

In its *1988 U.S. Industrial Outlook* for the Motor Vehicles Sector, the USDOC bases its forecast for the U.S. automotive parts industry on developments in motor vehicle sales, since the two are so closely linked. With respect to motor vehicle sales, the USDOC reports that shipments of passenger cars suffered a reversal in 1987 from the 4.3% growth achieved in 1986. Shipments were valued at an estimated \$120.9 billion (U.S.) in 1987, a drop of 9% from the 1986 levels. The reversal was attributed to increased imports, faster growth in car prices than incomes, and the decreasing effectiveness of sales incentive programs.

Looking at passenger car imports, the USDOC points out that despite price increases averaging 13% in 1986, sales of imports from Japan, plus those of North-American-built, Japanese-designed vehicles, rose to 24.4% of the U.S. automobile market in 1986 from 21.7% in 1985. It was also noted that the recent decline in imports of Japanese subcompacts has been more than offset by the growth of imports of subcompact models from newly industrialized countries such as South Korea, Brazil and Mexico.

Sales of new vehicles are expected to increase in 1988, and it is anticipated that the traditional U.S. manufacturers will have a better chance in competing for market share as a result of significant improvements in product quality. However, in the longer run, the USDOC sees the market share of those manufacturers continually eroding as a result of increased imports from newly industrialized countries plus expanded U.S. production by foreign manufacturers with plants in the United States. By the early 1990s, the USDOC predicts that Japanese automobile manufacturers will be able to annually produce more than 1.7 million units in the United States and another 350,000 in Canada.

The above trends in the motor vehicle sector were said to translate into long-term real growth for the U.S. parts and accessories industry of not more than 2-3% annually. Estimated industry shipments for 1987 were \$65.1 billion (U.S.) which, according to the USDOC, were still 7% (in constant dollars) below the industry's peak year, 1978, but 4% above the 1986 level. U.S. imports of automotive parts in 1987 were \$20.9 billion (U.S.), an increase of 14.6% over 1986. U.S. exports were \$14.1 billion (U.S.) in 1987. The U.S. trade deficit in automotive parts is expected to climb to \$8.3 billion (U.S.) in 1988.

The USDOC sees the U.S. automotive parts industry as being in a "dynamic and critical period". The decline in the production of the Big Three U.S. automobile producers due to increasing vehicle