Trends in Overseas Subsidiaries (Summary)

Quarterly Survey of Overseas Subsidiaries (July–September 2009)
~Surveyed in November 2009~

December 24, 2009
Research and Statistics Department, Economic and Industrial Policy Bureau
Ministry of Economy, Trade and Industry

★Trend of slowdown in the pace of sales falls; Forecasts continue to see improvements★

☆Forecasts (Current DI [*1]: October–December 2009, Next DI: January–March 2010)

1. The Sales DI remained positive for the third straight quarter.
   The Current DI and the Next DI recorded positive figures at 20.3 and 11.2, up 32.3 points and 25.5 points from the same quarter of the previous year, respectively, showing improvements from the previous survey. All regions recorded positive figures for their Current DIs and Next DIs.

2. The Capital Investment DI posted positive figures for the second straight quarter.
   The Current DI and the Next DI recorded positive figures at 11.1 and 6.4, up 8.9 points and 8.7 points from the same quarter of the previous year, respectively, showing improvements from the previous survey. All regions except North America recorded positive figures for their Next DIs.

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

☆Actual results (July–September 2009, year-on-year growth rate)

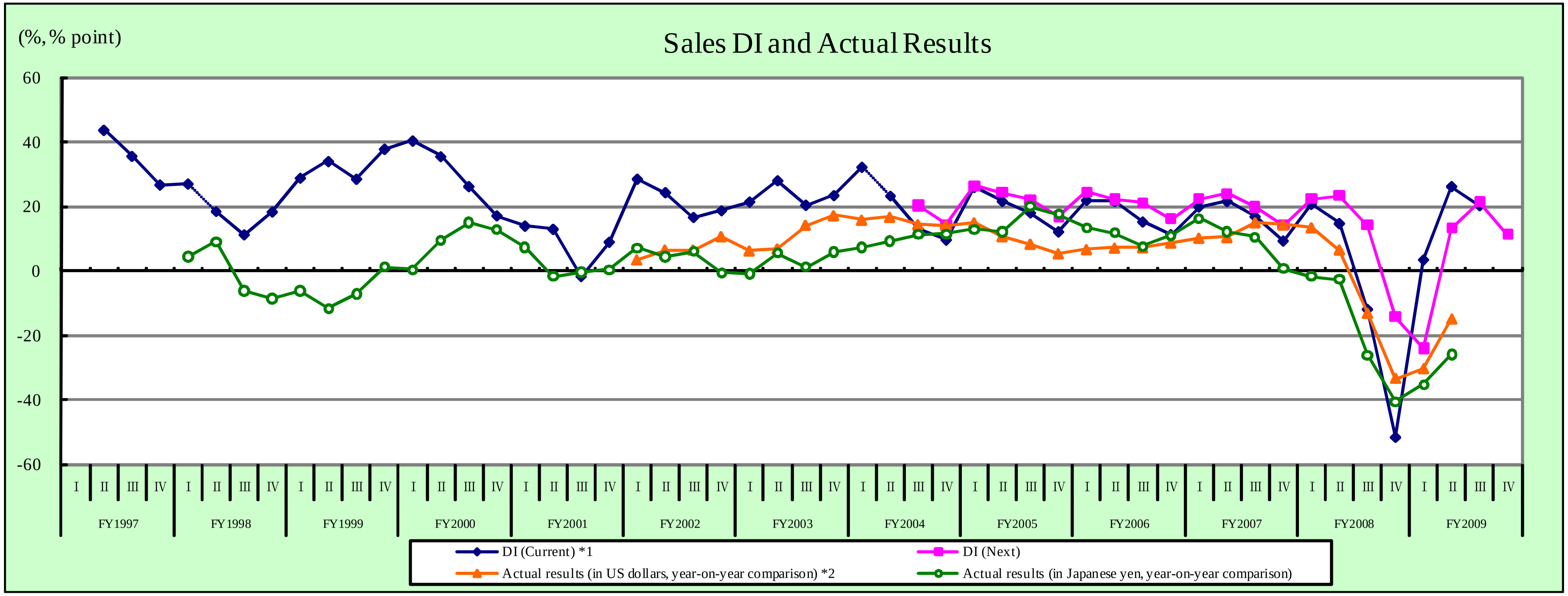
1. Sales (in U.S. dollars) fell 15.0% from the same quarter of the previous year, slowing the pace of contraction after hitting bottom in the January–March quarter 2009. Europe (down 23.1% year-on-year), North America (down 18.9% year-on-year), and Asia (down 9.7% year-on-year) saw a slowdown in the pace of contraction.

2. Capital investment (in U.S. dollars) fell 52.0% from the same quarter of the previous year, marking the biggest fall on record.[*2] Europe (down 64.8% year-on-year), North America (down 59.6% year-on-year), Asia (down 43.8% year-on-year) recorded falls.

3. The number of employees fell 10.0% from the same quarter of the previous year, representing its fourth straight quarter of falls. North America (down 12.5% year-on-year), Asia (down 10.0% year-on-year) and Europe (down 9.5% year-on-year) recorded falls.

(*1) Forecasted changes ("increase," "stability," and "falls") for the quarter that includes 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).
(*2) Since the U.S. dollar-based quarterly year-on-year changes were first published, starting with the April–June quarter of 2002.

Sales DI and Actual Results



*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 (October–December 2009) posted 20.3, marking its third straight quarter of positive figures. This was a year-on-year increase of 32.3 points (compared with the Current DI for the October–December quarter 2008), showing improvements from an 11.5-point increase in the previous survey. 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 (January–March 2010) posted 11.2, marking its third straight quarter of double-digit positive figures. This was a year-on-year increase of 25.5 points (compared with the Next DI for the January–March quarter 2009), showing improvements from a 7.2-point increase in the previous survey. All four major industry groups except electrical machinery 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 15.1, marking its second straight quarter of positive figures. This was a year-on-year increase of 46.6 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 16.6. This was a year-on-year increase of 38.6, 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.

[Asia]

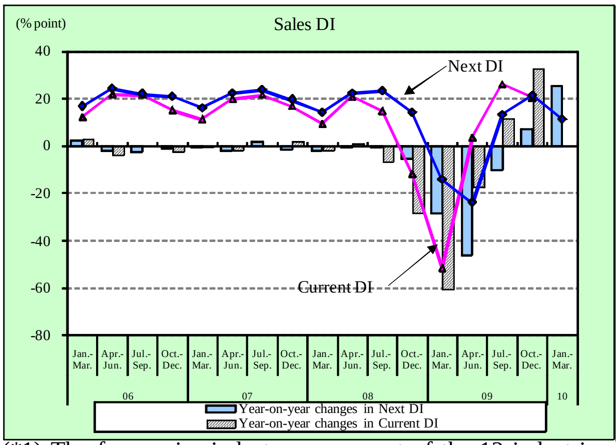
○ The Current DI stood at 23.4, marking its third straight quarter of positive figures. This was a year-on-year increase of 30.9 points, showing improvements from the previous survey. All four major industry groups reported positive figures. ASEAN4 (*2) (25.8), China (*3) (21.5), and NIEs3 (*4) (17.8) posted positive figures.

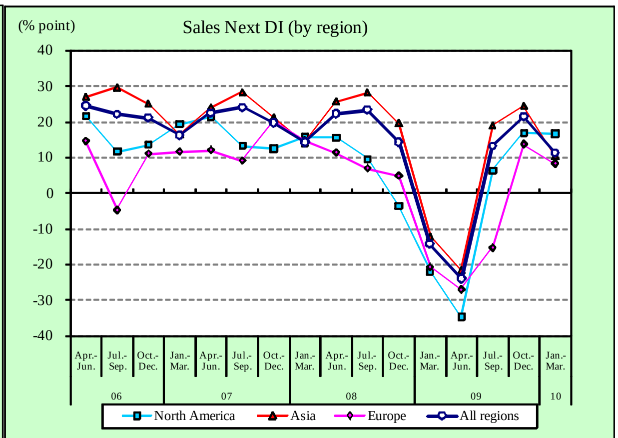
○ The Next DI saw a third straight quarter of positive figures at 10.3. This was a year-on-year increase of 22.5, marking improvements from the previous survey. All four major industry groups except electrical machinery reported positive figures. ASEAN4 (10.9), China (7.8), and NIEs3 (4.6) posted positive figures, showing improvements in year-on-year changes compared with the previous survey.

[Europe]

○ The Current DI stood at 11.6, marking its second straight quarter of positive figures. This was a year-on-year increase of 29.3 points, showing improvements from the previous survey. All four major industry groups reported positive figures.

○ The Next DI saw a second straight quarter of positive figures at 8.2. This was a year-on-year increase of 28.9, marking improvements from the previous survey. All four major industry groups except electrical machinery posted positive figures. All except chemicals 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 (October–December 2009) posted 11.1, marking its second straight quarter of positive figures. This was a year-on-year increase of 8.9 points (compared with the Current DI for the October–December quarter 2008), showing improvements from a 6.7-point fall 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 also posted positive figures.

○ The Next DI (January–March 2010) posted 6.4, marking its second straight quarter of positive figures. This was a year-on-year increase of 8.7 points (compared with the Next DI for the January–March quarter 2009), showing improvements from a 5.5-point fall 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 except North America posted positive figures.

[North America]

○ The Current DI stood at 4.4, marking its second straight quarter of positive figures. This was a year-on-year increase of 14.5 points, showing improvements from the previous survey. All four major industry groups reported positive figures.

○ The Next DI stood at 0.0. This was a year-on-year increase of 8.4 points, marking improvements from the previous survey. Of the four major industry groups, only transportation equipment posted a negative figure. General-purpose machinery and transportation equipment showed improvements in year-on-year changes compared with the previous survey.

[Asia]

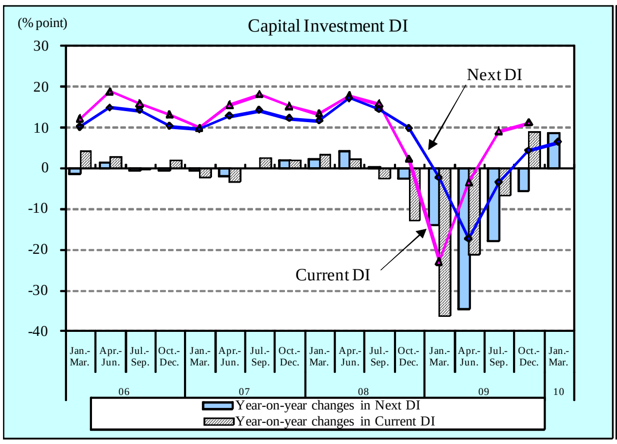
○ The Current DI stood at 13.1, marking its second straight quarter of positive figures. This was a year-on-year increase of 7.4 points, showing improvements from the previous survey. All four major industry groups reported positive figures. ASEAN4 (15.2), NIEs3 (13.4), and China (11.9) posted positive figures.

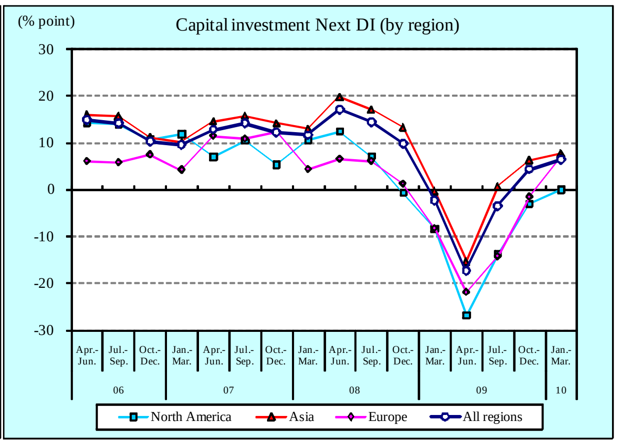
○ The Next DI saw a third straight quarter of positive figures at 7.7. This was a year-on-year increase of 8.0, marking improvements from the previous survey. Of the four major industry groups, electrical machinery remained at a negative figure. China (7.9), ASEAN4 (7.0), and NIEs3 (4.2) continued to show positive figures, with all showing improvements in year-on-year changes compared with the previous survey.

[Europe]

○ The Current DI stood at 7.0, marking its second straight quarter of positive figures. This was a year-on-year increase of 11.4 points, showing improvements from the previous survey. Of the four major industry groups, only transportation equipment posted a negative figure.

○ The Next DI recovered to a positive level of 6.7. This was a year-on-year increase of 15.0, marking improvements from the previous survey. Of the four major industry groups, only transportation equipment posted a negative figure. All 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 (October–December quarter 2009) posted 5.1, marking its second straight quarter of positive figures. This was a year-on-year increase of 10.9 points (compared with the Current DI for the October–December quarter 2008), showing improvements from a 3.4-point fall in the previous survey. All four major industry groups except general-purpose machinery reported positive figures, showing improvements in year-on-year changes compared with the previous survey.

○ The Next DI (January–March 2010) posted 2.7, marking its second straight quarter of positive figures. This was a year-on-year increase of 8.8 points (compared with the Next DI for the January–March quarter 2009), showing improvements from a 3.0-point fall in the previous survey. All four major industry groups except electrical machinery reported positive figures, showing improvements in year-on-year changes compared with the previous survey.

[North America]

○ The Current DI stood at 0.0. This was a year-on-year increase of 17.4 points, showing improvements from the previous survey. Of the four major industry groups, electrical machinery and general-purpose machinery resulted in negative figures, whereas chemicals and transportation equipment marked positive figures.

○ The Next DI recovered to a positive level of 0.4. This was a year-on-year increase of 16.3, marking improvements from the previous survey. All four major industry groups except transportation equipment posted negative figures. All except electrical machinery showed improvements in year-on-year changes compared with the previous survey.

[Asia]

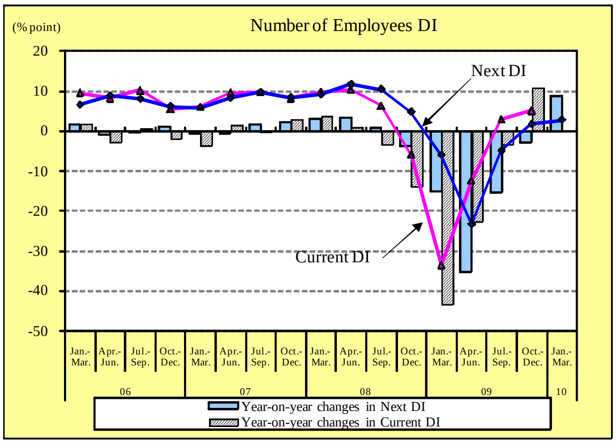
○ The Current DI stood at 8.1, marking its second straight quarter of positive figures. This was a year-on-year increase of 10.3 points, showing improvements from the previous survey. All four major industry groups reported positive figures. China (9.4), ASEAN4 (5.9), and NIEs3 (3.3) posted positive figures.

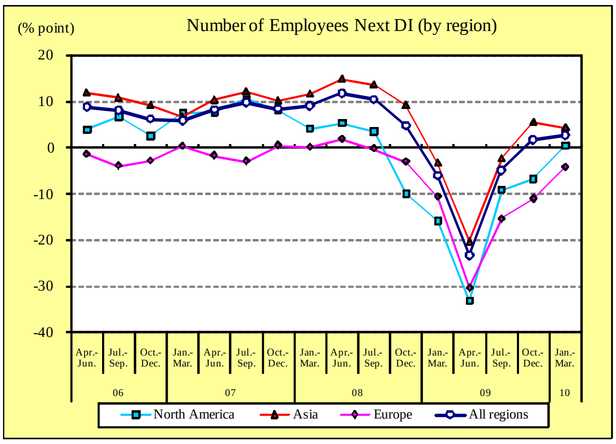
○ The Next DI saw a second straight quarter of positive figures at 4.3. This was a year-on-year increase of 7.6, marking improvements from the previous survey. All four major industry groups except electrical machinery posted positive figures. NIEs3 (minus 2.1) resulted in a negative figure, while China (5.2) and ASEAN4 (2.7) reported positive figures.

[Europe]

○ The Current DI remained at a negative level of minus 7.0. This was a year-on-year increase of 5.4 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 4.3. This was a year-on-year increase of 6.4, 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]

○ Sales (July–September quarter 2009, in U.S. dollars) fell 15.0% year-on-year, easing the pace of contraction after hitting bottom in the January–March quarter 2009. All four major industry groups fell for the fourth quarter running but eased the pace of contraction, with general-purpose machinery posting a year-on-year fall of 19.1%, transportation equipment 16.0%, electrical machinery 15.8%, and chemicals 0.9%. All regions saw a slowdown in the pace contraction, led by Asia, which reported a single-digit fall.

○ Sales (July–September quarter 2009, in Japanese yen) fell 26.1% year-on-year, marking its sixth straight quarter of falls but showing a slowdown in the pace of contraction.

[North America: 28.4% of total sales in all regions]

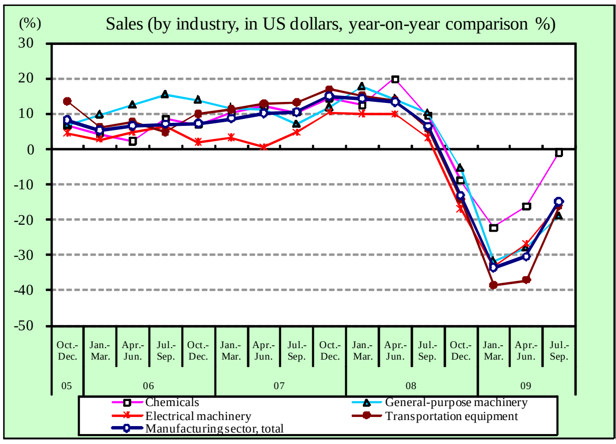
○ Sales (in U.S. dollars) fell 18.9% year-on-year, showing a slowdown in the pace of contraction. All four major industry groups reported falls, except for chemicals, which posted year-on-year growth of 8.5%. Transportation equipment (down 22.1% year-on-year) and electrical machinery (down 16.0% year-on-year) eased the pace of contraction, whereas general-purpose machinery (down 26.6% year-on-year) saw acceleration in the pace of contraction.

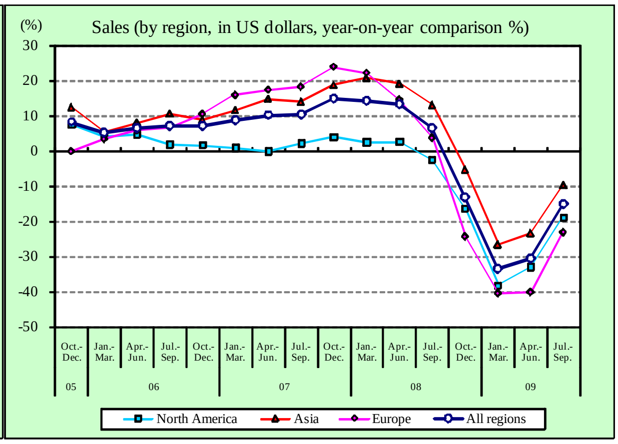
[Asia: 48.6% of total sales in all regions]

○ Sales (in U.S. dollars) posted a single-digit year-on-year fall of 9.7%. All four major industry groups reported falls but eased the pace of contraction, with electrical machinery posting a year-on-year fall of 12.5%, general-purpose machinery 10.7%, transportation equipment 6.2%, and chemicals 4.2%. ASEAN4 (down 17.1% year-on-year), NIEs3 (down 14.6% year-on-year), and China (down 5.0% year-on-year) continued to experience falls but eased the pace of contraction.

[Europe 15.7% of total sales in all regions]

○ Sales (in U.S. dollars) fell 23.1% year-on-year, down for the fourth straight quarter. Of the four major industry groups, electrical machinery, general-purpose machinery, and transportation equipment posted sharp year-on-year falls of 30.9%, 29.2%, and 25.5%, respectively, but 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 (July–September quarter 2009, in U.S. dollars) fell 52.0% year-on-year, marking its sharpest fall (*1) on record. Of the four major industry groups, electrical machinery fell 42.3% year-on-year, easing the pace of contraction. Conversely, transportation equipment, general-purpose machinery, and chemicals saw acceleration in the pace of contraction, with year-on-year falls of 57.8%, 47.8%, and, 0.5%, respectively. North America, Europe, and Asia saw acceleration in the pace of contraction.

○ Capital investment (July–September quarter 2009, in Japanese yen) fell 58.2% year-on-year, down for the fourth straight quarter, marking its sharpest fall since the survey began.

[North America: 23.3% of total capital investment in all regions]

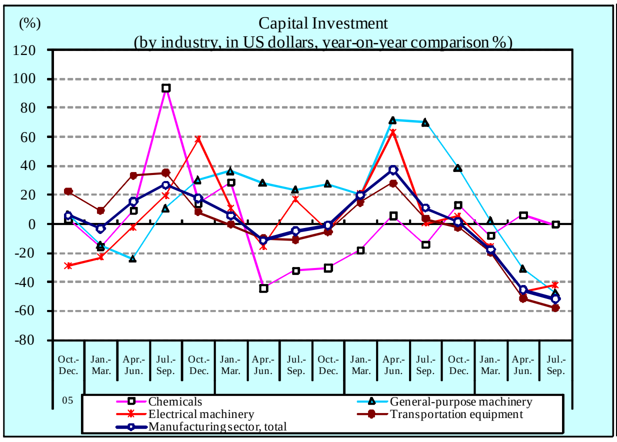
○ Capital investment (in U.S. dollars) fell 59.6% year-on-year, marking its sharpest fall (*1) on record. Chemicals took a downward turn, posting a year-on-year fall of 31.9%. Electrical machinery, transportation equipment, and general-purpose machinery reported year-on-year falls of 73.4%, 64.6%, and 20.6%, respectively, all accelerating the pace of contraction.

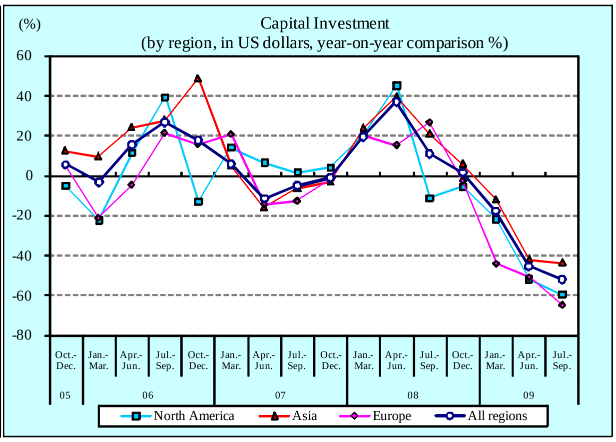
[Asia: 61.1% of total capital investment in all regions]

○ Capital investment (in U.S. dollars) fell 43.8% year-on-year, marking its sharpest fall (*1) on record. Chemicals saw year-on-year growth of 17.4%, whereas general-purpose machinery, transportation equipment, and electrical machinery reported year-on-year falls of 54.0%, 46.7%, and 38.3%, respectively. ASEAN4 (down 52.0% year-on-year) fell for the fourth quarter running, while China (down 33.6% year-on-year) and NIEs3 (down 30.2% year-on-year) reported their second straight quarter of falls.

[Europe: 10.0% of total capital investment in all regions]

○ Capital investment (in U.S. dollars) fell 64.8% year-on-year, marking its sharpest fall (*1) on record. Chemicals maintained growth, showing a year-on-year increase of 32.4%. Conversely, transportation equipment, electrical machinery, and general-purpose machinery reported sharp year-on-year falls of 71.7%, 69.7%, and 47.4%, respectively.





(*1) Since the U.S. dollar-based quarterly year-on-year changes were first published, starting with the April–June quarter of 2002.

Actual Results

3. Number of Employees

[All regions]

○ The number of employees (as of the end of September 2009) fell 10.0% year-on-year, down for the fourth straight quarter. Among the four major industry groups, chemicals marked year-on-year growth of 8.9%. Conversely, electrical machinery reported a year-on-year fall of 15.0%, down for the eleventh straight quarter. Transportation equipment and general-purpose machinery recorded year-on-year falls of 11.7% and 3.8%, respectively, both showing falls for the fourth straight quarter. North America, Asia, and Europe reported falls.

[North America: 12.2% of total employment in all regions]

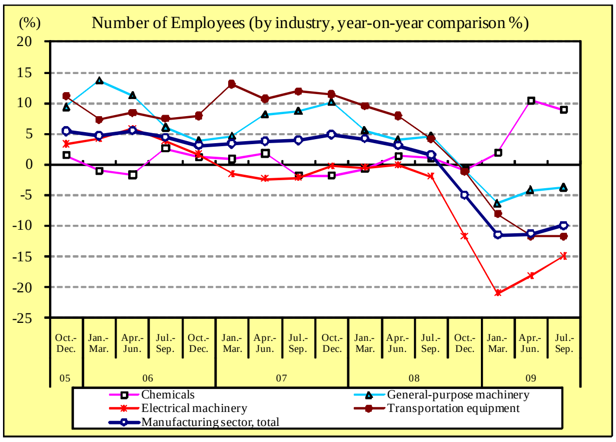
○ The number of employees fell 12.5% year-on-year, down for the fifth straight quarter. Among the four major industry groups, transportation equipment, and general-purpose machinery reported year-on-year falls of 20.5% and 9.1%, respectively, both showing falls for the fifth straight quarter. Electrical machinery fell 8.9% year-on-year, down for the seventh straight quarter.

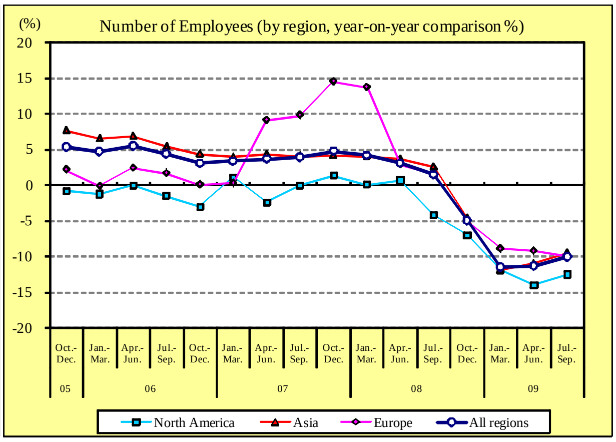
[Asia: 73.7% of total employment in all regions]

○ The number of employees fell 9.5% year-on-year, down for the fourth straight quarter. Among the four major industry groups, chemicals posted a year-on-year growth of 16.2%. Conversely, electrical machinery fell 15.5% year-on-year, down for the fifth straight quarter. Transportation equipment and general-purpose machinery continued to show falls, with year-on-year falls of 7.4% and 2.4%, respectively. China (down 11.6% year-on-year) and ASEAN4 (down 10.2 year-on-year) reported falls for the fourth quarter running, hit by falls particularly in the electrical machinery industry. NIEs3 (up 0.7% year-on-year) saw growth for the first time in four quarters.

[Europe: 8.8% of total employment in all regions]

○ The number of employees fell 10.0% year-on-year, down for the fourth straight quarter. All four major industry groups reported falls. In particular, transportation equipment suffered a year-on-year fall of 15.0%, for the fourth straight quarter, accelerating the pace of contraction.





For reference: Overseas Economies

Though the condition of the global economy is still serious, with issues such as deteriorating employment, it has stopped contracting, and the world is seeing growing signs of recovery, mainly in Asia, helped in part by government stimulus measures. The world economy is expected to make its way toward 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 rising over 10%, but the effects of government measures helped its economy stop falling. The economy is expected to be back on course 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 recovery thanks to the effects of government stimulus measures. Although exports, particularly those to Europe and the United States, will continue to be stagnant, the economic outlook shows that it will stay on the path to recovery, as domestic demand is expected to remain strong. Risks from surging money supply, however, need to be watched. Other Asian economies overall are rebounding, driven by the effects of government stimulus measures and growth in China-bound exports. Economic outlook expects them to make 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 be back on a track to modest recovery, but there are risks that problems, such as a backlash from the new car incentives, as well as a credit squeeze and worsening employment could keep them sluggish.

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