Kansai Economic Insight Monthly 2019/1/11

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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.
- ▼ Authors: Yoshihisa Inada (Konan University Professor and Director of the APIR Center for Quantitative Economic Analysis), Yusuke Kinoshita (APIR Program officer), Yusuke Ikuta, Nguyet Thi Khanh Cao, Teng Ma (APIR Researchers) and Norihiko Toyohara (Kwansei Gakuin University Professor).
- ▼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

Trends in the Kansai Economy Kansai Economic Trend Indices Major Monthly Statistics

- ✓ Production in October increased +3.1% compared to the Q3 average. The industries that had recovered in September contributed to that growth, but whether or not this positive trend can be maintained remains to be seen.

- Current economic plateau, signs of an upcoming downturn* -

Highlights

- ✓ The trade balance in November remained positive for the tenth consecutive month, but the surplus shrank YoY. Due to the trade frictions between China and the United States, semiconductor exports to China declined substantially.
- ✓ In November, the Economy Watchers Diffusion Index (DI) posted a MoM improvement for the second month in a row, reflecting Kansai International Airport's return to normal operation, which led to a recovery in external demand and department store sales.
- ✓ In September, the core Kansai prefectures (Osaka, Hyogo and Kyoto) saw a YoY decrease in total cash earnings for the first time in 17 months. As a result of rising consumer prices, real wages declined for the second month in a row, reflecting a deterioration in the income environment.
- ✓ Albeit slightly, sales by large retailers in October expanded YoY for the first time in four months. Luxury item sales at department stores also increased YoY for the first time in two months. In contrast, supermarket sales deteriorated for the first time in two months, mainly due to the anemic sales of seasonal products.
- ✓ The number of new housing starts in October shrank YoY for the first time in two months, driven by a plunge in the construction of rent housing. On the other hand, the construction of private homes and condominiums is in a good shape.
- ✓ In October, both the number of effective job offers and seekers increased. As the latter outpaced the former, the effective jobs offer-to-applicants ratio deteriorated for the first time in six months. Although the unemployment rate edged up slightly, it is still very low and the overall employment environment remains in a robust shape.
- ✓ Public works show signs of recovery, as the value of public works contracts in November grew for the fourth consecutive month YoY, and for the second month in a row MoM.
- Construction work in October increased YoY for the eighth consecutive month. It is expected to expand due to the continuing reconstruction-related works and the construction of infrastructure to meet inbound demand.
- ✓ The number of international arrivals at Kansai International Airport in November increased YoY for the second consecutive month, and the growth accelerated. By country of origin, in September visitor numbers of all nationalities decreased due the closure of the airport caused by the typhoons.
- China's Purchasing Managers' Index (PMI) in November declined MoM for the third month in a row, reaching the breakeven point ratio of 50 for the first time in 28 months. In particular, due to the trade frictions between China and the US, the index of new export orders has declined for 6 straight months and is now below 50. Industrial production and retail sales have also slowed down their growth for the first time in a decade.
- * Judgment of business conditions is due to APIR's Kansai CI and CLI.



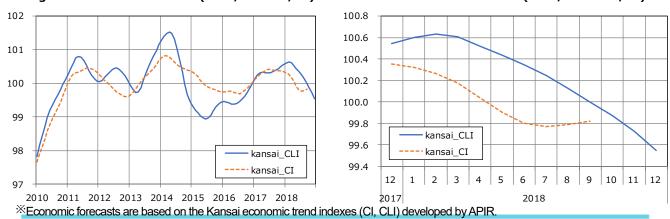
Trends in the Kansai Economy

	20	17	2018												
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov		
Production			^				\triangle		\triangle		\triangle				
Trade		\Rightarrow		\triangle									\Rightarrow		
Sentiment		$\overline{\sim}$	\triangle	\triangle	\Rightarrow	\Rightarrow	\triangle	$\overline{\sim}$	\triangle		\Rightarrow		\Rightarrow		
Consumption		\Rightarrow	\Rightarrow	\Rightarrow	\Rightarrow	\Rightarrow	\triangle	\Rightarrow	\triangle	\Rightarrow	\triangle	\Rightarrow			
Housing	\Rightarrow	\triangle	\triangle	$\overline{\sim}$	\triangle			\Rightarrow	\Rightarrow	\Rightarrow		\triangle			
Employment	₩			\Rightarrow		\triangle	\Rightarrow	₩	₹			\triangle			
Public Works		\Rightarrow		\triangle	\Rightarrow	\Rightarrow	\triangle		ス	\triangle	\triangle	\triangle			
China	\Rightarrow	\Rightarrow	\Rightarrow	\Rightarrow	\Rightarrow	\Rightarrow	\Rightarrow	\triangle	\triangle	\Rightarrow	\triangle	\triangle	\triangle		

(*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

The Kansai Economic Trends Indices: the Composite Index(CI) and the Composite Leading Indicator(CLI) Long-term trends in CI and CLI (2010/1~2018/12) Latest trends in CI and CLI (2017/12~2018/12)





Major Monthly Statistics

Monthly statistics	17/11M	17/12M	18/1M	18/2M	18/3M	18/4M	18/5M	18/6M	18/7M	18/8M	18/9M	18/10M	18/11M
Business Confidence													
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	55.2	56.2	52.4	50.7	50.1	50.1	47.5	48.6	46.7	49.6	48.8		
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	51.7	49.9	(<i></i>		50.8	52.4	50.8	51.2	52.9		,
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	54.1	53.9	49.9	48.6	48.9		47.1	48.1	46.6	48.7	48.6		
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted) Consumer Sentiment Indices	53.4	52.7	52.4	51.4	49.6	50.1	49.2	50.0	49.0	51.4	51.3	50.6	52.2
[Kansai] Consumer Confidence Index (original index)	43.8	43.4	44.4	43.2	42.9	42.9	43.2	43.3	42.9	43.2	42.7	42.6	42.4
[Kansai] overall livelihood (original index)	41.9		(40.6	}	•	41.5	41.5	}	41.2	39.6		
[Kansai] income growth (original index)	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)	48.2	49.1	49.3	48.2	48.5	47.4	47.1	47.4	47.0	47.9	47.1	46.6	46.4
[Kansai] willingness to buy durable goods (original index)	43.3	42.7	43.4	42.2	41.3	41.7	42.1	42.4	41.9	41.7	42.2	42.3	42.0
[Japan] Consumer Confidence Index (seasonally adjusted)	44.6	ļ	44.6	44.3	44.3		43.8	43.7	43.5	43.3	43.4	43.0	
[Kansai] Large retail store sales (billion yen)	329.4	ļ			ş		302.8	ş	····	304.9	287.8	310.5	UN
[Kansai] Large retail store sales (YoY % change, all stores) [Japan] Large retail store sales (billion yen)	1.7 1,671.3	1.0 2,092.1	0.6 1,682.6	-0.1 1,456.5	1.0	0.2 1,556.4	-2.0 1,566.4	0.5 1,603.0	-2.4 1,700.2	-0.2 1,575.0	-2.0	0.1 1,586.2	UN UN
[Japan] Large retail store sales (billion yell)	1,071.3	1.2	0.5	0.5	0.2	•	-1.4	2.1	-1.0	0.6	1,515.0	-0.2	UN
Housing & Construction													
[Kansai] New housing starts (number of units)	11,764	10,224	9,196	11,387	10,788	13,392	14,140	11,737	12,151	11,768	12,545	11,496	UN
[Kansai] New housing starts (YoY % change)	-4.0	-7.7	-19.4	7.0	-8.5	13.4	27.2	-2.2	-3.6	-0.2	10.5	-5.5	UN
[Japan] New housing starts (number of units)	84,703	ļ	66,358		69,616		79,539	81,275	82,615	81,860	81,903		
[Japan] New housing starts (YoY % change)	-0.4	-2.1	-13.2	-2.6	-8.3	;····	1.3	1.3	-7.1	-0.7	-0.7	-0.7	
[Kansai] Residential lots contract ratio (seasonally adjusted)	76.9	 	81.9	84.9	67.1	***************************************	66.6	73.1	72.1	78.8	74.8		
[Kansai] Residential lots contract ratio (original index)	77.7	74.9	·····		}	•	69.5	75.6	}	80.6	72.8		
[Tokyo area] Residential lots contract ratio (seasonally adjusted) Tokyo area] Residential lots contract ratio (original index)	68.1 67.9	74.0 72.5	68.1 65.2		/		61.0 62.2	64.1 66.0	62.6 67.8	64.9 64.5	68.5 66.5		
[Kansai] Advance Payment Guarantees (APGs) for public works (billion yen)	85.4	97.5	65.4	49.8	122.2		116.4	134.5	140.9	95.4	109.3		
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	13.2		7.5	-26.9	ţ	§)	-21.0	9.9	17.1	-7.1	-21.6		
[Japan] Advance Payment Guarantees (APGs) for public works (billion yen)	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	818.9
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	5.0	-6.4	-12.8	-20.2	-14.5	5.5	3.5	-5.6	-2.9	-2.2	-7.6	9.5	-5.2
[Kansai] Construction works (total, billion yen)	586.5	608.9	589.9	570.2	558.6		482.3	513.4	504.7	529.4	554.3		
[Kansai] Construction works (total, YoY % change)	-1.8	···	0.0	-2.2	0.2		3.7	6.2	0.9	2.5	3.3		
[Japan] Construction works (total, billion yen)	4,970.9	ļ			şi	3,960.9		ş	4,264.0	{		4,850.7	
[Japan] Construction works (total, YoY % change) [Japan] Construction works (public works, billion yen)	4.3 2,085.1	 	4.3 2,094.8	3.7	3.1	1.5 1,455.3	-0.2 1,380.9	0.7 1,479.7	0.5 1,540.2	-0.5 1,642.2	0.3	-1.1 1,938.5	
[Japan] Construction works (public works, YoY % change)	2,003.1				}		-3.3	-1.7	-1.8	-4.1	-2.6		
Indices of Industrial Production													
[Kansai] Industrial production (seasonally adjusted, 2010=100)	108.9	110.7	103.1	105.9	108.3	113.9	106.7	107.7	105.6	108.4	104.3	105.9	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	3.0	1.7	-6.9	2.7	2.3	5.2	-6.3	0.9	-1.9	2.7	-3.7	3.3	UN
[Kansai] Industrial shipments index (original figure, YoY % change)	1.6	(1.6	-0.8	¢		3.5	-1.7	1.0	-0.4	-4.1	7.0	
[Kansai] Industrial inventories index (original figure, YoY % change)	10.2	9.7	6.8	5.6	8.2		1.0	0.7	-1.7	-3.0	0.0		
[Kansai] Industrial shipments index (seasonally adjusted, 2010=100)	107.8 5.5		101.1 -6.6	104.1	104.7 0.6	(··········	105.6 -5.0	105.9 0.3	102.9 -2.8	106.2 3.2	99.3 -7.0		
[Kansai] Industrial shipments index (seasonally adjusted, MoM change) [Kansai] Industrial inventories index (seasonally adjusted, 2010=100)	121.2	ļ	122.9		{•·•·•·	å	125.5	122.9	120.8	120.2	-7.0 124.3		
[Kansai] Industrial inventories index (seasonally adjusted, MoM change)	-3.0		0.0	-0.8	4.2		-1.3	-2.1	-1.7	-0.5	3.1		
[Japan] Industrial production (seasonally adjusted, 2010=100)	103.5	ļ	100.7	102.7	104.1		104.4	102.5	102.3	102.5	102.9		
[Japan] Industrial production (seasonally adjusted, MoM change)	0.7	1.8	-4.5	2.0	1.4	0.5	-0.2	-1.8	-0.2	0.2	-0.4	2.9	UN
[Japan] Industrial shipments index (original figure, YoY % change)	2.4	4.3	2.2	0.7	1.4	3.6	3.3	-0.2	1.2	0.5	-2.9	-2.9	UN
[Japan] Industrial inventories index (original figure, YoY % change)	2.8	}	·····		(2.5	(}	3.5		
[Japan] Industrial shipments index (seasonally adjusted, 2010=100)	101.3	ļ	}		 		101.5	 		101.5	101.1	·	
[Japan] Industrial shipments index (seasonally adjusted, MoM change)	1.9	\$	{		1.2	\$	-1.6	0.3	-2.0	1.7	-2.0		
[Japan] Industrial inventories index (seasonally adjusted, 2010=100) [Japan] Industrial inventories index (seasonally adjusted, MoM change)	109.8 -0.6	<u> </u>	(farance and the second		113.5 0.6	111.4 -1.9	111.2 -0.2	110.8 -0.4	102.6 1.2		
Labor Statistics	-0.0	0.0	-0.5	0.5	5.5	-0.0	0.0	-1.5	-0.2	-0.4	1.2	-1.5	OIV
[Kansai] Total cash earnings (all 6 prefectures, YoY % change)	1.3	1.7	1.3	0.8	1.6	1.2	1.4	0.5	1.2	0.5	UN	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	1.4	ţ	(J	•	2.1	0.4	}	0.8	-0.6		,
[Japan] Total cash earnings (YoY % change)	0.9	0.9	1.2	1.0	2.0	0.6	2.1	3.3	1.6	0.8	0.8	1.5	UN
[Kansai] Unemployment rate (seasonally adjusted)	2.9	ļ	·····	~~~~~~	2.7		2.6	<i>,</i>	·····	2.8	2.9		
[Kansai] Unemployment rate (original figure)	2.6				}	()	2.5	}	(3.1		<u> </u>
[Japan] Unemployment rate (seasonally adjusted)	2.7	ļ	2.4		 		2.2	2.4	,	,	2.3		~~~~~~
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.34		(a (2.34	¢		2.37	2.53		2.46	2.61		
[Japan] New job openings-to-applicants ratio (seasonally adjusted) [Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	2.34 1.51	2.38 1.52	2.34 1.54	2.30 1.54	}	***************************************	2.34 1.56	2.47 1.58	2.42 1.60	2.34 1.62	2.50 1.64	2.40 1.63	·
[Ransar] Effective job openings-to-applicants ratio (seasonally adjusted) [Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.51	<i></i>	(~~~~~~~~	1.54	;	•	1.60	1.58	}	1.62	1.64		
International Trade	1.50	1.55	1.55	1.50	1.59	1.55	1.00	1.02	1.00	1.03	1.01	1.02	O.V
[Kansai] Trade balance (billion yen)	162.8	256.1	-54.7	133.6	368.4	236.3	82.3	268.1	85.6	179.2	179.8	115.9	20.2
[Kansai] Exports (billion yen)	1,520.4			1,353.5		1,443.2		}	(1,519.3	*************		1,504.9
[Kansai] Exports (YoY % change)	21.5	})		÷		13.2	9.9	7.9	9.9	-24.5		
[Kansai] Imports (billion yen)	1,357.6	ļ			(·····	1,207.0		§	,	(·····			1,484.7
[Kansai] Imports (YoY % change)	15.5		·····	22.3	-1.2	4.0	15.3	3.4	12.9	9.8	-24.4	10.8	9.4

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