

Kansai Economic Insight Monthly

2019/8/23

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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 June shrank MoM for the first time in three months. As a result, Q2 output was -0.2% lower than the Q1 level. The Kansai Bureau of Economy, Trade and Industry (METI) kept its assessment of economic conditions unchanged, stating that production has bottomed out.
- ✓ In July Kansai logged a trade surplus for the second month in a row. However, the total amount of trade declined YoY for the eighth consecutive month, as both exports and imports shrank. The slowdown of the Chinese economy, aggravated by the China-US trade tensions, had a major negative impact. Although the trade tensions with Korea are in the media spotlight, their impact remains limited to individual firms rather than industries.
- ✓ The Economy Watchers' Diffusion Index (DI) in July deteriorated MoM for the third consecutive month, remaining below the cutoff level of 50 for eight months now. Sales remained lackluster due to the late end of the rainy season, and tourist consumption seems to be losing momentum.
- ✓ Nominal wages in May remained unchanged, but real wages decreased YoY for the third consecutive month.
- ✓ Sales by large retailers in June exceeded last year's level for the second month in a row. Luxury goods and electronics propped up department store revenues. In contrast, supermarkets saw their revenues decline in a reactionary fall from last year's rush demand for shelf-stable food caused by the earthquake in northern Osaka.
- ✓ The number of new housing starts in June contracted by -3.6% YoY, decreasing for the third consecutive month. By category, although private housing construction and condominium construction expanded, the decline in the construction of housing for rent was significant.
- ✓ Although the effective job offers-to-applicants ratio in June declined slightly, the absolute numbers of both job offers and applicants increased for the second month in a row. The unemployment rate declined slightly from the previous month to 2.7%. Overall, the employment environment has reached a plateau.
- ✓ June was the 16th month of uninterrupted YoY growth in construction works. On the other hand, the value of public works contracts in July shrank YoY for the first time in four months.
- ✓ The number of international arrivals at Kansai International Airport in June grew YoY for the tenth consecutive month. Growth was in the double digits for the second month in a row.
- ✓ China's Purchasing Managers' Index (PMI) in July improved slightly from the previous month, but it remained below the breakeven level of 50 for the third month in a row. China's trade surplus with the US (USD 28 billion) shrank for the first time in three months.

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

Trends in the Kansai Economy

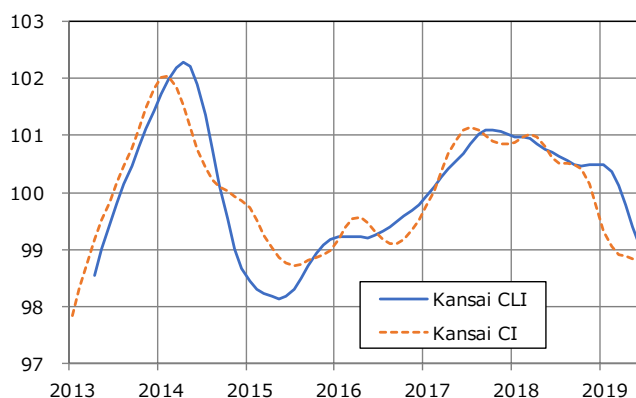
	2018						2019						
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Production	↓	↑	↓	↑	↓	↓	↓	↑	↓	↑	↑	↓	
Trade	↓	→	↓	→	↓	↓	↓	↑	↓	↓	↓	→	→
Sentiment	↓	↑	→	↑	→	↓	↓	↑	↓	→	↓	→	↓
Consumption	↓	→	↓	→	↓	→	↓	↓	→	→	→	→	
Housing	→	→	↑	↓	→	↑	↑	→	↑	↓	↓	→	
Employment	↑	↑	↑	↓	↓	↓	↓	↑	→	↑	↓	↓	
Public Works	↑	↓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

Criteria for determining the trends

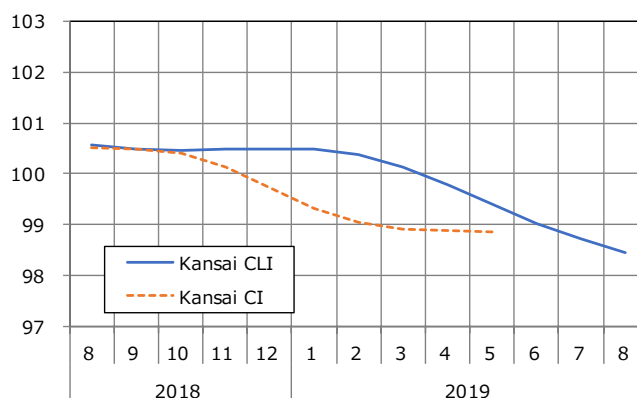
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2013/1~2019/8)



Latest trends in CI and CLI (2018/8~2019/8)



Major Monthly Statistics

Monthly statistics	18/7M	18/8M	18/9M	18/10M	18/11M	18/12M	19/1M	19/2M	19/3M	19/4M	19/5M	19/6M	19/7M
Business Confidence													
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	47.5	49.7	49.0	51.3	50.8	49.9	45.4	48.0	47.0	47.2	45.1	45.0	43.8
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	51.1	51.1	52.2	51.9	53.1	47.4	50.7	50.4	50.6	51.0	47.5	49.8	46.3
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	47.1	48.7	48.3	48.6	49.5	46.8	45.6	47.5	44.8	45.3	44.1	44.0	41.2
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted)	49.4	51.1	51.0	50.0	50.8	47.9	49.4	48.9	48.6	48.4	45.6	45.8	44.3
Consumer Sentiment Indices													
[Kansai] Consumer Confidence Index (original index)	42.9	43.2	42.7	42.6	42.4	42.5	41.8	40.6	40.1	40.0	39.5	39.0	38.2
[Kansai] overall livelihood (original index)	40.9	41.2	39.6	40.5	40.3	40.6	40.2	38.1	37.2	37.3	37.1	36.9	36.4
[Kansai] income growth (original index)	41.8	41.8	41.8	40.8	40.9	40.6	40.8	39.8	39.2	39.3	40.0	39.7	39.6
[Kansai] employment conditions (original index)	47.0	47.9	47.1	46.6	46.4	46.0	44.1	44.1	44.0	44.2	43.2	43.4	42.0
[Kansai] willingness to buy durable goods (original index)	41.9	41.7	42.2	42.3	42.0	42.6	41.9	40.5	39.8	39.0	37.5	35.8	34.7
[Japan] Consumer Confidence Index (seasonally adjusted)	43.6	43.3	43.3	42.9	42.8	42.6	41.8	41.5	40.5	40.4	39.4	38.7	37.8
[Kansai] Large retail store sales (billion yen)	331.0	304.9	287.8	310.5	321.4	407.1	321.5	282.5	317.7	302.5	304.1	308.1	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-2.4	-0.2	-2.0	0.1	-2.4	-0.8	-3.4	-1.3	0.2	-0.8	0.4	0.5	UN
[Japan] Large retail store sales (billion yen)	1,700.2	1,575.1	1,513.5	1,586.2	1,643.7	2,082.5	1,632.2	1,434.5	1,654.4	1,535.4	1,563.1	1,597.7	UN
[Japan] Large retail store sales (YoY % change, all stores)	-1.0	0.6	1.1	-0.2	-1.7	-0.5	-3.0	-1.5	1.0	-1.4	-0.2	-0.3	UN
Housing & Construction													
[Kansai] New housing starts (number of units)	12,151	11,768	12,545	11,496	12,329	11,360	11,371	11,310	11,626	11,897	10,253	11,318	UN
[Kansai] New housing starts (YoY % change)	-3.6	-0.2	10.5	-5.5	4.8	11.1	23.7	-0.7	7.8	-11.2	-27.5	-3.6	UN
[Japan] New housing starts (number of units)	82,615	81,860	81,903	83,330	84,213	78,364	67,087	71,966	76,558	79,389	72,581	81,541	UN
[Japan] New housing starts (YoY % change)	-0.7	1.6	-1.5	0.3	-0.6	2.1	1.1	4.2	10.0	-5.7	-8.7	0.3	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	73.5	76.8	75.7	78.2	73.6	75.1	70.5	75.2	83.0	76.1	67.0	70.9	82.5
[Kansai] Residential lots contract ratio (original index)	74.0	80.6	72.8	77.7	74.4	72.1	70.2	75.8	80.6	75.9	67.7	73.3	83.1
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	63.1	64.2	64.9	73.1	55.5	50.2	70.8	64.6	69.2	65.5	60.1	64.2	63.2
[Tokyo area] Residential lots contract ratio (original index)	67.8	64.5	66.5	68.3	53.9	49.4	67.5	65.5	72.2	64.3	60.0	65.9	67.9
[Kansai] Advance Payment Guarantees (APGs) for public works (billion yen)	140.9	95.4	109.3	116.9	94.7	88.0	71.4	80.0	109.3	220.6	141.5	147.1	135.3
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	17.1	-7.1	-21.6	-10.0	10.9	-9.8	9.1	60.5	-10.5	4.2	21.6	9.4	-4.0
[Japan] Advance Payment Guarantees (APGs) for public works (billion yen)	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	1,447.9	1,609.1
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-2.9	-2.2	-7.6	9.5	-5.2	4.6	-4.1	20.4	3.7	2.5	10.5	1.0	28.5
[Kansai] Construction works (total, billion yen)	504.7	529.4	554.3	564.2	589.8	610.4	607.9	602.7	589.7	511.8	514.7	530.2	UN
[Kansai] Construction works (total, YoY % change)	0.9	2.5	3.3	3.0	0.5	0.2	3.0	5.7	5.6	5.6	6.7	3.3	UN
[Japan] Construction works (total, billion yen)	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	4,002.9	4,231.1	UN
[Japan] Construction works (total, YoY % change)	0.5	-0.5	0.3	-1.1	-1.1	-2.2	-0.7	0.1	0.8	1.6	2.8	2.6	UN
[Japan] Construction works (public works, billion yen)	1,540.2	1,642.2	1,826.6	1,938.5	1,996.5	2,042.5	2,013.0	1,985.8	1,456.7	1,410.4	1,558.4	1,558.4	UN
[Japan] Construction works (public works, YoY % change)	-1.8	-4.1	-2.6	-5.2	-4.2	-5.6	-2.3	-1.4	-3.0	0.1	2.1	5.3	UN
Indices of Industrial Production													
[Kansai] Industrial production (seasonally adjusted, 2010=100)	103.2	104.3	103.4	106.5	104.5	103.9	102.5	102.4	99.6	101.3	102.5	100.1	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	-0.3	1.1	-0.9	3.0	-1.9	-0.6	-1.3	-0.1	-2.7	1.7	1.2	-2.3	UN
[Kansai] Industrial shipments index (original figure, YoY % change)	0.6	-0.3	-3.4	8.3	1.2	-3.2	-0.2	-3.9	-7.0	-3.6	-4.2	-7.1	UN
[Kansai] Industrial inventories index (original figure, YoY % change)	-0.7	-2.6	0.1	-4.0	-2.8	-1.7	-2.8	-1.3	-0.2	0.4	0.3	5.6	UN
[Kansai] Industrial shipments index (seasonally adjusted, 2010=100)	103.1	105.0	102.8	109.2	104.1	103.1	103.0	100.6	99.7	100.6	102.8	98.1	UN
[Kansai] Industrial shipments index (seasonally adjusted, MoM change)	-0.7	1.8	-2.1	6.2	-4.7	-1.0	-0.1	-2.3	-0.9	0.9	2.2	-4.6	UN
[Kansai] Industrial inventories index (seasonally adjusted, 2010=100)	98.5	97.7	98.8	98.8	99.0	100.1	98.6	100.0	101.8	102.0	101.0	105.0	UN
[Kansai] Industrial inventories index (seasonally adjusted, MoM change)	-0.9	-0.8	1.1	0.0	0.2	1.1	-1.5	1.4	1.8	0.2	-1.0	4.0	UN
[Japan] Industrial production (seasonally adjusted, 2010=100)	103.8	103.6	103.5	105.6	104.6	104.7	102.1	102.8	102.2	102.8	104.9	101.4	UN
[Japan] Industrial production (seasonally adjusted, MoM change)	0.1	-0.2	-0.1	2.0	-0.9	0.1	-2.5	0.7	-0.6	0.6	2.0	-3.3	UN
[Japan] Industrial shipments index (original figure, YoY % change)	1.1	0.9	-2.9	5.7	1.1	-3.1	-0.1	-0.3	-4.0	-1.4	-1.8	-4.9	UN
[Japan] Industrial inventories index (original figure, YoY % change)	3.3	2.9	3.5	-0.9	0.4	1.7	1.2	1.4	0.2	1.2	1.5	3.0	UN
[Japan] Industrial shipments index (seasonally adjusted, 2010=100)	102.1	103.0	102.1	104.4	102.8	103.1	100.6	102.2	100.9	102.7	104.0	99.8	UN
[Japan] Industrial shipments index (seasonally adjusted, MoM change)	-1.2	0.9	-0.9	2.3	-1.5	0.3	-2.4	1.6	-1.3	1.8	1.3	-4.0	UN
[Japan] Industrial inventories index (seasonally adjusted, 2010=100)	101.9	101.8	102.0	101.5	101.6	102.9	102.0	102.4	103.8	103.8	104.3	104.7	UN
[Japan] Industrial inventories index (seasonally adjusted, MoM change)	0.3	-0.1	0.2	-0.5	0.1	1.3	-0.9	0.4	1.4	0.0	0.5	0.4	UN
Labor Statistics													
[Kansai] Total cash earnings (all 6 prefectures, YoY % change)	1.2	0.5	-1.1	0.4	2.0	-1.7	1.0	0.1	-2.1	-0.1	0.0	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	2.5	0.8	-0.6	0.9	2.6	-1.3	1.3	0.7	-2.0	0.4	0.2	UN	UN
[Japan] Total cash earnings (YoY % change)	1.4	0.6	0.7	1.1	1.7	1.5	-0.6	-0.7	-1.3	-0.3	-0.5	0.4	UN
[Kansai] Unemployment rate (seasonally adjusted)	2.8	2.9	2.8	3.0	3.4	2.9	2.8	2.6	2.8	2.8	2.9	2.7	UN
[Kansai] Unemployment rate (original figure)	3.0	3.0	3.1	3.0	3.1	2.6	2.7	2.7	2.8	2.7	2.8	2.8	UN
[Japan] Unemployment rate (seasonally adjusted)	2.5	2.4	2.4	2.4	2.5	2.4	2.5	2.3	2.5	2.4	2.4	2.3	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.51	2.49	2.56	2.51	2.47	2.47	2.60	2.61	2.49	2.62	2.52	2.44	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.41	2.39	2.44	2.40	2.40	2.40	2.48	2.50	2.42	2.48	2.43	2.36	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.60	1.62	1.63	1.62	1.62	1.62	1.61	1.62	1.62	1.64	1.63	1.62	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.62	1.63	1.63	1.62	1.63	1.63	1.63	1.63	1.63	1.63	1.62	1.61	UN
International Trade													
[Kansai] Trade balance (billion yen)	84.7	175.1	177.5	113.4	19.1	178.9	-184.6	213.8	273.5	101.0	-9.4	270.1	68.8
[Kansai] Exports (billion yen)	1,434.1	1,516.5	1,110.1	1,517.2	1,504.9	1,474.8	1,179.9	1,320.0	1,500.1	1,354.5	1,250.9	1,350.3	1,409.8
[Kansai] Exports (YoY % change)	7.9	9.7	-25.1	6.4	-1.0	-7.2	-8.9	-1.9	-6.3	-5.7	-10.4	-10.9	-1.7
[Kansai] Imports (billion yen)	1,349.4	1,341.4	932.6	1,403.8	1,485.9	1,295.9	1,364.5	1,106.2	1,226.6	1,253.5	1,260.3	1,080.2	1,341.0
[Kansai] Imports (YoY % change)	13.0	9.9	-24.3	10.9	9.5	-2.8	0.1	-9.8	-1.4	3.6	-5.1	-13.9	-0.6

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