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High-tech Sector

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A Market for Idle Telecommunications Line Capacity

A new exchange for trading in idle telecommunications line capacity is to be set up before the end of the year. In the new market, telecom firms with excess optical fiber and other line capacities will make offers with business firms making the bids. It is expected to allow customers to use lines at costs much lower than leased lines.

Switch to Digital Terrestrial Broadcasting to Create Huge Demand

According to industry estimates, demand to the tune of some ¥40 trillion will emerge from the planned switch to digital broadcasting. Terrestrial digital broadcasting is to start in the three major metropolitan regions this December. Analog broadcasting is to be phased out by 2011. A surge in demand for digital TV sets is expected in 2006 when all broadcasters will have gone digital.

IT Service Industry Clearly Slowing Down

Orders for software development and IT consulting are clearly slowing down as evidenced by the recent rush of downward revisions of IT division business forecasts by leading IT firms in Japan. Japan's IT services sector grew only an estimated 4% in 2002, according to a market research firm and no growth is expected this year. As a result, bankruptcies are increasing among small to medium-size IT firms. According to Teikoku Data Bank, 130 firms in the IT sector went bankrupt in 2002.

Canon Plans to Shift Production Back to Japan

Canon, starting in 2004, plans to shift production of even low-end items such as printers to Japan. The company has been shifting production to China and other low labor cost countries in order to stay competitive. Now the company says that it will develop completely automated manufacturing processes that will make manufacturing in Japan about 20% cheaper than in China.

Automotive Sector Turning into a Major Customer for Electronic Parts Manufacturers

The weight of the automotive sector in total sales at major electronic component manufacturers has risen to double-digit levels. At Alps Electric, the automotive sector now represents 52% of total consolidated sales. Rohm's plans see the weight of the automotive sector rising to 30% in fiscal 2003 from about 5% in fiscal 2002. Among the companies likely to see a marked increase in sales to the automotive sector are SMK, Omron, Kinseki, KOA, Mabuchi Motors and Nichicon



Optical Fiber Demand Rebounding in Japan

Optical fiber demand seems to be rising again from around December last year. Companies with heavy weight of optical fibers in total sales, such as Fujikura, stand to benefit.

IT Retailers Look to Peripherals to Boost Sales

Personal computer and other IT equipment retailers are increasingly looking to peripherals to boost sales now that more powerful new models are on the shelves. Wireless LAN devices are particularly in strong demand.

South Korea's Post PC Market Set for Solid Growth

Demand for the post-PC market, which includes PDAs, and car PCs, is expected to increase 50% in 2003 to ¥31.7 billion.

Rapid Increase in Semiconductor Foundries in China

With the production of semiconductors accelerating in China, more foundries are being set up there. As Japanese and Taiwanese foundries set up operations to leverage low labor costs, the number of foundries has risen to 33. China's electronic components market has already become larger than that of Japan and is expected to reach or even top the U. S. level in 2006.

General Economy

Declining Incomes Hurting Consumption

The propensity to consume fell in the October-December quarter, the first decline in three quarters. Consumer spending had been sustained to a certain extent as consumers curbed savings to cover declines in their income levels but now they have started cutting back on consumption. Consumption in the last quarter of 2002 fell 3.2% over the same period a year earlier.

Spring Round of Wage Negotiations

In the annual spring round of wage negotiations more companies in Japan are proposing lower wage hikes citing the need to stay competitive. Even companies such as Canon, Honda and Fujitsu, which are doing well are offering lower wage hikes. Other major companies are expected to follow suit.



Basic Electronics Industry Statistics

	Prod.	Ship.	Inv.	Capacity utilization.	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices
Oct	99.2	103.2	102.9	68.8	2,037	1,683	15,311	1,847	6,803	6,661
Nov	98.5	104.0	98.4	69.7	2,026	1,624	15,443	1,695	7,233	6,515
Dec.	101.6	105.6	95.8	66.3	2,010	1,601	15,310	1,411	7,488	6,411
Jan.	100.0	106.3	92.3	65.0	1,920	1,358	13,562	1,093	6,342	6,127
Feb.	101.4	106.9	90.8	77.0	2,123	1,736	14,969	1,365	7,184	6,421
Mar.	104.8	110.3	85.6	91.7	3,009	1,887	19,197	1,582	10,386	7,228
Apr.	108.7	114.4	84.2	77.2	1,849	1,797	14,411	1,470	5,760	7,182
May	117.2	123.2	87.9	80.9	1,818	1,872	15,451	1,649	6,324	7,478
June	115.4	121.2	85.8	86.2	1,875	2,078	16,176	1,691	6,881	7,604
July	113.7	118.0	90.8	86.3	2,015	2,060	16,056	1,775	6,285	7,997
Aug	117.1	123.5	89.9	72.6	1,841	1,297	14,736	1,482	5,937	7,318
Sept.	116.2	120.9	93.9	84.9	2,465	1,555	17,659	1,762	8,117	7,780
Oct.	117.3	125.6	93.5	80.6	1,942	1,577	16,161	2,030	6,169	7,962
Nov.	112.7	120.0	89.5	76.5			15,127	2,086	5,588	7,452
YoY	14.4	15.4	-9.0	9.0	-4.6	-6.4	1.7	22.6	-18.5	17.9

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

