

# Economic Survey of Environmental Industries December 2011

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The Ministry of the Environment announced the results of its official survey of environmental industry, “Economic Survey of Environmental Industries in December 2011.” The survey focuses on the trends of environmental businesses, targeting to promote better understandings and broader acknowledgement of the environmental businesses which are expected to lead the future growth of Japanese economy.

## 1. About the Survey

### (1) Survey Period

November 21, 2011 (Monday) to January 12, 2012 (Thursday)

### (2) Sample Companies

11,908 private companies capitalized at more than 20 million yen, chosen by stratified random sampling based on amount of capital and classification of industry. The number of companies with valid responses is 4,176 and response rate is 35.1%.

### (3) Questions

- Q1-1 Business Confidence of 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 Environmental Businesses they want to be doing in the future (up to top 3, and top 3 businesses that they want to newly expand or operate in Tohoku region)
- Q3-1 Whether they are Currently Operating Environmental Businesses
- Q3-2 Company-Wide Business Confidence (question items are as same Q3-3, (i) to (ix))
- Q3-3 Currently Operating Environmental Businesses (up to top 3)  
(i) Business Conditions, (ii) Domestic Supply-Demand Conditions, (iii)

Output Prices, (iv) R&D Spending, (v) Scale of Capital Equipment, (vi) Scale of Workforce, (vii) Financial Positions (answered on current status only), (viii) Overseas Supply-Demand Conditions (if selling overseas), and (ix) Interests on expanding Business Overseas (if not selling overseas yet)

## 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 next 10 years. Currently the field of energy-saving vehicles is considered most developed currently and in next 6 months. In next 10 years they saw the potentials in the energy-related industries such as renewable energy, smart grid and rechargeable batteries.

**Table 1 Prospective Environmental Businesses**

Present		%	in 6 months		%	in 10 years		%
1	Energy-saving vehicles	25.4	1	Energy-saving vehicles	23.0	1	Renewable energy (*)	32.0
2	Air pollution control	12.6	2	Solar power generation system (equipment)	14.8	2	Energy-saving vehicles	10.2
3	Solar power generation system (equipment)	11.8	3	Renewable energy (*)	9.0	3	Smart grid	9.0
4	Wastewater management	9.3	4	Energy-saving home appliances	6.3	4	Solar power generation system (equipment)	7.5
5	Energy-saving home appliances	9.2	5	Air pollution control	6.1	5	Rechargeable batteries	5.2

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

- (2) The D.I. (Diffusion Index, i.e. percentage of responses “Good” minus percentage of responses “Bad”) of business confidence in December 2011 in environmental businesses was +4, about the same level as the previous +3 of June survey in 2011. Meanwhile, the DI was successively above that of the all businesses (same in all industries, -11 in June 2011 and -8 in December 2011), showing healthier conditions, and DIs were expected to improve in most of environmental businesses towards 10 years ahead.

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

(DI: "Good" minus "Bad" in % points)

	2010 Dec	2011			(Current) Dec	Forecast			
		Mar	Jun	Sep		2012 Mar	Jun	~	in 10 years
Environmental Businesses	3		3		4		11		28
(Forecast before 6 months)			(8)		(13)				(37)
A Pollution Management	-4		-5		0		7		20
B Countermeasures against Climate Change	10		12		8		20		43
C Waste Management and Efficient Use of Resources	1		-3		0		4		12
D Natural Environment Management	-2		-3		2		0		20
All Businesses	-10		-11		-8		-3		8
(Forecast before 6 months)			(-7)		(-1)				(11)
Operating Environmental Businesses	-6		-3		-1		6		24
Not Operating Environmental Businesses	-12		-13		-9		-6		3
TANKAN (Bank of Japan) Totals of All Industries	-11	-9	-18	-9	-7	-13			

- (3) The DI of the Countermeasures against Climate Change, which is a driving force of the environmental businesses, was lower from the previous survey. Especially, in overseas demand/supply, the DI of December 2011 was +9, decreasing from the previous two surveys (+14 in December 2010, and +18 in June 2011), and the DI in 10 years decreased to 9 from 20 of the previous survey, showing the impact of diminishing government support for renewable energy businesses in Europe.

**Table 3 Overseas Demand/Supply D.I.**

(DI: "Excess Demand" minus "Excess Supply" in % points)

	2010 Dec	2011			(Current) Dec	Forecast			
		Mar	Jun	Sep		2012 Mar	Jun	~	in 10 years
Environmental Businesses	0		10		7		5		13
(Forecast before 6 months)			(3)		(12)				(22)
B Countermeasures against Climate Change	14		18		9		6		9
(Forecast before 6 months)			(16)		(21)				(20)
All Businesses	7		6		2		3		6

- (4) 341 companies, 8.2% of all companies replied that they want to newly operate or expand in 6 prefectures in Tohoku region, showed 662 environmental businesses. Among the businesses they want to operate, the renewable energy (excluding solar power generation) was ranked first, followed by businesses for remediation and clean-up of soil and water in relation to decontamination and desalination. Also included are energy-related businesses such as smart grid and solar power generation system (equipment).

**Table 4 Environmental Businesses for operating in the future**

	Number of Responses							
	Overall	Location of Main Office						
		Hokkaido	Tohoku	Kanto	Chubu	Kansai	Chu-Shikoku	Kyushu
Total companies replied (multiple responses)	341	10	37	167	32	58	13	24
All Environmental Businesses	662 (100%)	17	68	332	57	111	26	51
Renewable energy	73 (11%)	2	10	44	4	8	2	3
Remediation and clean-up of soil and water (equipment)	38 (6%)	2	1	18	4	7	2	4
Remediation and clean-up of soil and water (services)	34 (5%)	1	2	16	2	5	3	5
Smart grid	34 (5%)	-	3	21	4	4	1	1
Solar power generation system (equipment)	31 (5%)	-	7	15	1	5	1	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.