Trends in Overseas Subsidiaries (Summary)

Quarterly Survey of Overseas Subsidiaries (October–December 2009)
~Surveyed in February 2010~

March 19, 2010
Research and Statistics Department, Economic and Industrial Policy Bureau
Ministry of Economy, Trade and Industry

★Sales exceeded the previous year for the first time in five quarters; Forecasts continue to see improvements★

☆Forecasts (Current DI (*1): January–March 2010, Next DI: April–June 2010)

1. The Sales DI remained positive for the fourth straight quarter.
   The Current DI and the Next DI recorded positive figures at 10.2 and 19.9, up 62.0 points and 44.0 points from the same quarter of the previous year, respectively, showing improvements from the previous survey partly as the rebound from the previous year. All regions recorded positive figures for their Current DIs and Next DIs.

2. The Capital Investment DI posted positive figures for the third straight quarter.
   The Current DI and the Next DI recorded positive figures at 10.7 and 12.3, up 33.7 points and 29.7 points from the same quarter of the previous year, respectively, showing improvements from the previous survey partly as the rebound from the previous year. All regions recorded positive figures for their Current and Next DIs.

3. The Number of Employees DI posted a positive figure for the third straight quarter, with its year-on-year change showing improvements from the previous survey.

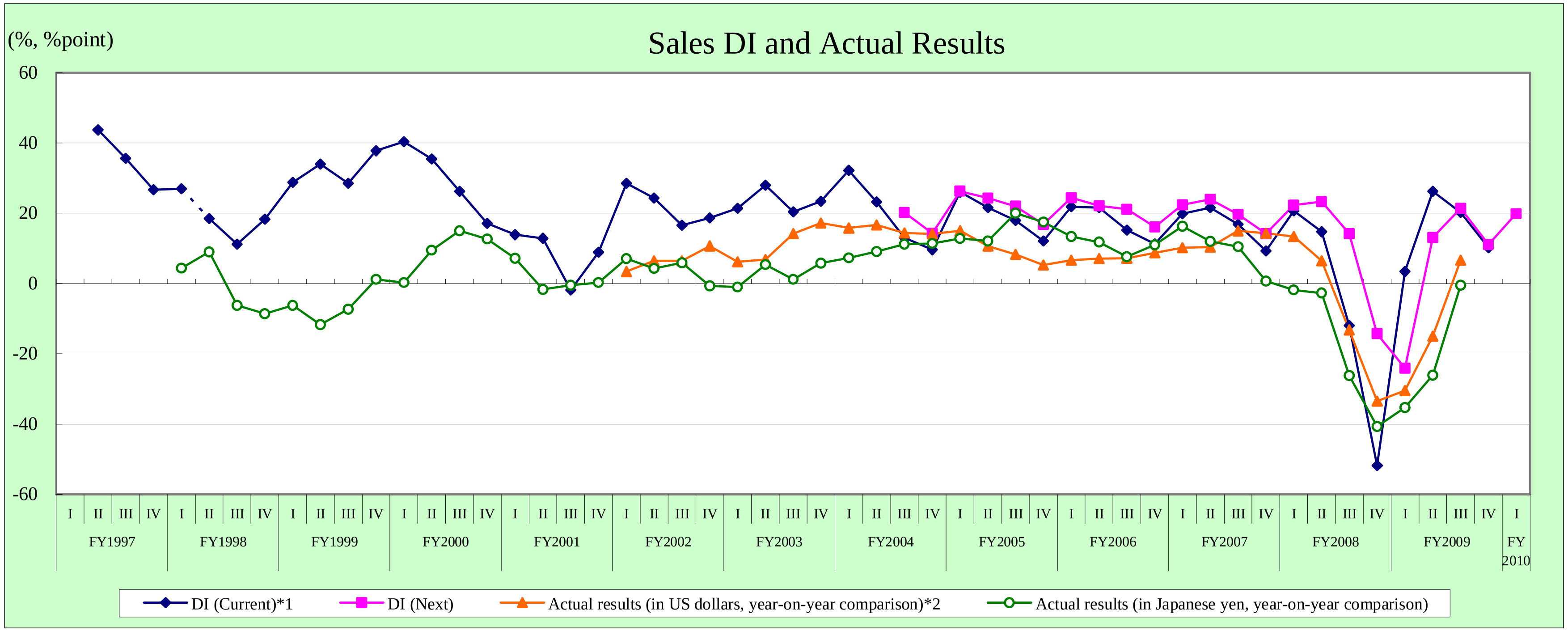
☆Actual results (October–December 2009, year-on-year growth rate)

1. Sales (in U.S. dollars) increased 6.6%, up from the same quarter of the previous year for the first time in five quarters. North America (down 5.2% year-on-year) and Europe (down 0.4% year-on-year) saw a slowdown in the pace of contraction. Asia (up 15.2% year-on-year) reported double-digit growth.

2. Capital investment (in U.S. dollars) fell 33.0% from the same quarter of the previous year, easing the pace of contraction. Europe (down 38.4% year-on-year), North America (down 31.8% year-on-year) and Asia (down 30.2% year-on-year) all saw a slowdown in the pace of contraction.

3. The number of employees fell 2.8% from the same quarter of the previous year, representing its fifth straight quarter of falls. North America (down 10.2% year-on-year), Europe (down 5.0% year-on-year) and Asia (down 1.1% year-on-year) all recorded falls.

(*1) Forecasted changes (“increase,” “stability,” and “falls”) for the quarter that include the time of the survey (current) and the next quarter (next), compared with their preceding quarters.
DI = [Percentage share of companies that responded that they expected an increase] − [Percentage share of companies that responded they expected a fall] (percentage points)
Starting from the 2008 April–June quarter survey, the DI is compared to that of the same quarter of the previous year. (The Current DI and the Next DI are compared to the respective Current DI and Next DI for the same quarter of the previous year.) In this report, DI figures are only numerically described (e.g., minus 5.5), and “points” is placed after the number in the context of the comparison to the same quarter of the previous year (e.g., down 5.5 points).



*1: DI survey period for FY1997 was a quarter including the time of survey. DI surveys from FY1998 to FY2003 were conducted on a half year basis (the quarter including the time of survey and the next quarter).

Starting from the FY2004 survey, the half-year survey period that had been used up to the previous year was divided into the current survey period (the quarter including the time of survey) and the next survey period (the next quarter).

*2: Actual results in US dollars are available starting from FY2001 data.

Forecasts

1. Sales

[All regions]

◯The Current DI (January–March 2010) posted 10.2, marking its fourth straight quarter of positive figures. This was a year-on-year increase of 62.0 points (compared with the Current DI for the January–March quarter 2008), showing improvements from a 32.2-point increase in the previous survey, partly as the rebound from the previous year. All four major industry groups (*1) reported positive figures, showing improvements in year-on-year changes compared with the previous survey. All regions also posted positive figures.

◯The Next DI (April–June 2010) posted 19.9, marking its fourth straight quarter of double-digit positive figures. This was a year-on-year increase of 44.0 points (compared with the Next DI for the April–June quarter 2009), showing improvements from a 25.4-point increase in the previous survey, partly as the rebound from the previous year. All four major industry groups posted positive figures, showing improvements in year-on-year changes compared with the previous survey. All regions also posted positive figures.

[North America]

◯The Current DI stood at 10.4, marking its third straight quarter of positive figures. This was a year-on-year increase of 67.5 points, showing improvements from the previous survey. All four major industry groups reported positive figures.

◯The Next DI saw a fourth straight quarter of positive figures at 8.5. This was a year-on-year increase of 43.2, marking improvements from the previous survey. Of the four major industry groups, chemicals, general-purpose machinery and electrical machinery posted double-digit positive figures, but transportation equipment stood at 1.1.

[Asia]

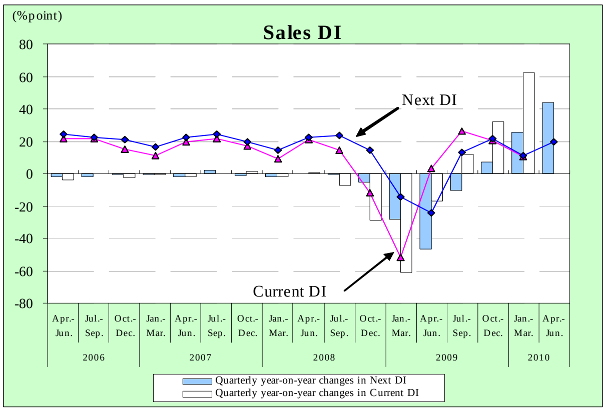
◯The Current DI stood at 9.9, marking its fourth straight quarter of positive figures. This was a year-on-year increase of 62.0 points, showing improvements from the previous survey. All four major industry groups except chemicals reported positive figures. ASEAN4 (*2) (15.4), China (*3) (5.1), and NIEs3 (*4) (3.6) posted positive figures.

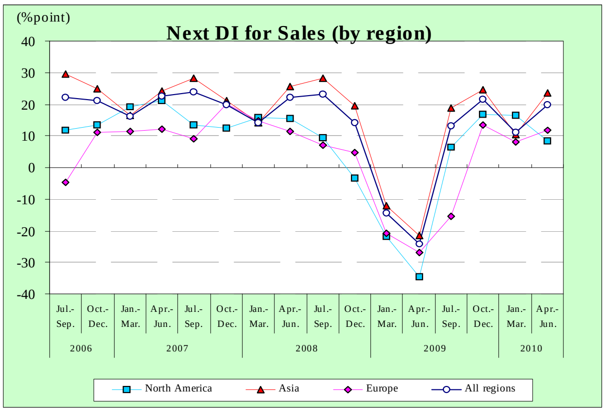
◯The Next DI saw a fourth straight quarter of positive figures at 23.5. This was a year-on-year increase of 45.1, marking improvements from the previous survey. All four major industry groups reported positive figures. China (25.8), NIEs3 (23.4), and ASEAN4 (19.0) posted positive figures, showing improvements in year-on-year changes compared with the previous survey.

[Europe]

◯The Current DI stood at 13.9, marking its third straight quarter of positive figures. This was a year-on-year increase of 55.3 points, showing improvements from the previous survey. All four major industry groups reported positive figures.

◯The Next DI saw a third straight quarter of positive figures at 11.7. This was a year-on-year increase of 38.7, marking improvements from the previous survey. All four major industry groups except electrical machinery posted positive figures. All showed improvements in year-on-year changes compared with the previous survey.





(*1) The four major industry groups out of the 12 industries are: chemicals, general-purpose machinery (general-purpose, production and business-oriented machinery), electrical machinery, and transportation equipment.
Starting from the April–June survey of 2009, the survey uses a new industrial classification, which was revised in accordance with the 12th revision made to the Japan Standard Industrial Classification.
(*2) ASEAN4: Indonesia, Thailand, the Philippines, and Malaysia
(*3) NIEs3: Singapore, the Republic of Korea, and Taiwan
(*4) China: including Hong Kong
(Reference) For details of DI, see the report "Trends in Overseas Subsidiaries," pages 4–15, or "Statistics," pages 21–41.

Forecasts

2. Capital Investment (current acquisition price of tangible fixed assets [excluding land])

[All regions]

○The Current DI for capital investment (January–March 2010) posted 10.7, marking its third straight quarter of positive figures. This was a year-on-year increase of 33.7 points (compared with the Current DI for the January–March quarter 2008), showing improvements from an 8.8-point increase in the previous survey, partly as the rebound from the previous year. All four major industry groups reported positive figures, showing improvements in year-on-year changes compared with the previous survey. All regions also posted positive figures.

○The Next DI (April–June 2010) posted 12.3, marking its third straight quarter of positive figures. This was a year-on-year increase of 29.7 points (compared with the Next DI for the April–June quarter 2009), showing improvements from an 8.7-point increase in the previous survey. All four major industry groups reported positive figures, showing improvements in year-on-year changes compared with the previous survey. All regions posted positive figures.

[North America]

○The Current DI stood at 4.1, marking its third straight quarter of positive figures. This was a year-on-year increase of 38.1 points, showing improvements from the previous survey. Of the four major industry groups, chemicals and general-purpose machinery reported negative figures, and electrical machinery and transportation equipment reported positive figures.

○The Next DI stood at 6.1, showing the first increase in seven quarters. This was a year-on-year increase of 33.0 points, marking improvements from the previous survey. All four major industry groups, except general-purpose machinery, posted positive figures. Also, all except general-purpose machinery showed improvements in year-on-year changes compared with the previous survey.

[Asia]

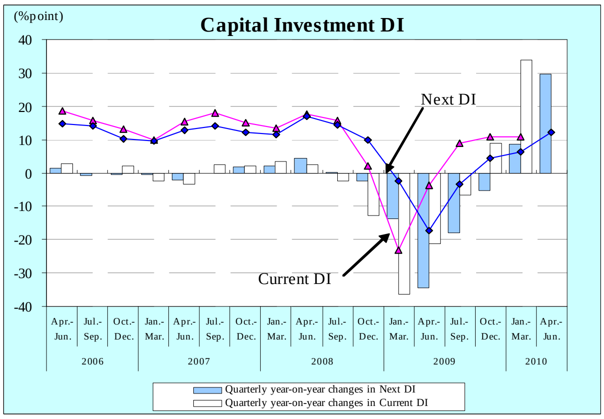
○The Current DI stood at 12.6, marking its third straight quarter of positive figures. This was a year-on-year increase of 32.0 points, showing improvements from the previous survey. All four major industry groups reported positive figures. ASEAN4 (12.6), China (12.4), and NIEs3 (9.5) posted positive figures.

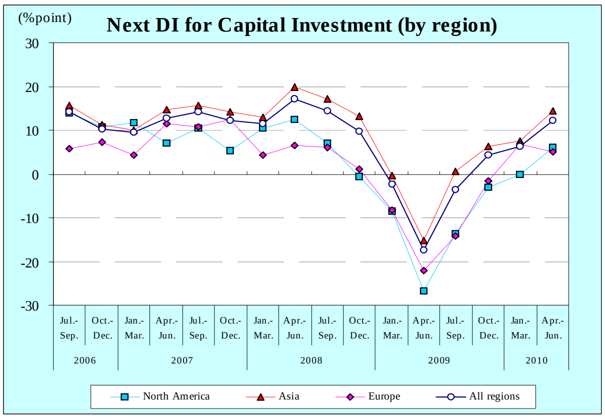
○The Next DI saw a fourth straight quarter of positive figures at 14.5. This was a year-on-year increase of 29.8, marking improvements from the previous survey. All four major industry groups posted positive figures, showing improvements in year-on-year changes compared with the previous survey. China (15.9), ASEAN4 (13.6), and NIEs3 (9.5) posted positive figures, with all showing improvements in year-on-year changes compared with the previous survey.

[Europe]

○The Current DI stood at 5.2, marking its third straight quarter of positive figures. This was a year-on-year increase of 35.7 points, showing improvements from the previous survey. All four major industry groups, except general-purpose machinery, posted positive figures.

○The Next DI stood at 5.1, marking its second straight quarter of positive figures. This was a year-on-year increase of 27.1, marking improvements from the previous survey. All four major industry groups, except general-purpose machinery, posted positive figures. All except electrical machinery showed improvements in year-on-year changes compared with the previous survey.





Forecasts

3. Number of Employees

[All regions]

◯The Current DI for the number of employees (January–March quarter 2010) posted 7.5, marking its third straight quarter of positive figures. This was a year-on-year increase of 41.1 points (compared with the Current DI for the January–March quarter 2009), showing improvements from a 10.9-point increase in the previous survey. All four major industry groups reported positive figures, showing improvements in year-on-year changes compared with the previous survey.

◯The Next DI (April–June 2010) posted 8.0, marking its third straight quarter of positive figures. This was a year-on-year increase of 31.4 points (compared with the Next DI for the April–June quarter 2009), showing improvement from an 8.8-point increase in the previous survey. All four major industry groups reported positive figures, showing improvements in year-on-year changes compared with the previous survey.

[North America]

◯The Current DI recovered to a positive level of 1.3. This was a year-on-year increase of 45.7 points, showing improvements from the previous survey. Of the four major industry groups, electrical machinery and transportation equipment resulted in negative figures, whereas chemicals and general-purpose machinery marked positive figures.

◯The Next DI stood at 2.3, marking its second straight quarter of positive figures. This was a year-on-year increase of 35.5, marking improvements from the previous survey. All four major industry groups except transportation equipment posted positive figures. All showed improvements in year-on-year changes compared with the previous survey.

[Asia]

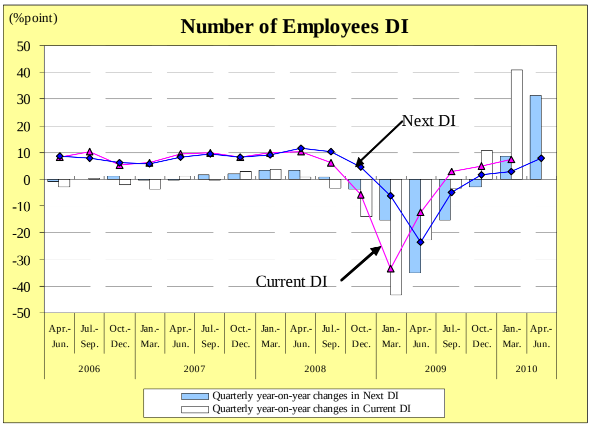
◯The Current DI stood at 10.3, marking its third straight quarter of positive figures. This was a year-on-year increase of 41.4 points, showing improvements from the previous survey. All four major industry groups reported positive figures. China (11.1), ASEAN4 (9.5), and NIEs3 (5.5) posted positive figures.

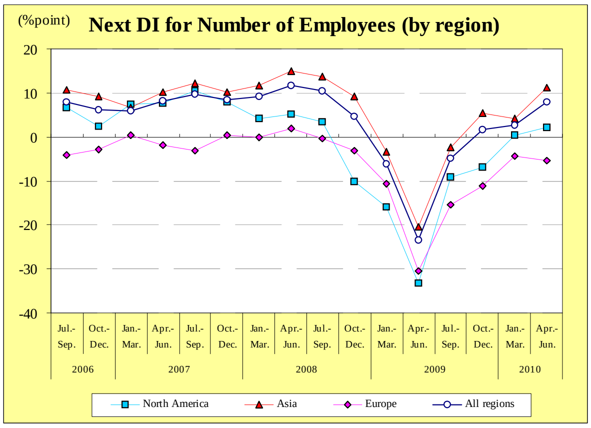
◯The Next DI saw a third straight quarter of positive figures at 11.2. This was a year-on-year increase of 31.6, marking improvements from the previous survey. All four major industry groups posted positive figures. China (12.5), ASEAN4 (10.7), and NIEs3 (4.4) all reported positive figures, showing improvements from the previous survey.

[Europe]

◯The Current DI remained at a negative level of minus 6.0. This was a year-on-year increase of 26.7 points, showing improvements from the previous survey. All four major industry groups posted negative figures.

◯The Next DI remained at a negative level of minus 5.4. This was a year-on-year increase of 25.0, marking improvements from the previous survey. All four major industry groups posted negative figures but showed improvements in year-on-year changes compared with the previous survey.





Actual Results

1. Sales

[All regions]

〇Sales (October–December quarter 2009, in U.S. dollars) increased 6.6% year-on-year, the first increase in five quarters. Of the four major industry groups, general-purpose machinery posted a year-on-year fall of 1.4%, but chemicals (up 17.1% year-on-year), transportation equipment (up 7.7% year-on-year), and electrical machinery (up 3.8% year-on-year) showed increase for the first time in five quarters. North America and Europe saw a slowdown in the pace of contraction, while Asia reported double-digit growth.

〇Sales (October–December quarter 2009, in Japanese yen) fell 0.5% year-on-year, marking its seventh straight quarter of falls, but showing a slowdown in the pace of contraction.

[North America: 27.4% of total sales in all regions]

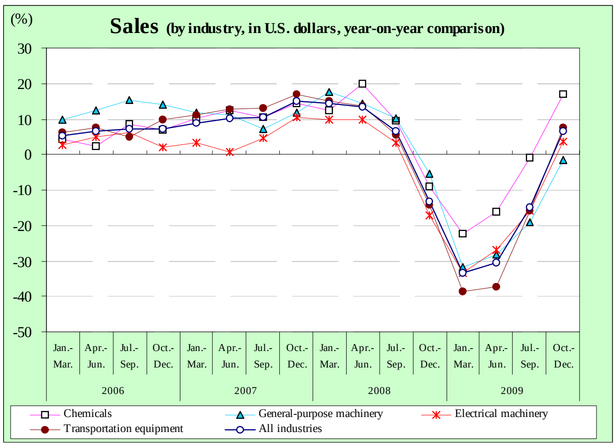
〇Sales (in U.S. dollars) fell 5.2% year-on-year, marking its sixth straight quarter of falls, but showing a slowdown in the pace of contraction. Of the four major industry groups, chemicals (down 2.8% year-on-year) turned to falls, while general-purpose machinery (down 21.0% year-on-year), electrical machinery (down 7.9% year-on-year), and transportation equipment (down 2.1% year-on-year) eased the pace of contraction.

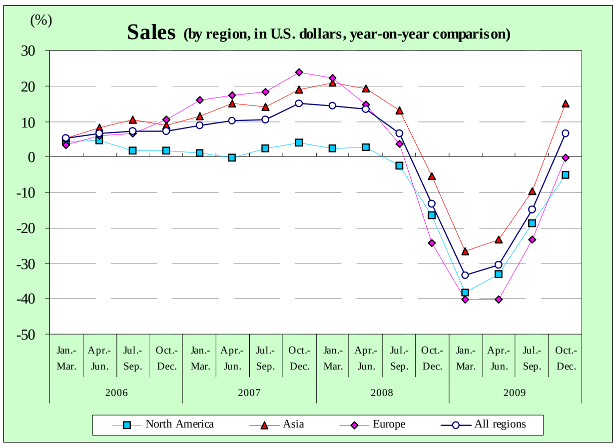
[Asia: 49.1% of total sales in all regions]

〇Sales (in U.S. dollars) posted a double-digit year-on-year increase of 15.2%. All four major industry groups reported increase, with chemicals posting a year-on-year increase of 35.8%, transportation equipment 18.0%, general-purpose machinery 10.5%, and electrical machinery 9.7%. NIEs3 (up 28.4% year-on-year), ASEAN4 (up 13.1% year-on-year), and China (up 10.2% year-on-year) all saw double-digit increases.

[Europe 15.9% of total sales in all regions]

〇Sales (in U.S. dollars) fell 0.4% year-on-year, down for the fifth straight quarter, but eased the pace of contraction. Of the four major industry groups, chemicals posted a year-on-year increase of 13.9%, while electrical machinery (down 10.6% year-on-year), transportation equipment (down 3.4% year-on-year), and general-purpose machinery (down 3.3% year-on-year) all eased the pace of contraction.





(Reference)

For details of actual results, see the report "Trends in Overseas Subsidiaries," pages 16–27, or "Statistics," pages 1–20.

Actual Results

2. Capital Investment (current acquisition price of tangible fixed assets [excluding land])

[All regions]

◯Capital investment (October–December quarter 2009, in U.S. dollars) fell 33.0% year-on-year, showing a slowdown in the pace of contraction. Of the four major industry groups, transportation equipment (down 45.0% year-on-year), general-purpose machinery (down 31.8% year-on-year), and electrical machinery (down 16.4% year-on-year) all eased the pace of contraction, and chemicals reported a year-on-year increase of 7.7%. North America, Europe, and Asia all saw a slowdown in the pace of contraction.

◯Capital investment (October–December quarter 2009, in Japanese yen) fell 37.4% year-on-year, down for the fifth straight quarter.

[North America: 24.6% of total capital investment in all regions]

◯Capital investment (in U.S. dollars) fell 31.8% year-on-year, easing the pace of contraction.

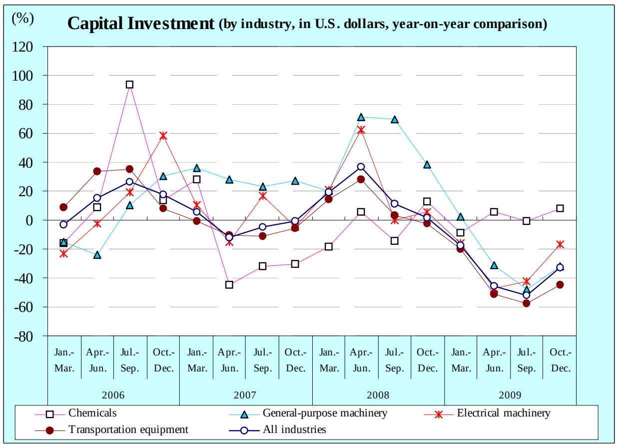
Of the four major industry groups, general-purpose machinery reported year-on-year falls of 36.0%, accelerating the pace of contraction; meanwhile, electrical machinery (down 41.0% year-on-year), transportation equipment (down 33.6% year-on-year), and chemicals (down 7.7% year-on-year) eased the pace of contraction.

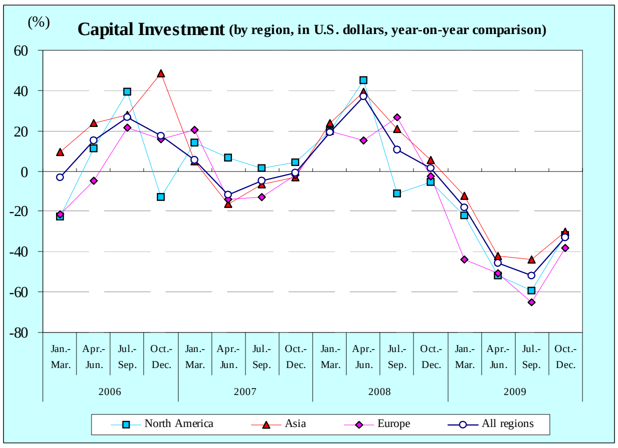
[Asia: 59.2% of total capital investment in all regions]

◯Capital investment (in U.S. dollars) fell 30.2% year-on-year, easing the pace of contraction. Of the four major industry groups, transportation equipment, general-purpose machinery, and electrical machinery reported year-on-year falls of 55.7%, 45.4%, and 11.9%, respectively, but chemicals continued to show year-on-year growth of 48.2%. China (down 37.6% year-on-year) accelerated the pace of contraction, while ASEAN4 (down 23.4% year-on-year) and NIEs3 (down 1.7% year-on-year) eased the pace of contraction.

[Europe: 11.7% of total capital investment in all regions]

◯Capital investment (in U.S. dollars) fell 38.4% year-on-year, easing the pace of contraction. Of the four major industry groups, general-purpose machinery reported a year-on-year increase of 48.6%, but electrical machinery, transportation equipment, and chemicals showed year-on-year falls of 58.3%, 35.8%, and 27.5%, respectively.





Actual Results

3. Number of Employees

[All regions]

○The number of employees (as of the end of December 2009) fell 2.8% year-on-year, down for the fifth straight quarter. Of the four major industry groups, chemicals marked year-on-year growth of 10.3% and general-purpose machinery recorded year-on-year growth of 1.6%; meanwhile, electrical machinery reported a year-on-year fall of 4.7% and transportation equipment recorded a year-on-year fall of 4.2%, down for the twelfth and the fifth straight quarter, respectively. North America, Asia, and Europe all reported falls.

[North America: 11.9% of total employment in all regions]

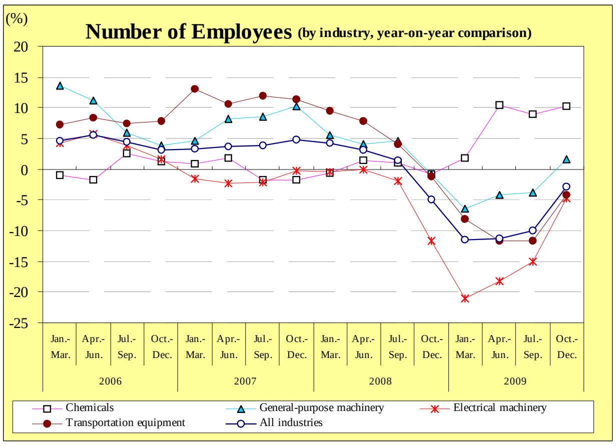
○The number of employees fell 10.2% year-on-year, down for the sixth straight quarter. Among the four major industry groups, transportation equipment, and general-purpose machinery reported year-on-year falls of 16.2% and 9.2%, respectively, both showing falls for the sixth straight quarter. Electrical machinery fell 5.5% year-on-year, down for the eighth straight quarter.

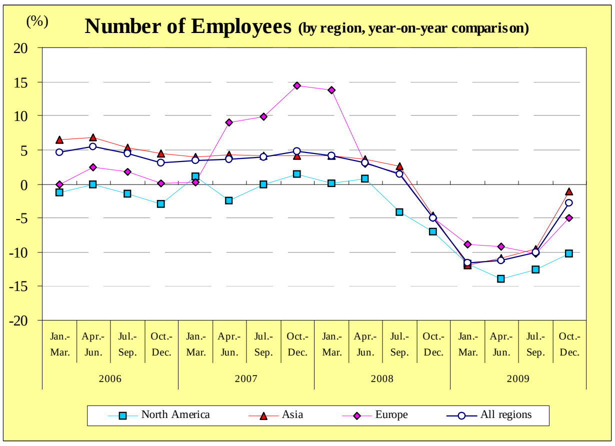
[Asia: 73.5% of total employment in all regions]

○The number of employees fell 1.1% year-on-year, down for the fifth straight quarter. Among the four major industry groups, chemicals, general-purpose machinery, and transportation equipment posted year-on-year growth of 18.9%, 4.3%, and 0.1%, respectively, while electrical machinery fell 4.5% year-on-year, down for the sixth straight quarter. NIEs3 (up 3.1% year-on-year) continued to see growth, but China (down 2.8% year-on-year) and ASEAN4 (down 1.7 year-on-year) reported falls for the fifth quarter running, hit by falls, particularly in the electrical machinery industry.

[Europe: 8.7% of total employment in all regions]

○The number of employees fell 5.0% year-on-year, down for the fifth straight quarter. Of the four major industry groups, chemicals remained at the same level, while general-purpose machinery (down 7.8% year-on-year), transportation equipment (down 6.4% year-on-year), and electrical machinery (down 2.7% year-on-year) reported falls.





For reference: Overseas Economies

Though the condition of the global economy is still serious, helped in part by government stimulus measures, it is making its way toward modest recovery. The world economy is expected to continue its modest recovery, but there are risks that conditions such as a credit squeeze and deteriorating employment could keep it sluggish. The United States continues to face serious conditions, with unemployment hovering around 10%, but the effects of government measures helped its economy to get back on course toward modest recovery. The US economy is expected to continue its way toward modest recovery, yet there are risks that a continuing credit squeeze and worsening unemployment could keep it sluggish. In Asia, the Chinese economy is seeing a domestic-demand driven expansion thanks to the effects of government stimulus measures. The economic outlook shows that it will stay on the path to expansion, as domestic demand is expected to remain strong. However, attention needs to be paid to risks stemming from the surging money supply. The Indian economy is seeing a domestic-demand driven recovery thanks to the effects of government stimulus measures. The economic outlook shows that it will stay on the path to recovery, as domestic demand is expected to remain strong, but attention needs to be paid to risks stemming from rising prices. Other Asian economies overall are recovering, driven by the effects of government stimulus measures and growth in China-bound exports. The economic outlook expects them to continue their way toward recovery, as exports to China are expected to remain strong. Still, there are risks that issues such as a continuing slump in exports to Europe and the United States could delay the Asian economies' full recovery. European countries continue to face serious conditions, including high unemployment, but their economies stopped contracting thanks to the effects of government measures, such as government incentives to buy new cars. The countries are expected to get back on track to modest recovery. However, there are risks that problems, such as a credit squeeze caused by bad debts originating from loans to developing countries, a backlash from the new car incentives, and worsening employment, could keep them sluggish. Also, attention needs to be paid to risks stemming from more serious changes in financial markets caused by the financial deterioration of some countries.

(From the Monthly Economic Report [March 2010], Cabinet Office)