

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

- Further economic deterioration in sight* -

- ✓ Production in May expanded MoM for the second month in a row. As a result, the average April-May output level was +0.6% higher than the Q1 average. The Kansai Bureau of Economy, Trade and Industry (METI) revised up its assessment of economic conditions for the first time in four months, stating that production is holding firm.
- ✓ In June Kansai registered a trade surplus for the first time in two months. However, the total amount of trade (notably with China) declined YoY for the seventh consecutive month, as both exports and imports shrank.
- ✓ The Economy Watchers’ Diffusion Index (DI) in June deteriorated MoM for the second consecutive month, remaining below the cutoff level of 50 for the seventh month in a row. Firm revenues showed a downward trend, most likely a reactionary fall following the Golden Week holidays and the G20 Summit.
- ✓ Both nominal and real wages in April decreased slightly YoY for the second consecutive month.
- ✓ Sales by large retailers in May expanded YoY for the first time in two months. Luxury goods sales remained robust. In addition, the sales of seasonal products propped up the revenues of both supermarkets and department stores.
- ✓ The number of new housing starts in May plummeted sharply (-27.5% YoY), decreasing for the second consecutive month. The decline was the largest since August 2009 and it was mainly due to falling condominium construction.
- ✓ Although the effective job offers-to-applicants ratio in May declined slightly, the absolute numbers of both job offers and applicants increased. Similarly, while the unemployment rate remained unchanged from the previous month, both the number of people in the labor force and the number of working people inched up. The employment environment has been improving steadily.
- ✓ May was the 15th month of uninterrupted YoY growth in construction works. The robust demand stemming from inbound tourism had a positive effect on investment in accommodation facilities. On the other hand, the value of public works contracts in June shrank YoY for the first time in three months. As a result, the Q2 total amount declined slightly for the first time in three quarters.
- ✓ The number of international arrivals at Kansai International Airport in June grew YoY for the ninth consecutive month. Although growth was in the double digits, that was mainly due to the low numbers in June 2018, which saw a series of natural disasters.
- ✓ China’s Q2 real GDP expanded +6.2% YoY, the slowest growth rate since 1992. The Purchasing Managers’ Index (PMI) in June stayed unchanged from the previous month, remaining below the breakeven level of 50 for the second month in a row.

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

Trends in the Kansai Economy

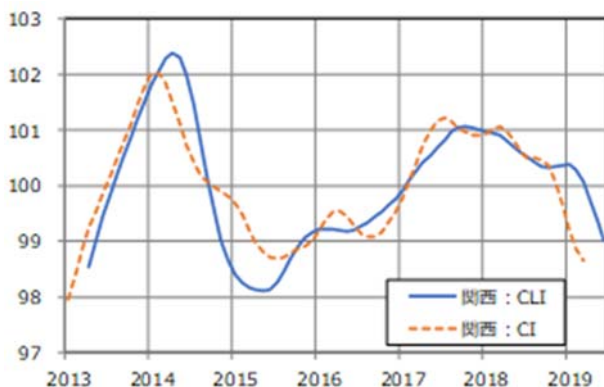
	2018							2019					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Production	↗	↘	↗	↘	↗	↘	↘	↘	↗	↘	↗	↗	
Trade	↗	↗	↗	↗	↗	↗	↗	↘	↗	↗	↗	↗	↗
Sentiment	↗	↘	↗	↗	↗	↗	↘	↘	↗	↘	↗	↘	↗
Consumption	↗	↘	↗	↘	↗	↘	↗	↘	↘	↗	↗	↗	
Housing	↗	↗	↗	↗	↘	↗	↗	↗	↗	↗	↘	↘	
Employment	↗	↗	↗	↗	↘	↘	↘	↘	↗	↗	↗	↘	
Public Works	↗	↗	↘	↘	↘	↗	↘	↗	↗	↘	↗	↗	↗
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 (2013/1~2019/6)



Latest trends in CI and CLI (2018/3~2019/6)

