

Kansai Economic Insight Monthly

2018/8/30

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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

- Current economic deterioration, a standstill in sight -

- ✓ Although the Index of Industrial Production (IIP) in June registered a MoM increase for the first time in two months, the assessment by the Kansai Bureau of Economy, Trade and Industry remained unchanged. Overall, production in April-June expanded, returning to positive growth for the first time in two quarters.
- ✓ The trade balance of the Kansai region in July remained positive for the six consecutive month in contrast to Japan as a whole, which logged a trade deficit for the first time in two months. Nevertheless, Kansai’s trade surplus shrank YoY.
- ✓ The Economy Watchers Diffusion Index (DI) released by the Cabinet Office in July posted a MoM deterioration for the first time in two months. The natural disasters in the previous month extended their adverse impacts on department store sales and the recreation sector. Despite robust sales of summer goods due to the heat wave, for the most part the consumer sentiment remained lackluster.
- ✓ Total cash earnings in the core prefectures (Hyogo, Kyoto and Osaka) saw the 13th consecutive month of YoY growth in May. Real wages increased for the third consecutive month too, suggesting that overall incomes are steadily on the upturn.
- ✓ In June, sales by large retailers expanded YoY for the first time in two months. In spite of anemic growth in summer goods sales at supermarkets due to the unfavorable weather conditions, department store sales were in top shape, propped up by bargain-driven upfront spending and tax-free goods.
- ✓ The number of new housing starts in June declined MoM for the first time in three months as condominium construction plummeted sharply. Nevertheless, overall April-June new residential construction saw a YoY expansion, growing for the first time in five quarters.
- ✓ The effective jobs-to-applicants ratio in June improved for the first time in three months. The labor market is tight, and although the unemployment rate increased for the first time in four months, the overall employment environment remains in a good shape.
- ✓ The value of public works contracts in July saw a second month of substantial positive growth. Due to the reconstruction demand after the earthquake, the positive growth is expected to continue.
- ✓ Construction work in June increased YoY for the fourth consecutive month. As a result, April-June construction registered a YoY expansion for the first time in four quarters.
- ✓ The number of international tourist arrivals at Kansai International Airport in July rose YoY for the 17th consecutive month. Although the earthquake in Northern Osaka did have a negative impact, growth rate has remained positive.
- ✓ In China’s manufacturing sector, the Purchasing Managers’ Index (PMI) deteriorated for the second consecutive month in July. Although January-July cumulative fixed capital investment decelerated for the fifth month in a row too, investments in high-tech manufacturing and in industries related to environmental protection and regulation expanded substantially.

Trends in the Kansai Economy

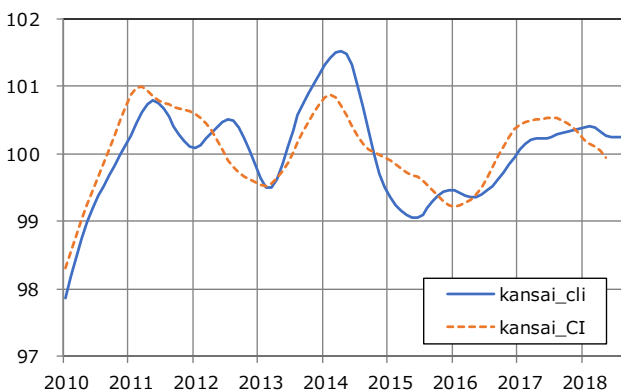
	2017						2018						
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Production	↘	↗	↘	↗	↗	↗	↘	↗	↗	↗	↘	↗	
Trade	→	↗	↗	→	↗	→	↗	↘	↗	↗	↗	↗	↗
Sentiment	→	↘	→	↗	↗	↗	↘	↘	→	→	↘	↗	↘
Consumption	→	→	↗	→	↗	→	→	→	→	→	↘	→	
Housing	→	→	→	→	→	↘	↘	↗	↘	↗	↗	→	
Employment	↗	→	↗	↗	↗	↗	↗	→	↗	↘	→	↗	
Public Works	↘	↘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

(*Criteria for determining the trends)

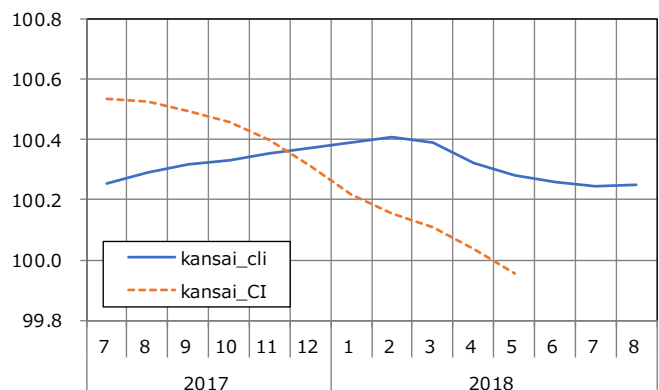
- Production:** The trend is positive if there is at least a 0.5% month-over-month increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- Trade:** 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 (2010/1~2018/8)



Latest trends in CI and CLI (2017/7~2018/8)



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

Major Monthly Statistics

Monthly statistics	17/7M	17/8M	17/9M	17/10M	17/11M	17/12M	18/1M	18/2M	18/3M	18/4M	18/5M	18/6M	18/7M
Business Confidence													
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	52.2	51.2	51.8	53.3	55.2	56.2	52.4	50.7	50.1	50.1	47.5	48.6	46.7
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	49.7	50.6	49.6	55.6	51.7	49.9	53.4	51.0	52.3	52.1	50.8	52.4	50.8
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	49.9	50.0	51.1	52.0	54.1	53.9	49.9	48.6	48.9	49.0	47.1	48.1	46.6
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted)	50.5	51.2	51.1	54.5	53.4	52.7	52.4	51.4	49.6	50.1	49.2	50.0	49.0
Consumer Sentiment Indices													
[Kansai] Consumer Confidence Index (original index)	43.2	43.2	43.1	43.6	43.8	43.4	44.4	43.2	42.9	42.9	43.2	43.3	42.9
[Kansai] overall livelihood (original index)	41.0	41.0	41.7	41.7	41.9	40.9	42.2	40.6	40.6	40.7	41.5	41.5	40.9
[Kansai] income growth (original index)	41.2	41.8	41.8	41.8	41.9	41.0	42.7	41.8	41.1	41.6	42.1	41.7	41.8
[Kansai] employment conditions (original index)	47.6	47.6	45.9	47.9	48.2	49.1	49.3	48.2	48.5	47.4	47.1	47.4	47.0
[Kansai] willingness to buy durable goods (original index)	42.9	42.5	42.8	43.0	43.3	42.7	43.4	42.2	41.3	41.7	42.1	42.4	41.9
[Japan] Consumer Confidence Index (seasonally adjusted)	43.9	43.3	44.1	44.4	44.6	44.6	44.6	44.3	44.3	43.6	43.8	44.1	43.5
[Kansai] Large retail store sales (billion yen)	339.1	305.4	293.8	310.3	329.4	410.6	332.9	286.3	316.9	305.1	302.8	306.5	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-0.1	0.8	3.4	-0.2	1.7	1.0	0.6	-0.1	1.0	0.2	-2.0	0.5	UN
[Japan] Large retail store sales (billion yen)	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	1,566.4	1,603.0	UN
[Japan] Large retail store sales (YoY % change, all stores)	-0.2	0.7	1.8	-0.5	1.4	1.2	0.5	0.5	0.2	-0.1	-1.4	2.1	UN
Housing & Construction													
[Kansai] New housing starts (number of units)	12,601	11,790	11,354	12,164	11,764	10,224	9,196	11,387	10,788	13,392	14,140	11,737	UN
[Kansai] New housing starts (YoY % change)	-3.3	1.8	-0.7	-1.5	-4.0	-7.7	-19.4	7.0	-8.5	13.4	27.2	-2.2	UN
[Japan] New housing starts (number of units)	83,234	80,562	83,128	83,057	84,703	76,751	66,358	69,071	69,616	84,226	79,539	81,275	UN
[Japan] New housing starts (YoY % change)	-2.3	-2.0	-2.9	-4.8	-0.4	-2.1	-13.2	-2.6	-8.3	0.3	1.3	1.3	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	71.7	78.2	76.6	75.6	76.9	78.6	81.9	84.9	67.1	70.4	66.6	73.1	72.1
[Kansai] Residential lots contract ratio (original index)	73.6	80.0	74.5	74.2	77.7	74.9	78.1	83.9	67.3	71.0	69.5	75.6	74.0
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	66.4	68.6	66.8	65.7	68.1	74.0	68.1	63.5	73.0	63.3	61.0	64.1	62.6
[Tokyo area] Residential lots contract ratio (original index)	71.9	68.2	64.9	60.7	67.9	72.5	65.2	65.0	74.7	63.0	62.2	66.0	67.8
[Kansai] Advance Payment Guarantees (APGs) for public works (billion yen)	120.3	102.7	139.4	129.9	85.4	97.5	65.4	49.8	122.2	211.7	116.4	134.5	140.9
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	-31.3	-24.7	-8.1	11.7	13.2	1.8	7.5	-26.9	3.4	4.9	-21.0	9.9	17.1
[Japan] Advance Payment Guarantees (APGs) for public works (billion yen)	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	1,433.9	1,252.0
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-5.4	-7.9	-10.4	3.9	5.0	-6.4	-12.8	-20.2	-14.5	5.5	3.5	-5.6	-2.9
[Kansai] Construction works (total, billion yen)	500.3	516.6	536.8	547.9	586.5	608.9	589.9	570.2	558.6	484.7	482.3	513.4	UN
[Kansai] Construction works (total, YoY % change)	0.8	-2.6	-2.7	-5.6	-1.8	1.6	0.0	-2.2	0.2	2.9	3.7	6.2	UN
[Japan] Construction works (total, billion yen)	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	3,893.5	4,124.0	UN
[Japan] Construction works (total, YoY % change)	7.5	6.8	4.1	4.2	4.3	5.4	4.3	3.7	3.1	1.5	-0.2	0.7	UN
[Japan] Construction works (public works, billion yen)	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	1,380.9	1,479.7	UN
[Japan] Construction works (public works, YoY % change)	6.1	5.3	1.4	2.2	2.5	4.6	2.2	1.6	0.5	0.3	-3.3	-1.7	UN
Indices of Industrial Production													
[Kansai] Industrial production (seasonally adjusted, 2010=100)	106.7	110.9	103.4	105.7	108.9	110.7	103.1	105.9	108.3	114.3	107.1	107.6	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	-1.3	3.9	-6.8	2.2	3.0	1.7	-6.9	2.7	2.3	5.5	-6.0	0.8	UN
[Kansai] Industrial shipments index (original figure, YoY % change)	2.3	6.2	-3.6	0.1	1.6	1.3	1.6	-0.8	1.2	5.3	3.8	-2.0	UN
[Kansai] Industrial inventories index (original figure, YoY % change)	3.7	3.6	2.9	7.8	10.2	9.7	6.8	5.6	8.2	3.4	1.0	1.0	UN
[Kansai] Industrial shipments index (seasonally adjusted, 2010=100)	103.7	107.9	100.5	102.2	107.8	108.3	101.1	104.1	104.7	111.4	105.9	105.6	UN
[Kansai] Industrial shipments index (seasonally adjusted, MoM change)	-2.2	4.1	-6.9	1.7	5.5	0.5	-6.6	3.0	0.6	6.4	-4.7	0.0	UN
[Kansai] Industrial inventories index (seasonally adjusted, 2010=100)	122.9	124.0	124.3	124.9	121.2	122.9	122.9	121.9	127.0	127.1	125.6	123.2	UN
[Kansai] Industrial inventories index (seasonally adjusted, MoM change)	0.7	0.9	0.2	0.5	-3.0	1.4	0.0	-0.8	4.2	0.1	-1.3	-1.8	UN
[Japan] Industrial production (seasonally adjusted, 2010=100)	101.6	102.9	102.3	102.8	103.5	105.4	100.7	102.7	104.1	104.6	104.4	102.5	UN
[Japan] Industrial production (seasonally adjusted, MoM change)	-0.3	1.3	-0.6	0.5	0.7	1.8	-4.5	2.0	1.4	0.5	-0.2	-1.8	UN
[Japan] Industrial shipments index (original figure, YoY % change)	4.1	5.8	1.6	2.8	2.4	4.3	2.2	0.7	1.4	3.6	3.3	-0.2	UN
[Japan] Industrial inventories index (original figure, YoY % change)	-2.3	-2.9	-2.5	1.9	2.8	1.9	1.5	1.6	3.9	1.7	2.5	2.4	UN
[Japan] Industrial shipments index (seasonally adjusted, 2010=100)	100.1	101.6	99.8	99.4	101.3	103.3	98.7	100.3	101.5	103.1	101.5	101.8	UN
[Japan] Industrial shipments index (seasonally adjusted, MoM change)	-0.4	1.5	-1.8	-0.4	1.9	2.0	-4.5	1.6	1.2	1.6	-1.6	0.3	UN
[Japan] Industrial inventories index (seasonally adjusted, 2010=100)	108.2	107.6	107.4	110.5	109.8	109.8	109.3	109.9	113.5	112.8	113.5	111.4	UN
[Japan] Industrial inventories index (seasonally adjusted, MoM change)	-0.6	-0.6	-0.2	2.9	-0.6	0.0	-0.5	0.5	3.3	-0.6	0.6	-1.9	UN
Labor Statistics													
[Kansai] Total cash earnings (all 6 prefectures, YoY % change)	0.2	1.4	2.1	1.4	1.3	1.7	1.3	0.8	1.6	1.2	UN	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	0.3	1.6	2.2	1.6	1.4	1.9	1.9	1.0	1.8	1.8	2.1	UN	UN
[Japan] Total cash earnings (YoY % change)	-0.6	0.7	0.9	0.2	0.9	0.9	1.2	1.0	2.0	0.6	2.1	3.3	UN
[Kansai] Unemployment rate (seasonally adjusted)	3.0	2.7	3.0	2.8	2.9	3.2	2.6	2.7	2.7	2.7	2.6	3.0	UN
[Kansai] Unemployment rate (original figure)	3.1	2.9	3.2	2.8	2.6	2.8	2.7	2.8	2.7	2.6	2.5	3.0	UN
[Japan] Unemployment rate (seasonally adjusted)	2.8	2.8	2.8	2.8	2.7	2.7	2.4	2.5	2.5	2.5	2.2	2.4	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.22	2.24	2.24	2.38	2.34	2.36	2.37	2.34	2.44	2.39	2.37	2.53	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.26	2.22	2.27	2.35	2.34	2.38	2.34	2.30	2.41	2.37	2.34	2.47	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.46	1.46	1.47	1.49	1.51	1.52	1.54	1.54	1.57	1.56	1.56	1.58	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.51	1.52	1.53	1.55	1.56	1.59	1.59	1.58	1.59	1.59	1.60	1.62	UN
International Trade													
[Kansai] Trade balance (billion yen)	135.1	161.9	249.8	160.1	162.8	256.1	-54.7	133.6	368.4	236.3	82.6	268.1	85.6
[Kansai] Exports (billion yen)	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	1,520.9	1,433.8
[Kansai] Exports (YoY % change)	10.8	17.4	17.3	14.4	21.5	12.0	19.5	0.0	8.9	8.1	13.2	9.9	7.9
[Kansai] Imports (billion yen)	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	1,252.8	1,348.3
[Kansai] Imports (YoY % change)	16.9	12.7	11.1	20.8	15.5	18.0	5.5	22.3	-1.2	4.0	15.3	3.4	12.9

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