

# Kansai Economic Insight Monthly

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▼APIR “Kansai Economic Insight Monthly” is an analysis of economic trends in the Kansai region and the Kansai-related sectors of China’s economy.

▼The report is 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 remains sluggish with signs of potential deterioration\* -

- ✓ Production in March shrank MoM for the first time in two months. As a result, the Q1 average decreased -3.1% QoQ, registering the first deterioration in two quarters. The Kansai Bureau of Economy, Trade and Industry kept its assessment of economic conditions unchanged from last month.
- ✓ Although Kansai’s trade balance in April remained positive for the third consecutive month, it shrank YoY. However, due to declining exports caused by the US-China trade frictions, the balance with China remained negative for the tenth month in a row, and the deficit expanded YoY.
- ✓ The Economy Watchers’ Diffusion Index (DI) in March improved MoM for the first time in two months. However, it remained below the cutoff level of 50 for the fifth consecutive month. In addition to robust demand by foreign tourists, the awaited era change on May 1<sup>st</sup> put domestic consumers in the mood for leisure-related spending.
- ✓ Real wages in February increased YoY for the second month in a row. However, growth remained limited.
- ✓ Sales by large retailers in March expanded for the first time in five months. Department store sales jumped, propped by increasing inbound demand. However, that positive trend was partially dampened by supermarket sales, which declined due to the stagnant sales of seasonal products.
- ✓ The number of new housing starts in March increased YoY for the first time in two months. As a result, Q1 was the fourth consecutive quarter of positive growth. The decline in the construction of housing for rent was offset by an expansion in private housing and condominium construction.
- ✓ Whereas the effective job offers-to-applicants ratio in March remained unchanged, the new job openings-to-applicants ratio declined. The unemployment rate also deteriorated for the first time in four months, marking a trend break in the previously improving employment environment.
- ✓ March was the 13<sup>th</sup> month of uninterrupted YoY growth in the value of construction works. As a result, Q1 was the fourth consecutive quarter of expansion. In addition, the value of public works contracts in April rose YoY for the first time in two months.
- ✓ The number of international arrivals at Kansai International Airport in April grew YoY for the seventh consecutive month. However, growth remains in the single digits. By nationality, the number of Taiwanese visitors in February declined for the first time in two months, while the number of arrivals from Korea and Hong Kong shrank for the ninth month in a row, keeping overall growth subdued.
- ✓ Although China’s Purchasing Managers’ Index (PMI) in April deteriorated for the first time in two months, it remained above the breakeven level of 50 for the second consecutive month. Due to the US-China trade frictions, China’s industrial production growth remained lackluster. In addition, consumer goods retail sales fell for the first time in three months, hitting a 16-year low.

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

### Trends in the Kansai Economy

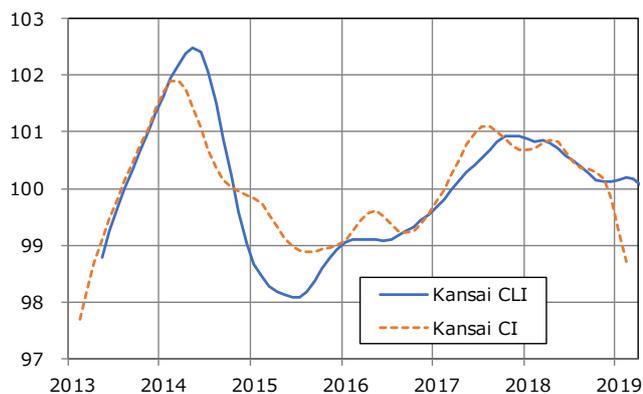
	2018									2019			
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Production	↑	↓	↑	↓	↑	↓	↑	↓	↓	↓	↑	↓	
Trade	↑	↑	↑	↑	↑	↑	↑	→	↑	↓	↑	↑	↑
Sentiment	→	↓	↑	↓	↑	→	↑	→	↓	↓	↑	↓	→
Consumption	→	↓	→	↓	→	↓	→	↓	→	↓	↓	→	
Housing	↑	↑	→	→	→	↑	↓	→	↑	↑	→	↑	
Employment	↓	→	↑	↑	↑	↑	↓	↓	↓	↓	↑	→	
Public Works	→	↓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

#### Criteria for determining the trends

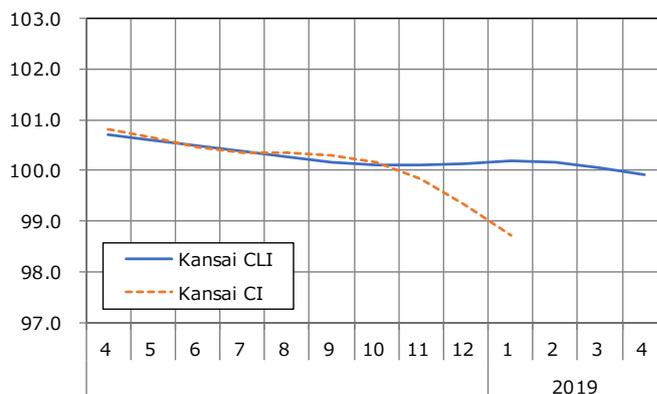
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend is positive if there is an improvement in the trade balance of at least JPY 50 billion YoY based on the Osaka Customs trade statistics. If there is a deterioration of more than JPY 50 billion, the trend is negative. Otherwise, the trend is stable.
- **Sentiment:** The trend is positive if the Diffusion Index (DI) for the Kansai region published in the Cabinet Office "Economy Watchers Survey" improves by at least 1 point MoM. If it deteriorates by 1 point or more, the trend is negative. Otherwise, the trend is stable.
- **Consumption:** The trend is positive if the monthly large retail store sales index (all stores) compiled by the Kansai Bureau of Economy, Trade and Industry increases by at least 1% YoY. If it decreases by more than 1%, the trend is downward. Otherwise, the trend is stable.
- **Housing:** The trend is positive if new housing starts increase by 5% or more YoY based on 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 negative. Otherwise, the trend is stable.
- **Employment:** The trend is positive if the seasonally adjusted effective job offerings-to-applicants ratio published by the Ministry of Health, Labor and Welfare improves by at least 0.01. If the ratio deteriorates by 0.01 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% YoY based on the advance payment guarantees statistics released by West Japan Construction Assurance Ltd. If it decreases by 5% or more, the trend is negative. Otherwise, the trend is stable.

#### Kansai Economic Trend Indices: Composite Index (CI) and Composite Leading Indicator (CLI)

Long-term trends in CI and CLI (2013/1~2019/4)



Latest trends in CI and CLI (2018/3~2019/4)



## Major Monthly Statistics

Monthly statistics	18/4M	18/5M	18/6M	18/7M	18/8M	18/9M	18/10M	18/11M	18/12M	19/1M	19/2M	19/3M	19/4M
<b>Business Confidence</b>													
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	50.1	47.5	48.6	46.7	49.6	48.8	52.5	52.8	49.9	45.4	48.0	47.0	47.2
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	52.1	50.8	52.4	50.8	51.2	52.9	52.8	53.4	47.4	50.7	50.4	50.6	51.0
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	49.0	47.1	48.1	46.6	48.7	48.6	49.5	51.0	46.8	45.6	47.5	44.8	45.3
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted)	50.1	49.2	50.0	49.0	51.4	51.3	50.6	52.2	47.9	49.4	48.9	48.6	48.4
<b>Consumer Sentiment Indices</b>													
[Kansai] Consumer Confidence Index (original index)	42.9	43.2	43.3	42.9	43.2	42.7	42.6	42.4	42.5	41.8	40.6	40.1	40.0
[Kansai] overall livelihood (original index)	40.7	41.5	41.5	40.9	41.2	39.6	40.5	40.3	40.6	40.2	38.1	37.2	37.3
[Kansai] income growth (original index)	41.6	42.1	41.7	41.8	41.8	41.8	40.8	40.9	40.6	40.8	39.8	39.2	39.3
[Kansai] employment conditions (original index)	47.4	47.1	47.4	47.0	47.9	47.1	46.6	46.4	46.0	44.1	44.1	44.0	44.2
[Kansai] willingness to buy durable goods (original index)	41.7	42.1	42.4	41.9	41.7	42.2	42.3	42.0	42.6	41.9	40.5	39.8	39.0
[Japan] Consumer Confidence Index (seasonally adjusted)	43.6	43.8	43.7	43.5	43.3	43.4	43.0	42.9	42.7	41.9	41.5	40.5	40.4
[Kansai] Large retail store sales (billion yen)	305.1	302.8	306.5	331.0	304.9	287.8	310.5	321.4	407.1	321.5	282.5	317.6	UN
[Kansai] Large retail store sales (YoY % change, all stores)	0.2	-2.0	0.5	-2.4	-0.2	-2.0	0.1	-2.4	-0.8	-3.4	-1.3	0.2	UN
[Japan] Large retail store sales (billion yen)	1,556.4	1,566.4	1,603.0	1,700.2	1,575.1	1,513.6	1,586.2	1,642.3	2,082.5	1,632.2	1,434.5	1,655.2	UN
[Japan] Large retail store sales (YoY % change, all stores)	-0.1	-1.4	2.1	-1.0	0.6	1.1	-0.2	-1.7	-0.5	-3.0	-1.5	1.0	UN
<b>Housing &amp; Construction</b>													
[Kansai] New housing starts (number of units)	13,392	14,140	11,737	12,151	11,768	12,545	11,496	12,329	11,360	11,371	11,310	11,626	UN
[Kansai] New housing starts (YoY % change)	13.4	27.2	-2.2	-3.6	-0.2	10.5	-5.5	4.8	11.1	23.7	-0.7	7.8	UN
[Japan] New housing starts (number of units)	84,226	79,539	81,275	82,615	81,860	81,903	83,330	84,213	78,364	67,087	71,966	76,558	UN
[Japan] New housing starts (YoY % change)	0.3	1.3	-7.1	-0.7	1.6	-1.5	0.3	-0.6	2.1	1.1	4.2	10.0	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	71.2	68.8	73.1	73.5	76.8	75.7	78.2	73.6	75.1	70.5	75.2	83.0	76.1
[Kansai] Residential lots contract ratio (original index)	71.0	69.5	75.6	74.0	80.6	72.8	77.7	74.4	72.1	70.2	75.8	80.6	75.9
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	64.2	62.3	64.3	63.1	64.2	64.9	73.1	55.5	50.2	70.8	64.7	69.2	65.5
[Tokyo area] Residential lots contract ratio (original index)	63.0	62.2	66.0	67.8	64.5	66.5	67.5	53.9	49.4	67.5	65.6	72.2	64.3
[Kansai] Advance Payment Guarantees (APGs) for public works (billion yen)	211.7	116.4	134.5	140.9	95.4	109.3	116.9	94.7	88.0	71.4	80.0	109.3	220.6
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	4.9	-21.0	9.9	17.1	-7.1	-21.6	-10.0	10.9	-9.8	9.1	60.5	-10.5	4.2
[Japan] Advance Payment Guarantees (APGs) for public works (billion yen)	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	1,316.5	2,232.9
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	5.5	3.5	-5.6	-2.9	-2.2	-7.6	9.5	-5.2	4.6	-4.1	20.4	3.7	2.5
[Kansai] Construction works (total, billion yen)	484.7	482.3	513.4	504.7	529.4	554.3	564.2	589.8	610.4	607.9	602.7	589.7	UN
[Kansai] Construction works (total, YoY % change)	2.9	3.7	6.2	0.9	2.5	3.3	3.0	0.5	0.2	3.0	5.7	5.6	UN
[Japan] Construction works (total, billion yen)	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	4,811.8	4,790.7	UN
[Japan] Construction works (total, YoY % change)	1.5	-0.2	0.7	0.5	-0.5	0.3	-1.1	-1.1	-2.2	-0.7	0.1	0.8	UN
[Japan] Construction works (public works, billion yen)	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	2,013.0	1,985.8	UN
[Japan] Construction works (public works, YoY % change)	0.3	-3.3	-1.7	-1.8	-4.1	-2.6	-5.2	-4.2	-5.6	-2.3	-1.4	-3.0	UN
<b>Indices of Industrial Production</b>													
[Kansai] Industrial production (seasonally adjusted, 2010=100)	113.9	106.7	107.7	105.6	108.3	102.5	105.9	104.7	102.8	100.8	102.3	101.1	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	5.2	-6.3	0.9	-1.9	2.6	-1.3	3.3	-1.7	-1.5	-1.9	1.7	-1.2	UN
[Kansai] Industrial shipments index (original figure, YoY % change)	5.1	3.5	-1.7	1.0	0.2	-3.6	7.0	0.8	-2.9	-0.5	-4.0	-7.0	UN
[Kansai] Industrial inventories index (original figure, YoY % change)	3.5	1.0	0.7	-1.7	-2.7	0.1	-3.9	-2.8	-1.7	-2.9	-1.8	-0.1	UN
[Kansai] Industrial shipments index (seasonally adjusted, 2010=100)	111.1	105.6	105.9	102.9	106.8	101.3	108.1	104.3	102.7	101.3	101.1	101.0	UN
[Kansai] Industrial shipments index (seasonally adjusted, MoM change)	6.1	-5.0	0.3	-2.8	3.8	-4.3	6.7	-4.0	-1.5	-1.4	-0.1	0.2	UN
[Kansai] Industrial inventories index (seasonally adjusted, 2010=100)	127.2	125.5	122.9	120.8	120.6	100.1	97.7	98.3	100.7	98.6	99.6	102.8	UN
[Kansai] Industrial inventories index (seasonally adjusted, MoM change)	0.2	-1.3	-2.1	-1.7	-0.2	3.7	-2.4	0.7	2.4	-2.1	1.2	2.8	UN
[Japan] Industrial production (seasonally adjusted, 2010=100)	104.6	104.4	102.5	102.3	103.3	102.9	105.9	104.8	104.7	101.1	102.5	102.2	UN
[Japan] Industrial production (seasonally adjusted, MoM change)	0.5	-0.2	-1.8	-0.2	0.3	-0.4	2.9	-1.0	-0.1	-3.4	1.4	-0.6	UN
[Japan] Industrial shipments index (original figure, YoY % change)	3.6	3.3	-0.2	1.2	0.6	-2.9	5.7	0.9	-3.1	-0.4	-0.3	-4.0	UN
[Japan] Industrial inventories index (original figure, YoY % change)	1.7	2.5	2.4	2.8	2.8	3.5	-0.7	0.6	1.9	1.3	1.4	0.2	UN
[Japan] Industrial shipments index (seasonally adjusted, 2010=100)	103.1	101.5	101.8	99.8	103.2	101.1	104.6	103.3	103.3	99.8	101.6	100.9	UN
[Japan] Industrial shipments index (seasonally adjusted, MoM change)	1.6	-1.6	0.3	-2.0	1.8	-2.0	3.5	-1.2	0.0	-3.4	1.8	-1.3	UN
[Japan] Industrial inventories index (seasonally adjusted, 2010=100)	112.8	113.5	111.4	111.2	101.4	102.6	101.3	101.4	103.1	101.7	102.2	103.8	UN
[Japan] Industrial inventories index (seasonally adjusted, MoM change)	-0.6	0.6	-1.9	-0.2	-0.2	1.2	-1.3	0.1	1.7	-1.4	0.5	1.4	UN
<b>Labor Statistics</b>													
[Kansai] Total cash earnings (all 6 prefectures, YoY % change)	1.2	1.4	1.1	1.2	0.5	-1.1	0.4	2.0	-1.7	1.0	0.1	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	1.8	2.1	1.1	2.5	0.8	-0.6	0.9	2.6	-1.3	1.3	0.7	UN	UN
[Japan] Total cash earnings (YoY % change)	0.2	1.4	2.8	1.4	0.6	0.7	1.1	1.7	1.5	-0.6	-0.7	-1.9	UN
[Kansai] Unemployment rate (seasonally adjusted)	2.7	2.6	3.0	2.9	2.8	2.9	3.0	3.4	2.5	2.8	2.6	2.8	UN
[Kansai] Unemployment rate (original figure)	2.6	2.5	3.0	3.0	3.0	3.1	3.0	3.1	2.4	2.7	2.7	2.8	UN
[Japan] Unemployment rate (seasonally adjusted)	2.5	2.2	2.4	2.5	2.4	2.3	2.4	2.5	1.6	2.5	2.3	2.5	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.39	2.37	2.53	2.54	2.46	2.61	2.53	2.45	2.47	2.60	2.61	2.49	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.37	2.34	2.47	2.42	2.34	2.50	2.40	2.40	2.40	2.48	2.50	2.42	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.56	1.56	1.58	1.60	1.62	1.64	1.63	1.62	1.62	1.61	1.62	1.62	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.59	1.60	1.62	1.63	1.63	1.64	1.62	1.63	1.63	1.63	1.63	1.63	UN
<b>International Trade</b>													
[Kansai] Trade balance (billion yen)	236.3	82.3	268.1	85.6	179.2	179.8	115.6	19.9	179.5	-184.0	213.7	273.5	104.6
[Kansai] Exports (billion yen)	1,443.2	1,402.8	1,520.9	1,434.1	1,519.3	1,112.4	1,517.8	1,505.0	1,474.8	1,179.8	1,319.8	1,500.1	1,354.4
[Kansai] Exports (YoY % change)	8.1	13.2	9.9	7.9	9.9	-25.0	6.5	-1.0	-7.2	-9.5	-2.0	-6.3	-5.7
[Kansai] Imports (billion yen)	1,207.0	1,320.5	1,252.8	1,348.6	1,340.1	931.8	1,402.1	1,485.1	1,295.3	1,363.8	1,106.1	1,226.6	1,249.8
[Kansai] Imports (YoY % change)	4.0	15.3	3.4	12.9	9.8	-24.4	10.8	9.4	-2.9	0.4	-9.8	-1.4	3.3

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