



FCIJ Foreign Chambers
in Japan



FCIJ Business Confidence Survey

Spring 2009

in cooperation with Nomura Research Institute

With commentary by Dr. William Schrade, Adjunct Faculty, University of Maryland University College: Asia Division

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



FCIJ Business Confidence Survey – Spring 2009

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 fifteenth, survey was conducted between April 13 and 24, 2009, and received 451 valid responses, an increase of 8% from the previous survey.

Although the reported sales and profitability figures for the past six months were the worst in the history of this survey (since 2002) with sales having an index of -0.56 on the scale from +2 to -2 (compared to +0.10 in the fall 2008 survey and profitability - 0.44 (+0.03)), this survey shows that the surveyed companies see some bright spots on the horizon.

The economy for the next 6 months is still expected to slide, -0.44 (compared to -0.91 in fall 2008), but looking 12 months ahead, the companies see a turn for the better - the index shows +0.21 (-0.55 in the previous survey). Even more importantly, the forecasts for the coming six months for sales and profitability both show a growth, small but still. The sales forecast index was +0.15 (previous survey -0.05) and that for profitability +0.13 (-0.12). Only 9% expect a further strong decline in sales and profitability, while 48% and 46% respectively see strong of some improvement.

Concerning the strategies of the foreign-affiliated companies in Japan, most of them remain bullish despite the bearish view on the economy and see Japan as a market with room to expand in the long term – 66% looking for further growth and 26% expecting to sustain their current level. 7% are planning to downsize, but only 1% (four companies out of the surveyed 451) are considering withdrawing from the market. These results were very much in line with the findings in the previous survey.

This time three new questions were included. In the first, “*What is the most significant problem (apart from the current financial crisis) of your business in Japan?*”, 32% reported “Unclear view of the market”, 27% “Human resources” and 12% “Lack of partners”. In the second, “*When do you think the global economy will take a turn for the better?*”, 38% predicted spring 2010, 24% this fall. Only 6% expected it to happen this summer. The third additional question was “*Does your Japan office also act as Asian HQ for your company?*”, 70% reported no, 30% yes. Here a rather significant difference was noted between North American companies, where 40% also act as Asian HQ, and European, where only 22% control their Asian business from Japan.

The next survey will be conducted in October 2009.

FCIJ Business Confidence Survey – Spring 2009

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 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, is rapidly becoming a barometer of foreign business in Japan.

The survey is headed by a task force consisting of representatives from the ACCJ, BCCJ and FCCJ. It is run and processed on behalf of all the chambers by the FCCJ.

FCIJ Business Confidence Survey – Spring 2009

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 13 - 24, 2009

Survey method online only

Survey population 2,100 companies

Survey questions 2 questions on economy
4 on company performance
1 on reasons behind changes
1 on most significant problem
1 on strategies in Japan
1 on global economy turn
1 on Japan as Asia HQ
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, 65% 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 2009

Participating Organizations



The American Chamber
of Commerce in Japan



The Australia-New Zealand
Chamber of Commerce in Japan



Austrian Business Council



The British Chamber of
Commerce in Japan



The Brazilian 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 Swedish Chamber of
Commerce and Industry in Japan



The Swiss Chamber of Commerce
and Industry in Japan

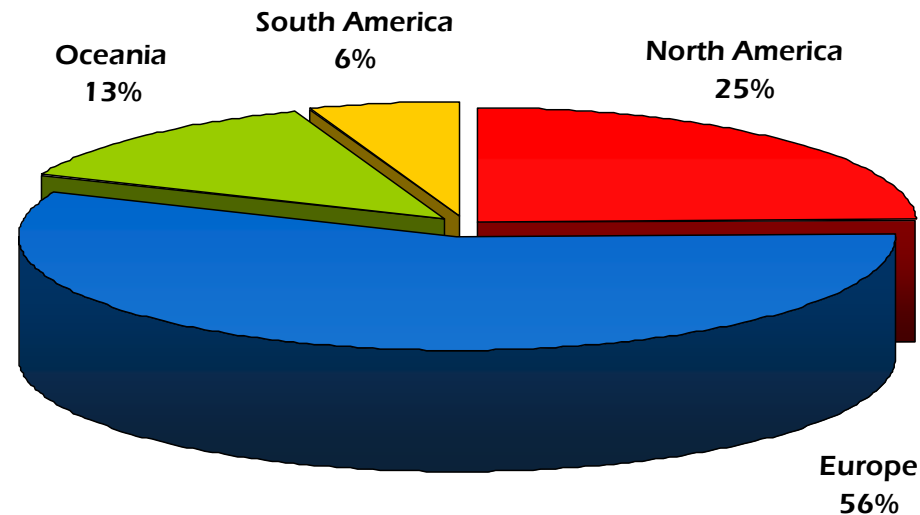
FCIJ Business Confidence Survey – Spring 2009

Survey Responses

Total number of responses: 451

Response rate: ca 23%

Shares of total responses - by area



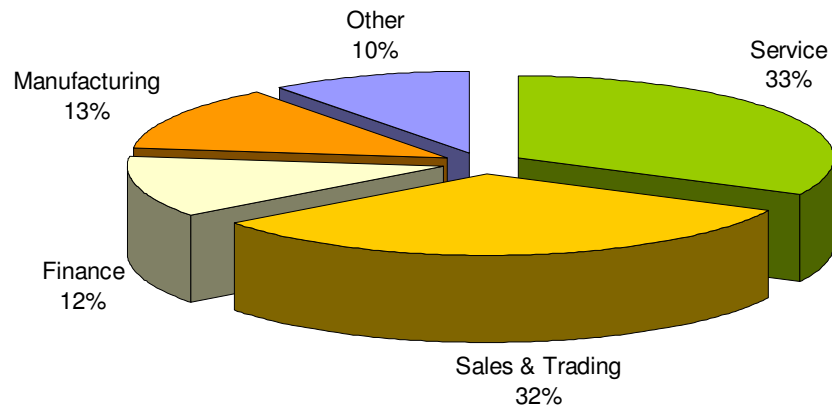
Responses by chamber

American Chamber	97	Austrian Business Council	25
Australia & NZ Chamber	59	Brazilian Chamber	25
French Chamber	50	Swedish Chamber	25
German Chamber	45	Finnish Chamber	17
British Chamber	30	Others	78

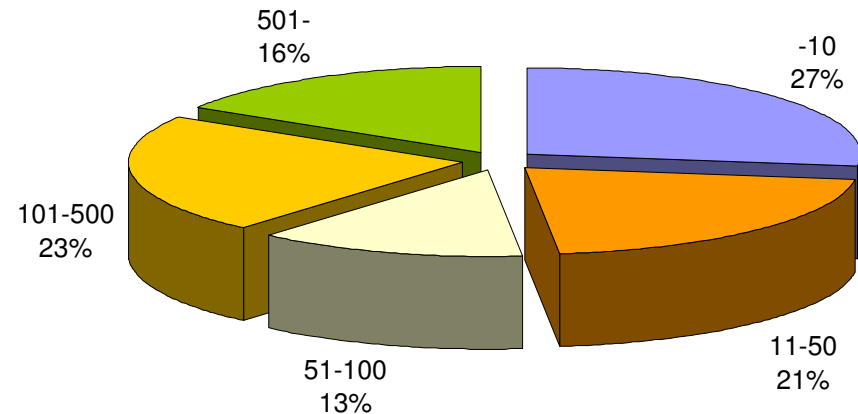
FCIJ Business Confidence Survey – Spring 2009

Respondent Company Demographics

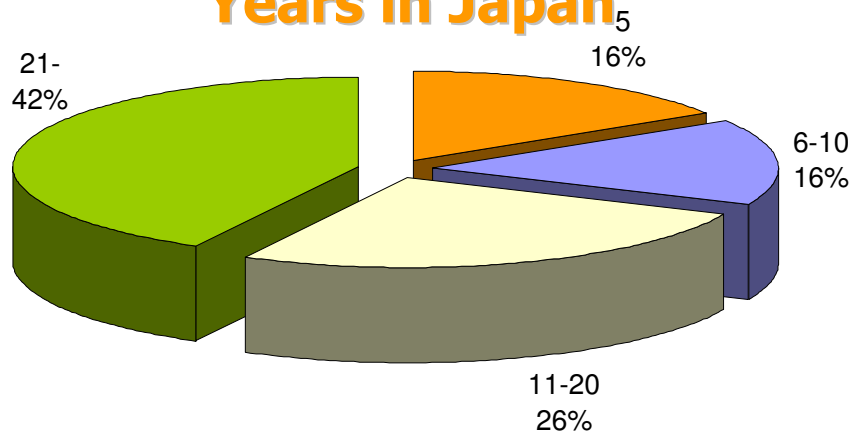
Type of business



Number of employees



Years in Japan



A typical respondent company

has been in Japan for over 17 years, has 55 employees and is involved in service or sales and trading industry.






FCIJ Business Confidence Survey – Spring 2009

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. Most significant business problems
6. Strategies in Japan
7. When will economy take turn for better
8. Is your office also Asian HQ
9. Comments

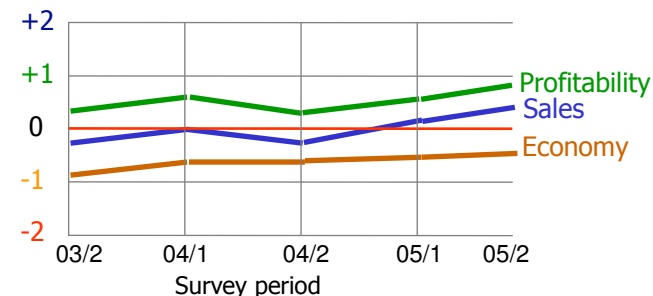
Legend

- | | | |
|-----------------------|------|---|
| 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 2009

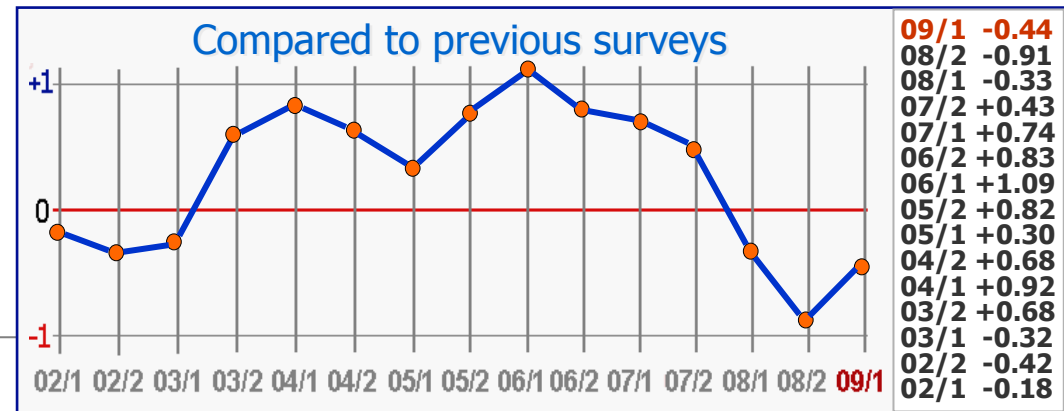
1.1. Japan's economic situation for the next 6 months

TOTAL FOR SURVEY

INDEX -0.44 (previous survey -0.91)

Response	Number	Percent
Strong improvement	3	1 %
Some improvement	87	20 %
No change	133	30 %
Some decline	148	34 %
Strong decline	70	16 %

Total number of responses: 441



North American companies -0.22 (-0.94)

Response	Number	Percent
Strong improvement	2	2 %
Some improvement	30	27 %
No change	36	32 %
Some decline	29	26 %
Strong decline	15	13 %

Number of responses: 112

European companies -0.45 (-0.92)

Response	Number	Percent
Strong improvement	1	0 %
Some improvement	48	19 %
No change	77	31 %
Some decline	81	33 %
Strong decline	40	16 %

Number of responses: 247

Australia/New Zealand: -0.90 (-0.81)

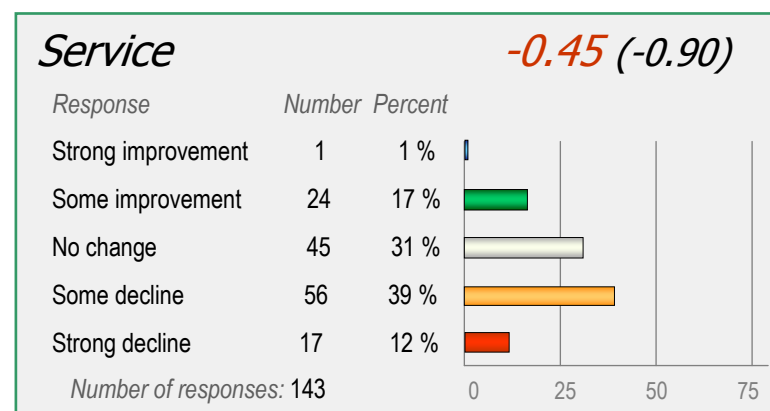
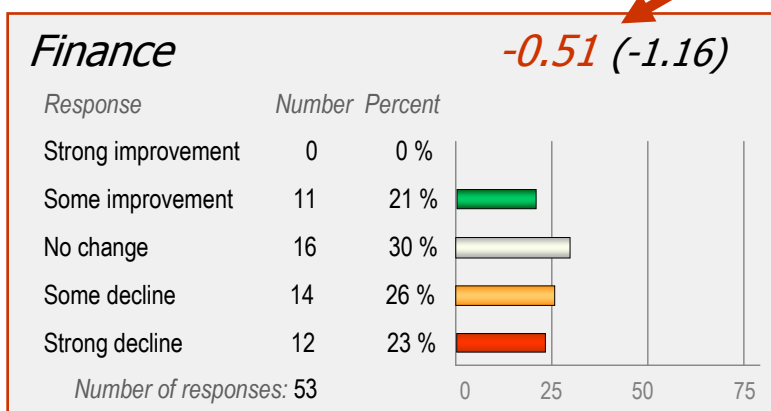
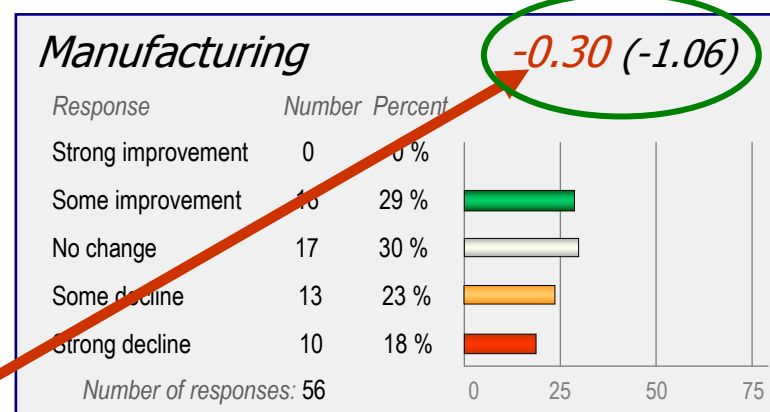
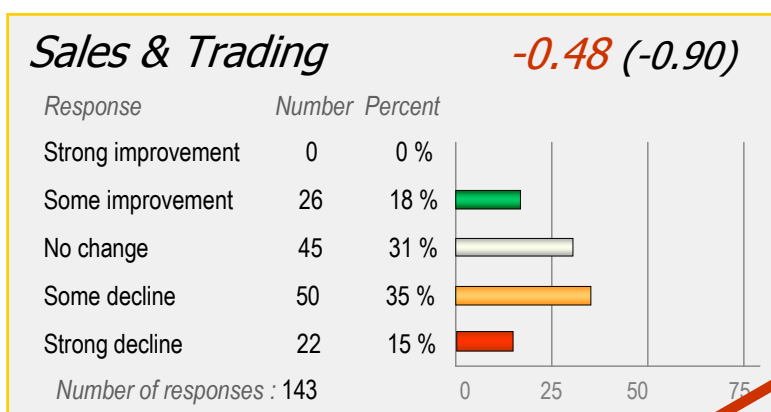
Brazil: -0.29

FCIJ Business Confidence Survey – Spring 2009

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

By type of business

OVERALL INDEX **-0.44**



NOTES:



Notable changes



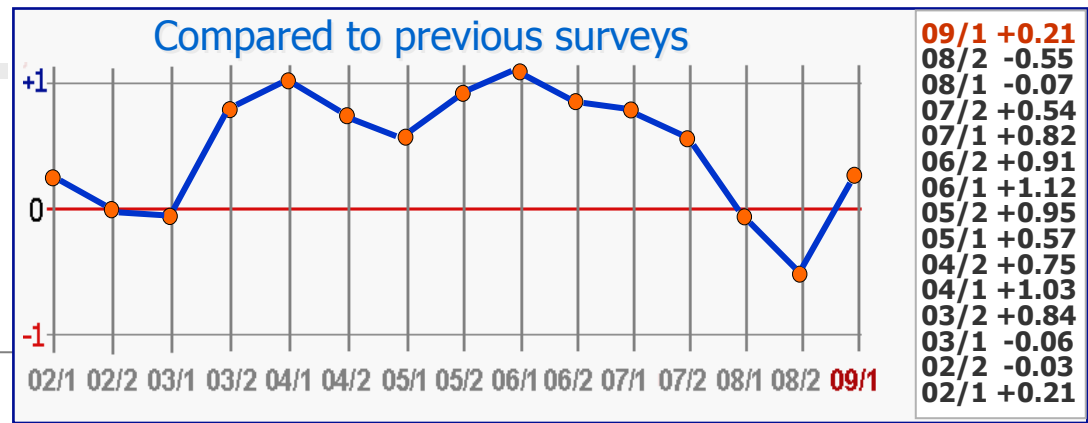
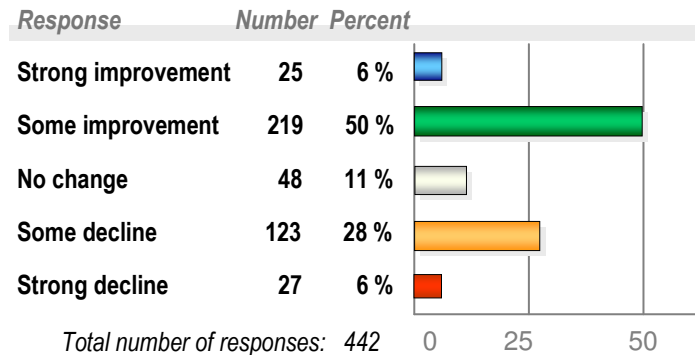
Highest-lowest

FCIJ Business Confidence Survey – Spring 2009

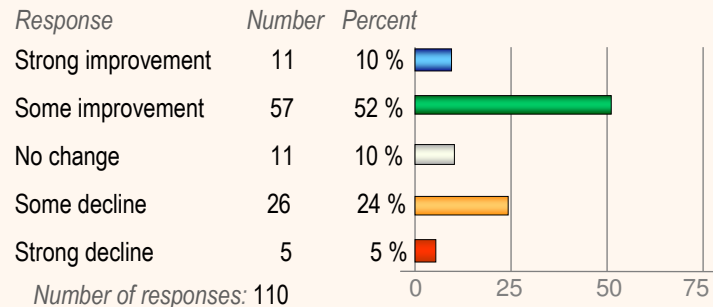
1.2. Japan's economic situation for the next 12 months

TOTAL FOR SURVEY

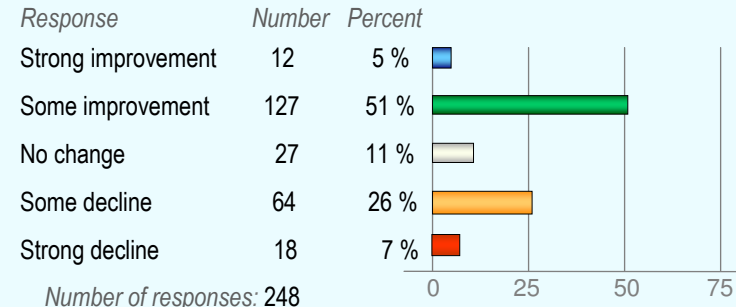
INDEX **+0.21** (-0.55)



North American companies **+0.39** (-0.46)



European companies **+0.21** (-0.65)



Australia/New Zealand: -0.19 (-0.42)

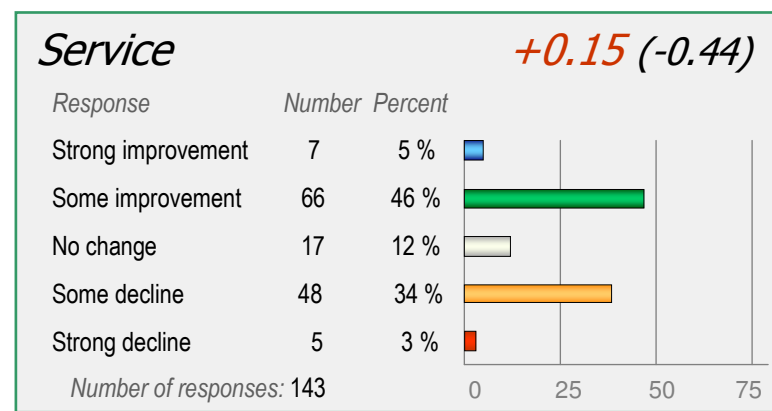
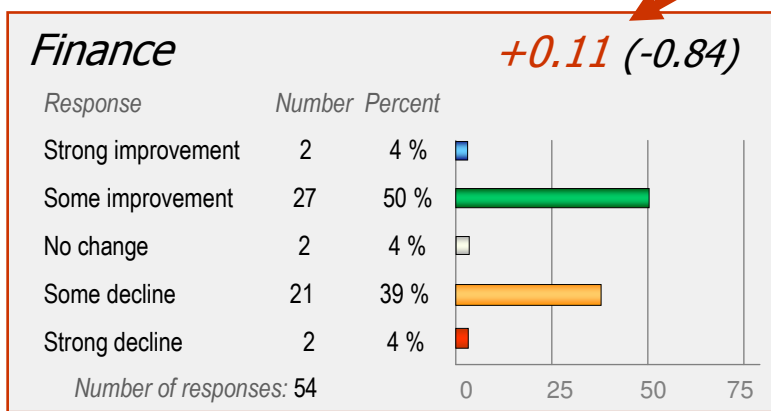
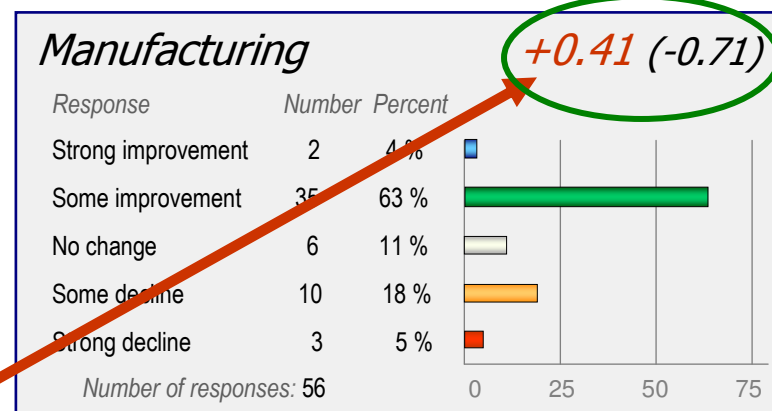
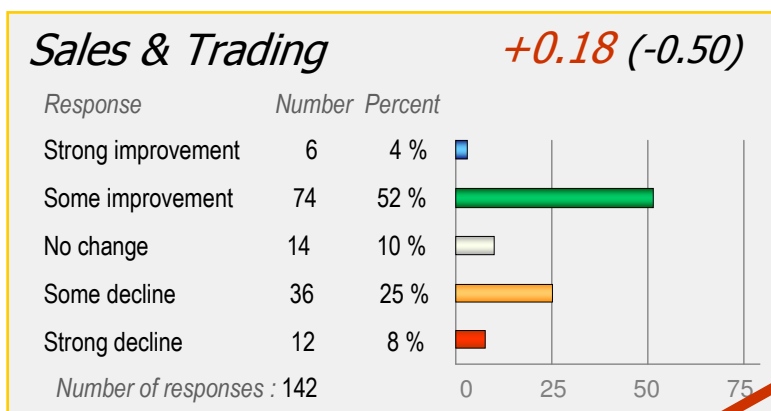
Brazil +0.36

FCIJ Business Confidence Survey – Spring 2009

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

By type of business

OVERALL INDEX **+0.21**

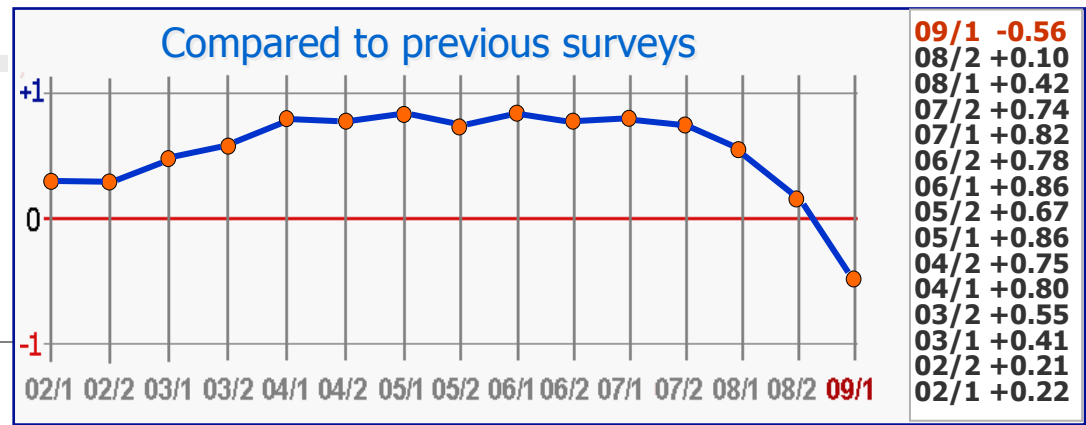
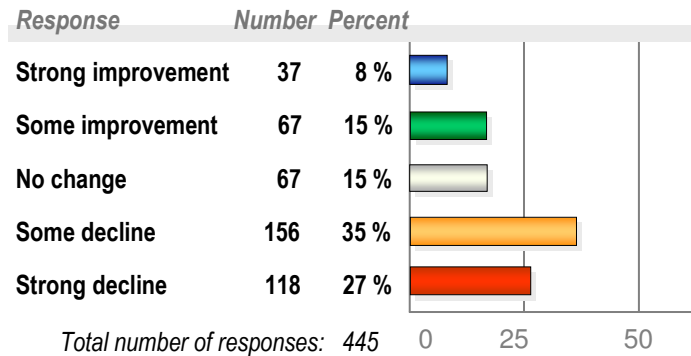


FCIJ Business Confidence Survey – Spring 2009

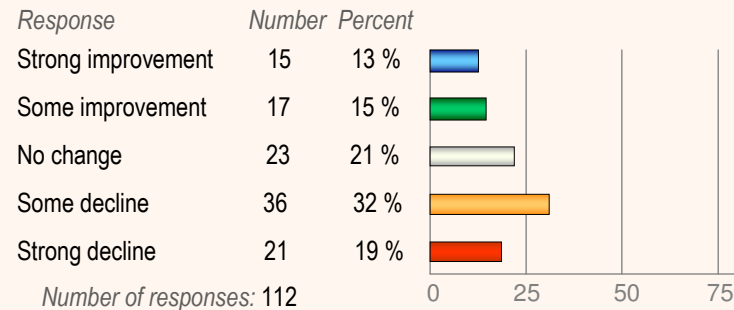
2.1. Sales during the **past** 6 months

TOTAL FOR SURVEY

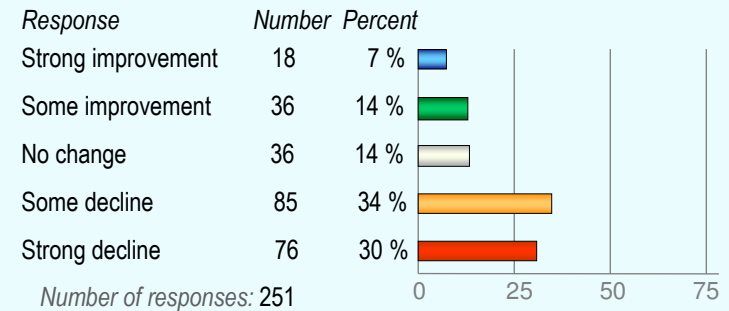
INDEX **-0.56** (+0.10)



North American companies **-0.28** (-0.06)



European companies **-0.66** (+0.22)



Australia/New Zealand: **-0.67** (+0.08)

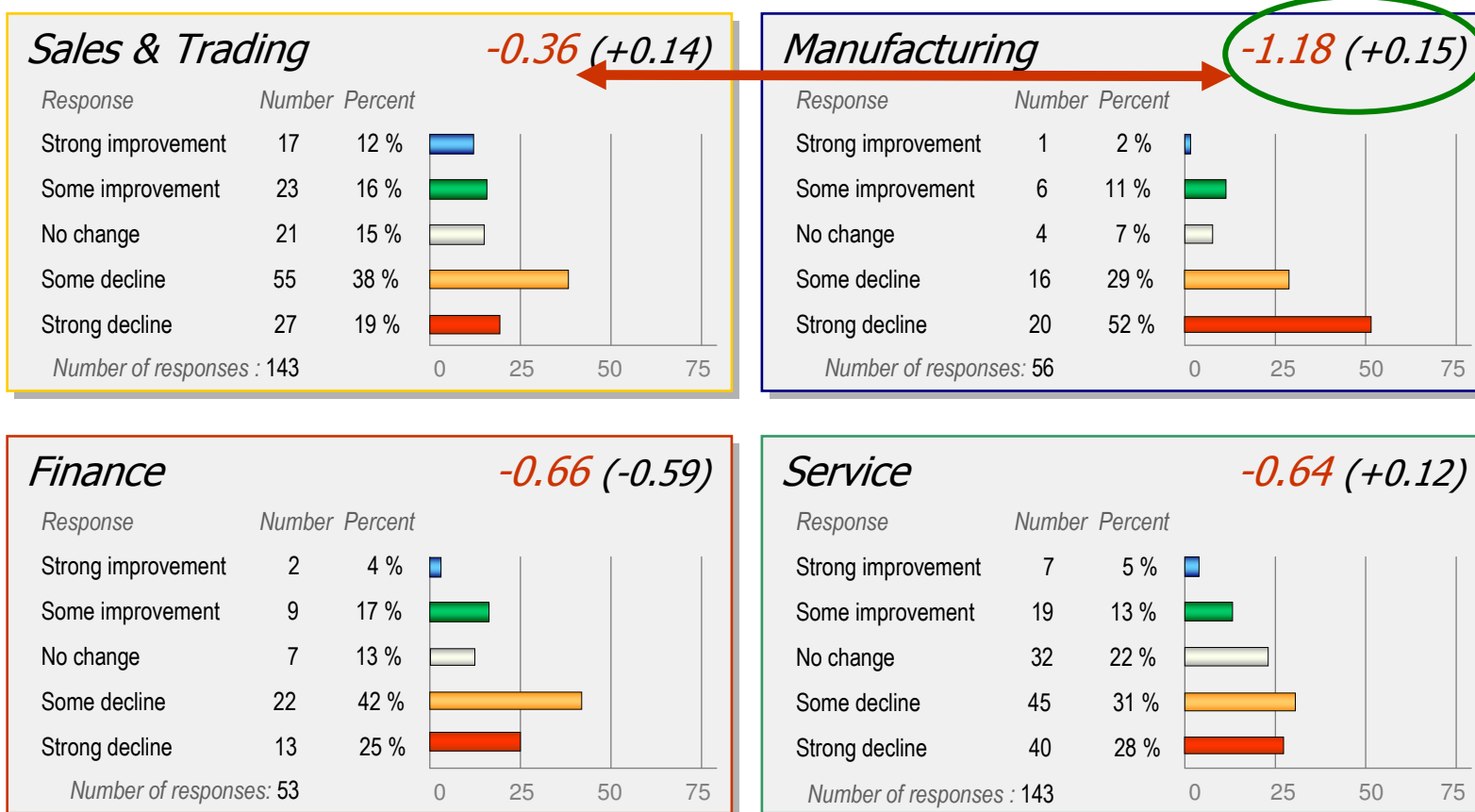
Brazil **-0.68**

FCIJ Business Confidence Survey – Spring 2009

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

By type of business

OVERALL INDEX **-0.56**

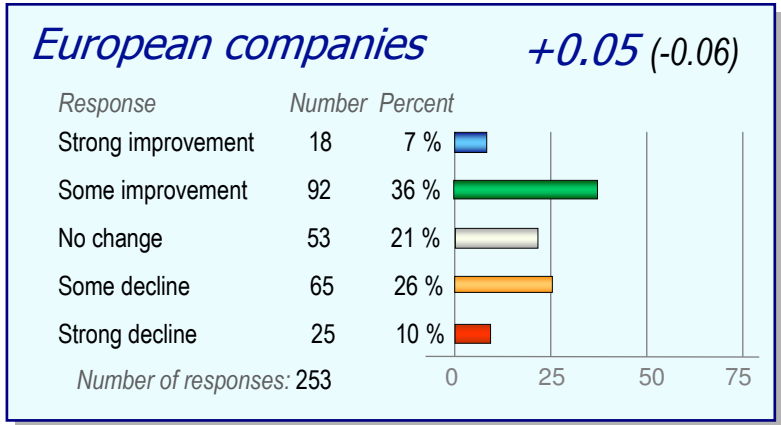
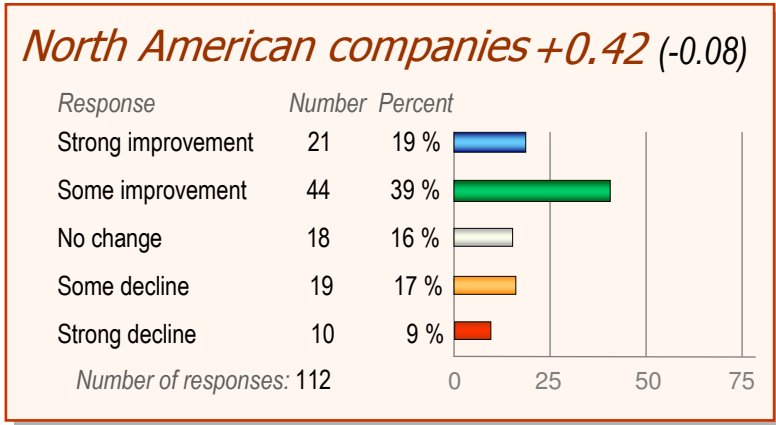
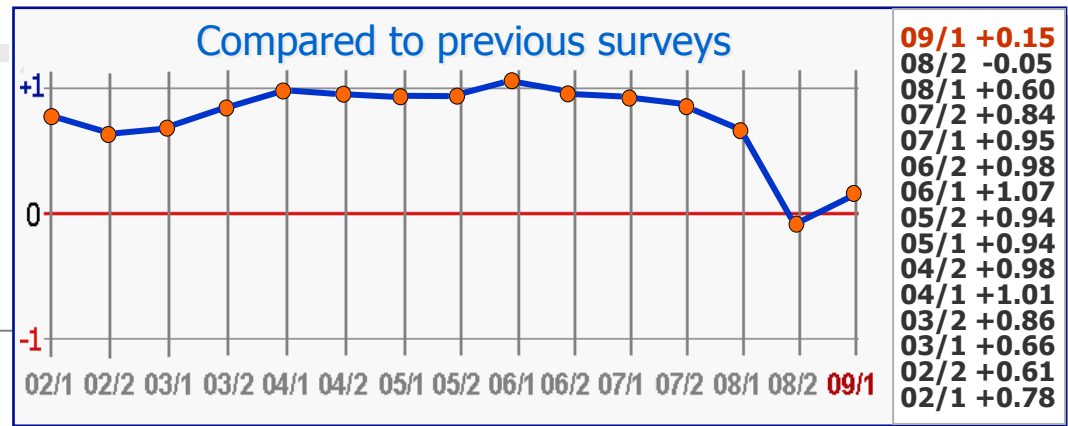
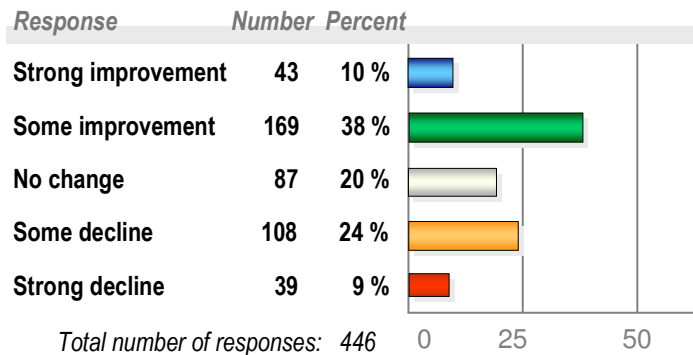


FCIJ Business Confidence Survey – Spring 2009

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

TOTAL FOR SURVEY

INDEX +0.15 (-0.05)



Australia/New Zealand: +0.14 (+0.08)

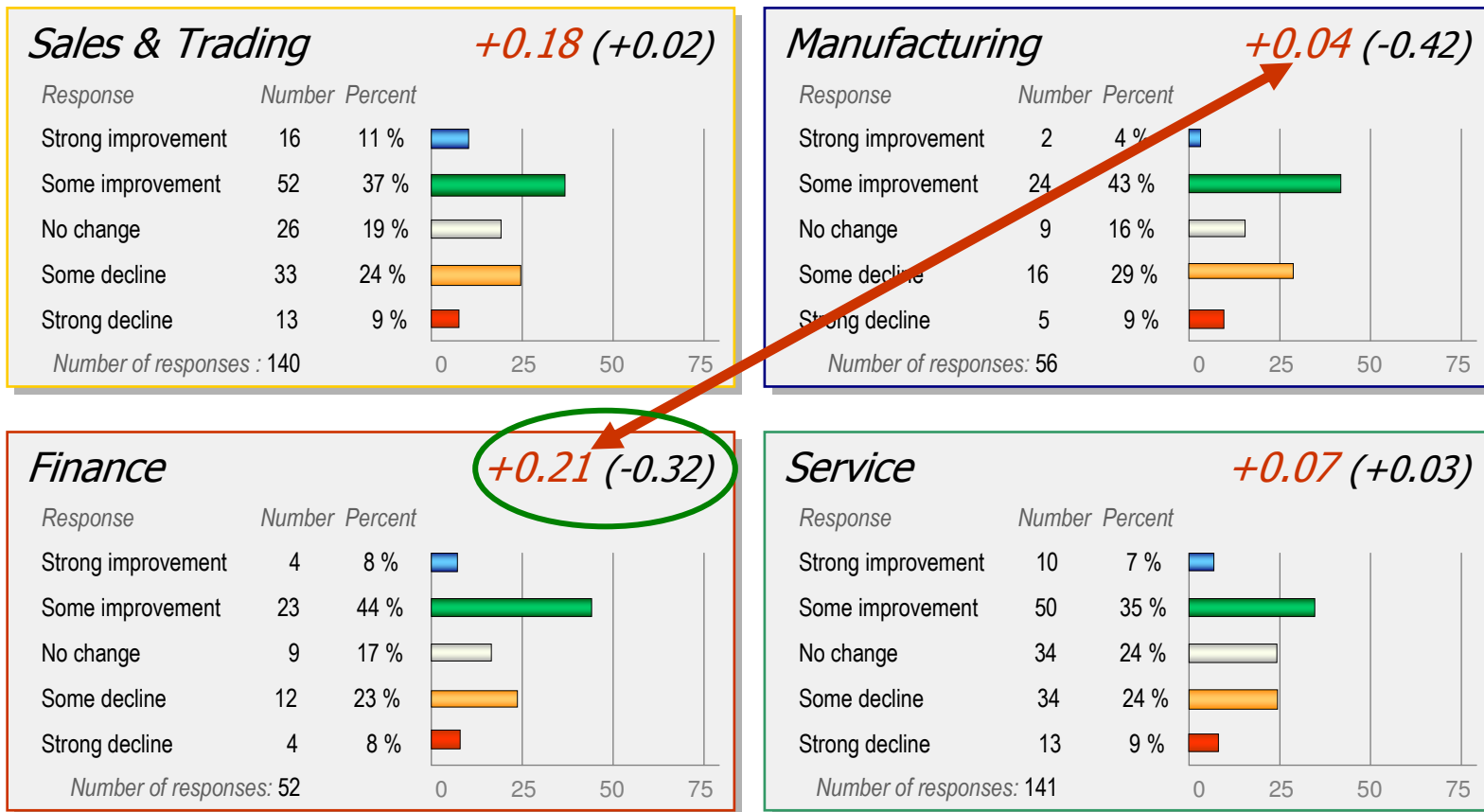
Brazil +0.04

FCIJ Business Confidence Survey – Spring 2009

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

By type of business

OVERALL INDEX **+0.15**

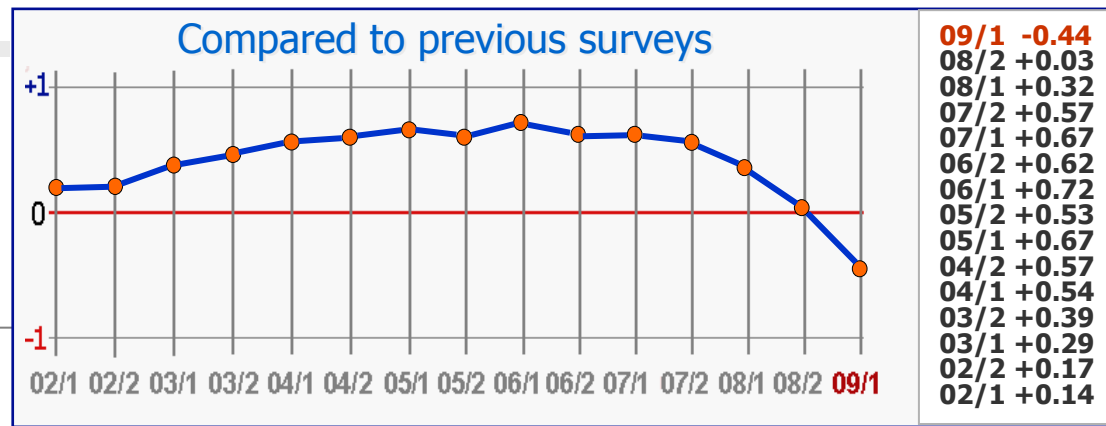
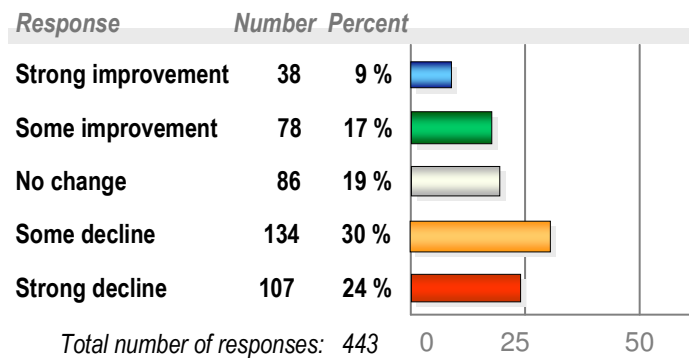


FCIJ Business Confidence Survey – Spring 2009

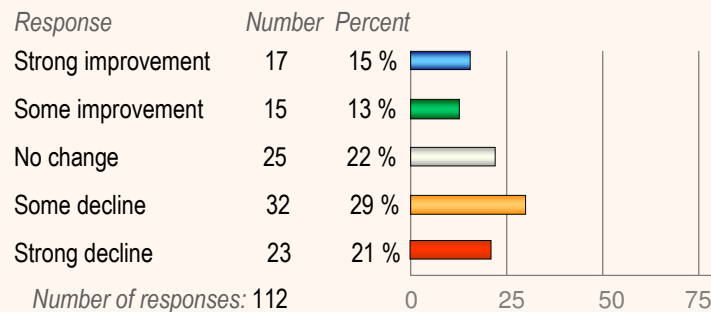
3.1. Profitability during the **past** 6 months

TOTAL FOR SURVEY

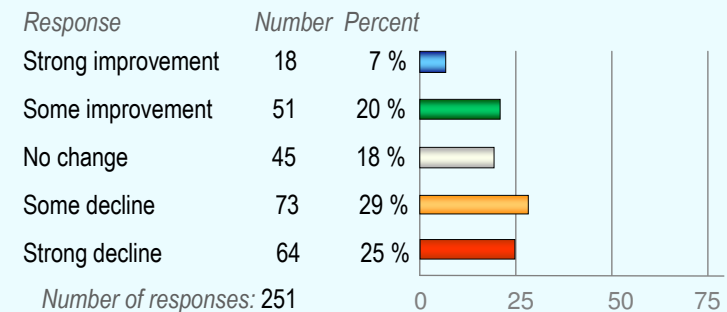
INDEX -0.44 (+0.03)



North American companies -0.26 (-0.04)



European companies -0.45 (+0.08)



Australia/New Zealand: -0.59 (+0.00)

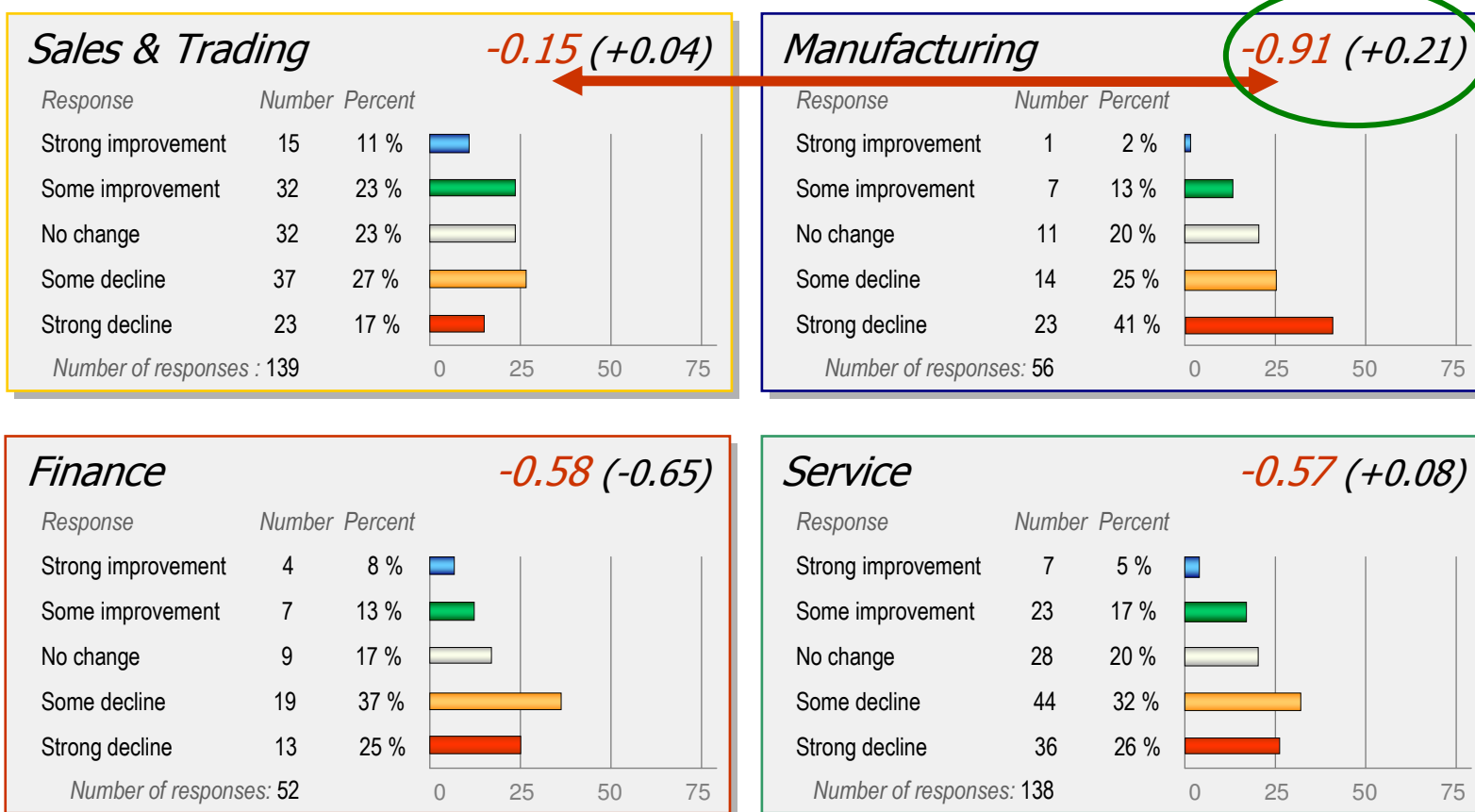
Brazil -0.77

FCIJ Business Confidence Survey – Spring 2009

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

By type of business

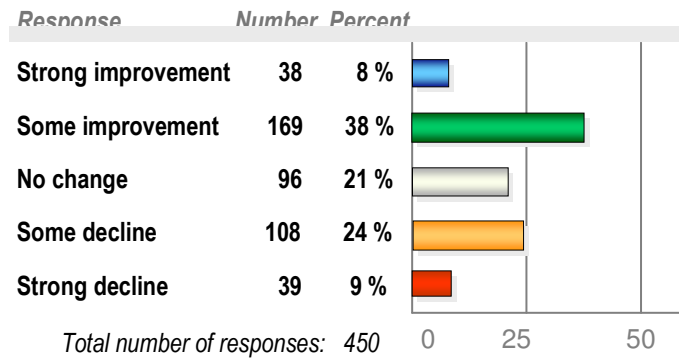
OVERALL INDEX **-0.44**



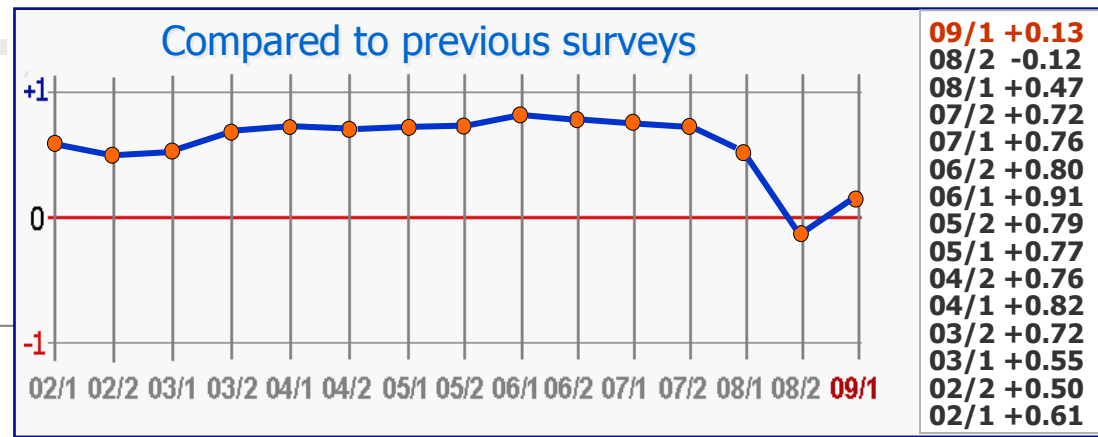
FCIJ Business Confidence Survey – Spring 2009

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

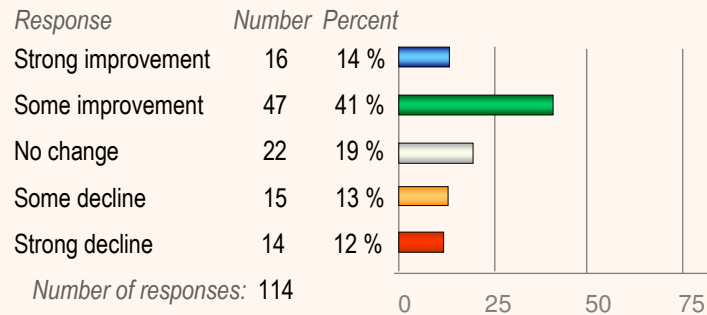
TOTAL FOR SURVEY



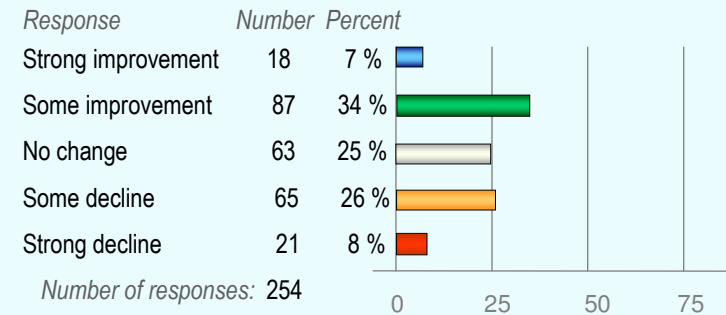
INDEX +0.13 (-0.12)



North American companies +0.32 (-0.13)



European companies +0.06 (-0.14)



Australia/New Zealand: +0.12 (+0.04)

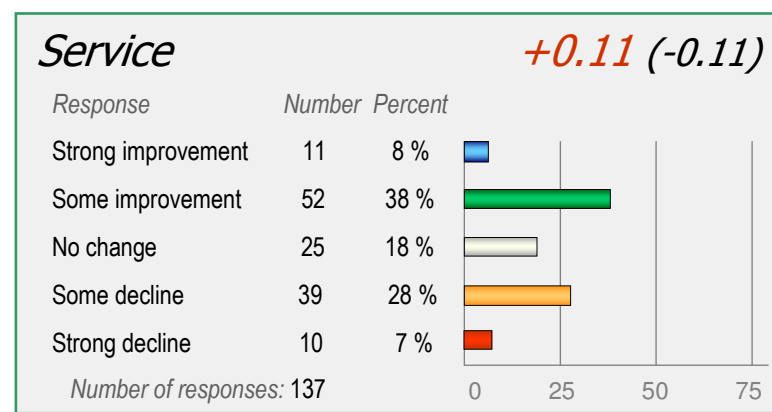
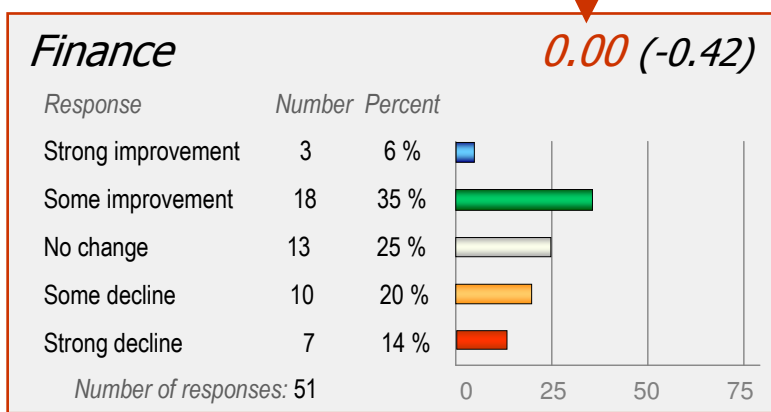
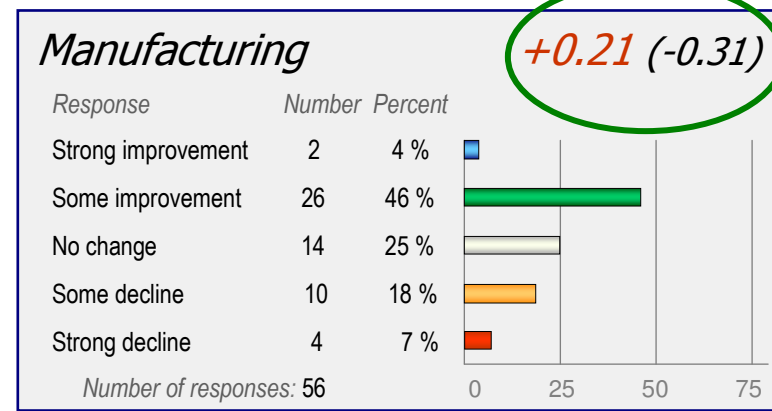
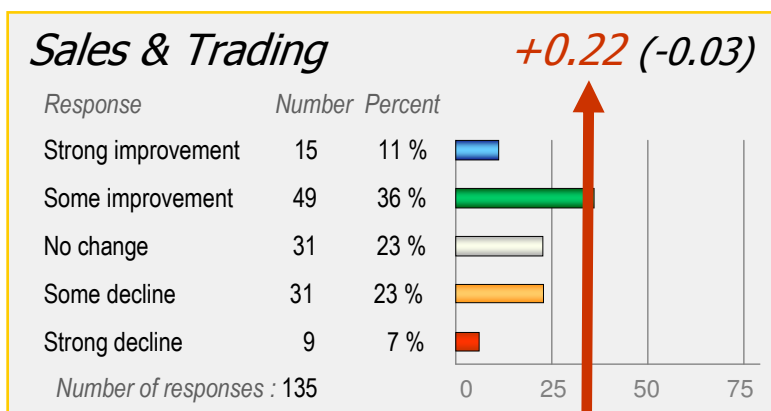
Brazil: 0.0

FCIJ Business Confidence Survey – Spring 2009

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

By type of business

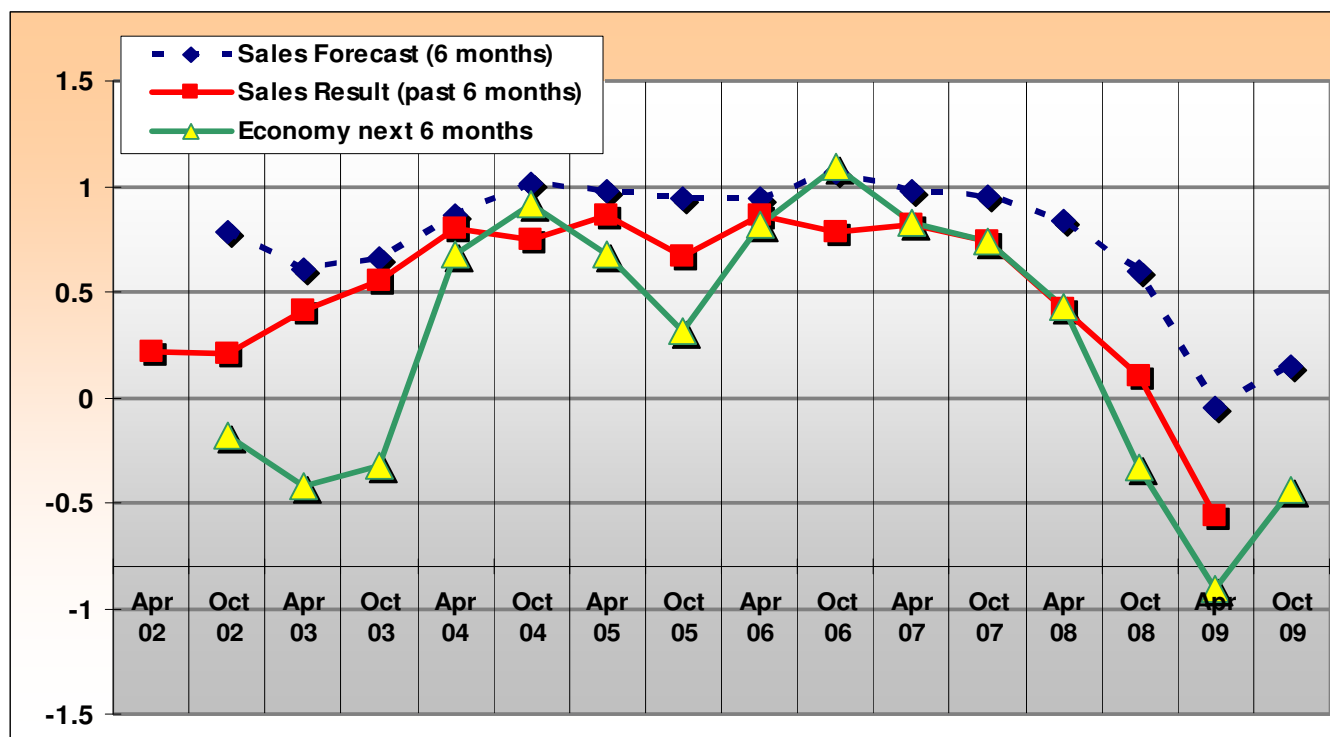
OVERALL INDEX **+0.13**



FCIJ Business Confidence Survey – Spring 2009

A Comparison (1)

Sales and Economy



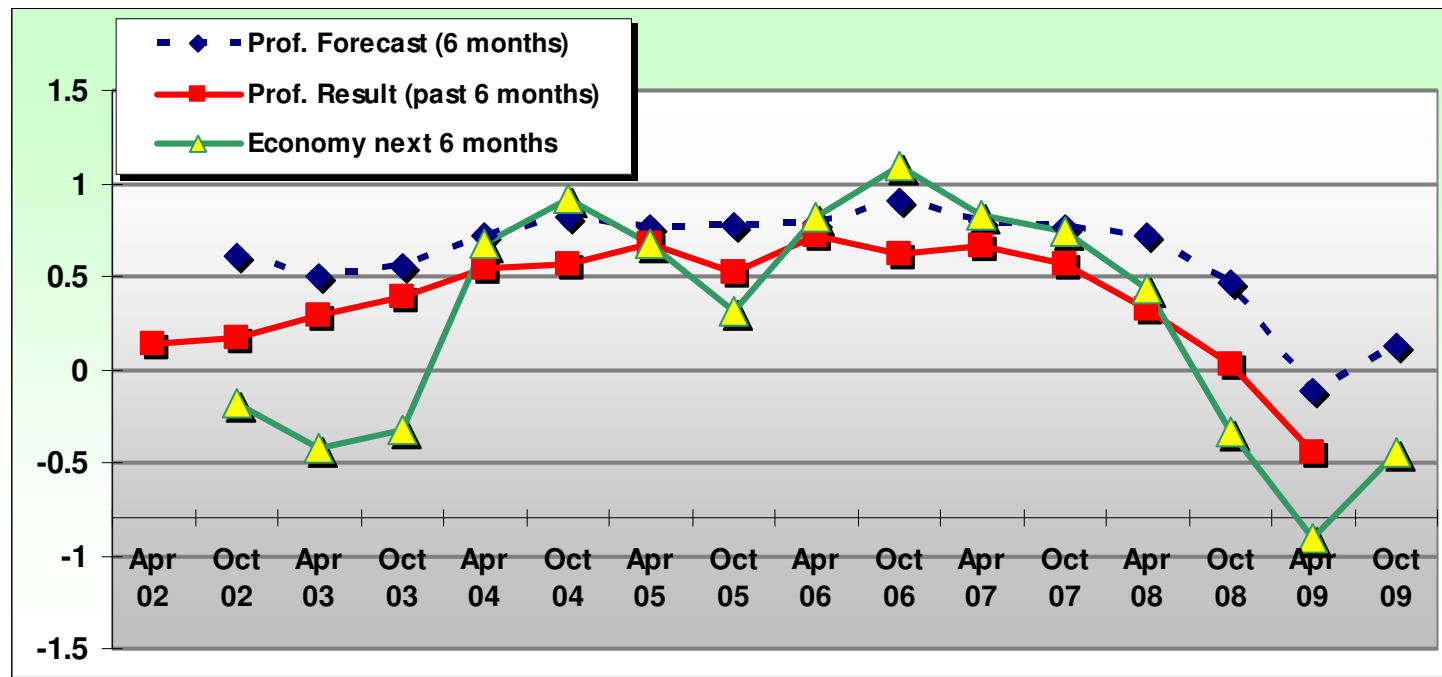
Conclusions:

- (1) The companies' views on the economy and their sales forecasts go hand-in-hand.
- (2) Sales result past 6 months was better than the downtrend forecasted for the economy.

FCIJ Business Confidence Survey – Spring 2009

A Comparison (2)

Profitability and Economy

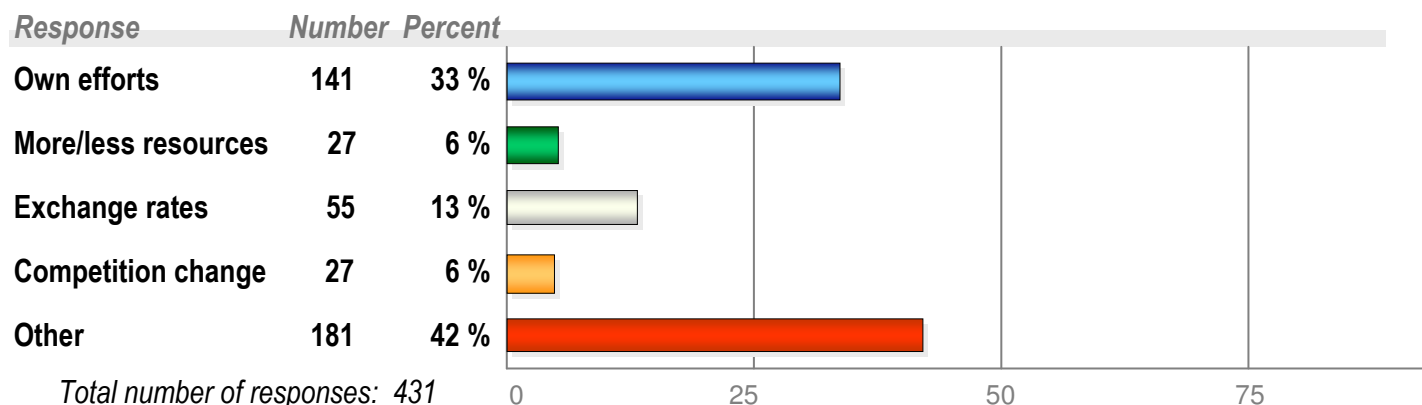


Conclusions:

- (1) Changes in profitability are smaller than changes in sales and views on economy.
- (2) The predicted profitability downturn for next six months is in line with the views on economy.

FCIJ Business Confidence Survey – Spring 2009

4. Reasons behind the changes in business performance



Some "Other" reasons (apart from economy):

- Customers delaying purchase of equipment and machinery
- No public tender have been released
- Regulatory constraints, weak economy
- Lack of applicants for our program
- Very few assignments to work on
- Client's business decline
- Restructuring, new alliances and a new product
- Japanese banks not lending enough money to customers.

Noteworthy:

The further increase in 'Other' reasons for change, which started in the previous survey, indicates how clearly the bad global business climate is perceived as affecting the business performance.

Previous surveys													
02/1	02/2	03/1	03/2	04/1	04/2	05/1	05/2	06/1	06/2	07/1	07/2	08/1	08/2
51%	52%	54%	54%	57%	56%	60%	54%	62%	57%	55%	55%	48%	38%
4%	8%	9%	9%	7%	7%	8%	11%	7%	11%	12%	12%	11%	10%
5%	7%	5%	6%	4%	9%	4%	6%	4%	6%	11%	8%	12%	11%
19%	16%	14%	12%	12%	12%	12%	13%	13%	14%	9%	7%	7%	5%
20%	17%	18%	19%	20%	16%	16%	16%	15%	12%	13%	18%	21%	36%

FCIJ Business Confidence Survey – Spring 2009

4. Reasons behind the changes – Comments

(All comments are available on the website)

FX-hedge new products savings efforts long term contracts

Special efforts, service and quality, customers

Introduction of products / services currently no available in Japan

The new alliance and the new product may increase the sales and improve the profit.

We've invested heavily in building up our online presence and as e-commerce has really started to take-off we're seeing returns on that investment.

Our market is strong and exchange rates have helped

Meeting with the market restructuring demands such as M&As

Also the depressing economy is helping our business

Many competitors leaving the market or going out of business

However, there are signs of improvement at the moment, at least in some areas.

We are almost exclusively suppliers of parts to OEMs. When their sales go down, ours goes down as well.

Cost cutting Program, overhead reduction, customer focus program, all programs started already in spring 2008, before full crises impacted business

Our business is directly linked to Japanese Exports. The Air Freight Market has declined by 50% and has direct impact to our volumes and revenue despite we are doing better than market in general

Recession time is good for some company who need to improve share by change price scheme.

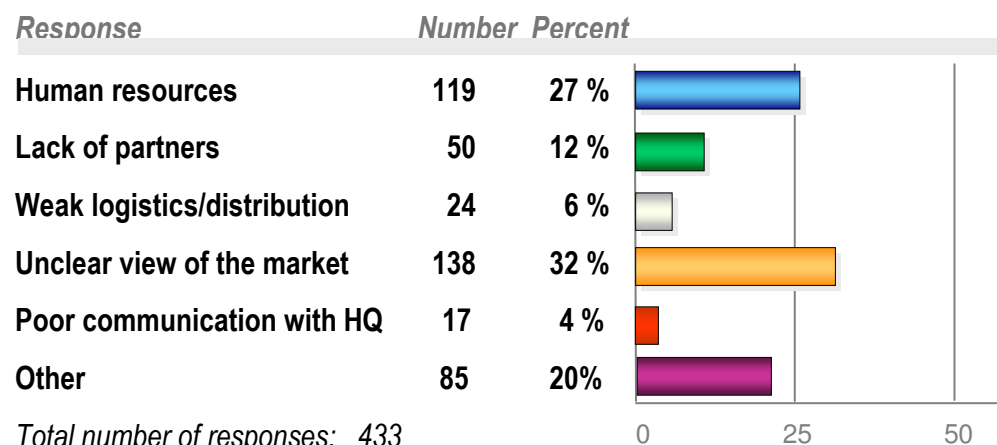
With more resources, strong products, and weakening (and discontinuity of) competition

We are switching to direct sales, and away from 100% reliance on distribution.

FCIJ Business Confidence Survey – Spring 2009

5. Most significant business problems

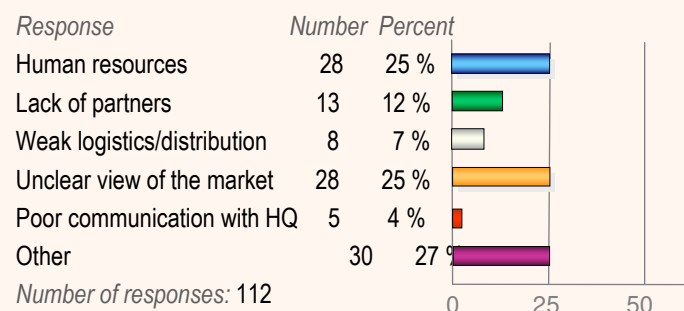
TOTAL FOR SURVEY



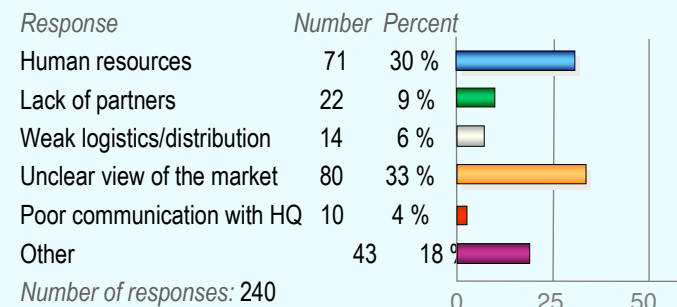
Some “Other” problems:

- PR has been weak, market research quite poor, have not been able to proactively seek customers
- Lack of marketing funds, due to budget cuts
- Ongoing integration issues with domestic companies
- Excessive competition whose only strategy is to discount
- Demographic development, change in consumer behavior
- Eurocentric structure of the company.
- Intense and coordinated local competition
- Unclear regulations, bureaucracy, and unclear direction of regulatory changes

North American companies



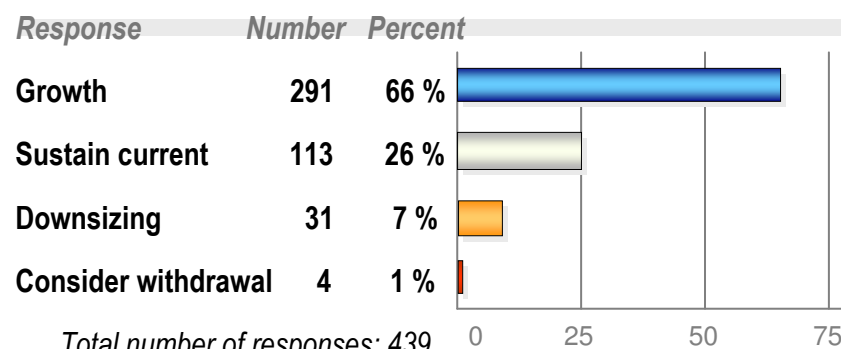
European companies



FCIJ Business Confidence Survey – Spring 2009

6. Strategies in Japan

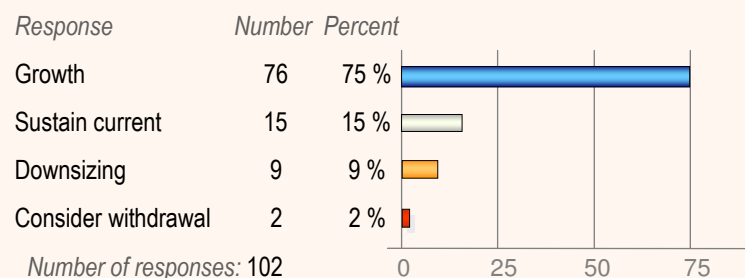
TOTAL FOR SURVEY



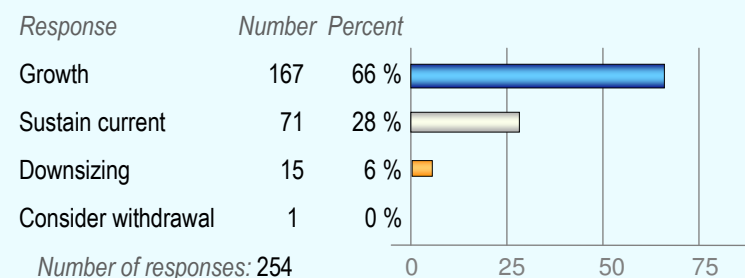
Previous surveys

02/1	02/2	03/1	03/2	04/1	04/2	05/1	05/2	06/1	06/2	07/1	07/2	08/1	08/2
77%	72%	70%	72%	80%	75%	82%	79%	82%	82%	81%	76%	76%	65%
20%	22%	26%	27%	20%	21%	17%	17%	14%	16%	16%	21%	21%	25%
3%	5%	3%	2%	0%	2%	1%	3%	2%	2%	2%	3%	3%	9%
0%	0%	0%	0%	0%	1%	0%	0%	1%	0%	0%	0%	0%	0%

North American companies



European companies



Australia/New Zealand: Growth: 62%, Sustain current: 33%, Downsizing:3%, Consider withdrawal: 2%

FCIJ Business Confidence Survey – Spring 2009

5. Strategies in Japan - Comments

(All comments are available on the website)

In 2009 sustain current level, but looking to grow in 2010 onwards. However this year we hope to improve market share and take advantages in weaknesses of competitors.

We depend on the project market and it has been unclear to us if future public projects in the waste water industries will be released
To focus on the strong and profitable region.

Seek challenging opportunities that need to be operational improvement.

Short term homeostasis, mid term growth

Want to exploit these uncertain times and turn the economic decline into opportunities.

Looking to expand via business licenses in the next twelve months

Since my company is a start up, there is no other way than to grow...

Maintaining a small & agile team allows us to have a competitive edge over larger organizations.

We consider Japan to be a key market from a global perspective, and intend to grow our business and profitability in Japan

I have the desire to grow but need to see an improvement in the bottom line

Introducing new programs. Supporting clients in leveraging employee effectiveness to meet new business opportunities.

Looking to expand distribution once economy stabilizes.

The current situation does not change our long term perspective and commitment to the Japanese market

We can hardly become smaller than now. We are importers as well as consultants. In fact one of our efforts now is to offer withdrawing companies our services so they can maintain a foothold in Japan during the crisis.

Adapting to the recent development of business volume and to the perspective of relevant market for the next couple of years

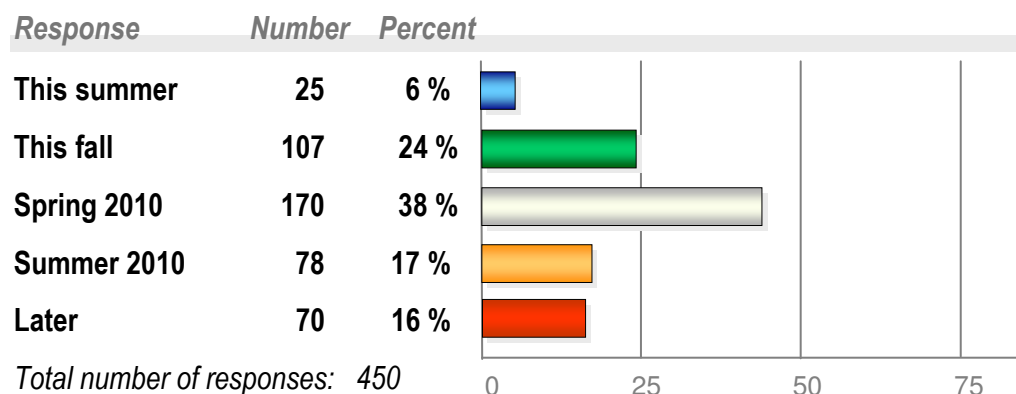
Time for partnering or M&A is now

Japanese partner relationship getting more important. Also, more clearer than before who is winner and who will be losing. Thus partner selection becomes more and more import. It mostly larger company getting more wins. Simply Lager Company was expensive but stared down price.

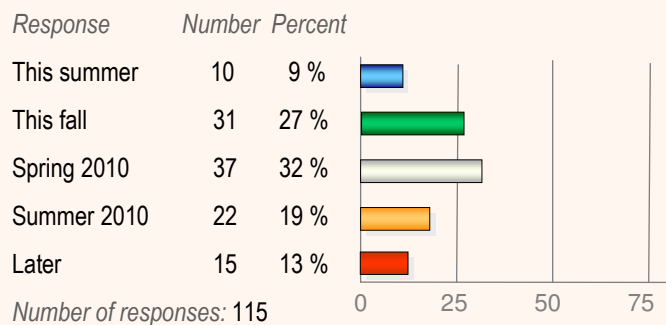
FCIJ Business Confidence Survey – Spring 2009

7. When will the global economy take a turn for the better?

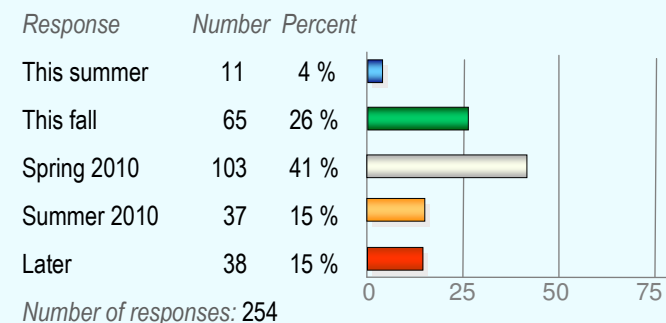
TOTAL FOR SURVEY



North American companies



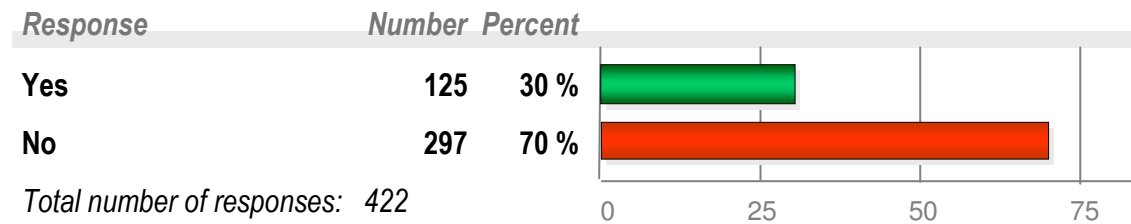
European companies



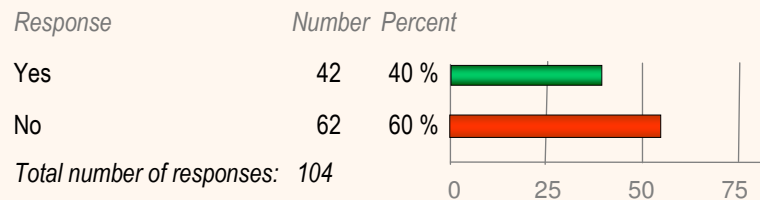
FCIJ Business Confidence Survey – Spring 2009

8. Is your Japan office also Asian headquarter?

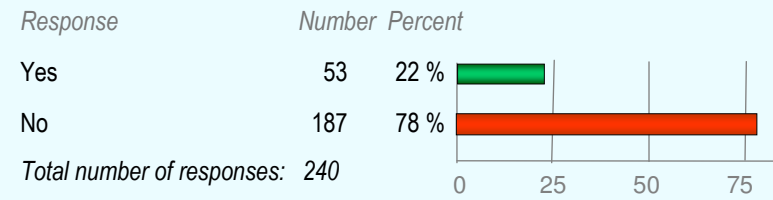
TOTAL FOR SURVEY



North American companies



European companies



Australia/New Zealand: Yes: 23%, No: 77%

FCIJ Business Confidence Survey – Spring 2009

General Verbal Comments

(All comments are available on the website)

Regulatory issues continue to be major problem. International product standardization would lead to big monetary and time savings for all parties concerned.

Our assignments center on solving foreign companies' operating problems in Japan. Our clients are having more challenges these days, and therefore our business has improved.

Trade barriers set up by MITI to inhibit the import of Institutional food products, such as beef and the restrictions on American food colors and preservatives, which drives up the production cost, with additional preparation and labeling to conform to Japanese Laws that were set up as trade barriers to limit these imports into Japan.

I'm thinking that it would be great if the (*Chamber name*) could pressure the Government for immigration matters to be removed from the Ministry of Justice. I suspect that that, as well as the constant harassing of immigrants and expats to ward off any threat of forward thinking on immigration with snappy headlines, is why it often feels like the Department "against" Immigration. The time really has come for Japan to actively import people to keep this fabulous place ticking over as it should.

Clients in general are downscaling their needs. Competition is tough between existing competitors for a smaller pie. Price competition is playing its part.

Would like to know a good place to get tax advice in English for business owners

There is always a way to survive and make money and the worse it is the more opportunities there are. Partially because competition is declining, and partially because most people only see bad in crisis.

More activities and energy put into Chubu

Establishing a network amongst the members

FCIJ Business Confidence Survey – Spring 2009

General Verbal Comments (2)

News sharing on noteworthy trends provided by the (*Chamber name*) is a highly valuable service for my company.

Japan's inflexible labor market makes it particularly difficult to operate here at times like this.

We would like to promote our capability to collaborate to the members if it can help them in their Japan business through (*Chamber name*).

Network with other chambers of commerce

Would like more CEO speakers, if possible. More parties. These lift the spirit, and allow for good networking in a rather unstructured way.

(*Chamber name*) should create more chance for the member to find better business partner.

We all rely on the US Bailing out which will take some time for the adjustment between the financial sectors and the rest of the corporates, until it really shows its substantial effect. Since our business relies heavily on car and its cascaded industries, I am really interested in how US and Germany key players will take handle this paradigm shift era.

Frankly, domestic operators and domestic vendors have been cooperating other than foreign vendors and protecting them by paying support money to Japanese vendors. They say market is opened, but reality is different.

Our biggest business risk is compliance in combination with the grey/unclear legal framework. So the constant feeling that the regulator can sabotage our business if and as they want. As our business is becoming bigger and we are stealing away business from competitors, the risk to step on toes becomes bigger as well.

Japan's regulatory morass is a nightmare. Laws are policed by the bureaucrats in the different prefectures, and the different prefectures interpret the law in extremely different ways, making it nearly impossible to provide a consistent service nationwide.

FCIJ Business Confidence Survey – Spring 2009

Summary

Economy in the next 6 months: continued but more moderate decline expected

- ❑ The global economic uncertainties continued to keep the economic outlook for Japan in the negative territory for the next 6 months. But the decline is expected to be less steep, the index is now -0.44 compared to -0.91 in the Fall 2008 survey. This time 21% expect strong or some improvement while 30% expect no change and half of the respondents some or strong decline.
- ❑ Australia/New Zealand affiliates show much more negativism (-0.90) than North American and European (-0.22 and -0.45).
- ❑ By type of business, the differences were small, finance sector is again most pessimistic (-0.51) while the manufacturing sector is slightly less pessimistic (-0.30).

Economy in the next 12 months: moving into positive growth

- ❑ The respondents saw any upturn in the economy within 12 months, and a significant change from previous survey, now +0.21 (compared to -0.55 in Fall 2008), now 56% expect strong or some growth, while only 34% see a further decline.
- ❑ Here, the North Americans (+0.39) see the economic development more favorably than the Europeans (+0.21). The Australia/New Zealand companies are still negative, -0.19.
- ❑ By type of business, finance sector is least optimistic (+0.11) while the manufacturing sector see the next 12 months most favorably (+0.41).

FCIJ Business Confidence Survey – Spring 2009

Summary (2)

Sales Performance

Past 6 months...

- ❑ Index for the Fall 2008 survey was +0.10, while this survey indicates -0.56, i.e. a strong decrease and the worst sales development in the history of this survey (since 2002).
- ❑ The North American affiliates reported a less worse sales performance (-0.28) than the European (-0.66) and ANZ affiliates (-0.67).
- ❑ By sector, the strongest decline in sales comes from manufacturing (-1.16) while sales & trading, reported smallest decline at -0.36.

Next 6 months...

- ❑ Looking ahead, respondents see a better times ahead as the sales forecast rose back to positive, +0.15, while it was -0.05 in the October 2008 survey. 48% expect sales increase while 33% a decline.
- ❑ North Americans were highest with +0.42 with Europeans and ANZ companies clearly lower - +0.05 and +0.14 respectively.
- ❑ By sector, manufacturing expects the least positive development, +0.04, while finance and sales & trading the most positive at +0.21 and +0.18.

FCIJ Business Confidence Survey – Spring 2009

Summary (3)

Profitability, the past 6 months...

- ❑ As with sales, the reported profitability moved for the first time into negative. In the previous survey it was still +0.03, now -0.44.
- ❑ North American reported less bad performance than European affiliates (-0.26 vs. -0.45), ANZ and Brazil were worst at -0.59 and -0.77.
- ❑ By sector, there was a big gap between manufacturing at -0.91 and sales & trading at -0.15.

And the coming six months?

- ❑ Also profitability is expected to move back into positive development in the coming 6 months, the index was now +0.13 compared to -0.12 in the Fall survey; 46% of the respondents forecast strong or some improvement in profitability; 33% a decline.
- ❑ North American affiliates were most positive (+0.32), Europeans and ANZ less so, +0.08 and +0.12.
- ❑ By sector, sales and trading and manufacturing are most positive (+0.22 and +0.21) while finance expects a flat profitability development at 0.00.

FCIJ Business Confidence Survey – Spring 2009

Summary (4)

Strategies in Japan

- ❑ Despite the negative views on the economy in the short term and also very negative performance figures, the respondents continue to see Japan as a market with room to expand in the long term — 66% (65 % in the previous survey) are looking for further growth and 26% (25%) expecting to sustain their current level. The share of companies planning to downsize was now 7% when it was 9% in the previous survey. This survey had the highest number of companies that are considering withdrawing from the market, but it was still only 1% (four respondents out of 51) .
- ❑ Notable is that the North American companies were more optimistic than their counterparts, European and ANZ, with 75% aiming for further growth (only 66% for European and 62% for ANZ).

FCIJ Business Confidence Survey – Spring 2009

Commentary by Dr. William Schrade (1)

- FCIJ Business Confidence survey has in the past lagged reversals in the business cycle. While this survey predicts some improvement in 6 month, still 80 percent of the respondents predict decline or no change for the next 6 months. But this survey's prediction is for recovery only after another 12 months of recession in Japan contradicts the overly optimistic politicians. With three or more different types of recessions occurring at the same time, and their contributions to economic misery ebbing and peaking at different times, this recession has lots of legs left. The optimism of this unbiased forecast predicts at most that the speed of the contraction has slowed.
- In my opinion and that of many other economists, the fiscal stimulus packages have contributed in the short run only to better GDP numbers by increasing (Japan) or maintaining (USA) government's contribution to GDP. Hopefully, Hyman P. Minsky's conjecture is wrong that these kinds of monetary and fiscal policies create increasing cycles of instability. If he is right then the future consequences from these policies in Japan and the USA will be long run instability and domestic structural problems. Subsidies to failing firms and industries promote negative growth in the short long and zero growth in the long run.
- Japan's recovery in the next year is totally dependent on external events. Japan's recent economic growth has been based on extraordinary growth in exports and private capital investment. Their percent share of total GDP is circa 25%. Profits drive investment and profits are a function of exchange rates and foreign income. Until US and Europe experience growth, Japanese exports have poor prospects.

FCIJ Business Confidence Survey – Spring 2009

Commentary by Dr. William Schrade (2)

The final shocking fact of this recession is that Japan attempts to promote growth through investing in government debt. The only success stories in reducing government debt to GDP ratios have occurred by growing nominal GDP faster than the growth in government debt. At the peak of the Japan's recent "economic boom", Japanese GDP had just passed the historical nominal GDP peak of 1997. Nominal GDP is GDP in the actual prices goods and services are sold. As a business, Japan Inc. has had zero growth in sales from 1997 to present. You are watching a business add more and more debt and capital investment to produce more products for sale but it suffers zero or at times negative growth in revenue over a decade period of time. In effect, the Japanese real GDP growth (GDP in constant prices) is an example of immiserizing growth. A country grows in real output but falling prices makes them poorer. The current prediction from government experts is more deflation.

FCIJ Business Confidence Survey – Spring 2009

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 2009.

This survey has been supported by:



<http://www.asiantigers-japan.com/>