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STATISTICS

Report on Economic Trends in the ICT Industry (3rd Quarter of 2008)

MIC has released its Report on Economic Trends in the ICT Industry for the third quarter (July to September) of 2008.

Main points of trends in the ICT industry

With a further deterioration in business confidence, both production and shipments related to the ICT manufacturing industry

were on a downward trend, and inventories remained at high levels. Capital investment in the ICT industry also showed a downward trend. ICT-related prices continued to show a downward trend.

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STATISTICS

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






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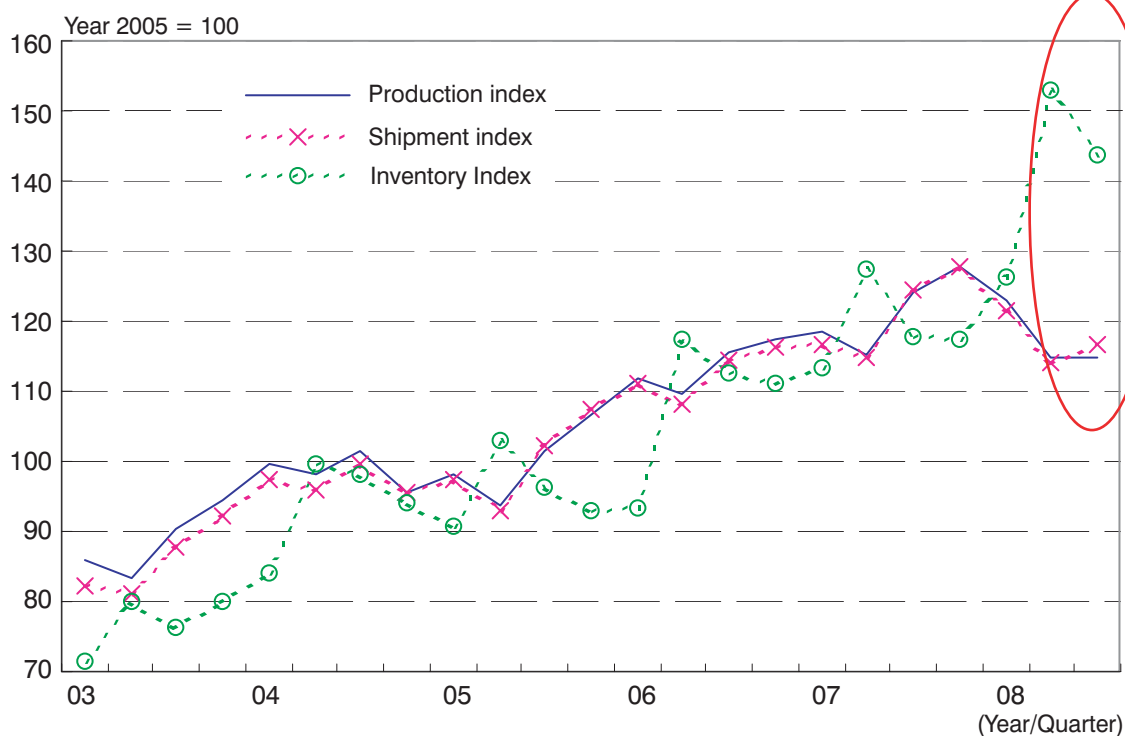
	Trend	Comment
Business Confidence in the ICT Industry		Business confidence deteriorated further as a result of the sharpening downturn in the US economy. Large, medium-sized and small companies, both in electrical machinery and info-communications, saw worse performance. In terms of outlook, small companies in the electrical machinery sector, and large, medium-sized and small companies in info-communications saw a deterioration in the situation.
State of Activity in the ICT Industry		Both production and shipments were down year in year in the ICT manufacturing industry due to the decrease in production of semiconductor manufacturing equipment. Inventory levels remained at high levels due to low levels of demand caused by the slowdown in business globally (Figure 1). The activity index for the ICT services industry turned negative during this period due to the slowdown in the advertising industry and the decline in average revenue per user (ARPU) in mobile communications.
Trends in Capital Investment in the ICT Industry		Capital investment in ICT-related industries was down, with the exception of info-communications. Even though there was a very slight increase in capital investment in the info-communications industry, the electrical machinery manufacturing industry shifted from growth to decline, and the downward trend in the ICT machinery manufacturing industry is ongoing (Figure 2).
Employment Trends in the ICT Industry		Employment trends for the ICT-related industries are on a positive trend (Figure 3). Even though the ICT machinery manufacturing industry showed a decline, there was an increase in employment in the info-communications industry.
Wage Trends in the ICT Industry		Even though the ICT machinery manufacturing industry as well as the components and devices manufacturing industry maintained growth, wages were lower in the info-communications industry.
Trends in ICT-related Consumption		Consumer spending was up very slightly. Even though consumption on personal computers and other information and communications equipment was down, consumer spending on mobile telephones and the Internet continued to increase.
Trends in ICT-related Investment		Even though there was an increase in orders received for computers, there was a decline in communications equipment such as mobile phones, leading to an overall decline in ICT-related machinery orders (Figure 4).
Trends in ICT-related Exports and Imports		The ICT-related trade balance for goods remains in the black. However, with a decline in the export of communications equipment to the United States, export value has declined for four consecutive quarters. Even though the value of imports has fallen for five consecutive quarters, the effect of the growth in imports of mobile phones from China meant that the scale of decline was smaller than in the previous term.
Trends in ICT-related Prices		Overall, the tumble in prices continues. There has been an overall decline in all areas: in terms of consumer prices, there has been stiff competition in cutting prices for flat-panel televisions and laptop computers (Figure 5), at the corporate price level, there has been a reduction in production costs for electronic components in conjunction with advances in technology, and at the corporate service level, there has been a slump in advertising demand as corporate profits have shrunk.

NB: The upward arrows refer to "increase/upward" and the downward arrows refer to "decline/drop."

(Reference) Main points of second quarter 2008

Against a background of a deteriorating business environment, both production and shipments in the ICT manufacturing industry were on a downward trend, and inventories reached historical record high levels. The trend for collapsing prices in ICT also continued. On the other hand, capital investment in the ICT industry was on an upward trend.

Figure 1: State of production, shipments and inventories in the ICT manufacturing industry



NB: Produced by calculating the primary coefficient from the production, shipment and inventory indices for mining and manufacturing
 Data: METI "Indices of Industrial Production"

Figure 2: Trends in capital investment in ICT-related industries

(Unit: 100 billion yen, %)

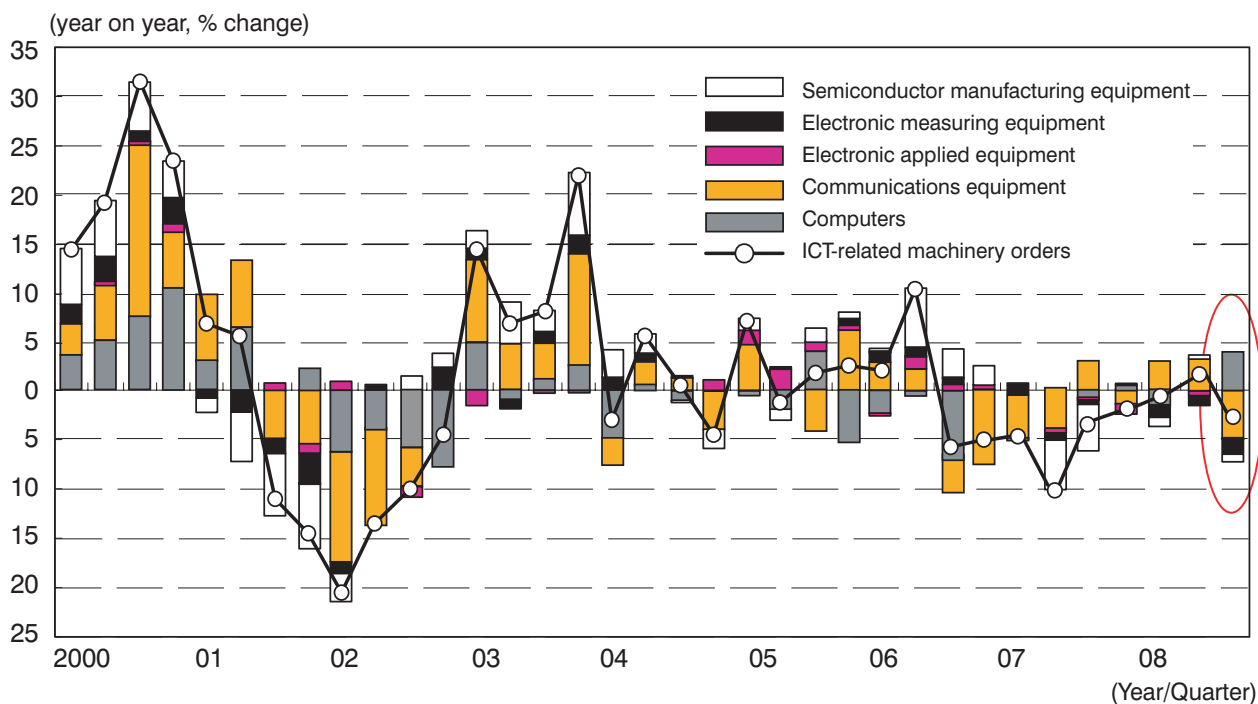
	2006				2007				2008		
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
All companies	156.1	122.3	140.8	141.2	177.2	116.3	139.1	130.3	168.6	108.7	121.0
(year on year)	13.9	16.6	12.0	16.8	13.6	4.9	1.2	7.7	4.9	6.5	13.0
Manufacturing industries	53.0	40.5	49.5	48.4	59.7	45.3	52.5	48.7	60.2	45.9	52.1
(year on year)	19.6	14.1	7.3	15.4	12.7	11.7	6.1	0.5	0.9	1.4	0.9
Electrical machinery plus ICT machinery	11.2	9.8	12.2	9.7	12.8	10.5	11.4	9.1	13.3	11.0	10.7
(year on year)	15.2	25.1	31.2	21.7	15.1	7.6	6.8	6.8	3.3	4.1	5.7
Electrical machinery manufacturing industry	4.5	3.8	5.3	4.0	4.9	4.3	5.3	3.5	5.8	5.7	5.1
(year on year)	0.9	13.4	41.8	24.9	8.7	14.4	0.8	13.3	18.6	32.6	3.8
ICT machinery manufacturing industry	6.6	6.0	6.9	5.8	7.9	6.2	6.0	5.6	7.4	5.2	5.6
(year on year)	29.5	33.8	24.1	19.6	19.5	3.3	12.7	2.3	6.2	15.9	7.3
Non-manufacturing industries	103.1	81.7	91.3	92.8	117.6	71.0	86.6	81.6	108.4	62.8	69.0
(year on year)	11.2	17.9	14.8	17.5	14.1	13.1	5.1	12.0	7.8	11.6	20.3
Transport plus communications industries	27.8	15.3	23.1	21.7	34.5	15.7	25.9	19.0	31.7	18.6	19.5
(year on year)	7.3	17.8	24.4	11.5	24.2	2.8	12.5	12.3	8.3	18.0	24.9
ICT industry	14.6	9.0	13.7	13.4	16.7	8.7	9.6	8.9	15.0	10.5	9.7
(year on year)	21.9	12.7	26.3	12.7	14.2	3.0	29.7	33.5	10.3	20.3	0.4

NB: Changes in industrial classification from the Apr-Jun 2004 quarter
 Data: MOF "Quarterly Report on Corporate Statistics"

Figure 3: Trends in employment in ICT-related industries



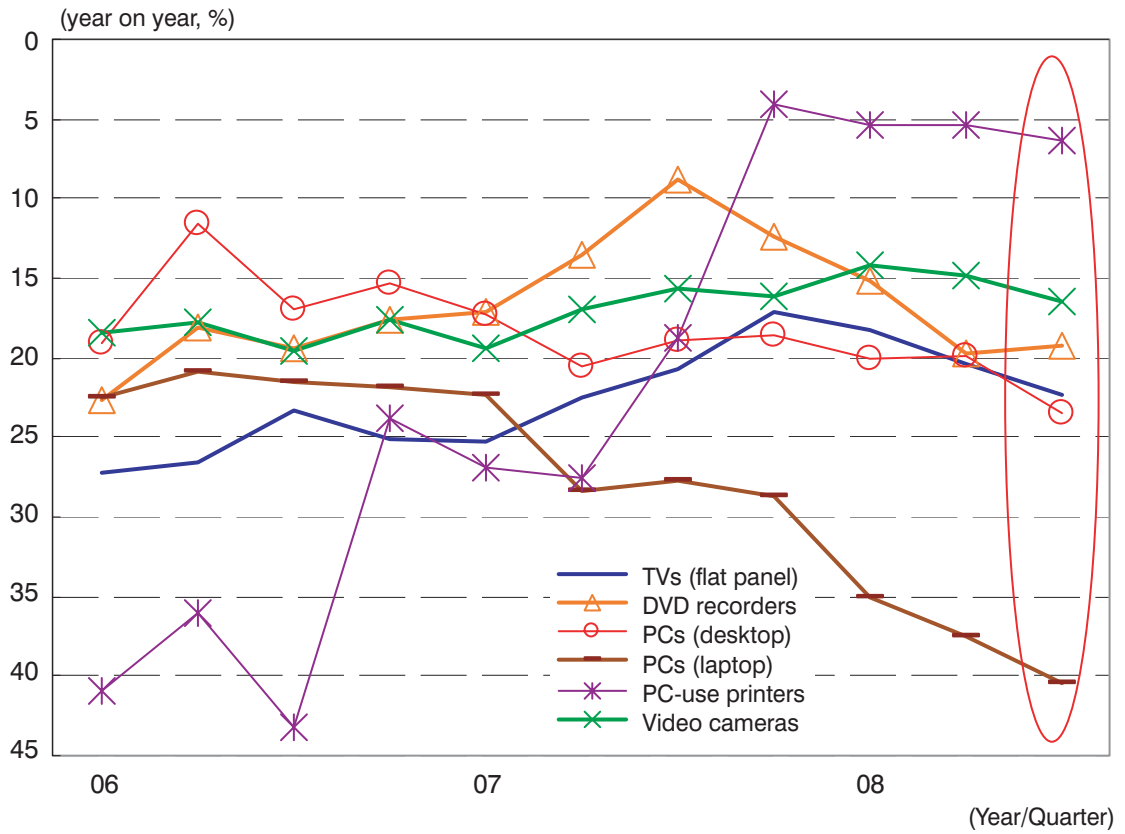
Figure 4: Trends in orders for ICT-related machinery



NB: The bar chart shows the level of contribution of ICT-related machinery orders compared to the previous year. ICT-related machinery orders are the total of computers, communications equipment, electronic applied equipment, electronic measuring instruments and semiconductor manufacturing equipment from machinery orders (private-sector demand excluding ships and electric power).

Data: Cabinet Office "Orders Received for Machinery"

Figure 5: Trends in consumer price indices for ICT-related equipment



Data: MIC "Consumer Price Index"