

# Economic Survey of Environmental Industries June 2012

Friday, August 24, 2012

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Environmental Strategy Division,  
Environmental Policy Bureau,  
Ministry of the Environment

The MOE has announced the results of its official survey of environmental industry, "Economic Survey of Environmental Industries in June 2012."

The result showed that the Diffusion Index (DI) of business confidence in environmental businesses was +10, which improved from +4 in the previous survey in December 2011 and surpassed -6, the business confidence DI in all businesses. Driven by Countermeasures against Climate Change, environmental businesses were expected to significantly grow in 10 years.

322 companies, 6.7% of all companies showed interests in 567 environmental businesses they wanted to newly operate or expand in the Tohoku region.

## 1. About the Survey

### (1) Survey Period

June 1, 2012 (Friday) to July 9, 2012 (Monday)

### (2) Sample Companies

11,791 private companies in Japan capitalized at more than 20 million yen, were chosen by stratified random sampling based on amount of capital and classification of industry. The number of companies with valid responses was 4,923 and valid response rate 41.8%.

### (3) Questions

Q1-1 Business Confidence in Environmental Industries as a Whole  
(present, in 6 months and in 10 years)

Q1-2 Promising Environmental Industries (present, in 6 months and in 10 years)

Q2 Business Confidence in All Industries (present, in 6 months and in 10 years)  
(i) Business Confidence, (ii) Domestic Supply-Demand Conditions, (iii) Output Prices, (iv) R&D Spending, (v) Scale of Capital Equipment, (vi) Scale of Workforce, (vii) Financial Positions (current status only), (viii) Overseas Supply-Demand Conditions (if selling overseas), and (ix) Interests in Expanding Business Overseas (if not selling overseas yet)

Q3 Whether they are Currently Operating Environmental Businesses

- Q3-1 Currently Operating Environmental Businesses (up to top 3) and its Business Confidence (present, in 6 months and in 10 years)  
(question items are as same in Q2, (i) to (ix))
- Q4 Environmental Businesses they want to operate in the future (up to top 3, and top 3 they want to newly operate or expand in 6 prefectures in the Tohoku region)

## 2. Summary of the Survey Results

- (1) Regarding environmental industries as a whole, majority of companies continued to have positive views on the development in the future. The field of energy-saving vehicles was considered most developed at present and in 6 months. They saw the potentials in the energy-related businesses such as Renewable energy (excluding solar power generation), Smart grid and Rechargeable batteries in 10 years.

**Table 1: Prospective Environmental Businesses**

Present		%	In 6 Months		%	In 10 Years		%
1	Energy-saving vehicles	27.6	1	Energy-saving vehicles	20.7	1	Renewable energy*	37.9
2	Solar power generation system(equipment)	13.3	2	Solar power generation system(equipment)	17.5	2	Smart grid	7.3
3	Air pollution control	12.5	3	Renewable energy*	12.6	3	Energy-saving vehicles	7.2
4	Waste water management	7.4	4	Energy-saving home appliances	5.9	4	Solar power generation system(equipment)	6.7
5	Energy-saving home appliances	7.1	5	Air pollution control	5.8	5	Rechargeable batteries	5.4

\* Equipment for Wind, Hydroelectric, Geothermal, Solar Thermal, Bio Gas, and small-/medium-sized Hydroelectric Power Generation, and Sales of Power Generated from New Energy

- (2) The DI (percentage of responses “Good” minus percentage of responses “Bad”) of business confidence in environmental businesses in June 2012 was +10, which improved significantly from +4 in the previous survey in December 2011. The business confidence DI in most of environmental businesses continued to be expected to improve in 6 months and in 10 years. The business confidence DI in all 4 major categories in environmental businesses showed high expectation in 10 years, especially the business confidence DI in Countermeasures against Climate Change was the one which successively surpassed that in all environmental businesses.

**Table 2: Business Confidence D.I.**

DI: "Good" minus "Bad" in %

	Jun. 2011	Sep.	Dec.	Mar. 2012	Jun. (Current)	Forecast			
						Sep.	Dec.	-	In 10 years
Environmental Businesses (Forecast before 6 months)	3		4 (13)		10 (11)		16		31 (28)
A Pollution Management	-5		0		8		9		23
B Countermeasures against Climate Change	12		8		15		27		43
C Waste Management and Efficient Use of Resources	-3		0		3		4		13
D Natural Environment Management	-3		2		-11		-4		30
All Businesses (Forecast before 6 months)	-11		-8 (-1)		-6 (-3)		-2		4 (8)
Operating Environmental Business	-3		-1		1		5		20
Not Operating Environmental Business	-13		-9		-9		-4		0
TANKAN (Bank of Japan) Totals of All Industries	-18	-9	-7	-6	-4	-8			

- (3) Top environmental businesses they wanted to operate in the future were dominated again by those which related to Countermeasures against Climate Change. Renewable energy (excluding solar power generation) was notably ranked first by all types and scales of businesses. Smart grid was ranked higher than in the previous survey. These showed the effects of Feed-In Tariff and energy policy reviews, and Countermeasures against Climate Change seemed to continue to be a driving force of environmental businesses in the future.

**Table 3: Environmental Businesses for Operating in the Future (by Type)**

All Businesses		%	Manufacturers		%	Non-manufacturers		%
1	Renewable energy*	24.2	1	Renewable energy*	19.1	1	Renewable energy*	27.5
2	Smart grid	12.8	2	Smart grid	13.0	2	Solar power generation system (installation, maintenance)	16.7
3	Solar power generation system (installation, maintenance)	12.4	3	Solar power generation system (equipment)	12.3	3	Smart grid	12.7
4	Other businesses against climate change	10.5	4	Energy-saving vehicles	10.9	4	Other businesses against climate change	11.8
5	Energy-saving consulting	8.4	5	Recycled materials	10.6	5	Energy-saving consulting	10.9

- (4) 322 companies, 6.7% of all companies showed interests in 567 environmental businesses they wanted to newly operate or expand in 6 prefectures in the Tohoku region. Among the businesses they wanted to operate, energy-related businesses dominated the top of the list such as Renewable energy (excluding solar power generation), which was ranked first, Solar power generation (installment and maintenance), and Smart grid. The second was

Businesses for remediation and clean-up of soil and water in relation to decontamination and desalination. For the first time, Energy-saving buildings appeared and ranked fifth, indicating an increase of reconstruction demand.

**Table 4: Environmental Businesses for Operating in the Future (by Office Location)**

No. of responses, (% in all environmental businesses)

	Total	Main Office Location						
		Hokkaido	Tohoku	Kanto	Chubu	Kansai	Chugoku/ Shikoku	Kyusyu
Replies in Total (multiple responses)	322	13	32	187	30	43	7	10
All Environmental Businesses	567 (100%)	25	55	322	55	73	15	22
Renewable energy	78 (14%)	2	12	42	7	7	4	4
Remediation and clean-up of soil and water (incl. ground water)	40 (7%)	4	3	23	5	4	-	1
Solar power generation system (installation, maintenance)	30 (5%)	2	2	17	1	6	-	2
Smart grid	26 (5%)	1	-	15	4	3	2	1
Energy-saving buildings	23 (4%)	1	1	8	4	7	-	2

The survey is scheduled to be conducted every 6 months and its regular report is to be announced accordingly to clarify the relationship between the trends of environmental industries and overall economic conditions.