Faring Better

As in 1988, demand for nonferrous metals in 1989 remained at a very high level. Japan's consumption of the main nonferrous metals such as copper, lead, zinc and aluminum, the second-highest each in the free world after the United States, hit a new high during the year. In 1989, shipments of copper exceeded 1.5 million metric tons for the first time in Japan, where almost all shipments of nonferrous metals are for domestic use. Vigorous domestic demand played the locomotive role in pushing up demand for nonferrous metals.

Shipments by makers of electric wire and cable, which account for 70% of Japan's demand for copper, and brass mills, which account for the other 30%, topped those for 1988, with demand from the electric machinery, electronics and machine industries serving as the locomotive force. Despite the decrease in the number of housing starts in 1989 compared with 1988, shipments of electric wire and cable to construction companies increased substantially, underpinned by the favorable trend of nonresidential construction and investment in equipment and plant.

Shipments of zinc, for which more than 40% of demand came from galvanized steel sheet mills, remained high during the year as an increasing number of automobile users turned to expensive cars, which pushed up the demand for anticorrosive sheets. More lead has also been required due to higher demand for automotive batteries arising from greater car production and car ownership, resulting also in more business for auto repair shops. More aluminum was also being used as a construction material and as cans for drinks, although the growth in demand for cans was somewhat sluggish compared with 1988.

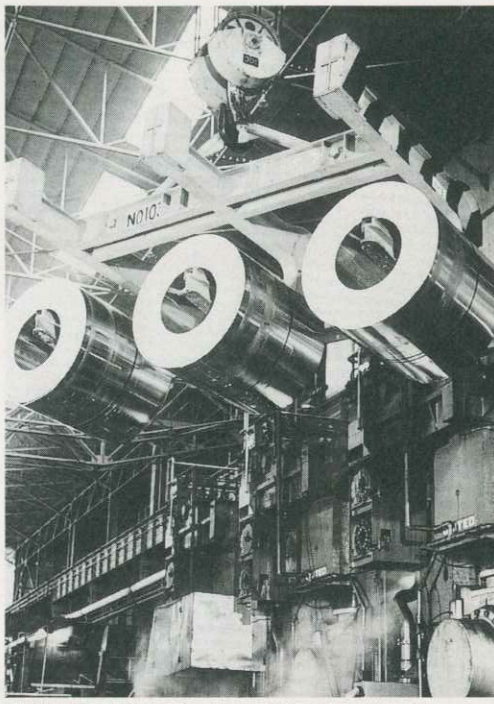
The nonferrous metals market turned brisk in the summer of 1987 as rapidly expanding demand far outpaced supply, which had remained stagnant since the first half of the 1980s to the middle of the decade. The bullish market kept its momentum in 1989 except for aluminum, which began to slacken.

The present high prices of nonferrous metals are greatly benefiting Japanese smelters, which produce copper, lead, zinc and other nonferrous metals, as they are so-called custom smelters who rely on imports for most of their ore supplies, and their margins are influenced by ore prices.

Underlining their good performance, the seven biggest Japanese smelters all posted record profits in the March 1989 settlement of accounts, with three of them having completely wiped out their cumulative deficits. They have made positive efforts to venture into new areas such as new materials, construction materials, industrial machinery and aluminum cans, which have already become important income sources amid brisk domestic demand. Major aluminum rolling mills have also restored their earnings.

The nonferrous metals industry is likely to fare better in 1990 than it did in 1989. Demand for copper, lead, zinc and aluminum is expected to exceed that in 1989, although its growth rate may be somewhat slower. The smelters are expected to enjoy increased earnings as they will be favored by the continued strength of the market for ores, and they will further expand their secondary businesses. Aluminum rolling mills are also likely to earn higher profits in 1990, with demand for aluminum expected to be brisk.

(Kosuke Nakamura, economist)



A hot rolling finishing aluminum mill. Consumption of main nonferrous metals hit a new high in Japan in 1989.

Transition of Nonferrous Metals Demand