

Kansai Economic Insight Monthly

2019/9/25

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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* -

- ✓ Seasonally adjusted production in July expanded MoM for the first time in two months. The seasonally unadjusted figure also grew YoY for the first time in eight months. The Kansai Bureau of Economy, Trade and Industry (METI) revised up its assessment of economic conditions, stating that production is gradually recovering.
- ✓ Kansai logged a trade surplus for the third consecutive month in August. However, the total trade volume declined YoY for the ninth month in a row, 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.
- ✓ The Economy Watchers’ Diffusion Index (DI) in August improved MoM for the first time in four months. However, expectations for the future deteriorated, reflecting uncertainties surrounding the rush demand before the tax hike in October, as well as the reactionary fall in demand thereafter.
- ✓ Nominal wages in June increased in Shiga (2nd month in a row), Hyogo (23rd month in a row) and Kyoto (first time in four months). However, there was a decline in Nara (12th month in a row) and Wakayama (5th month in a row).
- ✓ Sales by large retailers in July fell below last year’s level for the first time in three months. Although luxury goods sales propped up department store revenues, supermarkets saw their revenues decline due to the stagnant sales of seasonal goods.
- ✓ The number of new housing starts in July expanded YoY for the first time in four months. Whereas condominium construction declined, private housing and housing for rent expanded. Although private housing construction in January-July expanded +9.7% YoY due to rush demand, the increase was modest compared to the one seen before the previous tax hike in 2014.
- ✓ Although the effective job offers-to-applicants ratio in July declined slightly, the number of job offers remained stable, and the number of applicants increased for the third month in a row. The unemployment rate declined MoM, reaching 2.4%. The employment environment remains robust.
- ✓ July was the 17th month of uninterrupted YoY growth in construction works. The value of public works contracts in August grew YoY for the first time in two months. Overall, an upward trend can be seen in public construction.
- ✓ The number of international arrivals at Kansai International Airport in August grew YoY for the 11th consecutive month. However, growth decelerated to +4.9% (from +15.5% in July) due to the deterioration in Korea-Japan relations which led to reduced flight frequencies and flight suspensions.
- ✓ China’s economic slowdown become more evident in August. Car sales kept declining (-8.1% YoY), depressing growth in consumer goods sales. Non-residential investment decelerated for the second month in a row, especially in the industrial sector (+2.2%). Due to the intensifying trade conflict with the US, China’s total trade volume shrank for the fourth consecutive month.

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

Trends in the Kansai Economy

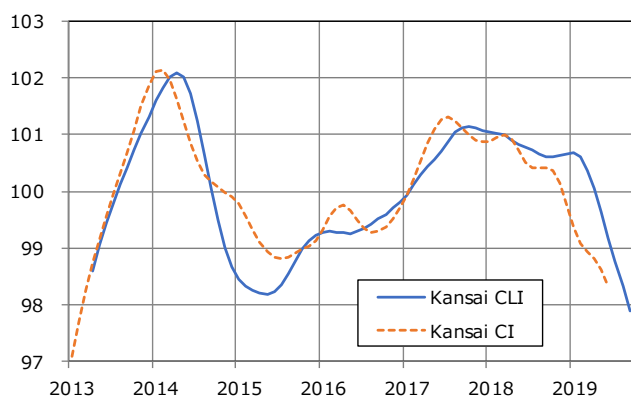
	2018					2019							
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Production	↑	↓	↑	↓	↓	↓	↑	↓	↑	↑	↓	↑	
Trade	→	↓	→	↓	↓	↓	↑	↓	↓	↓	→	→	↑
Sentiment	↑	→	↑	→	↓	↓	↑	↓	→	↓	→	↓	↑
Consumption	→	↓	→	↓	→	↓	↓	→	→	→	→	↓	
Housing	→	↑	↓	→	↑	↑	→	↑	↓	↓	→	↑	
Employment	↑	↑	↓	↓	↓	↓	↑	→	↑	↓	↓	↓	
Public Works	↓	↓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

Criteria for determining the trends

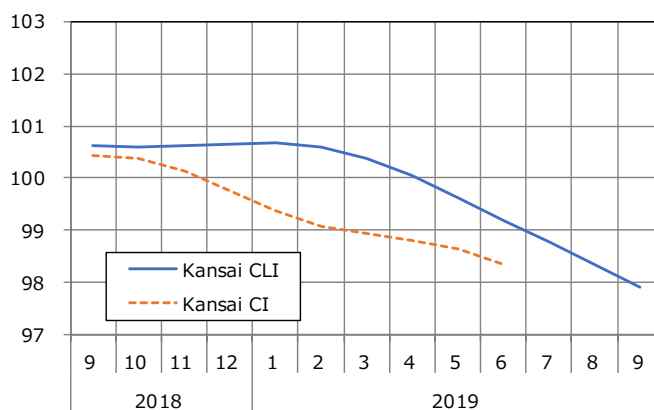
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2013/1~2019/9)



Latest trends in CI and CLI (2018/8~2019/9)



Major Monthly Statistics

Monthly statistics	18/8M	18/9M	18/10M	18/11M	18/12M	19/1M	19/2M	19/3M	19/4M	19/5M	19/6M	19/7M	19/8M
Business Confidence													
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	49.7	49.0	51.3	50.8	49.9	45.4	48.0	47.0	47.2	45.1	45.0	43.8	45.3
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	51.1	52.2	51.9	53.1	47.4	50.7	50.4	50.6	51.0	47.5	49.8	46.3	42.3
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	48.7	48.3	48.6	49.5	46.8	45.6	47.5	44.8	45.3	44.1	44.0	41.2	42.8
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted)	51.1	51.0	50.0	50.8	47.9	49.4	48.9	48.6	48.4	45.6	45.8	44.3	39.7
Consumer Sentiment Indices													
[Kansai] Consumer Confidence Index (original index)	43.2	42.7	42.6	42.4	42.5	41.8	40.6	40.1	40.0	39.5	39.0	38.2	36.9
[Kansai] overall livelihood (original index)	41.2	39.6	40.5	40.3	40.6	40.2	38.1	37.2	37.3	37.1	36.9	36.4	35.5
[Kansai] income growth (original index)	41.8	41.8	40.8	40.9	40.6	40.8	39.8	39.2	39.3	40.0	39.7	39.6	39.6
[Kansai] employment conditions (original index)	47.9	47.1	46.6	46.4	46.0	44.1	44.1	44.0	44.2	43.2	43.4	42.0	41.1
[Kansai] willingness to buy durable goods (original index)	41.7	42.2	42.3	42.0	42.6	41.9	40.5	39.8	39.0	37.5	35.8	34.7	31.3
[Japan] Consumer Confidence Index (seasonally adjusted)	43.3	43.3	42.9	42.8	42.6	41.8	41.5	40.5	40.4	39.4	38.7	37.8	37.1
[Kansai] Large retail store sales (billion yen)	304.9	287.8	310.5	321.4	407.1	321.5	282.5	317.7	302.5	304.1	308.1	319.6	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-0.2	-2.0	0.1	-2.4	-0.8	-3.4	-1.3	0.2	-0.8	0.4	0.5	-3.4	UN
[Japan] Large retail store sales (billion yen)	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	1,624.2	UN
[Japan] Large retail store sales (YoY % change, all stores)	0.6	1.1	-0.2	-1.7	-0.5	-3.0	-1.5	1.0	-1.4	-0.2	-0.3	-4.5	UN
Housing & Construction													
[Kansai] New housing starts (number of units)	11,768	12,545	11,496	12,329	11,360	11,371	11,310	11,626	11,897	10,253	11,318	12,849	UN
[Kansai] New housing starts (YoY % change)	-0.2	10.5	-5.5	4.8	11.1	23.7	-0.7	7.8	-11.2	-27.5	-3.6	5.7	UN
[Japan] New housing starts (number of units)	81,860	81,903	83,330	84,213	78,364	67,087	71,966	76,558	79,389	72,581	81,541	79,232	UN
[Japan] New housing starts (YoY % change)	1.6	-1.5	0.3	-0.6	2.1	1.1	4.2	10.0	-5.7	-8.7	0.3	-4.1	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	76.8	75.7	78.2	73.6	75.1	70.5	75.2	83.0	76.1	67.0	70.9	82.5	80.9
[Kansai] Residential lots contract ratio (original index)	80.6	72.8	77.7	74.4	72.1	70.2	75.8	80.6	75.9	67.7	73.3	83.1	84.9
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	64.2	64.9	73.1	55.5	50.2	70.8	64.6	69.2	65.5	60.1	64.2	63.2	75.0
[Tokyo area] Residential lots contract ratio (original index)	64.5	66.5	68.3	53.9	49.4	67.5	65.5	72.2	64.3	60.0	65.9	67.9	75.4
[Kansai] Advance Payment Guarantees (APGs) for public works (billion yen)	95.4	109.3	116.9	94.7	88.0	71.4	80.0	109.3	220.6	141.5	147.1	135.3	106.0
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	-7.1	-21.6	-10.0	10.9	-9.8	9.1	60.5	-10.5	4.2	21.6	9.4	-4.0	11.1
[Japan] Advance Payment Guarantees (APGs) for public works (billion yen)	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	1,149.3
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-2.2	-7.6	9.5	-5.2	4.6	-4.1	20.4	3.7	2.5	10.5	1.0	28.5	2.2
[Kansai] Construction works (total, billion yen)	529.4	554.3	564.2	589.8	610.4	607.9	602.7	589.7	511.8	514.7	530.2	545.8	UN
[Kansai] Construction works (total, YoY % change)	2.5	3.3	3.0	0.5	0.2	3.0	5.7	5.6	5.6	6.7	3.3	8.1	UN
[Japan] Construction works (total, billion yen)	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	4,343.4	UN
[Japan] Construction works (total, YoY % change)	-0.5	0.3	-1.1	-1.1	-2.2	-0.7	0.1	0.8	1.6	2.8	2.6	1.9	UN
[Japan] Construction works (public works, billion yen)	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	1,410.4	1,558.4	1,616.2	UN
[Japan] Construction works (public works, YoY % change)	-4.1	-2.6	-5.2	-4.2	-5.6	-2.3	-1.4	-3.0	0.1	2.1	5.3	4.9	UN
Indices of Industrial Production													
[Kansai] Industrial production (seasonally adjusted, 2010=100)	104.3	103.4	106.5	104.5	103.9	102.5	102.4	99.6	101.3	102.5	100.0	104.7	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	1.1	-0.9	3.0	-1.9	-0.6	-1.3	-0.1	-2.7	1.7	1.2	-2.4	4.7	UN
[Kansai] Industrial shipments index (original figure, YoY % change)	-0.3	-3.4	8.3	1.2	-3.2	-0.2	-3.9	-7.0	-3.6	-4.2	-7.3	2.8	UN
[Kansai] Industrial inventories index (original figure, YoY % change)	-2.6	-4.1	-4.0	-2.8	-1.7	-2.8	-1.3	-0.2	0.4	0.3	5.6	6.6	UN
[Kansai] Industrial shipments index (seasonally adjusted, 2010=100)	105.0	102.8	109.2	104.1	103.1	103.0	100.6	99.7	100.6	102.8	97.9	104.3	UN
[Kansai] Industrial shipments index (seasonally adjusted, MoM change)	1.8	-2.1	6.2	-4.7	-1.0	-0.1	-2.3	-0.9	0.9	2.2	-4.8	6.5	UN
[Kansai] Industrial inventories index (seasonally adjusted, 2010=100)	97.7	98.8	98.8	99.0	100.1	98.6	100.0	101.8	102.0	101.0	105.0	105.0	UN
[Kansai] Industrial inventories index (seasonally adjusted, MoM change)	-0.8	1.1	0.0	0.2	1.1	-1.5	1.4	1.8	0.2	-1.0	4.0	0.0	UN
[Japan] Industrial production (seasonally adjusted, 2010=100)	103.6	103.5	105.6	104.6	104.7	102.1	102.8	102.2	102.8	104.9	101.4	102.7	UN
[Japan] Industrial production (seasonally adjusted, MoM change)	-0.2	-0.1	2.0	-0.9	0.1	-2.5	0.7	-0.6	0.6	2.0	-3.3	1.3	UN
[Japan] Industrial shipments index (original figure, YoY % change)	0.9	-2.9	5.7	1.1	-3.1	-0.1	-0.3	-4.0	-1.4	-1.8	-4.9	1.9	UN
[Japan] Industrial inventories index (original figure, YoY % change)	2.9	3.5	-0.9	0.4	1.7	1.2	1.4	0.2	1.2	1.5	3.0	2.5	UN
[Japan] Industrial shipments index (seasonally adjusted, 2010=100)	103.0	102.1	104.4	102.8	103.1	100.6	102.2	100.9	102.7	104.0	99.8	102.5	UN
[Japan] Industrial shipments index (seasonally adjusted, MoM change)	0.9	-0.9	2.3	-1.5	0.3	-2.4	1.6	-1.3	1.8	1.3	-4.0	2.7	UN
[Japan] Industrial inventories index (seasonally adjusted, 2010=100)	101.8	102.0	101.5	101.6	102.9	102.0	102.4	103.8	103.8	104.3	104.7	104.5	UN
[Japan] Industrial inventories index (seasonally adjusted, MoM change)	-0.1	0.2	-0.5	0.1	1.3	-0.9	0.4	1.4	0.0	0.5	0.4	-0.2	UN
Labor Statistics													
[Kansai] Total cash earnings (all 6 prefectures, YoY % change)	0.5	-1.1	0.4	2.0	-1.7	1.0	0.1	-2.1	-0.1	0.0	UN	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	0.8	-0.6	0.9	2.6	-1.3	1.3	0.7	-2.0	0.4	0.2	UN	UN	UN
[Japan] Total cash earnings (YoY % change)	0.6	0.7	1.1	1.7	1.5	-0.6	-0.7	-1.3	-0.3	-0.5	0.4	-1.0	UN
[Kansai] Unemployment rate (seasonally adjusted)	2.9	2.8	3.0	3.4	2.9	2.8	2.6	2.8	2.8	2.9	2.7	2.4	UN
[Kansai] Unemployment rate (original figure)	3.0	3.1	3.0	3.1	2.6	2.7	2.7	2.8	2.7	2.8	2.8	2.6	UN
[Japan] Unemployment rate (seasonally adjusted)	2.4	2.4	2.4	2.5	2.4	2.5	2.3	2.5	2.4	2.4	2.3	2.2	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.49	2.56	2.51	2.47	2.47	2.60	2.61	2.49	2.62	2.52	2.44	2.50	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.39	2.44	2.40	2.40	2.40	2.48	2.50	2.42	2.48	2.43	2.36	2.34	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.62	1.63	1.62	1.62	1.62	1.61	1.62	1.62	1.64	1.63	1.62	1.60	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.63	1.63	1.62	1.63	1.63	1.63	1.63	1.63	1.63	1.62	1.61	1.59	UN
International Trade													
[Kansai] Trade balance (billion yen)	175.1	177.5	113.4	19.1	178.9	-184.6	213.8	273.5	101.0	-9.4	269.9	69.1	121.0
[Kansai] Exports (billion yen)	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	1,410.2	1,321.4
[Kansai] Exports (YoY % change)	9.7	-25.1	6.4	-1.0	-7.2	-8.9	-1.9	-6.3	-5.7	-10.4	-10.9	-1.7	-12.9
[Kansai] Imports (billion yen)	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	1,080.4	1,341.1	1,200.4
[Kansai] Imports (YoY % change)	9.9	-24.3	10.9	9.5	-2.8	0.1	-9.8	-1.4	3.6	-5.1	-13.8	-0.6	-10.5

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