Analysis of April-September 2003 and April-September 2002
JAMA Parts Purchasing Data

In the 1987 Market Oriented Sector Selected (MOSS) U.S.-Japan talks, the Japanese Government announced that the Japanese Automobile Manufacturers Association (JAMA) would voluntarily provide to the USG JAMA members U.S. parts purchasing data. This would be the aggregate value of parts purchased from U.S. parts manufacturers for use in the United States and Japan, respectively. The semi-annual data would list the value by six parts categories: 1.) engine, 2.) body , 3.) electrical, 4.) chassis, 5.) accessories, and 6.) materials. When the U.S.-Japan Automotive Agreement was signed in 1995, JAMA again agreed to provide similar data, and also break out original equipment (OE) and original equipment service (OES), or parts purchased for dealership repairs. This format was continued after the two governments agreed to create a new, stand-alone Japan-U.S. Automotive Consultative Group based on the principles of the Japan-U.S. Economic Partnership for Growth, signed June 30, 2001.

The data has been very useful to the USG and the U.S. parts manufacturers since JAMA began providing it in 1987. Industry and the USG have been able to track the progress of Japanese parts purchases, which in turn has helped to measure the effectiveness of the various agreements since 1987. By being able to analyze the trends in the six categories, U.S. industry has been able to note that the Japanese vehicle manufacturers have not limited their purchases to low-value products, but have also increased their purchases of high-value components such as engine and electrical parts.

Half Year Data

- Total parts purchases by JAMA companies for use both in the United States and Japan during the first half of JFY2003–April-September 2003-- increased by 6.5 percent compared with the same period in JFY2002 (Table 1). There have been increases in total purchases of U.S.-made automotive parts by the Japanese vehicle manufacturers every year since 1987, except for the 2000 to 2001 period.

- Parts purchases for use by the Japanese automakers in the United States increased by 7.8 percent over the corresponding period, while U.S. exports of parts to Japan decreased by 6.1 percent.

- JAMA began reporting separately original equipment (OE) and original equipment service (OES) (repair parts sold to Japanese manufacturers) in JFY95. The majority of the U.S.-made parts are used in the assembly of new vehicles in Japanese transplants located in the United States; however, purchases of OES parts for use in the U.S. have been increasing in both value and percentage of total Japanese purchases since 1995. Purchases for OES use increased by 4.7 percent during the April-September 2003 period compared with the same period in 2002. The OES increase in the U.S. for the first half of JFY2003 amounted to $120 million. (The Japanese purchase virtually no parts for OES use in Japan.)

- Comparing purchases among parts categories (engine, chassis, body, electrical, accessories, and materials), purchases increased by 9.6 percent for body parts, and increased from 1.0 percent to 5.8 percent in the other categories.

Full Year Estimate

Based upon data collected during the last eight complete years, we estimate that the Japanese automakers will purchase about $40 billion of U.S.-made parts for JFY2003, or an increase of almost 7 percent over JFY2002. The increase can be attributed to a number of factors. The Japanese vehicle manufacturers produced almost 60,000 more vehicles in their U.S. transplants during the first six months of JFY2003 compared with the same period in JFY2002. Historical data show the U.S. parts content of the same model increases each model year. However, when newer models are introduced such as the new pickup trucks and SUV's, the U.S. content level tends to be much lower initially, then increases over time. The increase in the value of the yen probably had little effect on value of sales of OE parts for Japanese transplants and OES service parts since most contracts for parts extend over a period of years and most are in U.S. dollars. During the past decade, pressure has been placed on U.S. parts manufacturers to actually lower the price of the same part each year, which tends to lower total parts purchases, everything else remaining equal.

In the past, U.S. suppliers stated they were not getting their "fair share" of the Japanese OES market in the United States, and while this may still be accurate, the ratio of OES sales to total sales has been trending upward since 1995. Purchases of OES parts for use in the U.S. increased by $120 million during the first six months of JFY2003 to $2.65 billion, or 4.7 percent. We estimate the Japanese will purchase almost $5.5 billion for OES use for JFY2003. The first year the Japanese reported OES separately (1995), they purchased $1.4 billion for the full year.

Overall Assessment

Although the growth rate of purchases of U.S.-made auto parts has slowed during 1997-2002, production of transplant vehicles has also remained relatively flat during that period. JAMA data show the average U.S. parts content of a transplant vehicle was $10,767 for the first six months of JFY2003 (Table 2), but we believe there is still some room for further growth in this area. (A peak of $11,209 per vehicle was reached in 2001.)

On a calendar year basis, the Japanese share of U.S. production rose from 20 percent in 1997 to nearly 25 percent in 2003 (Table 3), on a volume that increased from 2.3 million units to 2.9 million units.

The increase in purchases of internal engine and electrical parts is very encouraging. The U.S. parts industry previously had expressed concern that the Japanese affiliates would import most of the engines, transmissions, and more complex electrical parts needed for their assembly and service requirements. They had also expressed concern that U.S.-owned suppliers were not being offered the opportunity to sell these high-value parts to the Japanese auto manufacturers for use in Japan.

In fact, U.S. exports of parts to Japan for the first six months of JFY2003 is somewhat discouraging, showing a 6.1 percent decline compared to the same period in JFY2002. Nonetheless, while the value of OES parts sold for use in Japan during the first six months of JFY2003 was disappointing ($101 million), the $2.65 billion in OES parts purchased for use in the United States for Japanese dealerships is encouraging.

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