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Global Business Indicator Japan 2024

Global Business Barometer 2024: An annual overview of Austria's export economy

JAPAN results

This annual survey, which covers Austrian foreign affiliates around the world, provides critical insights into the current business landscape. 2023 was a premiere: for the first time, ADVANTAGE AUSTRIA partnered with the Institute for International Business at the Vienna University of Economics and Business to conduct this survey.

Here is a quote from the executive summary of the 2024 edition:

The Survey outlines expectations of Austrian foreign subsidiaries for 2024. Our annual survey, spanning Austrian foreign subsidiaries across the globe, yields critical insights into the current business landscape. As we navigate these turbulent times, understanding the economic situation becomes paramount. We engaged with over 13,000 Austrian subsidiaries in 76 countries, seeking their assessments and forecasts for further development.

Key findings of the survey:

- **Stability Amid Turbulence:** Despite recent challenges, Austrian subsidiaries' outlook on the economic situation in various countries remains stable. Two years ago, optimism prevailed due to global economic recovery after the Covid-19 pandemic. Last year, negative sentiment emerged due to the Russian-Ukrainian conflict and rising energy costs.
- **Stable Business Figures:** Most Austrian subsidiaries anticipate stable development in key business metrics. Many are more optimistic about the future than their current situation. Very few companies expect declines in sales, orders, capacity utilization, or workforce.
- **Labor Challenges:** Labor availability takes center stage as a global challenge for Austrian subsidiaries this year. It surpasses concerns about raw material costs, labor expenses, and purchasing power.
- **EU Outlook:** The EU outlook is slightly more positive than last year. However, Western Europe lags behind other regions, reflecting a bleaker mood. Germany, Austria's largest export market, faces market challenges, while Poland in CEE provides a particularly positive outlook.
- **Global Perspective:** In Asia (MENA to Southeast Asia), the mood is positive. US branches expect further business growth, while Latin America anticipates constant development.

Amidst the fluctuations of recent years, Austrian foreign subsidiaries exhibit a cautious yet stable perspective regarding the economic landscape. Let's delve into the key observations:

- Enthusiasm prevailed in 2022 as the pandemic subsided. However, frustration followed due to the Russian-Ukrainian conflict and surging energy prices.
- Presently, stability dominates the outlook, reflecting a measured perspective.

Doing business in Japan

Japan's Ministry of Foreign Affairs aims to double the stock of inward FDI to ¥80 trillion by 2030, equivalent to 12% of GDP. In 2013, the government set a target of doubling outward FDI stocks to ¥35 trillion by 2020 in the "Japan Revitalizing Policy 2013". As a result, inward FDI stocks reached 39.7 trillion yen at the end of December 2020, achieving the target.

Even though exports to Japan in 2023 couldn't reach a record high, they came very close with 1.77 trillion euros. That's nearly 5% more than in 2021. Conversely, imports from Japan experienced a significant 11.1% rise in 2023, reaching a historic high of €2.80 billion.

The Japanese government is currently facing significant challenges as the world looks to the island nation to host the next World Expo in Osaka in 2025.

The Survey

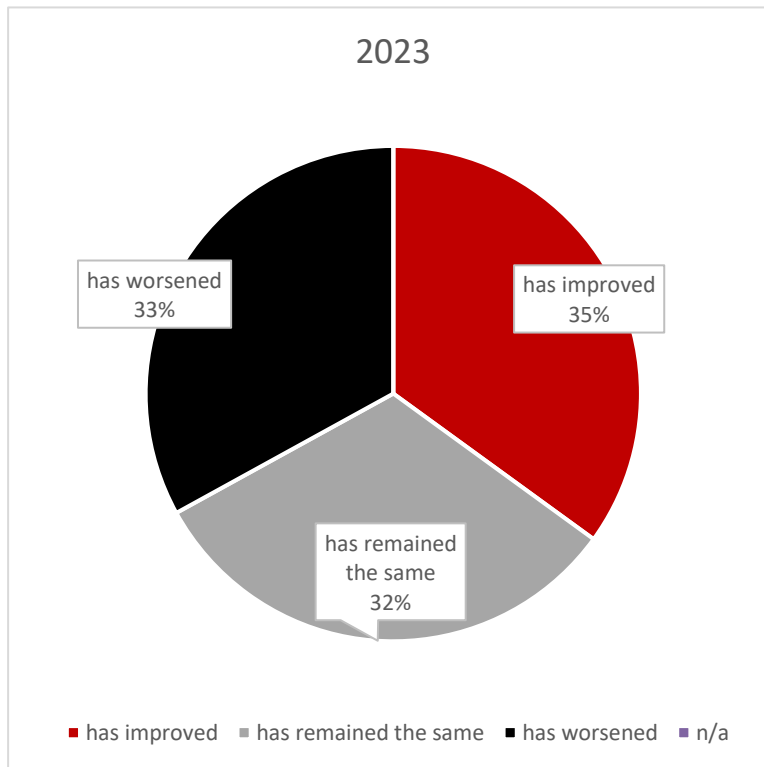
A total of 54 Austrian subsidiaries in Japan participated in this survey in October/November 2023; this was the 8th such survey conducted by ADVANTAGE AUSTRIA in Japan. A look at the respondents in Japan: about one third of the respondents in Japan represented service providers, just under two thirds were involved in sales activities in Japan and the remaining 6% were involved in local production. Respondents included small companies with a total turnover of up to €1 million and larger companies with an annual turnover of more than €20 million.



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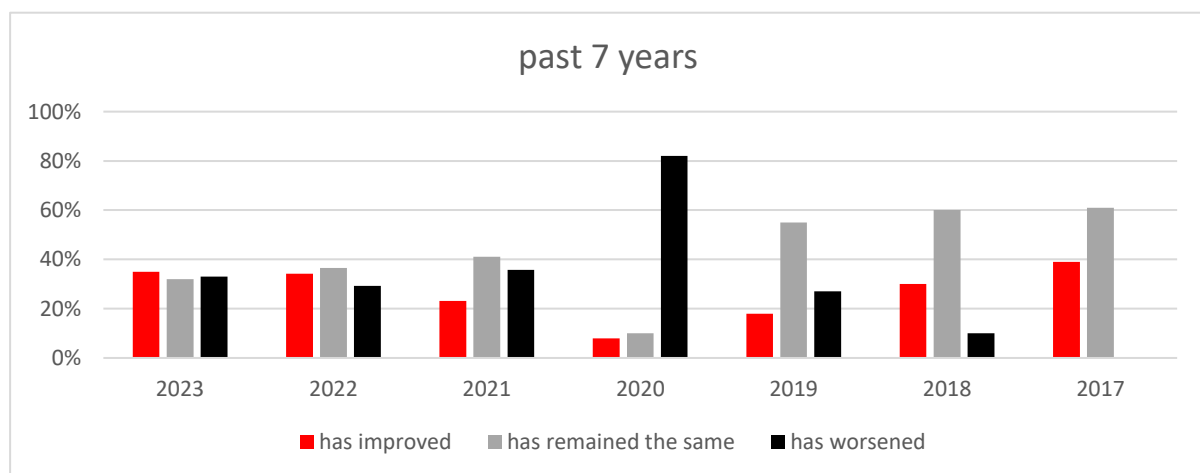
1. From your company's point of view, how would you characterize the current economic climate and state of the economy over the past 12 months, in the country in which your subsidiary is located.



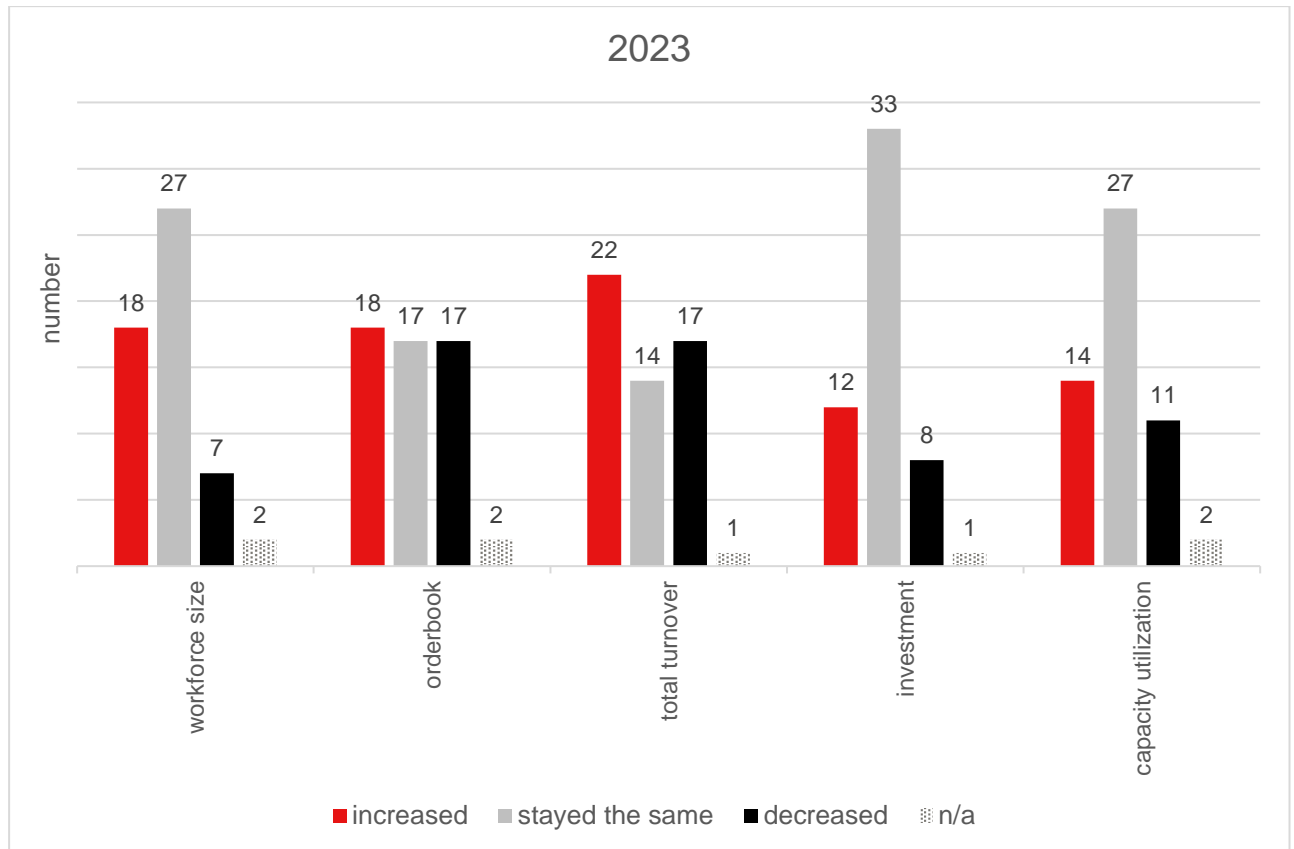
Compared to 2022, there are only minor changes. However, the value "has improved" has reached its highest point for the first time. Despite annual declines in recent years (and not taking into account the COVID-19 crisis), this value shows a positive development in 2023. On the other hand, the value "has worsened" shows no improvement.

Let's take a look at small and medium-sized enterprises (SMEs) in Japan. According to a [survey conducted by the Tokyo Chamber of Commerce and Industry](#), 7.7% reported an increase in their revenue for the period from January to September 2023 compared to the previous year, while 21.3% indicated a decrease.

Overall, however, the growth in revenue surpasses the decline across all sectors, ranging from services to production.

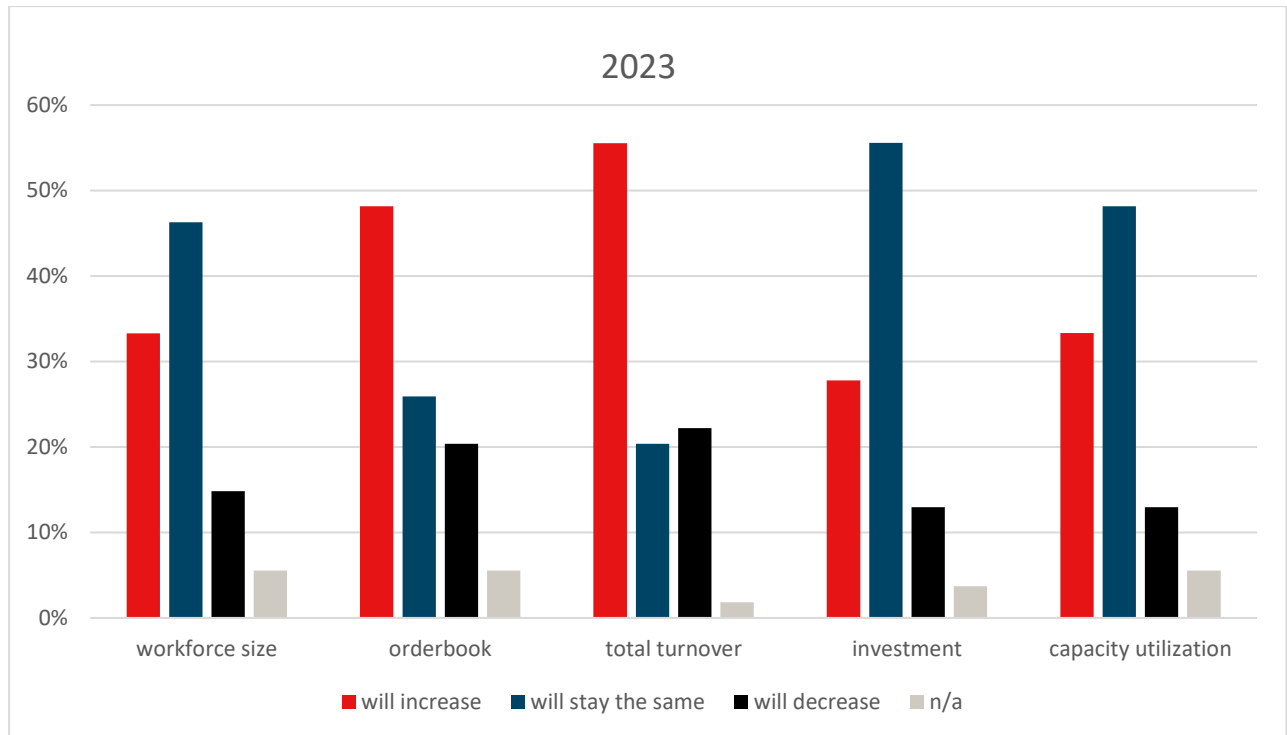


2. Looking at your company's performance in your subsidiary's country, how would you assess the performance indicators listed below over the last 12 months?



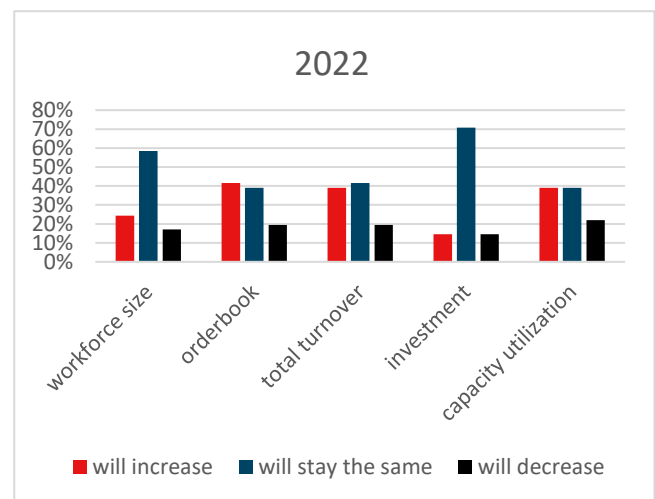
After the subsiding of the COVID-19 pandemic, the economic situation in Japan has stabilized, and revenues have significantly increased. Nevertheless, the values from 2017 to 2019, before the pandemic, were markedly higher than the current figures in 2023. This appears to be a general trend in Japan: According to [Teikoku Databank](#) (as of August 2023), only one-third of all companies in Japan have achieved higher revenues than in 2019.

3. Looking at your company's performance in your subsidiary's country, how would you assess the performance indicators listed below for the coming 12 months?



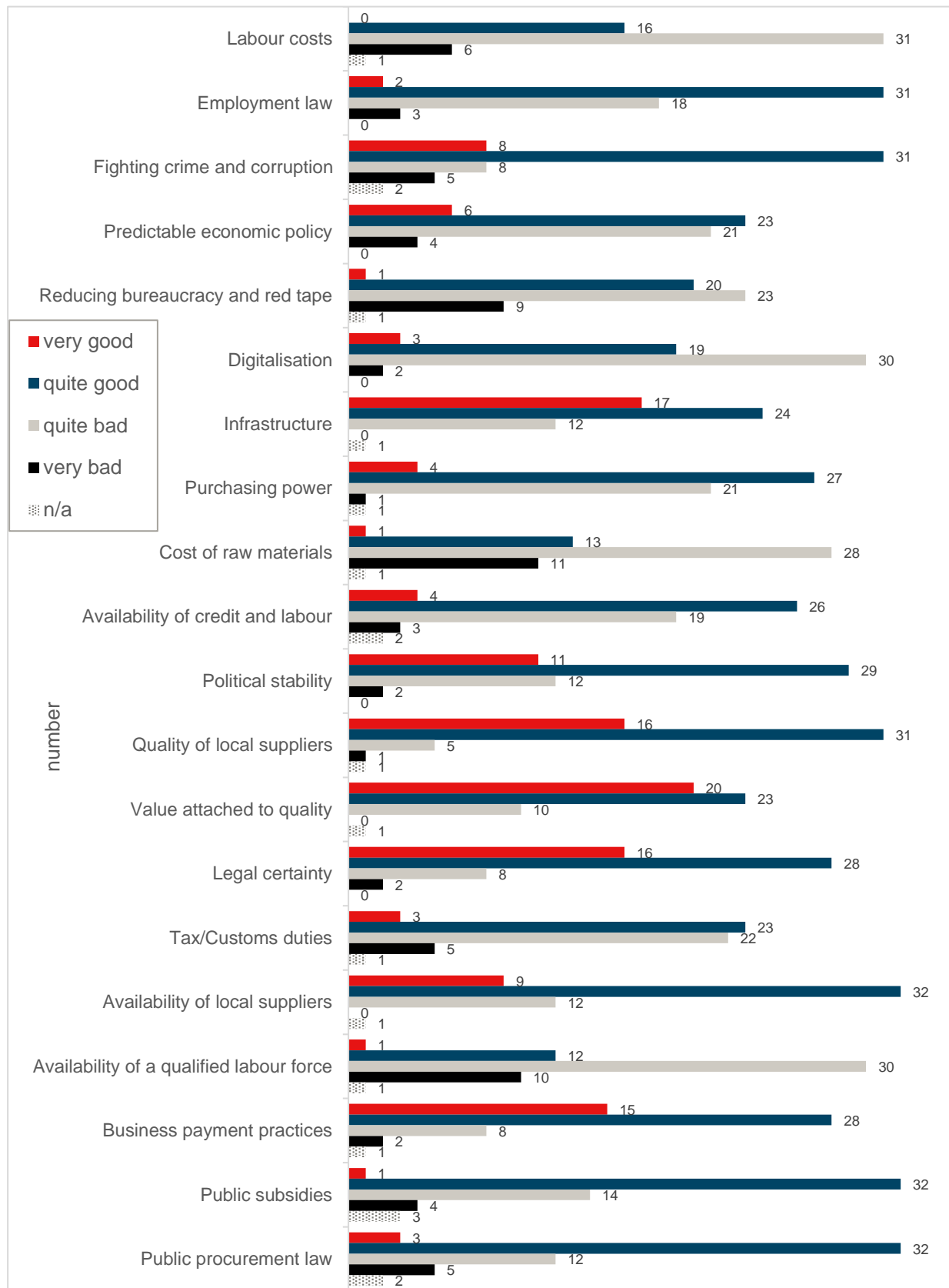
While the outlook for the economic climate and business conditions over the next 12 months was not considered particularly optimistic (question 4), a more positive view emerged when compared to the results of the 2022 survey. The table clearly shows that positive outlooks outweighed negative outlooks in all areas surveyed. Of particular note is the robust performance of turnover, which bodes well for the future.

Overall, a positive outlook can be observed for developments in the coming year. However, it is important to note that a higher proportion of companies, compared to the previous year, anticipate the need for increased investments in the coming year.



A survey conducted by the Japan Chamber of Commerce and Industry indicates that approximately 29.7% of respondents in 2023 have already made investments, particularly in equipment or plan to do so in the coming months. This includes, according to the report, the acquisition of equipment such as robots designed to streamline or even replace manual tasks in production. This trend may also be influenced by the fact that, in the same survey, 68% of respondents stated a shortage of workforce within their companies. Intriguingly, 6.9% of these businesses mentioned having to shut down due to this shortage or expressed concerns about being unable to sustain their operations.

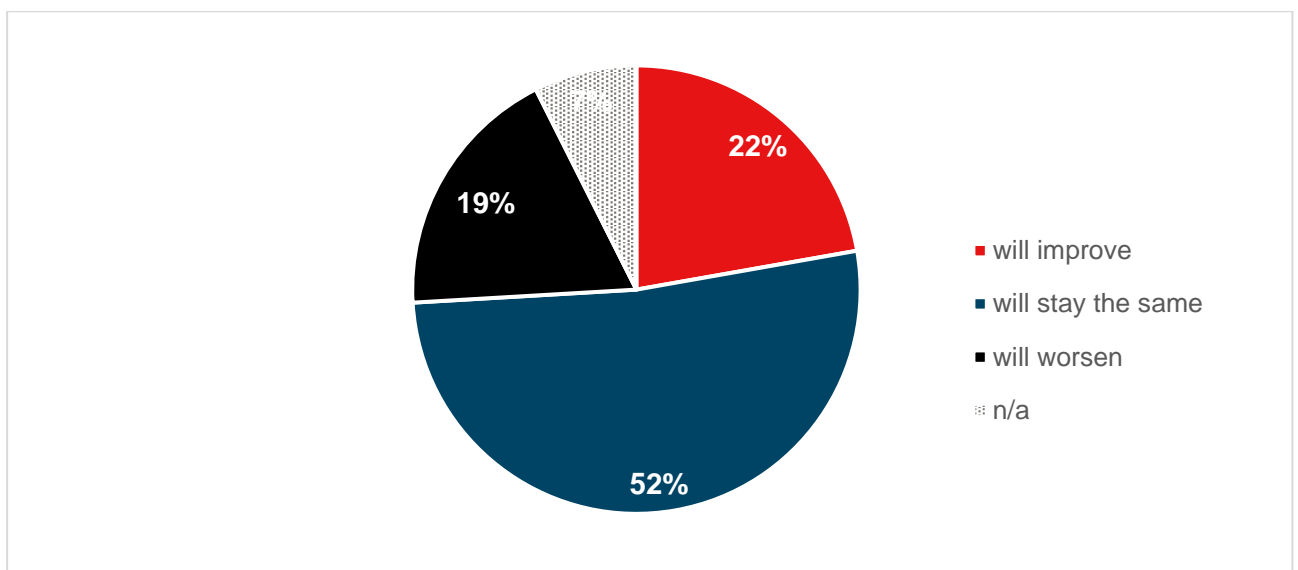
4. Looking at your subsidiary's country, how would you assess the factors listed below?



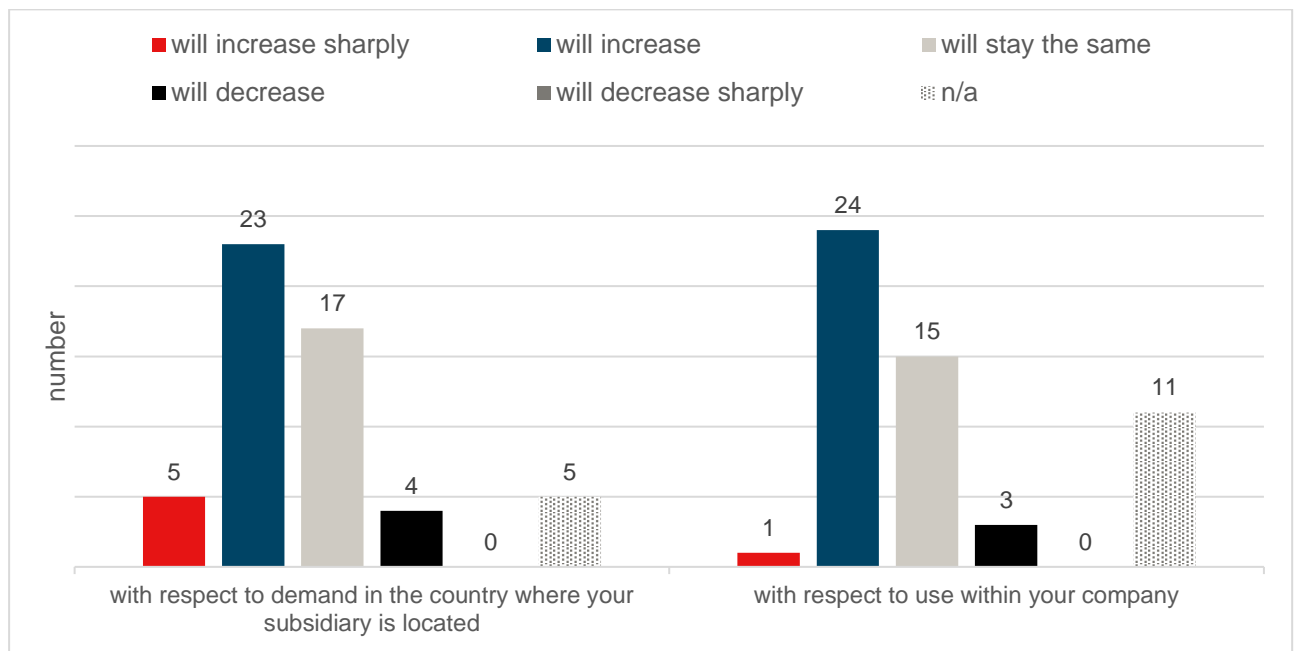
Many of the factors surveyed were rated similarly in neighbouring areas, with notable similarities between South Korea and Taiwan. However, it is important to note that Japan did not receive a majority “very good” rating in any category. On the contrary, labour costs, the reduction of red tape and bureaucracy, digitalisation, the cost of raw materials and the availability of skilled labour were predominantly rated as “rather poor”. Japan continues to lag behind other countries such as South Korea, where digitisation was rated much more positively, with the majority believing that it is progressing “very well”, and the Mynumber card scandal caused by the newly established ‘Digital Agency’ is likely to contribute to the slow uptake of digitisation. Japan also scores less favourably in terms of the availability of skilled labour, which also appears to be less of an issue in South Korea. The population is ageing and salaries in the country are not attractive enough to attract skilled young people from abroad. However, we should not overlook the positive aspects, of which there seem to be many in Japan. In other words, the assessment of all other factors tends towards “quite good”. This means that, overall, Austrian companies in Japan are satisfied with the general situation. As expected, the quality factors were rated particularly well and the Japanese seem to be a reliable population.

Let's take a quick look at digitalization in Japan: The Osaka Chamber of Commerce and Industry conducted a [survey on digitization in small and medium-sized enterprises](#) (SMEs). It is not surprising that 15.8% of these companies still predominantly work with paper and convey instructions verbally. The majority, namely 48.4%, reported using digital programs such as email or electronic invoicing software. Additionally, 25.4% of companies utilize business optimization programs, which, for example, manage inventory and simultaneously analyze it. Only 7.5% of respondents use digital solutions to explore new markets or develop new products based on the collected data.

5. From your company's perspective, how would you characterize the current economic climate and state of the economy in the country in which your subsidiary is located for the coming 12 months?



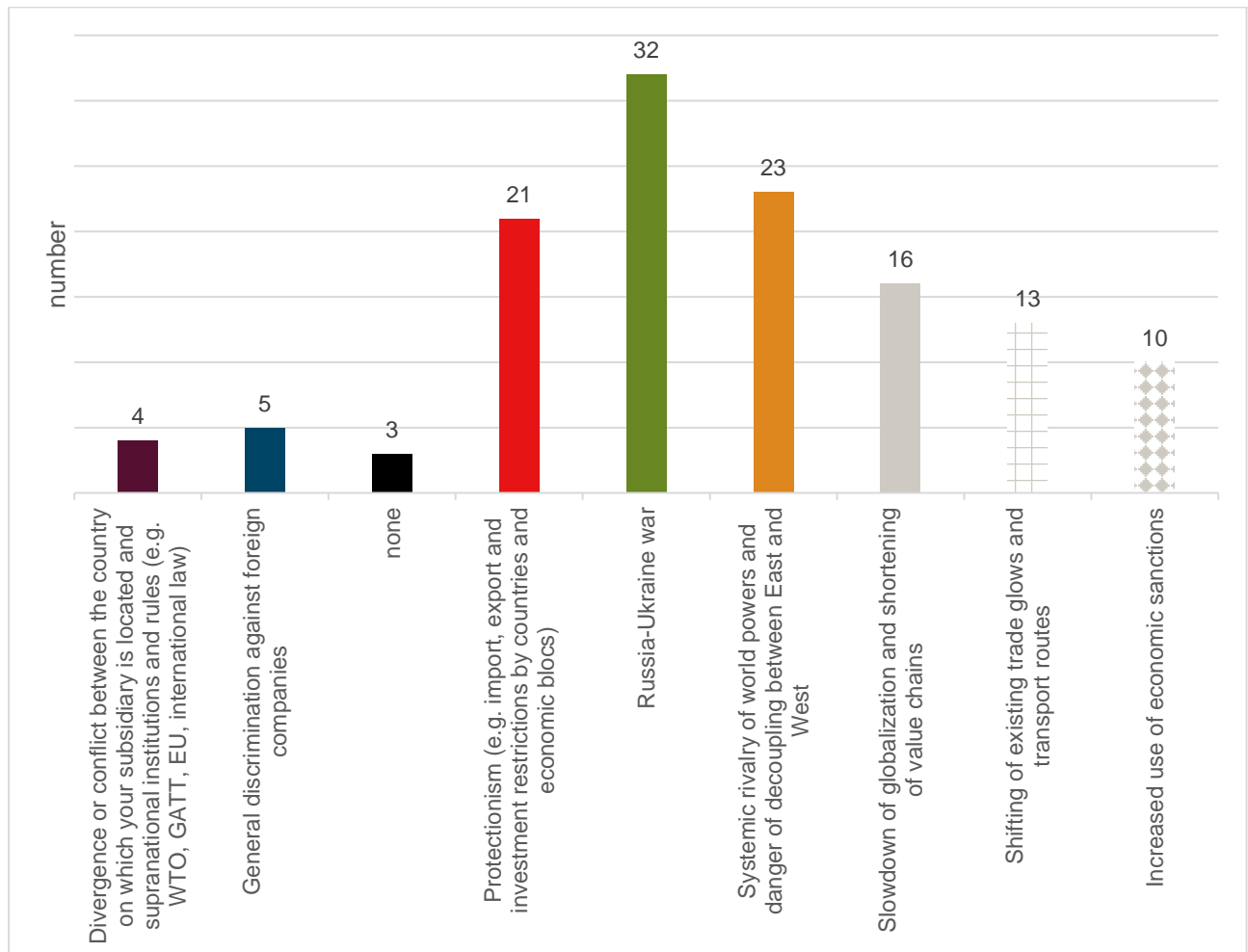
6. How do you assess the development of products and services based on artificial intelligence from your company's perspective in the next 12 months?



Japan has long been a pioneer in the AI industry and remains the epitome of robotics expertise. Notably, Honda's ASIMO has brought significant acclaim to the country. However, the current trend of AI in Japan primarily revolves around the automotive industry, with Toyota leading the world in areas such as automatic operation. Nonetheless, this doesn't discount the widespread adoption of AI across other sectors, contributing to Japan's overall efficiency enhancement. Looking at the data, it's evident that many are optimistic about the future. The majority anticipate increased utilization of AI both in Japan and within their own companies.

Japan has been slow to embrace digitalisation in both the B2B and e-government sectors. With the establishment of a Digital Agency just three years ago, the government is specifically targeting businesses and B2B services to become more digital, thereby increasing efficiency and mitigating the effects of labour shortages. The use of AI could potentially take these efforts to a whole new level, if applied correctly and quickly. Understanding the need for swift action in this new field, Japan established the AI Strategy Council under the Cabinet Office in May 2023.

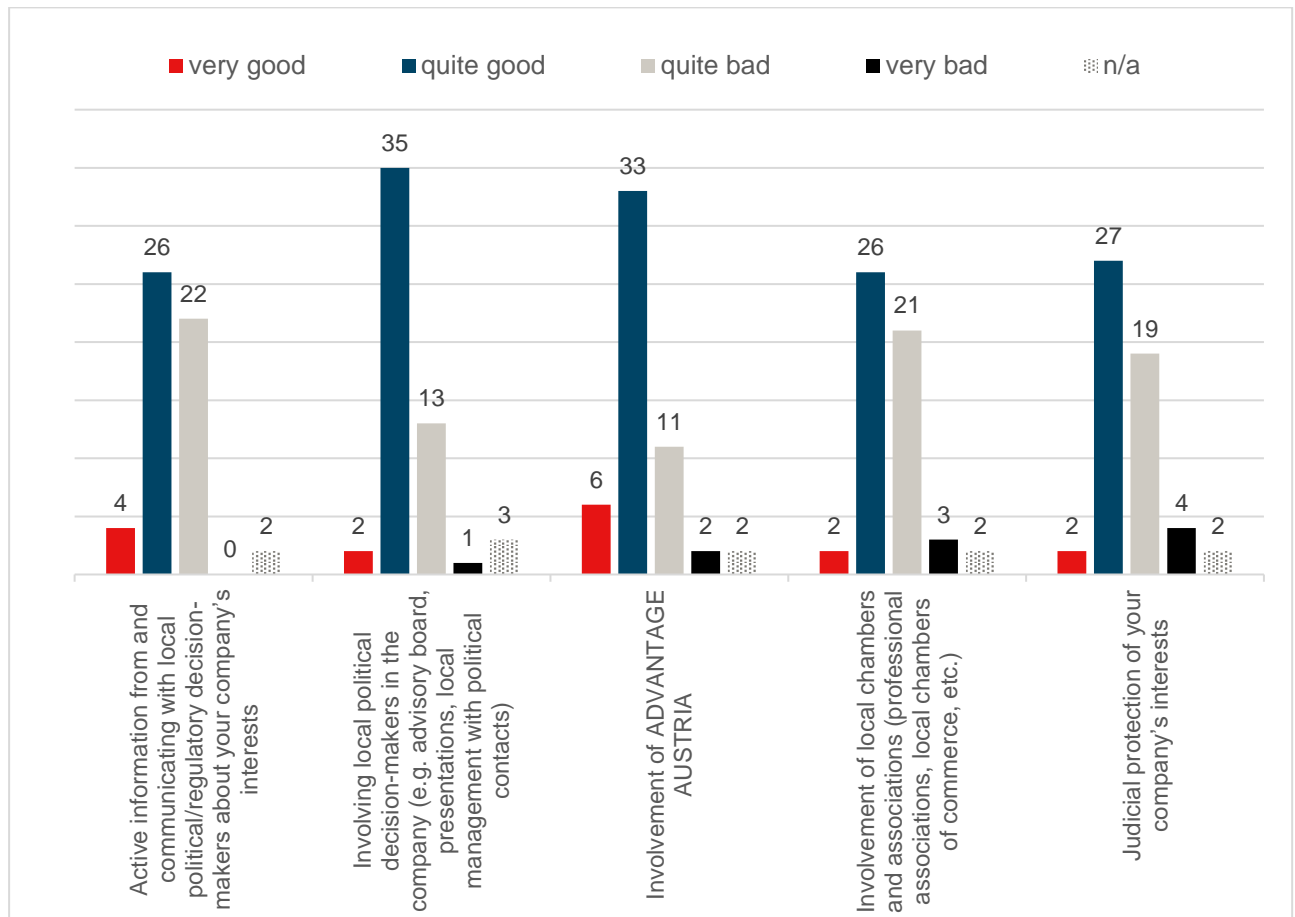
7. What current geopolitical developments pose the greatest potential risk to your subsidiary's business activities?



In response to the question "What current geopolitical developments pose the greatest potential risk to your subsidiary's operations?", subsidiaries in Japan identified the Russia-Ukraine conflict as the most significant potential risk factor, followed by protectionism and systemic competition resulting from globalisation and shorter value chains. As a result of the conflict, there is a general increase in commodity prices, as evidenced by the majority's negative sentiment towards commodity costs in the previous survey (see point 4). This sentiment is echoed by Japan's neighbours, such as South Korea and Taiwan, where negative sentiment towards commodity prices was also expressed, with the Russia-Ukraine conflict identified as the primary or secondary biggest risk factor.

Let's go back to Japanese companies. In December 2023, [Teikokudatabank conducted a survey](#) with responses from over 11,000 companies. According to the survey, the continuation of wage increases will be a key focus in 2024, especially in light of the expected growth in inbound demand. There is also considerable concern about the impact of the so-called "2024 problem".

8. How do you assess the effectiveness of the following measures for protecting your company's interests in your subsidiary's country?



The surveyed companies judged that all listed measures (information or formal involvement of local regulatory/political decision makers, involving ADVANTAGE AUSTRIA, involving local business chambers and associations and legal remedies) as being “quite good” in protecting their interests in Japan. Involving ADVANTAGE AUSTRIA Tokyo was rated with a very high approval rate just ahead of having a local regulatory or political decision maker being part of the company as director, manager, or advisor. Although the other three measures surveyed were rated more positively than negatively overall, they do not provide a uniform picture. The mentions of rather positive and rather negative opinions are almost congruent.

ADVANTAGE AUSTRIA's services are also rated as extremely helpful and relevant in other regions. In North America, Western Europe and China, the ADVANTAGE AUSTRIA offices are the most important partner for Austrian companies, while in Japan's neighbours South Korea and Taiwan, ADVANTAGE AUSTRIA ranks among the top three.

For more information about this survey please check the following links:

Executive Summary Global Business Barometer



Global Business Barometer 2024 Report (German version)



For more information on Austrian companies, their activities in Japan and business opportunities, please contact

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