

# Creating New Demand

In the field of industrial electric machinery and home electrical appliances, vigorous domestic demand has covered sluggish exports so far in fiscal 1988. Domestic demand has shown a high 10% growth from the previous year, reflecting firm industrial investments in plant and equipment and consumer spending. The scale of increase in domestic demand has far more than offset a decrease in exports.

In the sector of home electrical appliances, the demand for visual and sound reproduction devices and so-called "white appliances" like refrigerators and washers has posted a high growth since the latter half of fiscal 1987. This is due chiefly to firm consumer spending and to a high number of housing construction starts that lasted until the first half of fiscal 1988.

By type, sales of camera-VCR combinations, minicomponent stereos fitted with compact disk players and microwave ovens have shown a high growth as they have become more popular. Color TVs and console-type VCRs, which used to be the pacesetters in domestic demand for home appliances, have also maintained a steady growth. It was feared that the demand for these two products, which have entered a phase of maturity, might slow. Domestic shipments of these appliances have increased, however, thanks to new demand created by the marketing of high value-added types.

In the case of console-type VCRs, the diffusion rate of which has reached an estimated 60%, hi-fi types and high-function types like the S-VHS and ED Beta have been marketed to create new demand. The color TV market was also



Strong consumer spending and a high number of housing starts has helped boost demand for home electrical appliances.

brisk, with larger TV sets creating new demand. Larger TV sets, from the 24-inch screen upwards, are expected to account for 40% of total color TV shipments by the end of fiscal 1988. This percentage share represents a phenomenal increase over the mere 5% recorded in fiscal 1985.

The creation of new demand through the development and marketing of such high value-added and large models is also seen among "white appliances" for which the market has even more matured. Four million units had been considered the ceiling for domestic shipments of "white appliances." Domestic shipments of refrigerators and washers in fiscal 1988 are held certain to exceed that level, however. This is due chiefly to a rapid shift in demand for 300-liter capacity or larger refrigerators and 4 kilogram-capacity or larger and fully automatic washers, though replacement demand is another factor to be considered.

In the segment of industrial electric machinery, domestic demand for heavy-duty models is brisk. Among such items are public works-related systems like water supply and sewage control and monitoring systems, construction equipment

related to offices and other business buildings, such as uninterruptive power supply equipment, and industrial investment-related products like AC motors, distribution switchboards and switching machinery.

Exports of all main home appliances except camera-VCR combinations are on a downtrend. Exports of industrial electric machinery are also slowing, due partly to a dropping off in power plant projects overseas and partly to reduced Japanese competitiveness resulting from the yen's rise against the U.S. dollar.

It is possible that in fiscal 1989, no major appliance will make a big hit in the domestic market. Shipments of camera-VCR combinations will increase further, however, and the trend will be toward higher value-added types of color TVs and VCRs, such as HDTV, EDTV, liquid crystal TV and TV-VCR combinations.

Since the market for home appliances is basically a mature one, and sales of home appliances have shown quite a high growth so far in fiscal 1988, the sales of such appliances will also continue to increase in fiscal 1989, but the rate of increase will be smaller.

Exports of home appliances will slow further in fiscal 1989, due partly to intensified competition with Asian NIEs and partly to stepped-up production overseas by Japanese manufacturers. Imports of electric machinery will continue to post high growth under the lead of home appliances. With Japanese manufacturers shifting their production centers increasingly to the Southeast Asian region, their imports from such production points will build up further in the coming year. ■

(Yasuhiro Nishi, economist)

## Output and Exports of Electronic and Electric Machinery

(¥ billion)

	FY 1988 (estimate)			FY 1989 (forecast)		
	1st half	2nd half	Total	1st half	2nd half	Total
<b>Consumer electronic products</b>						
Output	1,915.4	2,068.5	3,983.9	1,862.0	1,997.0	3,859.0
Exports	1,105.9	1,006.6	2,112.5	1,016.0	920.0	1,936.0
<b>Consumer electrical appliances</b>						
Output	1,274.3	1,202.0	2,476.3	1,278.0	1,195.0	2,473.0
Exports	170.0	156.0	326.0	164.0	150.0	314.0
<b>Industrial electric machinery</b>						
Output	1,555.0	1,658.5	3,213.5	1,615.0	1,690.0	3,305.0
Exports	482.4	470.5	952.9	495.0	480.0	975.0