

Economic Survey of Environmental Industries in December 2013

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The Ministry of the Environment (MOE) has been conducting its official survey of Japanese Environmental Industries every 6 months since December 2010, and announced the results of "The Economic Survey of Environmental Industries in December 2013."

According to the result, the Diffusion Index (DI) of business confidence in Environmental Industries was +17 in December 2013, which was over the DI (+15) of the previous survey in June 2013. And it was also over the DI (+9) of all industry in December 2013.

For the future perspective of the business condition of Environmental Industries, the DI was expected to be +19 in 6 months and +25 in 10 years.

* Diffusion Index(DI) : percentage of responses "Good" minus percentage of responses "Bad", % points

1. About the Survey

(1) Survey period

November 18, 2013 (Monday) to December 27, 2013 (Friday)

(2) Sample companies

11,607 private companies in Japan capitalized at more than 20 million yen, were chosen by stratified random sampling based on the amount of capital and the classification of industry. The number of companies with valid responses was 4,865 and the valid response rate was 41.9%.

(3) Questions

Q1-1 Business Confidence of Japan's 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 of Currently Operating Businesses of the Responded Companies (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 (present status only), (viii) Overseas Supply-Demand Conditions (if selling overseas), and (ix) Interests in Expanding Business Overseas (if not selling overseas yet)

- Q3-1 Whether they are Currently Operating Environmental Businesses
- Q3-2 Currently Operating Environmental Businesses (up to top 3), its Business Confidence (present, in 6 months and in 10 years: the question items are as same in Q2, (i) to (ix)) , and the Reasons of the Response
- Q4-1 Environmental Businesses they want to operate in the future (up to top 3, and the Reasons)
- Q4-2 Environmental Businesses they want to newly operate or expand in 6 prefectures in the Tohoku region (up to top 3)

2. Summary of the Survey Results

(1) Business confidence of environmental industries

The DI of business confidence in the companies currently operating environmental businesses at present (December 2013) was +17, which was over the DI (+15) of the previous survey in June 2013. And it also surpassed the DI of all industry (+9) and of TANKAN* (+8) in December 2013. For the future perspective of the business condition of Environmental Industries, the DI was +19 in 6 months and +25 in 10 years. In particular, DI of the environmental industries categorized as ‘Countermeasures against Climate Change’ among all *4 major business categories contributed to enhance the DI of environmental industries overall.

As one of the reasons of their responses regarding the business confidence described above, many companies responded that it was ‘increasing orders from their business partners (customers)’ at present, ‘development of domestic market’ in 6 months and in 10 years.

* TANKAN: Bank of Japan's quarterly survey of business sentiment

*4 major categories: A.Pollution Management, B.Countermeasures against Climate Change, C.Waste Management and Efficient Use of Resources, D.Natural Environment Management, categorized by Ministry of the Environment.

Table 1: Business Confidence D.I.

	DI: “Good” minus “Bad” in %									
	Dec. 2012	Mar. 2013	Jun.	Sep.	Dec. (Current)	Forecast				In 10 years
						Mar. 2014	Jun.	-		
Environmental Businesses	9		15		17		19			25
(Forecast before 6 months)	(16)		(15)		(19)					(26)
A. Pollution Management	4		3		10		14			18
B. Countermeasures against Climate Change	18		26		27		27			36
C. Waste Management and Efficient Use of Resources	1		7		8		6			7
D. Natural Environment Management	-10		11		4		8			27
All Businesses	-9		1		9		10			10
(Forecast before 6 months)	(-2)		(-6)		(7)					(11)
Operating Environmental Business	2		10		22		20			22
Not Operating Environmental Business	-11		-1		6		8			8
TANKAN (Bank of Japan)										
Totals of All Types in All Industries	-9	-8	-2	2	8	6				

(2) Promising environmental industries

Energy-saving vehicles was ranked 1st as promising environmental industries at present. For the future perspective (in 6 months and in 10 years), the top was Energy-saving vehicles in 6 months, Renewable energy (excluding solar power generation) in 10 years.

Meanwhile, Air pollution control jumped to 2nd. This seemed to reflect high expectations for the environmental industries categorized as ‘Pollution Management’

Table 2: Prospective Environmental Businesses in Japan

Present		%	In 6 Months		%	In 10 Years		%
1	Energy-saving vehicles	25.0	1	Energy-saving vehicles	22.3	1	Renewable energy*	30.5
2	Air pollution control	20.7	2	Air pollution control	14.0	2	Air pollution control	10.3
3	Solar power generation system (equipment)	12.3	3	Renewable energy*	12.4	3	Energy-saving vehicles	9.5
4	Waste water management	9.5	4	Solar power generation system (equipment)	11.1	4	Smart grid	5.2
5	Renewable energy*	7.7	5	Waste water management	6.6	5	Remediation and clean-up of soil and water (equipment)	4.8

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

(3) Environmental businesses they want to operate in the future

The top 5 of the environmental businesses they want to operate in the future were dominated by the businesses categorized as ‘Countermeasures against Climate Change’ successively. Especially, Renewable energy (excluding solar power generation) was ranked 1st in all types and scales of businesses of responded companies.

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

All Businesses		%	Manufacturers		%	Non-manufacturers		%
1	Renewable energy*	26.9	1	Renewable energy*	24.7	1	Renewable energy*	28.5
2	Smart grid	11.9	2	Recycled materials	12.3	2	Smart grid	12.9
3	Other businesses against climate change	8.1	3	Smart grid	10.5	3	Energy-saving consulting	11.6
4	Solar power generation system (installation, maintenance)	7.7	4	Energy-saving vehicles	10.5	4	Solar power generation system (installation, maintenance)	9.9
5	Energy-saving consulting	7.3	5	Solar power generation system (equipment)	10.0	5	Other businesses against climate change	9.3

* Equipment for Wind, Hydroelectric, Geothermal, Solar Thermal, Bio Gas, and Small-/Medium-sized Hydroelectric Power Generation, Sales of Power Generated from New Energy and so on.

- (4) Environmental Businesses they want to operate in 6 prefectures in the Tohoku region, the area severely damaged by the Great East Japan Earthquake in March 2011

Among environmental businesses they wanted to newly operate or expand in 6 prefectures in the Tohoku region, the higher rankings were dominated by the environmental industries categorized as 'Countermeasures against Climate Change' such as Renewable energy (excluding solar power generation) , and Solar power generation system (equipment).