Economic Survey of Environmental Industries
December 2012

Friday, February 22, 2013

Office of Environmental and Economy Policy Research,
Environmental Strategy Division,
Environmental Policy Bureau,
Ministry of the Environment

The Ministry of the Environment (MOE) has been conducting its official survey of environmental industry every 6 months since December 2010, and announced the results of "Economic Survey of Environmental Industries in December 2012."

The result showed that the Diffusion Index (DI) of business confidence in environmental industries remained flat since the previous survey (June 2012), and maintained healthy conditions (Business confidence DI in environmental industries was +10 in June 2012 and +9 in December 2012 while Business confidence DI in all industries was -9 in December 2012).

As in the previous survey, the companies expected environmental industries to continuously improve in 6 months and in 10 years. The business confidence DI in Countermeasures against Climate Change was the one which successively surpassed that in all environmental businesses, and the respondents especially saw the potentials in the energy-related businesses.

1. About the Survey

(1) Survey period

November 19, 2012 (Monday) to December 21, 2012 (Friday)

(2) Sample companies

11,728 private companies in Japan capitalized at more than 20 million yen, were chosen by stratified random sampling based on the amount of capital and classification of industry. The number of companies with valid responses was 4,517 and the valid response rate 38.5%.

(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) Promising environmental industries

Regarding environmental industries as a whole, a majority of responded companies continued to have positive views on the development in the future. They saw the potentials in the field of Energy-saving vehicles and Solar power generation system (equipment) in 6 months, and 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 in Japan

	Present	%		In 6 Months	%		In 10 Years	%
1	Energy-saving vehicles	26.9	1	Energy-saving vehicles	20.2	1	Renewable energy*	38.9
2	Solar power generation system (equipment)	14.6	2	Solar power generation system (equipment)	16.8	2	Energy-saving vehicles	7.5
3	Air pollution control	11.5	3	Renewable energy*	14.6	3	Smart grid	6.9
4	Renewable energy*	8.3	4	Solar power generation system (installation / maintenance)	6.3	4	Rechargeable batteries	5.6
5	Waste water management	8.2	5	Energy-saving home appliances	5.5	5	Solar power generation system (equipment)	5.3

* 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) Business confidence in environmental industries

The business confidence DI in currently operating environmental businesses at present (December 2012) remained flat since the previous survey (June 2012), meanwhile the DI was much above than that in all industries and in TANKAN (Bank of Japan), indicating that it maintained healthy conditions (Business confidence DI in environmental industries was +10 in June 2012 and +9 in December 2012 while Business confidence DI in all industries was -9 in December 2012 and TANKAN (Bank of Japan) was -9 in December

2012). Again as in the previous survey, the DI was successively expected to improve in environmental industries in 6 months and in 10 years. 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 %

	Dec. 2011	Mar. 2012	Jun.	Sep.	Dec. (Current)	Forecast Mar. 2013	Jun.	-	In 10 years
Environmental Businesses (Forecast before 6 months)	4 (13)		10 (11)		9 (16)		15		28 (31)
A. Pollution Management	0		8		4		6		25
B. Countermeasures against Climate Change	8		15		18		27		39
C. Waste Management and Efficient Use of Resources	0		3		1		3		11
D. Natural Environment Management	2		-11		-10		-8		26
All Businesses (Forecast before 6 months)	-8 (-1)		-6 (-3)		-9 (-2)		-6		6 (4)
Operating Environmental Business	-1		1		2		7		21
Not Operating Environmental Business	-9		-9		-11		-10		3
TANKAN (Bank of Japan) Totals of All Types in All Industries	-7	-6	-4	-6	-9	-15			

(3) Environmental businesses they want to operate

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 ranked first by all types and scales of businesses. These seemed to show the impacts of Feed-in Tariff (FIT) that was introduced in July 2012, and environmental businesses related to Countermeasures against Climate Change to continue to be a driving force for environmental industries in the future.

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

	All Businesses	%		Manufacturers	%		Non-manufacturers	%
1	Renewable energy*	28.7	1	Renewable energy*	26.8	1	Renewable energy*	30.0
2	Solar power generation system (installation, maintenance)	11.4	2	Solar power generation system (equipment)	13.2	2	Solar power generation system (installation, maintenance)	14.9
3	Smart grid	10.5	3	Energy-saving vehicles	11.3	3	Smart grid	11.1
4	Other businesses against climate change	9.1	4	Smart grid	9.6	4	Other businesses against climate change	10.4
5	Solar power generation system (equipment)	9.0	5	Rechargeable batteries	8.6	5	Energy-saving consulting	9.0
			5	Recycled materials	8.6			

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

(4) Environmental businesses they want to operate in 6 prefectures in the Tohoku region, the severely affected area 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, Renewable energy (excluding solar power generation) was ranked first as in the previous survey. Remediation and clean-up of soil and water (including ground water) was ranked second (2nd in the previous survey, 17th in Japan), Sustainable agriculture, forestry, fisheries and greening was third (12th in the previous survey, 10th in Japan) and Energy-saving buildings was fifth (5th in the previous survey, 11th in Japan). These businesses ranked relatively higher in the Tohoku region than in Japan, indicating a prospect of reconstruction demand.