

Leaner Look

Supported by favorable economic conditions, the apparel industry enjoyed steady growth in the latter half of the 1980s. Demand for expensive items was especially high, reflecting enhanced purchasing capability due to rocketing stock and real estate prices. Around the same time, the "feminine look" emerged as a major fashion trend, setting off a boom in new high-quality fabrics made of polyester filament.

As the economy's growth rate began to slow in 1991, however, there was a distinct drop in individual consumer demand. This was most pronounced in the area of expensive high-quality apparel, and a number of brands sold in major department stores recorded minus sales growth over the previous year. The same downward trend was evident in imports of Italian apparel—the focal point of brand name imports into Japan—which decreased 9% in volume and 2% in value in the first half of 1991 on a year-on-year basis.

The causes for this include a dampening of individual consumption due to the economy's slowdown and drop in stock prices as well as changing consumption patterns reflecting more careful choices



Japan's apparel makers are setting up plants in Asian countries to reduce production costs.

of product and price. Furthermore, the trend away from brand name goods is being accelerated by a shift from the feminine to a more casual look.

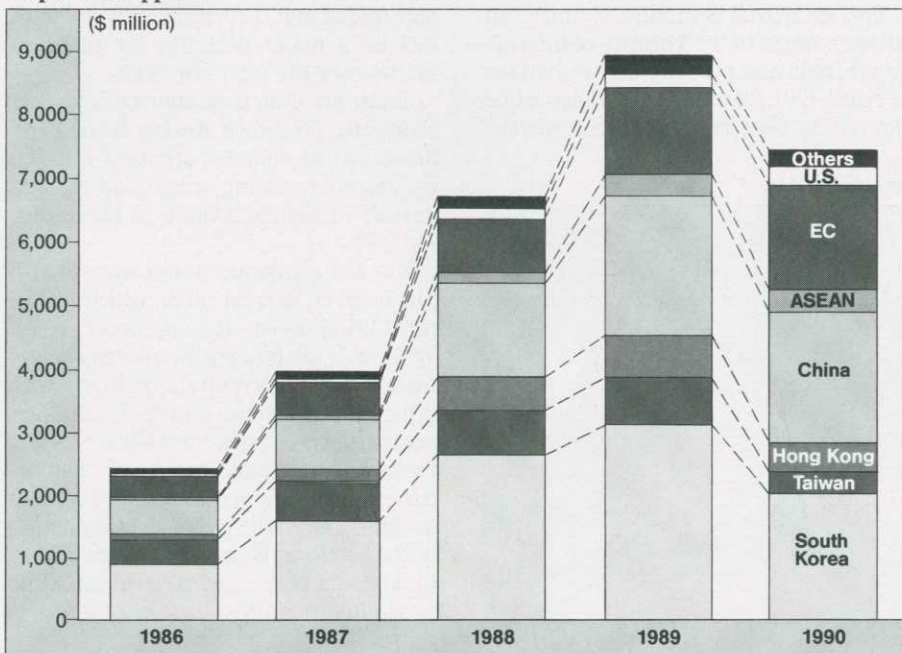
Japanese apparel makers have so far responded by putting more effort into sales of their own and manufactured brand name products under license, while at the same time reviewing their price-setting policies for brand name products. Overseas apparel makers of famous brands that have already established their repu-

tation in Japan are working to hold onto their niche by refraining from opening new shops and instead improving outlets that already exist. Japan's apparel makers will need to expend greater efforts on developing their own unique brands to counter this challenge.

Another trend within the apparel and fashion industry that is likely to become increasingly pronounced is the shift of manufacturing facilities to other areas of Asia where labor is plentiful and cheaper. This strategy is reflected in the major increase, ever since the yen's appreciation in 1985, in apparel imports from Asian NIEs such as South Korea, Hong Kong and Taiwan. More recently, however, such imports have been declining as wage scales rise in the Asian NIEs and international currency exchange rates make apparel production in these countries less competitive.

The resulting vacuum is being filled by apparel imports from China and Southeast Asia. The political situation in China was too volatile for business in the aftermath of the Tiananmen incident, but it has stabilized enough since then that Japanese apparel makers are once again venturing to invest in China. Elsewhere, improved relations between Vietnam and the United States have made increased Japanese investment in Vietnam a more realistic possibility. Apparel imports from these regions can be expected to continue to grow for the foreseeable future. ■

Imports of Apparel



Source: Monthly Trade, Ministry of Finance

(Kyoko Ueda, economist)