

Government To Deregulate Electricity Retailing Further

The government has decided to expand the scope of deregulation of the electricity retail market by spring 2004. At present only about 30% of the market, mainly the large user segment, has been deregulated. Further deregulation will push up the figure to about 63%. When implemented it will open the option for smaller users such as small and medium-size manufacturing plants and even supermarkets to shop for electricity supplies. At present, new entrants to the electricity retailing market account for just 1% of the deregulated demand. The government wants to see more competition.

Government to Refrain from Regulating the Future Telecommunications Markets

The Industrial Structures Council said on November 2 that the government should refrain from regulating the so-called information markets that will emerge as a result of synthesis of the telecommunications and broadcasting markets. The council's recommendation will also urge the government to assure fair access to the subscriber lines and industry standards, now dominated by certain larger firms. The council also recommends that an ADR system be employed for settling disputes in the e-commerce market that is according to rules developed by market participants through industry bodies.

Government Draws Up Guidelines for Business Expansion at NTT East and West

The Ministry of Public Management, Home Affairs, and Post and Telecommunications seems to have drawn up guidelines to deal with NTT East and NTT West's expansion into new business lines, such as the Internet. The seven-point guideline is designed to assure fair competition between the NTT firms and other local firms. The new guidelines will become effective at the end of November.

Japan to Sign the Cyber Crime Prevention Treaty

Japanese government sources say that Japan will sign the international cyber crime prevention treaty. Japan has participated in the treaty negotiations as an observer only.

Private Broadcasters Getting Wary About NHK's Expansion

Private broadcasting firms are getting concerned about NHK's (Japan's public broadcasting system) expansion into areas which were largely their domains so far. The NHK group consolidated sales total 720 billion yen, 1.6 times that of the largest private broadcaster, Fuji Television. NHK has recently signed an agreement for rights to exclusively broadcast the Giant's 10 baseball games. The Giants is the most popular baseball team in Japan. NHK's entry into Internet-based news distribution service, launched recently has also raised concerns.



Wowow Subscribers Increasing

According to Wowow, a popular pay-TV channel, subscribers increased 5.3% year-on-year to 2.68 million. Of these 130,000 were subscribers to its digital broadcasting services. The company also reports significant switches from its analog to digital services.

DRAM Prices Plunge

The price of 128MB DRAM, used widely in personal computers, plunged below US\$1 in small-lot trading on October 31. Weak sales of personal computers in both overseas and domestic markets are being blamed for the price decline. Prices have fallen to one-tenth the level they were a year earlier.

Major Japanese Semiconductor Manufacturers Expect Full-term Sales to Plunge

The five major Japanese semiconductor manufacturers expect sales in fiscal 2001 (ending March 2002) to plunge 32.2%. The figure is roughly on par with the 32.2% decline in worldwide semiconductor sales forecast by WSTS, suggesting that global demand slowdown is affecting Japanese semiconductor manufacturers equally. Due in part to weak sales, the five will slash capital investment by 63.3% in the current fiscal year. Japanese semiconductor manufacturers will be slashing capital expenditure anywhere from 60% to 82%. Their beginning-of-the-term plans saw capital expenditure declining 27.2%.

Semiconductor Dumping Issue

While Japanese semiconductor manufacturers are blaming South Koreans for dumping their products in Japan and causing losses to them, the South Koreans cite global demand slowdown for the industry's problems and say they are also the victims of global slowdown. Japanese companies may be complaining to arrest price declines and to strengthen their positions since a shakeout now seems inevitable. Some Japanese semiconductor manufacturers may be forced out of business if current price levels continue.

PCB Production to Fall Short of Projections

The production of printed circuit boards (PCBs and PCB modules) in 2001 is now expected to decline 24.4% from the previous year to ¥1.08 trillion. Production was at a record high level in the previous fiscal year. The original forecast saw production at ¥1.5 trillion. The association expects output of PCBs to drop 22.7% and that of PCB nodules to be off 29.1%. The decline is across the board in all categories, with multi-layer PCBs particularly affected. The only bright spot is MCM-L, which is expected to be up 17.3%, supported by the trend toward more compact and thinner semiconductor packages.

Digital Devices Defy IT Trends

At a time when major electrical appliance manufacturers are suffering from weak earnings, Canon and Ricoh have reported record earnings, supported by strong demand for digital copiers. Their post-sales revenue from supplies is also quite stable.

Money-handling Machine Manufacturers Target European Markets

With the euro to be launched soon, Japanese money-handling machine manufacturers see growing market potential in Europe. With a single currency their marketing efficiencies will rise. Glory and Takamisawa Cybertec are stepping up marketing in Europe.

IT Outsourcing Market Set for Robust Growth

The IT-related outsourcing market is expected to top four trillion yen in 2005, up from 2.5 trillion yen in 2000, according to IDC a high-tech market research firm. Of this IS outsourcing, growing at an annual average rate of 13.9%, will account for 1.6 trillion yen. The figure tops the 11.5% annual growth rate forecast for the U. S. market.

Personal Computer Shipments Down 10.5% in First Half of Fiscal Year

Personal computer shipments in Japan fell 10.5% to 5.59 million units in the first half of the fiscal year ending September 2001, according to Multimedia Research Center. This was the first fall in first-half shipments in three years, according to the research firm. The firm's forecast sees fiscal year shipments to total 12.2 million units, down 13% from the previous year.

White Goods Sales Favorable

While general electrical equipment manufacturers reported lackluster interim business results in the six months ended September 2001, they also said that sales of white goods have been favorable. Implementation of the recycling law led to a one-time demand surge and hot summer weather boosted air conditioner sales. Sales of air conditioners, refrigerators, washing machines, vacuum cleaners and microwave ovens were higher, with room air conditioners recording the largest gains.

General

Industrial Sector Outlook as Seen from Hiring Plans

If hiring plans are any guide to the outlook for the future, we need to note that Japan's automobile manufacturers and pharmaceutical firms are stepping up hiring. Electrical machinery manufacturers and IT services firms are also planning to take on more graduates. Overall there will be a 5.8% increase in hirings. The manufacturing sector will be hiring 9.4% more graduates this year and the non-manufacturing sector 3.3% more, according to a survey of major firms by a leading industrial newspaper.

Slight Increase in the Percentage of Profitable Firms

According to the statistics released by the Tax Agency, 31.1% of the firms filing tax reports for the one year to June 2001 were in the black, up 0.4% from a year earlier. This was also the first increase in 10 years.

Small and Medium-size Firms to Slash Capital Investment

According to a survey of small and medium-size firms' capital investment plans, firms in this category plan to slash capital expenditure in fiscal 2001 by 11.4%. The Small Business Finance Corporation carried out the survey in September. This was a 7% increase compared with plans as of April. However, the figure is smaller than the 13.3% average upward revision in a normal year. Small and medium-size firms usually revise their investment plans in the middle of the fiscal year.

Employment falling in Japan's Manufacturing Sector

Employment in Japan's manufacturing sector stood at 12.6 million at the end of September, down by some 650,000 persons from the same time a year ago. Employment is declining due to two major factors – production shift to China and other low-cost countries and the IT recession. Japan's wage costs are 9% higher than the U. S. and 20 times that of China.

Basic Electronics Industry Statistics

	Prod.	Ship.	Inv.	Capacity utilization.	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	EL devices
April	118.5	121.0	122.0	83.1	2,261	2,202	18,136	1,503	8,552	8,081
May	118.1	121.9	126.2	82.2	2,007	2,180	18,217	1,623	8,877	7,717
June	112.9	118.2	122.4	88.9	2,150	2,407	18,758	1,718	9,334	7,706
July	106.8	110.7	118.0	83.1	2,044	2,353	17,229	1,707	8,085	7,436
Aug	104.2	109.1	116.6	67.0			15,348	1,460	7,445	4,174
YoY	-27.4	-25.4	8.0	-30.1	-11.7	-0.8	-27.6	-18.4	-22.1	-36.4

Base year 1995 = 100; 100 million yen, YoY: Year-on-year percentage change

Source: Ministry of Economy, Trade and Industry, Japan Electronics Industry Association and other trade associations