

Kansai Economic Insight Monthly

2019/3/26

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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

- Economy still sluggish, signs of potential improvement* -

- ✓ Production in January shrank MoM for the third consecutive month, remaining lower than the 2018Q4 average. This will inevitably have a negative impact on the overall quarterly figure. The Kansai Bureau of Economy, Trade and Industry revised down its assessment of economic conditions for the first time since September.
- ✓ The trade balance in February was positive for the first time in two months, and expanded YoY. However, both exports and imports declined. The deceleration of the global economy, especially China, is raising concerns for Japanese exports.
- ✓ Although the Economy Watchers Diffusion Index (DI) in February improved for the first time in four months, it remained below the cutoff level of 50 for the third consecutive month. Due to the relatively warm winter, as well as consumers’ increasing price consciousness in view of the impending tax hike and deepening uncertainties about the future, overall consumption remained subdued. Despite the relaxation of China’s e-commerce laws, inbound demand keeps decelerating.
- ✓ Real wages in December declined YoY in all six Kansai prefectures for the first time in two months. As a result, total annual earnings in 2018 fell for the first time in three years.
- ✓ In January, sales by large retailers shrank YoY for the third month in a row. Therein, department store sales were down for the first time in two months due to waning inbound demand, whereas supermarket sales declined due to lower fresh produce prices.
- ✓ New housing starts in January registered the third consecutive month of YoY expansion. By building category, condominium construction was the main driver of growth.
- ✓ Although the effective job offers-to-applicants ratio deteriorated for the first time in three months in January, the unemployment rate kept improving for the second month in a row. As a result, the overall employment environment remains in a robust shape.
- ✓ The value of public works contracts in February increased MoM for the first time in two months (seasonally adjusted figures), showing an improvement trend.
- ✓ The number of international arrivals at Kansai International Airport in February increased YoY for the fifth consecutive month. However, growth is now in the single digits. By nationality, the number of Taiwanese and Hong Kong nationals decreased due to the lasting psychological impact of the natural disasters in 2018, whereas the number of Koreans remained unchanged.
- ✓ China’s Purchasing Managers’ Index (PMI) in February remained below the breakeven level of 50 for the third month in a row. Within its components, the production index reached its lowest level since January 2009. Additionally, due to the trade frictions between China and the US, China’s trade surplus with the US shrank -29.8% YoY, down for the first time in 11 months.

※ Judgment of business conditions based on APIR’s Kansai CI and CLI.

Trends in the Kansai Economy

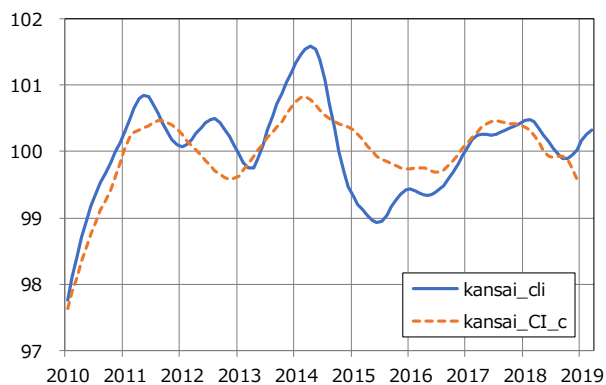
	2018												2019	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	
Production	↑	↑	↑	↓	↑	↓	↑	↓	↑	↓	↓	↓		
Trade	↓	↑	↑	↑	↑	↑	↑	↑	↑	→	↑	↓	↑	
Sentiment	↓	→	→	↓	↑	↓	↑	→	↑	→	↓	↓	↑	
Consumption	→	→	→	↓	→	↓	→	↓	→	↓	→	↓		
Housing	↑	↓	↑	↑	→	→	→	↑	↓	→	↑	↑		
Employment	→	↑	↓	→	↑	↑	↑	↑	↓	↓	↓	↓		
Public Works	↓	→	→	↓	↑	↑	↓	↓	↓	↑	↓	↑	↑	
China	→	→	→	→	↓	↓	→	↓	↓	↓	↓	↓	↓	

(*Criteria for determining the trends)

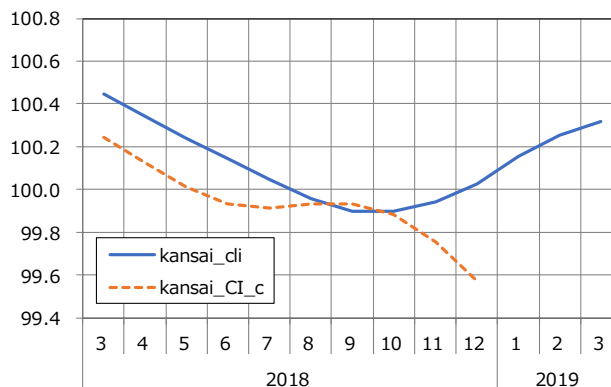
- Production:** The trend is positive if there is at least a 0.5% month-over-month increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- Trade:** 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 (2010/1~2019/3)



Latest trends in CI and CLI (2018/3~2019/3)



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

Major Monthly Statistics

Monthly statistics	18/2M	18/3M	18/4M	18/5M	18/6M	18/7M	18/8M	18/9M	18/10M	18/11M	18/12M	19/1M	19/2M
Business Confidence													
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	50.7	50.1	50.1	47.5	48.6	46.7	49.6	48.8	52.5	52.8	49.9	45.4	48.0
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	51.0	52.3	52.1	50.8	52.4	50.8	51.2	52.9	52.8	53.4	46.3	50.7	50.4
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	48.6	48.9	49.0	47.1	48.1	46.6	48.7	48.6	49.5	51.0	48.0	45.6	47.5
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted)	51.4	49.6	50.1	49.2	50.0	49.0	51.4	51.3	50.6	52.2	48.5	49.4	48.9
Consumer Sentiment Indices													
[Kansai] Consumer Confidence Index (original index)	43.2	42.9	42.9	43.2	43.3	42.9	43.2	42.7	42.6	42.4	42.5	41.8	40.6
[Kansai] overall livelihood (original index)	40.6	40.6	40.7	41.5	41.5	40.9	41.2	39.6	40.5	40.3	40.6	40.2	38.1
[Kansai] income growth (original index)	41.8	41.1	41.6	42.1	41.7	41.8	41.8	41.8	40.8	40.9	40.6	40.8	39.8
[Kansai] employment conditions (original index)	48.2	48.5	47.4	47.1	47.4	47.0	47.9	47.1	46.6	46.4	46.0	44.1	44.1
[Kansai] willingness to buy durable goods (original index)	42.2	41.3	41.7	42.1	42.4	41.9	41.7	42.2	42.3	42.0	42.6	41.9	40.5
[Japan] Consumer Confidence Index (seasonally adjusted)	44.3	44.3	43.6	43.8	43.7	43.5	43.3	43.4	43.0	42.9	42.7	41.9	41.5
[Kansai] Large retail store sales (billion yen)	286.3	316.9	305.1	302.8	306.5	331.0	304.9	287.8	310.5	321.4	407.1	321.5	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-0.1	1.0	0.2	-2.0	0.5	-2.4	-0.2	-2.0	0.1	-2.4	-0.8	-3.4	UN
[Japan] Large retail store sales (billion yen)	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	2,082.5	1,632.2	UN
[Japan] Large retail store sales (YoY % change, all stores)	0.5	0.2	-0.1	-1.4	2.1	-1.0	0.6	1.1	-0.2	-1.7	-0.5	-3.0	UN
Housing & Construction													
[Kansai] New housing starts (number of units)	11,387	10,788	13,392	14,140	11,737	12,151	11,768	12,545	11,496	12,329	11,360	11,371	UN
[Kansai] New housing starts (YoY % change)	7.0	-8.5	13.4	27.2	-2.2	-3.6	-0.2	10.5	-5.5	4.8	11.1	23.7	UN
[Japan] New housing starts (number of units)	69,071	69,616	84,226	79,539	81,275	82,615	81,860	81,903	83,330	84,213	78,364	67,087	UN
[Japan] New housing starts (YoY % change)	-2.6	-8.3	0.3	1.3	-7.1	-0.7	1.6	-1.5	0.3	-0.6	2.1	1.1	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	83.3	69.3	71.2	68.8	73.1	73.5	76.8	75.7	78.2	73.6	75.1	70.5	75.2
[Kansai] Residential lots contract ratio (original index)	83.9	67.3	71.0	69.5	75.6	74.0	80.6	72.8	77.7	74.4	72.1	70.2	75.8
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	64.1	71.5	64.2	62.3	64.3	63.1	64.2	64.9	73.1	55.5	50.2	70.8	64.7
[Tokyo area] Residential lots contract ratio (original index)	65.0	74.7	63.0	62.2	66.0	67.8	64.5	66.5	67.5	53.9	49.4	67.5	65.6
[Kansai] Advance Payment Guarantees (APGs) for public works (billion yen)	49.8	122.2	211.7	116.4	134.5	140.9	95.4	109.3	116.9	94.7	88.0	71.4	80.0
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	-26.9	3.4	4.9	-21.0	9.9	17.1	-7.1	-21.6	-10.0	10.9	-9.8	9.1	60.5
[Japan] Advance Payment Guarantees (APGs) for public works (billion yen)	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	585.3	739.0
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-20.2	-14.5	5.5	3.5	-5.6	-2.9	-2.2	-7.6	9.5	-5.2	4.6	-4.1	20.4
[Kansai] Construction works (total, billion yen)	570.2	558.6	484.7	482.3	513.4	504.7	529.4	554.3	564.2	589.8	610.4	607.9	UN
[Kansai] Construction works (total, YoY % change)	-2.2	0.2	2.9	3.7	6.2	0.9	2.5	3.3	3.0	0.5	0.2	3.0	UN
[Japan] Construction works (total, billion yen)	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	4,945.3	4,897.0	UN
[Japan] Construction works (total, YoY % change)	3.7	3.1	1.5	-0.2	0.7	0.5	-0.5	0.3	-1.1	-1.1	-2.2	-0.7	UN
[Japan] Construction works (public works, billion yen)	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	2,042.5	2,047.5	UN
[Japan] Construction works (public works, YoY % change)	1.6	0.5	0.3	-3.3	-1.7	-1.8	-4.1	-2.6	-5.2	-4.2	-5.6	-2.3	UN
Indices of Industrial Production													
[Kansai] Industrial production (seasonally adjusted, 2010=100)	105.9	108.3	113.9	106.7	107.7	105.6	108.4	104.3	105.9	104.7	103.0	100.8	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	2.7	2.3	5.2	-6.3	0.9	-1.9	2.7	-3.7	3.3	-1.7	-1.3	-1.9	UN
[Kansai] Industrial shipments index (original figure, YoY % change)	-0.8	1.2	5.1	3.5	-1.7	1.0	-0.4	-4.1	7.0	1.2	-2.8	-0.5	UN
[Kansai] Industrial inventories index (original figure, YoY % change)	5.6	8.2	3.5	1.0	0.7	-1.7	-3.0	0.0	-3.9	-2.8	-1.8	-2.9	UN
[Kansai] Industrial shipments index (seasonally adjusted, 2010=100)	104.1	104.7	111.1	105.6	105.9	102.9	106.2	99.3	108.1	104.6	102.8	101.3	UN
[Kansai] Industrial shipments index (seasonally adjusted, MoM change)	3.0	0.6	6.1	-5.0	0.3	-2.8	3.2	-7.0	6.7	-3.7	-1.4	-1.4	UN
[Kansai] Industrial inventories index (seasonally adjusted, 2010=100)	121.9	127.0	127.2	125.5	122.9	120.8	120.2	124.3	97.7	98.2	100.6	98.6	UN
[Kansai] Industrial inventories index (seasonally adjusted, MoM change)	-0.8	4.2	0.2	-1.3	-2.1	-1.7	-0.5	3.1	-2.4	0.6	2.3	-2.1	UN
[Japan] Industrial production (seasonally adjusted, 2010=100)	102.7	104.1	104.6	104.4	102.5	102.3	102.5	102.9	105.9	104.8	104.7	101.1	UN
[Japan] Industrial production (seasonally adjusted, MoM change)	2.0	1.4	0.5	-0.2	-1.8	-0.2	0.2	-0.4	2.9	-1.0	-0.1	-3.4	UN
[Japan] Industrial shipments index (original figure, YoY % change)	0.7	1.4	3.6	3.3	-0.2	1.2	0.5	-2.9	5.7	0.9	-3.1	-0.4	UN
[Japan] Industrial inventories index (original figure, YoY % change)	1.6	3.9	1.7	2.5	2.4	2.8	3.0	3.5	-0.7	0.6	1.9	1.3	UN
[Japan] Industrial shipments index (seasonally adjusted, 2010=100)	100.3	101.5	103.1	101.5	101.8	99.8	101.5	101.1	104.6	103.3	103.3	99.8	UN
[Japan] Industrial shipments index (seasonally adjusted, MoM change)	1.6	1.2	1.6	-1.6	0.3	-2.0	1.7	-2.0	3.5	-1.2	0.0	-3.4	UN
[Japan] Industrial inventories index (seasonally adjusted, 2010=100)	109.9	113.5	112.8	113.5	111.4	111.2	110.8	102.6	101.3	101.4	103.1	101.7	UN
[Japan] Industrial inventories index (seasonally adjusted, MoM change)	0.5	3.3	-0.6	0.6	-1.9	-0.2	-0.4	1.2	-1.3	0.1	1.7	-1.4	UN
Labor Statistics													
[Kansai] Total cash earnings (all 6 prefectures, YoY % change)	0.8	1.6	1.2	1.4	1.1	1.2	0.5	-1.1	0.4	2.0	-1.7	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	1.0	1.8	1.8	2.1	1.1	2.5	0.8	-0.6	0.9	2.6	-1.3	UN	UN
[Japan] Total cash earnings (YoY % change)	0.8	1.8	0.2	1.4	2.8	1.4	0.6	0.7	1.1	1.7	1.5	1.2	UN
[Kansai] Unemployment rate (seasonally adjusted)	2.7	2.7	2.7	2.6	3.0	2.9	2.8	2.9	3.0	3.4	3.0	2.8	UN
[Kansai] Unemployment rate (original figure)	2.8	2.7	2.6	2.5	3.0	3.0	3.0	3.1	3.0	3.1	2.6	2.7	UN
[Japan] Unemployment rate (seasonally adjusted)	2.5	2.5	2.5	2.2	2.4	2.5	2.4	2.3	2.4	2.5	2.4	2.5	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.34	2.44	2.39	2.37	2.53	2.54	2.46	2.61	2.53	2.45	2.45	2.60	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.30	2.41	2.37	2.34	2.47	2.42	2.34	2.50	2.40	2.40	2.41	2.48	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.54	1.57	1.56	1.56	1.58	1.60	1.62	1.64	1.63	1.62	1.61	1.61	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.58	1.59	1.59	1.60	1.62	1.63	1.63	1.64	1.62	1.63	1.63	1.63	UN
International Trade													
[Kansai] Trade balance (billion yen)	133.6	368.4	236.3	82.3	268.1	85.6	179.2	179.8	115.9	19.9	179.8	-184.0	213.7
[Kansai] Exports (billion yen)	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	1,179.8	1,319.8
[Kansai] Exports (YoY % change)	0.0	8.9	8.1	13.2	9.9	7.9	9.9	-24.5	6.5	-1.0	-7.2	-9.5	-2.0
[Kansai] Imports (billion yen)	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	1,363.8	1,106.1
[Kansai] Imports (YoY % change)	22.3	-1.2	4.0	15.3	3.4	12.9	9.8	-24.4	10.8	9.4	-2.9	0.4	-9.8

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