

Kansai Economic Insight Monthly

2019/10/28

Vol.78 September/October

▼ 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 currently deteriorating, likely to level off* -

- ✓ Production in August shrank for the first time in two months (MoM, seasonally adjusted). The Kansai Bureau of Economy, Trade and Industry (METI) revised down its assessment.
- ✓ Kansai logged a trade surplus for the fourth consecutive month in September. Although both exports and imports expanded YoY, that was mainly due to the rebound from last year’s typhoon-induced slump in trade.
- ✓ The Economy Watchers’ Diffusion Index (DI) improved MoM for the second month in a row in September. Although the increase in DI was larger as compared to the previous tax hike, the index value remains lower than 2014. Rush demand seems to be limited.
- ✓ Nominal wages in the core Kansai prefectures (Osaka, Kyoto and Hyogo) increased YoY for the first time in two months in July. Real wages, however, declined YoY for the fifth month in a row.
- ✓ Large retailers’ revenues in August surpassed last year’s level for the first time in two months. Although luxury goods sales propped up department store revenues, supermarkets saw their revenues decline due to stagnant seasonal goods sales.
- ✓ The number of new housing starts in August declined YoY for the first time in two months. Whereas private housing construction expanded, condominium and housing for rent construction shrank. Rush demand before the tax hike this year remains modest compared to the one seen in 2014.
- ✓ Although the effective job offers-to-applicants ratio in August declined slightly, the ratio of new job openings to applicants is increasing. The unemployment rate (2.1%) also declined MoM. The labor market remains tight with high demand for labor.
- ✓ The seasonally adjusted value of public works contracts in September decreased MoM for the first time in two months. As a result, Q3 was the second consecutive quarter of QoQ decline. However, an upward trend is expected in the areas affected by the natural disasters in October.
- ✓ The number of international arrivals at Kansai International Airport in September grew YoY for the 12th consecutive month (+93.5% up from typhoon-ridden 2018, +5.1% from September 2017). However, the deterioration in Korea-Japan relations, which led to reduced flight frequencies and flight suspensions, remains a concern.
- ✓ China’s Q3 GDP expanded an annualized +6.0%, an all-time low. Consumer spending remains stable YoY and industrial production accelerated somewhat from the previous month. Fixed capital investment, however, decelerated MoM.
- ✓ Although in October a preliminary agreement was reached with regard to the China-US trade conflict, uncertainties abound and prospects remain unclear.

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

Trends in the Kansai Economy

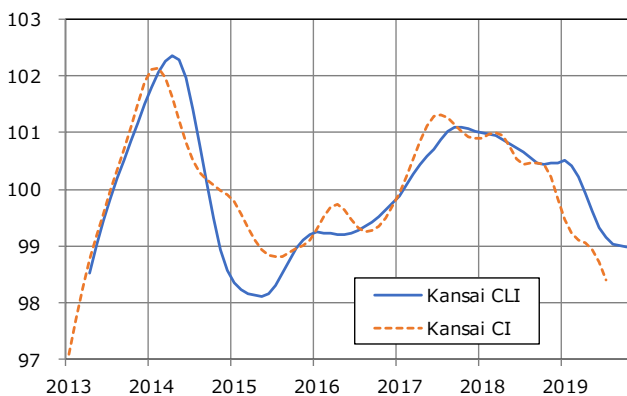
	2018				2019								
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Production	↓	↑	↓	↓	↓	↑	↓	↑	↑	↓	↑	↓	
Trade	↓	→	↓	↓	↓	↑	↓	↓	↓	→	→	↑	↑
Sentiment	→	↑	→	↓	↓	↑	↓	→	↓	→	↓	↑	↑
Consumption	↓	→	↓	→	↓	↓	→	→	→	→	↓	→	
Housing	↑	↓	→	↑	↑	→	↑	↓	↓	→	↑	↓	
Employment	↑	↓	↓	↓	↓	↑	→	↑	↓	↓	↓	↓	
Public Works	↓	↓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

Criteria for determining the trends

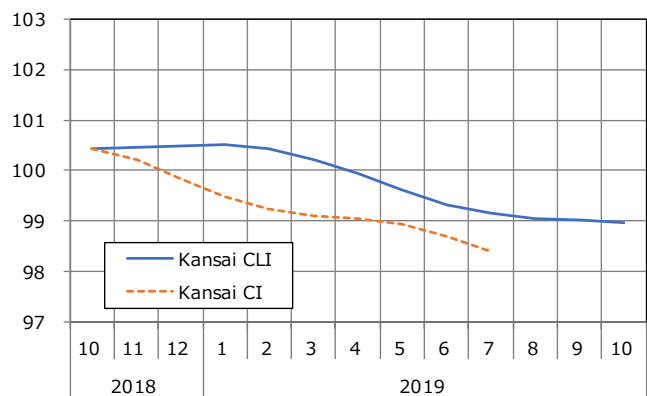
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2013/1~2019/10)



Latest trends in CI and CLI (2018/10~2019/10)



Major Monthly Statistics

Monthly statistics	18/9M	18/10M	18/11M	18/12M	19/1M	19/2M	19/3M	19/4M	19/5M	19/6M	19/7M	19/8M	19/9M
Business Confidence													
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	49.0	51.3	50.8	49.9	45.4	48.0	47.0	47.2	45.1	45.0	43.8	45.3	50.4
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	52.2	51.9	53.1	47.4	50.7	50.4	50.6	51.0	47.5	49.8	46.3	42.3	37.2
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	48.3	48.6	49.5	46.8	45.6	47.5	44.8	45.3	44.1	44.0	41.2	42.8	46.7
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted)	51.0	50.0	50.8	47.9	49.4	48.9	48.6	48.4	45.6	45.8	44.3	39.7	36.9
Consumer Sentiment Indices													
[Kansai] Consumer Confidence Index (original index)	42.7	42.6	42.4	42.5	41.8	40.6	40.1	40.0	39.5	39.0	38.2	36.9	35.7
[Kansai] overall livelihood (original index)	39.6	40.5	40.3	40.6	40.2	38.1	37.2	37.3	37.1	36.9	36.4	35.5	33.8
[Kansai] income growth (original index)	41.8	40.8	40.9	40.6	40.8	39.8	39.2	39.3	40.0	39.7	39.6	39.6	38.9
[Kansai] employment conditions (original index)	47.1	46.6	46.4	46.0	44.1	44.1	44.0	44.2	43.2	43.4	42.0	41.1	41.8
[Kansai] willingness to buy durable goods (original index)	42.2	42.3	42.0	42.6	41.9	40.5	39.8	39.0	37.5	35.8	34.7	31.3	28.1
[Japan] Consumer Confidence Index (seasonally adjusted)	43.3	42.9	42.8	42.6	41.8	41.5	40.5	40.4	39.4	38.7	37.8	37.1	35.6
[Kansai] Large retail store sales (billion yen)	287.8	310.5	321.4	407.1	321.5	282.5	317.7	302.5	304.1	308.1	319.6	307.2	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-2.0	0.1	-2.4	-0.8	-3.4	-1.3	0.2	-0.8	0.4	0.5	-3.4	0.8	UN
[Japan] Large retail store sales (billion yen)	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	1,589.7	UN
[Japan] Large retail store sales (YoY % change, all stores)	1.1	-0.2	-1.7	-0.5	-3.0	-1.5	1.0	-1.4	-0.2	-0.3	-4.5	0.9	UN
Housing & Construction													
[Kansai] New housing starts (number of units)	12,545	11,496	12,329	11,360	11,371	11,310	11,626	11,897	10,253	11,318	12,849	10,737	UN
[Kansai] New housing starts (YoY % change)	10.5	-5.3	4.8	11.1	23.7	-0.7	7.8	-11.2	-27.5	-3.6	5.7	-8.8	UN
[Japan] New housing starts (number of units)	81,903	83,330	84,213	78,364	67,087	71,966	76,558	79,389	72,581	81,541	79,232	76,034	UN
[Japan] New housing starts (YoY % change)	-1.5	0.3	-0.6	2.1	1.1	4.2	10.0	-5.7	-8.7	0.3	-4.1	-7.1	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	75.7	78.2	73.6	75.1	70.5	75.2	83.0	76.1	67.0	70.9	82.5	80.9	78.7
[Kansai] Residential lots contract ratio (original index)	72.8	77.7	74.4	72.1	70.2	75.8	80.6	75.9	67.7	73.3	83.1	84.9	75.7
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	64.9	73.1	55.5	50.2	70.8	64.6	69.2	65.5	60.1	64.2	63.2	75.0	55.4
[Tokyo area] Residential lots contract ratio (original index)	66.5	68.3	53.9	49.4	67.5	65.5	72.2	64.3	60.0	65.9	67.9	75.4	56.8
[Kansai] Advance Payment Guarantees (APGs) for public works (billion yen)	109.3	116.9	94.7	88.0	71.4	80.0	109.3	220.6	141.5	147.1	135.3	106.0	120.0
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	-21.6	-10.0	10.9	-9.8	9.1	60.5	-10.5	4.2	21.6	9.4	-4.0	11.1	9.8
[Japan] Advance Payment Guarantees (APGs) for public works (billion yen)	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	1,275.1
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-7.6	9.5	-5.2	4.6	-4.1	20.4	3.7	2.5	10.5	1.0	28.5	2.2	4.6
[Kansai] Construction works (total, billion yen)	554.3	564.2	589.8	610.4	607.9	602.7	589.7	511.8	514.7	530.2	545.8	551.7	UN
[Kansai] Construction works (total, YoY % change)	3.3	3.0	0.5	0.2	3.0	5.7	5.6	5.6	6.7	3.3	8.1	4.2	UN
[Japan] Construction works (total, billion yen)	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	4,574.6	UN
[Japan] Construction works (total, YoY % change)	0.3	-1.1	-1.1	-2.2	-0.7	0.1	0.8	1.6	2.8	2.6	1.9	2.9	UN
[Japan] Construction works (public works, billion yen)	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	1,768.8	UN
[Japan] Construction works (public works, YoY % change)	-2.6	-5.2	-4.2	-5.6	-2.3	-1.4	-3.0	0.1	2.1	5.3	4.9	7.7	UN
Indices of Industrial Production													
[Kansai] Industrial production (seasonally adjusted, 2010=100)	103.4	106.5	104.5	103.9	102.5	102.4	99.6	101.3	102.5	100.0	104.7	100.8	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	-0.9	3.0	-1.9	-0.6	-1.3	-0.1	-2.7	1.7	1.2	-2.4	4.7	-3.7	UN
[Kansai] Industrial shipments index (original figure, YoY % change)	-3.4	8.3	1.2	-3.2	-0.2	-3.9	-7.0	-3.6	-4.2	-7.3	2.7	-7.0	UN
[Kansai] Industrial inventories index (original figure, YoY % change)	0.1	-4.0	-2.8	-1.7	-2.8	-1.3	-0.2	0.4	0.3	5.6	6.6	8.2	UN
[Kansai] Industrial shipments index (seasonally adjusted, 2010=100)	102.8	109.2	104.1	103.1	103.0	100.6	99.7	100.6	102.8	97.9	104.2	100.4	UN
[Kansai] Industrial shipments index (seasonally adjusted, MoM change)	-1.1	6.2	-4.7	-1.0	-0.1	-2.3	-0.9	0.9	2.2	-4.8	6.4	-3.6	UN
[Kansai] Industrial inventories index (seasonally adjusted, 2010=100)	98.8	98.8	99.0	100.1	98.6	100.0	101.8	102.0	101.0	105.0	105.0	105.7	UN
[Kansai] Industrial inventories index (seasonally adjusted, MoM change)	1.1	0.0	0.2	1.1	-1.5	1.4	1.8	0.2	-1.0	4.0	0.0	0.7	UN
[Japan] Industrial production (seasonally adjusted, 2010=100)	103.5	105.6	104.6	104.7	102.1	102.8	102.2	102.8	104.9	101.4	102.7	101.5	UN
[Japan] Industrial production (seasonally adjusted, MoM change)	-0.1	2.0	-0.9	0.1	-2.5	0.7	-0.6	0.6	2.0	-3.3	1.3	-1.2	UN
[Japan] Industrial shipments index (original figure, YoY % change)	-2.9	5.7	1.1	-3.1	-0.1	-0.3	-4.0	-1.4	-1.8	-4.9	1.9	-4.5	UN
[Japan] Industrial inventories index (original figure, YoY % change)	3.5	-0.9	0.4	1.7	1.2	1.4	0.2	1.2	1.5	3.0	2.5	2.6	UN
[Japan] Industrial shipments index (seasonally adjusted, 2010=100)	102.1	104.4	102.8	103.1	100.6	102.2	100.9	102.7	104.0	99.8	102.5	101.2	UN
[Japan] Industrial shipments index (seasonally adjusted, MoM change)	-0.9	2.3	-1.5	0.3	-2.4	1.6	-1.3	1.8	1.3	-4.0	2.7	-1.3	UN
[Japan] Industrial inventories index (seasonally adjusted, 2010=100)	102.0	101.5	101.6	102.9	102.0	102.4	103.8	103.8	104.3	104.7	104.5	104.4	UN
[Japan] Industrial inventories index (seasonally adjusted, MoM change)	0.2	-0.5	0.1	1.3	-0.9	0.4	1.4	0.0	0.5	0.4	-0.2	-0.1	UN
Labor Statistics													
[Kansai] Total cash earnings (all 6 prefectures, YoY % change)	-1.1	0.4	2.0	-1.7	1.0	0.1	-2.1	-0.1	0.0	-1.2	UN	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	-0.6	0.9	2.6	-1.3	1.3	0.7	-2.0	0.4	0.2	-1.3	0.4	UN	UN
[Japan] Total cash earnings (YoY % change)	0.7	1.1	1.7	1.5	-0.6	-0.7	-1.3	-0.3	-0.5	0.4	-1.0	-0.1	UN
[Kansai] Unemployment rate (seasonally adjusted)	2.8	3.0	3.4	2.9	2.8	2.6	2.8	2.8	2.9	2.7	2.4	2.1	UN
[Kansai] Unemployment rate (original figure)	3.1	3.0	3.1	2.6	2.7	2.7	2.8	2.7	2.8	2.8	2.6	2.2	UN
[Japan] Unemployment rate (seasonally adjusted)	2.4	2.4	2.5	2.4	2.5	2.3	2.5	2.4	2.4	2.3	2.2	2.2	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.56	2.51	2.47	2.47	2.60	2.61	2.49	2.62	2.52	2.44	2.50	2.57	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.44	2.40	2.40	2.40	2.48	2.50	2.42	2.48	2.43	2.36	2.34	2.45	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.63	1.62	1.62	1.62	1.61	1.62	1.62	1.64	1.63	1.62	1.60	1.59	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.63	1.62	1.63	1.63	1.63	1.63	1.63	1.63	1.62	1.61	1.59	1.59	UN
International Trade													
[Kansai] Trade balance (billion yen)	177.5	113.4	19.1	178.9	-184.6	213.8	273.5	101.0	-9.4	269.9	69.1	121.0	201.1
[Kansai] Exports (billion yen)	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	1,321.5	1,415.1
[Kansai] Exports (YoY % change)	-25.1	6.4	-1.0	-7.2	-8.9	-1.9	-6.3	-5.7	-10.4	-10.9	-1.7	-12.9	27.5
[Kansai] Imports (billion yen)	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	1,200.5	1,214.0
[Kansai] Imports (YoY % change)	-24.3	10.9	9.5	-2.8	0.1	-9.8	-1.4	3.6	-5.1	-13.8	-0.6	-10.5	30.2

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