Kansai Economic Insight Monthly
2019/2/15
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Highlights

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

✓ Although production in November decreased MoM for the first time in two months, the October-November average grew +2.8% compared to the Q3 average. Overall, there is a high probability that Q4 will mark the first recovery in three quarters.

✓ The trade balance in December remained positive for the eleventh consecutive month, but the surplus shrank YoY for the fourth month in a row. On a quarterly basis, the trade surplus expanded YoY in Q1 and Q2, but it diminished in Q3 and Q4.

✓ In December, the Economy Watchers Diffusion Index (DI) posted a MoM deterioration for the first time in three months. Although inbound demand is robust, the trend was negatively influenced by the slump in stock prices and by the sluggish sales of seasonal products due to the relatively warm winter.

✓ Although total cash earnings in the core Kansai prefectures (Osaka, Hyogo and Kyoto) increased for the first time in two months in October, due to the rising consumer prices real wages declined for the third consecutive month, reflecting a deterioration in the income environment.

✓ In November, sales by large retailers shrank YoY for the first time in two months. Partly due to the relatively warm weather, winter clothing sales stagnated, resulting in a decline in department store revenues for the first time in two months. Similarly, the sales of seasonal foods (hot pot ingredients) were anemic, causing supermarket sales to shrink for the second month in a row.

✓ The number of new housing starts in November showed a YoY improvement for the first time in two months. Construction expanded across all building categories, especially condominiums.

✓ In November, the effective job offers-to-applicants ratio deteriorated for the second consecutive month. Although the unemployment kept climbing for the third month in a row, the overall employment environment is expected to remain in a robust shape as more individuals are entering the labor force.

✓ Although the value of public works contracts in December decreased MoM for the first time in three months (seasonally adjusted figures), the overall Q4 figure registered a positive QoQ growth for the first time in two quarters. The supplementary budgets for disaster-related reconstruction can be expected to contribute to this trend in the future.

✓ Construction work in November increased YoY for the ninth consecutive month. In the future, a further expansion is expected as the disaster-related reconstruction works and the construction of infrastructure to meet inbound demand continue.

✓ The number of international arrivals at Kansai International Airport in December increased YoY for the third consecutive month. The number of inbound visitors has been recovering and reached an all-time high of 7.65 million in 2018, translating into a YoY increase of +6.8%. Although 2018 was the seventh consecutive year of expansion, the growth rate decelerated to the single digits.

✓ China's economy is clearly losing steam. Real GDP growth in 2018 was +6.6%, the lowest since 1990. Due to the trade frictions between China and the US, the Purchasing Managers' Index (PMI) in December went below the breakeven point ratio of 50 for the first time in 29 months.

※ Judgment of business conditions is due to APIR's Kansai CI and CLI.

Index

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Trends in the Kansai Economy

|	2017 Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	2018 Dec
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

The Kansai Economic Trends Indices: the Composite Index(CI) and the Composite Leading Indicator(CLI)

Long-term trends in CI and CLI (2010/1～2019/1)
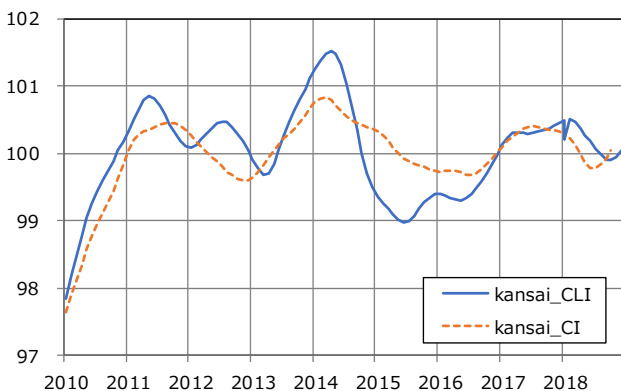
Latest trends in CI and CLI (2018/1～2019/1)
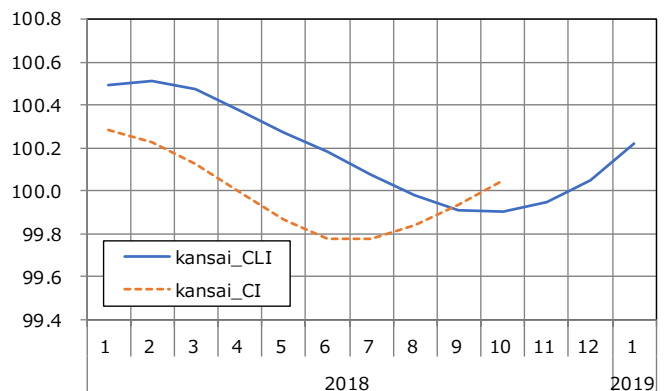
※Economic forecasts are based on the Kansai economic trend indexes (CI, CLI) developed by APIR.

Major Monthly Statistics

Monthly statistics	17/12M	18/1M	18/2M	18/3M	18/4M	18/5M	18/6M	18/7M	18/8M	18/9M	18/10M	18/11M	18/12M
Business Confidence													
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	56.2	52.4	50.7	50.1	50.1	47.5	48.6	46.7	49.6	48.8	52.5	52.8	50.5
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	49.9	53.4	51.0	52.3	52.1	50.8	52.4	50.8	51.2	52.9	52.8	53.4	46.3
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	53.9	49.9	48.6	48.9	49.0	47.1	48.1	46.6	48.7	48.6	49.5	51.0	48.0
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted)	52.7	52.4	51.4	49.6	50.1	49.2	50.0	49.0	51.4	51.3	50.6	52.2	48.5
Consumer Sentiment Indices													
[Kansai] Consumer Confidence Index (original index)	43.4	44.4	43.2	42.9	42.9	43.2	43.3	42.9	43.2	42.7	42.6	42.4	42.5
[Kansai] overall livelihood (original index)	40.9	42.2	40.6	40.6	40.7	41.5	41.5	40.9	41.2	39.6	40.5	40.3	40.6
[Kansai] income growth (original index)	41.0	42.7	41.8	41.1	41.6	42.1	41.7	41.8	41.8	41.8	40.8	40.9	40.6
[Kansai] employment conditions (original index)	49.1	49.3	48.2	48.5	47.4	47.1	47.4	47.0	47.9	47.1	46.6	46.4	46.0
[Kansai] willingness to buy durable goods (original index)	42.7	43.4	42.2	41.3	41.7	42.1	42.4	41.9	41.7	42.2	42.3	42.0	42.6
[Japan] Consumer Confidence Index (seasonally adjusted)	44.6	44.6	44.3	44.3	43.6	43.8	43.7	43.5	43.3	43.4	43.0	42.9	42.7
[Kansai] Large retail store sales (billion yen)	410.6	332.9	286.3	316.9	305.1	302.8	306.5	331.0	304.9	287.8	310.5	321.4	UN
[Kansai] Large retail store sales (YoY % change, all stores)	1.0	0.6	-0.1	1.0	0.2	-2.0	0.5	-2.4	-0.2	-2.0	0.1	-2.4	UN
[Japan] Large retail store sales (billion yen)	2,092.1	1,682.6	1,456.5	1,635.1	1,556.4	1,566.4	1,603.0	1,700.2	1,575.0	1,513.6	1,586.2	1,642.3	UN
[Japan] Large retail store sales (YoY % change, all stores)	1.2	0.5	0.5	0.2	-0.1	-1.4	2.1	-1.0	0.6	1.1	-0.2	-1.7	UN
Housing & Construction													
[Kansai] New housing starts (number of units)	10,224	9,196	11,387	10,788	13,392	14,140	11,737	12,151	11,768	12,545	11,496	12,329	UN
[Kansai] New housing starts (YoY % change)	-7.7	-19.4	7.0	-8.5	13.4	27.2	-2.2	-3.6	-0.2	10.5	-5.5	4.8	UN
[Japan] New housing starts (number of units)	76,751	66,358	69,071	69,616	84,226	79,539	81,275	82,615	81,860	81,903	83,330	84,213	UN
[Japan] New housing starts (YoY % change)	-2.1	-13.2	-2.6	-8.3	0.3	1.3	-7.1	-0.7	1.6	-1.5	0.3	-0.6	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	78.6	81.9	84.9	67.1	70.4	66.6	73.1	72.1	78.8	74.8	79.2	73.6	75.7
[Kansai] Residential lots contract ratio (original index)	74.9	78.1	83.9	67.3	71.0	69.5	75.6	74.0	80.6	72.8	77.7	74.4	72.1
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	74.0	68.1	63.5	73.0	63.3	61.0	64.1	62.6	64.9	68.5	73.1	54.0	50.4
[Tokyo area] Residential lots contract ratio (original index)	72.5	65.2	65.0	74.7	63.0	62.2	66.0	67.8	64.5	66.5	67.5	53.9	49.4
[Kansai] Advance Payment Guarantees (APGs) for public works (billion yen)	97.5	65.4	49.8	122.2	211.7	116.4	134.5	140.9	95.4	109.3	116.9	94.7	88.0
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	1.8	7.5	-26.9	3.4	4.9	-21.0	9.9	17.1	-7.1	-21.6	-10.0	10.9	-9.8
[Japan] Advance Payment Guarantees (APGs) for public works (billion yen)	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	834.0
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-6.4	-12.8	-20.2	-14.5	5.5	3.5	-5.6	-2.9	-2.2	-7.6	9.5	-5.2	4.6
[Kansai] Construction works (total, billion yen)	608.9	589.9	570.2	558.6	484.7	482.3	513.4	504.7	529.4	554.3	564.2	589.8	UN
[Kansai] Construction works (total, YoY % change)	1.6	0.0	-2.2	0.2	2.9	3.7	6.2	0.9	2.5	3.3	3.0	0.5	UN
[Japan] Construction works (total, billion yen)	5,054.8	4,929.2	4,808.8	4,751.6	3,960.9	3,893.5	4,124.0	4,264.0	4,447.2	4,705.1	4,850.7	4,915.6	UN
[Japan] Construction works (total, YoY % change)	5.4	4.3	3.7	3.1	1.5	-0.2	0.4	0.5	-0.5	0.3	-1.1	-1.1	UN
[Japan] Construction works (public works, billion yen)	2,164.5	2,094.8	2,041.1	2,047.6	1,455.3	1,380.9	1,479.7	1,540.2	1,642.2	1,826.6	1,938.5	1,996.5	UN
[Japan] Construction works (public works, YoY % change)	4.6	2.2	1.6	0.5	0.3	-3.3	-1.7	-1.8	-4.1	-2.6	-5.2	-4.2	UN
Indices of Industrial Production													
[Kansai] Industrial production (seasonally adjusted, 2010=100)	110.7	103.1	105.9	108.3	113.9	106.7	107.7	105.6	108.4	104.3	105.9	104.7	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	1.7	-6.9	2.7	2.3	5.2	-6.3	0.9	-1.9	2.7	-3.7	3.3	-1.7	UN
[Kansai] Industrial shipments index (original figure, YoY % change)	1.3	1.6	-0.8	1.2	5.1	3.5	-1.7	1.0	-0.4	-4.1	7.0	1.2	UN
[Kansai] Industrial inventories index (original figure, YoY % change)	9.7	6.8	5.6	8.2	3.5	1.0	0.7	-1.7	-3.0	0.0	-3.9	-2.8	UN
[Kansai] Industrial shipments index (seasonally adjusted, 2010=100)	108.3	101.1	104.1	104.7	111.1	105.6	105.9	102.9	106.2	99.3	108.1	104.6	UN
[Kansai] Industrial shipments index (seasonally adjusted, MoM change)	0.5	-6.6	3.0	0.6	6.1	-5.0	0.3	-2.8	3.2	-7.0	6.7	-3.7	UN
[Kansai] Industrial inventories index (seasonally adjusted, 2010=100)	122.9	122.9	121.9	127.0	127.2	125.5	122.9	120.8	120.2	124.3	97.7	98.2	UN
[Kansai] Industrial inventories index (seasonally adjusted, MoM change)	1.4	0.0	-0.8	4.2	0.2	-1.3	-2.1	-1.7	-0.5	3.1	-2.4	0.6	UN
[Japan] Industrial production (seasonally adjusted, 2010=100)	105.4	100.7	102.7	104.1	104.6	104.4	102.5	102.3	102.5	102.9	105.9	104.8	UN
[Japan] Industrial production (seasonally adjusted, MoM change)	1.8	-4.5	2.0	1.4	0.5	-0.2	-1.8	-0.2	0.2	-0.4	2.9	-1.0	UN
[Japan] Industrial shipments index (original figure, YoY % change)	4.3	2.2	0.7	1.4	3.6	3.3	-0.2	1.2	0.5	-2.9	5.7	0.9	UN
[Japan] Industrial inventories index (original figure, YoY % change)	1.9	1.5	1.6	3.9	1.7	2.5	2.4	2.8	3.0	3.5	-0.7	0.6	UN
[Japan] Industrial shipments index (seasonally adjusted, 2010=100)	103.3	98.7	100.3	101.5	103.1	101.5	101.8	99.8	101.5	101.1	104.6	103.3	UN
[Japan] Industrial shipments index (seasonally adjusted, MoM change)	2.0	-4.5	1.6	1.2	1.6	-1.6	0.3	-2.0	1.7	-2.0	3.5	-1.2	UN
[Japan] Industrial inventories index (seasonally adjusted, 2010=100)	109.8	109.3	109.9	113.5	112.8	113.5	111.4	111.2	110.8	102.6	101.3	101.4	UN
[Japan] Industrial inventories index (seasonally adjusted, MoM change)	0.0	-0.5	0.5	3.3	-0.6	0.6	-1.9	-0.2	-0.4	1.2	-1.3	0.1	UN
Labor Statistics													
[Kansai] Total cash earnings (all 6 prefectures, YoY % change)	1.7	1.3	0.8	1.6	1.2	1.4	1.1	1.2	0.5	-1.1	UN	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	1.9	1.9	1.0	1.8	1.8	2.1	1.1	2.5	0.8	-0.6	0.9	UN	UN
[Japan] Total cash earnings (YoY % change)	0.8	0.7	0.8	1.8	0.2	1.4	2.8	1.4	0.6	0.7	1.1	1.7	UN
[Kansai] Unemployment rate (seasonally adjusted)	3.2	2.6	2.7	2.7	2.7	2.6	3.0	2.9	2.8	2.9	3.0	3.4	UN
[Kansai] Unemployment rate (original figure)	2.8	2.7	2.8	2.7	2.6	2.5	3.0	3.0	3.0	3.1	3.0	3.1	UN
[Japan] Unemployment rate (seasonally adjusted)	2.7	2.4	2.5	2.5	2.5	2.2	2.4	2.5	2.4	2.3	2.4	2.5	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.36	2.37	2.34	2.44	2.39	2.37	2.53	2.54	2.46	2.61	2.53	2.45	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.38	2.34	2.30	2.41	2.37	2.34	2.47	2.42	2.34	2.50	2.40	2.40	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.52	1.54	1.54	1.57	1.56	1.56	1.58	1.60	1.62	1.64	1.63	1.62	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.59	1.59	1.58	1.59	1.59	1.60	1.62	1.63	1.63	1.64	1.62	1.63	UN
International Trade													
[Kansai] Trade balance (billion yen)	256.1	-54.7	133.6	368.4	236.3	82.3	268.1	85.6	179.2	179.8	115.9	19.9	179.8
[Kansai] Exports (billion yen)	1,589.4	1,303.4	1,353.5	1,607.2	1,443.2	1,402.8	1,520.9	1,434.1	1,519.3	1,119.4	1,517.8	1,505.0	1,474.9
[Kansai] Exports (YoY % change)	12.0	19.5	0.0	8.9	8.1	13.2	9.9	7.9	9.9	-24.5	6.5	-1.0	-7.2
[Kansai] Imports (billion yen)	1,333.4	1,358.1	1,220.0	1,238.8	1,207.0	1,320.5	1,252.8	1,348.6	1,340.1	931.7	1,401.9	1,485.1	1,295.1
[Kansai] Imports (YoY % change)	18.0	5.5	22.3	-1.2	4.0	15.3	3.4	12.9	9.8	-24.4	10.8	9.4	-2.9

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