

Rapid Recovery

The textile industry, centering on synthetic fibers, has picked up rapidly since 1988 after three years of stagnation caused by declining exports and rising imports following the Plaza Accord of the fall of 1985 which led to the yen's rapid appreciation.

The textile industry's recovery is attributable to the following three factors: 1) Amid economic expansion led by domestic demand, the synthetic fiber sector made efforts to switch from satisfying external demand to satisfying domestic demand. As a result, orders for synthetic fiber products from the construction, civil engineering, automobile and housing industries expanded remarkably; 2) Synthetic fiber manufacturers stepped up rationalization and labor-saving efforts in their production divisions, while coping with a shift in demand which meant that small quantities were required of a great variety of goods, and changes in product features, such as the shortening of their life cycle; 3) The appreciation of the yen and the fall of crude oil prices lowered principal raw material costs.

The cotton spinning sector, however, still faces problems. Some cotton spinners, which have lagged behind in raising the quality of their products or in developing downstream business, are faring poorly.

In 1989, the clothing sector as a whole enjoyed good business thanks to the expansion of consumer demand, despite some destabilizing factors, such as the introduction of the 3% consumption tax and unstable weather. The apparel sector in particular enjoyed brisk business. In

the women's apparel division, sales of both imported and domestic prêt-à-porter apparel achieved spectacular growth.

In the synthetic fiber sector, demand increased for clothing products as well as for nonclothing products such as tire cords and carpets. Synthetic fiber makers are enjoying increasing profits not only from the prosperity of their nonfiber divisions but also from their fiber divisions, which through high value added have absorbed the increase in raw material costs caused by the depreciation of the yen and the crude oil price rise since the turn of the year.

Despite the expansion of domestic demand, the cotton spinning industry suffers from sluggish demand because imports of low-cost cotton products from Pakistan and China continue to increase, and the preferred fabric for women's apparel has switched from natural fiber to synthetic fiber. Because the inventory levels of cotton yarn and synthetic spun yarn remain high, all cotton spinning companies are cutting back production to adjust the supply-demand balance. The income-expenditure situation, too, continues to be tight due to the rise in the price of raw cotton and the cost increase resulting from the yen's depreciation since 1989.

As for 1990, expansion of domestic demand is expected to continue, and the clothing division is projected to enjoy good business. Although the natural fiber boom will be over, consumer spending on clothing will remain vigorous. Production of high value-added fashionable clothes will become the mainstay. In the wom-



Photo: Teijin Ltd.

Higher domestic demand for synthetic fiber products is a major factor contributing to the rapid recovery of the textile industry.

en's apparel division, demand for clothing using high-class silk-like fabrics will become very strong.

The synthetic fiber sector will suffer from a slowdown in the demand for non-clothing synthetic fibers for carpets and curtains as a result of a decrease in the number of new housing starts, but the demand for clothing will remain firm and brisk. Synthetic fiber makers are expected to enjoy a favorable income-expenditure balance also in 1990 because good performance is anticipated in their non-textile divisions such as synthetic rubber, resin, foods and medical supplies.

Due to the disparity of production costs between Japan and East Asian countries, a decrease in exports and an increase in imports are considered unavoidable. Accordingly, each sector of the textile industry will have to learn how to cope with this situation. The Japanese side withdrew its suit against South Korea's dumping of knitwear on condition that South Korea curb its knitwear exports and institute a price checking system. The Japanese side may consider it advisable to watch future moves by South Korea. To deal with the huge quantities of low-cost low- and medium-quality products imported from East Asia and famous brand-name products imported from Europe, it is necessary for apparel makers to secure sewing bases in East Asia or to establish tie-ups with European apparel makers to improve their competitiveness.

Textile Trade

(\$ million)

	CY 1988	CY 1989 (Jan.-Sep.)
Exports	6,947	5,102 (0.3)
Imports	13,940	12,418 (49.1)
Raw material	3,309	2,597 (3.1)
Secondary products	3,929	3,253 (13.4)
Apparel	6,702	6,568 (35.7)

Note: Figures in parentheses denote growth rate over the same period of the previous year.
Source: The Summary Report on Trade of Japan, Japan Tariff Association

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