

# Chapter **2**

## Current Status of Information and Communications

# Section 1

## Trends in the Information and Communications Industry, etc.

### 1. Market Size

The market size of the Japanese information and communications industry became 123.1 trillion yen (a 7.0% increase over the previous year) in 2001, consistently expanding since 1995. Despite the continuing stagnation of economic activities in Japan, the information and communications industry has been achieving steady growth. The share of the information and communications industry in the total market size of all industries has also been making a consistent increase since 1995, marking 12.6% (a 0.8 point increase over the previous year) in 2001 (Figure 2-1).

### 2. Amount of Additional Value

The real GDP of the Japanese information and communications industry was 64.3 trillion yen (a 7.4% increase over the previous year) in 2001, continuing to make steady growth. Its proportion in Japan's overall real GDP was 12.0%, exceeding one-tenth. Furthermore, while the annual average growth rate of Japan's overall real GDP was 1.2% from 1995 to 2001, that of the information and communications industry was 9.3%, indicating a remarkable growth.

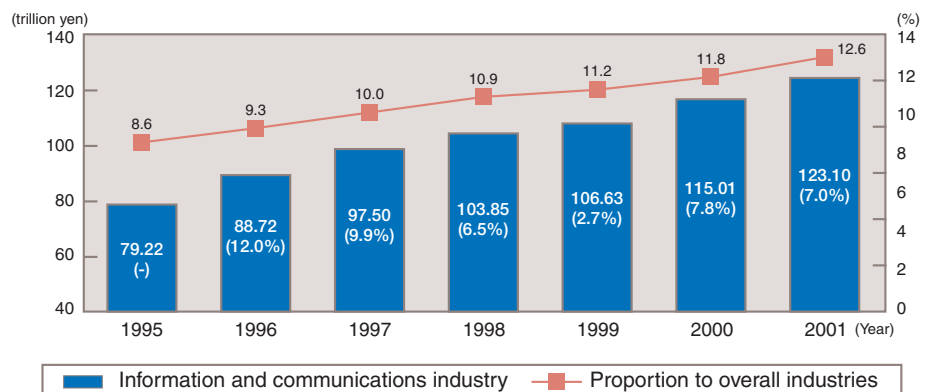
### 3. Employment

In 2001, the working population in the Japanese information and communications industry was 3.79 million, accounting for 7.1% of the entire working population in Japan. Although the working population in the information and communications industry had been slightly increasing from 1995 to 1999, it has been on a slight decline for two consecutive years since 2000. In terms of the working population in 2001 by type of industry, the information and communications industry came after the retail industry (6.37 million) and the construction industry (5.11 million).

### 4. Productivity

The growth rate of total factor productivity in the information and communications industry from 1995 to 2001 was 3.6%. This is the highest rate among all industries, far exceeding the 0.2% growth rate of overall industries. In 2001, the labor productivity for the information and communications industry was 16.99 million yen. The information and communications industry achieved the highest growth among all industries with respect to labor productivity from 1995 to 2001.

Figure 2-1: Transitions in the Market Size and Proportion of the Information and Communications Industry to Overall Industries



\*The percentages in brackets indicate changes over the previous year.

Source: "Survey on Economic Analysis of IT"

## 5. Contribution of the Information and Communications Industry and IT Investment to the Macro-Economy

In 2001, the growing information and communications industry contributed 0.83% for an overall economic growth rate of 0.30%. Comparing the contribution of various industries to the economic growth rate, the information and communications industry is supporting economic growth while electric machinery and other industries are curbing economic growth (Figure 2-2).

IT investment not only contributes greatly to revitalizing the information and communications industry, but also has a considerable economic impact on other industries. Accordingly, the ripple effect of IT investment on the Japanese economy was estimated. In 2001, IT investment significantly increased production and employment in various industries, inducing a production value of 40.7 trillion yen and creating jobs for about 1.59 million people (Figure 2-3).

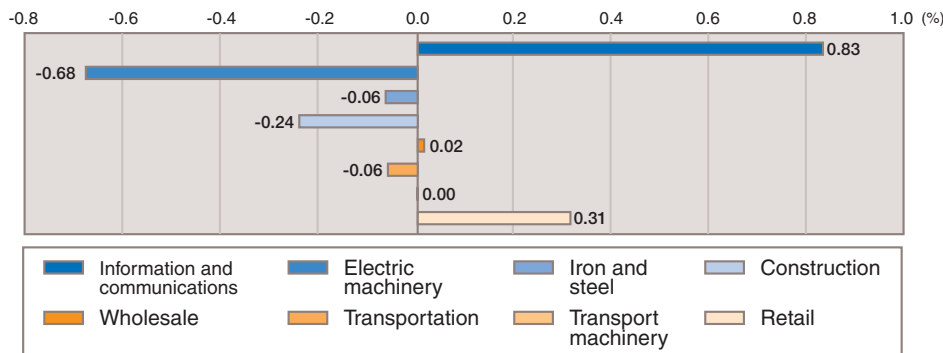
## 6. Capital Investment

The actual amount of capital investment in the communications/broadcasting industry in fiscal 2001 took a downward turn to 3.2 trillion yen (a 24.4% decrease from the previous year). The planned amount of capital investment for fiscal 2002 also decreased to 2.9 trillion yen (a 9.0% decrease from the previous year). Since the decline rates in the actual amount of capital investment in fiscal 2001 and the planned amount for fiscal 2002 for overall industries were 4.9% and 7.9% respectively, the decline rates were larger for the communications/broadcasting industry.

## 7. Information and Communications Venture Businesses

Amidst the stagnation of the Japanese economy, there are growing expectations for venture businesses founded on original technologies and business models to drive economic growth and job creation. While the number of business establishments in Japan decreased or remained

**Figure 2-2: Contribution of Various Industries to the Japanese Economic Growth Rate (2001)**



Source: "Survey on Economic Analysis of IT."

**Figure 2-3: Ripple Effect of IT Investment on the Economy (2001)**

Target of investment	Amount of investment (million yen)
Software (for computers)	7,803,445
Computers and auxiliary equipment	10,461,758
Wire telecommunications equipment	1,832,761
Wireless telecommunications equipment	4,926,418
Total	25,024,381

Value of production induced	40,692,751 (million yen)
Value of GDP induced	19,784,112 (million yen)
Jobs created	1,594,172 (persons)

Source: "Survey on Economic Analysis of IT."

the same from 1996 to 2001, the number of establishments in the telecommunications, broadcasting, and information services fields has increased by 62.7%. Among these, the number of establishments in the telecommunications field has almost tripled. Meanwhile, the number of venture start-ups from universities, etc. in the information and communications field was 32 in 2001 and 24 in 2002 (until the end of August), commanding about a 30% share of the total number of venture businesses that started up from universities, etc. in the same years.

## 8. International Trade/Investment

Japan's IT-related trade value in 2002 was 104.8 billion dollars in export (a 2.1% decrease from the previous year) and 59.6 billion dollars in import (a 6.7% decrease from the previous year). Both export and import have been declining for the second year in a row due to the impact of the collapse of the IT bubble economy. The amount of investment in the Japanese communications industry in fiscal 2001 was 6.62 billion dollars (a 2.5% decrease from the previous year), remaining more or less at the same level as in the previous fiscal year.