

JETRO's Third Quick Business Survey: Summary of Responses of Japanese Companies in the United States (April 28-30, 2020)

May 1, 2020

Japan External Trade Organization (JETRO)

New York
San Francisco
Los Angeles

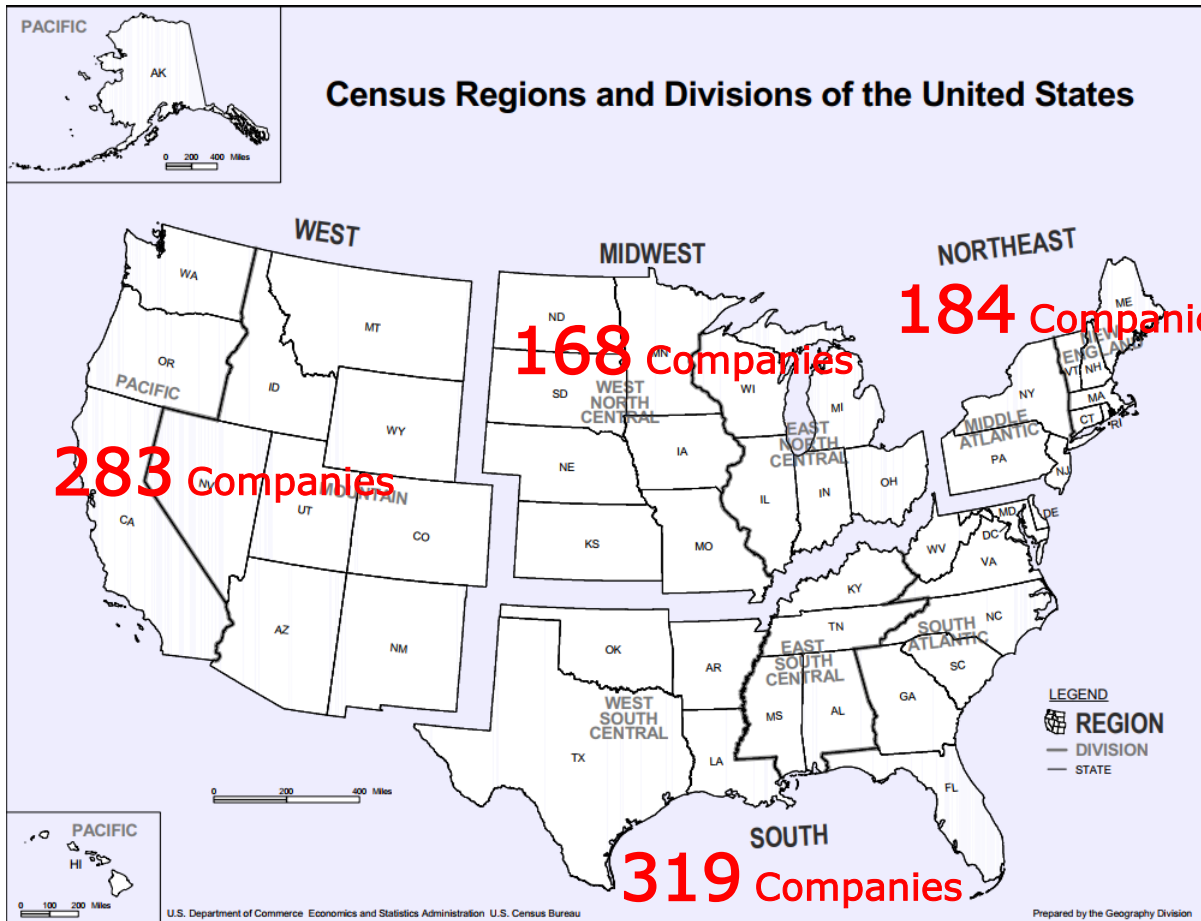
Chicago
Atlanta
Houston

Overview

Survey Period : April 28 – 30, 2020

Valid responses : 954 Companies

(Respondents by Regions)



- ❖ Respondents by Industries
 - Manufacturing : 510
 - Non-manufacturing : 444

- ❖ Respondents by number of employees
 - 1~10 : 257
 - 11~100 : 338
 - 101~500 : 216
 - More than 501 : 143

※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

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

Note: Hawaii is classified as West

■ Key Findings from JETRO's Third Business Survey (1)

1. Production and Sales Status

- Approximately, 75% of the surveyed companies have experienced a decrease in sales during the past month.
- Nearly 80% of companies have suspended operations or reduced production. The leading factor was due to a decrease in domestic demand.
- Approximately, 10% of companies have seen a negative impact on their supply chains. This was mainly because of delays in receiving materials from within the US and/or Mexico.
- By the end of the year, more than 60% of companies stated they will maintain their current operations in the US, while nearly 20% will reduce operations.

2. Employment

- Over 70% of companies have stated they will keep employment. The rest of the companies responded "There is an impact on retaining employment."
- Nearly 50% of the latter offered furloughs, retained employment contracts and health benefits. Less than one-fourth have laid-off employees.

■ Key Findings from JETRO's Third Business Survey (2)

3. Reopening of Business and Support Measures

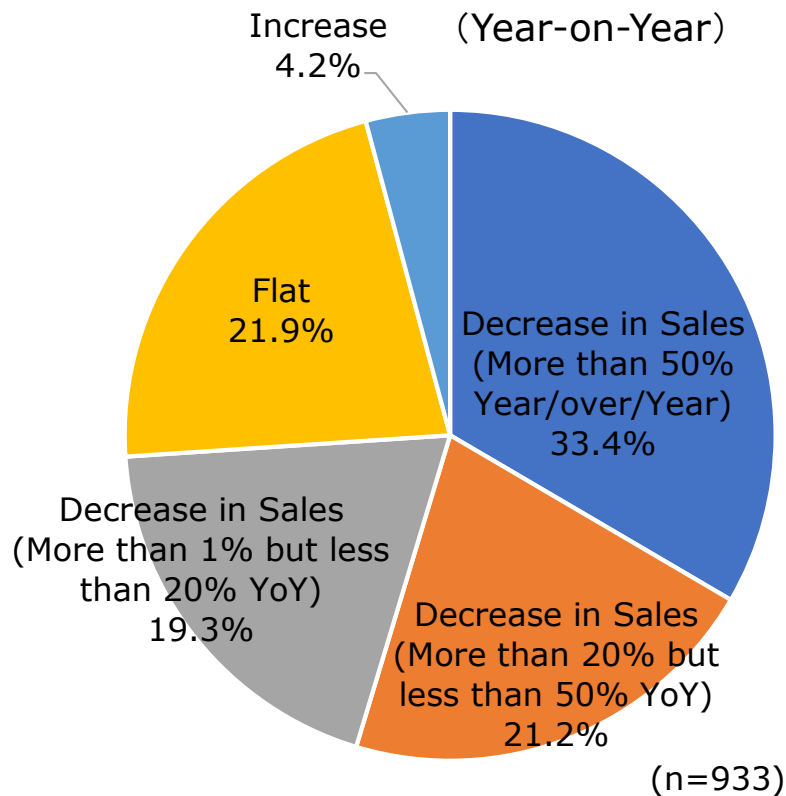
- Over 70% of the survey respondents stated the official lifting of Stay-At-Home orders are essential to resume business. 50% of respondents also stated ensuring a sanitary work environment for the safety of employees operations is essential. More than a third of companies expect to reopen in May, while 30% stated that they are still uncertain.
- In order to resume activities, there are a number of challenges such as eliminating anxiety of employees and preparing guidelines for cases where employees may have been infected.
- In accordance to the public assistance programs provided by the US government, 30% of companies have applied to the Payroll Protection Program (PPP) and 20% are utilizing unemployment insurance benefits. Some indicated they are not sure about the details for these support programs.

** JETRO will continue focusing on providing information necessary for reopening businesses and provide free consultation services to Japanese companies on a case-by-case basis.*

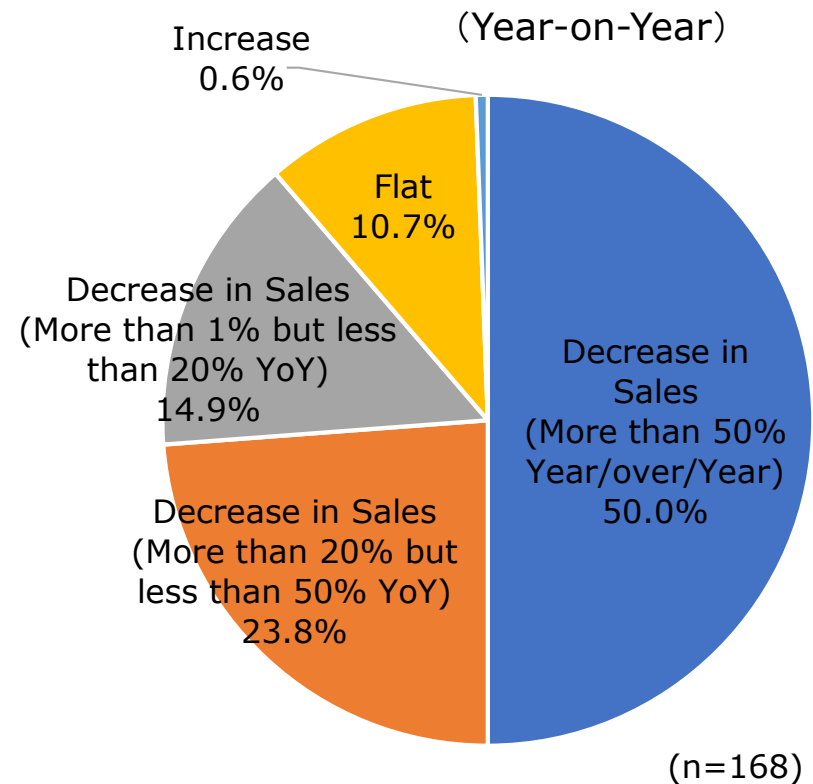
1. Impact on Sales

- Nearly 75% of companies have stated sales have decreased in the past month, a significant increase from the previous survey (54.5%), conducted April 6-8th.
- More than 30% of companies have seen sales decrease by more than half. This number was significant especially in the Midwest, where the automotive industry is concentrated.

Sales Status in the Past Month (US)



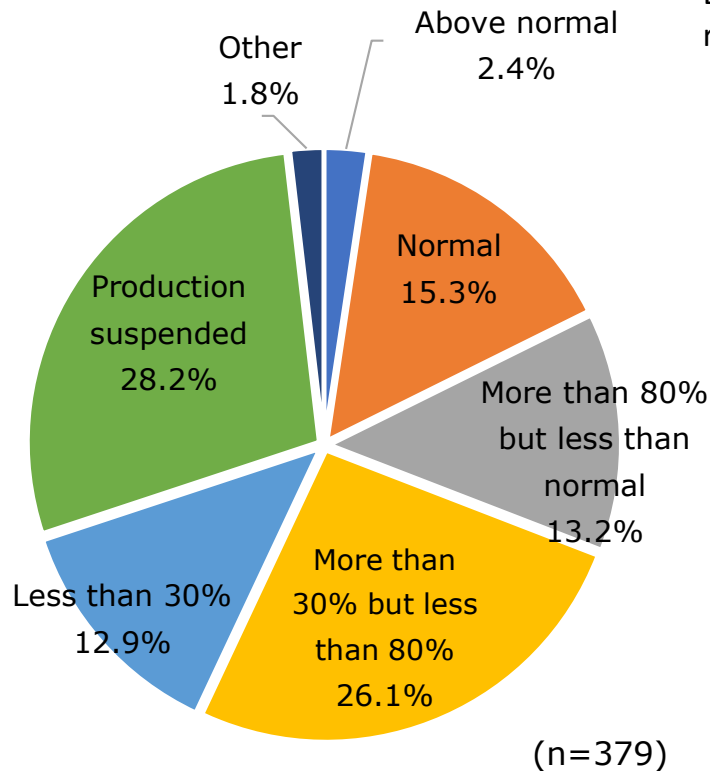
Sales Status in the Past Month (Midwest Region of US)



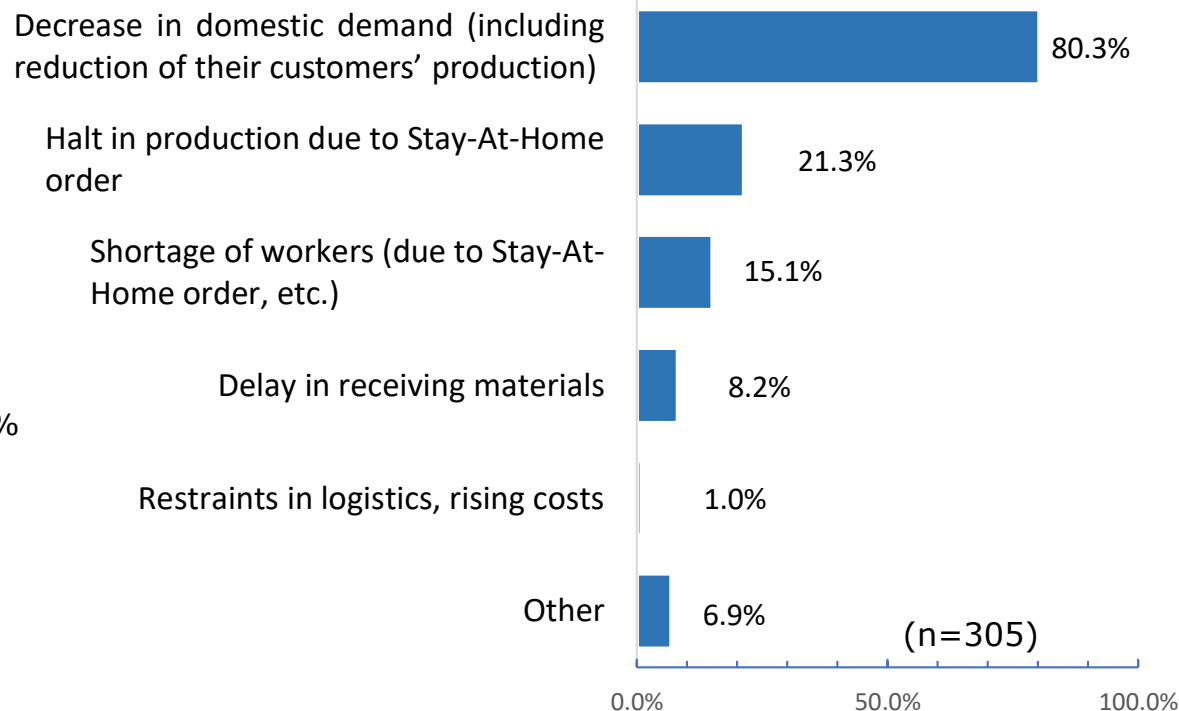
2. Production Status for Manufacturing Companies

- Nearly 80% of companies have either reduced or suspended production.
- The leading factor was a decrease in domestic demand, followed by suspension of factory operations due to the Stay-At-Home orders, shortage of workers (due to Stay-At-Home order, etc.), and delays in receiving materials.

Production Volume



Factors of Production Decrease



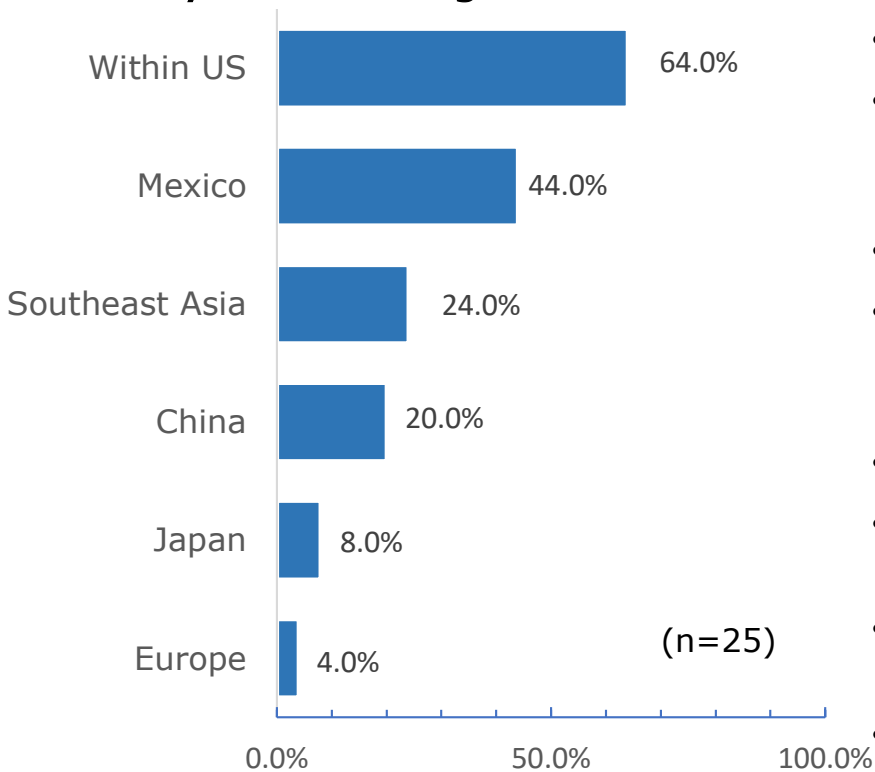
(Producing More than Usual)

- Increased demand for equipment for medical device manufacturers
- For production and sales of Personal Protective Equipment(PPE)
- Increase in the number of online sales

3. Impact on Supply Chain

- Approximately 10% of companies that have less than normal production stated their supply chains have been affected due to delays in receiving materials.
- The leading factor was a delay in receiving materials from suppliers in the US, which climbed to 64%. Additionally, more than 40% stated delays in receiving materials from Mexico. It is assumed this was mainly due to the shutdown of factories in response to COVID-19 for both countries.

Delay in Receiving Materials



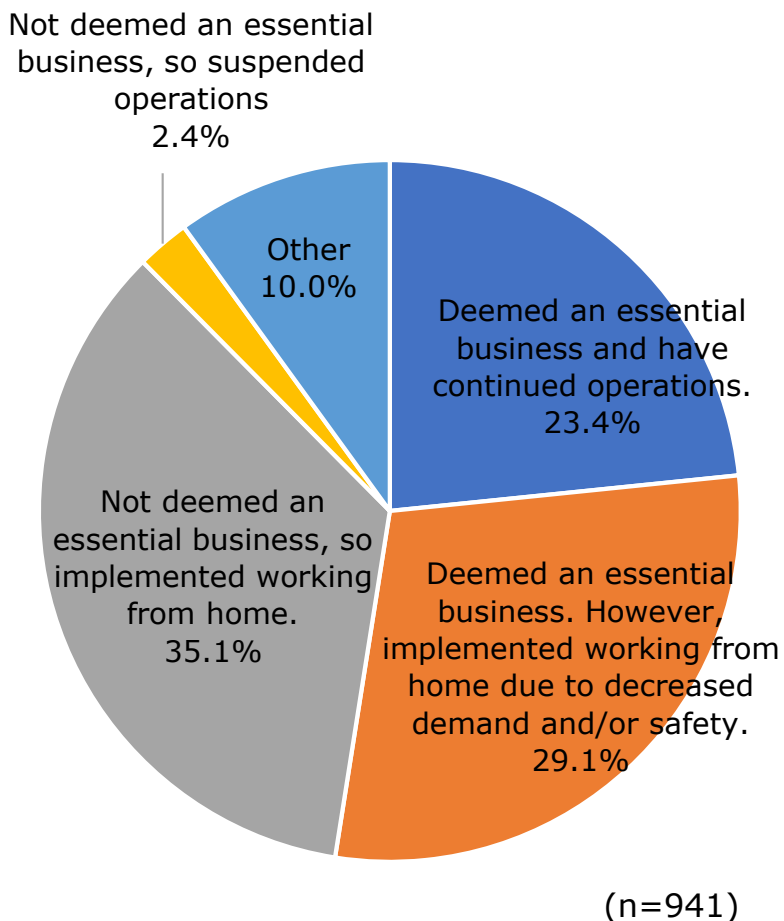
(Examples of How to Deal with Delays)

- Seeking other suppliers from different regions.
- We are considering to change suppliers from China to automotive part manufacturers in Europe.
- Closer communicating with suppliers.
- Responding to the tariff increases, most of our production has been relocated to Japan and the US.
- Adjusting production.
- Since our supply is only from the US, there is no particular way to handle this problem.
- Adjusted production volume by reducing operations.
- Adjusted delivery to customers (not possible to change the supply chain easily).

4. Implementing Business under the Stay-At-Home Order

- Under the Stay-At-Home order, more than 50% of companies are deemed an “essential business”. Among these companies, nearly half are continuing to operate from their places of business while the other half are working from home.

Essential Business/ Working from Home



(Sample comments of Other Responses)

■ We are deemed an essential business, but...

- Our factory operations are deemed essential and operating. Our corporate employees at our US headquarters in another state are working from home.
- We are continuing our operations but we have decreased more than 85% of our workforce and are operating with the minimum number of employees necessary to continue.
- Most are working from home. However, a minimum number of employees are working on site including production, warehouse and maintenance teams.
- All employees not in management are working from home.

■ We are not deemed an essential business, but...

- Our customer is deemed essential. While we are generally working from home, some have to go to the office upon their requests.

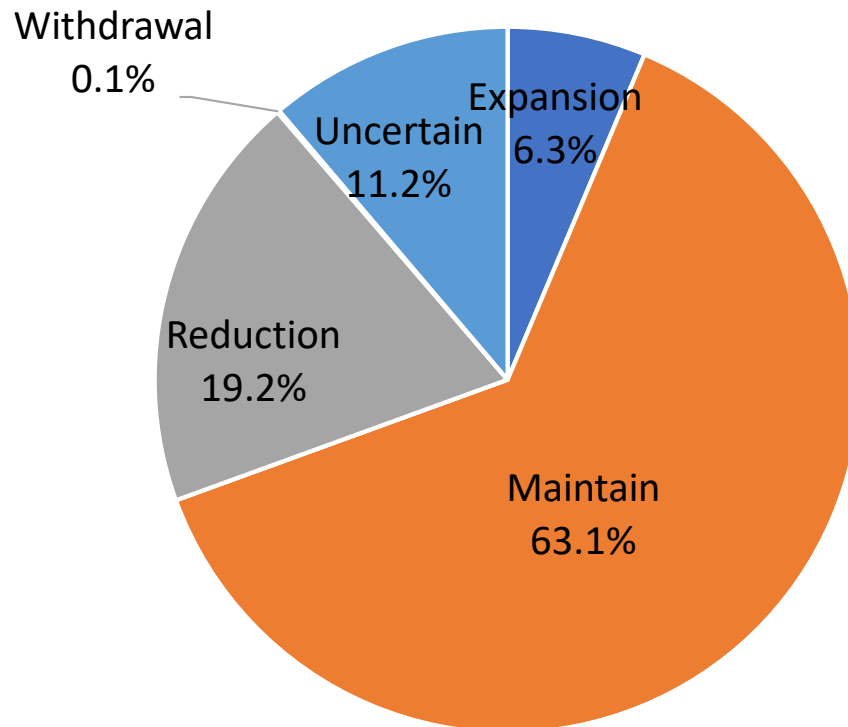
■ Other

- It is unclear whether we are deemed essential, but we have implemented working from home and have kept the office attendance rate at 50% in order to continue operations.

5. Japanese Companies' Future Plans in the US

- As for the outlook for business in the US through the end of 2020, over 60% of companies have stated they will maintain their current operations, while 20% stated they will reduce operations. Over 10% stated they are still uncertain.
- As the outlook remains uncertain, many companies are taking a wait and see approach. Companies are planning to withdraw from the US is only 0.1%.

**Japanese Companies' Future Plan
in the US through the end of 2020**

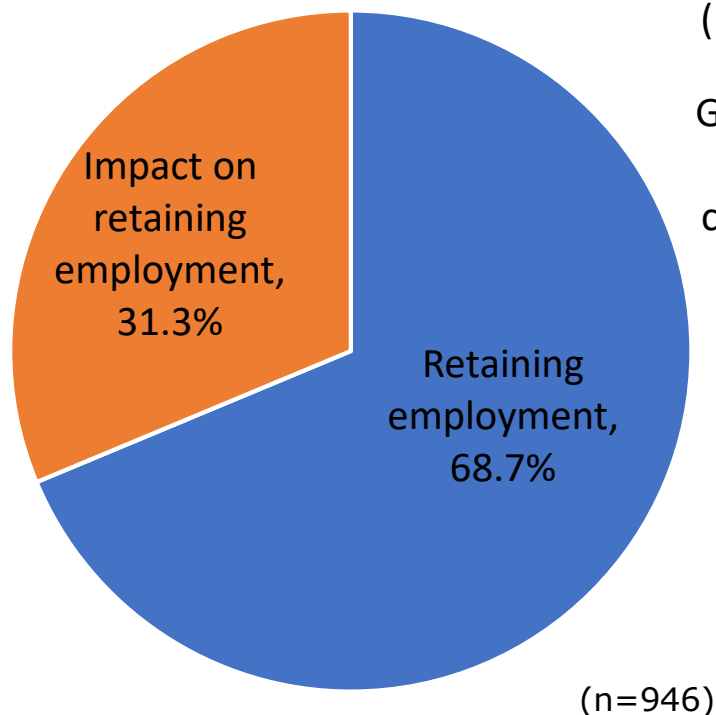


(n=946)

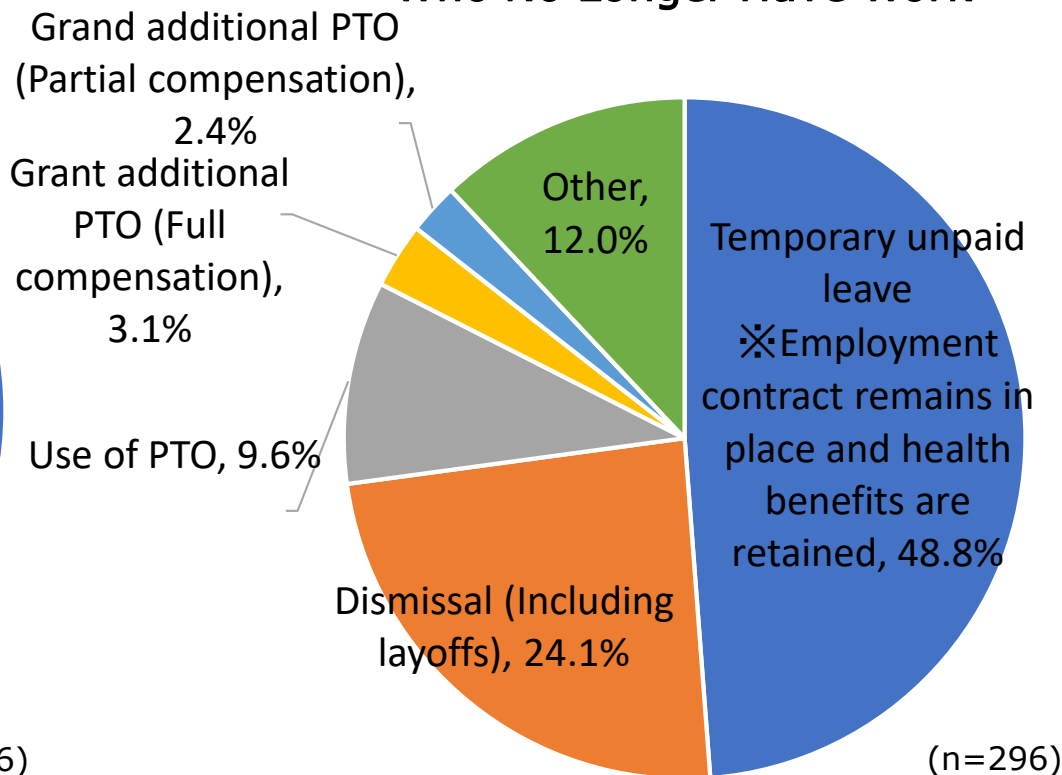
6. Retaining Current Employment in the US

- About 70% of companies stated they will retain employment in the US.
- Although there are no business activities, 50% of responding companies have offered furloughs retaining employment and offering health care benefits. Less than 25% of companies which have suspended operations, have laid off employees.

Retaining Current Employment



Measures for Employees Who No Longer Have Work



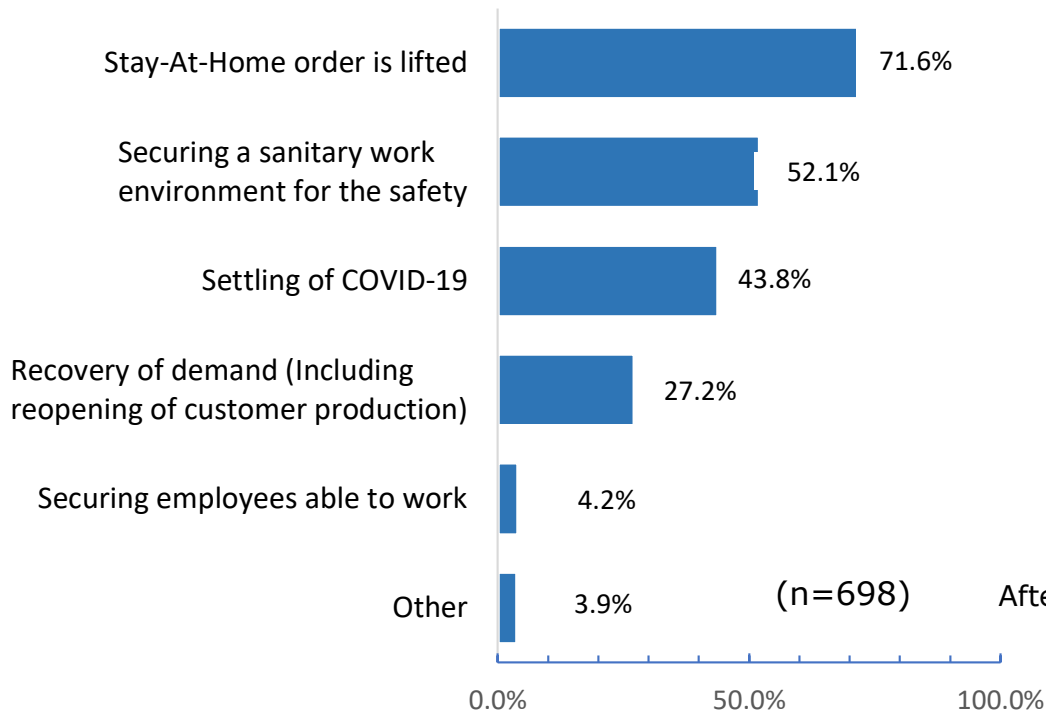
*Respondents are only those who answered "There is an impact on retaining employment".

**Responders chose one main measure.

7-1. Reopening of Business: Conditions and Outlook

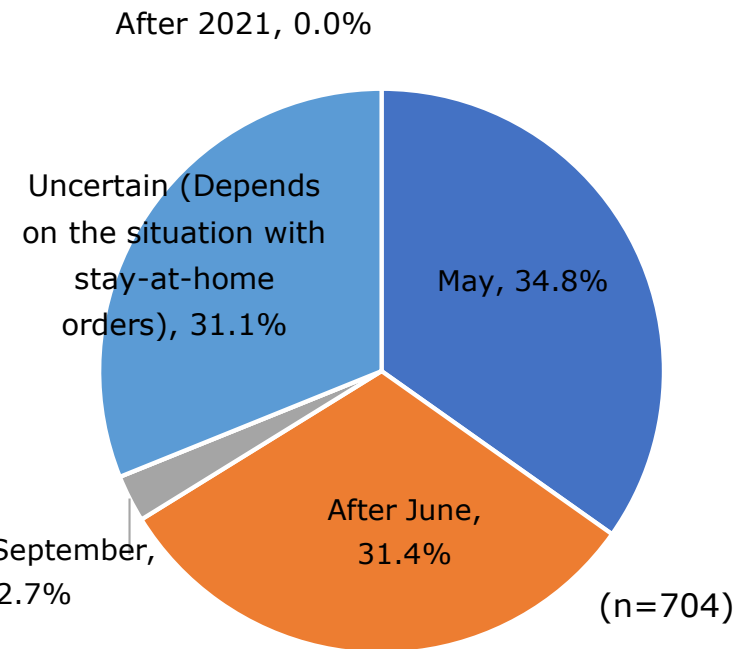
- Conditions necessary for resuming business (at offices and factories), 70% of companies stated the lifting of Stay-At-Home orders, followed by ensuring a sanitary work environment for the safety of employees.
- More than a third of companies expect to reopen in May. While 30% are still uncertain, as it depends on the status of the Stay-At-Home orders.

Conditions for Resuming Business



Others include schools and nurseries' reopen are necessary.

Timeframe for Possibly Resuming Business



7-2. Challenges for Resuming Business

- The most common challenge stated from survey respondents was alleviating employee concerns. In addition to this, securing sanitary goods and PPE and preparing for cases if employees are infected were among the top priorities.
- Additionally, over 50% stated defining what are the guidelines for reopening business is also another challenge.



7-2. Reopening of Business (continued)

(Examples of Countermeasures for Reopening Businesses)

■ Ensuring Safety

- Securing sanitary products such as masks, thermometers (non-contact thermometers), and office supplies such as stylus pens for touch panels and arranging disinfection services for the office.
- Obtaining employees consent to take their temperature.
- Mandating temperature checks and hand washing for external contractors and clients.
- Adjusting layout of the office and production lines.

■ Formulation of Guidelines

- Deciding on establishing practical guidelines.
- Conduct internal seminars for employees and taking this opportunity to reinforce training.
- Gather employee feedback on the current adjustment of production to medical products and applying it to other production lines.
-

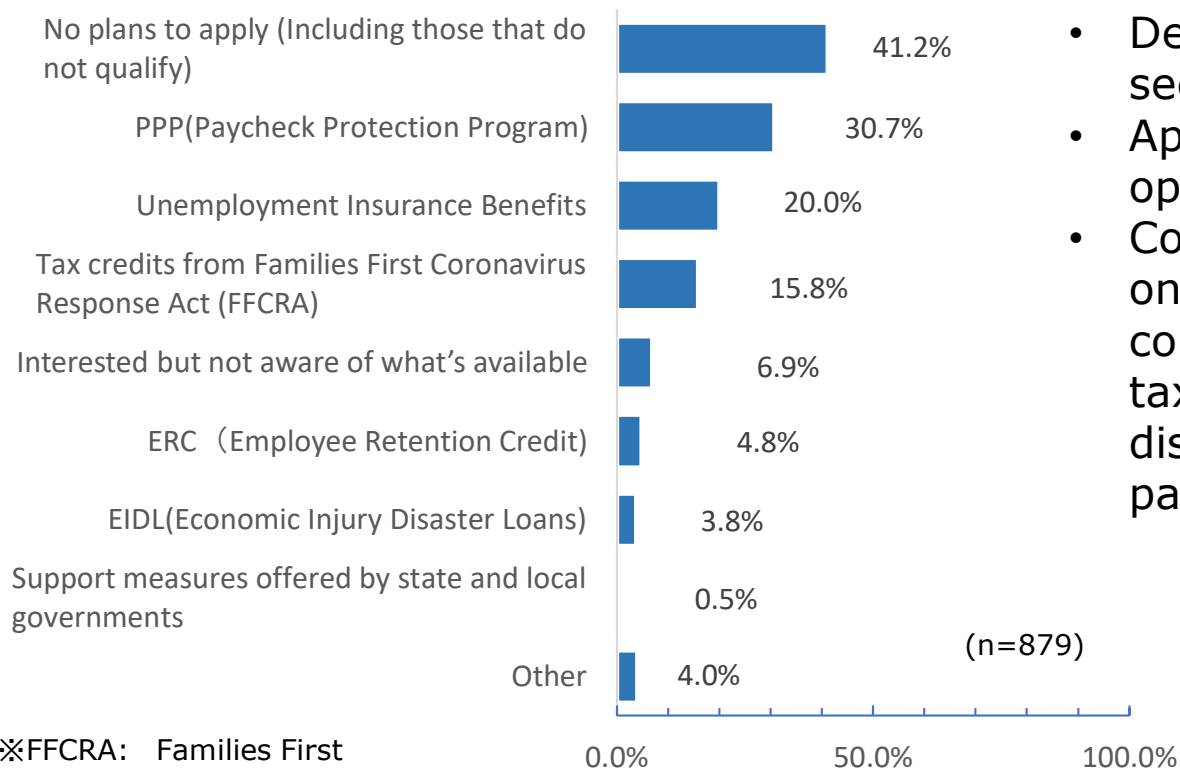
■ Plans for Operations Moving Forward

- Gather information on public support programs such as the PPP to secure capital.
- Since the number of orders have decreased, we will focus on the customer's needs and reevaluate management policies for the future.
- Securing an alternate shipping location in case our current shipping facility becomes unavailable due to infections.
- Gather information from agents, customers, organizers, etc., in order to re-arrange business trips and participations in events.
- Consider introducing new software to enable a full-scale system for working from home and providing online services.
- Prepare meeting materials to gain understanding from the HQ office in Japan.

8. Applying for Public Assistance Programs

- While 40% of companies stated they have no plans to utilize any public assistance programs, 30% have applied for PPP and 20% are utilizing unemployment insurance benefits.
- On the other hand, less than 10% of companies are interested, but are not aware of how and what public support assistance programs they should utilize to sustain business in the US.

Applying for Public Assistance Programs



※FFCRA: Families First Coronavirus Response Act

(Other Support Measures)

- Deferred payment of social security taxes and tariffs
- Applying carryback of net operating loss(NOL)
- Corporate tax incentives based on the CARES Act (such as early collection of alternative minimum tax (AMT) and increased disbursement limit on interest payments)

9. Challenges Companies are Struggling to Address (Part 1)

■ Reopening Business and Stay-At-Home Orders

- The timing of reopening our business has changed. It is difficult to make plans accordingly.
- I would like to know what businesses will be required to do upon reopening.
- There are no clear guidelines for the burden/costs involved in suspending operations, due to administrative orders, such as continued maintenance costs and expenses for reopening operations, extending delivery dates. We are concerned this may lead to disputes.
- There are concerns that a second wave of COVID-19 may be possibly occur by reopening the economy. It will be difficult to have employees return to work when they want to avoid additional risks, while we have to continue our operations.
- I have to take business trips out of state, but I am not sure which guidelines I should refer to in order to decide when this can take place.
- Since we have operations in several states, we have to respond accordingly to the situations and regulations for each state.
- Even if the state is looking to ease restrictions, the city is not aligned and maintaining strict policies including the Stay-At-Home order.
- We are in a difficult situation. While our customers are deemed essential, our business is not considered essential and we cannot deliver the products.

■ Financing (Paycheck Protection Program, etc.)

- We are applying for PPP, but the process is delayed.
- We considered applying for PPP first since we have under 500 employees in the US. However, our parent company was able to obtain loans from Japanese banks, which led to our decision not to apply for PPP.
- We couldn't apply for PPP even if the parent company in Japan is unlisted, and the number of employees is over 500 worldwide, we were told we are not eligible.
- We are wholly-owned by a Japanese company and our shareholders are located in Japan. When we applied for PPP, the application was disapproved because the owner did not have a credit history in the US.

9. Challenges Companies are Struggling to Address (Part 2)

■ Financing (Paycheck Protection Program, etc.) (continued)

- I would like to apply for PPP but local US banks are prioritizing existing customers. Since Japanese banks in the US are not qualified to handle PPP, we could not apply.
- I have requested to apply for PPP, but the bank has exceeded their capacity to do paperwork and they are not accepting any more applications.
- A decrease in sales has led to deteriorating financing capital.
- It should be possible to apply even if the parent company is a foreign corporation. But the online application form of US banks does not technically support this.

■ Relief Measures for Business Operators

- I'm not aware of the details and conditions for support programs.
- I would also like to know more information on support programs available other than PPP as well as state and county-level support programs.

■ Visa and Immigration Restrictions

- There is a growing possibility that it will be difficult to secure expatriates to keep operations in the US. Those who were supposed to transfer to the US will likely stay in Japan for a while. Expatriates in the US will be returning to their posts in Japan, since their visas are expiring soon.

■ Employees

- It is very difficult to deal with employees who are exhausted.
- It is difficult to predict if we will be able to deal with lawsuits from employees and to what extent we would be able to cope with these challenges, while they are working from home.
- Securing a safe workplace from infection risks after reopening operations. We don't have a sufficient supply of sanitary goods, PPE such as masks and disinfectants.
- There are employees who take a leave under the FFCRA since it is more beneficial for them. We will have to produce more, so we have also increased the number of employees. However, it is difficult to retain workers unless we raise the hourly wage more than what is provided by FFCRA.

9. Challenges Companies are Struggling to Address (Part 3)

■ Employees (continued)

- Since our application for PPP was not approved, we will have to consider furloughing or laying off employees in the near future.
- It is uncertain when automobile OEM's will reopen their factories. Though orders have decreased by 30~40%, we are continuing to operate. Since we expect a sharp increase in orders during the recovery, it is difficult to determine how we could manage employment.
- We are not sure how to respond to employees who request to work from home after it is no longer mandated.

■ Economic Trends

- Orders for the airline industry have been gradually decreasing.
- We have strong expectations for the reopening of automobile industry related OEM's.
- Even if our customers resume operations, it is possible that orders will decrease and it is difficult to make future plans.

■ Supply Chain

- I am concerned about the port conditions (container port entry schedule).
- An express mail service (EMS) from Japan has suspended deliveries.
- Although we are reducing production, many parts have arrived from overseas, including Japan and China. It is difficult to arrange storage space.

■ Healthcare, Daily Life and Other

- I cannot obtain or renew my driver's license and social security number, since state and local government offices have been closed.
- I cannot apply for or renew my passport by mail.
- I am looking for a secured video conferencing system to communicate between Japan and the US.
- I am concerned about returning to Japan with my family. I would like to know detailed procedures upon arriving at Narita and Haneda airport, including information about hotel accommodations.
- Not sure when expatriates who have temporarily returned to Japan can come back to the US.
- Our HQ's in Japan is not eager to support US business.

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>

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肺炎の感染が拡大しており、感染者や死者が増加するなど状況が深刻化している。本特集では、中国および世界各国の感染状況やその対応などについて報告する。

▶ **北米**

- ・ 事業者・ビジネス関連措置
- ・ 各州政府等の措置などのリンク集

▶ **欧州**

- ・ 経済対策及び事業者・ビジネス関連措置
- ・ 関連リンク集

▶ **アジア**

- ・ 経済対策および事業者支援策等
- ・ 国内の移動制限・事業所閉鎖等の措置

▶ **中国**

- ・ 動画によるワンポイント解説
- ・ 中国各地域の企業等に対する支援策
- ・ Q&A

▶ 進出日系企業への緊急調査結果 ▶ お問合せ・相談窓口ご案内

新着ニュース (ビジネス短信)

▶ ビジネス短信TOPへ

中国	アジア	オセアニア	北米	中南米	欧州	ロシア・CIS	中東	アフリカ	世界
2020年4月2日	瀋陽市、介護施設など民生関連施設の封鎖管理を緩和(中国)								
2020年4月2日	大連市、外国からの新型コロナウイルス感染者流入防止へ水際対策強化(中国)								

-Contacts-

■ USA

Japan External Trade Organization(JETRO)

New York : rept3@jetro.go.jp

San Francisco : sfc-research@jetro.go.jp

Los Angeles : lag-research@jetro.go.jp

Chicago : jetrochicago2@jetro.go.jp

Houston : inqu-hou@jetro.go.jp

Atlanta : ama@jetro.go.jp

■ Japan

Japan External Trade Organization(JETRO)

Tokyo/Americas Division: ORB@jetro.go.jp