

Kansai Economic Insight Monthly

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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

- A current and forthcoming deterioration in economic fundamentals -

- ✓ The Index of Industrial Production (IIP) in March continued its MoM increase for the second consecutive month. However, due to the heavy snow fall in January, the first quarter registered an overall decline, reversing the positive trend seen in the two preceding quarters. The Kansai Bureau of Economy, Trade and Industry’s assessment of the economy as “gradually improving” remained unchanged from the previous month.
- ✓ The trade balance in April remained positive for the third consecutive month, with the surplus having expanded YoY. Export growth exceeded import growth, driven mainly by demand for semiconductors in China.
- ✓ The Economy Watchers Diffusion Index (DI) released by the Cabinet Office remained unchanged in April MoM. In addition to robust demand generated by inbound tourism, stock prices showed signs of recovery and luxury consumption increased, which had a positive impact on the consumer sentiment.
- ✓ January was the 11th consecutive month of YoY growth in total cash earnings across all Kansai prefectures. Although real wages increased for 6 months in a row, growth has remained modest due to rising prices.
- ✓ Sales by large retailers registered a YoY increase in March, growing for the first time in two months. While supermarkets sales declined slightly due to the disinflation in vegetable prices, department store sales increased, boosted by demand for warm-weather clothing.
- ✓ The number of new housing starts in March declined YoY for the first time in two months driven by shrinking construction of build-to-rent properties, private residential construction and condominiums. As a result, January-March was the fourth consecutive quarter of negative growth.
- ✓ The effective jobs-to-applicants ratio in March increased slightly from the previous month, registering the first improvement in two months. The unemployment rate levelled off, and the employment environment remained stable.
- ✓ The value of public works contracts in April grew MoM for the second consecutive month, pointing toward a trend of continuous recovery.
- ✓ Despite registering a modest YoY increase in March, the value of completed construction declined for the third consecutive quarter in January-March.
- ✓ The number of international tourist arrivals at Kansai International Airport in April increased MoM for the 14th consecutive month, reaching an all-time high within a single month. With double-digit growth having continued for 13 months in a row, the tourism industry is in excellent condition.
- ✓ China’s fixed asset investment stock growth in April fell by 0.5 percentage points from the previous month. In addition, the growth in total consumer retail sales in the same month saw a 0.7 percentage-point decrease from February, the first time in four months.

Trends in the Kansai Economy

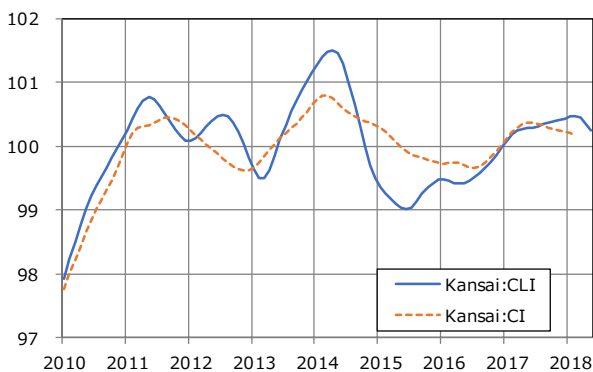
	2017										2018		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Production	↗	↘	↗	↘	↗	↘	↗	↗	↗	↘	↗	↗	
Trade	↗	↗	↗	↗	↗	↗	↗	↗	↗	↗	↘	↗	↗
Sentiment	↗	↗	↗	↗	↘	↗	↗	↗	↗	↘	↘	↗	↗
Consumption	↗	↗	↗	↗	↗	↗	↗	↗	↗	↗	↗	↗	
Housing	↘	↗	↘	↗	↗	↗	↗	↗	↘	↘	↗	↘	
Employment	↗	↗	↗	↗	↗	↗	↗	↗	↗	↗	↗	↗	
Public Works	↘	↗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

(*Criteria for determining the trends)

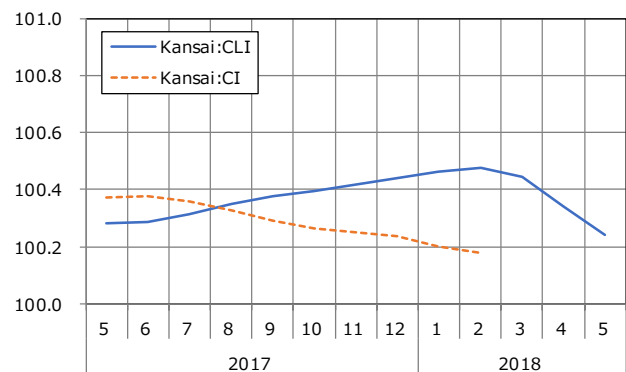
- **Production:** The trend is positive if there is at least a 0.5% month-over-month increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** 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 (2010/1~2018/5)



Latest trends in CI and CLI (2017/5~2018/5)



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

