

Trends in Overseas Subsidiaries (Summary)

Quarterly Survey of Overseas Subsidiaries (October–December 2008) ~Surveyed in February 2009~

March 23, 2009
Enterprise Statistics Office, Research and Statistics Department

★ The Forecast DIs fall sharply in all regions; Sales post first drop on record ★

★ Forecasts (Current Assessment DI (*1): January–March 2009, Prospects DI: April–June 2009)

1. The Sales DIs declined sharply in all regions.

The Current Assessment DI and the Prospects DI recorded negative figures at minus 51.5 and minus 24.2, respectively. Compared with the same quarter of the previous year, the Current Assessment DI fell by 60.8 points and the Prospects DI by 46.5 points, a significant deterioration exceeding the rates of decline recorded in the previous survey. All regions marked sharp declines in their Current Assessment DIs and Prospects DIs.

2. The Capital Investment DIs declined sharply in all regions.

The Current Assessment DI and the Prospects DI recorded negative figures at minus 22.7 and minus 17.2, respectively. Compared with the same quarter of the previous year, the Current Assessment DI fell by 36.0 points and the Prospects DI by 34.3 points, a significant deterioration exceeding the rates of decline recorded in the previous survey. All regions marked sharp declines in their Current Assessment DIs and Prospects DIs.

3. The Number of Employees DIs posted negative figures, showing a steeper year-on-year fall than in the previous survey.

★ Actual results (October–December 2008, year-on-year growth rate)

1. Sales (in US dollars) fell 12.9% from the same quarter of the previous year, marking the first decrease since the US dollar-based quarterly year-on-year changes were first published in the survey starting from the April–June quarter of 2002. All regions, excluding China which saw a year-on-year rise of 6.7%, recorded declines.

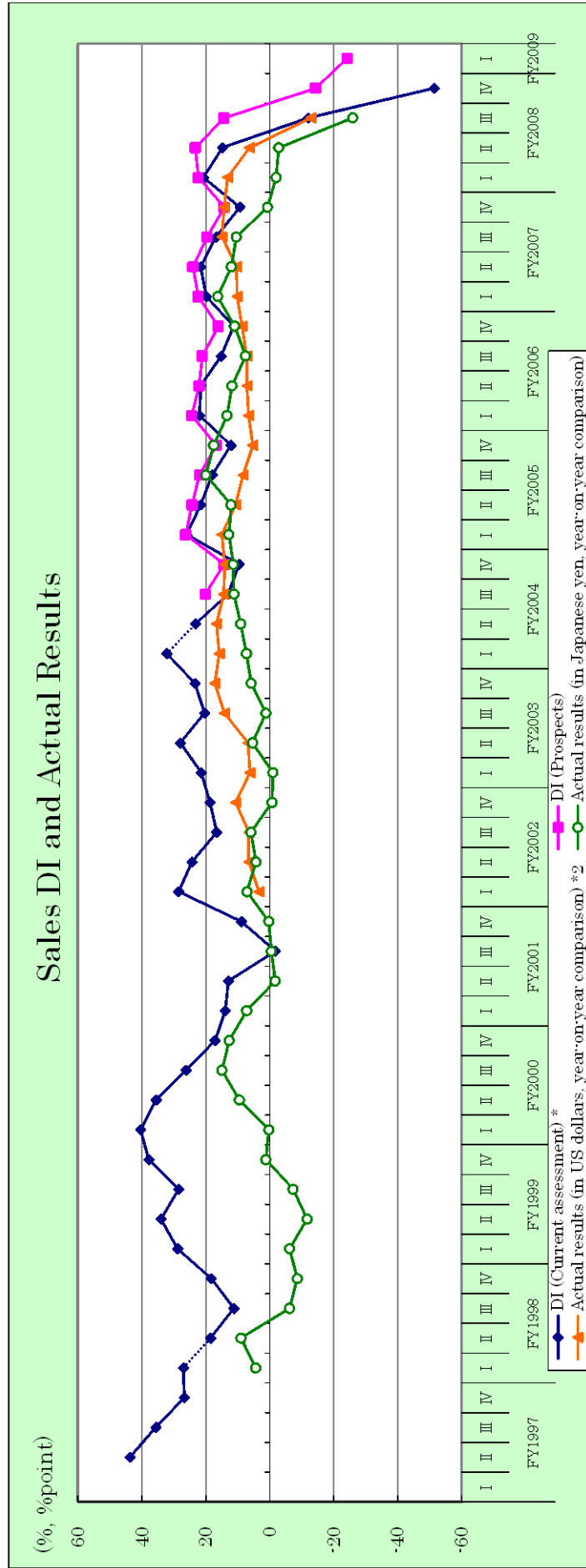
2. Capital investment (in US dollars) increased 1.8% from the same quarter of the previous year. This was the fourth straight quarter of growth, though the growth rate was reduced. Asia (up 6.6% year-on-year) posted an increase, whereas Europe (down 2.6% year-on-year) and North America (down 5.8% year-on-year) recorded declines.

3. The number of employees decreased by 4.9% from the same quarter of the previous year, representing the first decline since the January–March quarter of 2002. The declines were seen in all regions: North America (down 6.9% year-on-year), Asia (down 4.8% year-on-year) and Europe (down 3.3% year-on-year).

(*1) Forecasted changes (“increase”, “stability” and “decrease”) for the quarter that includes the time of survey (current assessment) and the next quarter (prospects), 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 decrease] (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 Assessment DI and the Prospects DI are compared to the respective Current Assessment DI and the Prospects 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” are placed after the number in the context of the comparison to the same quarter of the previous year (e.g. down 5.5 points).



*: 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 assessment survey period (the quarter including the time of survey) and the prospects survey period (the next quarter).

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

Forecasts

1. Sales

[All regions]

The Current Assessment DI (January–March quarter 2009) fell 60.8 points from the same quarter of the previous year (compared with the Current Assessment DI for the January–March quarter 2008) to minus 51.5, a significant deterioration exceeding the rate of decline recorded in the previous survey. All the four major industry groups ^(*) and all regions posted negative figures, with all recording year-on-year falls of more than 40 points.

The Prospects DI (April–June quarter 2009) fell 46.5 points year-on-year (compared with the Prospects DI for the April–June quarter 2008) to minus 24.2, recording a dramatic drop steeper than in the previous survey. All the four major industry groups and all regions posted negative figures, with all recording year-on-year falls of more than 30 points.

[North America]

The Current Assessment DI fell 65.9 points from the same quarter of the previous year to minus 57.3, a significant deterioration exceeding the rate of decline recorded in the previous survey. All the four major industry groups showed sharp declines, posting negative figures. The most noticeable decline was in the transportation equipment industry.

The Prospects DI fell 50.9 points year-on-year to minus 35.3, recording a dramatic drop steeper than in the previous survey. All the four major industry groups showed sharp declines, posting negative figures.

[Asia]

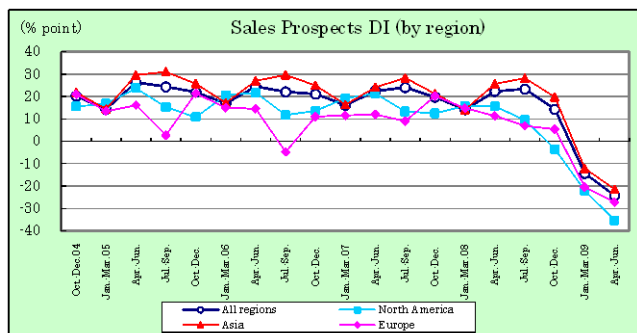
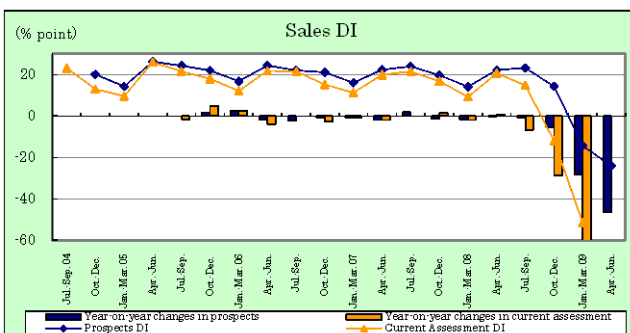
The Current Assessment DI fell 60.6 points from the same quarter of the previous year to minus 51.7, a significant deterioration exceeding the rate of decline recorded in the previous survey. All the four major industry groups showed sharp declines, posting negative figures. ASEAN4 ^(*) (at minus 59.7), NIEs3 ^(*) (at minus 49.6) and China ^(*) (at minus 48.5) all recorded year-on-year drops of more than 50 points, resulting in negative figures.

The Prospects DI fell 47.2 points year-on-year to minus 21.5, recording a dramatic drop steeper than in the previous survey. All the four major industry groups showed sharp declines, posting negative figures. ASEAN4 (at minus 27.4), NIEs3 (at minus 26.0) and China (at minus 16.3) all recorded year-on-year drops of more than 40 points, resulting in negative figures.

[Europe]

The Current Assessment DI fell 58.6 points from the same quarter of the previous year to minus 41.3, a significant deterioration exceeding the rate of decline recorded in the previous survey. All the four major industry groups showed sharp declines, posting negative figures. The most significant decline was in the transportation equipment industry.

The Prospects DI fell 38.5 points year-on-year to minus 27.2, recording a dramatic drop steeper than in the previous survey. All the four major industry groups showed sharp declines, posting negative figures.



(*) The four major industry groups out of 13 industries are: transportation equipment, electrical machinery, general machinery, and chemicals

(*) ASEAN4: Indonesia, Thailand, the Philippines, and Malaysia

(*) NIEs3: Singapore, Republic of Korea, and Taiwan

(*) China: including Hong Kong

Forecasts

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

[All regions]

The Current Assessment DI (January–March quarter 2009) fell 36.0 points from the same quarter of the previous year (compared with the Current Assessment DI for the January–March quarter 2008) to minus 22.7, a significant deterioration exceeding the rate of decline recorded in the previous survey. All the four major industry groups and all regions posted negative figures, with all recording year-on-year falls of more than 20 points.

The Prospects DI (April–June quarter 2009) fell 34.3 points year-on-year (compared with the Prospects DI for the April–June quarter 2008) to minus 17.2, recording a dramatic drop steeper than in the previous survey. All the four major industry groups and all regions posted negative figures, with all recording year-on-year falls of more than 20 points.

[North America]

The Current Assessment DI fell sharply by 44.5 points from the same quarter of the previous year to minus 33.6. All the four major industry groups showed significant declines, posting negative figures.

The Prospects DI plunged 38.9 points year-on-year to minus 26.5. All the four major industry groups showed significant declines, posting negative figures.

[Asia]

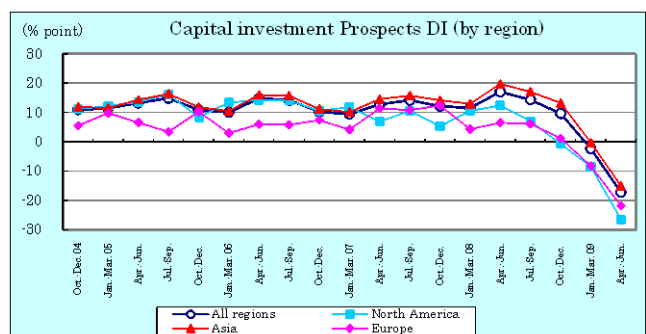
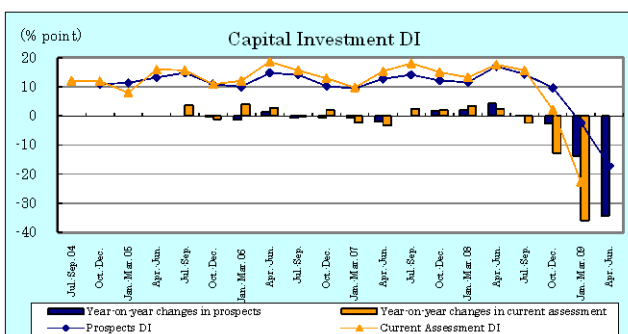
The Current Assessment DI fell sharply by 35.3 points from the same quarter of the previous year to minus 19.2. All the four major industry groups showed significant declines, posting negative figures. NIEs3 (at minus 26.3), ASEAN4 (at minus 22.0) and China (at minus 17.6) recorded year-on-year drops of more than 30 points, resulting in negative figures.

The Prospects DI plunged 34.8 points year-on-year to minus 15.0. All the four major industry groups showed significant declines, posting negative figures. ASEAN4 (at minus 18.9), China (at minus 13.9), and NIEs3 (at minus 13.2) recorded year-on-year drops of more than 20 points, resulting in negative figures.

[Europe]

The Current Assessment DI fell sharply by 34.7 points from the same quarter of the previous year to minus 30.2. All the four major industry groups showed significant declines, posting negative figures.

The Prospects DI plunged 28.3 points year-on-year to minus 21.8. All the four major industry groups showed significant declines, posting negative figures. The most noticeable decline was in the transportation equipment industry.



Forecasts

3. Number of Employees

[All regions]

The Current Assessment DI (January–March quarter 2009) fell 43.3 points from the same quarter of the previous year (compared with the Current Assessment DI for the January–March quarter 2008) to minus 33.5, a significant deterioration exceeding the rate of decline recorded in the previous survey. All the four major industry groups and all regions posted negative figures, with all recording year-on-year falls of more than 10 points.

The Prospects DI (April–June quarter 2009) fell 35.0 points year-on-year (compared with the Prospects DI for the April–June quarter 2008) to minus 23.3, recording a dramatic drop steeper than in the previous survey. All the four major industry groups and all regions posted negative figures, with all recording year-on-year falls of more than 20 points.

[North America]

The Current Assessment DI fell sharply by 48.8 points from the same quarter of the previous year to minus 44.5. All the four major industry groups showed significant declines, posting negative figures. The most noticeable decline was in the transportation equipment industry.

The Prospects DI plunged 38.2 points year-on-year to minus 32.9. All the four major industry groups showed significant declines, posting negative figures.

[Asia]

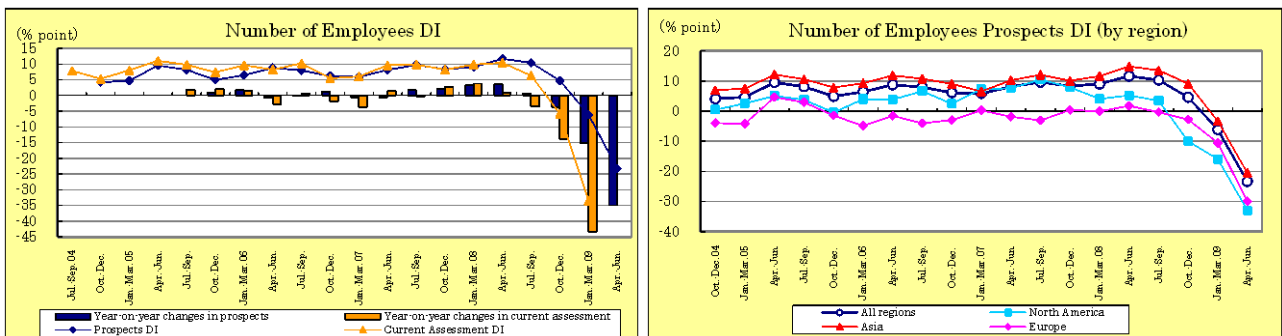
The Current Assessment DI fell sharply by 43.4 points from the same quarter of the previous year to minus 31.2. All the four major industry groups showed significant declines, posting negative figures. ASEAN4 (at minus 37.4), China (at minus 28.5) and NIEs3 (at minus 25.6) all recorded year-on-year drops of more than 20 points, resulting in negative figures.

The Prospects DI plunged 35.3 points year-on-year to minus 20.4. All the four major industry groups showed significant declines, posting negative figures. ASEAN4 (at minus 25.4), NIEs3 (at minus 20.4), and China (at minus 17.1) recorded year-on-year drops of more than 20 points, resulting in negative figures.

[Europe]

The Current Assessment DI fell sharply by 35.3 points from the same quarter of the previous year to minus 32.2. All the four major industry groups showed significant declines, posting negative figures.

The Prospects DI plunged 31.7 points year-on-year to minus 29.9. All the four major industry groups showed significant declines, posting negative figures.



(Reference)

For DI details, see the report, “Trends in Overseas Subsidiaries” pages 4–15 or “Statistics” pages 21–41.

Actual Results

1. Sales

[All regions]

Sales (October–December quarter 2008, in US dollars) decreased 12.9% from the same quarter of the previous year, marking the first decrease since US dollar-based quarterly year-on-year changes were first published in the survey starting from the April–June quarter of 2002. All the four major industry groups and all regions except China posted declines. Transportation equipment and general machinery marked the first downturn, with year-on-year drops of 13.4% and 8.3%, respectively.

Sales (October–December quarter 2008, in Japanese yen) fell 25.9% year-on-year, recording the third straight quarter of decrease.

[North America: 30.9% of total sales in all regions]

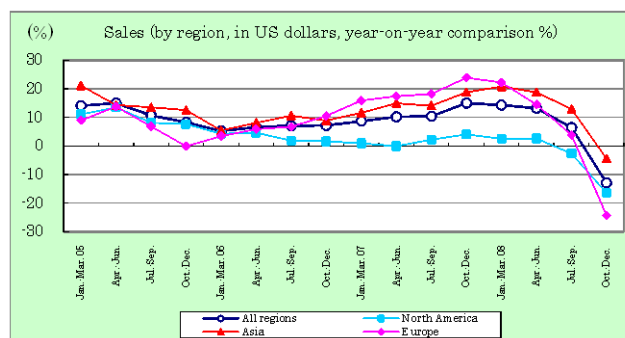
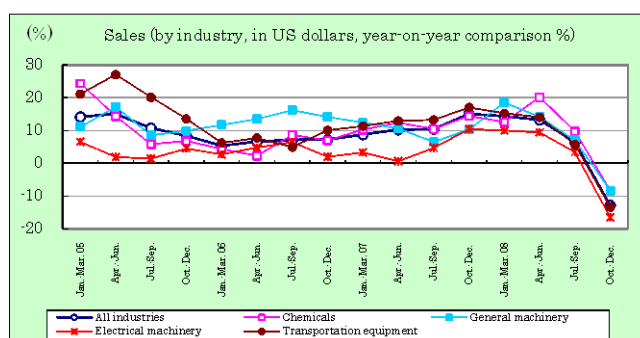
Sales (in US dollars) fell 16.4% from the same quarter of the previous year, a steeper decline than in the previous survey. This was the biggest fall since publication of the survey figures began. All the four major industry groups except chemicals posted declines. In particular, transportation equipment saw a significant year-on-year drop of 25.6%.

[Asia: 44.8% of total sales in all regions]

Sales (in US dollars) fell 4.4% from the same quarter of the previous year, marking the first downturn since publication of the survey figures began. All the four major industry groups posted declines except transportation equipment, which saw a year-on-year increase of 7.2%. China (up 6.7% year-on-year) continued to grow, though it slipped into single-digit growth for the first time since the April–June quarter of 2002. ASEAN (down 8.0% year-on-year) posted its first decrease, while NIEs3 (down 24.1% year-on-year) recorded its worst fall.

[Europe 17.3% of total sales in all regions]

Sales (in US dollars) dropped 24.3% from the same quarter of the previous year, marking the biggest fall since publication of the survey figures began. All the four major industry groups posted declines, with transportation equipment, electrical machinery, and general machinery recording their worst year-on-year declines of 31.0%, 25.9%, and 24.8%, respectively.



(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 2008, in US dollars) was up 1.8% from the same quarter of the previous year. This was the fourth straight quarter of growth, though it fell from double-digit to single-digit growth. Among the four major industry groups, general machinery and chemicals posted year-on-year growth of 31.9% and 11.8% respectively, whereas transportation equipment was down 1.9% year-on-year, recording its first decline in fourth quarters. Asia continued to grow. Conversely, North America fell for the second straight quarter, and Europe took a downward turn.

Capital investment (October–December quarter 2008, in Japanese yen) decreased 13.5% year-on-year, marking its first downturn in four quarters.

[North America: 25.7% of total capital investment in all regions]

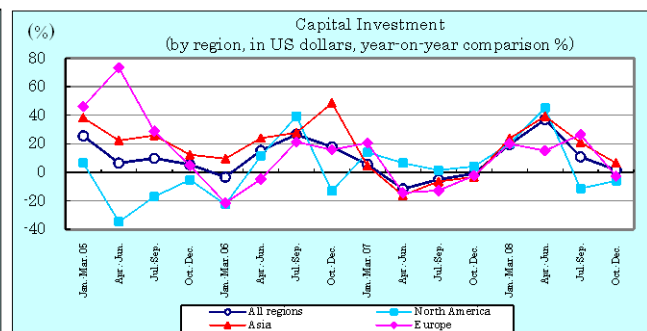
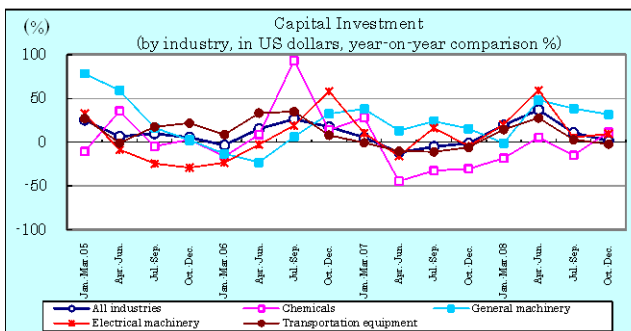
Capital investment (in US dollars) dropped 5.8% from the same quarter of the previous year, down for the second straight quarter. Transportation equipment decreased 8.7% year-on-year, its second straight quarter of decline. General machinery entered into a decline, with a year-on-year fall of 2.5%. Conversely, electrical machinery rose 3.9% year-on-year, recording its eighth straight quarter of growth, and chemicals showed a significant year-on-year increase of 82.2%.

[Asia: 54.4% of total capital investment in all regions]

Capital investment (in US dollars) increased 6.6% from the same quarter of the previous year. This was the fourth straight quarter of growth, though the growth rate was reduced. General machinery, transportation equipment, and electrical machinery continued to increase, with year-on-year growth of 65.4%, 7.6%, and 6.8%, respectively, whereas chemicals posted a year-on-year fall of 28.7, showing a continuous sharp decline. China (up 11.4% year-on-year) posted its fourth straight quarter of double-digit growth, though the growth rate was reduced. ASEAN4 (down 1.7% year-on-year) took a downward turn, while NIEs3 (down 2.4% year-on-year) was down for the second straight quarter.

[Europe: 13.8% of total capital investment in all regions]

Capital investment fell 2.6% from the same quarter of the previous year, marking the first downturn in four quarters. Transportation equipment took a downward turn with a year-on-year fall of 12.7%. Electrical machinery rose sharply by 38.8% year-on-year, as did chemicals by 31.0%.



Actual Results

3. Number of Employees

[All regions]

The number of employees (as of the end of December 2008) decreased by 4.9% from the same quarter of the previous year, representing the first decline since the January–March quarter of 2002 and the steepest year-on-year fall on record. Among the four major industry groups, electrical machinery (down 11.7% year-on-year) posted its biggest fall on record. Transportation equipment (down 1.0% year-on-year) marked the first decline since the July–September quarter of 2001. Chemicals (down 0.8% year-on-year) took a downward turn. General machinery (up 4.8% year-on-year) continued to grow. The declines were seen in all regions: North America, Asia, and Europe.

[North America: 13.0% of total employment in all regions]

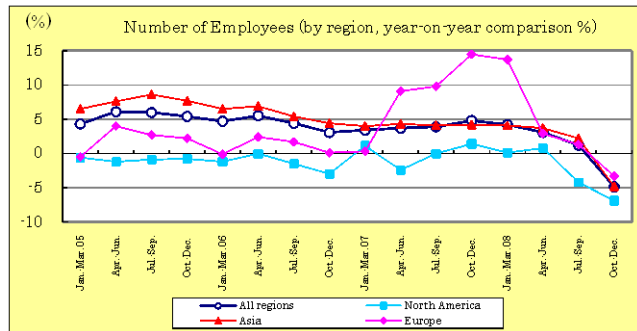
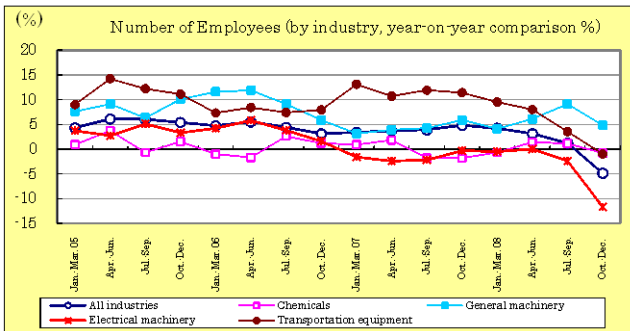
The number of employees fell 6.9% from the same quarter of the previous year, posting the second straight quarter of decrease. Among the four major industry groups, chemicals continued to grow, whereas electrical machinery, transportation equipment, and general machinery showed continuous declines.

[Asia: 72.1% of total employment in all regions]

The number of employees decreased 4.8%, down for the first time in seven years. Among the four major industry groups, though general machinery and transportation equipment continued to grow, chemicals took a downward turn. Electrical machinery posted a year-on-year decline of 11.7%, the biggest fall on record. China (down 6.9% year-on-year), ASEAN4 (down 5.0% year-on-year) and NIEs3 (down 4.3% year-on-year) were all down, with China recording its first downturn on record due to the decrease suffered by its electrical machinery industry.

[Europe: 9.2% of total employment in all regions]

The number of employees fell 3.3% from the same quarter of the previous year, marking its first downturn in eleven quarters. All the four major industry groups posted declines. In particular, electrical machinery recorded a drop of 9.6%, marking its third straight quarter of decline.



For reference: Overseas Economies

The world is facing rapidly worsening economic conditions. Economic prospects could further deteriorate due to the accelerating, vicious cycle of the deepening financial crisis and the real economy. The US economy is in recession, experiencing a sharp downturn amid the vicious cycle of the worsening financial crisis and the real economy. The U.S. faces a growing possibility of further acceleration of this vicious cycle and a deepening and prolonged recession. Asian economies are seeing a further slowdown, with some nations facing a rapidly deepening economic downturn. Although the Chinese economy is further decelerating, its fiscal stimulus package has had some effect. Thailand and Malaysia are slowing sharply, hit by massive drops in production and exports. South Korea, Taiwan, and Singapore are in recession, experiencing sharp downturns. European economies are facing a rapidly deepening recession, affected by the vicious cycle of the worsening financial crisis and the real economy. Further acceleration of this cycle could worsen their economic prospects.

(From the Monthly Economic Report [March 2009], Cabinet Office)