

Survey of Japanese-Affiliated Firms in Asia and Oceania (FY 2009 Survey)

December 2009
Overseas Research Department
Japan External Trade Organization (JETRO)

Survey Summary

(Companies, %)

Purpose of Survey

The purpose of this survey was to understand the current business activities of Japanese-affiliated firms operating in Asia and Oceania and to disseminate findings widely.

Survey Methods

Firms were e-mailed a URL that directed them to the survey form, which they were asked to complete online. In certain countries, firms were sent paper-based survey forms and asked to send back completed forms to JETRO.

Survey Period

September 1st - October 15th, 2009
*until October 31st for firms in Northeast Asia

Response Rate

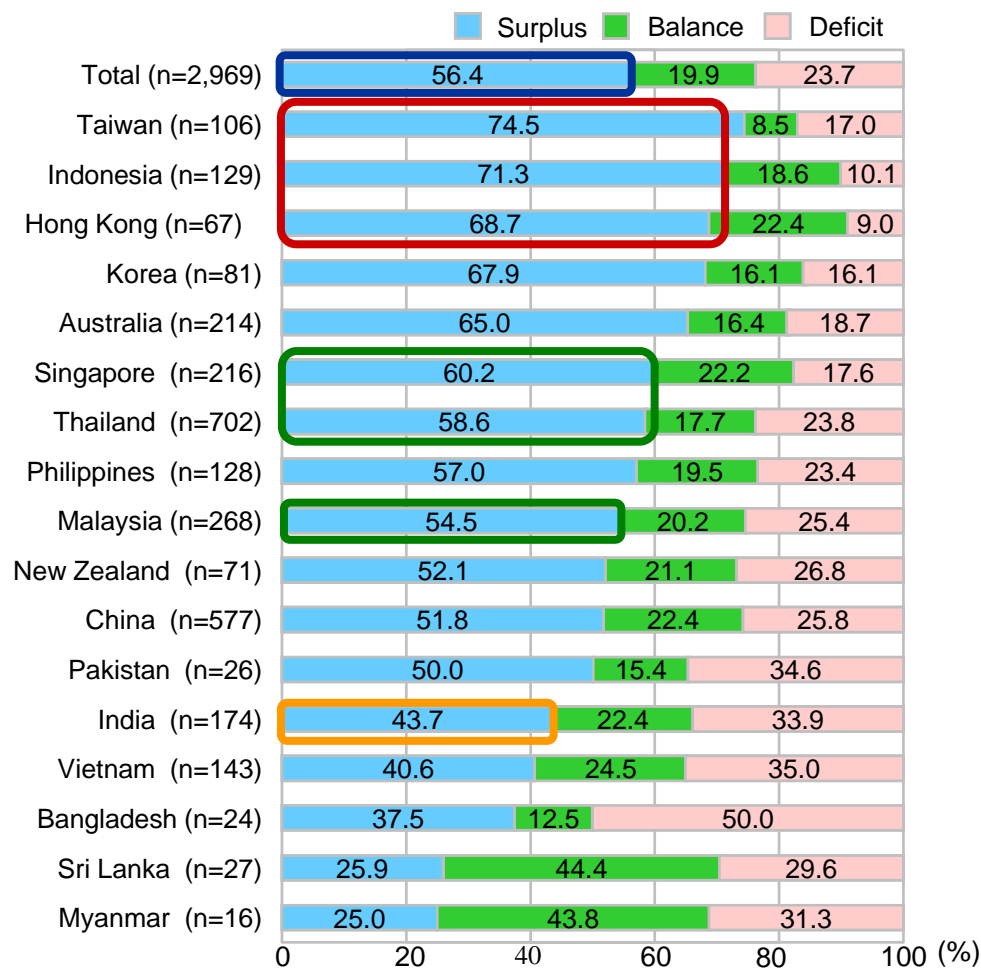
A total of 7,021 Japanese-affiliated firms in 17 countries/regions in Asia and Oceania (listed to the right by region) were sent questionnaires, with 2,990 offering valid responses, a 42.6% response rate.

Note: Figures in the diagrams have been rounded off, so percentages may not necessarily add up to 100.

	Number of companies surveyed	No. of companies submitting valid replies		Category		Valid Responses (%)
		Total	Share	Manufacturing industries	Non-Manufacturing industries	
Total	7,021	2,990	100.0	1,613	1,377	42.6
Northeast Asia	1,788	833	27.8	504	329	46.6
China	1,367	579	19.4	388	191	42.4
Taiwan	223	106	3.6	61	45	47.5
Korea	103	81	2.7	44	37	78.6
Hong Kong	95	67	2.2	11	56	70.5
ASEAN	4,279	1,614	54.0	915	699	37.7
Thailand	1,572	704	23.6	417	287	44.8
Malaysia	903	270	9.0	166	104	29.9
Singapore	742	221	7.4	58	163	29.8
Vietnam	290	143	4.8	92	51	49.3
Philippines	298	130	4.4	89	41	43.6
Indonesia	455	129	4.3	87	42	28.4
Myanmar	19	17	0.6	6	11	89.5
Southwest Asia	489	254	8.5	128	126	51.9
India	347	177	5.9	79	98	51.0
Sri Lanka	64	27	0.9	19	8	42.2
Pakistan	33	26	0.9	13	13	78.8
Bangladesh	45	24	0.8	17	7	53.3
Oceania	465	289	9.7	66	223	62.2
Australia	353	218	7.3	50	168	61.8
New Zealand	112	71	2.4	16	55	63.4

1. Estimated Operating Profit (1)

**Estimated operating profit for 2009
by country/region**



- 56.4% of firms (of 2,969 valid replies) expected to post a profit. This is a fall of 8.9 points from the 65.3% figure (of 2,524 valid replies) recorded in the 2008 survey
- No significant difference seen between manufacturing industries (surplus: 57.0%; deficit: 24.5%) and non-manufacturing industries (surplus: 55.7%; deficit: 22.8%)

- Compared to the 2008 survey, the percentage of firms expecting a positive result increased for such countries and regions as Hong Kong (68.1%⇒68.7%), Taiwan (72.4%⇒74.5%), Indonesia (69.5%⇒71.3%) etc.
- For Hong Kong and Taiwan, this may be due to the fact that many of the firms operating in these economies are well established and more stable operating performances. For Indonesia, all respondent firms in motor vehicle & motorcycle parts/accessories, sales and transport/warehousing industries expect to post a profit for two consecutive years.

- Compared to the last survey, the percentage of firms expecting a surplus in operating profits in major ASEAN nations such as Thailand, Singapore and Malaysia fell considerably: Thailand (74.7%⇒58.6%); Singapore (74.9%⇒60.2%) and Malaysia (65.0%⇒54.5%)
- Poor results among trading firms in Singapore, electric and electronic parts and component makers in Malaysia and sales companies in Thailand contributed to this decline.

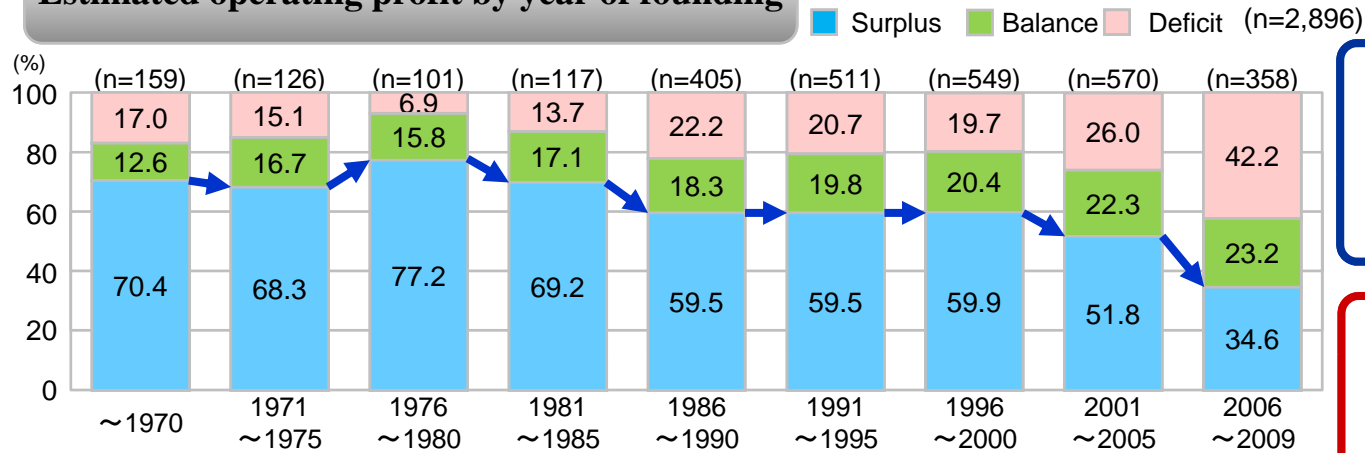
- The percentage of firms in India expecting a profit fell below 50% for the first time since the survey began.
- This was due mainly to sharp falls in sectors that account for a high percentage, such as motor vehicles and motorcycle parts & accessories, trading firms and sales companies.

**Only industries for which 30 or more valid replies were received are included here.*

Industries with high percentage of companies expecting profit		Industries with high percentage of companies expecting deficit	
Manufacturing industry	-Motor vehicles and motorcycles (79.0%) -Petroleum and plastic products (70.9%)	Manufacturing industry	-General machinery (43.7%) -Iron and steel (36.5%)
Non-manufacturing industry	-Banks (90.0%) -Sales companies (60.5%)	Non-manufacturing industry	-Hotels, travel, restaurants (30.8%) -Communications/software (29.0%)

1. Estimated Operating Profit (2)

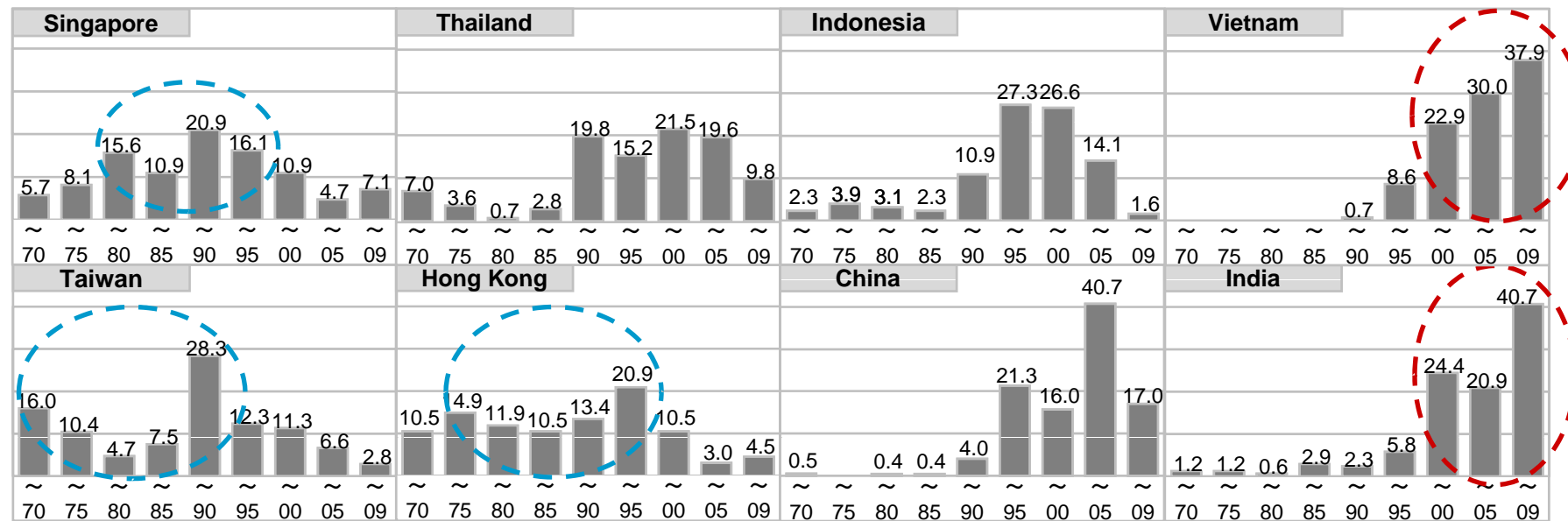
Estimated operating profit by year of founding



● As the data reveals, the *Surplus* ratio is generally higher among firms founded earlier: in Hong Kong, Taiwan and Singapore, this ratio is over 60%.

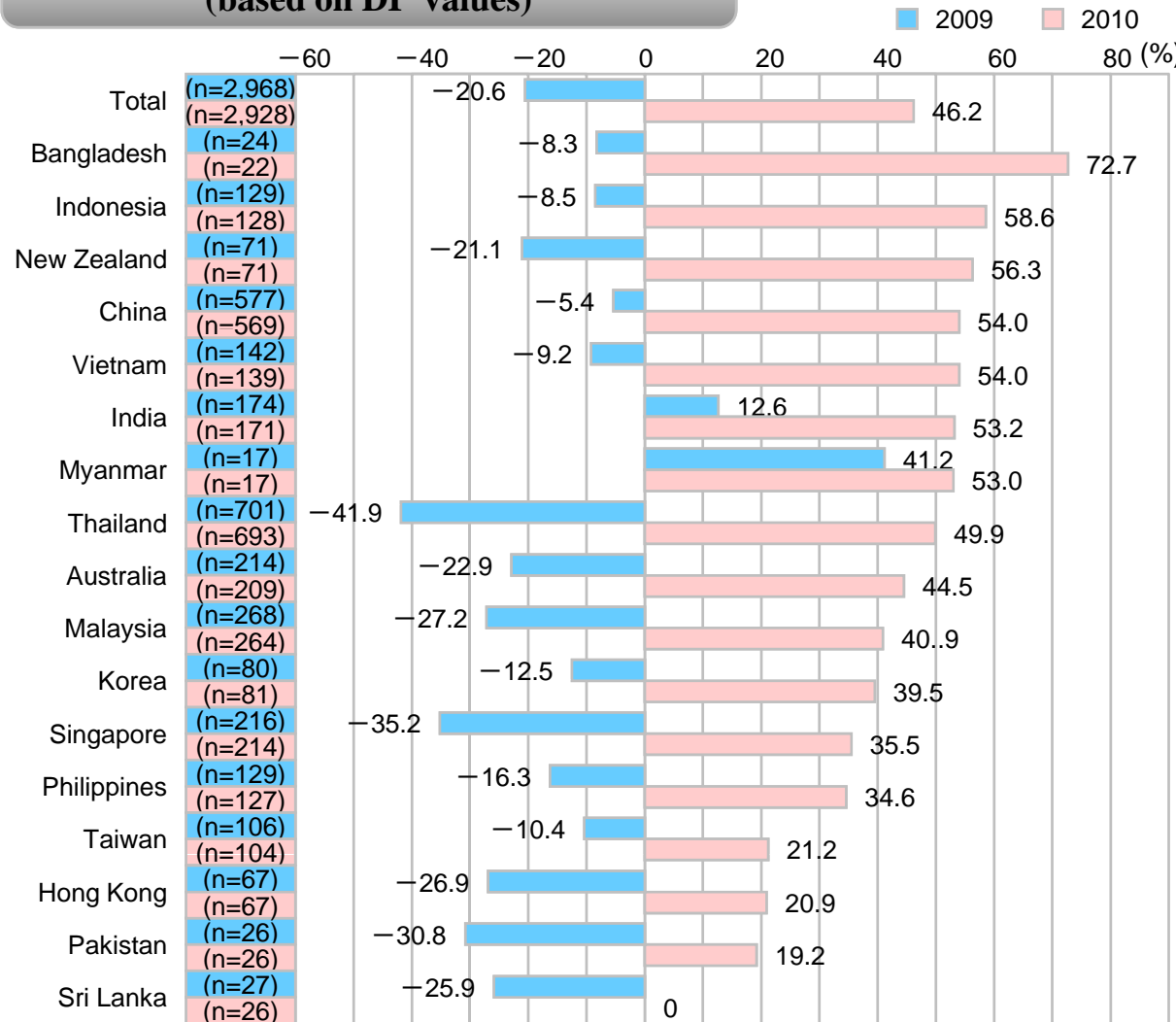
● Conversely, the *Surplus* percentage is lower among firms founded in the past five years or so, as performance for these new entrants is generally more unstable.

Distribution of No. of Years Since Establishment by Country/Region



1. Estimated Operating Profit (3)

**Estimated operating profit for 2009, 2010
(based on DI* values)**



*Note: DI or "diffusion Index" refers to the difference obtained by subtracting the percentage of companies replying profits would "Worsen" from the percentage replying profits would "Improve."

● In 15 of the 17 economies surveyed (India and Myanmar were the lone exceptions), the percentage of firms expecting profits to "worsen" in 2009 was higher than that for firms expecting performance to "improve" (i.e., registered a negative DI).



Industries with higher percentage of firms expecting profits to "worsen"

Manufacturing industries	Iron and steel (71.2%) Motor vehicle and motorcycle parts and accessories (64.8%) Nonferrous metals and products (63.2%)
Non-manufacturing	Hotel/travel/restaurant (63.2%) Transport/warehousing (60.3%) Trading companies (58.8%)

● In all surveyed economies, DIs for 2010 (estimate) were considerably higher than those for 2009. The change between 2009 and 2010 DIs was especially notable in Thailand (91.8 points) and Bangladesh (81.0 points)



Industries with higher percentage of firms expecting profits to "Improve"

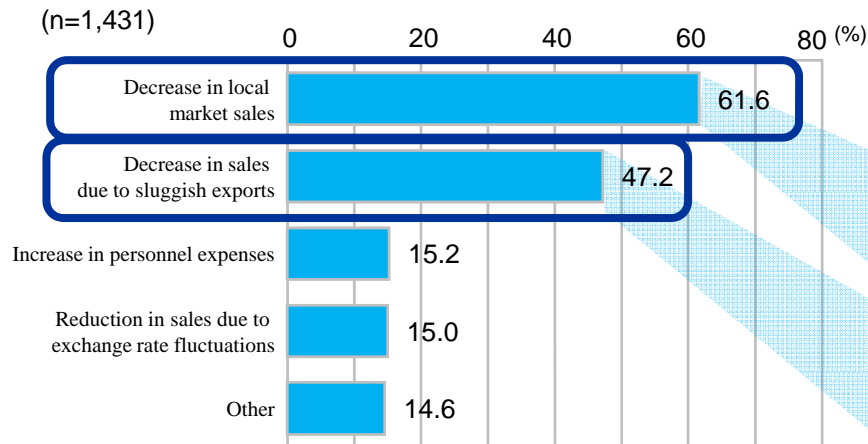
Manufacturing industries	Iron and steel (73.1%) Motor vehicles and motorcycles (67.3%) Fabricated metal products (66.4%)
Non-manufacturing industries	Trading companies (61.6%) Transport/warehousing (60.8%) Communications/software (59.5%)

*Only industries for which 30 or more valid survey responses were received are included here.

1. Estimated Operating Profit (4)

Reasons for improvement or decline

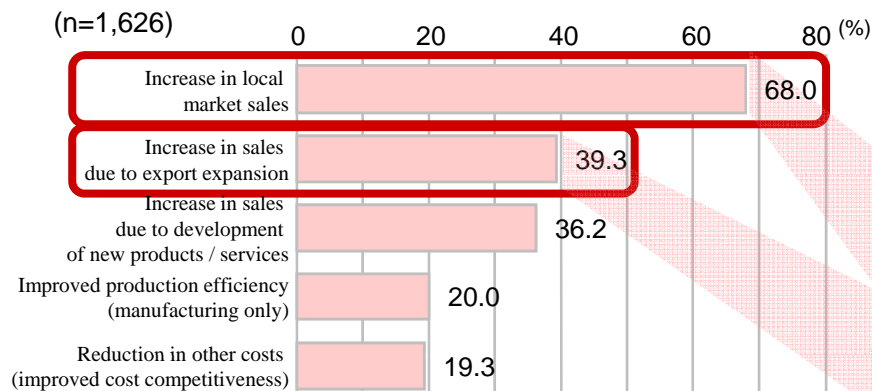
Reasons for decline in operating profit in 2009



Response percentage by country/region and industry

By country/region	Industry	
	Manufacturing	Non-manufacturing
Taiwan (81.3%) Thailand (78.2%) Singapore (68.6%)	General machinery (80.8%) Chemical and petroleum products (79.5%) Fabricated metal products (74.2%)	Sales companies (75.9%) Trading companies (70.7%)
Philippines (61.8%) Hong Kong (61.8%) Malaysia (47.8%)	Electric and electronic parts and components (81.1%) Electric machinery and electronic equipment (68.3%) Plastic products (64.6%)	Transport/warehousing (62.0%) Trading companies (47.6%)

Reasons for improvement in operating profit in 2010



By country/region	Industry	
	Manufacturing	Non-manufacturing
India (84.1%) Korea (77.3%) Thailand (76.1%)	Chemical and petroleum products (82.1%) Iron and steel (79.0%) Motor vehicle and motorcycle parts and accessories (77.9%)	Sales companies (81.3%) Trading companies (75.1%)
Philippines (64.2%) Singapore (54.8%) Malaysia (53.3%)	Electric and electronic parts and components (62.5%) Fabricated metal products (56.3%) Plastic products (56.6%)	Communications/software (43.2%) Trading companies (42.2%)

*Only industries for which 30 or more valid survey responses were received are included here.

2. Impact of Economic Recession (1)

Impact of the global economic recession (after Oct 2008) by country/region



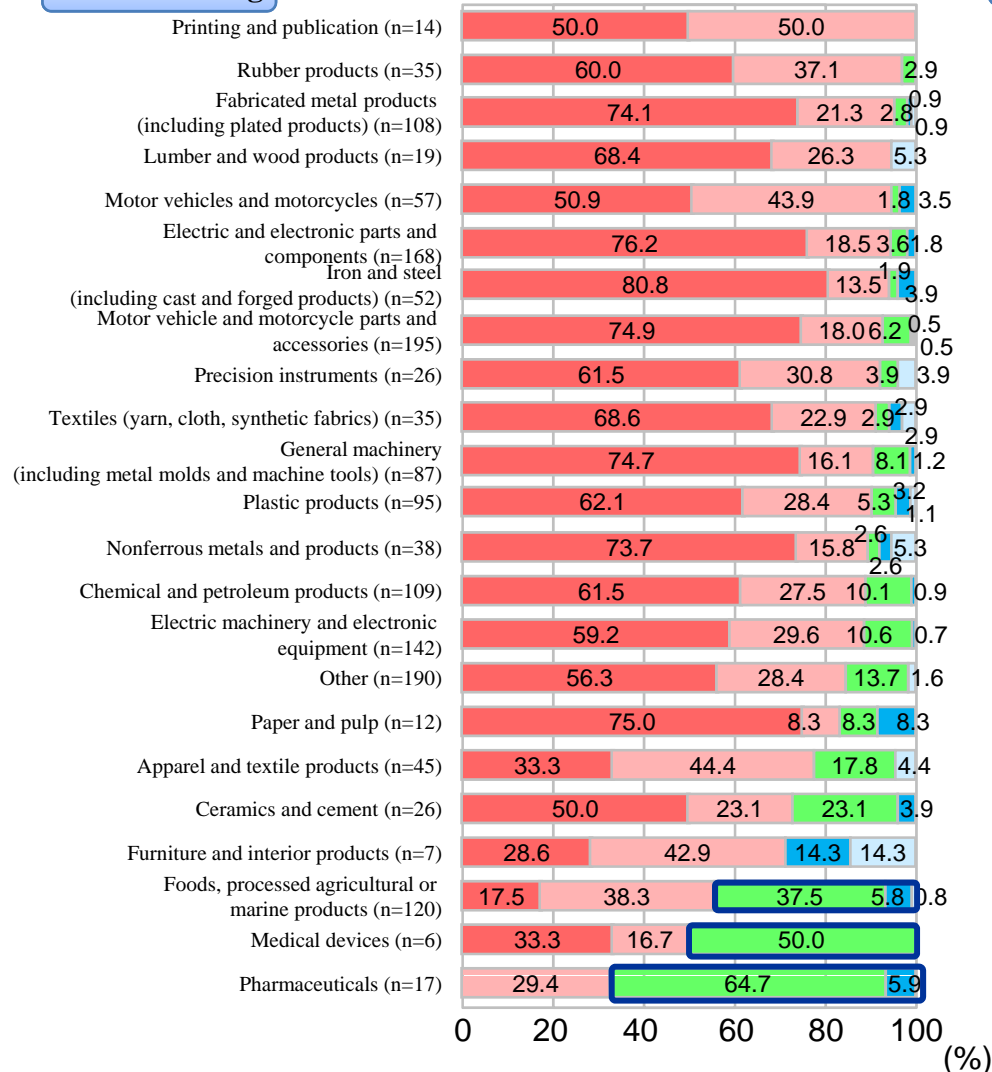
- A large majority of respondents (86.9%) report being negatively affected by the global economic recession, with 58.0% citing “significant negative impact” and 28.9% citing “slight negative impact.”
- Firms in Hong Kong, Singapore and Thailand ranked highest in terms of the percentage of firms reporting negative impact from the recession.

2. Impact of Economic Recession (2)

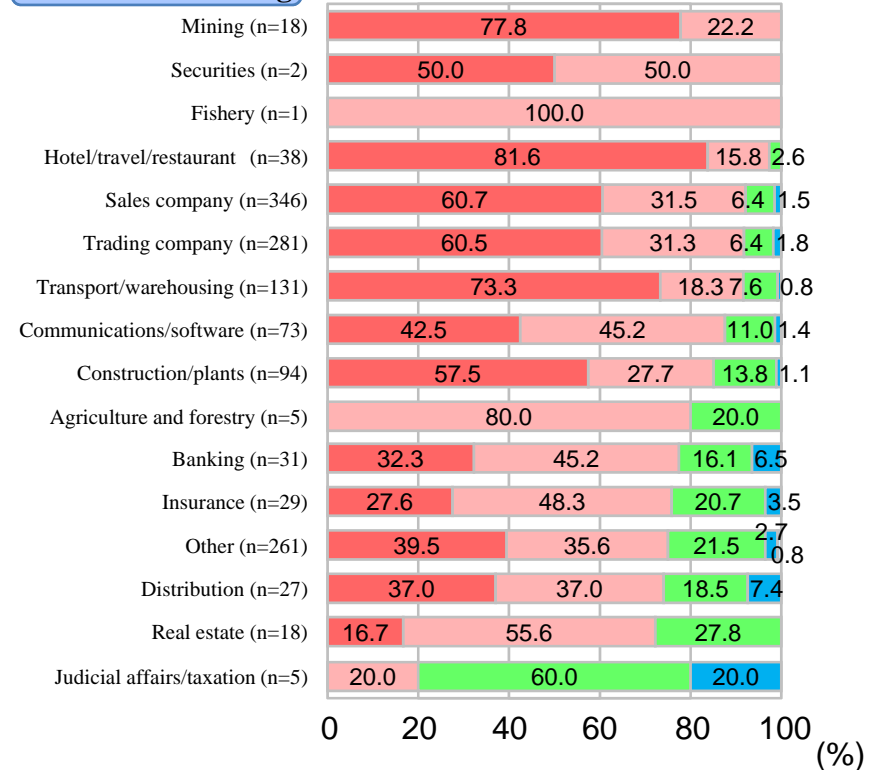
Impact of the global economic recession (after Oct 2008) by industry

■ Significant negative impact ■ Slight negative impact ■ No impact
■ Slight positive impact ■ Significant positive impact

Manufacturing



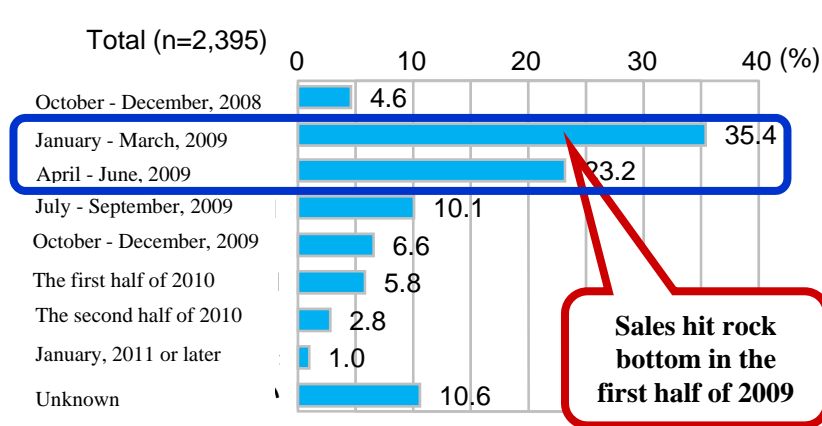
Non-manufacturing



A strong negative impact was felt in nearly every sector, with notable exceptions in pharmaceuticals, medical devices and foods, processed agricultural or marine products, suggesting these were somewhat immune to the recession, with the percentage of respondents choosing “no impact,” “slight positive impact” and “significant impact” totaling over 40%.

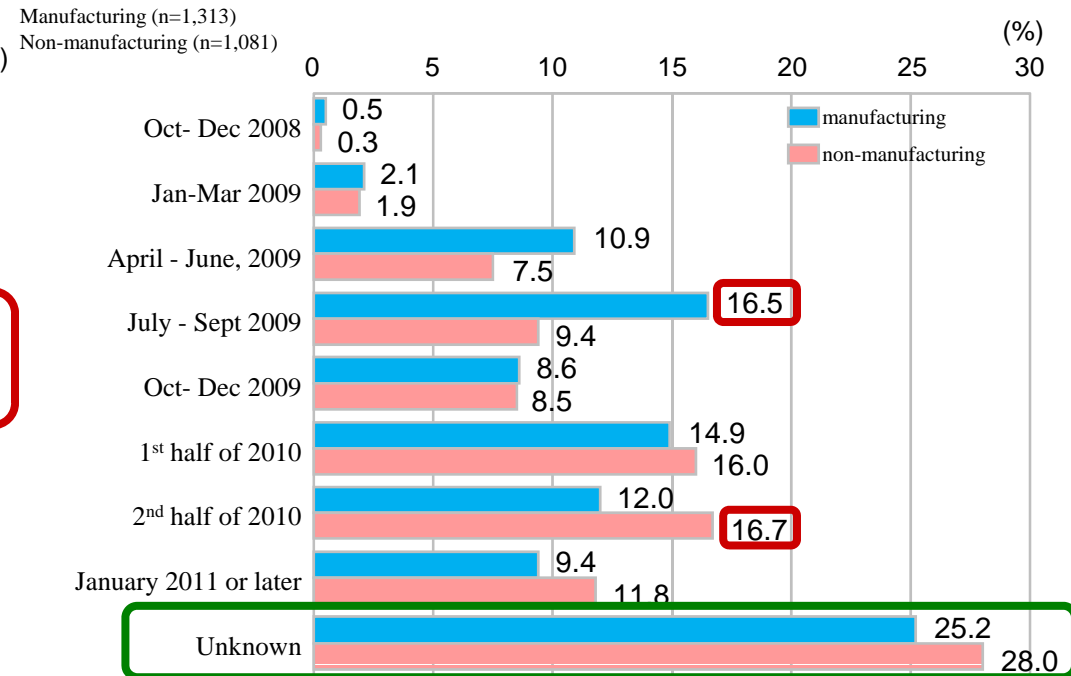
2. Impact of Economic Recession (3)

Period when sales bottomed out



- Nearly 60% of firms point to the first half of 2009 for when their sales hit rock bottom (35.4% for Jan-March period, and 23.2% for the April-June period)
- More than a quarter of respondents can't point to a specific period for when they think sales will recover to pre-recession levels, with 25.2% of firms in manufacturing and 28.0% in non-manufacturing selecting "unknown" (average of 26.6% overall). Answers varied depending on country/region.
- After "unknown," the next most popular choices for a recovery in sales were: "July-Sept 2009" and "the 2nd half of 2010"
- By country/region, firms in Korea are expecting the fastest recovery in sales levels (April-June 2009), followed by the Philippines, Indonesia and China (see chart to the right)

Period when firms think sales will return to pre-recession (i.e., before Sept. 2008) levels



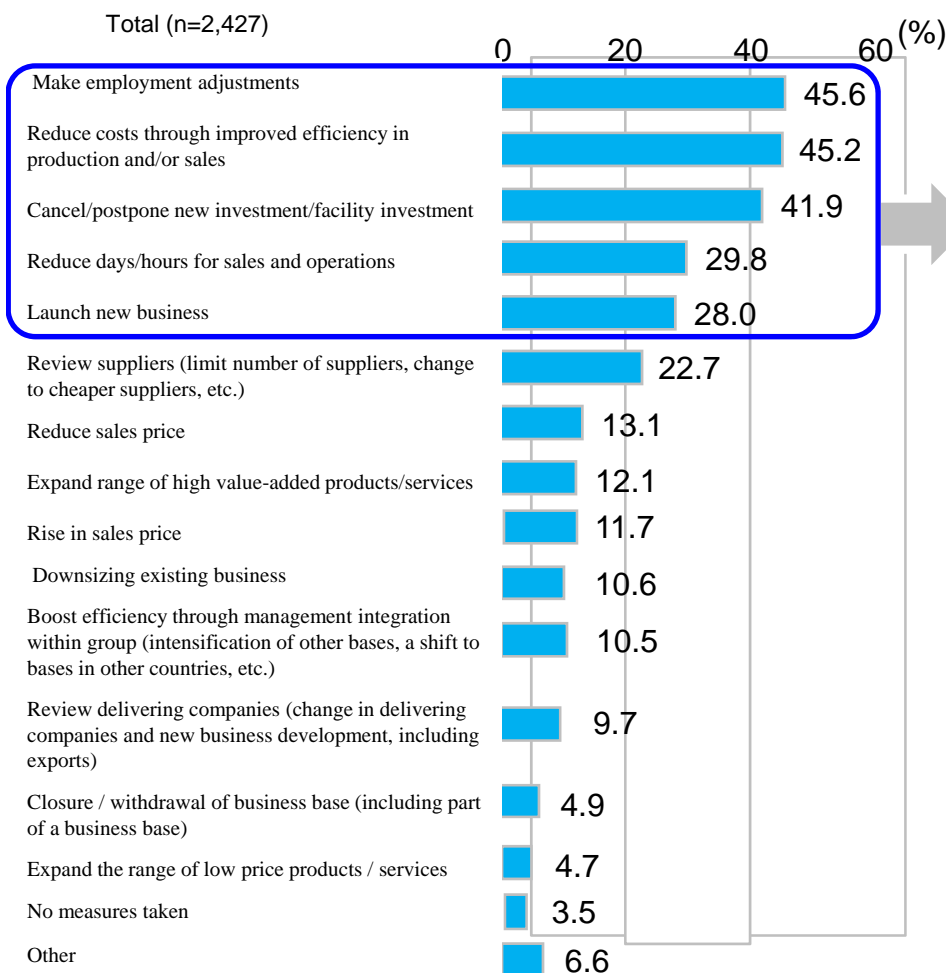
Period when firms think sales will return to pre-recession levels (by country/region) %

April - June 2009	July - Sept 2009	Oct- Dec 2009	1st half of 2010	2nd half of 2010
Korea (19.4)	Philippines (25.5)	Taiwan (16.9)	Myanmar (25.0)	Bangladesh (41.2)
	Indonesia (22.9)		Malaysia (20.4)	New Zealand (32.1)
	China (20.6)		India (20.0)	Sri Lanka (20.0)
	Taiwan (16.9)		Hong Kong (18.8)	Pakistan (19.1)
	Vietnam (14.6)		Thailand (17.2)	Singapore (14.7)
			Australia (14.9)	Vietnam (14.6)
			Vietnam (14.6)	

Note: Since Taiwan and Vietnam had multiple periods with same proportion of responses, they appear several times.

2. Impact of Economic Recession (4)

Measures taken since the global recession began (multiple answers allowed)



•The top four measures on the left were generally used most among firms in manufacturing; the top choice among non-manufacturing industries was “Launch new business.”

Below shows which measures were favored most by industry/sector (% in parenthesis)

* Only industries for which 15 or more valid survey responses were received are included here.

Employment adjustments	Hotel/travel/restaurant (81.1), Precision instruments (71.4), Fabricated metal products(68.0), Motor vehicle and motorcycle parts & accessories (66.9)
Reduce costs through improved efficiency	Distribution (68.4), Motor vehicle and motorcycle parts & accessories (66.9), Motor vehicles and motorcycles (66.7), Precision instruments (same)
Cancel/postpone new investment/facility investment	Motor vehicle and motorcycles parts & accessories (77.7), Motor vehicles and motorcycles (63.0), Distribution (57.9)
Reduce operation days	Motor vehicles and motorcycles (68.5), Iron and steel (66.0)
Launch new business	Trading company (55.3), Communications/ Software (41.4), Banking (38.1), Insurance (36.4)

Other measures sampled from free answers

Expenditures	“Reduce advertising and promotional expenses etc.”, “Reduce fixed costs”, “Thorough cost reduction”
Production	“Transfer production from Japanese HQ”, “Switch to in-house production of components”, “Postpone start of operations,” “Raise local content ratio,” “Purchase price negotiations”
Finance	“Measures against exchange risk”, “Exchange reservations”, “Change of settlement currency”, “Intensification of bill collection”
Labor	“Salary cuts”, “Training sessions”, “Encouragement of paid vacation”, “Decrease in the number of Japanese expatriate staff”
Sales	“Inventory reduction”, “Local sales reinforcement”, “Expansion into inland China with new strategic points”

- Asked about measures companies took since the global recession (multiple answers allowed), top answers were “make employment adjustments” (45.6%), “reduce costs through improved efficiency in production and sales” (45.2%), “cancel or postpone new investment / facility investment” (41.9%), “reduce days/hours for sales and operations (29.8%), “launch new business” (28.0%), etc. Only a small percentage (4.9%) selected “closure / withdrawal of business base (including part of a business base).”
- In addition, the answers provided by those who chose “other” were in expenditures, production, finance, labor and sales.

2. Impact of Economic Recession (5)

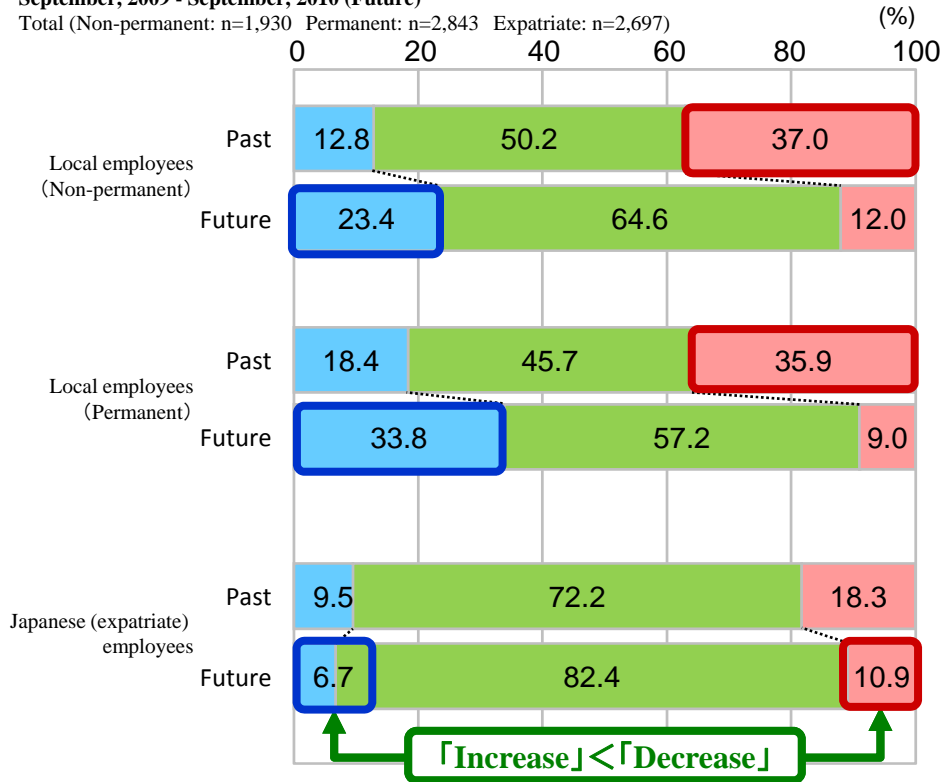
Changes in the number of employees (past year and forecast for next year)

September, 2008 - September, 2009 (Past)

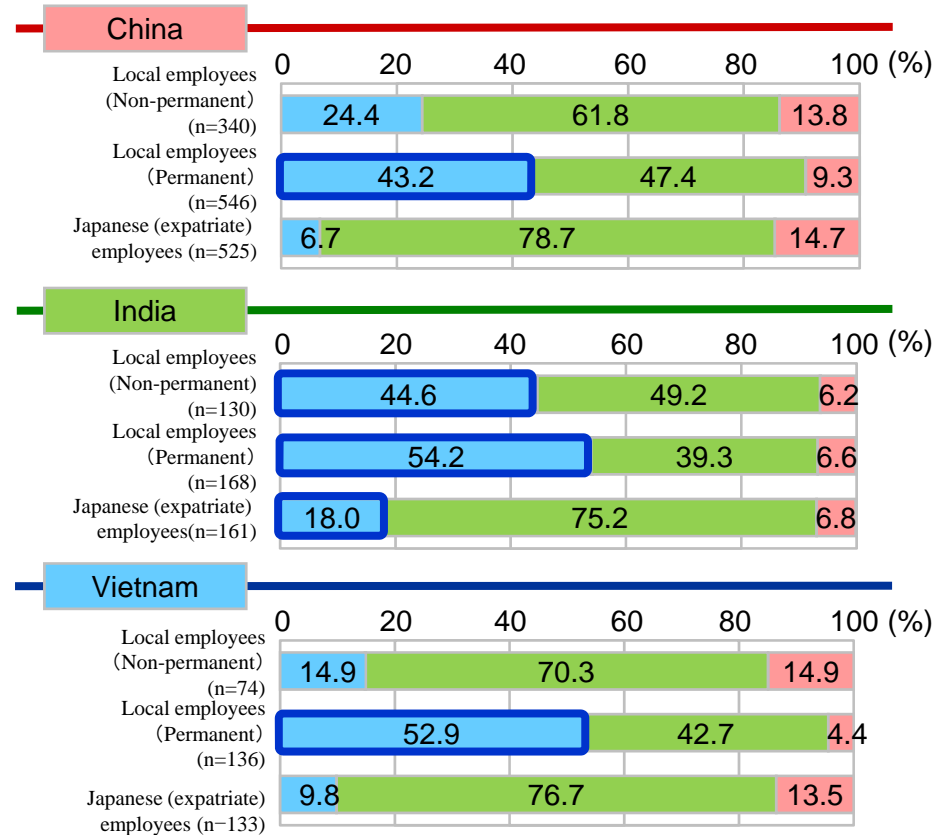
Total (Non-permanent: n=1,961 Permanent: n=2,901 Expatriate: n=2,760)

September, 2009 - September, 2010 (Future)

Total (Non-permanent: n=1,930 Permanent: n=2,843 Expatriate: n=2,697)



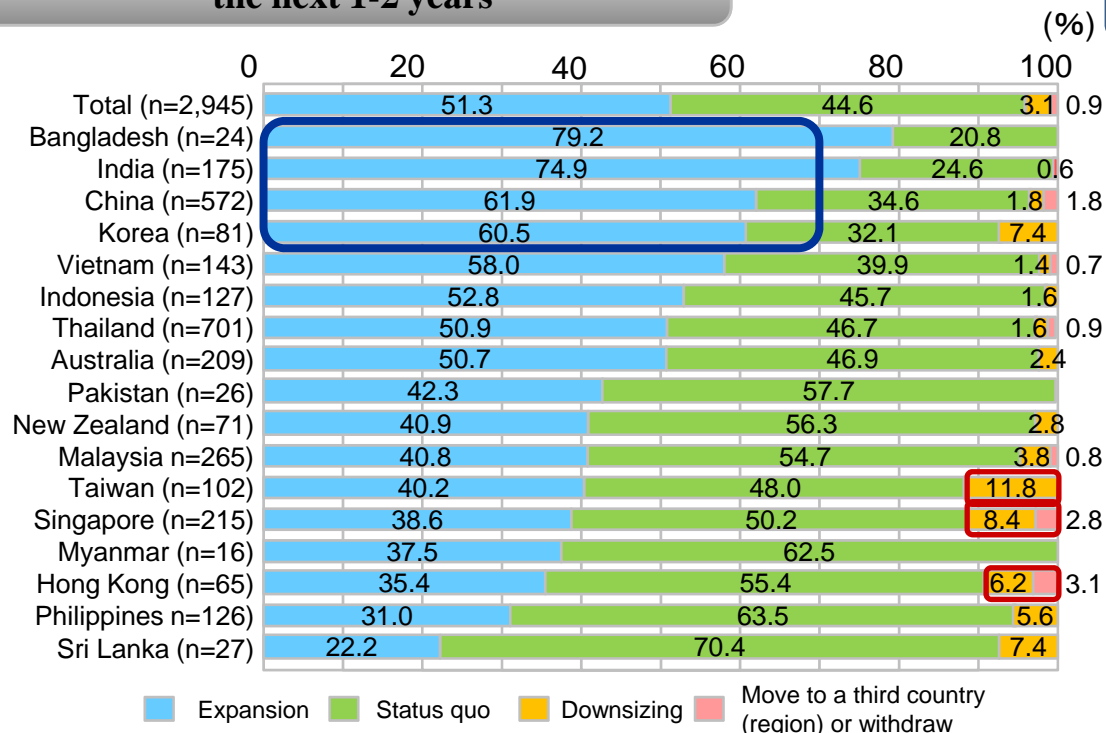
Forecast for changes in employee numbers in next one year



- Nearly 40% of respondents chose to reduce staff in response to the global recession (37.0% for non-permanent local employees and 35.9% for permanent local employees) in the year to September 2009. But looking ahead to the next one year, a good percentage of these reductions will be offset by planned additions for the coming next year (23.4% for non-permanent local employees and 33.8% for permanent local employees). Plans to add local staff in coming year was most notable among firms in China, India and Vietnam, where the percentage was in the 40-50% range for all three, reflecting firms' intentions to expand business.
- Looking at firms' plans for keeping/adding Japanese expatriate employees, firms are tending more towards a decrease (10.9%), versus 6.7% for increase, revealing that firms are attempting to reduce labor costs and localize management functions. One exception towards this trend was noted in India, with 18.0% of respondents there planning to boost Japanese expatriates in the country, showing firms' high expectations for business expansion in India.

3. Future Business Development (1)

Business development plans in the next 1-2 years



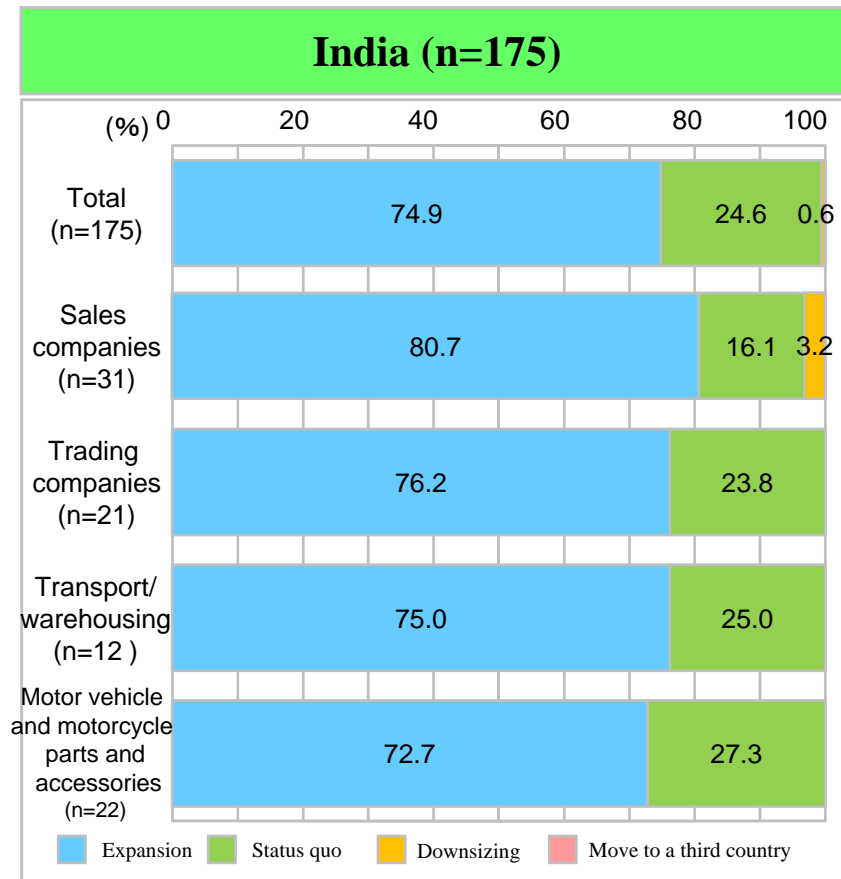
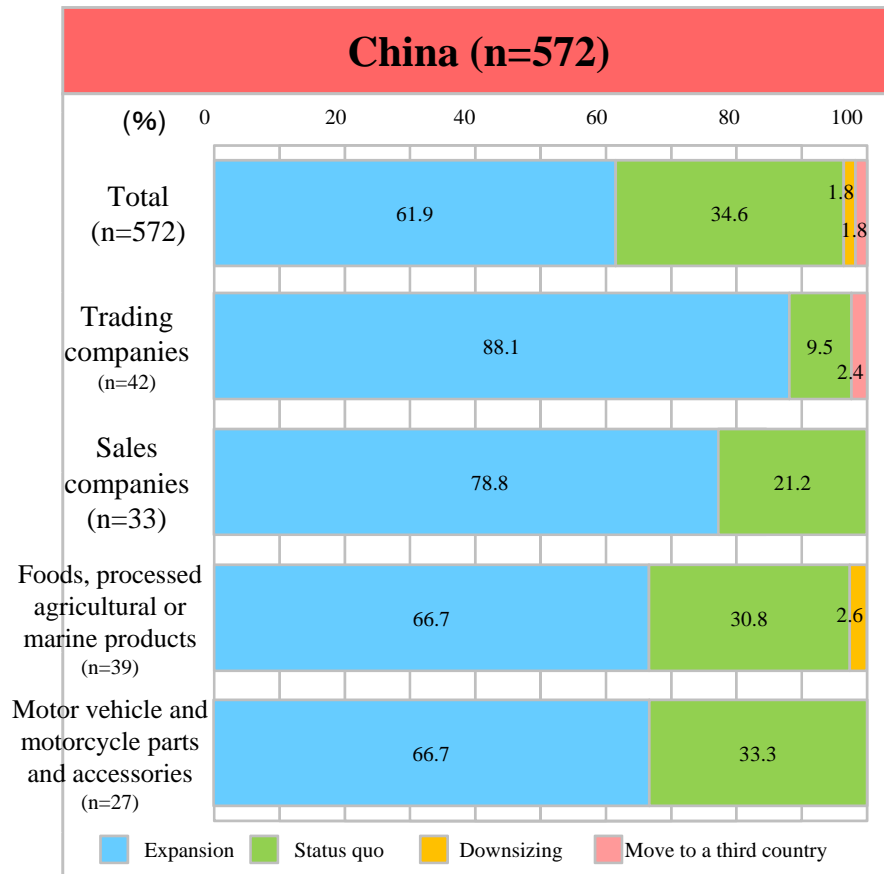
Change in percentage of firms planning business expansion (2008 survey vs 2009 survey)

	2008 (n=2,472)	2009 (n=2,945)	Difference
Total	57.2	51.3	-5.9
China	60.2	61.9	1.7
Taiwan	39.6	40.2	0.6
Korea	58.1	60.5	2.4
Hong Kong	42.9	35.4	-7.5
Thailand	65.5	50.9	-14.6
Malaysia	49.4	40.8	-8.6
Singapore	47.4	38.6	-8.8
Vietnam	80.0	58.0	-22.0
Philippines	40.7	31.0	-9.7
Indonesia	53.7	52.8	-0.9
Myanmar	35.0	37.5	2.5
India	81.5	74.9	-6.6
Sri Lanka	46.4	22.2	-24.2
Pakistan	45.2	42.3	-2.9
Bangladesh	78.8	79.2	0.4
Australia	52.5	50.7	-1.8
New Zealand	48.4	40.9	-7.5

- Asked about business development plans in the next 1-2 years, more than half of respondents (51.3%) foresee expansion. Figures were especially high (over 60%) in the developing economies of Bangladesh, India and China, as well as in Korea, where both domestic demand and exports have made an early recovery.
- The percentage of firms in more fully developed markets such as Taiwan, Singapore and Hong Kong planning to downsize or relocate to a third country average almost 9%.
- Although the percentage of firms planning business expansion fell in 2009, due to the global recession, the drop was only 5.9 points (to 51.3%). The percentage actually climbed in all countries/regions in Northeast Asia, with the exception of Hong Kong.

3. Future Business Development (2)

Industries expecting an expansion in the next 1-2 years (China, India)



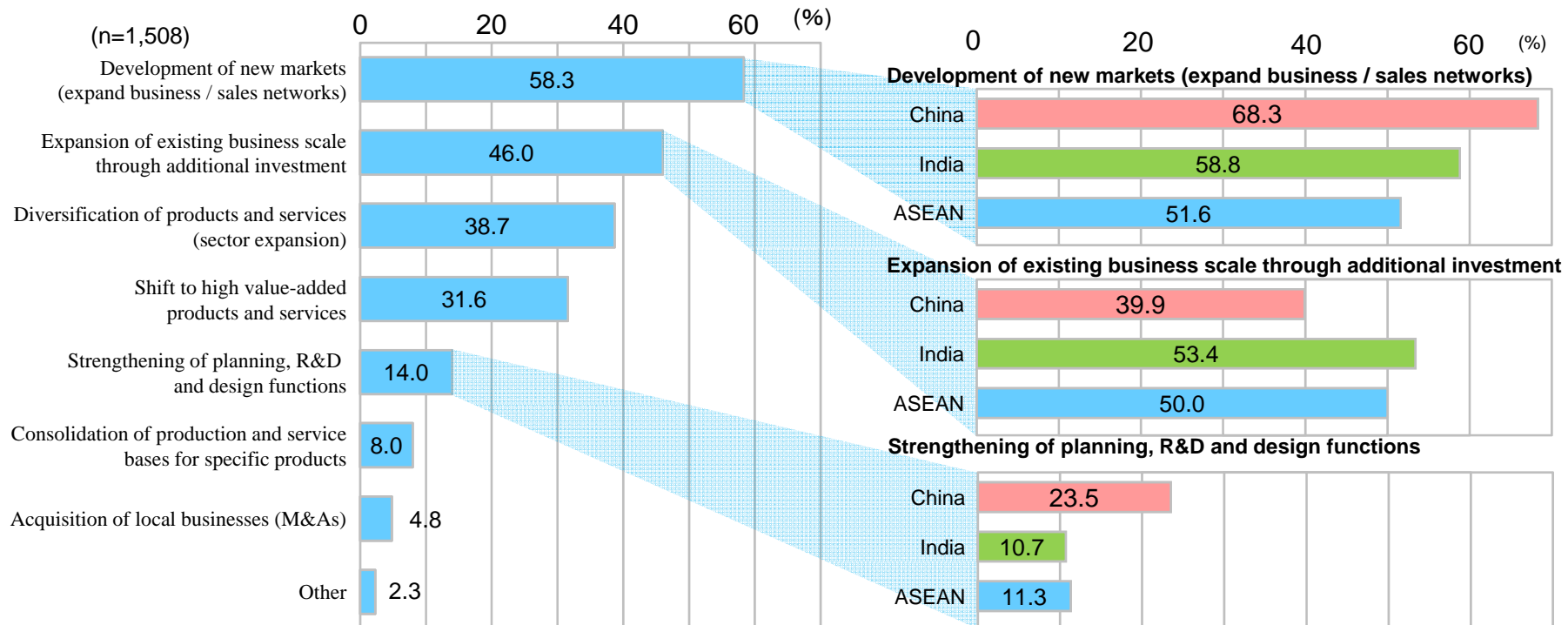
*Top four industries in which 10 or more respondents replied "Expand" business.

A high percentage of respondents in sales and trading in China and India plan business expansion, reflecting firms' hope for growth in domestic consumption. In addition, firms in the motor vehicle and motorcycle parts and accessories sector were optimistic about expansion, reflecting increased motorization and local procurement among auto makers in these countries.

3. Future Business Development (3)

Future Directions for Business Expansion (multiple answers allowed)

Comparison of replies from China, India and ASEAN
(China: n=353 India: n=131 ASEAN: n=742)

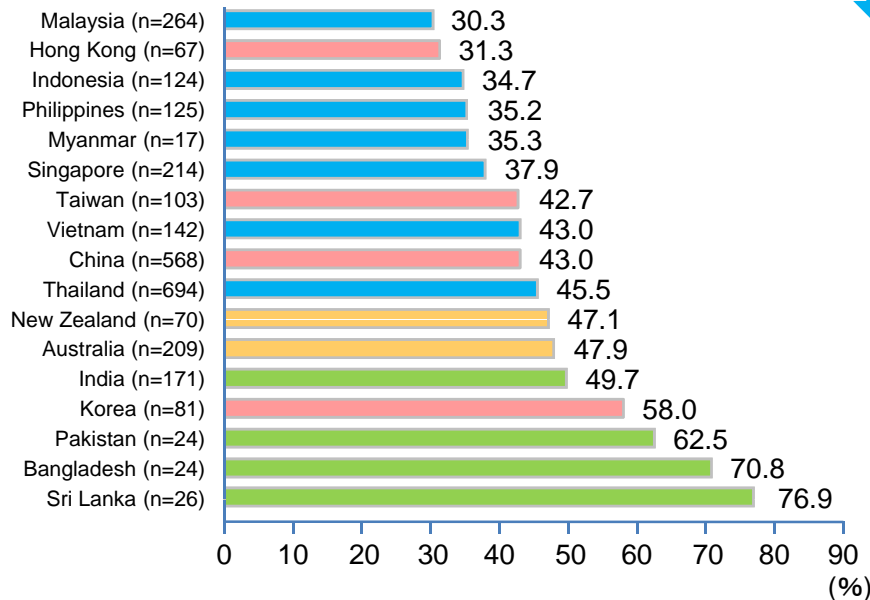
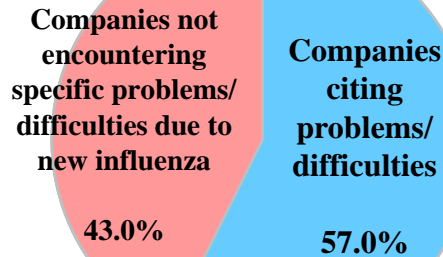


- Topping the list of future directions for business expansion were: “development of new markets”, “expansion of existing business scale through additional investment” and “diversification of products and services (sector expansion).”
- Comparing responses from firms in India, China and ASEAN, different tendencies emerged: respondents in China favor “development of new markets” and “strengthening of planning, R&D and design functions,” firms in India favor “development of new markets” and “expansion of existing business scale through additional investment”—a choice that was also relatively popular among firms in ASEAN.
- While respondents in China aim to develop new markets and add new products, firms in India and ASEAN are striving to expand on top of existing businesses.

4. Measures Against New Influenza A (H1N1) (1)

Impact of new influenza on firms

(n=2,923)



Top three problems/difficulties by region

(%)

	1st	2nd	3rd
ASEAN n=1,580	Procurement of antiviral flu drugs 20.8	Deciding whether to evacuate expatriate staff and families or not 18.9	Health checks for visitors to workplaces 18.5
Southwest Asia n=245	Procurement of anti-viral drugs 22.0	Procurement of masks 12.2	Deciding whether to evacuate expatriate staff and families or not 11.4
Oceania n=279	Observing staff who have returned from affected countries 20.1	Gap between assumed pathogenicity and actual measures 15.1	Absence of employees due to themselves or families being affected by the virus, etc. 14.3
Northeast Asia N=819	Procurement of antiviral flu drugs 25.8	Deciding whether to evacuate expatriate staff and families or not 20.6	Health checks for visitors to workplaces 16.7

- Procurement of flu medicine topped the list in all regions except Oceania, where respondents were more concerned with observing staff who have recently returned from affected regions.

Concrete measures against new influenza strain

(%)

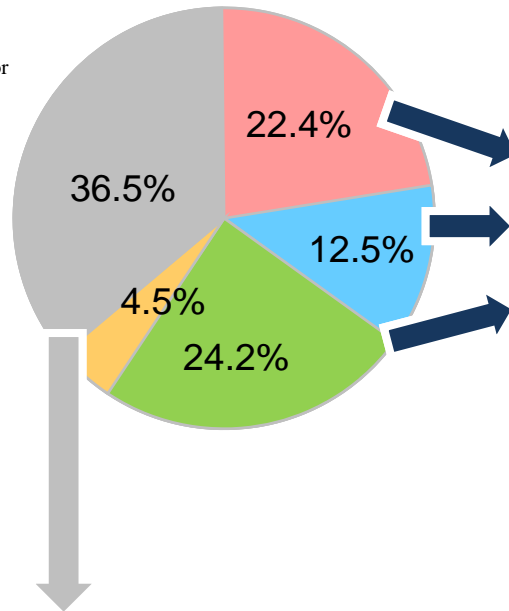
	1st	2nd	3rd
ASEAN n=1,585	Health education (such as coughing etiquette and hand washing) 63.2	Stockpiling of daily necessities, masks and disinfectants 58.6	Preparation of manuals 25.9
n=661 2008	50.8	22.7	32.5
Southwest Asia n=246	Health education (such as coughing etiquette and hand washing) 51.6	Stockpiling of daily necessities, masks and disinfectants 36.6	Preparation of manuals 30.5
n=109 2008	49.5	21.1	32.1
Oceania n=281 (2009)	Health education (such as coughing etiquette and hand washing) 55.9	Stockpiling of daily necessities, masks and disinfectants 39.2	Restrictions on business trips 32.7
Northeast Asia N=822 (2009)	Health education (such as coughing etiquette and hand washing) 63.1	Stockpiling of daily necessities, masks and disinfectants 60.8	Preparation of manuals 35.9

4. Measures Against New Influenza A (H1N1) (2)

Measures firms would take if new influenza mutated into a more deadly strain

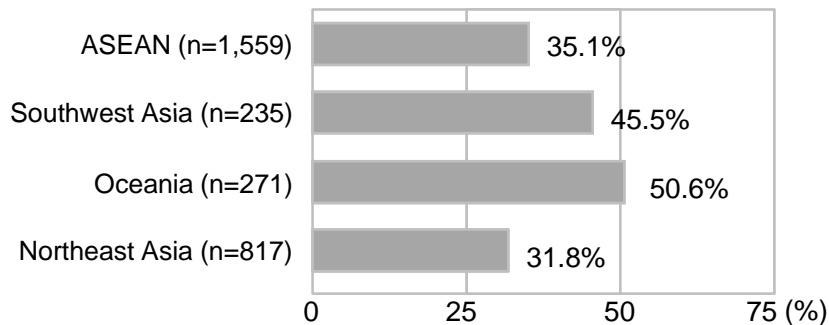
(n=2,882)

- Evacuation to home countries or surrounding countries of some expatriate employees only
- Prompt evacuation to home countries or surrounding countries
- Remain in the local area
- Other
- Unknown

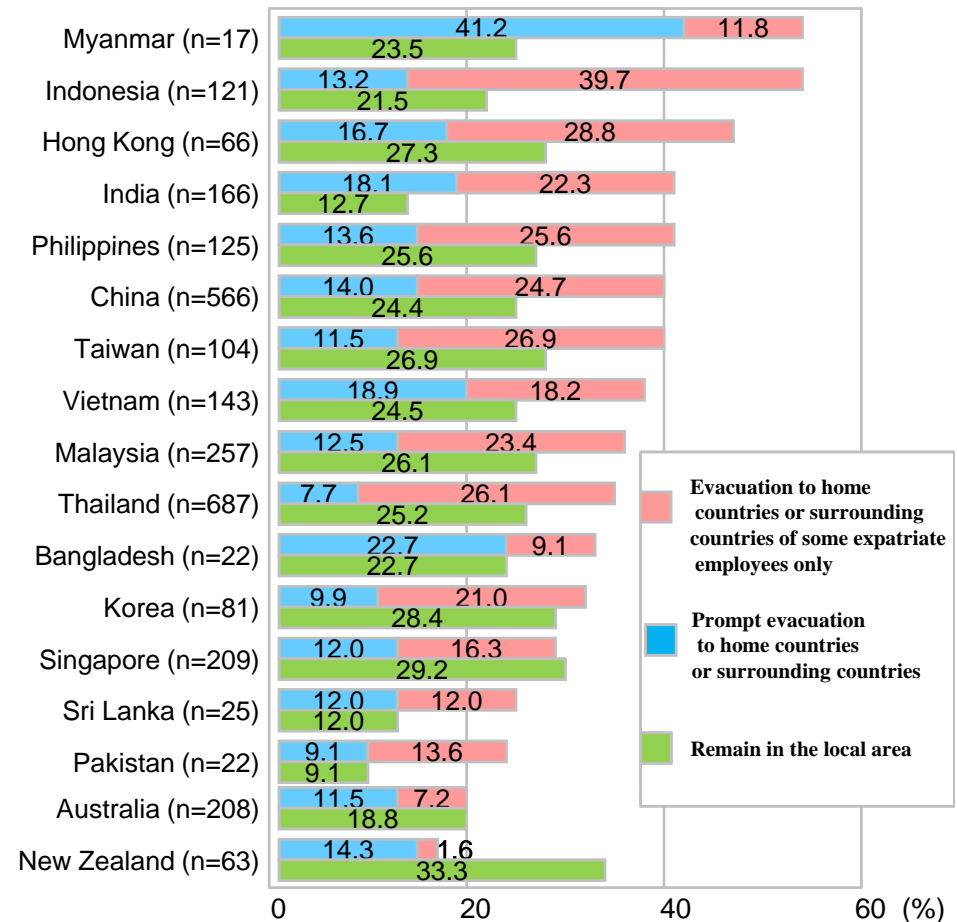


The proportion of respondents selecting "unknown" was relatively small in ASEAN and Northeast Asia.

Proportion of respondents selecting "Unknown" by region

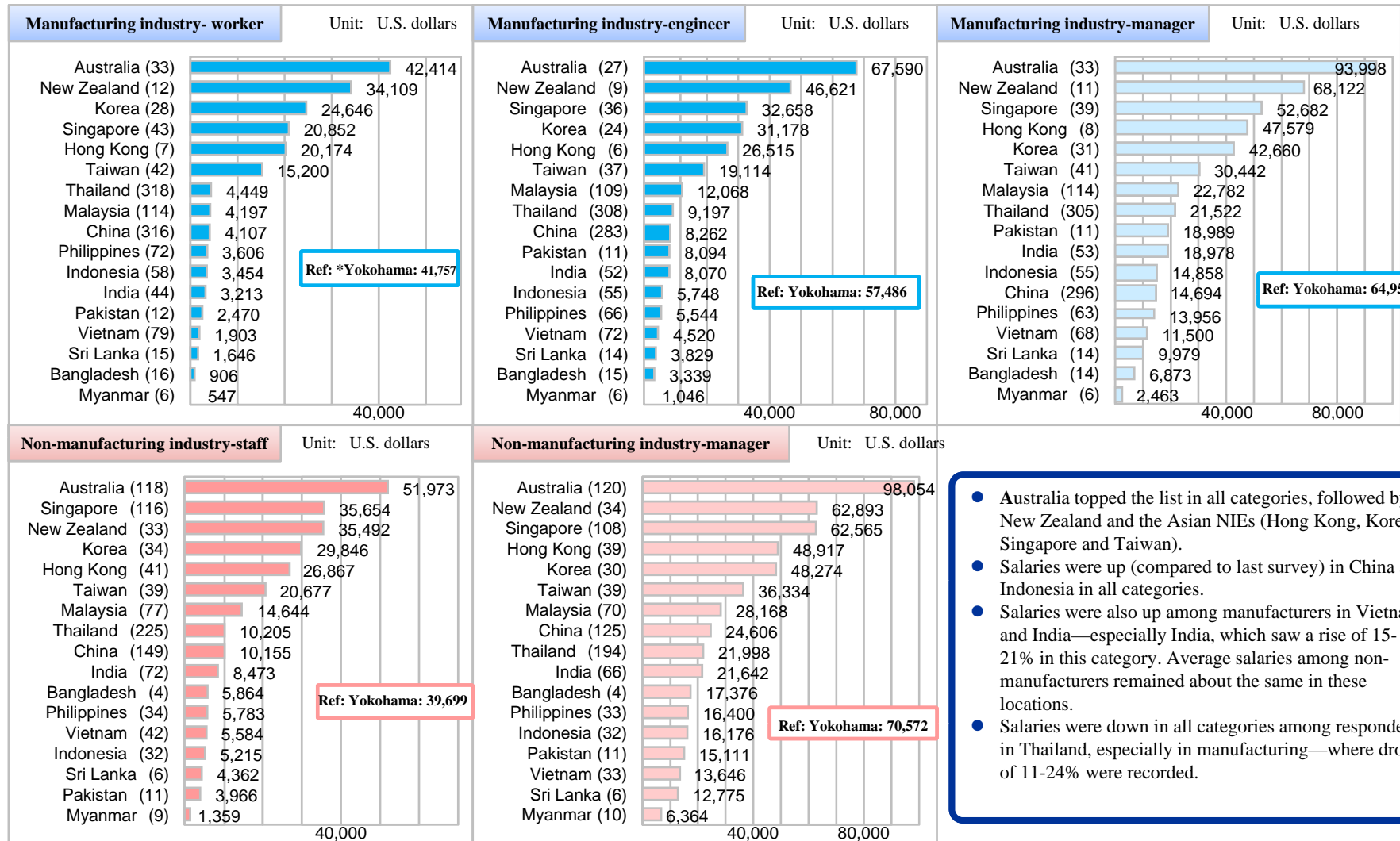


Comparison of replies by country/region about evacuating staff or allowing them to remain



- A higher proportion of respondents in all locations (with the exception of Oceania and also Singapore) would evacuate staff to some degree.
- The percentage of firms choosing "evacuate staff" was high in Hong Kong and Indonesia, reflecting firms' high evaluation of risk in these locations.

5. Average Salary (annual total pay burden)



- Australia topped the list in all categories, followed by New Zealand and the Asian NIEs (Hong Kong, Korea, Singapore and Taiwan).
- Salaries were up (compared to last survey) in China and Indonesia in all categories.
- Salaries were also up among manufacturers in Vietnam and India—especially India, which saw a rise of 15-21% in this category. Average salaries among non-manufacturers remained about the same in these locations.
- Salaries were down in all categories among respondents in Thailand, especially in manufacturing—where drops of 11-24% were recorded.

For all countries except Vietnam and Myanmar, responses were given in home currency, which were converted into U.S. dollar amounts based on average exchange rates for September 2009 (as announced by central banks of each country). For Vietnam and Myanmar, responses varied from home currency to U.S. dollars; figures provided in home currencies were converted into U.S. dollars before being included in the calculation for the weighted average. The U.S. dollar amount for Myanmar was obtained using current local market rates.

Reference values are from the "Yokohama 2009 Private Sector Wage Survey by Occupations" (carried out in April) converted into U.S. dollars (using average exchange rates for April 2009).