

Signs of a Setback

In the electrical and electronic appliances industry, the electric machinery sector will show a high growth rate of 6% to 7% in fiscal 1991, thanks to increased sales of air conditioners. In contrast, the electronic machinery division will register negative growth, due to slack domestic demand. In fiscal 1992, both sectors will suffer a setback of about 1%. In the case of electrical appliances, the setback will result partly from a decline in domestic sales of air conditioners.

Domestic demand for consumer electronic appliances has been greatly affected by sluggish sales of VCRs. This sales slowdown stems from reduced new demand resulting from a rise in the diffusion rate, and reduced replacement demand arising from the fact that manufacturers' efforts to develop higher value-added products have now run their course. Domestic sales of camcorders, camera-VCR combinations, which had pulled domestic VCR demand upward in the past few years, have begun slowing. Such a trend is likely to spill over into fiscal 1992 and to continue throughout the year.

Exports of consumer electronic appliances have decelerated throughout fiscal 1991 and will continue to do so for the rest of the year, due partly to sluggish shipments to North America. A slowdown in exports to Eastern Europe and Southeast Asia, which had been in fine shape in fiscal 1990, is also a contributing factor. In fiscal 1992, exports are unlikely to build up appreciably despite some recovery in shipments to the U.S.

High-definition television (HDTV) is being counted on as a major next-generation electronic appliance following the VCR. In November 1991, trial broadcasts of Hi-Vision (the Japanese version of HDTV) for eight hours a day got under way, using a broadcast satellite, and it is now drawing increasing public attention. Hi-Vision receivers are now priced at a high ¥4 million (\$30,770) or so. No full-scale diffusion of HDTV can thus be expected until prices are lowered to about ¥1 million (\$7,700) per receiver, and regular broadcasting starts.

In the electrical appliances sector, domestic shipments of air conditioners hit a

new all-time high and domestic output will show very high growth in fiscal 1991. In fiscal 1992, however, shipments of air conditioners will suffer a setback in reaction. In particular, further expected weakness in the housing industry means the electrical appliance industry will face considerable difficulties.

Housing starts in fiscal 1991 are estimated to decline to 1.35 million units and further to 1.30 million in fiscal 1992, down 300,000 to 350,000 units from the 1990 level. This decrease will have the effect of reducing demand for home electrical and electronic appliances, especially electrical appliances, by more than ¥50 billion (\$385 million). Replacement demand for washing machines and refrigerators was active as a result of the development and marketing of high value-added types. However, these appliances are now seeing slowing demand growth. As a result, the electrical industry will suffer a domestic demand setback in fiscal 1992 for the first time in several years.

Industrial electric machinery, on the other hand, is expected to achieve a high 6% growth rate in fiscal 1991, thanks to increased domestic demand, arising from a high level of capital investments by electric power companies as well as strong building-related demand. Exports will register growth of about 5% as makers of heavy-duty electric machinery are



New home electrical and electronics products are being introduced one after another.

more selective in taking overseas orders.

In fiscal 1992, industrial electric machinery growth will decline to about 2%, due to a slowdown in corporate capital spending, which is expected to decelerate to about 3% for the power companies. ■

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Electric and Electronic Machinery Supply and Demand

(¥ billion)

	FY 1991 (estimate)	FY 1992 (forecast)
Consumer electrical appliances		
Output	3,020 (6.7)	2,980 (-1.3)
Exports	375 (1.3)	385 (2.7)
Imports	105 (26.5)	115 (9.5)
Domestic demand	2,750 (8.2)	2,710 (-1.5)
Consumer electronic appliances		
Output	4,230 (-0.5)	4,200 (-0.7)
Exports	2,720 (0.7)	2,740 (0.7)
Imports	120 (10.7)	120 (0)
Domestic demand	1,630 (-1.6)	1,580 (-3.1)
Industrial electric machinery		
Output	4,200 (6.0)	4,285 (2.0)
Exports	1,200 (5.6)	1,190 (-0.8)
Imports	295 (10.7)	310 (5.1)
Domestic demand	3,295 (6.6)	3,405 (3.3)

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