

JETRO's Fifth Quick Business Survey: Summary of Responses of Japanese Companies in the United States (June 26-July 1, 2020)

July 2, 2020

Japan External Trade Organization (JETRO)

New York
San Francisco
Los Angeles

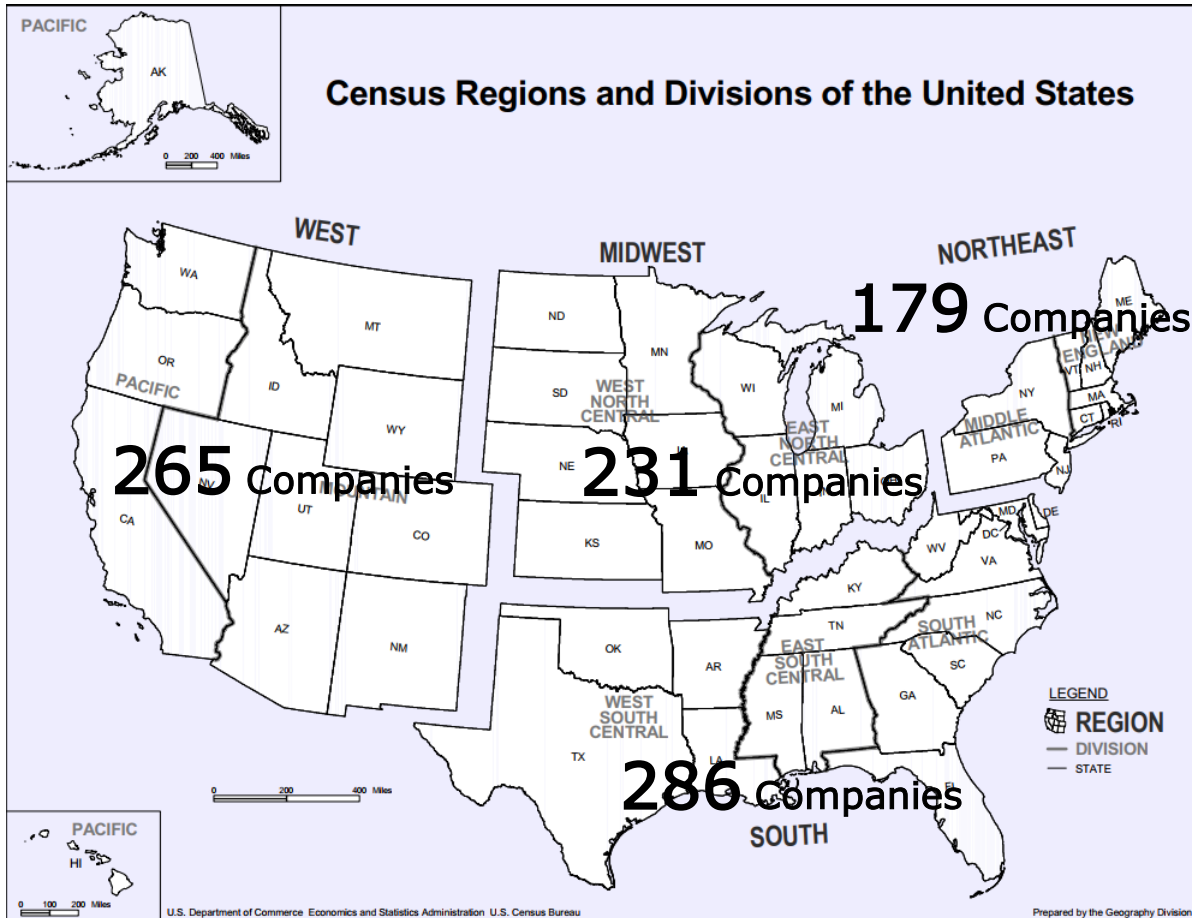
Chicago
Atlanta
Houston

Overview

Survey Period : June 26 – July 1, 2020

Valid Responses : 961 Companies

❖ Respondents by Regions



❖ Respondents by Industries

Manufacturing : 524

Non-Manufacturing : 437

❖ Respondents by Number of Employees

1~10 : 261

11~100 : 340

101~500 : 212

More than 501 : 148

❖ For access to the first survey conducted from March 24 to 26:

https://www5.jetro.go.jp/newsletter/ama/2020/covid-19_surveyresult_0327_en.pdf

❖ For access to the second survey conducted from April 6 to 8:

https://www5.jetro.go.jp/newsletter/ama/2020/covid-19_surveyresult_0409_en.pdf

❖ For access to the third survey conducted from April 28 to 30:

https://www.jetro.go.jp/ext_images/world/covid-19/us/doc_us_en03.pdf

❖ For access to the fourth survey conducted from May 27 to June 1:

https://www.jetro.go.jp/ext_images/world/covid-19/us/doc_us_en04.pdf

Created by JETRO based on the Census Bureau's regional classification

Note: Hawaii is classified as West

■ Key Findings from JETRO's Fifth Business Survey

1. Sales, Production and the Resumption of Business

- More than 70% of the surveyed companies have seen a decrease in sales in the past month. However, **companies whose sales fell by more than 50% is half from the previous survey** conducted at the end of May, and there are signs of improvement. (34.9% to 15.0%)
- **Most companies have resumed production** with only 1.7% having suspended production. More than 50% of companies are operating at 80% capacity or more (36.2% previously).

2. Employment

- From the following survey conducted at the end of April, nearly **70% of companies stated there has been no impact on employment**. More than 70% of companies that laid off employees have had them return back to work.
- On the other hand, nearly 60% of companies will temporarily freeze and postpone their recruitment plans.

3. Impact of the Presidential Proclamation on Non-Immigrant Visas (effective June 24)

- For the first time, the number of responding companies and employees that are impacted under this proclamation was revealed. **Across the US, at least 308 companies and more than 1,400 employees will be impacted**. In particular, the impact on the restriction of L visas (in-house transferees) is significant, accounting for nearly 90% of the total.
- More than a third of the surveyed companies stated the Proclamation has impacted their business activities.
- Many of the respondents showed concern about how the impact will **affect worldwide HR strategies, production and development activities, as well as business continuity**.

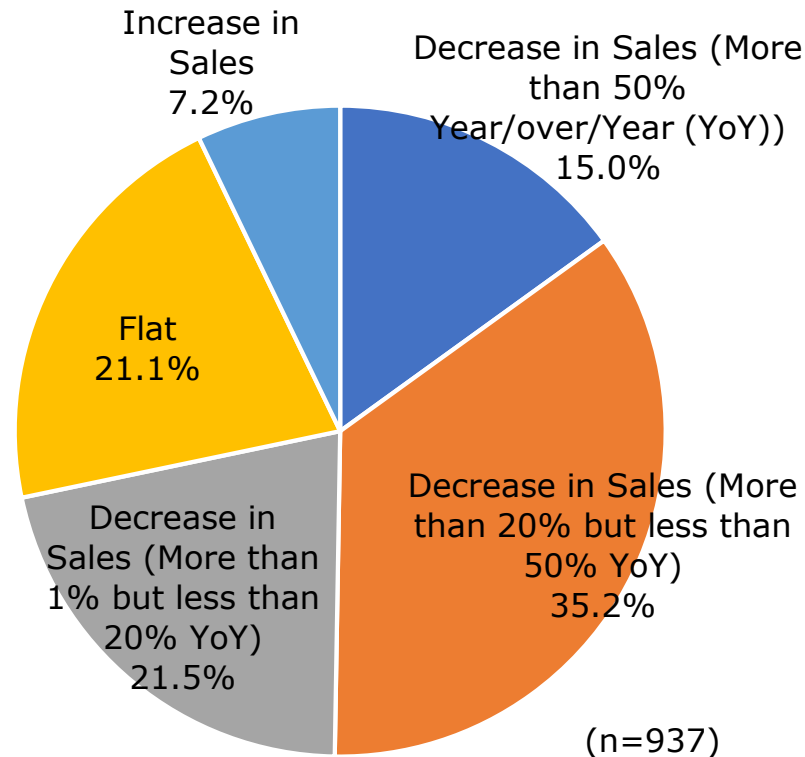
4. Post-COVID19 Business Strategy

- By the end of 2020, **more than 60% of companies stated they will maintain their current business operations in the US**. More than 20% of those companies plan to reduce operations.
- More than 70% will promote working from home after COVID-19, and it is expected that working from home has been widely accepted.
- Regarding business development, 30% stated they are working on developing new sales channels, products and services, while 20% will conduct exhibitions online. **This signals the acceleration of the digitalization of business operations**.

1. Impact on Sales

- 72.7% of companies have seen a decrease in sales in the past month compared to the same period last year. Although the number decreased slightly from 75.5% in the previous survey, the situation continues to be severe.
- However, only 15.0% have seen a decrease in sales by more than 50%, down from 34.9% in the previous survey, showing signs of improvement (Conducted 5/27-6/1).

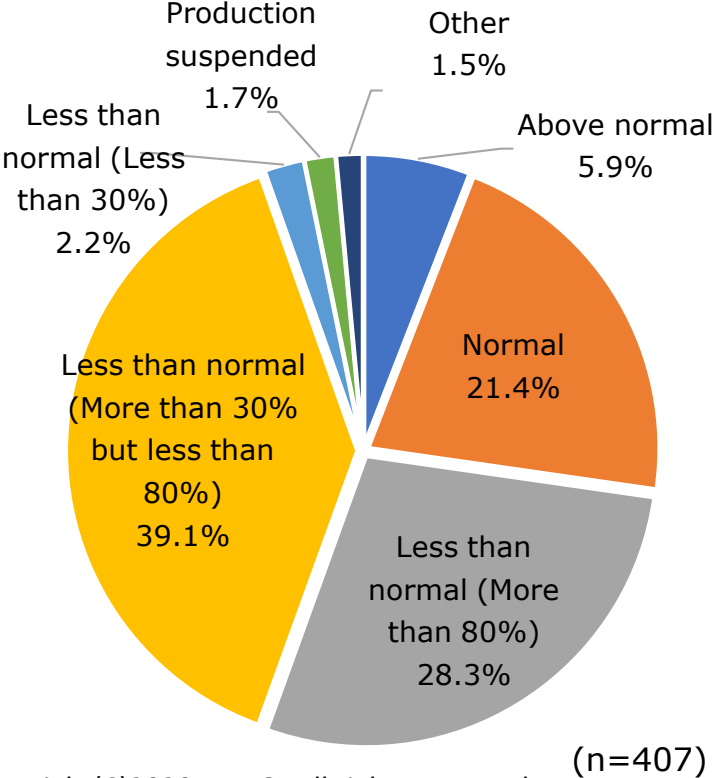
Sales in June 2020 (US)
(Compared to the same period last year)



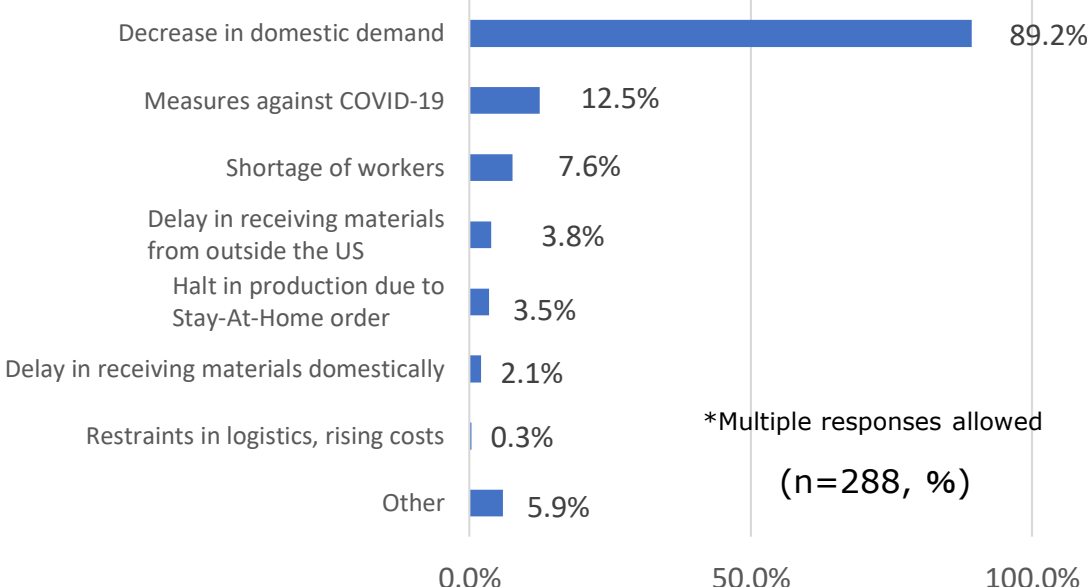
2. Production Status for Manufacturing Companies

- As most companies have resumed production, only 1.7% suspended operations. (from 28.2% at the end of April to 3.3% at the end of May and 1.7% this time).
- Although 70% of companies have reduced production, more than 50% are operating at 80% capacity or more (36.2% previously).
- Over 90% of the responding companies stated the leading factor concerning the decrease in production was a decline in domestic demand. This was followed by measures against COVID-19 (restrictions on workers and working hours, etc.) (12.5%) and shortage of workers (7.6%).

Production Status



Factors Contributing to Decrease in Production



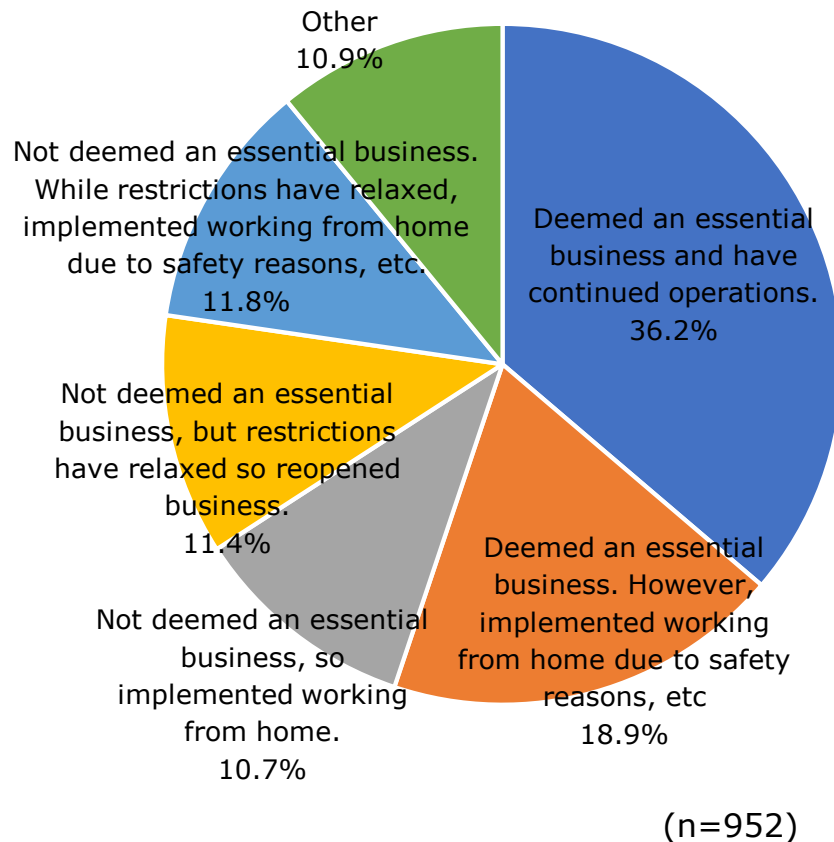
Other Factors Contributing to Decreases in Production

- Decrease in overseas demand
- Impact of lockdown overseas
- Aligned with the customer's production volume (depends on the customer)

3. Business Implementation Under Economic Reopening

- 23.2% (13.0% previously) of responding companies were allowed to resume their business in the workplace. For companies deemed non-essential businesses and their employees are working from home, the number decreased from 23.0% in the previous survey to 10.7%. Most companies have now resumed business in the workplace.
- Nevertheless, in order to ensure safety, 40% of respondents continue working from home. (Nearly 30% in the manufacturing sector, more than 50% in the non-manufacturing sector)

Essential Business/Working from Home



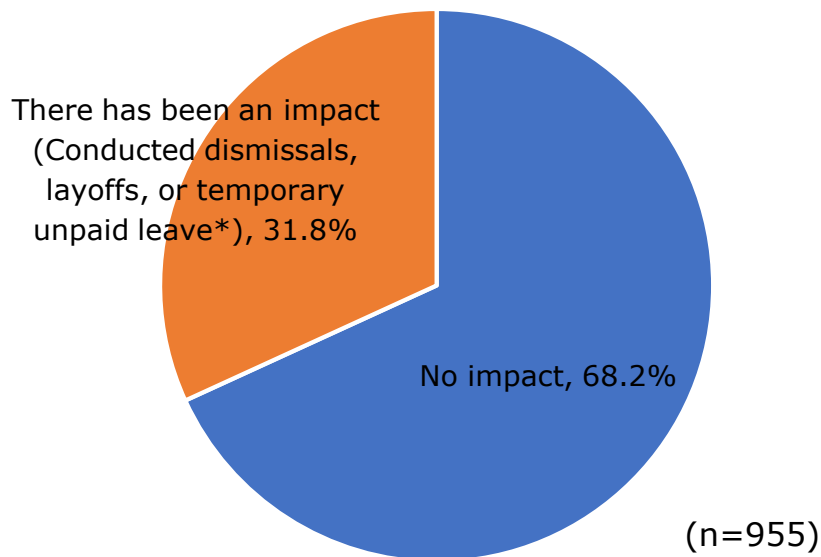
(Other Responses)

- **We are Deemed an Essential Business, but...**
 - Have implemented a combination of working from home and shorter working hours. Will resume regular working hours at the office from July 6th.
 - Only employees who work in shipping operations and a few others work in the office, but the remainder of employees continue to work from home.
 - Employees take turns coming to work every other week and each employee is allowed to make their own decisions in order to ensure safety.
 - Working from home is permitted and recommended to ensure safety.
- **We are not Deemed an Essential Business, but...**
 - Though regulations have been relaxed, only essential workers returned to the workplace to ensure safety.
- **Other**
 - Managers and those in roles above are at the workplace while other employees are taking turns.
 - Continuing to implement working from home. Have allowed business travel for the minimum number of employees needed.
 - Following instructions in accordance with government guidelines for each state.
 - Have not resumed business because there is no work.
 - Employees take turns coming to the office once a week.

4. Impact on Employment

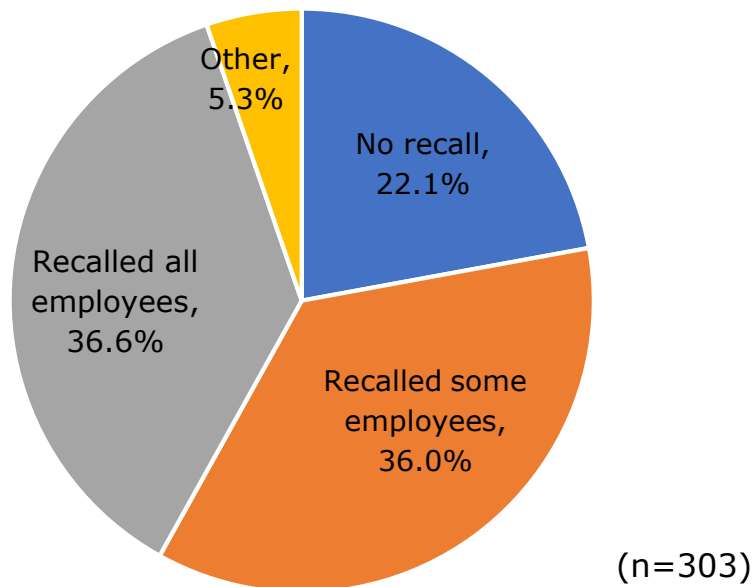
- Nearly 70% of companies stated they did not conduct any layoff or furlough.
- In contrast, about 30% stated they have conducted dismissals, layoffs or granted employees to take a temporary unpaid leave*. (*Maintained health benefit enrollment.)
However, more than 70% have recalled employees back to work.

Impact on Employment



Status of Recall for Employees Laid Off

※For companies that were impacted



(Other Responses)

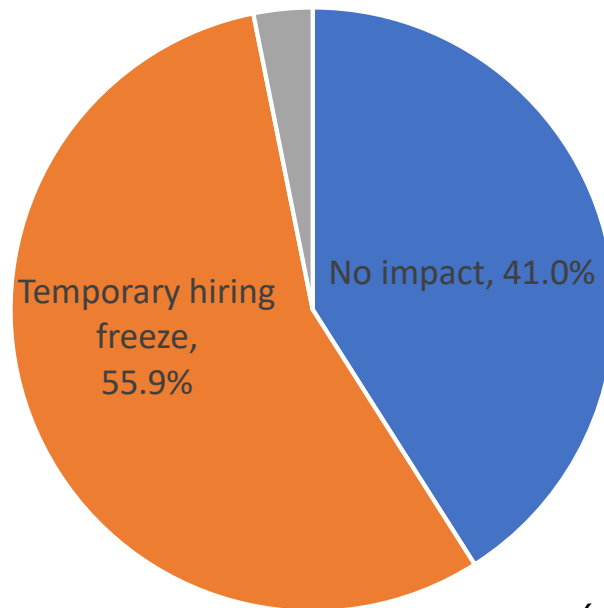
- Started work sharing from June.
- Planning to recall employees at the end of July when government benefits expire.
- Reduced salary

5. Impact on Employment (Continued)

- Due to COVID-19, nearly 60% of companies have temporarily frozen or postponed their hiring plans.
- 41% stated there is no impact on their hiring plans to due to COVID-19.

Impact on Employee Recruitment Planning

Reinforcing and advancing hiring plans,
3.2%



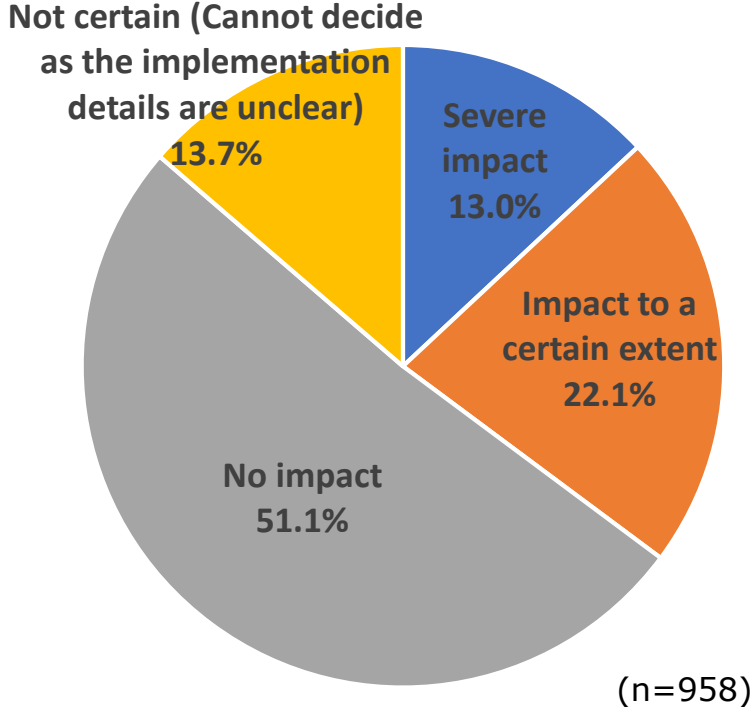
(n=666)

*Excludes companies that stated there are no plans for recruitment (to take action as needed)

6. Impact of the Presidential Proclamation on Non-Immigrant Visas (1)

- On June 24th, President Trump signed a proclamation suspending entry of aliens seeking entry to the United States pursuant to any of the following non-immigrant visas (H-1B, H-2B, J-1, L-1) until December 31, 2020. The U.S. Embassy and Consulates in Japan have suspended the issuance of eligible visas.
- As a result, over **35% of Japanese companies** stated their business would be affected. More than 10% stated that this would have a severe impact on their businesses.
- More than 1,400 expatriates from 308 companies will be impacted by this proclamation. In particular, **the impact of the restriction of L visas (in-house transferees) is significant**, accounting for nearly 90% of the impacted employees.

Impact on Business



Number of companies and VISA holders that are impacted by the Presidential Proclamation

【Number of impacted companies that responded】

H-1B	29
H-2B	9
J-1	59
L-1	263
Total:	308

*multiple answers allowed

【Number of VISA holders who are impacted】

H-1B	50
H-2B	10
J-1	126
L-1	1,220
Total	1,406

*Total number of impacted VISA holders working for companies above

6. Impact of the Presidential Proclamation on Non-Immigrant Visas (2)

- This measure will delay personnel changes and plans transferring expatriates, as well as hinder relationships with business partners. With delays of transferring researchers and engineers, there is concern this may interfere with production and development.

(Sample Responses)

■ Human Resource Planning and Strategy

- We have many related business firms in the US that use L1 blanket visas. **Personnel changes in the management level will be impacted.**
- Regarding the issuance of J-1 visa, On-the-Job-Training opportunities will be impacted.
- HR management issue: we have to freeze all related personnel changes.
- Transfers of personnel are determined in conjunction with the HQ's HR strategy in Japan. **The proclamation affects the entire personnel transfer schedule.**
- We were thinking about planning to transfer younger engineers on the L visa in anticipation of business expansion, but this will be postponed for the time being.
- VISA interviews were scheduled for two employees planning to transfer to the US in July. They, however, will no longer be able to transfer.
- It is impossible to make an HR strategy plan and to select a successor to expatriates and trainees.
- **Expatriates have not been able to obtain an L1 visa and our plan to set up a US subsidiary has been delayed. We have also put a freeze on hiring local employees.**
- We have canceled the dispatch of expatriates. Instead, we were planning to hire locally, but with the economic outlook remaining uncertain, those plans have been halted as well. The burden on employees in managerial positions has increased drastically.

6. Impact of the Presidential Proclamation on Non-Immigrant Visas (3)

(Sample Responses)

■ Relationship with Business Partners

- We import automobile-related chemicals from Japan, where our main supplier is located. Since the local employees cannot communicate in Japanese, quality control issues cannot be resolved.
- If the issuance of visas for Japanese expatriates is suspended, **it will be impossible to provide services to customers across the US.** If business cannot continue, it will affect local employment.

■ Production and Development

- Due to the closure of the US Embassy Visa Section from the spring and the suspension of the issuance of visas, a majority of expatriates are unable to transfer to the US and are on stand-by in Japan. The shortage of researchers in the R&D facility is particularly concerning.
- Since it is impossible to send new personnel from Japan, **the process to transfer R&D and production technologies to the US facility will be delayed.**
- It is impossible to transfer engineers with special skills.
- We were planning to send employees from Japan to support **the launch of our new production line, but we are now unable to make any plans.** While we are considering getting visas that are not applied to by the executive order, it is still uncertain how to make plans. We need to know how the suspension of services at the Consulate and the Presidential Proclamation affects other visas.

6. Impact of the Presidential Proclamation on Non-Immigrant Visas (4)

- Due to the delay in the appointment of expatriates, respondents stated that the continuity of their business in the US is now at risk. Respondents also stated they have concerns about the fact that the Japanese HQ's outlook of business in the US may deteriorate.

(Sample Responses)

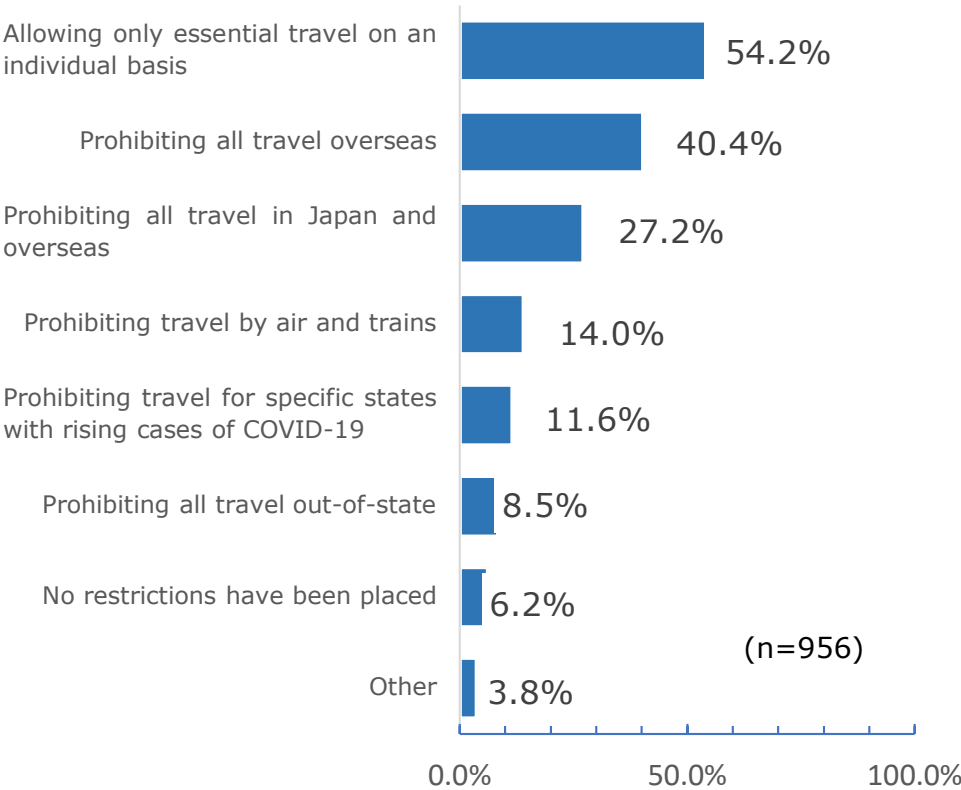
■ Business Continuity: At Risk

- **It is difficult to continue operating our business** because expatriates who were planned to be transferred cannot obtain visas.
- The locally employed staff was laid off due to the closure of the office.
- **The HQ's in Japan will have a bad view of doing business in the US.** There are concerns that proper resources will not be allocated and they may reduce operations in the US.
- When planning new projects, we are forced to plan with restrictions on the transfer of design and construction managers. There are now additional costs involved for research, which results in decreasing competitiveness.
- The expatriates in the US are working under L1 visas. Either by making personnel changes or having them continue working in the US to renew VISA's, there is a possibility there will be no expatriates in the office.
- Since the expatriates in the US have an L1 visa and their I-94 is expiring in a few months, there is a major concern whether we can continue our operations.
- It is not possible to obtain a visa for prospective expatriates, **eventually it will be necessary to consider scaling down our business.**

7. Future Business Travel

- More than 50% of companies stated they will only allow essential business travel until September.
- More than 40% are prohibiting travel overseas and many companies are taking extra precautionary measures to ensure travel safety.

Business Travel this Summer (until September)



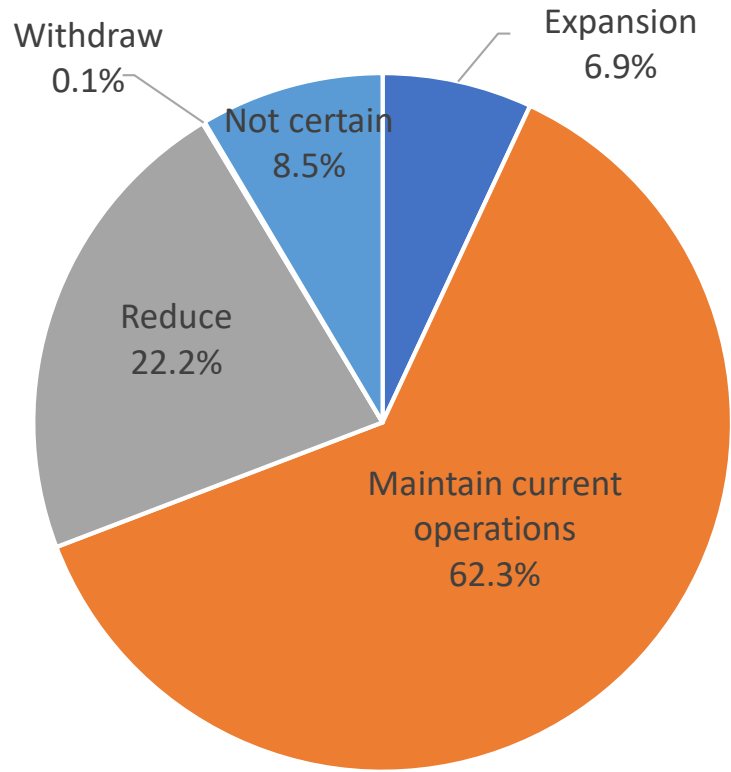
(Other Responses)

- All business travel is currently prohibited. We are considering easing restrictions in the future while monitoring the situation.
- Domestic business travel is currently prohibited until July and decisions for future travel will be made based on the situation. All travel overseas is recommended to be avoided unless necessary.
- Prohibiting all travel in Japan and overseas, but decisions will be made based on the significance of the matter and individual circumstances.
- For travel overseas, the decision will be made based on the status of infections and regulations of the country.
- We plan to be flexible while monitoring the situation. However, the Latin American region is currently prohibited due to the high risk of infections.
- Out-of-state travel is being considered by management if necessary.
- Arrangement for business travels limited to interstate by car.
- Complying with the guidelines provided by the CDC and state governments.
- Asking employees to self-isolate for 5 days after traveling to any county with high infection rates.

8. Post COVID-19: Business Outlook

- Compared to pre COVID-19 levels, over 60% of companies stated they will maintain their current operations in the US for the remainder of 2020, while more than 20% are considering reducing their operations.
- Less than 10% are still uncertain, and most companies continue to take a wait-and-see approach in this uncertain environment.

Post COVID-19: Business Outlook

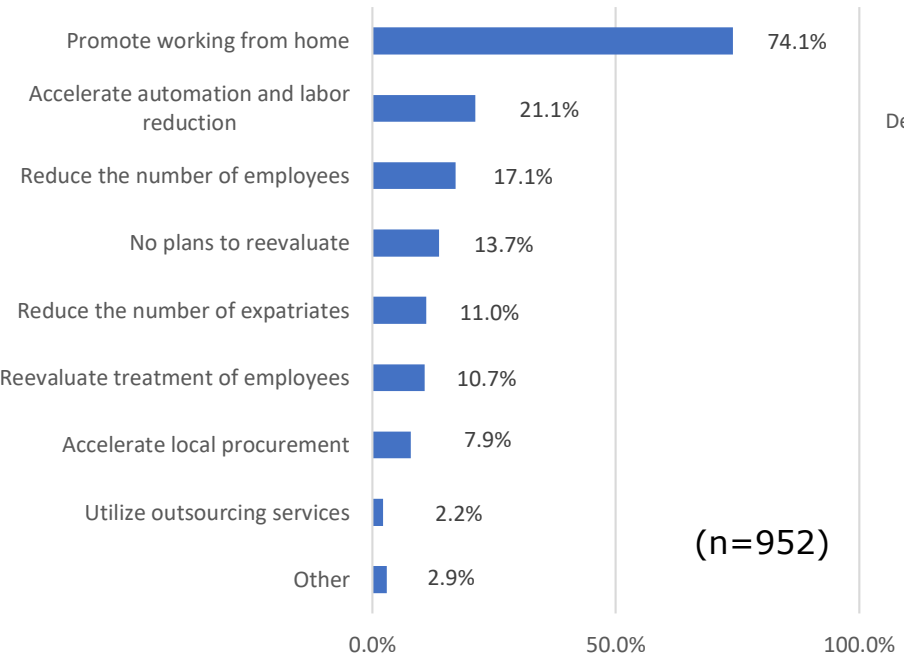


(n=951)

9. Post-COVID-19: Business Strategy

- More than 70% of companies stated they will promote working from home, indicating that working from home will be here to stay as a model to keep moving forward.
- Nearly 30% of companies are engaged in developing new sales channels and new products, services and sales. 20% are citing the use of online tools to conduct exhibitions and promote digitalization, which is a sign that **digitalization is accelerating**.

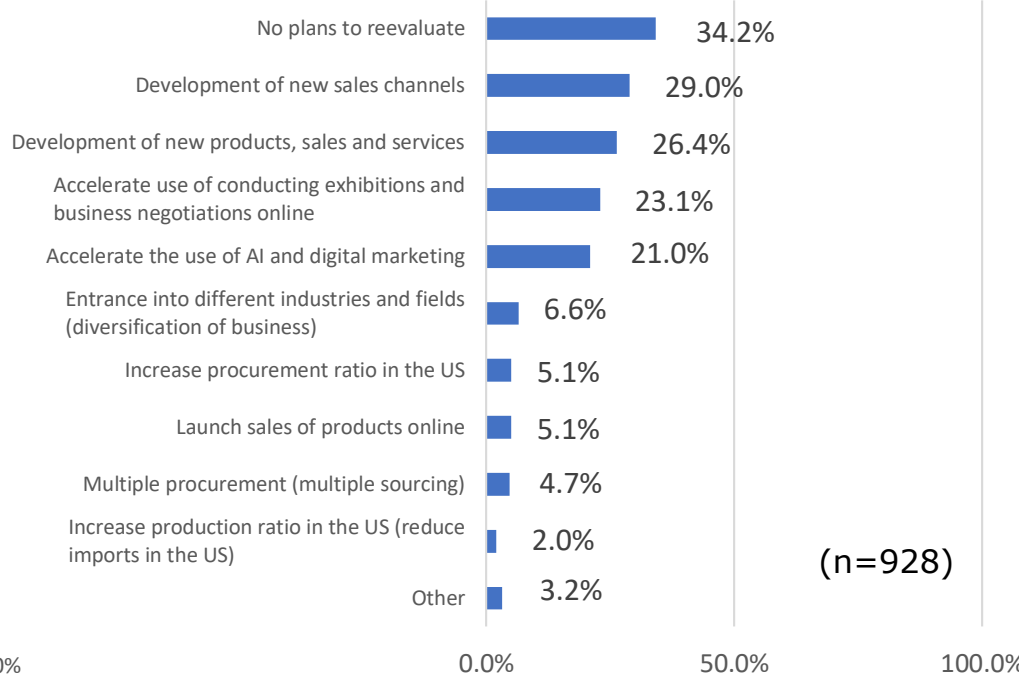
Reviewed Business Structure in Response to COVID-19 (*Multiple answers allowed)



(Other Responses)

- Improvement of office working environment
- Cost reduction measures
- Reduced support from Japan via business travel

Business Plans in Response to COVID-19 (*Multiple responses allowed)



(Other Responses)

- Use of online conferencing tools
- Expansion of collaboration and alliances
- Strengthened image of cleanliness and security

10. Challenges that Companies are Struggling to Address

(Sample Responses)

■ Visa, Immigration and Travel Restrictions (Excluding Presidential Proclamation)

- Interviews have been suspended at the US Embassy in Japan and we cannot dispatch expatriates to their new assignments, leaving vacant positions.
- We cannot plan for the arrival of expatriates and it is interfering with personnel plans.
- I am having difficulty since I cannot renew my driver's license until the I-94 has been renewed.
- The HQ's in Japan does not fully understand the severity of the problem when applying for a visa.
- I would like to know how other companies are dealing with adjusting personnel plans for expatriates.
- It is difficult to determine when it will be possible to resume international business travel, including to Japan.
- It is difficult to return to Japan temporarily or travel for business due to the immigration restrictions and border protection measures between Japan and the US (government mandated 2-week self-isolation).
- We cannot conduct our routine maintenance or have proper equipment installed since engineers are unable to travel from Japan.
- Since our employees from the HQ's in Japan cannot travel to the US and our local team cannot travel to Japan, it is becoming a burden on our business.
- There is a burden for expatriates and their families who are returning to Japan because of the border protection measures when entering the country.
- Since Japan has suspended delivery of international mail, I cannot receive food and medical supplies.

■ Resuming Business and Ensuring Safety

- I am concerned with how to proceed with resuming office operations and requesting employees to return to the workplace.
- In-house infection control measures are not sufficient.
- It is difficult to determine when we should relax restrictions on working from home, business travel and the mandatory use of masks.
- It would be helpful if there was a consultation service for advice on how to deal with cases if employees are infected.
- I would like to know how other companies are dealing with resuming business travel.
- Even if infection prevention measures are practiced thoroughly within the workplace, it is difficult to prevent infections if it is not practiced in the same way outside of the workplace.

10. Challenges that Companies are Struggling to Address (Continued)

(Sample Responses)

▪ Resuming Business and Ensuring Safety (continued)

- While expectations are high for the decline in the number of infection rates and a full reopening of restaurants, there are also concerns for a COVID-19 second wave
- **Employment and HR Management**
- Since unemployment insurance benefits have been extended, employees who have been temporarily laid off are refusing to return to work. We post hiring notifications and people are still not applying for jobs.
- Employees have been losing motivation, the number of absentees is increasing, and production is not moving forward as planned.
- It has been a challenge since engineers cannot be dispatched to conduct proper installation of equipment.
- There is a shortage of skilled Japanese workers who are specialized in certain fields.
- There is increased use of overtime due to labor shortages.

▪ Business Recovery

- The timing of demand recovery remains uncertain in the US and overseas markets, and we are unsure when our business will recover after a significant loss in sales.
- The pace of business recovery is slow and employee motivation is declining.
- There has been a negative impact on sales since it is difficult to meet clients in person.
- The accounts receivable turnover ratio has slowed and working capital has decreased.
- Due to concerns of a second wave, we cannot execute our capital expenditure planning.

▪ Other

- Since the Department of Motor Vehicles (DMV) and Social Security offices have been closed, we cannot obtain or renew driver's license and social security number.
- We still have a leasing agreement for our office and our rent will not decrease until it expires.
- There is pressure on our profit margins due to the high cost of tariffs caused by the US-China trade conflict.
- We want to increase the production ratio in the US, but it is not easy since there are some areas where we have to rely on imports.

JETRO's COVID-19 Consultation Service for Japanese Companies Operating in the US

- With the rising spread of COVID-19, Japanese companies with operations in the US have been significantly impacted. In response to this situation and to provide support to Japanese companies that have been impacted by COVID-19, JETRO USA has started a consultation service in all regional offices in North America.

1. Individual Consultation with Local Experts

JETRO has teamed up with local experts such as lawyers and accountants to provide complimentary individual consultations on for example, labor, legal, and tax issues encountered by Japanese companies.

2. Responding to Individual Consultations and Inquiries

We will respond to various inquiries, including questions about information published on our website.

Please submit your application online using the link below (in Japanese):

https://www.jetro.go.jp/jetro/overseas/us_newyork/info/20200403.html

JETRO Website (in Japanese)

“Impact of the COVID-19 Crisis” at the link below:

<https://www.jetro.go.jp/world/covid-19/us/>

JETRO 日本貿易振興機構(ジェトロ)

海外ビジネス情報 ▾ サービス ▾ | 国・地域別に見る ▾ 目的別に見る ▾ 産業別に見る ▾

国・地域別に見る > 特集：新型コロナウイルス感染拡大の影響

特集 新型コロナウイルス感染拡大の影響

このページを印刷する

中国湖北省武漢市で発生した新型コロナウイルスによる感染は世界各地に拡大し、感染者や死者の増加など、引き続きその状況は深刻では、世界各国の感染拡大に伴う制限や経済への影響、政府等による経済対策、事業者支援策を各地域ごとに報告する。

▶ 北米 ▶ 欧州 ▶ アジア

▶ 中国 ▶ 中東 ▶ アフリカ

▶ 海外進出日系企業向け資金繰り支援のご紹介 (921KB) ▶ 進出日系企業への緊急調査結果 ▶ お問合せ

JETRO 日本貿易振興機構(ジェトロ)

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国・地域別に見る > 特集：新型コロナウイルス感染拡大の影響 > 北米における新型コロナウイルス対応状況

特集：新型コロナウイルス感染拡大の影響

北米における新型コロナウイルス対応状況

- 米・在カナダ日系企業への緊急アンケート調査結果
- 解説レポート/WEBセミナーによる解説
- 米国
 - 各州・自治体情報 (自宅待機命令・経済再開の状況)
- カナダ
 - 事業者・ビジネス関連措置
- 日系企業向け相談窓口のご案内

新着ニュース (ビジネス短信)

2020年6月1日 米ニューヨーク市、6月8日から経済再開へ(米国)

2020年6月1日 米ジョージア州でバーなどの再開許可、フロリダ州では大型遊園地に再開の動き、南東部州の経済再開状況(米国)

各州・自治体の経済再開状況

自宅待機命令の終了日時、経済の部分的再開の開始日時はそれぞれ自治体のリリース等へのリンクです。

州	政府機関	特設サイト	自宅待機命令			経済の部分的再開
			状況	開始日時	終了日時	開始日時
Alabama	▶ 政府機関	▶ 特設サイト	解除	4月4日午後5時	4月30日午後5時 (160KB)	4月30日 (654KB)
Alaska	▶ 政府機関	▶ 特設サイト	解除	3月28日午前8時	4月24日午前8時	4月24日 (380KB)
Arizona	▶ 政府機関	▶ 特設サイト	解除	3月31日午後5時	5月15日午後11時 59分 (2.5MB)	5月4日 (39KB)
Arkansas	▶ 政府機関	▶ 特設サイト	発令せず			5月4日 (日本からのアクセスは不可)
California	▶ 政府機関	▶ 特設サイト	発令中	3月19日	リンク (174KB)	5月8日 (時期は郡によって異なる)
Colorado	▶ 政府機関	▶ 特設サイト	解除	3月26日午前6時	4月26日	4月27日

全米各州の経済再開計画へのリンクも掲載

-Contacts-

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■ Japan

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