

# Kansai Economic Insight Monthly

2020/3/24

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▼APIR's "Kansai Economic Insight Monthly" is an analysis of economic trends in the Kansai region and the Kansai-related sectors of China's economy. It 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 six prefectures: Shiga, Kyoto, Osaka, Hyogo, Nara, and Wakayama.

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## Highlights

### - Kansai's economy is likely to remain on a downward trajectory\* -

- ✓ Although production increased for the second month in a row in January, it has not recovered from the October-November slump. The Kansai Bureau of Economy, Trade and Industry (METI) left its "bearish production" outlook unchanged.
- ✓ In February, Kansai's trade deficit turned into a surplus. However, that is solely due to the slump in imports from coronavirus-hit China. Excluding September 2019, both exports and imports have been shrinking since December 2018.
- ✓ The Economy Watcher DI in February reached its lowest level since April 2011 (after the Great East Japan Earthquake) amid concerns about the impact of the coronavirus pandemic. Businesses dependent on inbound tourism are affected the most.
- ✓ In December, wages in Kansai kept declining for the fifth consecutive month in nominal terms, and for the tenth straight month in real terms. On an annual basis, real wages in 2019 declined for the second year in a row.
- ✓ Department store and supermarket sales in January kept declining for the fourth consecutive month. The recovery from the reactionary fall in demand after the consumption tax hike is taking longer than it did after the previous tax hike in 2014. Duty-free sales plunged -71.9% in February, reflecting the impact of the coronavirus.
- ✓ The number of new housing starts decreased in January. Excluding December 2019, there has been a steady decline since the consumption tax hike in October 2019.
- ✓ The effective job offers-to-applicants ratio in January (1.50) deteriorated for the first time in two months as the number of job seekers increased. The unemployment rate (2.6%) also increased for the first time in three months.
- ✓ January was the 23rd straight month of expansion in construction investments. However, the growth is decelerating. The contract amount for public works projects in February decreased for the first time in seven months.
- ✓ Due to the impact of the coronavirus, the number of international arrivals at Kansai International Airport in February slumped -66.0% year-on-year, registering the largest decline since April 2011 (the month after the Great East Japan Earthquake).
- ✓ Coronavirus-hit China saw its manufacturing PMI drop to a historic low of 35.7 in February, a level lower than the one registered during the Global Financial Crisis. As of the end of March, China claims to have largely brought the coronavirus outbreak under control. However, as the pandemic keeps stifling economic activities around the world, the global economic outlook seems ridden with uncertainty.

※ Judgment based on APIR's CI and CLI indices for Kansai.

Note: All reported changes are YoY, except for the diffusion index (DI), job offers-to-applicants ratio, unemployment rate, public works contract value, and production, which are seasonally-adjusted MoM changes.

### Trends in the Kansai Economy

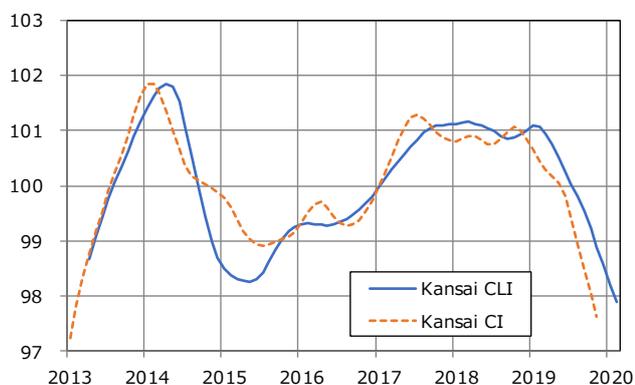
	2019											2020	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Production	↑	↓	↑	↑	↓	↑	↓	↑	↓	↓	↑	↑	
Trade	↑	↓	↓	↓	→	→	↑	↑	↑	↑	→	↑	
Sentiment	↑	↓	→	↓	→	↓	↑	↑	↓	→	→	→	↓
Consumption	↓	→	→	→	→	↓	→	↑	↓	↓	↓	↓	
Housing	→	↑	↓	↓	→	↑	↓	↓	→	↓	↑	↓	
Employment	↑	→	↑	↓	↓	↓	↓	→	↓	↓	↑	↓	
Public Works	↑	↓	→	↑	↑	→	↑	↑	↑	↑	→	↑	↓
China	↓	→	↓	↓	→	↓	↓	→	↓	→	→	↓	↓

#### Criteria for determining the trends

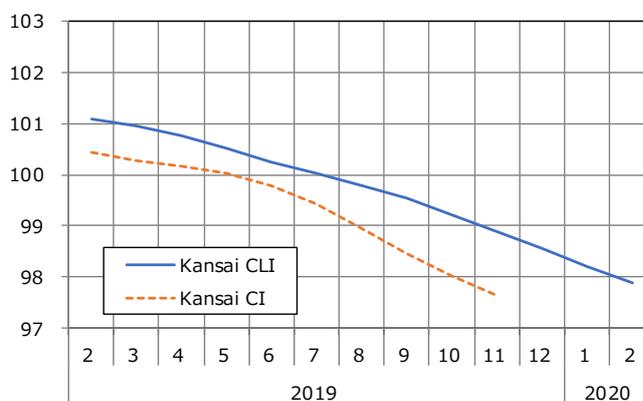
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2013/1~2020/3)



Latest trends (2019/2~2020/3)



## Major Monthly Statistics

Monthly statistics	18/11M	18/12M	19/1M	19/2M	19/3M	19/4M	19/5M	19/6M	19/7M	19/8M	19/9M	19/10M	19/11M	19/12M	20/1M	20/2M
<b>Business Confidence</b>																
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	50.8	49.1	45.8	48.0	47.1	46.9	45.1	45.0	43.8	45.3	50.4	39.9	40.2	41.0	40.9	25.1
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	52.8	47.4	50.4	49.7	49.9	49.9	47.5	49.8	46.3	42.3	37.2	45.1	46.2	45.2	39.9	25.1
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	48.8	46.6	45.9	47.1	44.9	45.3	44.1	44.0	41.2	42.8	46.7	36.7	39.4	39.8	41.9	27.4
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted)	50.9	47.9	48.9	48.4	48.1	47.6	45.6	45.8	44.3	39.7	36.9	43.7	45.7	45.4	41.8	24.6
<b>Consumer Sentiment Indices</b>																
[Kansai] Consumer Confidence Index (original index)	42.4	42.5	41.8	40.6	40.1	40.0	39.5	39.0	38.2	36.9	35.7	36.1	38.1	38.4	38.9	37.7
[Kansai] overall livelihood (original index)	40.3	40.6	40.2	38.1	37.2	37.3	37.1	36.9	36.4	35.5	33.8	34.3	37.9	38.1	37.3	37.1
[Kansai] income growth (original index)	40.9	40.6	40.8	39.8	39.2	39.3	40.0	39.7	39.6	39.6	38.9	38.0	39.4	39.1	39.8	38.7
[Kansai] employment conditions (original index)	46.4	46.0	44.1	44.1	44.0	44.2	43.2	43.4	42.0	41.1	41.8	40.6	40.6	40.6	41.5	38.4
[Kansai] willingness to buy durable goods (original index)	42.0	42.6	41.9	40.5	39.8	39.0	37.5	35.8	34.7	31.3	28.1	31.6	34.6	35.7	36.8	36.5
[Japan] Consumer Confidence Index (seasonally adjusted)	42.8	42.6	41.8	41.5	40.5	40.4	39.4	38.7	37.8	37.1	35.6	36.2	38.7	39.1	39.1	38.4
[Japan] Large retail store sales (billion yen)	321.4	407.1	321.5	282.5	317.7	302.5	304.1	308.1	319.6	307.2	327.2	282.8	310.9	392.1	315.2	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-2.4	-0.8	-3.4	-1.3	0.2	-0.8	0.4	0.5	-3.4	0.8	13.7	-8.9	-3.3	-3.7	-2.0	UN
[Japan] Large retail store sales (billion yen)	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	1,671.7	1,457.7	1,610.8	2,019.5	1,606.4	UN
[Japan] Large retail store sales (YoY % change, all stores)	-1.7	-0.5	-3.0	-1.5	1.0	-1.4	-0.2	-0.3	-4.5	0.9	10.4	-8.1	-2.0	-3.0	-1.6	UN
<b>Housing &amp; Construction</b>																
[Kansai] New housing starts (number of units)	12,329	11,360	11,371	11,310	11,626	11,897	10,253	11,318	12,849	10,737	11,852	11,314	11,212.0	12,043.0	9,758.0	UN
[Kansai] New housing starts (YoY % change)	4.8	11.1	23.7	-0.7	7.8	-11.2	-27.5	-3.6	5.7	8.8	-5.3	-1.6	-9.1	6.0	-14.2	UN
[Japan] New housing starts (number of units)	84,213	78,364	67,087	71,966	76,558	79,389	72,581	81,541	79,232	76,034	77,915	77,123	73,523.0	72,174.0	60,341.0	UN
[Japan] New housing starts (YoY % change)	-0.6	2.1	1.1	4.2	10.0	-5.7	-8.7	0.3	-4.1	-7.1	-4.9	-7.4	-12.7	-7.9	-10.1	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	73.6	75.3	71.9	75.4	81.9	76.4	67.0	70.9	82.5	80.9	78.7	74.2	59.4	74.1	68.4	74.9
[Kansai] Residential lots contract ratio (original index)	74.4	72.1	70.2	75.8	80.6	75.9	67.7	73.3	83.1	84.9	75.7	73.8	60.1	71.0	66.8	75.3
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	56.3	49.0	70.8	64.3	67.7	65.0	60.1	64.2	63.2	75.0	55.4	45.6	56.9	60.3	66.1	58.3
[Tokyo area] Residential lots contract ratio (original index)	53.9	49.4	67.5	65.5	72.2	64.3	60.0	65.9	67.9	75.4	56.8	42.6	55.2	61.3	63.0	59.3
[Kansai] Advance Payment Guarantees (APGs) for public works (billion yen)	94.7	88.0	71.4	80.0	109.3	220.6	141.5	147.1	135.3	106.0	120.0	189.6	133.2	95.5	92.0	74.8
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	10.9	-9.8	9.1	60.5	-10.5	4.2	21.6	9.4	-4.0	11.1	9.8	62.2	40.7	8.6	28.9	-6.4
[Japan] Advance Payment Guarantees (APGs) for public works (billion yen)	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	1,348.0	911.0	803.8	641.5	699.4
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-5.2	4.6	-4.1	20.4	3.7	2.5	10.5	1.0	28.5	2.2	4.6	5.1	11.3	-3.6	9.6	-5.4
[Kansai] Construction works (total, billion yen)	589.8	610.4	607.9	602.7	589.7	511.8	514.7	530.2	545.8	551.7	572.4	589.7	605.5	618.0	617.6	UN
[Kansai] Construction works (total, YoY % change)	0.5	0.2	3.0	5.7	5.6	5.6	6.7	3.3	8.1	4.2	3.3	4.5	2.7	1.2	1.6	UN
[Japan] Construction works (total, billion yen)	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	4,782.4	4,945.3	5,002.6	5,000.3	4,898.9	UN
[Japan] Construction works (total, YoY % change)	-1.1	-2.2	-0.7	0.1	0.8	1.6	2.8	2.6	1.9	2.9	1.6	2.0	1.8	1.1	0.0	UN
[Japan] Construction works (public works, billion yen)	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	1,954.4	2,116.0	2,182.0	2,197.1	2,166.6	UN
[Japan] Construction works (public works, YoY % change)	-4.2	-5.6	-2.3	-1.4	-3.0	0.1	2.1	5.3	4.9	7.7	7.0	9.2	9.3	7.6	5.8	UN
<b>Indices of Industrial Production</b>																
[Kansai] Industrial production (seasonally adjusted, 2010=100)	104.5	103.9	102.5	102.4	99.6	101.3	102.5	100.0	104.7	100.3	104.4	98.2	93.8	97.3	100.6	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	-1.9	-0.6	-1.3	-0.1	-2.7	1.7	1.2	-2.4	4.7	-4.2	4.1	-5.9	-4.5	4.2	3.2	UN
[Kansai] Industrial shipments index (original figure, YoY % change)	1.2	-3.2	-0.2	-3.9	-7.0	-3.6	-4.2	-7.3	2.7	-7.2	6.0	-11.2	-11.5	-3.3	-4.4	UN
[Kansai] Industrial inventories index (original figure, YoY % change)	-2.8	-1.7	-2.8	-1.3	-0.2	0.4	0.3	5.6	6.6	8.2	3.2	4.8	3.9	3.0	5.4	UN
[Kansai] Industrial shipments index (seasonally adjusted, 2010=100)	104.1	103.1	103.0	100.6	99.7	100.6	102.8	97.9	104.2	100.2	107.2	98.0	93.7	97.1	98.5	UN
[Kansai] Industrial shipments index (seasonally adjusted, MoM change)	-4.7	-1.0	-0.1	-2.3	-0.9	0.9	2.2	-4.8	6.4	-3.8	7.0	-8.6	-4.4	4.0	0.9	UN
[Kansai] Industrial inventories index (seasonally adjusted, 2010=100)	99.0	100.1	98.6	100.0	101.8	102.0	101.0	105.0	105.0	105.7	102.0	103.6	102.9	103.2	103.9	UN
[Kansai] Industrial inventories index (seasonally adjusted, MoM change)	0.2	1.1	-1.5	1.4	1.8	0.2	-1.0	4.0	0.0	0.7	-3.5	1.6	-0.7	0.3	0.7	UN
[Japan] Industrial production (seasonally adjusted, 2010=100)	104.6	104.7	102.1	102.8	102.2	102.8	104.9	101.4	102.7	101.5	103.2	98.6	97.6	98.8	99.8	UN
[Japan] Industrial production (seasonally adjusted, MoM change)	-0.9	0.1	-2.5	0.7	-0.6	0.6	2.0	-3.3	1.3	-1.2	1.7	-4.5	-1.0	1.2	1.0	UN
[Japan] Industrial shipments index (original figure, YoY % change)	1.1	-3.1	-0.1	-0.3	-4.0	-1.4	-1.8	-4.9	1.9	-4.5	2.2	-7.3	-7.7	-3.4	-3.3	UN
[Japan] Industrial inventories index (original figure, YoY % change)	0.4	1.7	1.2	1.4	0.2	1.2	1.5	3.0	2.5	2.6	0.9	2.6	1.6	1.3	3.9	UN
[Japan] Industrial shipments index (seasonally adjusted, 2010=100)	102.8	103.1	100.6	102.2	100.9	102.7	104.0	99.8	102.5	101.2	102.7	98.1	96.4	96.7	97.3	UN
[Japan] Industrial shipments index (seasonally adjusted, MoM change)	-1.5	0.3	-2.4	1.6	-1.3	1.8	1.3	-4.0	2.7	-1.3	1.5	-4.5	-1.7	0.3	0.6	UN
[Japan] Industrial inventories index (seasonally adjusted, 2010=100)	101.6	102.9	102.0	102.4	103.8	103.8	104.3	104.7	104.5	104.4	102.9	104.2	103.3	104.2	105.9	UN
[Japan] Industrial inventories index (seasonally adjusted, MoM change)	0.1	1.3	-0.9	0.4	1.4	0.0	0.5	0.4	-0.2	-0.1	-1.4	1.3	-0.9	0.9	1.6	UN
<b>Labor Statistics</b>																
[Kansai] Total cash earnings (all six prefectures, YoY % change)	2.0	-1.6	1.1	0.1	-2.0	-0.1	0.0	-1.2	0.3	-0.8	-0.0	-0.2	-0.2	-1.0	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	2.6	-1.2	1.4	0.7	-1.8	0.4	0.2	-1.3	0.4	-0.9	-0.0	-0.2	-0.3	-1.2	UN	UN
[Japan] Total cash earnings (YoY % change)	1.7	1.5	-0.6	-0.7	-1.3	-0.3	-0.5	0.4	-1.0	-0.1	0.5	0.0	0.1	-0.2	1.5	UN
[Kansai] Unemployment rate (seasonally adjusted)	3.4	2.9	2.8	2.6	2.8	2.8	2.9	2.7	2.4	2.1	2.5	2.6	2.3	2.3	2.6	UN
[Kansai] Unemployment rate (original figure)	3.1	2.6	2.7	2.7	2.8	2.7	2.8	2.8	2.6	2.2	2.7	2.6	2.1	2.2	2.4	UN
[Japan] Unemployment rate (seasonally adjusted)	2.5	2.4	2.5	2.3	2.5	2.4	2.4	2.3	2.2	2.2	2.4	2.4	2.2	2.2	2.4	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.47	2.47	2.60	2.61	2.49	2.62	2.52	2.44	2.50	2.57	2.42	2.53	2.42	2.58	2.2	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.40	2.40	2.48	2.50	2.42	2.48	2.43	2.36	2.34	2.45	2.28	2.44	2.32	2.43	2.0	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.62	1.62	1.61	1.62	1.62	1.64	1.63	1.62	1.60	1.59	1.59	1.58	1.57	1.59	1.5	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.63	1.63	1.63	1.63	1.63	1.63	1.62	1.61	1.59	1.59	1.57	1.57	1.57	1.57	1.5	UN
<b>International Trade</b>																
[Kansai] Trade balance (billion yen)	19.1	178.9	-184.6	213.4	273.0	101.0	-9.4	269.9	68.5	120.3	200.7	190.7	110.7	193.5	-125.3	417.4
[Kansai] Exports (billion yen)	1,504.9	1,474.8	1,179.9	1,320.0	1,500.7	1,354.5	1,250.9	1,350.3	1,410.2	1,321.5	1,415.2	1,398.4	1,351.8	1,414.4	1,137.6	1,330.1
[Kansai] Exports (YoY % change)	-1.0	-7.2	-8.9	-1.9	-6.2	-5.7	-10.4	-10.9	-1.7	-12.9	27.5	-7.8	-10.2	-4.1	-3.6	0.8
[Kansai] Imports (billion yen)	1,485.9	1,295.9	1,364.5	1,106.6	1,227.7	1,253.5	1,260.3	1,080.4	1,341.7	1,201.2	1,214.4	1,207.8	1,241.1	1,220.9	1,262.9	912.7
[Kansai] Imports (YoY % change)	9.5	-2.8	0.1	-9.8	-1.3	3.6	-5.1	-13.8	-0.6	-10.5	30.2	-14.0	-16.5	-5.8	-7.4	-17.6

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