

Auto Market Matures

By Satoru Mizuhira

Japan's automobile industry, with 11 companies that produced 11,120,000 vehicles in 1983, has led the world in production since 1980. The growth of the domestic market since Japan's era of high economic growth of the 1960s and the current worldwide demand for smaller vehicles following the world oil crises are factors that have contributed to the growth of Japan's auto industry. Apart from such factors, however, the industry itself has striven to raise productivity through capital investment and through the systematic organization of parts suppliers. These measures have contributed in large measure toward increasing the industry's competitive strength in the international small car market.

Approximately 700,000 people are directly engaged in manufacturing motor vehicles. Including those in related sectors, the number accounts for roughly 11% of Japan's work force. It is a broadly based, integrated industry with its approximately 15,000 parts and components coming from a variety of sources; its output constitutes roughly 11% of the value of Japan's manufactures and about 22% of the country's exports.

Domestically, one in five people owns a passenger car. In 1983, 61% of households owned one car and 12% owned more than one, which indicates that the market has attained maturity, with the

emphasis now on replacements. In the overseas market, Japanese vehicles have earned a reputation for offering high quality at a reasonable price and sales have expanded rapidly against the background of worldwide demand for compact vehicles. However, the decline in the competitive strength of U.S. and European automakers and moves toward domestic production in developing countries have served to strengthen protectionism throughout the world. The result is an increasingly tough export market for Japanese automakers.

Truck sales recover

On the domestic side, several factors helped create a bright outlook during the first half of 1984. These included the extension in 1983 of the period between compulsory vehicle roadworthiness inspections and the introduction of new models toward the end of the preceding year. But sales declined during the latter half of the year although truck sales rose throughout 1984 as the economic recovery stimulated the overland movement of freight.

Overseas, the United States continued to be the principal market, with the quota under the Japanese voluntary export restraint raised by 10% and with the demand for small-sized trucks increasing. In

Europe, on the other hand, conditions were sluggish in both France and West Germany, with sales declining in both cases. Meanwhile, among the developing countries, exports to Southeast Asia were brisk.

The outlook for domestic demand in 1985 is somewhat brighter than were the results in 1984. The economy is expected to continue its gradual recovery, while some replacement demand is foreseen as a result of the 1983 extension of the roadworthiness inspection period. The introduction of new models toward the end of 1984 are expected to stimulate demand. Truck sales, which bottomed out in 1984, are expected to mark a slow recovery.

Exports in 1985 are generally expected to pick up, influenced by the continued expansion of the U.S. economy, the deep-rooted preference for Japanese vehicles and the steady expansion of the small-truck market. In Europe, however, there is little to indicate a speedy market recovery. The developing countries, meanwhile, are expected to feel the effects of the economic recovery in the developed countries, which in turn is expected to stimulate demand, particularly in Southeast Asia.

Factors for growth

With the increasing rate of ownership, the Japanese domestic automobile market is approaching maturity. However, factors exist on which hopes for growth can be pinned. They are: 1) the fact that the rise in the cost of automobile ownership, including fuel, is still below the increase in the consumer price index, 2) the trend toward multiple car ownership due to the increase in women drivers and the possibility of influencing elderly drivers to keep their cars and 3) the technological capability of Japanese automakers to meet diversifying demands, including lower prices, of potential customers and prospects of further electronic and other technological innovations.

With regard to trucks, the domestic market could be said to have reached saturation point because of the slowdown in economic growth since the oil crises, the rationalization of goods distribution and the high 90% share of freight transportation held by trucking.

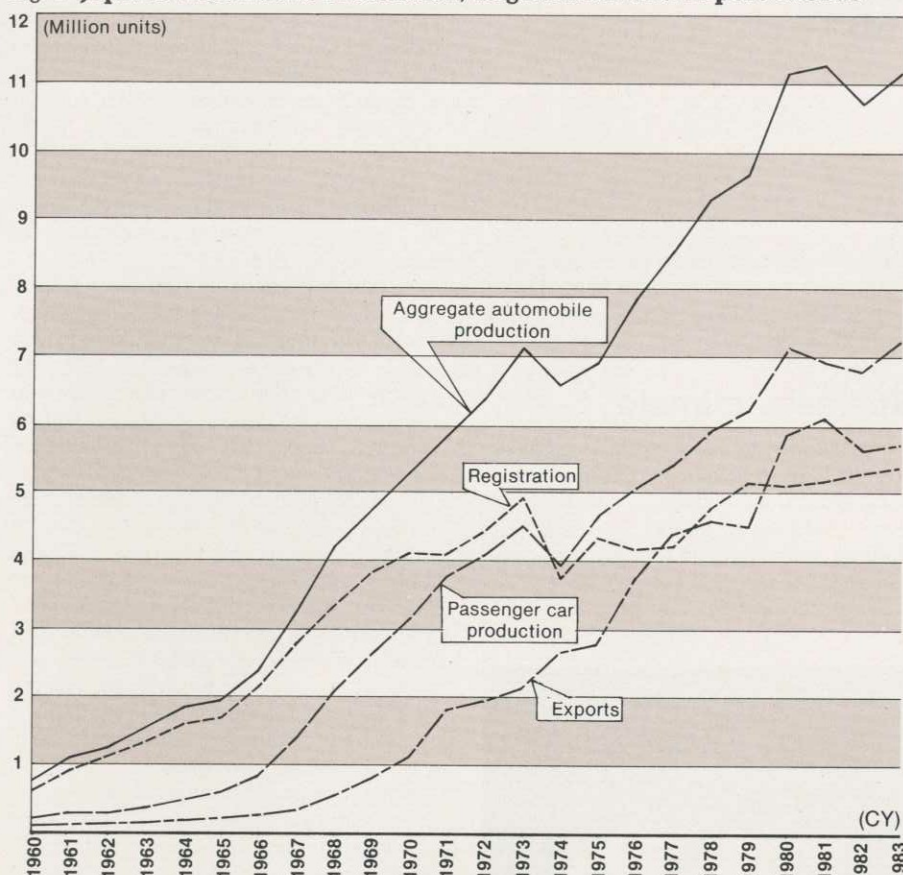
Therefore, it is likely that overall domes-



Honda of America Mfg. Inc.'s Ohio plant. Japanese automakers will try to survive in the tough international market through more local production and assembly.

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Fig. 1 Japan's Automobile Production, Registration and Export Trends



Source: 1984 Automobile General Data Book, Japan Automobiles Dealers Association

Fig. 2 Japanese Automakers' Overseas Assembly and Production Bases

Region	Country	Nissan	Diesel	Fuji	Toyota	Hino	Mazda	Daihatsu	Mitsubishi	Honda	Isuzu	Suzuki
Asia & Middle East	Taiwan	△	△	△	△	△	△	△	△	△	△	△
	South Korea	△	△	△	△	△	△	△	△	△	△	△
	China	△	△	△	△	△	△	△	△	△	△	△
	India	△	△	△	△	△	△	△	△	△	△	△
	Malaysia	△	△	△	△	△	△	△	△	△	△	△
	Philippines	△	△	△	△	△	△	△	△	△	△	△
	Indonesia	△	△	△	△	△	△	△	△	△	△	△
	Thailand	△	△	△	△	△	△	△	△	△	△	△
	Burma	△	△	△	△	△	△	△	△	△	△	△
	Pakistan	△	△	△	△	△	△	△	△	△	△	△
	Iran	△	△	△	△	△	△	△	△	△	△	△
	Britain	△	△	△	△	△	△	△	△	△	△	△
Europe	Italy	△	△	△	△	△	△	△	△	△	△	△
	Ireland	△	△	△	△	△	△	△	△	△	△	△
	Greece	△	△	△	△	△	△	△	△	△	△	△
	Spain	△	△	△	△	△	△	△	△	△	△	△
	Portugal	△	△	△	△	△	△	△	△	△	△	△
Americas	U.S.	△	△	△	△	△	△	△	△	△	△	△
	Canada	△	△	△	△	△	△	△	△	△	△	△
	Brazil	△	△	△	△	△	△	△	△	△	△	△
	Mexico	△	△	△	△	△	△	△	△	△	△	△
	Venezuela	△	△	△	△	△	△	△	△	△	△	△
	Peru	△	△	△	△	△	△	△	△	△	△	△
	Chile	△	△	△	△	△	△	△	△	△	△	△
	Colombia	△	△	△	△	△	△	△	△	△	△	△
	Ecuador	△	△	△	△	△	△	△	△	△	△	△
	Trinidad Tobago	△	△	△	△	△	△	△	△	△	△	△
	South Africa	△	△	△	△	△	△	△	△	△	△	△
	Nigeria	△	△	△	△	△	△	△	△	△	△	△
Oceania & Africa	Tunisia	△	△	△	△	△	△	△	△	△	△	△
	Kenya	△	△	△	△	△	△	△	△	△	△	△
	Zimbabwe	△	△	△	△	△	△	△	△	△	△	△
	Australia	△	△	△	△	△	△	△	△	△	△	△
	New Zealand	△	△	△	△	△	△	△	△	△	△	△
		△	△	△	△	△	△	△	△	△	△	△

Source: Automotive Industry Handbook by Nissan Motor Co.
Note: () indicates plants scheduled to go into production during 1984.

tic demand for automobiles will grow by 2% to 3% annually.

As for the overseas market, the protectionism emerging worldwide is exerting increasing pressure against exports. Although the Organization of Economic Cooperation and Development (OECD) forecasts that global demand for passenger cars will grow at 2% to 3% annually during the 1980s, the export of assembled vehicles from Japan appears to have reached a plateau and future rapid expansion cannot be expected. However, demand for compact cars remains strong in the United States, the world's largest market, so the Japanese automakers undoubtedly will strive to survive in the international market through more local assembly and production, licensed local production, and assistance to the local auto industry.

In view of these factors, the Japanese automobile industry is taking the following measures:

1) Technology and know-how promotion

The development and accumulation of technology to meet the evolving social and market demands is being promoted. Measures to achieve price competitiveness is particularly urgent because of the efforts of the U.S. and South Korean automakers to catch up with and surpass their Japanese counterparts. Productivity has been boosted by the *kanban* (just-in-time inventory) system, but efforts continue with measures such as the integration of design and production through the application of CAD/CAM (computer-aided design/computer-aided manufacturing), further robotization of the assembly line and shorter lead times for new vehicle development. Moreover, the technologies of electronics and new materials, which have helped combat environmental pollution, are being utilized to increase added value and to cope with product differentiation.

2) Internationalization

Greater efforts are being made toward production overseas to deal with the increasing resistance abroad to assembled vehicle imports. In this respect, some of the major issues to be tackled are the effective transfer abroad of Japanese production technology, quality control and labor management—within the limitations imposed by the policy of domestic production in the countries concerned.