

# 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.

## Index

Highlights

Trends in the Kansai Economy

Kansai Economic Trend Indices

Major Monthly Statistics

## Highlights

### - Deterioration in economic fundamentals persists -

- ✓ The Index of Industrial Production (IIP) in April continued its MoM increase for the third consecutive month, registering a substantial growth compared to the Q1 average. The Kansai Bureau of Economy, Trade and Industry’s assessment of the economy as “gradually improving” remained unchanged from the previous months.
- ✓ Although the trade balance in May remained positive for the fourth consecutive month, the surplus shrank YoY. Asia-bound semiconductor exports expanded, but due to rising crude oil prices the growth rate of imports outstripped that of exports.
- ✓ The Economy Watchers Diffusion Index (DI) released by the Cabinet Office registered the first MoM deterioration in two months. The negative impacts of unfavorable weather conditions in May, and reaction to good sales of clothing in March and April, outweighed the contribution of the demand generated by inbound tourism, which remained robust.
- ✓ March was the 13th consecutive month of YoY growth in total cash earnings. Although real wages increased for the first time in three months, growth remained modest due to rising prices.
- ✓ April was the second consecutive month of YoY increase in sales by large retailers. While supermarkets sales declined due to the continuing disinflation in food prices, department store sales increased, driven by demand for summer clothing and luxury items.
- ✓ The number of new housing starts in April grew significantly increased YoY for the first time in two months thanks to the rapid growth of condominiums. This number has reached the highest record, posting the highest number since June 2015. Condominium construction was the main contributor to growth.
- ✓ Although the effective jobs-to-applicants ratio in April registered the first YoY deterioration in 43 months, it remains high. With the unemployment staying unchanged for the second consecutive month, and the number of employed and self-employed people increasing, the overall employment environment is in a good condition.
- ✓ The value of public works contracts in May fell MoM for the first time in three months, interrupting the trend of continuous recovery observed so far. The amount of construction work in April, grew YoY for the second consecutive month.
- ✓ The number of international tourist arrivals at Kansai International Airport in May increased YoY for the 15th consecutive month. With double-digit growth continuing for 14 months in a row, the tourism industry remains in top shape. A breakdown by nationality shows that for seven consecutive months, visitors from Korea were the most numerous.
- ✓ In May, China’s economy showed signs of deceleration: industrial production growth slowed down YoY for the first time in two months, cumulative fixed capital investment (since January) decelerated for the third consecutive month, and growth in consumer retail sales lost speed for a second month in a row.

### Trends in the Kansai Economy

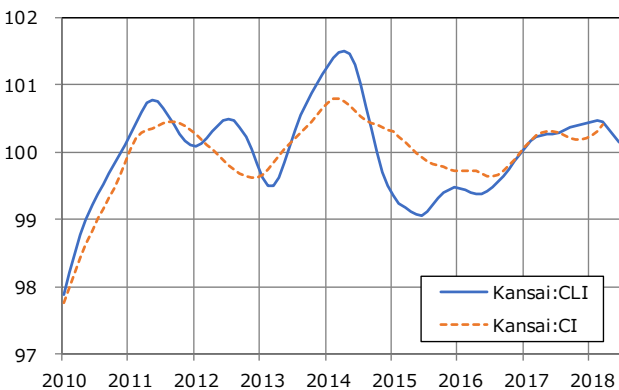
	2017								2018				
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Production	↘	↗	↘	↗	↘	↗	↗	↗	↘	↗	↗	↗	
Trade	→	→	→	↗	↗	→	↗	→	↗	↘	↗	↗	↗
Sentiment	↗	↗	→	↘	→	↗	↗	↗	↘	↘	→	→	↘
Consumption	→	→	→	→	↗	→	↗	→	→	→	→	→	
Housing	→	↘	→	→	→	→	→	↘	↘	↗	↘	↗	
Employment	↗	↗	↗	→	↗	↗	↗	↗	↗	→	↗	↘	
Public Works	↗	↘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

(\*Criteria for determining the trends)

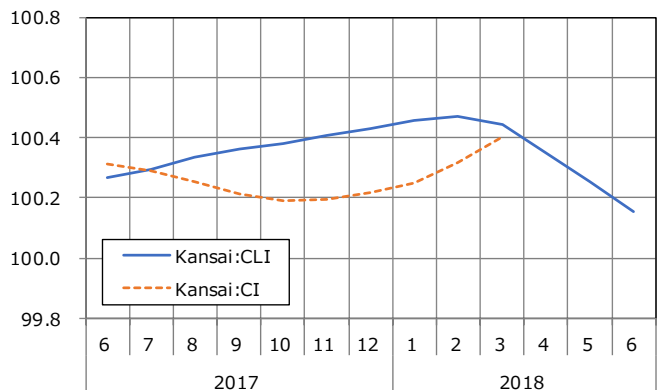
- Production:** The trend is positive if there is at least a 0.5% month-over-month increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- Trade:** 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 (2010/1~2018/6)



Latest trends in CI and CLI (2017/6~2018/6)



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

## Major Monthly Statistics

Monthly statistics	17/5M	17/6M	17/7M	17/8M	17/9M	17/10M	17/11M	17/12M	18/1M	18/2M	18/3M	18/4M	18/5M
<b>Business Confidence</b>													
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	50.4	51.7	52.2	51.2	51.8	53.3	55.2	56.2	52.4	50.7	50.1	50.1	47.5
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	51.2	51.6	49.7	50.6	49.6	55.6	51.7	49.9	53.4	51.0	52.3	52.1	50.8
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	49.1	50.0	49.9	50.0	51.1	52.0	54.1	53.9	49.9	48.6	48.9	49.0	47.1
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted)	50.0	50.5	50.5	51.2	51.1	54.5	53.4	52.7	52.4	51.4	49.6	50.1	49.2
<b>Consumer Sentiment Indices</b>													
[Kansai] Consumer Confidence Index (original index)	43.0	43.2	43.2	43.2	43.1	43.6	43.8	43.4	44.4	43.2	42.9	42.9	43.2
[Kansai] overall livelihood (original index)	42.0	41.3	41.0	41.0	41.7	41.7	41.9	40.9	42.2	40.6	40.6	40.7	41.5
[Kansai] income growth (original index)	42.4	41.6	41.2	41.8	41.8	41.8	41.9	41.0	42.7	41.8	41.1	41.6	42.1
[Kansai] employment conditions (original index)	46.4	47.9	47.6	47.6	45.9	47.9	48.2	49.1	49.3	48.2	48.5	47.4	47.1
[Kansai] willingness to buy durable goods (original index)	41.3	41.8	42.9	42.5	42.8	43.0	43.3	42.7	43.4	42.2	41.3	41.7	42.1
[Japan] Consumer Confidence Index (seasonally adjusted)	43.6	43.3	43.9	43.3	44.1	44.4	44.6	44.6	44.6	44.3	44.3	43.6	43.8
[Kansai] Large retail store sales (billion yen)	309.0	304.9	339.1	305.4	293.8	310.3	329.4	410.6	332.9	286.3	316.9	305.1	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-0.5	0.3	-0.1	0.8	3.4	-0.2	1.7	1.0	0.6	-0.1	1.0	0.2	UN
[Japan] Large retail store sales (billion yen)	1,588.1	1,569.4	1,717.9	1,565.5	1,496.8	1,588.8	1,671.3	2,092.1	1,682.6	1,456.5	1,635.1	1,556.2	UN
[Japan] Large retail store sales (YoY % change, all stores)	-0.6	0.1	-0.2	0.7	1.8	-0.5	1.4	1.2	0.5	0.5	0.2	-0.1	UN
<b>Housing &amp; Construction</b>													
[Kansai] New housing starts (number of units)	11,115	12,002	12,601	11,790	11,354	12,164	11,764	10,224	9,196	11,387	10,788	13,392	UN
[Kansai] New housing starts (YoY % change)	4.1	-5.4	-3.3	1.8	-0.7	-1.5	-4.0	-7.7	-19.4	7.0	-8.5	13.4	UN
[Japan] New housing starts (number of units)	78,481	87,456	83,234	80,562	83,128	83,057	84,703	76,751	66,358	69,071	69,616	84,226	UN
[Japan] New housing starts (YoY % change)	-0.3	1.7	-2.3	-2.0	-2.9	-4.8	-0.4	-2.1	-13.2	-2.6	-8.3	0.3	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	76.5	77.6	71.7	78.2	76.6	75.6	76.9	78.6	81.9	84.9	67.1	70.4	66.6
[Kansai] Residential lots contract ratio (original index)	79.9	80.2	73.6	80.0	74.5	74.2	77.7	74.9	78.1	83.9	67.3	71.0	69.5
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	78.4	65.2	66.4	68.6	66.8	65.7	68.1	74.0	68.1	63.5	73.0	63.3	61.0
[Tokyo area] Residential lots contract ratio (original index)	79.9	67.2	71.9	68.2	64.9	60.7	67.9	72.5	65.2	65.0	74.7	63.0	62.2
[Kansai] Advance Payment Guarantees (APGs) for public works (billion yen)	147.3	122.4	120.3	102.7	139.4	129.9	85.4	97.5	65.4	49.8	122.2	211.7	116.4
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	20.0	-29.2	-31.3	-24.7	-8.1	11.7	13.2	1.8	7.5	-26.9	3.4	4.9	-21.0
[Japan] Advance Payment Guarantees (APGs) for public works (billion yen)	1,242.1	1,518.5	1,288.8	1,149.4	1,319.1	1,171.2	863.3	797.3	610.1	613.9	1,269.7	2,177.7	1,285.7
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	8.5	-0.6	-5.4	-7.9	-10.4	3.9	5.0	-6.4	-12.8	-20.2	-14.5	5.5	3.5
[Kansai] Construction works (total, billion yen)	465.1	483.7	500.3	516.6	536.8	547.9	586.5	608.9	589.9	570.2	558.6	484.7	UN
[Kansai] Construction works (total, YoY % change)	2.9	1.5	0.8	-2.6	-2.7	-5.6	-1.8	1.6	0.0	-2.2	0.2	2.9	UN
[Japan] Construction works (total, billion yen)	3,903.1	4,095.9	4,241.2	4,471.7	4,689.1	4,902.6	4,970.9	5,054.8	4,929.2	4,808.8	4,751.6	3,960.9	UN
[Japan] Construction works (total, YoY % change)	10.5	9.0	7.5	6.8	4.1	4.2	4.3	5.4	4.3	3.7	3.1	1.5	UN
[Japan] Construction works (public works, billion yen)	1,428.6	1,505.1	1,568.4	1,711.7	1,876.0	2,043.9	2,085.1	2,164.5	2,094.8	2,041.1	2,047.6	1,455.3	UN
[Japan] Construction works (public works, YoY % change)	10.3	7.7	6.1	5.3	1.4	2.2	2.5	4.6	2.2	1.6	0.5	0.3	UN
<b>Indices of Industrial Production</b>													
[Kansai] Industrial production (seasonally adjusted, 2010=100)	105.7	108.1	106.7	110.9	103.4	105.7	108.9	110.7	103.1	105.9	108.3	114.3	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	-4.1	2.3	-1.3	3.9	-6.8	2.2	3.0	1.7	-6.9	2.7	2.3	5.5	UN
[Kansai] Industrial shipments index (original figure, YoY % change)	3.8	5.4	2.3	6.2	-3.6	0.1	1.6	1.3	1.6	-0.8	1.2	5.3	UN
[Kansai] Industrial inventories index (original figure, YoY % change)	3.0	1.4	3.7	3.6	2.9	7.8	10.2	9.7	6.8	5.6	8.2	3.4	UN
[Kansai] Industrial shipments index (seasonally adjusted, 2010=100)	103.3	106.0	103.7	107.9	100.5	102.2	107.8	108.3	101.1	104.1	104.7	111.4	UN
[Kansai] Industrial shipments index (seasonally adjusted, MoM change)	-2.7	2.6	-2.2	4.1	-6.9	1.7	5.5	0.5	-6.6	3.0	0.6	6.4	UN
[Kansai] Industrial inventories index (seasonally adjusted, 2010=100)	124.3	122.0	122.9	124.0	124.3	124.9	121.2	122.9	122.9	121.9	127.0	127.1	UN
[Kansai] Industrial inventories index (seasonally adjusted, MoM change)	1.1	-1.9	0.7	0.9	0.2	0.5	-3.0	1.4	0.0	-0.8	4.2	0.1	UN
[Japan] Industrial production (seasonally adjusted, 2010=100)	100.7	101.9	101.6	102.9	102.3	102.8	103.5	105.4	100.7	102.7	104.1	104.6	UN
[Japan] Industrial production (seasonally adjusted, MoM change)	-2.1	1.2	-0.3	1.3	-0.6	0.5	0.7	1.8	-4.5	2.0	1.4	0.5	UN
[Japan] Industrial shipments index (original figure, YoY % change)	5.4	5.3	4.1	5.8	1.6	2.8	2.4	4.3	2.2	0.7	1.4	3.6	UN
[Japan] Industrial inventories index (original figure, YoY % change)	-1.3	-2.8	-2.3	-2.9	-2.5	1.9	2.8	1.9	1.5	1.6	3.9	1.7	UN
[Japan] Industrial shipments index (seasonally adjusted, 2010=100)	98.9	100.5	100.1	101.6	99.8	99.4	101.3	103.3	98.7	100.3	101.5	103.1	UN
[Japan] Industrial shipments index (seasonally adjusted, MoM change)	-1.5	1.6	-0.4	1.5	-1.8	-0.4	1.9	2.0	-4.5	1.6	1.2	1.6	UN
[Japan] Industrial inventories index (seasonally adjusted, 2010=100)	110.7	108.9	108.2	107.6	107.4	110.5	109.8	109.8	109.3	109.9	113.5	112.8	UN
[Japan] Industrial inventories index (seasonally adjusted, MoM change)	-0.2	-1.6	-0.6	-0.6	-0.2	2.9	-0.6	0.0	-0.5	0.5	3.3	-0.6	UN
<b>Labor Statistics</b>													
[Kansai] Total cash earnings (all 6 prefectures, YoY % change)	0.7	1.9	0.2	1.4	2.1	1.4	1.3	1.7	1.3	0.8	1.6	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	0.6	1.6	0.3	1.6	2.2	1.6	1.4	1.9	1.9	1.0	1.8	UN	UN
[Japan] Total cash earnings (YoY % change)	0.6	0.4	-0.6	0.7	0.9	0.2	0.9	0.9	1.2	1.0	2.0	0.6	UN
[Kansai] Unemployment rate (seasonally adjusted)	3.3	3.0	3.0	2.7	3.0	2.8	2.9	3.2	2.6	2.7	2.7	2.7	UN
[Kansai] Unemployment rate (original figure)	3.2	3.0	3.1	2.9	3.2	2.8	2.6	2.8	2.7	2.8	2.7	2.6	UN
[Japan] Unemployment rate (seasonally adjusted)	3.0	2.8	2.8	2.8	2.8	2.8	2.7	2.7	2.4	2.5	2.5	2.5	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.30	2.21	2.22	2.24	2.24	2.38	2.34	2.36	2.37	2.34	2.44	2.39	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.28	2.24	2.26	2.22	2.27	2.35	2.34	2.38	2.34	2.30	2.41	2.37	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.43	1.45	1.46	1.46	1.47	1.49	1.51	1.52	1.54	1.54	1.57	1.56	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.49	1.50	1.51	1.52	1.53	1.55	1.56	1.59	1.59	1.58	1.59	1.59	UN
<b>International Trade</b>													
[Kansai] Trade balance (billion yen)	94.2	172.4	135.1	161.9	249.8	160.1	162.8	256.1	-54.7	133.6	368.4	236.3	82.6
[Kansai] Exports (billion yen)	1,239.5	1,383.9	1,329.4	1,382.4	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
[Kansai] Exports (YoY % change)	12.4	8.0	10.8	17.4	17.3	14.4	21.5	12.0	19.5	0.0	8.9	8.1	13.2
[Kansai] Imports (billion yen)	1,145.2	1,211.5	1,194.3	1,220.5	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
[Kansai] Imports (YoY % change)	13.3	14.3	16.9	12.7	11.1	20.8	15.5	18.0	5.5	22.3	-1.2	4.0	15.3

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