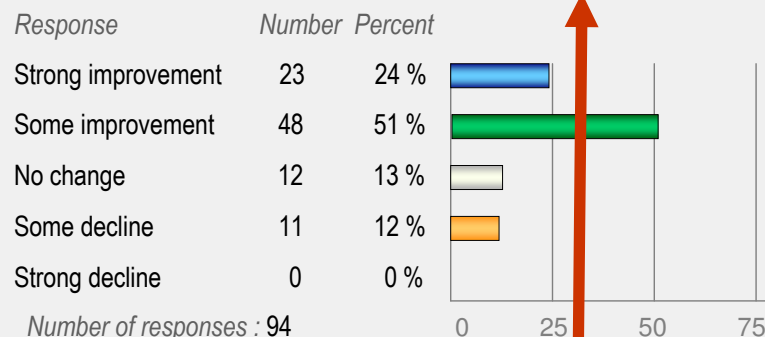
2.2. Sales forecast for the **next** 6 months (2)

By type of business

OVERALL INDEX **+0.81**

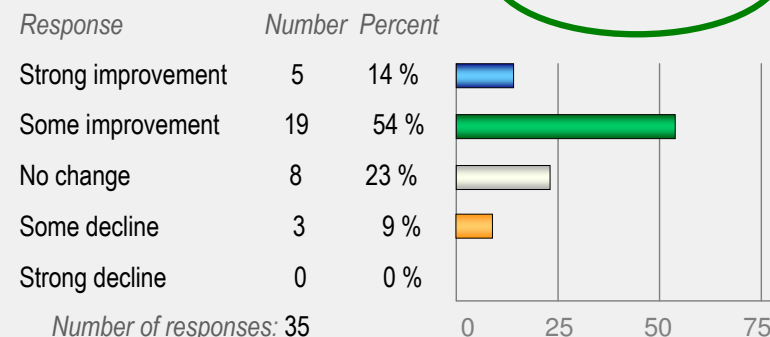
Sales & Trading

+0.88 (+0.89)



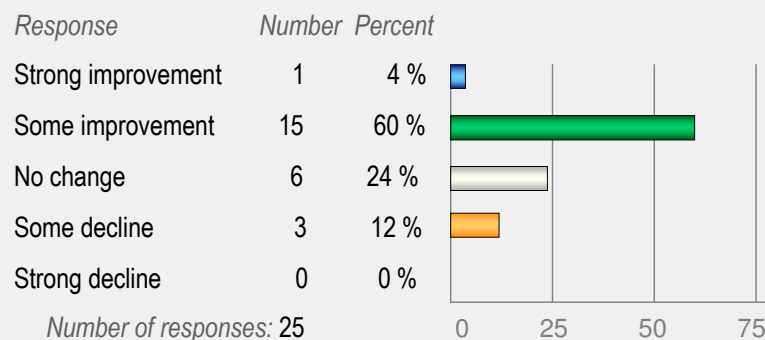
Manufacturing

+0.74 (+0.24)



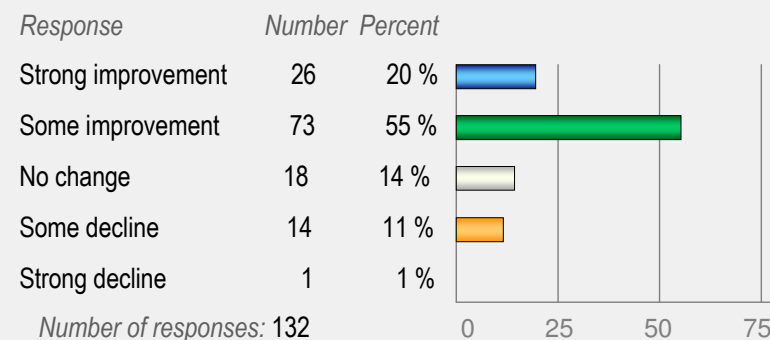
Finance

+0.56 (+0.60)



Service

+0.83 (+0.67)



NOTES:



Notable changes



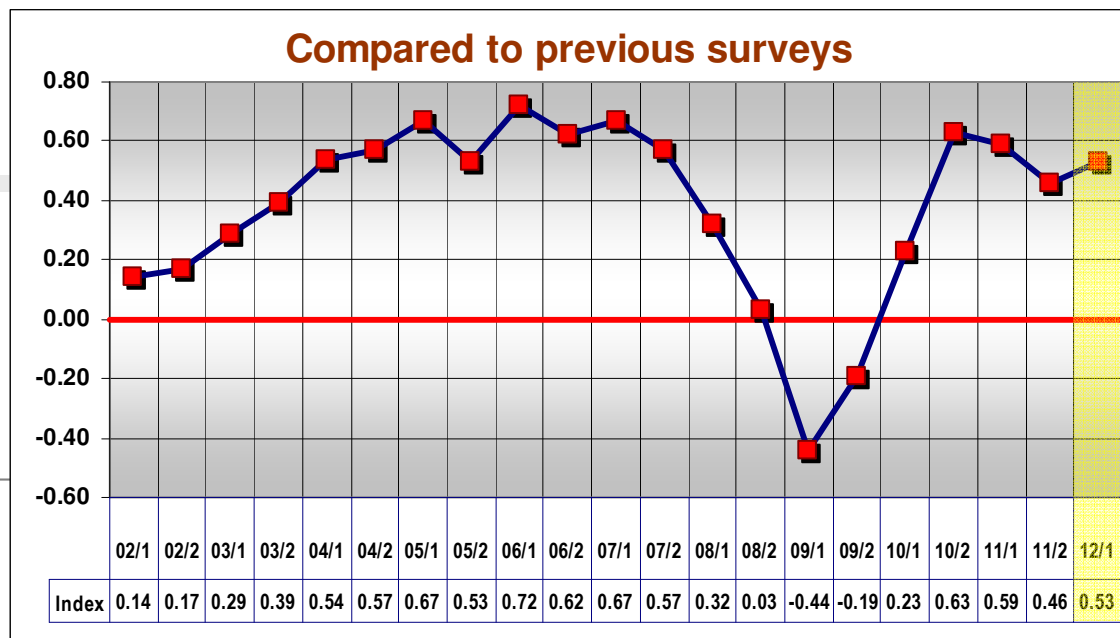
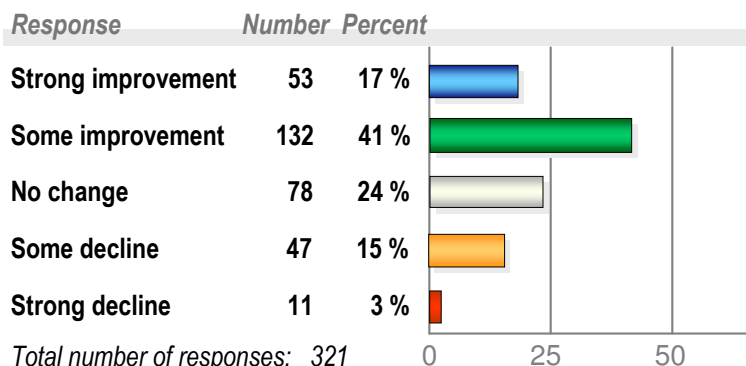
Highest-lowest

FCIJ Business Confidence Survey – Spring 2012

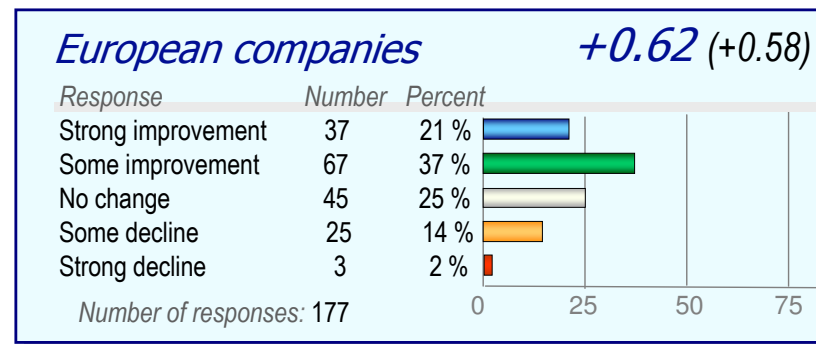
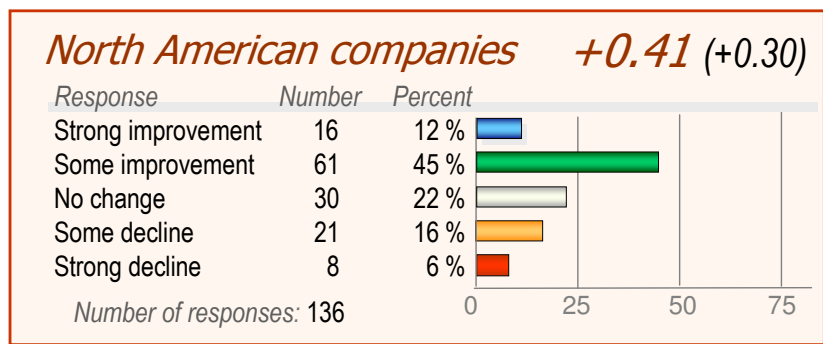
3.1. Profitability performance during the **past 6 months**

TOTAL FOR THIS SURVEY

INDEX +0.53 (+0.46)



COMPARISON BY AREA

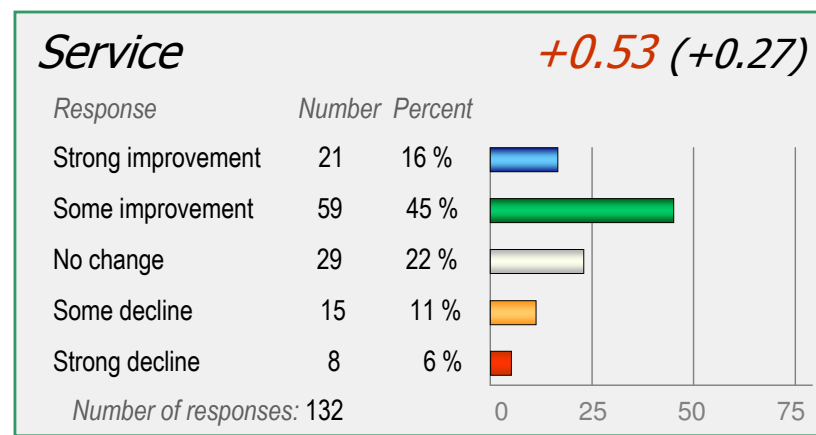
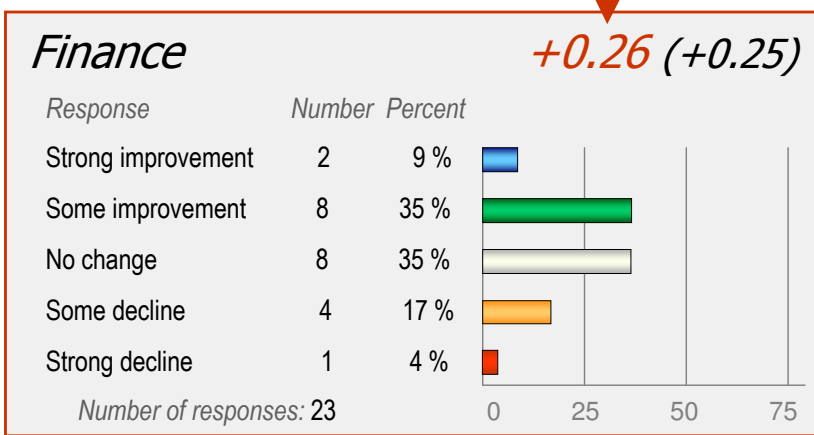
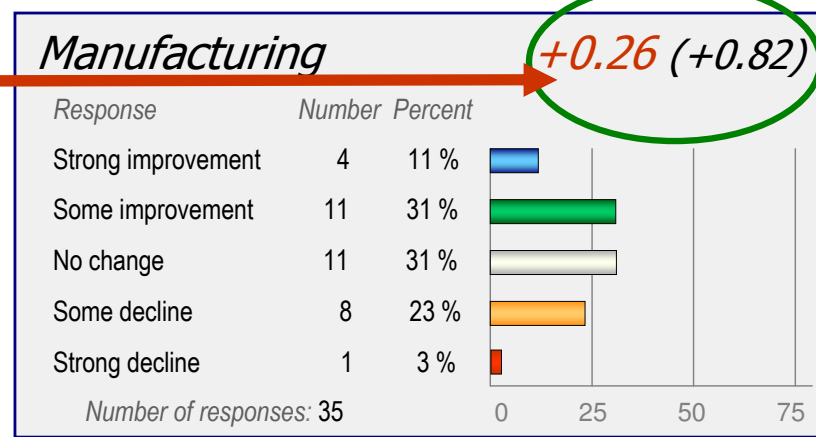
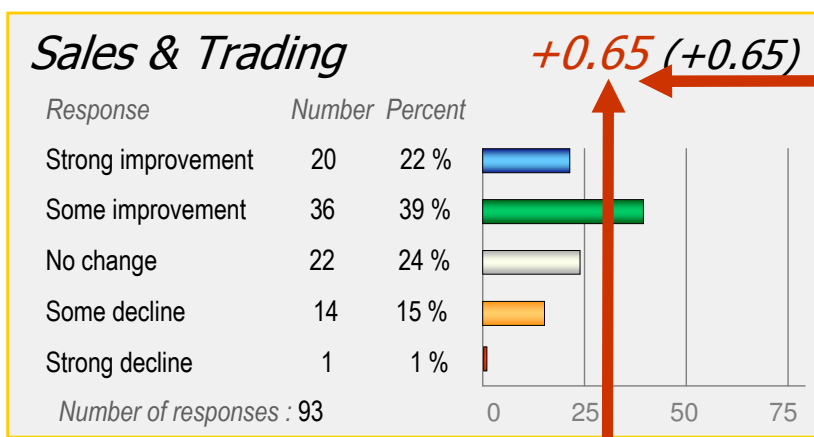


FCIJ Business Confidence Survey – Spring 2012

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

By type of business

OVERALL INDEX **+0.53**



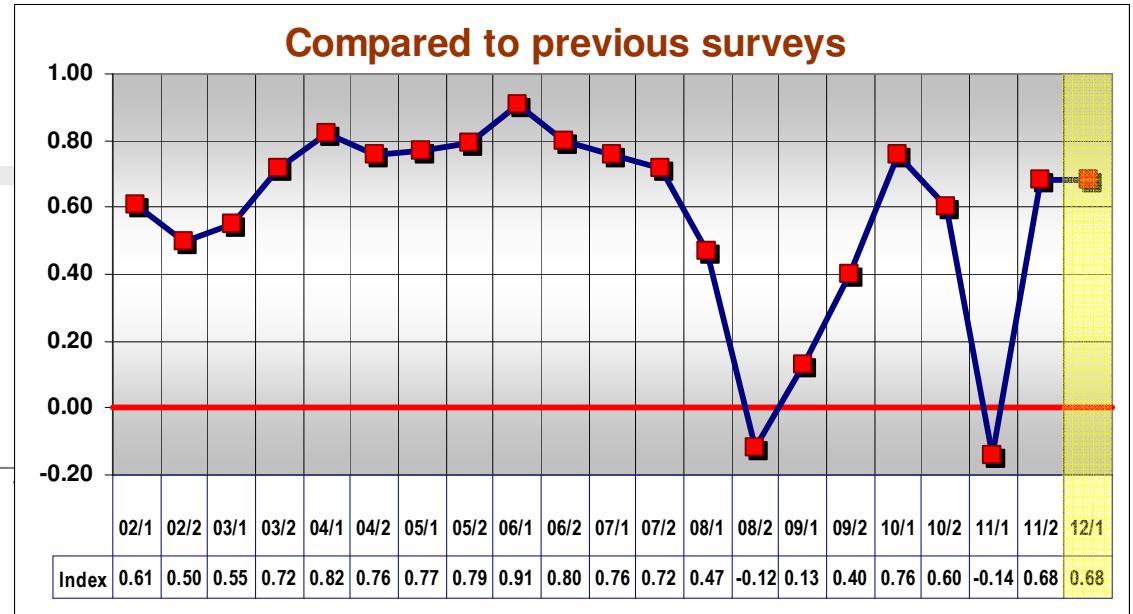
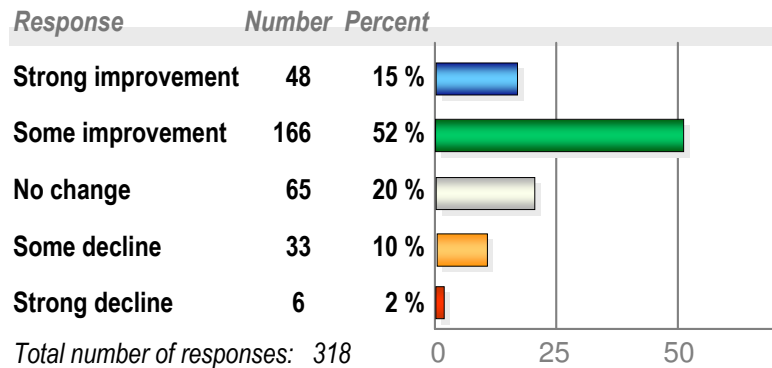
NOTES:  Notable changes  Highest-lowest

FCIJ Business Confidence Survey – Spring 2012

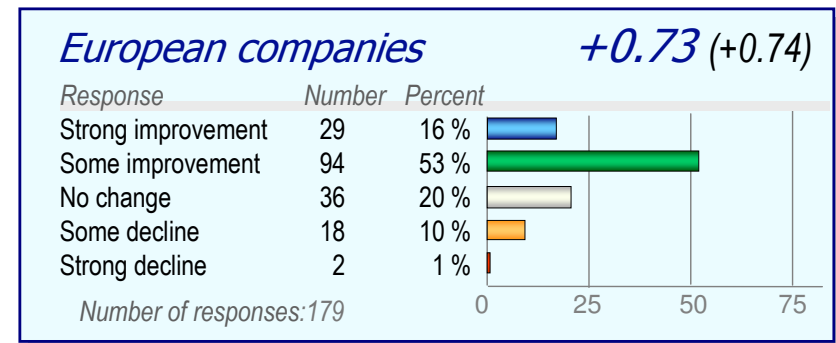
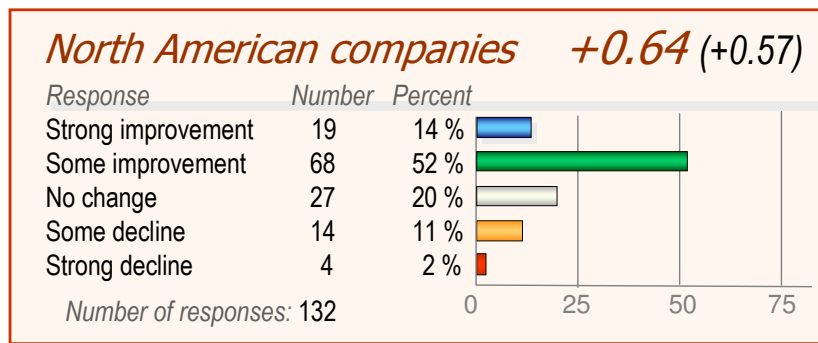
3.2. Profitability forecast for the next 6 months

TOTAL FOR THIS SURVEY

INDEX +0.68 (+0.68)



COMPARISON BY AREA

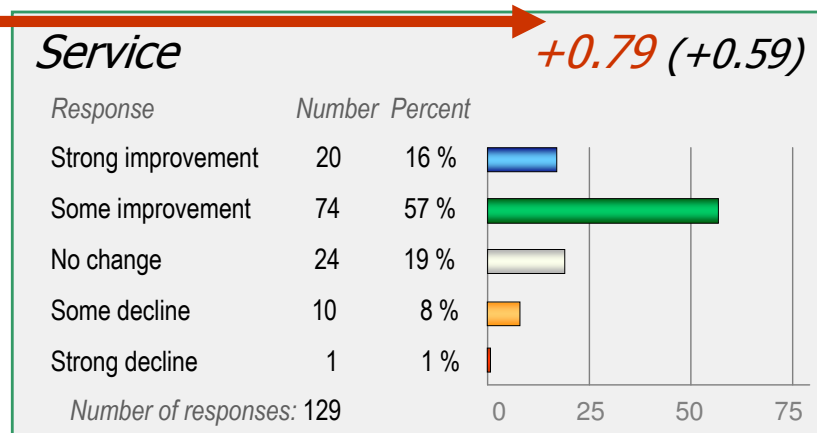
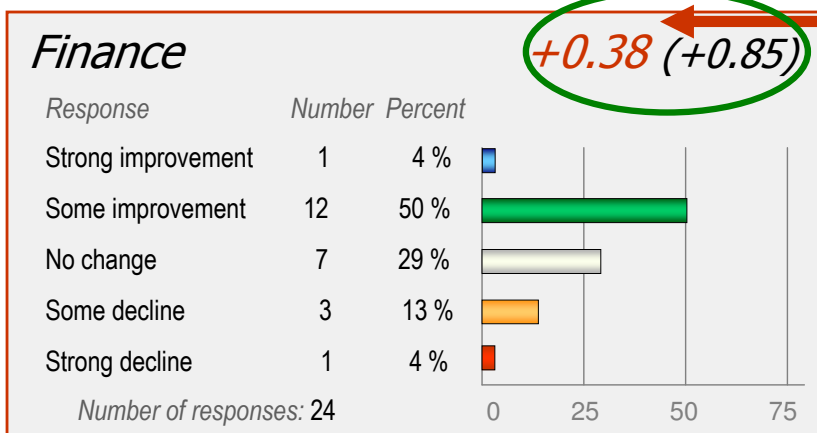
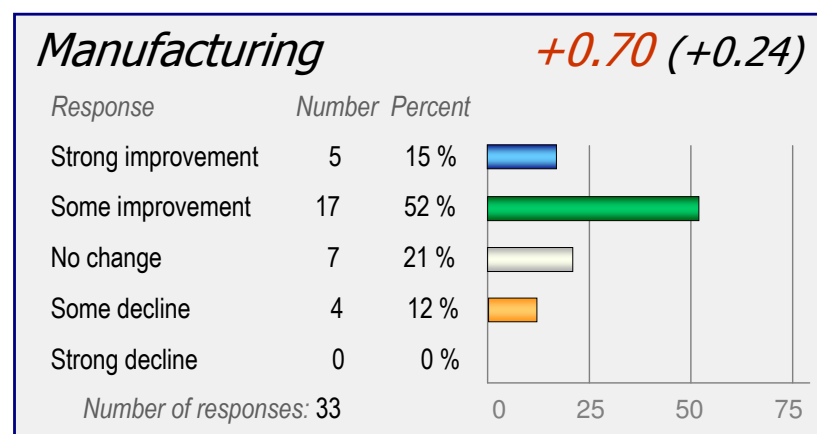
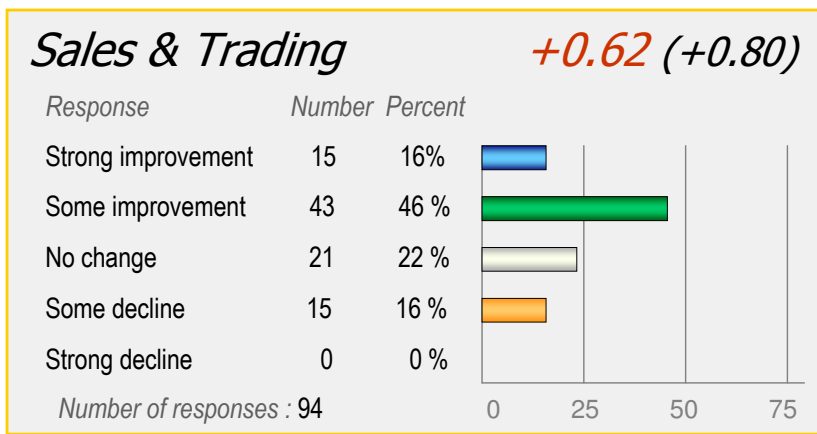


FCIJ Business Confidence Survey – Spring 2012

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

By type of business

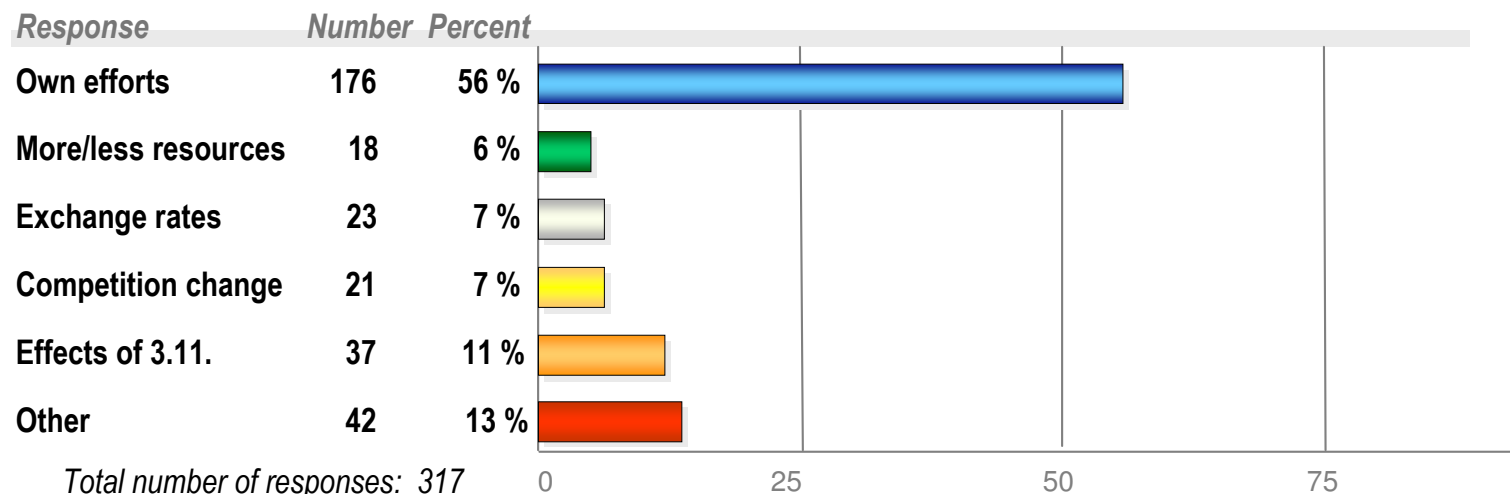
OVERALL INDEX **+0.68**



NOTES:  Notable changes  Highest-lowest

FCIJ Business Confidence Survey – Spring 2012

4. Reasons behind the changes in business performance



Noteworthy:

'Own efforts' are still considered to be the strongest driver in changes in business performance. The reason 'Other', which has declined in the three latest surveys, has been clearly attributed to the bad global business climate (which now is improving).

A new response alternative in this question was 'Effects of 3.11'. However, only 11% reported that it had been a major reason behind the changes in their performance.

As expected, 'Exchange rates' have gained less influence, because the rates have remained on similar levels for the last year or so. In the Fall 2010 survey 'Exchange rates' got 13% of the responses, now only 7%.

FCIJ Business Confidence Survey – Spring 2012

4. Other reasons to changes in business performance

(All comments are available on the website)

1, 2 and 5

A combination of own efforts and 3.11 opportunities

Brighter perception of Japanese market from foreign investors.

Business recovery after 3.11

Change in investors' sentiment

Changed project schedules by customer

Changes in our market niche

Demographic changes

Depressed economy

European Debt Crisis

General market adoption

Global Financial Uncertainty

Higher fuel prices

IFRS conversion / foreign IPOs

Increase in foreign activity in Japan

Industry Decline - staff layoffs

Japanese corporations going offshore.

Japan's VAT & Consumer Taxes

Lack of available budget

Market in downturn trend

More opportunities overseas

My effort and help around me

New Product led growth

Overall downturn in global economic environment

Post-disaster recovery and resumption of normal growth

Post-disaster recovery and resumption of normal growth

Pricing pressures

Raw material's price hike

Recovery of industries, placing of orders, which had been hold back.

Stagnant economy

Thailand floods

We take no new sales activity in Japan

FCIJ Business Confidence Survey – Spring 2012

4. Comments to changes in business performance (1)

(All comments are available on the website)

A lot of customers postponed or cancelled planned purchases after 3.11 but indications are that a number of these opportunities are now being re-instated in the financial year beginning April 2012.

Being under severe pressure, some customers asked for delays in projects

Budget cuts due to European Debt Crisis at Headquarters, which includes cuts or prolonging projects for their Japanese affiliates we do business with.

Changes in our market niche are probably 80% of the reason and the rest would be our own efforts.

Changes in strategies after 3.11.

Consumers are scared about radiation and buy packaged products from regions further away.

Continuous and daily communication to our customers through Social Media. Strong messaging and branding through these tools builds quicker awareness

Customers who suffered by 3.11 disaster stopped projects and payments, but now they are coming back quickly.

Exchange rates have increased outbound investment to some extent, but Japanese companies seem to be too timid. Now is their chance to expand internationally; if they do not expand now, and domestic policy discontinuities are not corrected, there will never be another chance. Conversely, the benefits of the strong Yen do not seem to be passed on to consumers, except perhaps in the cost of traveling abroad once the air ticket is paid for. If Japanese companies are not going to pass the benefit along, they should spend the arbitrage profits on internal investment, employee benefits and outbound M&A.

Fewer foreign companies investing in Japan, causing our revenue to decline.

Inbound travelers coming back

Japanese customers suffering from strong yen, moving out production from Japan.

FCIJ Business Confidence Survey – Spring 2012

4. Comments to changes in business performance (2)

(All comments are available on the website)

Most important our business item are related Japan reconstruction projects.

Our business model is demographics-based. Changes in Japan's population structure are hurting us and will soon force several of our competitors out of business.

Plant investments made in Japan generate new revenues

Re-strategizing our thoughts on Japan and re-organization of operations.

Result of both Shift in company focus to China

Strong Yen supports our profitability.

The Japanese market's moderate but stable condition is looking more attractive to our overseas clients confronting an economic slowdown in Europe and lack lustre opportunity in the US

We are coming into a busy time of the year for the Moving Industry.

We are experiencing a steady increase in the number of foreign visitors coming to Japan to join our tours since the severe drop after 3.11. We are close to or have surpassed our business levels prior to 3.11. The consistently high profile of Japan in world news is now a beneficial factor. Contrarily, the high Yen is the biggest detrimental factor in keeping many other potential visitors away.

We are in the cloud services market and adoption rates are growing which is pulling us along

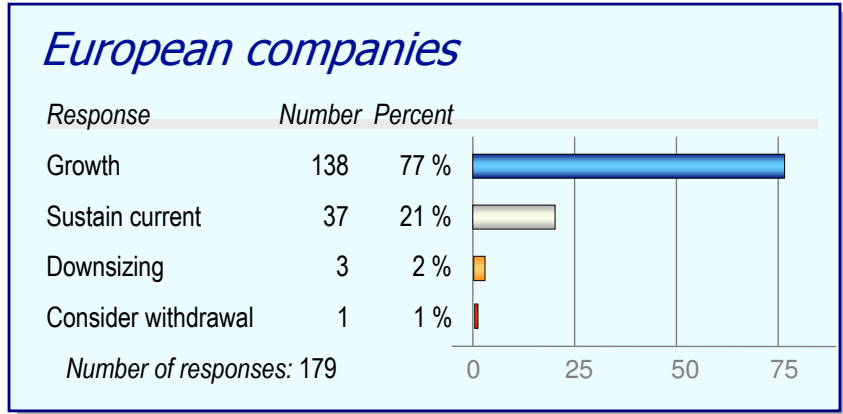
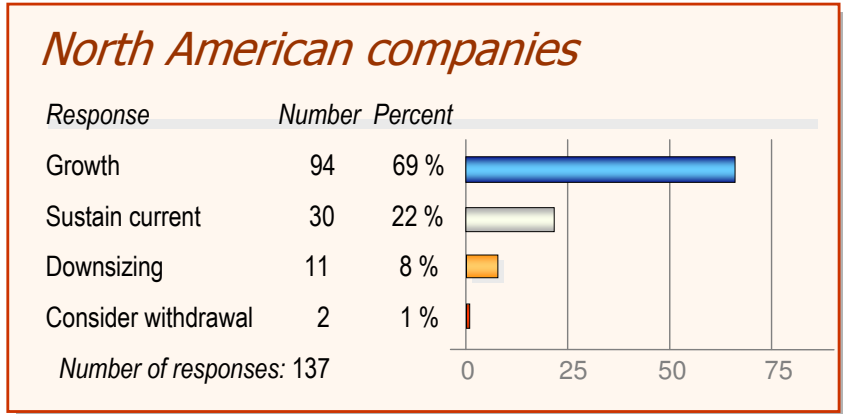
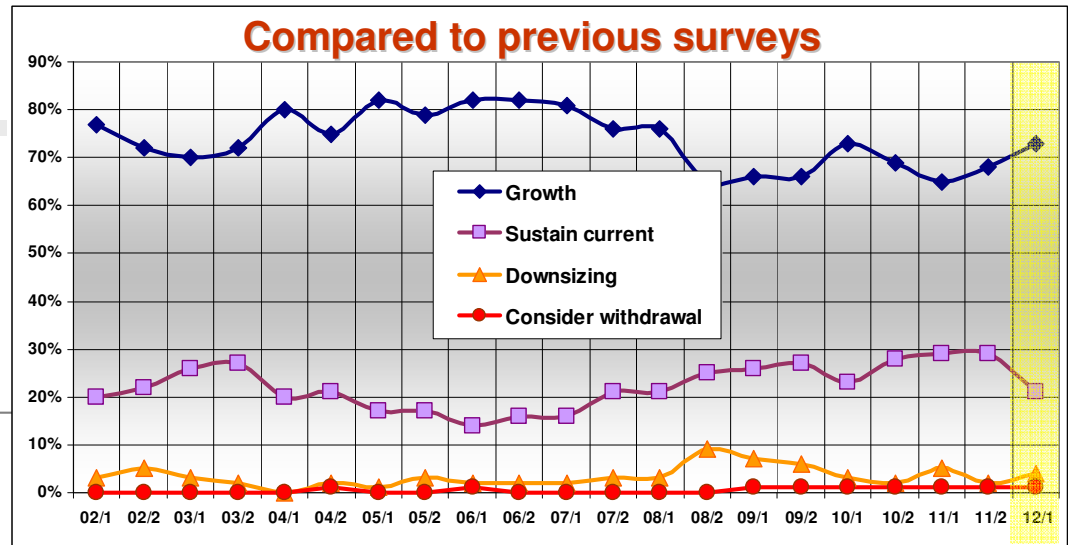
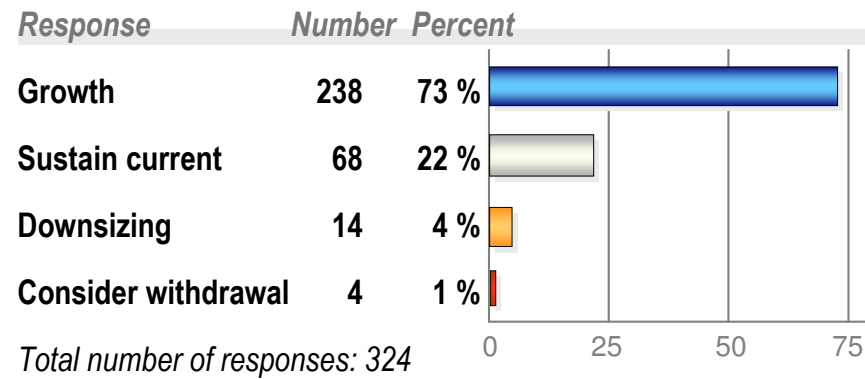
We saw a large increase in moves out of Japan after 3.11 which was good for last year but has reduced the size of our current market, reducing the market potential demand in the near term (1-3 years?)

Working harder, longer and with more creativity.

FCIJ Business Confidence Survey – Spring 2012

5. Strategies in Japan

TOTAL FOR SURVEY



FCIJ Business Confidence Survey – Spring 2012

5. Strategies in Japan – Comments (1)

(All comments are available on the website)

Always seek business opportunities in Japan

As an importer and chairman of ACCO Trade Committee - with over 40 years experience in Japan - I intend to push for a more reasonable tax policy than the present idea of the Democratic government.

By recruiting new consumers and leveraging our numerous new collections planned to be launched this year.

Can still create the consumer demands from different point of view.

continued growth in new product areas and to new industry segments

Continuously finding and carving out a niche in an existing market.

Expand with caution. Careful planning.

Future of Japan is unclear!!

Growth strategy focused on middle-market and outbound, rather than large companies and inbound.

In a selective way find niches where our company can make a difference.

Limited opportunity given overall market is not growing

More close communication with customers

Not really downsizing but becoming even leaner and more efficient. Reduce fixed costs.

Our specific market in maintenance and renovation is growing.

Sales are suggesting growth is possible and we are considering about 10% growth but working on HR now

Seeking growth, but not expansion.

FCIJ Business Confidence Survey – Spring 2012

5. Strategies in Japan – Comments (2)

(All comments are available on the website)

Striving for category leadership in a niche market where the Japanese market is lagging the global trend.

Sustain current level for 6 months following March 31 year-end, then grow again in the second half of the fiscal year.

The only growth in our sales revenue has been from offering new services and entering new markets.

There are still plenty of opportunities to be explored.

Watch the Japanese market carefully and see if we have any good chance or not.

We have 30 resellers / channel partners today and we continue to focus on growing our business through the support of these companies

We have a strategic presence in Japan, but we do not see a possibility for a substantial growth in Japan. The growth opportunities are more significant in other Asian countries, even though the business is to a certain extent controlled by Japan companies

We see Japan as growth market.

We still aim to grow in Japan. restructuring can be part of the approach, to refocus resources and priorities in key areas.

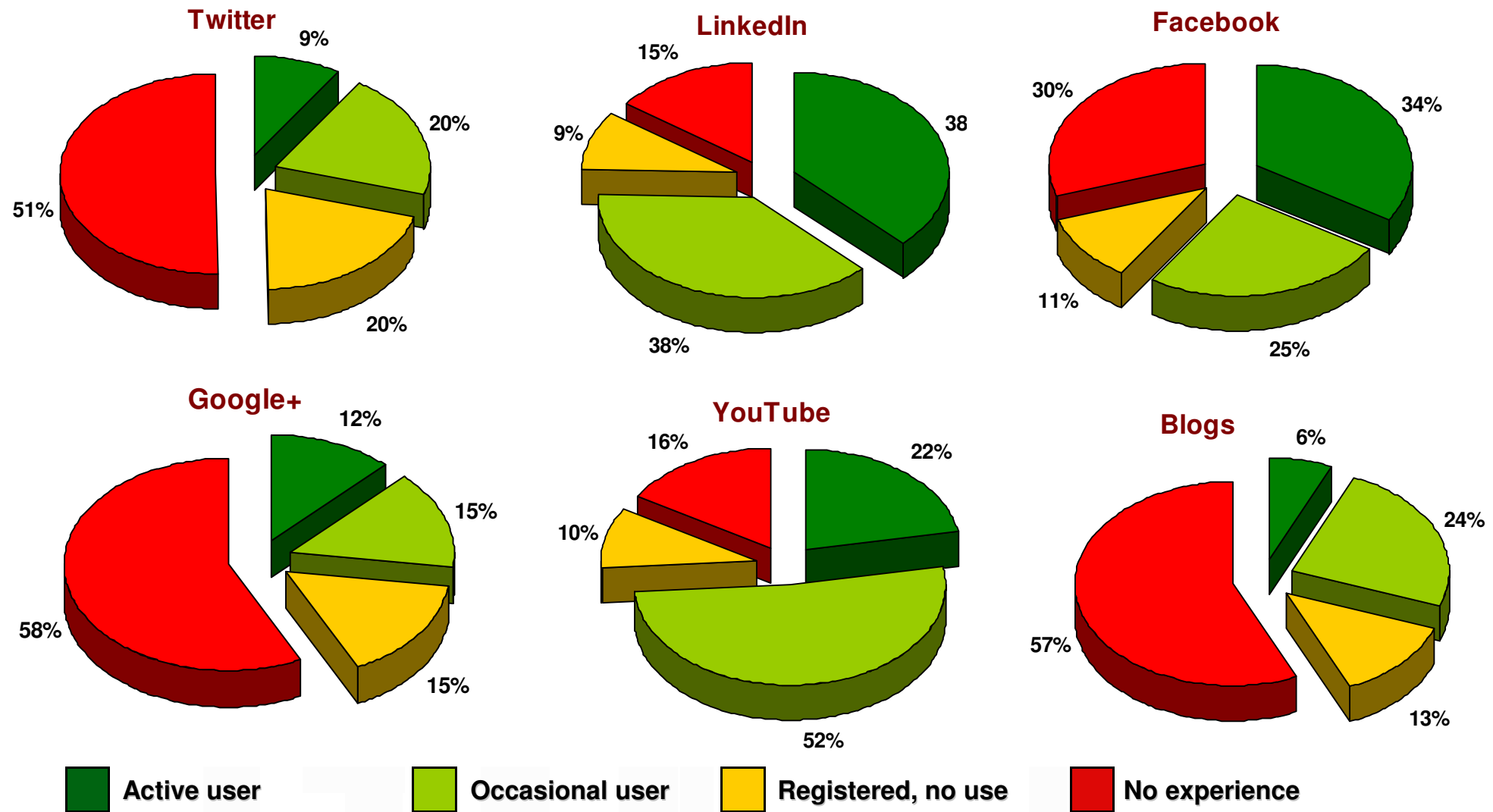
We took the opportunity in 2011 to restructure our company to significantly increase our capacity and accelerate our growth. We are also hiring new staff, have brought new products (tours) to the market and expect the Japan in-bound tourist market to grow well again.

We would like to achieve the same or better results but with fewer employees in Japan.

Will grow if our market grows which is not the case right now

FCIJ Business Confidence Survey – Spring 2012

6. Familiarity with Social Media ?



FCIJ Business Confidence Survey – Spring 2012

6. Other Social Media used

Google alert.

Instagram, Path, Pinterest

Mainly e-mail

MIXI (2 mentioning)

My phone

News websites with interactive features

Newspaper & personal contacts to other business men

Pinterest

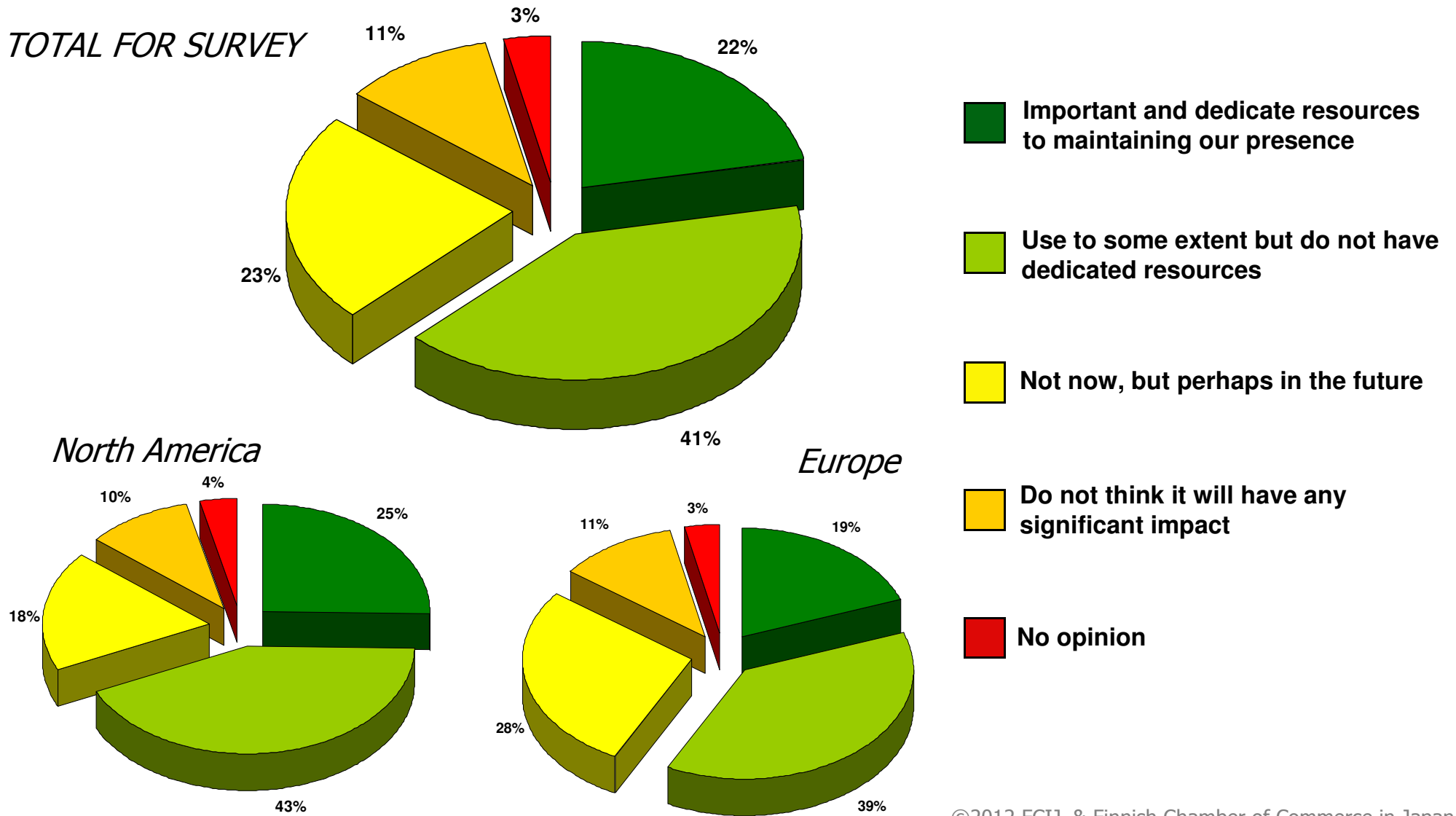
Prefer communications s by text push e-mail... Not a Luddite but find it more concise

XING (3 mentioning)

Yahoo

FCIJ Business Confidence Survey – Spring 2012

7. Views on Social Media in Business Promotion?



FCIJ Business Confidence Survey – Spring 2012

7. Comments on views of Social Media in Business Promotion (1)

(All comments are available on the website)

An important tool to catch people/loyal customers attention, especially building awareness of products/brands in this market.

B2C: social media becomes a vital marketing tool to connect with customers. Yet a strong self owned and managed web presence is needed (own website is important!), and then connect it with social media channels e.g. Facebook, Twitter, Mixi... B2B: less important, yet a good opportunity for manufacturers to get connected directly with the product users. Build brand awareness. Shows that one takes care about the users, not only for its distribution channel. Most important: have a strategy and allocate resources. It does not work "by computers only", there is heavy human interaction required to use social media successfully.

Head office is active user but here we do not do anything.

I believe development of Social Media via internet and real-world networking with face-to-face contacts should go hand in hand.

it is a great tool to reach your customer one on one and try to control your own message and really gauge how customer see you

It would be the medium for the future of Japan market.

Key component in our strategy - aim to increase investment; not sufficient for now.

My opinion is that people who spend time on social media are not content with their situation and they should use it as one possibility to find a new job. So by using this media they may receive advices/clues where to find but I don't think that this is the right media to present a company and their HR demands.

None - my problem is that it takes up too much time- would rather sit down and read the business newspaper and comments of business men then with the computer.

FCIJ Business Confidence Survey – Spring 2012

7. Comments on views of Social Media in Business Promotion (2)

(All comments are available on the website)

Not core to 2012 strategy but in the pipeline.

Our company is a traditional steel industry company, i.e. rather conservative in the use of Internet and social media

Privacy and data protection are major issues and reasons behind the decision not to use social media.

See Facebook concept as to be criticized - too much power in one hand.

Social media do not currently have a big impact in our businesses but we are monitoring the situation.

Social media is not so much about promotion but cultivation and communication. Campaigns and websites will be used to generate interest and social media will be the forum in which that engagement will take place. Essentially it's a means to an end not the end itself.

The toughest question is how many resources to allocate and which networks to focus on.

This will be a growing focus of our business strategy throughout 2012

Time will tell if it really works as is - I suspect many will get bored with the current offerings and there is a major paradigm shift still to come before it becomes really useful.

To directly access end users and listen to them

We are currently re-examining our strategic approach to digital channels. Social media may not be given priority.

We occasionally receive direct business inquiries through Facebook and Twitter

We think it is important for certain products and we will dedicate resources in the future.

We want to learn by trial and error in Japan, but HQ prohibits local initiatives and has still not developed a global plan

FCIJ Business Confidence Survey – Spring 2012

General Comments (1)

(All comments are available on the website)

Business is still tough because the clients are holding back on decisive decision-making resulting in slow sales.

Continued shifts in medical regulatory and reimbursement environments remain a challenge on balance of investment versus maintain in current market conditions

Customs clearance issues at present.

For a business that caters to helping foreign arms of western companies operate in Japan, I would say that being able to connect with companies in the UK that need help in Japan would be of great benefit to us.

Global Pharma companies are facing more stringent set of global regulations requiring more compliance training and investments, as well as downsizing for adjusting to more costly research and development programs and generic pressure. Japanese market access remains one of the most difficult and remains responsible of considerable drug lag. Health technology assessment appears at the MHLW horizon of 2014-2016.

Help prevent illegal copies of our machines being distributed in Japan work to establish testing standards to prevent our competitors from using misleading claims

How to deal with those department stores' buyers without having any interference from the wholesalers.

Important to support the EU - Japan , FTA/EIA discussions through EBC, a key issue for the future of European Businesses in Japan.

Our major concern is a fact that Japan has been losing its attractiveness in the world market because of several reasons and no improvement is expected in the near future lack of political leadership.

Resources need to be strategically allocated to optimize growth in Asia and the region; considering growth rates, there is good reason to focus energy on China and SE Asia; however, those companies that ignore Japan or simply want to milk the cash cow do so at their own peril.

FCIJ Business Confidence Survey – Spring 2012

General Comments (2)

(All comments are available on the website)

My ultimate objective at the Chamber is to attempt at bringing all foreign chambers together under one banner, for example "Federation of Foreign Chambers of Commerce in Japan," to create a united front with respect to the Japanese chambers of commerce, associations, unions and government agencies, etc. As we come closer together in Tokyo, we will see an expansion in the translation industry, foreign IPOs, mergers, etc.

Support to remove non-trade tariffs.

The chamber should do much more promotion of emerging technologies and business practices like helping traditional businesses (Foreign or Japanese) move their IT needs to the cloud.

The regulatory environment for financial services is not conducive to growth in Japan. There will be increasing pressure to do more business out of Hong Kong. The pressure will come partly from employees who do not feel comfortable with the situation in Japan (radiation and perceived opacity of information) and partly because Hong Kong is growing in importance to financial services in Asia.

Trade barriers should be more strongly addressed with governments.

Views on FTA/DPP in greater Asia and impact on Japanese companies and manufacturing in Japan.

We as foreign businesses need to focus on the Japanese government in promotion the adoption of 21st century IT concepts, rules and regulations. Without the support of the Japanese government in the growth and investment of technology in new areas of expansion (spectrum auctions, data portability, digital rights, etc.) we as foreign businesses are fighting an up hill and unfair battle.

FCIJ Business Confidence Survey – Spring 2012

Summary

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

- ❑ The forecast on the Japanese economy for the next six months continued to improve. The index shows now +0.47, compared to +0.31 in the fall 2011 survey. This time 53% expect some improvement while only 10% of the respondents some or strong decline.
- ❑ The Europeans were slightly more positive than the North Americans, +0.50 versus +0.45.
- ❑ By type of business, the Manufacturing sector is most positive (+0.53) while the Finance was least so (0.26). Notable that in the previous survey it was just the opposite, Finance most positive, Manufacturing least so.

Economy in the next 12 months: further improvement

- ❑ Also in the longer term (12 months) the respondents see an increased improvement, now +0.67 (compared to +0.55 in spring 2011), now 71% expect strong or some growth, while only 10% see a decline.
- ❑ As in the views in the shorter term, also here the Europeans were slightly more positive than the North Americans, +0.70 versus +0.60.
- ❑ By type of business, the Manufacturing and Service sectors is now most optimistic (+0.71) while the Finance sector see the next 12 months least favorably (+0.28).

FCIJ Business Confidence Survey – Spring 2012

Summary (2)

Sales Performance continues to improve

Past 6 months...

- ❑ The sales performance in the past six months continued to improve from the fall 2011 survey, from +0.44 to +0.63. 63% reported some or strong improvement while only 18% had some or strong decline.
- ❑ The European affiliates reported significantly better sales performance (+0.73) than the American affiliates (+0.49).
- ❑ By sector, the Sales & Trading had by far the most positive result (+0.84) with Finance substantially lower, +0.13.

Next 6 months...

- ❑ As for the economy, the respondents see a further improvement in the sales for the coming six months. The index stood now at +0.81 (previous survey +0.73). 74% expect sales increase while 14% forecast a decline.
- ❑ Also here, the European affiliates see the future more brighter, +0.85 compared to +0.75 for the Americans.
- ❑ By sector, Sales & Trading was again most optimistic, +0.88, while the Finance sector is the least positive at +0.56.

FCIJ Business Confidence Survey – Spring 2012

Summary (3)

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

- ❑ As with the sales performance, also profitability improved from the previous survey. The index stood now at +0.53 compared to a slightly lower +0.46 in fall 2011. 58% of the respondents saw a strong or some improvement, 18% a decline.
- ❑ Again, European affiliates reported significantly higher figures than the Americans, +0.62 versus +0.41.
- ❑ By sector, Sales & Trading reported the performance (+0.65), ahead of Service (+0.53) and Finance and Manufacturing sectors (+0.26).

Continued improvement in coming six months

- ❑ The profitability forecast predicts an improvement in the coming months at same level as in the previous survey, +0.68. Now 67% of the respondents forecast strong or some improvement in profitability; only 12% a decline.
- ❑ Europeans affiliates saw the future most positive (+0.73) while Americans were a bit lower at +0.64.
- ❑ By sector, Service expect the best growth at +0.79, followed by Manufacturing (+0.70) and Sales & Trading (+0.62) sectors. Finance lagged behind at +0.38.

FCIJ Business Confidence Survey – Spring 2012

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. 73% (68% in the fall 2011 survey) are looking for further growth and 21% (28% in spring 2011) expecting to sustain their current level. 4% (2% in fall 2011) are planning to downsize, but only 1% (four companies out of the surveyed 325) are considering withdrawing from the market.
- ❑ Differences between areas were rather significant. The European affiliates were clearly most bullish with 77% of companies striving for further growth. The corresponding figure for American companies was 69%. The Americans had 8% reporting to downsize while only 2% of the Europeans reported so. Companies considering withdrawal from the market represented 1% of both the North American and European affiliates.

FCIJ Business Confidence Survey – Spring 2012

Commentary by Dr. William Schrade (1)

Once again, the Spring 2012 FCIJ Survey forecasts a tepid growth for Japan. The last Fall Survey made almost the same prediction. This sequence of surveys causes one to pause. In the past having a sequence of two such forecasts has been followed by poorer economic performance than the survey participants forecasted. It appears this survey matches that sequence. While spending on reconstruction after the earthquake and tsunami are ongoing, the impact on the overall economy is not accelerating growth. Unfortunately, the Japanese economy has been dependent upon export growth and private capital spending. Neither has had significant growth. Domestic consumption is permanently stagnant given the demographics of Japan and the Japanese economy's structural deficiencies which are politically intractable. This triad has led to a Japanese Nominal GDP in 2011 which is lower than the recession year of 2009. Moreover Japanese GDP never recovered to the pre-recessionary level while in comparison in the US that occurred in 2010. (See table below) Add to this the clear signs that US and European growth is slowing and also the recent reversal of the Yen's depreciation, all which indicate that any significant economic growth within the time frame between this survey and the next is highly unlikely.

<i>US Nominal GDP</i>	<i>Japanese Nominal GDP</i>
<i>2008: 14,291.5</i>	<i>2008: 501,209.30</i>
<i>2009: 13,939.0</i>	<i>2009: 471,138.70</i>
<i>2010: 14,526.5</i>	<i>2010: 481,773.30</i>
<i>2011: 15,094.0</i>	<i>2011: 468,425.00</i>

continued...

FCIJ Business Confidence Survey – Spring 2012

Commentary by Dr. William Schrade (2)

To elaborate on how the survey results point to future economic conditions, I direct readers to page 9 and the graph, labeled “Compared to previous surveys”. Peaks of survey optimism (surveys: 03/2-04/1; 05/2-06/1; and 09/2-10/1) in 2 out of the 3 times are followed by disappointing sales performance. Only coming out of the depths of the financial/Lehman Brother’s recession did sales performance show improvement under the same pattern. Additionally causing concern is the survey’s trend in its evaluation of Japan’s economic situation for the next 6 to 12 months. The peak of the trend has been trending downward since Spring Survey 2006. In effect, participants seem not to believe that Japanese economy is capable of strong recoveries or strong sustained growth.

Finally, the question, “Will the Yen continue its role as a significant cap to short term growth?” festers on. Since the last survey, all three factors, European debt crisis, BOJ policies and US Federal reserve policies, have positively and negatively impacted the Yen. US Federal Reserve seemed ready to get out of the business of quantitative easing when 4th quarter US GDP spelled growth. Then 1st quarter’s reported slower growth ended that expectation. Likewise, the Euro debt crisis appeared under short term political control. Then, Spain, realistic analysis and the Netherland’s political impasse contradicted the optimistic short term trend. BOJ’s recently policy shift appear to accommodate further Yen depreciation. But how the combination of all these factors will impact the Yen depends upon how market analysts weight BOJ efforts, the contrary European threat and US growth. But the trend seems downward again. Perhaps at best stabilizing at the current low 80’s to high 70’s.

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

FCIJ Business Confidence Survey – Spring 2012

**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 October 2012.

This survey has been supported by:

FINNAIR

www.finnair.com



www.asiantigers-japan.com