Vol . 94

High-tech Sector

Week ended Nov. 30, 2003

Massive Ripple Effect Expected from Terrestrial Digital

The terrestrial digital television broadcasting service is scheduled to start in Japan's three major metropolitan areas on December 1. It will be steadily extended to other areas, with nationwide coverage scheduled for 2011, when analog television broadcasting will be terminated. The new service will have a massive economic impact. According to consumer electronic goods producers, the replacement demand for televisions alone over the next 10 years should be around ¥40 trillion. A government report estimates that, the ripple effect will be around ¥212 trillion, when TV shopping, content and other businesses are included.

CIAJ Releases Forecast on Telecommunications Equipment Demand

Along with the increasing use of the IP protocol, the spread of broadband networks and mobile phones will be the key factors affecting demand for telecommunications equipment in the period to 2008, CIAJ, a trade body, said in a recent report. The report sees demand for optical fiber networks accelerating from 2004 onward. As a result, the demand for ONU, media converters and other optical access equipment will increase to ¥91,300 million by fiscal 2008, up from ¥12,000 in fiscal 2002. In addition investment in backbone equipment and investment at service providers should also rise to cope with growing traffic and subscriber numbers, the report claims. The mobile phone market is projected to grow from ¥1.6 trillion in fiscal 2004 to ¥2.1 trillion in fiscal 2008 as 3G phones win popularity from around 2004. The report projects an annual average growth rate for IP-related devices at 4.3%.

Orders for Mobile Phone Components Surge After Summer

Production of electronic components and semiconductors used in mobile phones is rising sharply after summer, reflecting a strong pickup in orders from July. Orders seem to be above the record levels recorded in 2000. Some of the suppliers are finding it difficult to cope with the rising order levels. Despite the bright outlook, electronic components producers remain cautious about sustainability of orders, given their bitter experience in 2000. However, moves toward stepped up capital investment are surfacing.

SPE Orders Surge

Orders for Japan-made semiconductor production equipment in October increased 2.1-fold to ¥145,350 million. This was the fifth consecutive year-on-year gain in monthly orders. Orders were above the ¥10,000-million level for three months in a row. Worldwide sales of Japan-made semiconductor production equipment in October were ¥62,384 million, up 16.9% from the same month in 2002. Sales in Japan were up 23.7% to ¥46,952 million.

Electronic Equipment Shipments Rise in October

Shipments of consumer electronic equipment in October rose 5.9% year-on-year to ¥175,300 million. This was the fifth year-on-year gain in monthly shipments of consumer electronic equipment in Japan.

ITS-related Demand Set for Strong Growth

ITS-related demand is expected to top ¥2 trillion in 2007, according to a forecast released by Fuji Kimera Research Institute, a high-tech think-tank. Demand for ITS-related services was an estimated ¥1.2 trillion in 2002.

Consumer Electronics Sales Up in October

Sales of consumer electronics items in October rose 3.0% year-on-year in October to ¥162,100 million, according to NEBA, an association of large electronics retailer chains. This was the third consecutive year-on-year gain in monthly sales. Sales of digital flat panel television sales rose 11% ahead of the launch of terrestrial digital broadcasting on December 1. Sales of DVD decks, which have now been growing for 48 months, were up 61.4%. Personal computer sales slowed in October, after rising above previous-year levels in September. But the underlying trend toward renewed growth seems to be unchanged, according to NEBA.

Manipulator Robot Shipments Up in Third Quarter

Shipments of manipulator robots in the July-September quarter rose 32% from the same period a year earlier to ¥108,500 million. This was the fifth year-on-year gain in quarterly shipments. Domestic shipments rose 15.9% to ¥45,900 million and exports were up 46.9% to ¥62,600. Shipments to the electrical machinery industry were up 52.2% and to the food and beverage sector 25.6%. Shipments to the auto sector were also favorable.

Disk Storage Demand Rebounds

Despite the recent slowdown in investment in the IT sector, investment in storage devices is expected to stay strong throughout fiscal 2003. With the spread of broadband networks and the arrival of the ubiquitous devices age, demand for data storage continues to increase. However, demand is shifting from direct storage (DAS) to storage area network (SAN) and network area storage (NAS). The importance of back-up tapes is also growing.

Plasma TV Price Drops to Affordable Level

The price of plasma television has plunged nearly 40%, bringing down the retail price of the 32" model to ¥300,000. The price-per-inch is now below ¥10,000, widely believed to be the level for mass sales. On the other hand, the price of the LCD TV is not declining as fast due to shortages of components, which are slowing production. Plasma television accounts for roughly 10% of all flat panel televisions, with most of the rest represented by the LCD type.

Machine Tool Orders Strong in October

Machine tool orders in October were up 24.7% to ¥72,615 million. Monthly machine tool orders have been above their previous-year highs for 13 months in a row and above the ¥70,000 million level for two consecutive months. Machine tool orders in the first ten months of the year were up 26.7% to ¥697,375 million. The Machine Tool Industry Association expects November orders to be around ¥74,000 million, underpinned by strong orders at home and abroad.

Basic Electronics Industry Statistics

	Prod	Ship.	Inv.	Capacity utilization	H. Elec. machinery	Cons. appliances	Electronics Sector	Cons. electronics	Industrial electronics	El. devices	Semicon (Production)	Consumer electronics (sales)
Jan.	90.9	95.2	83.9	72.0	1,953	1,255	14,010	1,302	5,837	6,871	3,140	336
Feb.	88.8	92.8	81.6	85.2	2,091	1,439	15,026	1,420	6,573	7,033	3,192	234
Mar.	88.6	88.7	84.4	107.7	3,155	1,691	19,029	1,748	9,561	7,720	3,456	266
Apr.	86.6	92.6	82.7	96.2	1,788	1,677	14,103	1,783	5,261	7,059	3,171	216
May	92.0	96.2	81.1	97.0	1,857	1,707	14,721	1.952	5,501	7,269	3,307	205
June	92.6	96.2	81.1	115.9	2,003	2,039	16,003	1,954	6,481	7,569	3,449	229
July	91.3	90.4	92.6	106.4	2,023	1,924	15,859	1,823	6,206	7,830	3,545	247
Aug.	91.2	95.8	87.0	60.5	1,771	1,165	14,332	1,577	5,593	7,362	3,388	230
Sept	94.1	96.4	82.7	74.3	2,495	1,313	18,078	2,314	7,335	8,430	3,761	209
YoY	6.8	10.0	-6.2	-10.3	0.8	-15.6	7.9	31.3	-1.0	11.2	7.1	-16.8

Base year 2000 = 100 (seasonally adjusted); 100 million yen, YoY: Year-on-year percentage change

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