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Unraveling Textile Problems

By Mitsuaki Tsuchiya

The textile industry plays an important role in Japan's national economy. Shipments reach ¥12.3 trillion (\$51.3 billion) a year, accounting for 5.5% of total manufactured shipments. The industry employs 1.24 million people, or 11.7% of the manufacturing work force. Employment including related industries (distribution and retailing) totals 2.5 million.

Japan's textile industry is also a world leader. Synthetic fiber production—1.3 million tons in 1982—is second only to the United States. Japan ranks sixth in cotton yarn output (460,000 tons in 1981) and fourth in wool production (290,000 tons in 1982).

Structure

Textiles require a long production process ranging from yarn and staple manufacturing to finished product. In Japan, different businesses occupy each stage. There are synthetic fiber and spinning industries upstream; weaving, knitting and dyeing industries in midstream; and fabric industries downstream. The upstream industries consist of a small number of large companies. The midstream and downstream industries are mostly small and medium-sized enterprises. Furthermore, trading capital (trading companies, producer-wholesalers, and merchant wholesalers) plays an important intermediary role, making the industrial structure extremely complex.

Weavers, dyers, fabricators and other textile firms are organically linked, forming several producing centers. Thus, the industry is closely related to regional economies.

At the yarn production stage, synthetic fiber and synthetic spun yarn make up 59% of total output, cotton yarn 23% and rayon 11% (Fig. 1).

Internal demand accounts for 71% of all textile products (as calculated in yarn terms), and exports 29%. Domestic pro-

duction represents 86% of total supply. Both exports and imports continue at high levels, but exports are significantly larger (Fig. 2).

Business climate

The supply-demand balance remained tight in 1984, thanks to the domestic and world economic recovery. However, business conditions varied by product. Natural and staple fibers did well, but demand was sluggish for polyester.

Domestic apparel consumption gradually recovered in 1984. Working house-

hold spending on clothing and footwear increased by 3.5% year-on-year in nominal terms and 1.0% in real terms in the first half of 1984. In 1983 it had leveled off in nominal terms and dropped by 2.2% in real terms, according to the Prime Minister's Office survey.

Demand from industrial users also expanded as a result of the economic recovery, an example being robust demand for industrial tire cord.

Textile exports increased by 6.0% in 1983 over 1982, when they sagged by 13.0%. In the first six months of 1984 sales overseas expanded by another 12.0% over the same period a year before, but the rate of growth varied by product. Secondary goods were up 18.4%, and natural fiber yarn and fabrics 15.7%. Synthetic fiber yarns and fabrics, however, increased only 6.9% due to sluggish exports of synthetic filament fabrics, especially polyester, which are the mainstay of Japan's synthetic fiber and fabric export business. The worldwide preference for natural fibers and reduced purchases by Middle Eastern countries accounted for the drop. Exports of synthetic fabrics are expected to stagnate further as new export contracts, a leading indicator, continue to decline.

Production of synthetic fibers and staples increased by 6.0% in the first half of 1984 over the same period in 1983 (see Table). In particular, nylon filament production, accounting for a large proportion of industrial fibers, expanded by 10.0%. Polyester staple fiber production increased only 2.6%, but prices recovered, particularly for export products, reflecting the recent preference for staple fibers in apparel. In contrast, polyester filament prices sagged from ¥613/kg at the end of December 1983 to ¥540/kg at the end of September 1984. This was because of markedly larger fabric inventories in production centers and manufacturers' yarn inventories due to stagnant exports.

Synthetic fiber makers are expected to record stronger sales and profits in fiscal 1984. In fiscal 1983, the seven largest producers registered ¥2,533.5 billion (\$10.6 billion) in sales and ¥78.9 billion (\$328.8 million) in recurring profits. This year the profit position of polyester staple fiber is expected to improve and non-textile business to expand, although a profit decline is forecast for polyester filaments.



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Mitsuaki Tsuchiya works in the Industrial Research Department of the Industrial Bank of Japan.

Spun yarn production rose by 3.4% in the first half of 1984, supported by the preference for staple fibers at home and abroad. Imports of yarn jumped 35.1%, due largely to a sharp rise in cotton yarn purchases from China. However, supply and demand balance was maintained as spinners took a cautious attitude toward production. The market price for cotton yarns was unchanged from the end of 1983. The eight largest spinners are expected to register higher combined sales and recurring profits for fiscal 1984, after posting ¥28.0 billion (\$116.7 million) in recurring profits on ¥1,404.6 billion (\$5.85 billion) in sales the year before.

The textile business in general is expected to improve as the current economic expansion continues. However, the situation will likely remain harsh for polyester filaments.

Longer-term tasks

The Japanese textile industry is in difficult straits. Domestic demand is beginning to stagnate as the market matures, the Textile Industry Council of the Ministry of International Trade and Industry now projects only modest 1% annual growth. At the same time, international competition is intensifying as production rises in textile-exporting developing countries.

Under these circumstances, the industry faces four major tasks. The first is to develop high-value-added products which cannot be easily copied by other countries. So far, Japan's textile industry has made up for the erosion of its competitiveness resulting from higher oil prices by developing new products. Such efforts should be promoted.

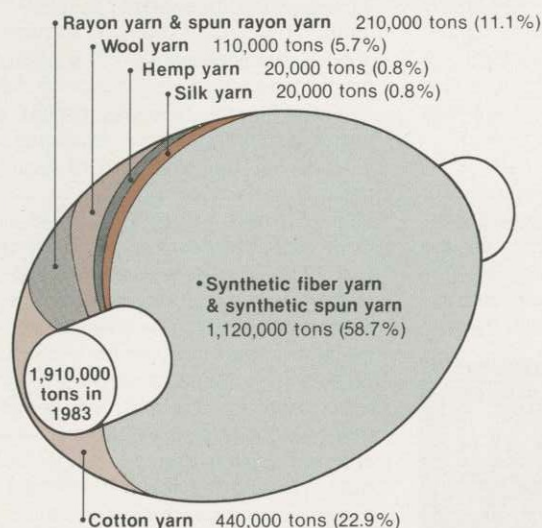
Secondly, costs should be cut further—

through energy conservation, for example. Unit energy consumption in 1982 was already 40% lower than in 1972. But further progress is needed.

Thirdly, orderly investment in new plant and equipment should be ensured over the long term to maintain an appropriate supply-demand balance. Currently, construction of new capacity and the expansion of existing facilities are restricted until June 1986 under a temporary law promoting structural improvement in selected industries.

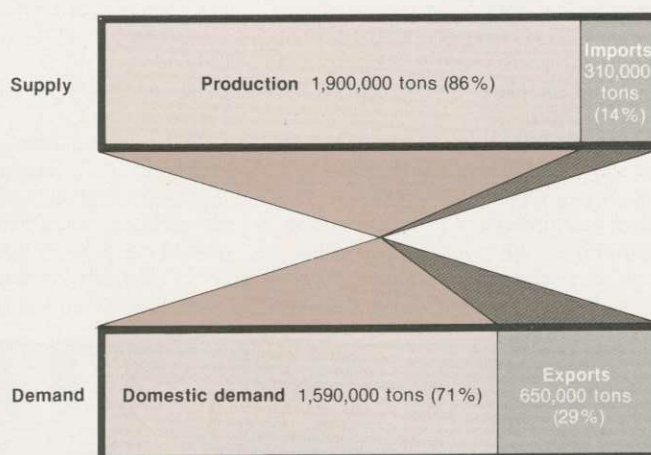
Finally, diversification is called for. At present, non-textile operations account for 40% of the combined sales of the seven largest textile companies. Such operations should be further expanded and improved through the utilization of high polymer technologies in which the Japanese textile industry has rich experience. ●

Fig. 1 Composition of Fiber Production in Japan



Source: Textiles Statistics Yearbook, Ministry of International Trade and Industry

Fig. 2 Textile Supply and Demand in Japan, 1983



Note: Chemical and synthetic staple exports are not included because calculation is made in terms of yarns.

Source: Textiles Statistics Yearbook, Ministry of International Trade and Industry

Production of Synthetics (filament, staple) and Spun Yarn

(thousand tons; percentage change from previous year in brackets)

	Synthetics	Nylon filament	Polyester filament	Polyester staple	Acrylic staple	Others	Spun yarn
1982	1,344 (-1.8)	264 (-6.4)	314 (1.3)	314 (-2.2)	344 (-1.1)	108 (-0.5)	1,220 (3.1)
1983	1,361 (1.3)	271 (2.7)	310 (-1.3)	320 (1.9)	355 (3.2)	105 (-2.8)	1,173 (-3.9)
Jan.-June 1984	705 (6.0)	143 (10.0)	162 (8.0)	160 (2.6)	183 (3.4)	57 (11.8)	610 (3.4)

Source: Monthly Textiles Statistics, Ministry of International Trade and Industry