

# Kansai Economic Insight Monthly

2018/11/30

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▼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.

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▼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.

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## Highlights

### - Deterioration persists but the economy shows signs of future improvement \*-

- ✓ The September Index of Industrial Production (IIP) decreased for the first time in two months, causing the Q3 average to decline QoQ for the first time in two quarters. The Kansai Bureau of Economy, Trade and Industry downgraded its assessment of business conditions, stating that “the gradual improvement is entering a lull”.
- ✓ The trade balance in October remained positive for the ninth consecutive month, but the surplus shrank on a YoY basis. As the logistic capability of Kansai International Airport has been recovering from the temporary closure caused by typhoons Jebi and Trami in September, exports and imports have expanded.
- ✓ In October, the Economy Watchers Diffusion Index (DI) posted a MoM improvement for the first time in two months. One of the contributing factors was Kansai International Airport’s return to normal operation, which led to a recovery in external demand and department store sales.
- ✓ August was the 18<sup>th</sup> consecutive month of YoY increase in total cash earnings. YoY growth, however, remained subdued and was under 1%. Real wages declined for the first time in six months due to increasing gasoline and energy prices.
- ✓ Sales by large retailers in September shrank YoY for the third month in a row. Department store sales declined YoY for the first time in two months, partly due to the typhoons. In contrast, supermarket sales improved, propped by the increasing prices of agricultural produce.
- ✓ The number of new housing starts in September expanded YoY for the first time in four months, influenced by the sharp increase in the construction of houses for rent and condominiums. As a result, Q3 was the second consecutive quarter of YoY improvement.
- ✓ The effective jobs-to-applicants ratio in September improved for the fourth consecutive month. Labor supply and demand both remained tight. Although the unemployment rate edged up slightly, the overall employment environment remains in a robust shape.
- ✓ The value of public works contracts in October dropped YoY for the third consecutive month. However, the seasonally adjusted MoM change was positive for the first time in three months.
- ✓ Construction work in September increased YoY for the seventh consecutive month. As a result, July-September construction was the second consecutive quarter of YoY improvement.
- ✓ Although the number of international arrivals at Kansai International Airport in October increased YoY for the first time in two months, growth was weak. By country of origin, the number of visitors from Korea, Taiwan and Hong Kong in August shrank for the third consecutive month.
- ✓ China’s Purchasing Managers’ Index (PMI) in October declined MoM for the second month in a row. Therein, both the output index and the new export orders index deteriorated for the second and third consecutive month, respectively.

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

### Trends in the Kansai Economy

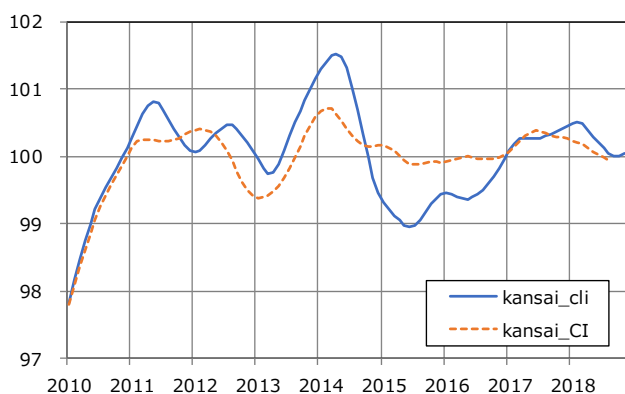
	2017			2018									
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Production	↗	↗	↗	↘	↗	↗	↗	↘	↗	↘	↗	↘	
Trade	↘	↗	↘	↗	↘	↗	↗	↗	↗	↗	↗	↗	↗
Sentiment	↗	↗	↗	↘	↘	↘	↘	↘	↗	↘	↗	↘	↗
Consumption	↘	↗	↘	↘	↘	↘	↘	↘	↘	↘	↘	↘	
Housing	↘	↘	↘	↘	↗	↘	↗	↗	↘	↘	↘	↗	
Employment	↗	↗	↗	↗	↘	↗	↘	↘	↗	↗	↗	↗	
Public Works	↗	↗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

(\*Criteria for determining the trends)

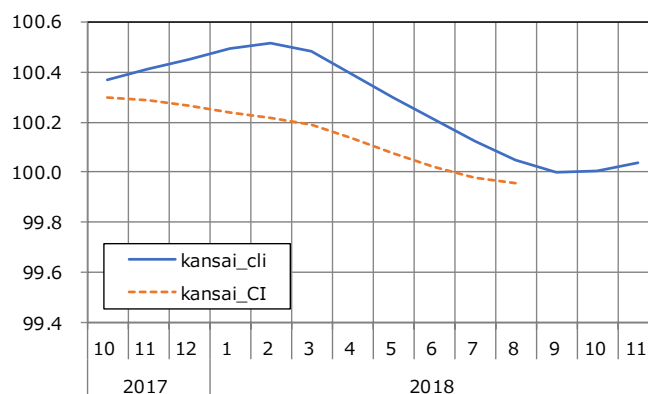
- **Production:** The trend is positive if there is at least a 0.5% month-over-month increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** 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 (2010/1~2018/11)



Latest trends in CI and CLI (2017/9~2018/11)



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



## Major Monthly Statistics

Monthly statistics	17/10M	17/11M	17/12M	18/1M	18/2M	18/3M	18/4M	18/5M	18/6M	18/7M	18/8M	18/9M	18/10M
<b>Business Confidence</b>													
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	53.3	55.2	56.2	52.4	50.7	50.1	50.1	47.5	48.6	46.7	49.6	48.8	52.5
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	55.6	51.7	49.9	53.4	51.0	52.3	52.1	50.8	52.4	50.8	51.2	52.9	52.8
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	52.0	54.1	53.9	49.9	48.6	48.9	49.0	47.1	48.1	46.6	48.7	48.6	49.5
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted)	54.5	53.4	52.7	52.4	51.4	49.6	50.1	49.2	50.0	49.0	51.4	51.3	50.6
<b>Consumer Sentiment Indices</b>													
[Kansai] Consumer Confidence Index (original index)	43.6	43.8	43.4	44.4	43.2	42.9	42.9	43.2	43.3	42.9	43.2	42.7	42.6
[Kansai] overall livelihood (original index)	41.7	41.9	40.9	42.2	40.6	40.6	40.7	41.5	41.5	40.9	41.2	39.6	40.5
[Kansai] income growth (original index)	41.8	41.9	41.0	42.7	41.8	41.1	41.6	42.1	41.7	41.8	41.8	41.8	40.8
[Kansai] employment conditions (original index)	47.9	48.2	49.1	49.3	48.2	48.5	47.4	47.1	47.4	47.0	47.9	47.1	46.6
[Kansai] willingness to buy durable goods (original index)	43.0	43.3	42.7	43.4	42.2	41.3	41.7	42.1	42.4	41.9	41.7	42.2	42.3
[Japan] Consumer Confidence Index (seasonally adjusted)	44.4	44.6	44.6	44.6	44.3	44.3	43.6	43.8	43.7	43.5	43.3	43.4	43.0
[Kansai] Large retail store sales (billion yen)	310.3	329.4	410.6	332.9	286.3	316.9	305.1	302.8	306.5	331.0	304.9	287.8	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-0.2	1.7	1.0	0.6	-0.1	1.0	0.2	-2.0	0.5	-2.4	-0.2	-2.0	UN
[Japan] Large retail store sales (billion yen)	1,588.8	1,671.3	2,092.1	1,682.6	1,456.5	1,635.1	1,556.4	1,566.4	1,603.0	1,700.2	1,575.0	1,513.6	UN
[Japan] Large retail store sales (YoY % change, all stores)	-0.5	1.4	1.2	0.5	0.5	0.2	-0.1	-1.4	2.1	-1.0	0.6	1.1	UN
<b>Housing &amp; Construction</b>													
[Kansai] New housing starts (number of units)	12,164	11,764	10,224	9,196	11,387	10,788	13,392	14,140	11,737	12,151	11,768	12,545	UN
[Kansai] New housing starts (YoY % change)	-1.5	-4.0	-7.7	-19.4	7.0	-8.5	13.4	27.2	-2.2	-3.6	-0.2	10.5	UN
[Japan] New housing starts (number of units)	83,057	84,703	76,751	66,358	69,071	69,616	84,226	79,539	81,275	82,615	81,860	81,903	UN
[Japan] New housing starts (YoY % change)	-4.8	-0.4	-2.1	-13.2	-2.6	-8.3	0.3	1.3	1.3	-7.1	-0.7	-0.7	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	75.6	76.9	78.6	81.9	84.9	67.1	70.4	66.6	73.1	72.1	78.8	74.8	79.2
[Kansai] Residential lots contract ratio (original index)	74.2	77.7	74.9	78.1	83.9	67.3	71.0	69.5	75.6	74.0	80.6	72.8	77.7
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	65.7	68.1	74.0	68.1	63.5	73.0	63.3	61.0	64.1	62.6	64.9	68.5	73.1
[Tokyo area] Residential lots contract ratio (original index)	60.7	67.9	72.5	65.2	65.0	74.7	63.0	62.2	66.0	67.8	64.5	66.5	67.5
[Kansai] Advance Payment Guarantees (APGs) for public works (billion yen)	129.9	85.4	97.5	65.4	49.8	122.2	211.7	116.4	134.5	140.9	95.4	109.3	116.9
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	11.7	13.2	1.8	7.5	-26.9	3.4	4.9	-21.0	9.9	17.1	-7.1	-21.6	-10.0
[Japan] Advance Payment Guarantees (APGs) for public works (billion yen)	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	1,282.3
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	3.9	5.0	-6.4	-12.8	-20.2	-14.5	5.5	3.5	-5.6	-2.9	-2.2	-7.6	9.5
[Kansai] Construction works (total, billion yen)	547.9	586.5	608.9	589.9	570.2	558.6	484.7	482.3	513.4	504.7	529.4	554.3	UN
[Kansai] Construction works (total, YoY % change)	-5.6	-1.8	1.6	0.0	-2.2	0.2	2.9	3.7	6.2	0.9	2.5	3.3	UN
[Japan] Construction works (total, billion yen)	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	4,705.1	UN
[Japan] Construction works (total, YoY % change)	4.2	4.3	5.4	4.3	3.7	3.1	1.5	-0.2	0.7	0.5	-0.5	0.3	UN
[Japan] Construction works (public works, billion yen)	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	1,826.6	UN
[Japan] Construction works (public works, YoY % change)	2.2	2.5	4.6	2.2	1.6	0.5	0.3	-3.3	-1.7	-1.8	-4.1	-2.6	UN
<b>Indices of Industrial Production</b>													
[Kansai] Industrial production (seasonally adjusted, 2010=100)	105.7	108.9	110.7	103.1	105.9	108.3	113.9	106.7	107.7	105.6	108.4	104.3	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	2.2	3.0	1.7	-6.9	2.7	2.3	5.2	-6.3	0.9	-1.9	2.7	-3.7	UN
[Kansai] Industrial shipments index (original figure, YoY % change)	0.1	1.6	1.3	1.6	-0.8	1.2	5.1	3.5	-1.7	1.0	-0.4	-4.1	UN
[Kansai] Industrial inventories index (original figure, YoY % change)	7.8	10.2	9.7	6.8	5.6	8.2	3.5	1.0	0.7	-1.7	-3.0	0.0	UN
[Kansai] Industrial shipments index (seasonally adjusted, 2010=100)	102.2	107.8	108.3	101.1	104.1	104.7	111.1	105.6	105.9	102.9	106.2	99.3	UN
[Kansai] Industrial shipments index (seasonally adjusted, MoM change)	1.7	5.5	0.5	-6.6	3.0	0.6	6.1	-5.0	0.3	-2.8	3.2	-7.0	UN
[Kansai] Industrial inventories index (seasonally adjusted, 2010=100)	124.9	121.2	122.9	122.9	121.9	127.0	127.2	125.5	122.9	120.8	120.2	124.3	UN
[Kansai] Industrial inventories index (seasonally adjusted, MoM change)	0.5	-3.0	1.4	0.0	-0.8	4.2	0.2	-1.3	-2.1	-1.7	-0.5	3.1	UN
[Japan] Industrial production (seasonally adjusted, 2010=100)	102.8	103.5	105.4	100.7	102.7	104.1	104.6	104.4	102.5	102.3	102.5	102.9	UN
[Japan] Industrial production (seasonally adjusted, MoM change)	0.5	0.7	1.8	-4.5	2.0	1.4	0.5	-0.2	-1.8	-0.2	0.2	-0.4	UN
[Japan] Industrial shipments index (original figure, YoY % change)	2.8	2.4	4.3	2.2	0.7	1.4	3.6	3.3	-0.2	1.2	0.5	-2.9	UN
[Japan] Industrial inventories index (original figure, YoY % change)	1.9	2.8	1.9	1.5	1.6	3.9	1.7	2.5	2.4	2.8	3.0	3.5	UN
[Japan] Industrial shipments index (seasonally adjusted, 2010=100)	99.4	101.3	103.3	98.7	100.3	101.5	103.1	101.5	101.8	99.8	101.5	101.1	UN
[Japan] Industrial shipments index (seasonally adjusted, MoM change)	-0.4	1.9	2.0	-4.5	1.6	1.2	1.6	-1.6	0.3	-2.0	1.7	-2.0	UN
[Japan] Industrial inventories index (seasonally adjusted, 2010=100)	110.5	109.8	109.8	109.3	109.9	113.5	112.8	113.5	111.4	111.2	110.8	102.6	UN
[Japan] Industrial inventories index (seasonally adjusted, MoM change)	2.9	-0.6	0.0	-0.5	0.5	3.3	-0.6	0.6	-1.9	-0.2	-0.4	1.2	UN
<b>Labor Statistics</b>													
[Kansai] Total cash earnings (all 6 prefectures, YoY % change)	1.4	1.3	1.7	1.3	0.8	1.6	1.2	1.4	0.5	1.2	0.5	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	1.6	1.4	1.9	1.9	1.0	1.8	1.8	2.1	0.4	2.5	0.8	UN	UN
[Japan] Total cash earnings (YoY % change)	0.2	0.9	0.9	1.2	1.0	2.0	0.6	2.1	3.3	1.6	0.8	0.8	UN
[Kansai] Unemployment rate (seasonally adjusted)	2.8	2.9	3.2	2.6	2.7	2.7	2.7	2.6	3.0	2.9	2.8	2.9	UN
[Kansai] Unemployment rate (original figure)	2.8	2.6	2.8	2.7	2.8	2.7	2.6	2.5	3.0	3.0	3.0	3.1	UN
[Japan] Unemployment rate (seasonally adjusted)	2.8	2.7	2.7	2.4	2.5	2.5	2.5	2.2	2.4	2.5	2.4	2.3	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.38	2.34	2.36	2.37	2.34	2.44	2.39	2.37	2.53	2.54	2.46	2.61	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.35	2.34	2.38	2.34	2.30	2.41	2.37	2.34	2.47	2.42	2.34	2.50	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.49	1.51	1.52	1.54	1.54	1.57	1.56	1.56	1.58	1.60	1.62	1.64	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.55	1.56	1.59	1.59	1.58	1.59	1.59	1.60	1.62	1.63	1.63	1.64	UN
<b>International Trade</b>													
[Kansai] Trade balance (billion yen)	160.1	162.8	256.1	-54.7	133.6	368.4	236.3	82.3	268.1	85.6	179.2	180.6	115.9
[Kansai] Exports (billion yen)	1,425.3	1,520.4	1,589.4	1,303.4	1,353.5	1,607.2	1,443.2	1,402.8	1,520.9	1,434.1	1,519.3	1,119.4	1,517.8
[Kansai] Exports (YoY % change)	14.4	21.5	12.0	19.5	0.0	8.9	8.1	13.2	9.9	7.9	9.9	-24.5	6.5
[Kansai] Imports (billion yen)	1,265.2	1,357.6	1,333.4	1,358.1	1,220.0	1,238.8	1,207.0	1,320.5	1,252.8	1,348.6	1,340.1	931.7	1,401.9
[Kansai] Imports (YoY % change)	20.8	15.5	18.0	5.5	22.3	-1.2	4.0	15.3	3.4	12.9	9.8	-24.4	10.8

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