

Kansai Economic Insight Monthly

2018/11/2

Vol.66 September/October

▼APIR “Kansai Economic Insight Monthly” is an analysis of the economic trends in the Kansai region and of the Kansai-related sectors of China’s economy.

▼The report is scheduled to be published in the fourth week of each month.

▼ Authors: Yoshihisa Inada (Konan University Professor and Director of the APIR Center for Quantitative Economic Analysis), Yusuke Kinoshita (APIR Program officer), Yusuke Ikuta, Nguyet Thi Khanh Cao, Teng Ma (APIR Researchers) and Norihiko Toyohara (Kwansei Gakuin University Professor).

▼The term “Kansai” in this report is identical to the term “Kinki” used by ministries and agencies publishing statistical data. It includes the following prefectures: Shiga, Kyoto, Osaka, Hyogo, Nara, and Wakayama.

Index

Highlights

Trends in the Kansai Economy

Kansai Economic Trend Indices

Major Monthly Statistics

Highlights

- Economic deterioration persists *-

- ✓ Although the Index of Industrial Production (IIP) in August increased for the first time in two months, the July-August average was lower than the Q2 figure. The assessment by the Kansai Bureau of Economy, Trade and Industry remained unchanged for the third consecutive month.
- ✓ Both exports from and imports to the Kansai region declined in September as a result of the temporary closure of Kansai International Airport caused by typhoons Jebi and Trami. Although the current account balance remained positive for the eighth consecutive month, the surplus shrank on a YoY basis.
- ✓ In September, the Economy Watchers Diffusion Index (DI) posted a MoM deterioration for the first time in two months. Despite the negative impact of typhoon Jebi, however, recovery was quick, resulting in only a minor decline.
- ✓ July was the 17th consecutive month of YoY increase in total cash earnings. YoY growth in real wages, however, remained subdued to below 1% for the fifth consecutive month.
- ✓ Sales by large retailers in August shrank YoY for the second month in a row. Although department store sales were in a good shape, driven by domestic demand for brand goods, supermarket sales suffered due to the seasonality in demand for clothing.
- ✓ The number of new housing starts in August decreased MoM for the third month in a row, influenced by the decline in the construction of houses for rent. A bearish tendency can be observed.
- ✓ The effective jobs-to-applicants ratio in August improved for the third consecutive month. Labor supply and demand both remained tight. With the unemployment rate having declined for the second month in a row, the overall employment environment remains in a robust shape.
- ✓ The value of public works contracts in September dropped for the second consecutive month. As a result, Q3 registered a decline for the first time in two quarters. Due partly to stagnating public works, growth in construction works as a whole is decelerating.
- ✓ Inbound tourism bore the brunt of the two typhoons that hit Kansai, with the number of international arrivals at Kansai International Airport in September declining YoY for the first time in 19 months. By country of origin, the number of visitors from Korea, Taiwan and Hong Kong in July shrank for the second consecutive month.
- ✓ China’s real GDP in Q3 expanded +6.5% YoY, decelerating for the second consecutive quarter and reaching the lowest level since 2009Q1. Exports to the United States in September expanded for the sixth month in a row as a result of the last-minute rush in view of an impending trade war. This, however, raises concerns about a potential reactionary fall starting October.

※ Judgment of business conditions is due to APIR’s Kansai CI and CLI.

Trends in the Kansai Economy

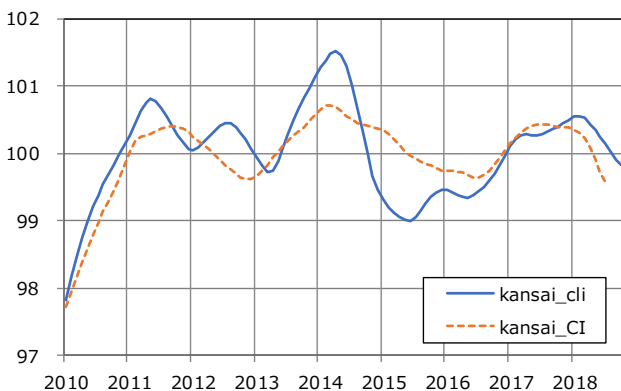
	2017				2018								
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Production	↘	↗	↗	↗	↘	↗	↗	↗	↘	↗	↘	↗	
Trade	↗	↗	↗	↗	↗	↘	↗	↗	↗	↗	↗	↗	↗
Sentiment	↗	↗	↗	↗	↘	↘	↗	↗	↘	↗	↘	↗	↗
Consumption	↗	↗	↗	↗	↗	↗	↗	↗	↘	↗	↘	↗	
Housing	↗	↗	↗	↘	↘	↗	↘	↗	↗	↗	↗	↗	
Employment	↗	↗	↗	↗	↗	↗	↘	↘	↗	↗	↗	↗	
Public Works	↘	↗	↗	↗	↗	↘	↗	↗	↘	↗	↗	↘	↘
China	↗	↗	↗	↗	↗	↗	↗	↗	↗	↘	↘	↗	↘

(*Criteria for determining the trends)

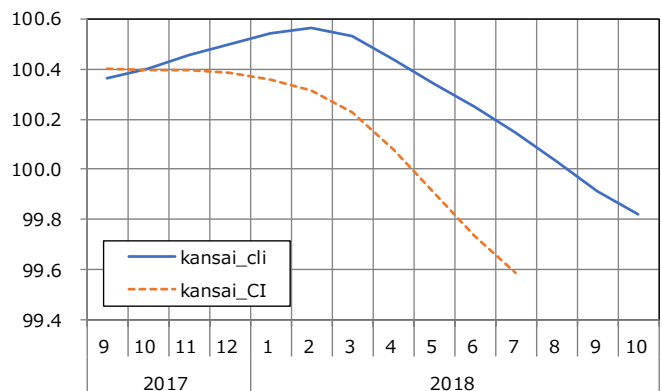
- **Production:** The trend is positive if there is at least a 0.5% month-over-month increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend is positive if there is an improvement in the trade balance of 50 billion yen or more compared to the same month of the previous year according to the Osaka Customs trade statistics. If there is a deterioration of more than 50 billion yen, the trend is negative. Otherwise, the trend is stable.
- **Sentiment:** The trend is positive if the Diffusion Index (DI) for the Kinki region published in the Cabinet Office 'Economy Watchers Survey' improves by at least 1 point from the previous month. If it deteriorates by 1 point or more, the trend is negative. Otherwise, the trend is stable.
- **Consumption:** The trend is upward if the monthly large retail store sales index (all stores) compiled by the Kansai Bureau of Economy, Trade and Industry increases by 1% or more year-over-year. If it decreases by more than 1%, the trend is downward. Otherwise, the trend is stable.
- **Housing:** The trend is upward if new housing starts increase by 5% or more year-over-year according to the housing construction statistics published by the Ministry of Land, Infrastructure and Transport. If there is a decrease of 5% or more, the trend is downward. Otherwise, the trend is stable.
- **Employment:** The trend is positive if there is an improvement of at least 0.01 point in the seasonally adjusted effective job offerings-to-applicants ratio published by the Ministry of Health, Labor and Welfare. If there is a deterioration of 0.01 points or more the trend is negative. Otherwise, the trend is stable.
- **Public Works:** The trend is positive if the monetary value of public works contracts increases by at least 5% year-over-year as per the statistics on advance payment guarantees released by West Japan Construction Assurance Ltd. If it decreases by 5% or more, the trend is negative. Otherwise, the trend is stable.

The Kansai Economic Trends Indices: the Composite Index(CI) and the Composite Leading Indicator(CLI)

Long-term trends in CI and CLI (2010/1~2018/10)



Latest trends in CI and CLI (2017/9~2018/10)



※Economic forecasts are based on the Kansai economic trend indexes (CI, CLI) developed by APIR.

Major Monthly Statistics

Monthly statistics	17/9M	17/10M	17/11M	17/12M	18/1M	18/2M	18/3M	18/4M	18/5M	18/6M	18/7M	18/8M	18/9M
Business Confidence													
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	51.8	53.3	55.2	56.2	52.4	50.7	50.1	50.1	47.5	48.6	46.7	49.6	48.8
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	49.6	55.6	51.7	49.9	53.4	51.0	52.3	52.1	50.8	52.4	50.8	51.2	52.9
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	51.1	52.0	54.1	53.9	49.9	48.6	48.9	49.0	47.1	48.1	46.6	48.7	48.6
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted)	51.1	54.5	53.4	52.7	52.4	51.4	49.6	50.1	49.2	50.0	49.0	51.4	51.3
Consumer Sentiment Indices													
[Kansai] Consumer Confidence Index (original index)	43.1	43.6	43.8	43.4	44.4	43.2	42.9	42.9	43.2	43.3	42.9	43.2	42.7
[Kansai] overall livelihood (original index)	41.7	41.7	41.9	40.9	42.2	40.6	40.6	40.7	41.5	41.5	40.9	41.2	39.6
[Kansai] income growth (original index)	41.8	41.8	41.9	41.0	42.7	41.8	41.1	41.6	42.1	41.7	41.8	41.8	41.8
[Kansai] employment conditions (original index)	45.9	47.9	48.2	49.1	49.3	48.2	48.5	47.4	47.1	47.4	47.0	47.9	47.1
[Kansai] willingness to buy durable goods (original index)	42.8	43.0	43.3	42.7	43.4	42.2	41.3	41.7	42.1	42.4	41.9	41.7	42.2
[Japan] Consumer Confidence Index (seasonally adjusted)	44.1	44.4	44.6	44.6	44.6	44.3	44.3	43.6	43.8	44.1	43.5	43.3	43.4
[Kansai] Large retail store sales (billion yen)	293.8	310.3	329.4	410.6	332.9	286.3	316.9	305.1	302.8	306.5	331.0	304.9	UN
[Kansai] Large retail store sales (YoY % change, all stores)	3.4	-0.2	1.7	1.0	0.6	-0.1	1.0	0.2	-2.0	0.5	-2.4	-0.2	UN
[Japan] Large retail store sales (billion yen)	1,496.8	1,588.8	1,671.3	2,092.1	1,682.6	1,456.5	1,635.1	1,556.2	1,566.4	1,603.0	1,700.2	1,575.0	UN
[Japan] Large retail store sales (YoY % change, all stores)	1.8	-0.5	1.4	1.2	0.5	0.5	0.2	-0.1	-1.4	2.1	-1.0	0.6	UN
Housing & Construction													
[Kansai] New housing starts (number of units)	11,354	12,164	11,764	10,224	9,196	11,387	10,788	13,392	14,140	11,737	12,151	11,768	UN
[Kansai] New housing starts (YoY % change)	-0.7	-1.5	-4.0	-7.7	-19.4	7.0	-8.5	13.4	27.2	-2.2	-3.6	-0.2	UN
[Japan] New housing starts (number of units)	83,128	83,057	84,703	76,751	66,358	69,071	69,616	84,226	79,539	81,275	82,615	81,860	UN
[Japan] New housing starts (YoY % change)	-2.9	-4.8	-0.4	-2.1	-13.2	-2.6	-8.3	0.3	1.3	1.3	-7.1	-0.7	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	76.6	75.6	76.9	78.6	81.9	84.9	67.1	70.4	66.6	73.1	72.1	78.8	74.8
[Kansai] Residential lots contract ratio (original index)	74.5	74.2	77.7	74.9	78.1	83.9	67.3	71.0	69.5	75.6	74.0	80.6	72.8
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	66.8	65.7	68.1	74.0	68.1	63.5	73.0	63.3	61.0	64.1	62.6	64.9	68.5
[Tokyo area] Residential lots contract ratio (original index)	64.9	60.7	67.9	72.5	65.2	65.0	74.7	63.0	62.2	66.0	67.8	64.5	66.5
[Kansai] Advance Payment Guarantees (APGs) for public works (billion yen)	139.4	129.9	85.4	97.5	65.4	49.8	122.2	211.7	116.4	134.5	140.9	95.4	109.3
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	-8.1	11.7	13.2	1.8	7.5	-26.9	3.4	4.9	-21.0	9.9	17.1	-7.1	-21.6
[Japan] Advance Payment Guarantees (APGs) for public works (billion yen)	1,319.1	1,171.2	863.3	797.3	610.1	613.9	1,269.7	2,177.7	1,285.7	1,433.9	1,252.0	1,124.1	1,218.6
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-10.4	3.9	5.0	-6.4	-12.8	-20.2	-14.5	5.5	3.5	-5.6	-2.9	-2.2	-7.6
[Kansai] Construction works (total, billion yen)	536.8	547.9	586.5	608.9	589.9	570.2	558.6	484.7	482.3	513.4	504.7	529.4	UN
[Kansai] Construction works (total, YoY % change)	-2.7	-5.6	-1.8	1.6	0.0	-2.2	0.2	2.9	3.7	6.2	0.9	2.5	UN
[Japan] Construction works (total, billion yen)	4,689.1	4,902.6	4,970.9	5,054.8	4,929.2	4,808.8	4,751.6	3,960.9	3,893.5	4,124.0	4,264.0	4,447.2	UN
[Japan] Construction works (total, YoY % change)	4.1	4.2	4.3	5.4	4.3	3.7	3.1	1.5	-0.2	0.7	0.5	-0.5	UN
[Japan] Construction works (public works, billion yen)	1,876.0	2,043.9	2,085.1	2,164.5	2,094.8	2,041.1	2,047.6	1,455.3	1,380.9	1,479.7	1,540.2	1,642.2	UN
[Japan] Construction works (public works, YoY % change)	1.4	2.2	2.5	4.6	2.2	1.6	0.5	0.3	-3.3	-1.7	-1.8	-4.1	UN
Indices of Industrial Production													
[Kansai] Industrial production (seasonally adjusted, 2010=100)	103.4	105.7	108.9	110.7	103.1	105.9	108.3	113.9	106.7	107.7	105.6	108.4	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	-6.8	2.2	3.0	1.7	-6.9	2.7	2.3	5.2	-6.3	0.9	-1.9	2.7	UN
[Kansai] Industrial shipments index (original figure, YoY % change)	-3.6	0.1	1.6	1.3	1.6	-0.8	1.2	5.1	3.5	-1.7	1.1	-0.4	UN
[Kansai] Industrial inventories index (original figure, YoY % change)	2.9	7.8	10.2	9.7	6.8	5.6	8.2	3.5	1.0	0.7	-1.5	-3.0	UN
[Kansai] Industrial shipments index (seasonally adjusted, 2010=100)	100.5	102.2	107.8	108.3	101.1	104.1	104.7	111.1	105.6	105.9	103.0	106.2	UN
[Kansai] Industrial shipments index (seasonally adjusted, MoM change)	-6.9	1.7	5.5	0.5	-6.6	3.0	0.6	6.1	-5.0	0.3	-2.7	3.2	UN
[Kansai] Industrial inventories index (seasonally adjusted, 2010=100)	124.3	124.9	121.2	122.9	122.9	121.9	127.0	127.2	125.5	122.9	121.0	120.2	UN
[Kansai] Industrial inventories index (seasonally adjusted, MoM change)	0.2	0.5	-3.0	1.4	0.0	-0.8	4.2	0.2	-1.3	-2.1	-1.5	-0.5	UN
[Japan] Industrial production (seasonally adjusted, 2010=100)	102.3	102.8	103.5	105.4	100.7	102.7	104.1	104.6	104.4	102.5	102.3	102.5	UN
[Japan] Industrial production (seasonally adjusted, MoM change)	-0.6	0.5	0.7	1.8	-4.5	2.0	1.4	0.5	-0.2	-1.8	-0.2	0.2	UN
[Japan] Industrial shipments index (original figure, YoY % change)	1.6	2.8	2.4	4.3	2.2	0.7	1.4	3.6	3.3	-0.2	1.2	0.5	UN
[Japan] Industrial inventories index (original figure, YoY % change)	-2.5	1.9	2.8	1.9	1.5	1.6	3.9	1.7	2.5	2.4	2.8	3.0	UN
[Japan] Industrial shipments index (seasonally adjusted, 2010=100)	99.8	99.4	101.3	103.3	98.7	100.3	101.5	103.1	101.5	101.8	99.8	101.5	UN
[Japan] Industrial shipments index (seasonally adjusted, MoM change)	-1.8	-0.4	1.9	2.0	-4.5	1.6	1.2	1.6	-1.6	0.3	-2.0	1.7	UN
[Japan] Industrial inventories index (seasonally adjusted, 2010=100)	107.4	110.5	109.8	109.8	109.3	109.9	113.5	112.8	113.5	111.4	111.2	110.8	UN
[Japan] Industrial inventories index (seasonally adjusted, MoM change)	-0.2	2.9	-0.6	0.0	-0.5	0.5	3.3	-0.6	0.6	-1.9	-0.2	-0.4	UN
Labor Statistics													
[Kansai] Total cash earnings (all 6 prefectures, YoY % change)	2.1	1.4	1.3	1.7	1.3	0.8	1.6	1.2	1.4	0.5	1.2	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	2.2	1.6	1.4	1.9	1.9	1.0	1.8	1.8	2.1	0.4	2.5	UN	UN
[Japan] Total cash earnings (YoY % change)	0.9	0.2	0.9	0.9	1.2	1.0	2.0	0.6	2.1	3.3	1.6	0.8	UN
[Kansai] Unemployment rate (seasonally adjusted)	3.0	2.8	2.9	3.2	2.6	2.7	2.7	2.7	2.6	3.0	2.9	2.8	UN
[Kansai] Unemployment rate (original figure)	3.2	2.8	2.6	2.8	2.7	2.8	2.7	2.6	2.5	3.0	3.0	3.0	UN
[Japan] Unemployment rate (seasonally adjusted)	2.8	2.8	2.7	2.7	2.4	2.5	2.5	2.5	2.2	2.4	2.5	2.4	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.24	2.38	2.34	2.36	2.37	2.34	2.44	2.39	2.37	2.53	2.54	2.46	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.27	2.35	2.34	2.38	2.34	2.30	2.41	2.37	2.34	2.47	2.42	2.34	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.47	1.49	1.51	1.52	1.54	1.54	1.57	1.56	1.56	1.58	1.60	1.62	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.53	1.55	1.56	1.59	1.59	1.58	1.59	1.59	1.60	1.62	1.63	1.63	UN
International Trade													
[Kansai] Trade balance (billion yen)	249.8	160.1	162.8	256.1	-54.7	133.6	368.4	236.3	82.6	268.1	85.6	179.6	187.7
[Kansai] Exports (billion yen)	1,482.4	1,425.3	1,520.4	1,589.4	1,303.4	1,353.5	1,607.2	1,443.2	1,402.7	1,520.9	1,433.8	1,519.3	1,119.4
[Kansai] Exports (YoY % change)	17.3	14.4	21.5	12.0	19.5	0.0	8.9	8.1	13.2	9.9	7.9	9.9	-24.5
[Kansai] Imports (billion yen)	1,232.6	1,265.2	1,357.6	1,333.4	1,358.1	1,220.0	1,238.8	1,207.0	1,320.1	1,252.8	1,348.3	1,339.7	931.7
[Kansai] Imports (YoY % change)	11.1	20.8	15.5	18.0	5.5	22.3	-1.2	4.0	15.3	3.4	12.9	9.8	-24.4

Notes : In the statistics on industrial production, the transport machinery industry excludes steel ships and railcars.