

Prosperity Continues

Domestic demand for industrial machinery increased markedly in 1989, as it had in the previous year, due to favorable factors including increased investment in research and development, mainly by the electric machinery, automotive and precision instruments industries to meet diversified consumer needs and a growing consumer inclination toward high-function goods. Another factor was investment in labor-saving and more modern equipment by such industries to prevent the effects of labor shortages which are becoming more serious. Due to the yen's depreciation against the U.S. dollar, exports of industrial machinery posted a double-digit increase from the previous year under the lead of high value-added products. Vigorous domestic and overseas demand stimulated production of metalworking machinery and various other types of machinery exceeding the level before the yen began its precipitous rise in 1985.

In 1990 the industry is expected to continue doing well, due mainly to domestic demand remaining vigorous. The industry's long period of prosperity is the result of a very cautious stance taken by machinery manufacturers toward increases in capacity and production. These makers suffered from sluggish prices and unprofitable orders in the 1986-87 recession. In 1990, the pace of export growth will slow somewhat, in view of the continued ex-

pansion of the production overseas of construction machinery, office machinery and machine tools.

Construction machinery

In 1989, domestic demand for construction machinery, especially excavators, enjoyed considerable growth. In 1990, too, domestic demand will be the spur to expansion, with numerous construction projects in the center of Tokyo and in various industrial centers.

Exports, however, are likely to decrease, reflecting expanding offshore production by Japanese companies.

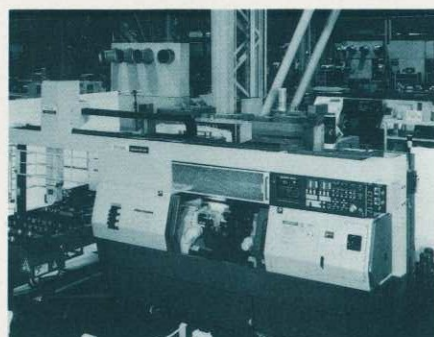
Machine tools

In 1989, domestic demand for machine tools continued to show marked growth as a number of corporations introduced flexible machining cells and flexible manufacturing systems for unmanned overnight operation to meet manpower shortages. Exports also rose as the export ceiling to the United States was raised.

In 1990, too, production is expected to continue its expansion to meet active domestic demand, as machine tool manufacturers have a large order backlog and prices are remaining steady.

Office equipment

Domestic demand for office equipment is likely to remain brisk in 1990, as it was in 1989, because of strong



A number of companies introduced flexible machining cells and flexible manufacturing systems for unmanned overnight operation to meet manpower shortages.

demand for such items as copiers and Japanese-language word processors from corporations enjoying handsome profits. There will also be active demand from individual consumers for portable word processors.

Exports will probably dip toward the latter half of 1990 as a result of increasing overseas production of copiers, electronic calculators and other equipment.

Precision instruments

Among precision machinery, domestic shipments of single-lens reflex cameras and exports of timepiece movements, mainly to Hong Kong, showed high growth in 1989. In 1990, domestic demand for cameras will probably remain brisk, while timepiece exports will likely slow because of increasing stocks of timepiece parts overseas.

Agricultural machinery

In 1989, domestic demand for agricultural machinery continued to sag, mirroring a 30% reduction in rice acreage and growing trends toward the liberalization of farm product imports. Exports also suffered a setback, due mainly to reduced shipments to the United States, Japan's foremost overseas market.

In 1990, domestic demand will probably stop declining, thanks to increased demand for large items of agricultural machinery, resulting from stepped-up large-scale rice cultivation, and increased nonfarm income of farming families involved in other businesses.

(Makoto Tamaki, senior economist)

Industrial Machinery Supply and Demand

