

# Prime Mover

Japan's production of industrial electronic products and electronic components is expected to post an increase of more than 10% in the current fiscal year bolstered by the robust growth of demand for computers, communications equipment and ICs. The speed of growth of the two fields exceeds that of the entire electric and electronic machinery industries, by a wide margin, thus playing the role of prime mover for the industries.

The two sectors' production growth is supported by brisk domestic demand and exports. Domestic demand has maintained a high growth since the latter half of fiscal 1987. This is due mainly to active business investments in information networks, as well as factory and office automation projects. Increased demand for electronic components, brought on by a higher output of electronic machinery needed for such projects, is another contributing factor. The two segments' exports have also maintained a firm tone, thanks to a recovery of demand in the U.S. and Europe.

In the sector of industrial electronic products, domestic shipments of general-purpose computers in the first half of fiscal 1988 showed a growth of over 20% in value terms. This was due mainly to vigorous business investments in information systems, such as banks' phase-3 corporate services computerization projects and distribution businesses' point-of-sales system projects. With regard to personal computers, new laptop and 32-bit types have sold particularly well.

Reflecting the steady pace of office and factory automation among Japanese enterprises, there has been growing demand for facsimile machines and other communications equipment. Particular-



Vigorous business investment in information systems helped boost domestic shipments of general-purpose computers.

ly, medium-sized and small businesses have shown a rapid increase in demand for fax machines.

In the electronic components sector, domestic demand for ICs posted a marked growth. This boom followed a long period in which demand had remained in the doldrums since the semiconductor recession of 1985. IC demand showed a marked growth under the lead of general-purpose memory chips. As a result of a sharp increase in IC demand, mainly from computer makers, the shortage of DRAM and SRAM chips in particular has come to the fore, sending the market higher.

The cautious posture assumed by makers, hit hard by a prolonged slump, in increasing their IC supplies and the delay in the improvement of production yield of the 1-megabit DRAM, which has become the main memory chip in use, have exacerbated the already short supply of ICs.

Exports of computer peripherals and ICs have shown a marked increase, due mainly to the recovery of the U.S. computer market. This shows how heavily U.S. computer interests depend on Japan

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Notes: 1. The fiscal year is from April to March.  
2. Figures for dollars shown in parentheses are converted at the rate of ¥125/\$.

for the supply of such peripherals as printers and disk drives and general-purpose memory chips.

In fiscal 1989, domestic demand for industrial electronic products and components will also continue to be brisk.

In the industrial electronics sector, personal computers and workstations will come into fast-growing use among businesses stepping up office and factory automation.

Regarding ICs, the output of 1-megabit DRAM memory chips will increase by leaps and bounds as a result of semiconductor makers' active buildup of their production capacity and an improvement in their production yield.

Yet the pace of decline in the prices of 1-megabit DRAM chips will probably be relatively slow amid continued firm demand mainly from computer makers. No severe slump like that experienced by semiconductor makers in recent years is likely to recur in the foreseeable future.

Exports are likely to slow in fiscal 1989, due chiefly to the probable slowdown in the growth of the U.S. and European economies and the stepped-up production of facsimile machines and printers overseas by Japanese makers. Fears of a slowdown in the recovery of the U.S. personal computer market constitute another unfavorable factor.

Overall, the nation's domestic production of industrial electronic products and components in fiscal 1989 is likely to post a growth of about 8% over the previous year. ■

(Yasuhiro Nishi, economist)

## Output and Exports of Industrial Electronics

(¥ billion)

	FY 1988 (estimate)			FY 1989 (forecast)		
	1st half	2nd half	Total	1st half	2nd half	Total
<b>Industrial electronic machinery</b>						
Output	5,004.3	5,195.2	10,199.5	5,430.0	5,525.0	10,955.0
Exports	1,519.9	1,588.1	3,108.0	1,622.0	1,666.0	3,288.0
<b>Industrial electronic components</b>						
Output	3,523.7	3,717.5	7,241.2	3,865.0	3,990.0	7,855.0
Exports	1,929.8	1,935.7	3,865.5	2,107.0	2,085.0	4,192.0