

Kansai Economic Insight Monthly

2020/9/28

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▼APIR's "Kansai Economic Insight Monthly" is an analysis of economic trends in the Kansai region and the Kansai-related sectors of China's economy. It is 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 six prefectures: Shiga, Kyoto, Osaka, Hyogo, Nara, and Wakayama.

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Highlights

- Kansai's economy keeps deteriorating but shows signs of bottoming out* -

- ✓ Production in July increased for the second month in a row. Although production volume recovered to its April level, it is still 10% lower than the Q1 average. The best performing industries were general-purpose and business-purpose machine manufacturing, as well as electric and communication device manufacturing.
- ✓ The total unemployment rate in July rose for the second consecutive month. The deterioration in corporate performance has led to a reduction in new employment, and to an increased incidence of layoffs. The effective job offers-to-applicants ratio declined for the seventh, and the new job offers-to-applicants ratio deteriorated for the second month in a row.
- ✓ In June, wages in Kansai declined for the 11th consecutive month in nominal terms, and for the 16th straight month in real terms. Shortened business hours and the growing ratio of teleworking led to a decline in working hours. The income environment keeps deteriorating.
- ✓ Large retailers' revenues in July fell for the 10th consecutive month. Consumption remained stagnant due to the combined effects of the government's appeal to stay home in response to the resurgence of Covid-19 and the long spell of rainy weather.
- ✓ The number of new housing starts in July inched up for the first time in two months. The construction of condominiums and housing for rent made significant positive contributions.
- ✓ The amount of completed construction in July declined for the first time in two months. The contract amount of public works projects in August increased for the third month in a row.
- ✓ The Economy Watcher Diffusion Index (DI) in August improved for the fourth month in a row, likely due to the slowdown in the resurgence of Covid-19 cases.
- ✓ Although Kansai maintained a trade surplus for the seventh month in a row in August, exports and imports both kept shrinking. The total amount of trade has been on a downward trajectory for 11 consecutive months. The decline was most pronounced in mineral fuel exports and crude oil imports.
- ✓ The number of international arrivals at Kansai International Airport in August increased slightly as some entry restrictions were eased. Albeit higher than the previous month, the figure remains negligible.
- ✓ China's economy kept recovering in August. Consumption and exports are showing a rebound. However, investment remains lower on a YoY basis. Although the Covid-19 outbreak was contained at an early stage in China, the second wave of the pandemic in the rest of the world spells uncertainty for China's economic outlook.

※ Judgment based on APIR's CI and CLI indices for Kansai.

Note: All reported changes are YoY, except for the diffusion index (DI), job offers-to-applicants ratio, unemployment rate, public works contract value, and production, which are seasonally-adjusted MoM changes.

Trends in the Kansai Economy

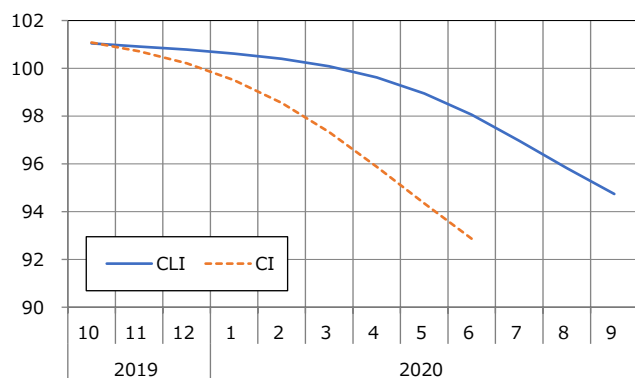
	2019					2020							
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Production	↓	↑	↓	↓	↑	↑	↓	↓	↓	↓	↑	↑	
Employment	↓	→	↓	↓	↑	↓	↓	↓	↓	↓	↓	↓	
Consumption	→	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
Housing	↓	↓	→	↓	↑	↓	→	→	↓	→	→	↓	
Public Works	↑	↑	↑	↑	→	↑	↓	↑	↑	↓	↑	→	→
Sentiment	↑	↑	↓	→	→	→	↓	↓	↓	↑	↑	↑	↑
Trade	↓	→	↑	↑	→	↑	↑	→	→	→	↓	↑	↑
China	↓	→	↓	→	→	↓	↓	↓	→	→	↑	↑	↑

Criteria for determining the trends

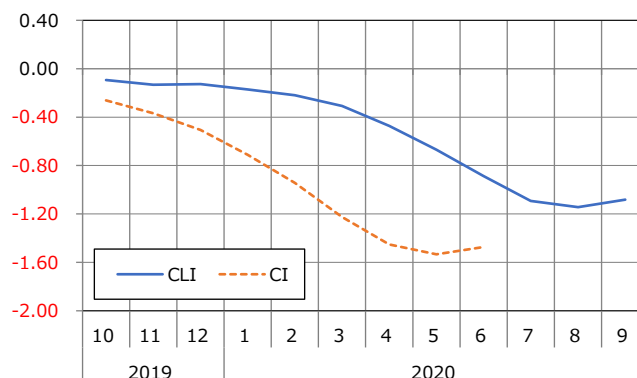
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend is positive if there is an improvement in the trade balance of at least JPY 50 billion YoY based on the Osaka Customs trade statistics. If there is a deterioration of more than JPY 50 billion, the trend is negative. Otherwise, the trend is stable.
- **Sentiment:** The trend is positive if the Diffusion Index (DI) for the Kansai region published in the Cabinet Office "Economy Watchers Survey" improves by at least 1 point MoM. If it deteriorates by 1 point or more, the trend is negative. Otherwise, the trend is stable.
- **Consumption:** The trend is positive if the monthly large retail store sales index (all stores) compiled by the Kansai Bureau of Economy, Trade and Industry increases by at least 1% YoY. If it decreases by more than 1%, the trend is downward. Otherwise, the trend is stable.
- **Housing:** The trend is positive if new housing starts increase by 5% or more YoY based on 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 negative. Otherwise, the trend is stable.
- **Employment:** The trend is positive if the seasonally adjusted effective job offerings-to-applicants ratio published by the Ministry of Health, Labor and Welfare improves by at least 0.01. If the ratio deteriorates by 0.01 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% YoY based on the advance payment guarantees statistics released by West Japan Construction Assurance Ltd. If it decreases by 5% or more, the trend is negative. Otherwise, the trend is stable.

Kansai Economic Trend Indices: Composite Index (CI) and Composite Leading Indicator (CLI)

Kansai's CI and CLI (2019/10~2020/9)



Kansai's CLI and CI: MoM changes (2019/10~2020/9)



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

Major Monthly Statistics

Monthly statistics	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
Industrial Production												
[Kansai] Index of Industrial Production (seasonally adjusted, 2010=100)	102.9	95.8	93.8	95.2	99.7	99.0	97.9	88.6	80.7	83.1	88.6	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	1.3	-6.9	-2.1	1.5	4.7	-0.7	-1.1	-9.5	-8.9	3.0	6.6	UN
...shipments index (unadjusted figure, YoY % change)	5.5	-11.8	-11.9	-2.9	-5.3	-1.5	-1.1	-12.4	-25.5	-12.8	-13.6	UN
...inventories index (unadjusted figure, YoY % change)	3.3	4.9	4.0	3.1	5.4	2.7	3.0	1.9	3.2	-2.3	-5.1	UN
...shipments index (seasonally adjusted, 2010=100)	104.6	98.1	96.2	97.4	96.7	100.4	98.2	87.0	77.6	83.1	88.9	UN
...shipments index (seasonally adjusted, MoM change)	4.4	-6.2	-1.9	1.2	-0.7	3.8	-2.2	-11.4	-10.8	7.1	7.0	UN
...inventories index (seasonally adjusted, 2010=100)	103.2	104.1	104.0	103.9	105.6	103.5	104.7	103.5	105.0	101.2	98.3	UN
...inventories index (seasonally adjusted, MoM change)	-0.5	0.9	-0.1	-0.1	1.6	-2.0	1.2	-1.1	1.4	-3.6	-2.9	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2010=100)	102.4	98.3	97.7	97.9	99.8	99.5	95.8	86.4	78.7	80.2	87.2	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	1.9	-4.0	-0.6	0.2	1.9	-0.3	-3.7	-9.8	-8.9	1.9	8.7	UN
...shipments index (unadjusted figure, YoY % change)	2.1	-7.6	-8.0	-3.8	-3.3	-5.4	-6.5	-16.6	-26.8	-16.6	-16.6	UN
...inventories index (unadjusted figure, YoY % change)	0.9	2.5	1.5	1.2	3.6	1.6	2.9	2.7	-0.5	-3.4	-4.8	UN
...shipments index (seasonally adjusted, 2010=100)	101.8	98.2	96.8	97.0	97.9	98.9	93.2	84.3	76.8	80.5	85.8	UN
...shipments index (seasonally adjusted, MoM change)	1.8	-3.5	-1.4	0.2	0.9	1.0	-5.8	-9.5	-8.9	4.8	6.6	UN
...inventories index (seasonally adjusted, 2010=100)	103.3	104.1	103.6	104.0	106.2	104.4	106.4	106.1	103.3	100.8	99.3	UN
...inventories index (seasonally adjusted, MoM change)	-0.9	0.8	-0.5	0.4	2.1	-1.7	1.9	-0.3	-2.6	-2.4	-1.5	UN
Labor Statistics												
[Kansai] Total cash earnings (all six prefectures, YoY % change)	2.4	2.6	2.3	2.3	2.6	2.7	3.1	3.2	2.8	3.0	3.1	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	2.7	2.6	2.1	2.2	2.4	2.7	3.1	3.1	2.9	3.1	3.2	UN
[Japan] Total cash earnings (YoY % change)	2.4	2.4	2.2	2.2	2.4	2.4	2.5	2.6	2.9	2.8	2.9	UN
[Kansai] Unemployment rate (seasonally adjusted)	1.60	1.59	1.58	1.59	1.50	1.48	1.42	1.33	1.20	1.12	1.1	UN
[Kansai] Unemployment rate (unadjusted figure)	1.58	1.58	1.57	1.57	1.49	1.45	1.39	1.32	1.20	1.11	1.1	UN
[Japan] Unemployment rate (seasonally adjusted)	2.48	2.55	2.48	2.57	2.16	2.38	2.38	1.95	1.96	1.83	1.7	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.35	2.43	2.38	2.44	2.04	2.22	2.26	1.85	1.88	1.72	1.7	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	-0.0	-0.2	-0.2	-1.0	-0.7	-1.0	-1.3	-3.3	-3.6	-3.7	UN	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	-0.0	-0.2	-0.3	-1.2	-0.3	-1.1	-1.3	-3.5	-3.5	-3.0	UN	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	0.5	0.0	0.1	-0.2	1.0	0.7	0.1	-0.7	-2.3	-2.0	-1.3	UN
Retail sales												
[Kansai] Large retail store sales (JPY billion)	327	283	310.9	392.1	315.2	270.3	280.9	223.4	239.1	293.7	304.7	UN
[Kansai] Large retail store sales (YoY % change, all stores)	13.7	-8.9	-3.3	-3.7	-2.1	-4.5	-14.5	-28.6	-23.9	-4.8	-7.8	UN
[Japan] Large retail store sales (JPY billion)	1,672	1,458	1,610.8	2,022.8	1,606.4	1,438.7	1,621.9	1,345.0	1,452.9	1,677.6	1,691.8	UN
[Japan] Large retail store sales (YoY % change, all stores)	10.4	-8.1	-2.0	-2.9	-1.6	0.3	-8.8	-18.6	-13.6	5.0	-3.2	UN
Housing & Construction												
[Kansai] New housing starts (number of units)	11,852	11,314	11,212	12,043	9,758	10,978	11,646	10,030	10,131	10,982	11,782.0	UN
[Kansai] New housing starts (YoY % change)	-5.5	-1.6	-9.1	6.0	-14.2	-2.9	0.2	-15.7	-1.2	-3.0	-8.3	UN
[Japan] New housing starts (number of units)	77,915	77,123	73,523	72,174	60,341	63,105	70,729	69,162	63,682	71,101	70,232.0	UN
[Japan] New housing starts (YoY % change)	-4.9	-7.4	-12.7	-7.9	-10.1	-12.3	-7.6	-12.9	-12.3	-12.8	-11.4	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	11,571	11,012	10,909	12,406	10,469	11,804	11,852	9,411	10,927	10,682	11,069.9	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	8.7	-4.8	-0.9	13.7	-15.6	12.8	0.4	-20.6	16.1	-2.2	3.6	UN
[Japan] New housing starts (number of units, seasonally adjusted)	75,236	74,624	70,649	70,990	67,744	72,615	75,420	66,390	67,267	65,826	68,962.0	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	-0.6	-0.8	-5.3	0.5	-4.6	7.2	3.9	-12.0	1.3	-2.1	4.8	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	77.7	74.5	59.5	74.1	68.4	74.9	70.3	78.4	49.8	69.4	65.7	73.5
[Kansai] Residential lots contract ratio (unadjusted figure)	75.7	73.8	60.1	71.0	66.80	75.3	69.2	77.9	50.0	70.4	67.4	78.2
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	57.2	47.0	58.2	60.3	66.1	58.3	65.6	79.8	72.3	70.9	58.1	68.1
[Tokyo area] Residential lots contract ratio (unadjusted figure)	56.8	42.6	55.2	61.3	63.0	59.3	70.0	78.9	72.3	73.2	62.4	68.5
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	554.2	569.7	582.6	598.3	602.3	596.9	593.6	517.1	492.9	521.0	523.9	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	4.5	5.6	3.8	2.1	2.7	2.4	3.3	3.3	-0.2	2.0	-1.0	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	4,561.6	4,736.5	4,798.4	4,840.1	4,771.0	4,627.6	4,666.7	3,873.6	3,701.1	3,887.8	4,000.8	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	2.5	3.2	3.3	2.6	1.8	-0.3	0.7	-0.2	-2.1	-2.9	-3.2	UN
[Kansai] Construction works (total, JPY billion)	1,835.0	2,005.9	2,086.1	2,136.0	2,135.5	2,055.7	2,134.0	1,492.6	1,387.7	1,521.6	1,594.0	UN
[Kansai] Construction works (total, YoY % change)	7.6	10.8	11.4	9.5	8.2	4.4	9.1	7.0	7.6	6.2	6.6	UN
[Japan] Construction works (total, JPY billion)	120.0	189.6	133.2	95.5	92.0	74.8	157.9	319.9	120.8	160.4	140.6	109.9
[Japan] Construction works (total, YoY % change)	9.8	62.2	40.7	8.6	28.9	-6.4	44.5	45.0	-14.7	9.0	3.9	3.7
[Japan] Construction works (public works, JPY billion)	1,275.1	1,348.0	911.0	803.8	641.5	699.4	1,487.0	2,305.4	1,329.1	1,638.6	1,543.2	1,300.9
[Japan] Construction works (public works, YoY % change)	4.6	5.1	11.3	-3.6	9.6	4.2	12.9	3.2	-6.4	13.2	-4.1	13.2
Consumer Sentiment												
[Kansai] Consumer Confidence Index (original index)	35.7	36.1	38.1	38.4	38.9	37.7	30.3	19.6	23.1	28.5	28.5	28.8
[Kansai] overall livelihood (original index)	33.8	34.3	37.9	38.1	37.3	37.1	29.1	19.9	24.2	31.1	30.9	31.4
[Kansai] income growth (original index)	38.9	38.0	39.4	39.1	39.8	38.7	34.4	23.6	27.2	31.0	31.7	32.0
[Kansai] employment conditions (original index)	41.8	40.6	40.6	40.6	41.5	38.4	27.5	12.9	15.8	21.0	20.5	20.7
[Kansai] willingness to buy durable goods (original index)	28.1	31.6	34.6	35.7	36.8	36.5	30.0	22.1	25.2	30.9	30.9	31.0
[Kansai] Consumer Confidence Index (seasonally adjusted)	35.9	36.2	38.1	38.3	38.6	38.1	30.4	19.6	23.1	28.3	28.5	28.8
...overall livelihood	34.1	34.2	37.6	38.0	36.6	37.9	29.5	20.0	24.0	30.8	30.9	31.4
...income growth	38.7	38.4	39.4	39.5	39.5	39.2	34.7	23.6	26.8	30.8	31.7	31.7
...employment conditions	41.7	40.9	40.6	40.3	41.6	38.7	27.3	12.8	15.9	20.8	20.6	20.7
...willingness to buy durable goods	28.1	31.6	34.9	35.2	36.3	36.7	29.8	22.3	25.5	30.8	30.8	31.3
[Japan] Consumer Confidence Index (seasonally adjusted)	35.6	36.2	38.7	39.1	39.1	38.3	30.9	21.6	24.0	28.4	29.5	29.3
Business Confidence												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	50.4	39.9	40.2	40.2	40.9	25.1	12.7	5.8	17.1	37.0	41.1	43.7
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	37.2	45.1	46.2	45.1	39.9	25.1	18.6	18.6	38.2	43.4	35.6	43.7
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	46.7	36.7	39.4	39.7	41.9	27.4	14.2	7.9	15.5	38.8	41.1	43.9
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	36.9	43.7	45.7	45.5	41.8	24.6	18.8	16.6	36.5	44.0	36.0	42.4
International Trade												
[Kansai] Trade balance (JPY billion)	200.3	190.6	110.9	193.5	-126.1	417.0	245.2	55.8	26.8	102.3	150.8	208.2
[Kansai] Exports (JPY billion)	1,415.1	1,398.0	1,351.8	1,414.4	1,137.7	1,330.0	1,421.9	1,281.8	1,038.7	1,159.7	1,244.5	1,204.9
[Kansai] Exports (YoY % change)	27.5	-7.9	-10.2	-4.1	-3.6	0.8	-5.2	-5.4	-17.0	-14.1	-11.8	-8.7
[Kansai] Imports (JPY billion)	1,214.8	1,207.3	1,240.9	1,220.9	1,263.8	913.1	1,176.7	1,226.0	1,011.9	1,057.4	1,093.7	996.7
[Kansai] Imports (YoY % change)	30.3	-14.0	-16.5	-5.8	-7.4	-17.5	-4.2	-2.1	-19.8	-2.1	-18.5	-17.0

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