

# 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

### - Current economic deterioration expected to persist\* -

- ✓ Production in April expanded MoM for the first time in six months. However, output levels were -0.5% lower than the Q1 average. The Kansai Bureau of Economy, Trade and Industry (METI) kept its assessment of economic conditions unchanged from last month, stating the economy is at a standstill.
- ✓ Kansai registered a trade deficit in May for the first time in four months. Total trade declined YoY for the sixth consecutive month as both exports and imports shrank. Trade with China, which is particularly important to Kansai, contracted for the seventh month in a row due to the US-China trade frictions.
- ✓ The Economy Watchers’ Diffusion Index (DI) in May deteriorated MoM for the first time in two months. It remained below the cutoff level of 50 for six months in a row. Although the long holidays at the beginning of May spurred domestic demand, consumers became increasingly reluctant to spend thereafter.
- ✓ Both nominal and real wages in March decreased YoY for the first time in three months.
- ✓ Sales by large retailers in April shrank YoY for the first time in two months. Department store sales expanded, propped up by the robust inbound demand. However, this positive contribution was completely wiped out by the slump in the sales of seasonal products at supermarkets caused by the cold weather.
- ✓ The number of new housing starts in April decreased YoY for the first time in two months, due mainly to the sharp decline in the construction of housing for rent. Condominium construction shrank too, while private housing continued to expand.
- ✓ Although the effective job offers-to-applicants ratio in April increased slightly, the absolute numbers of both job offers and applicants declined. Similarly, while the unemployment rate remained unchanged, both the number of people in the labor force and the number of working people shrank. The employment environment seems to have reached a plateau.
- ✓ April was the 14<sup>th</sup> month of uninterrupted YoY growth in construction works. In addition, the value of public works contracts in May rose YoY for the second month in a row, reflecting the effect of supplementary budgets.
- ✓ The number of international arrivals at Kansai International Airport in May grew YoY for the eighth consecutive month. However, growth remains in the single digits. By nationality, the number of Chinese visitors in March expanded YoY for the sixth month in a row. However, visitor numbers from Taiwan shrank for the second month, and those from Korea and Hong Kong shrank for the tenth month in a row.
- ✓ China’s Purchasing Managers’ Index (PMI) in May deteriorated for the second consecutive month, and it dropped below the breakeven level of 50 for the first time in three months. The trade balance with the US kept expanding for the fourth month in a row. However, the decline in total trade, which continued for the sixth consecutive month, is raising concerns.

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

### Trends in the Kansai Economy

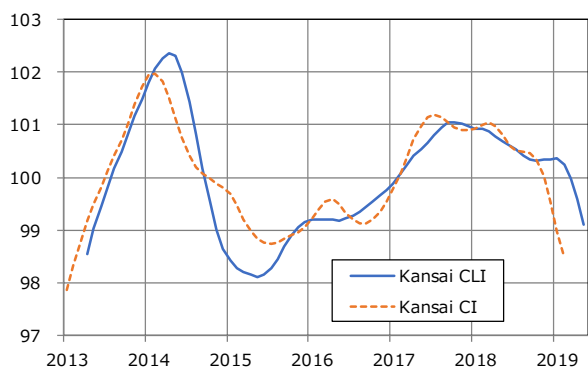
	2018								2019				
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Production	↘	↗	↘	↗	↘	↗	↘	↘	↘	↗	↘	↗	
Trade	↗	↗	↗	↗	↗	↗	↗	↗	↘	↗	↗	↗	↗
Sentiment	↘	↗	↘	↗	↗	↗	↗	↘	↘	↗	↘	↗	↘
Consumption	↘	↗	↘	↗	↘	↗	↘	↗	↘	↘	↗	↗	
Housing	↗	↗	↗	↗	↗	↘	↗	↗	↗	↗	↗	↘	
Employment	↗	↗	↗	↗	↗	↘	↘	↘	↘	↗	↗	↗	
Public Works	↘	↗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

#### Criteria for determining the trends

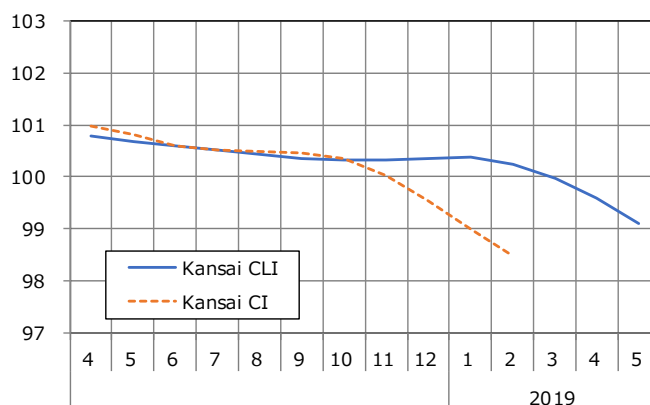
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2013/1~2019/5)



Latest trends in CI and CLI (2018/3~2019/5)



## Major Monthly Statistics

Monthly statistics	18/5M	18/6M	18/7M	18/8M	18/9M	18/10M	18/11M	18/12M	19/1M	19/2M	19/3M	19/4M	19/5M
<b>Business Confidence</b>													
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	47.5	48.6	46.7	49.6	48.8	52.5	52.8	49.9	45.4	48.0	47.0	47.2	45.1
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	50.8	52.4	50.8	51.2	52.9	52.8	53.4	47.4	50.7	50.4	50.6	51.0	47.5
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	47.1	48.1	46.6	48.7	48.6	49.5	51.0	46.8	45.6	47.5	44.8	45.3	44.1
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted)	49.2	50.0	49.0	51.4	51.3	50.6	52.2	47.9	49.4	48.9	48.6	48.4	45.6
<b>Consumer Sentiment Indices</b>													
[Kansai] Consumer Confidence Index (original index)	43.2	43.3	42.9	43.2	42.7	42.6	42.4	42.5	41.8	40.6	40.1	40.0	39.5
[Kansai] overall livelihood (original index)	41.5	41.5	40.9	41.2	39.6	40.5	40.3	40.6	40.2	38.1	37.2	37.3	37.1
[Kansai] income growth (original index)	42.1	41.7	41.8	41.8	41.8	40.8	40.9	40.6	40.8	39.8	39.2	39.3	40.0
[Kansai] employment conditions (original index)	47.1	47.4	47.0	47.9	47.1	46.6	46.4	46.0	44.1	44.1	44.0	44.2	43.2
[Kansai] willingness to buy durable goods (original index)	42.1	42.4	41.9	41.7	42.2	42.3	42.0	42.6	41.9	40.5	39.8	39.0	37.5
[Japan] Consumer Confidence Index (seasonally adjusted)	43.8	43.7	43.5	43.3	43.4	43.0	42.9	42.7	41.9	41.5	40.5	40.4	39.4
[Kansai] Large retail store sales (billion yen)	302.8	306.5	331.0	304.9	287.8	310.5	321.4	407.1	321.5	282.5	317.6	302.5	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-2.0	0.5	-2.4	-0.2	-2.0	0.1	-2.4	-0.8	-3.4	-1.3	0.2	-0.8	UN
[Japan] Large retail store sales (billion yen)	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	1,535.1	UN
[Japan] Large retail store sales (YoY % change, all stores)	-1.4	2.1	-1.0	0.6	1.1	-0.2	-1.7	-0.5	-3.0	-1.5	1.0	-1.4	UN
<b>Housing &amp; Construction</b>													
[Kansai] New housing starts (number of units)	14,140	11,737	12,151	11,768	12,545	11,496	12,329	11,360	11,371	11,310	11,626	11,897	UN
[Kansai] New housing starts (YoY % change)	27.2	-2.2	-3.6	-0.2	10.5	-5.5	4.8	11.1	23.7	-0.7	7.8	-11.2	UN
[Japan] New housing starts (number of units)	79,539	81,275	82,615	81,860	81,903	83,330	84,213	78,364	67,087	71,966	76,558	79,389	UN
[Japan] New housing starts (YoY % change)	1.3	-7.1	-0.7	1.6	-1.5	0.3	-0.6	2.1	1.1	4.2	10.0	-5.7	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	68.8	73.1	73.5	76.8	75.7	78.2	73.6	75.1	70.5	75.2	83.0	76.1	67.0
[Kansai] Residential lots contract ratio (original index)	69.5	75.6	74.0	80.6	72.8	77.7	74.4	72.1	70.2	75.8	80.6	75.9	67.7
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	62.3	64.3	63.1	64.2	64.9	73.1	55.5	50.2	70.8	64.7	69.2	65.5	60.1
[Tokyo area] Residential lots contract ratio (original index)	62.2	66.0	67.8	64.5	66.5	67.5	53.9	49.4	67.5	65.6	72.2	64.3	60.0
[Kansai] Advance Payment Guarantees (APGs) for public works (billion yen)	116.4	134.5	140.9	95.4	109.3	116.9	94.7	88.0	71.4	80.0	109.3	220.6	141.5
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	-21.0	9.9	17.1	-7.1	-21.6	-10.0	10.9	-9.8	9.1	60.5	-10.5	4.2	21.6
[Japan] Advance Payment Guarantees (APGs) for public works (billion yen)	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	1,420.4
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	3.5	-5.6	-2.9	-2.2	-7.6	9.5	-5.2	4.6	-4.1	20.4	3.7	2.5	10.5
[Kansai] Construction works (total, billion yen)	482.3	513.4	504.7	529.4	554.3	564.2	589.8	610.4	607.9	602.7	589.7	511.8	UN
[Kansai] Construction works (total, YoY % change)	3.7	6.2	0.9	2.5	3.3	3.0	0.5	0.2	3.0	5.7	5.6	5.6	UN
[Japan] Construction works (total, billion yen)	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	4,023.6	UN
[Japan] Construction works (total, YoY % change)	-0.2	0.7	0.5	-0.5	0.3	-1.1	-1.1	-2.2	-0.7	0.1	0.8	1.6	UN
[Japan] Construction works (public works, billion yen)	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	1,456.7	UN
[Japan] Construction works (public works, YoY % change)	-3.3	-1.7	-1.8	-4.1	-2.6	-5.2	-4.2	-5.6	-2.3	-1.4	-3.0	0.1	UN
<b>Indices of Industrial Production</b>													
[Kansai] Industrial production (seasonally adjusted, 2010=100)	104.9	103.5	103.2	104.3	103.4	106.5	104.5	103.9	102.5	102.4	99.6	101.0	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	0.8	-1.3	-0.3	1.1	-0.9	3.0	-1.9	-0.6	-1.3	-0.1	-2.7	1.4	UN
[Kansai] Industrial shipments index (original figure, YoY % change)	4.4	-2.9	0.6	-0.3	-3.4	8.3	1.2	-3.2	-0.2	-3.9	-7.0	-4.0	UN
[Kansai] Industrial inventories index (original figure, YoY % change)	2.9	1.6	-0.7	-2.6	0.1	-4.0	-2.8	-1.7	-2.8	-1.3	-0.2	0.3	UN
[Kansai] Industrial shipments index (seasonally adjusted, 2010=100)	105.0	103.8	103.1	105.0	102.8	109.2	104.1	103.1	103.0	100.6	99.7	100.2	UN
[Kansai] Industrial shipments index (seasonally adjusted, MoM change)	0.1	-1.1	-0.7	1.8	-2.1	6.2	-4.7	-1.0	-0.1	-2.3	-0.9	0.5	UN
[Kansai] Industrial inventories index (seasonally adjusted, 2010=100)	100.7	99.4	98.5	97.7	98.8	98.8	99.0	100.1	98.6	100.0	101.8	101.9	UN
[Kansai] Industrial inventories index (seasonally adjusted, MoM change)	-0.9	-1.3	-0.9	-0.8	1.1	0.0	0.2	1.1	-1.5	1.4	1.8	0.1	UN
[Japan] Industrial production (seasonally adjusted, 2010=100)	104.4	102.5	102.3	103.3	102.9	105.9	104.8	104.7	101.1	102.5	102.2	102.8	UN
[Japan] Industrial production (seasonally adjusted, MoM change)	-0.2	-1.8	-0.2	0.3	-0.4	2.9	-1.0	-0.1	-3.4	1.4	-0.6	0.6	UN
[Japan] Industrial shipments index (original figure, YoY % change)	3.3	-0.2	1.2	0.6	-2.9	5.7	0.9	-3.1	-0.4	-0.3	-4.0	-1.4	UN
[Japan] Industrial inventories index (original figure, YoY % change)	2.5	2.4	2.8	2.8	3.5	-0.7	0.6	1.9	1.3	1.4	0.2	1.2	UN
[Japan] Industrial shipments index (seasonally adjusted, 2010=100)	101.5	101.8	99.8	103.2	101.1	104.6	103.3	103.3	99.8	101.6	100.9	102.7	UN
[Japan] Industrial shipments index (seasonally adjusted, MoM change)	-1.6	0.3	-2.0	1.8	-2.0	3.5	-1.2	0.0	-3.4	1.8	-1.3	1.8	UN
[Japan] Industrial inventories index (seasonally adjusted, 2010=100)	113.5	111.4	111.2	101.4	102.6	101.3	101.4	103.1	101.7	102.2	103.8	103.8	UN
[Japan] Industrial inventories index (seasonally adjusted, MoM change)	0.6	-1.9	-0.2	-0.2	1.2	-1.3	0.1	1.7	-1.4	0.5	1.4	0.0	UN
<b>Labor Statistics</b>													
[Kansai] Total cash earnings (all 6 prefectures, YoY % change)	1.4	1.1	1.2	0.5	-1.1	0.4	2.0	-1.7	1.0	0.1	-2.1	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	2.1	1.1	2.5	0.8	-0.6	0.9	2.6	-1.3	1.3	0.7	-2.0	UN	UN
[Japan] Total cash earnings (YoY % change)	1.4	2.8	1.4	0.6	0.7	1.1	1.7	1.5	-0.6	-0.7	-1.9	-1.3	UN
[Kansai] Unemployment rate (seasonally adjusted)	2.6	3.0	2.9	2.8	2.9	3.0	3.4	2.5	2.8	2.6	2.8	2.8	UN
[Kansai] Unemployment rate (original figure)	2.5	3.0	3.0	3.0	3.1	3.0	3.1	2.4	2.7	2.7	2.8	2.7	UN
[Japan] Unemployment rate (seasonally adjusted)	2.2	2.4	2.5	2.4	2.3	2.4	2.5	1.6	2.5	2.3	2.5	2.4	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.37	2.53	2.54	2.46	2.61	2.53	2.45	2.47	2.60	2.61	2.49	2.62	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.34	2.47	2.42	2.34	2.50	2.40	2.40	2.40	2.48	2.50	2.42	2.48	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.56	1.58	1.60	1.62	1.64	1.63	1.62	1.62	1.61	1.62	1.62	1.64	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.60	1.62	1.63	1.63	1.64	1.62	1.63	1.63	1.63	1.63	1.63	1.63	UN
<b>International Trade</b>													
[Kansai] Trade balance (billion yen)	82.3	268.1	85.6	179.2	179.8	115.6	19.9	179.5	-184.0	213.7	273.5	104.6	-8.7
[Kansai] Exports (billion yen)	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	1,250.9
[Kansai] Exports (YoY % change)	13.2	9.9	7.9	9.9	-25.0	6.5	-1.0	-7.2	-9.5	-2.0	-6.3	-5.7	-10.4
[Kansai] Imports (billion yen)	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	1,259.6
[Kansai] Imports (YoY % change)	15.3	3.4	12.9	9.8	-24.4	10.8	9.4	-2.9	0.4	-9.8	-1.4	3.3	-5.2

Statistics on industrial production, the transport machinery industry excludes steel ships and railcars.