

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

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

- ✓ 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.
- ✓ 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

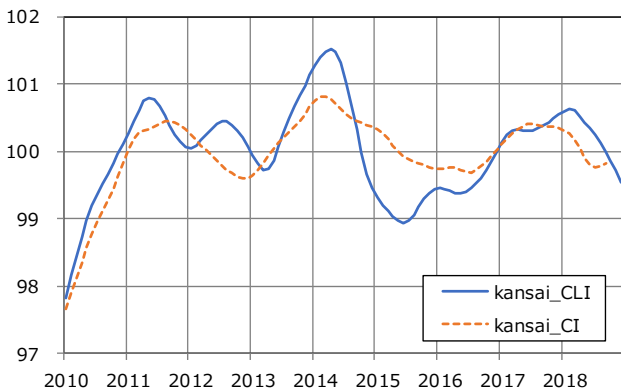
	2017		2018										
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Production	↗	↗	↘	↗	↗	↗	↘	↗	↘	↗	↘	↗	
Trade	↗	↘	↗	↘	↗	↗	↗	↗	↗	↗	↗	↗	↘
Sentiment	↗	↗	↘	↘	↘	↘	↘	↗	↘	↗	↘	↗	↘
Consumption	↗	↘	↘	↘	↘	↘	↘	↘	↘	↘	↘	↘	
Housing	↘	↘	↘	↗	↘	↗	↗	↘	↘	↘	↗	↘	
Employment	↗	↗	↗	↘	↗	↘	↘	↗	↗	↗	↗	↘	
Public Works	↗	↘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

(*Criteria for determining the trends)

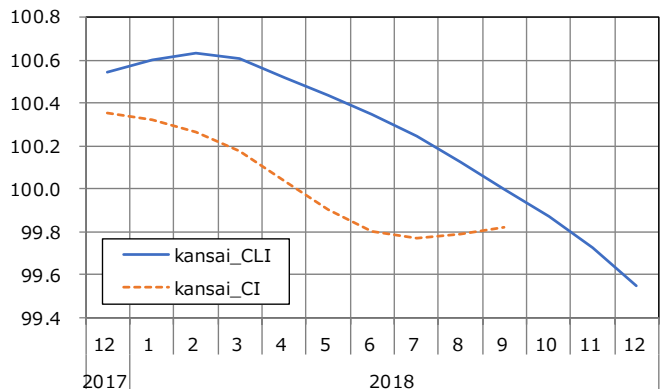
- Production:** The trend is positive if there is at least a 0.5% month-over-month increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- Trade:** 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 (2010/1~2018/12)



Latest trends in CI and CLI (2017/12~2018/12)



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

