

Contrasting Outlooks

In home electrical and electronic appliances, the outlook is bright for some products and dim for others. While electrical appliances with higher value-added devices look promising, electronic appliances with already high added value, such as VCRs, do not look likely to turn in stellar performances. The domestic output of home electrical appliances is thus forecast to continue stable growth in fiscal 1991, while home electronic appliances will likely post negative growth.

VCRs typify the sluggish electronic appliance sector. In the early 1980s, demand for VCRs built steadily as more and more households purchased the devices. Around the middle of the 1980s, a shift in consumer preferences became the critical factor, boosting consumer demand for VCRs. The changes in product cycles and ownership patterns were behind this shift: shortened replacement cycles and increased replacement demand stimulated by intensified marketing of high value-added products such as hi-fi and high-definition types; plural ownership of VCRs increased due to higher VCR ownership by second-generation baby-boomers.

But high-level VCR demand has reached a turning point, due partly to the fact that household penetration may have reached the saturation point (66.2% as of February 1990) and partly because high



Electrical and electronic appliances featuring "fuzzy logic" controls sold extremely well in 1990.

value-added products have apparently run their course in the market (hi-fi types accounted for 70.3% of total domestic shipments in 1989). Since fiscal 1989, domestic demand for VCRs has been declining; it will probably not reach its previous high levels in the early 1990s because of the saturation of high value-added products.

High-definition TV (HDTV) and digital audio taperecorders (DAT) are expected to replace VCRs as next-generation star products, but no major expansion of demand is projected for the first half of the 1990s. The appearance of products that become hits on a more modest scale will therefore most likely be a key to taking up the slack in the home electronics sector. Products related to broadcasting satellites and communications satellites are expected to play this role, as they will likely hit the market in full force in 1991.

Home electrical appliances are projected to post domestic demand growth of close to 5% in fiscal 1990, reflecting a strong performance in the high value-added sector. A record shipment of air

conditioners, due to a long spell of very hot weather last summer, was another major factor in increased demand.

High value-added products are expected to do well into fiscal 1991. These will include appliances such as washers and microwave ovens with built-in "fuzzy control" devices, as well as fully automatic washers and large refrigerators. The likelihood that home owners will continue to be increasingly concerned about efficient housekeeping suggests that such high value-added products will do well throughout the 1990s. Hopes are also high for the market performance of such products as 200-volt home electrical appliances (e.g. washers fitted with driers and ultralarge refrigerators) and home-automation systems (centrally controlled home appliances operated by a fuzzy-logic computer).

The industrial electric machinery business has done quite well in fiscal 1990, thanks to a brisk influx of domestic orders from electric power companies and other companies fulfilling their capital investment plans.

In fiscal 1991, domestic demand will likely show somewhat slower growth, as orders from electric power companies and other enterprises decline. Orders for electric machinery concerned with buildings is one sector that is expected to maintain its present vigor.

Exports of home electrical and electronic appliances to Southeast Asia and Europe, including Eastern Europe, have made a good showing in fiscal 1990. Shipments of industrial electric machinery to Southeast Asia also performed well during the year. In fiscal 1991, however, exports of home appliances to Eastern Europe will likely run their course, and a marked slowdown is expected in the growth rate of overseas shipments of electric machinery, particularly home appliances.

(Yasuhiro Nishi, senior economist)

Electric and Electronic Machinery Supply and Demand

(¥ billion)

	FY 1990 (estimate)	FY 1991 (forecast)
Consumer electronic appliances		
Output	4,015 (2.4)	3,985 (-0.7)
Exports	2,450 (4.5)	2,420 (-1.2)
Imports	130 (-15.6)	135 (3.8)
Domestic demand	1,695 (-2.1)	1,700 (0.3)
Consumer electrical appliances		
Output	2,585 (4.4)	2,627 (1.6)
Exports	380 (4.3)	380 (0.0)
Imports	87 (15.1)	93 (6.9)
Domestic demand	2,292 (4.7)	2,340 (2.1)
Industrial electric machinery		
Output	3,835 (5.9)	3,910 (2.0)
Exports	1,160 (4.5)	1,160 (0.0)
Imports	260 (21.0)	280 (7.7)
Domestic demand	2,935 (7.6)	3,030 (3.2)

Note: Figures in parentheses denote growth rate over the previous year.