

# Kansai Economic Insight Monthly

2020/4/27

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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 likely to remain on a downward trajectory\* -

- ✓ Production in February declined for the first time in three months, extending the weak trend observed so far. The Kansai Bureau of Economy, Trade and Industry (METI) downgraded its outlook.
- ✓ In March, Kansai's logged a trade surplus for the second month in a row. However, the surplus was smaller than it was in February due to the fact that exports shrank while the decline in imports decelerated.
- ✓ The Economy Watcher DI in March registered a major deterioration for the second consecutive month, reaching an all-time low. No industry remained unaffected by the coronavirus pandemic.
- ✓ In January, wages in Kansai kept declining for the sixth consecutive month in nominal terms, and for the 11th straight month in real terms. There has been a steady deterioration in the income environment.
- ✓ Large retailers' revenues in February declined for the fifth consecutive month. Although supermarket sales inched up as shoppers rushed to stockpile consumer goods in the face of the coronavirus pandemic, department store sales plummeted due to the slump in foreign visitor numbers.
- ✓ The number of new housing starts in February decreased for the second month in a row. Although condominium construction posted an increase, there was a substantial decline in the construction of privately-owned houses and housing for rent.
- ✓ The effective job offers-to-applicants ratio in February (1.48) deteriorated for the second consecutive month as the number of job requirements listed in job offers increased, while the amount of job offers decreased due to the impact of the coronavirus. The unemployment rate (2.7%) also increased for the third straight month.
- ✓ Construction investments in February expanded for the 24th month in a row, albeit at a decelerating pace. The contract amount for public works projects in March increased for the first time in two months.
- ✓ Due to the impact of the coronavirus, the number of international arrivals at Kansai International Airport in March plunged -95.1% year-on-year. As most countries around the world have imposed strict controls on movement and ordered people to stay in their homes, travel restrictions are likely to remain severe.
- ✓ China saw its Q1 GDP drop by -6.8% compared to the previous year, which was the first decline since 1992, when quarterly records started. Although the supply shortages caused by the temporary halt in production have gradually been replenished, shrinking demand caused by the slowdown of the global economy might put a drag on China's economic growth in the future.

※ 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

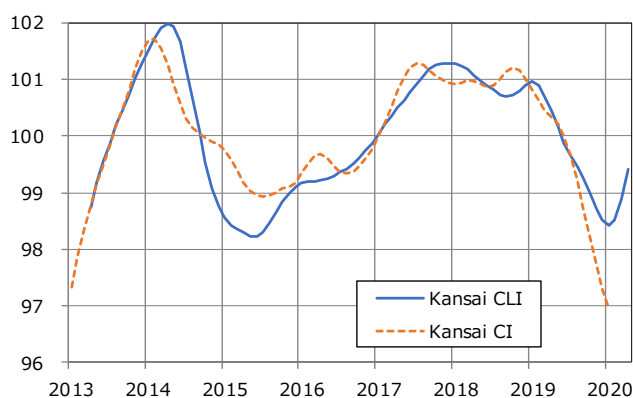
	2019										2020		
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Production	↓	↑	↑	↓	↑	↓	↑	↓	↓	↑	↑	↓	
Trade	↓	↓	↓	→	→	↑	↑	↑	↑	→	↑	↑	↑
Sentiment	↓	→	↓	→	↓	↑	↑	↓	→	→	→	↓	↓
Consumption	→	→	→	→	↓	→	↑	↓	↓	↓	↓	↓	
Housing	↑	↓	↓	→	↑	↓	↓	→	↓	↑	↓	→	
Employment	→	↑	↓	↓	↓	↓	→	↓	↓	↑	↓	↓	
Public Works	↓	→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

#### Criteria for determining the trends

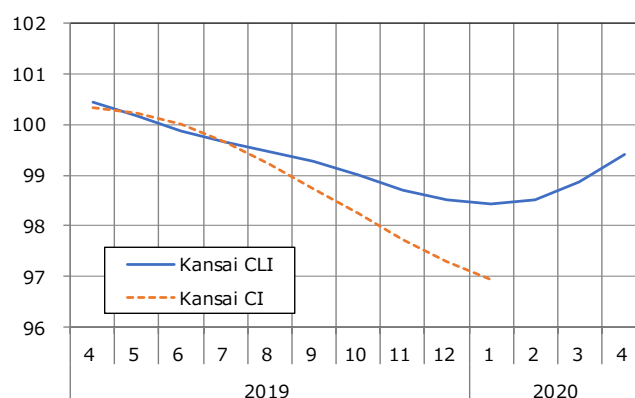
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2013/1~2020/4)



Latest trends (2019/2~2020/4)



## Major Monthly Statistics

Monthly statistics	19/4M	19/5M	19/6M	19/7M	19/8M	19/9M	19/10M	19/11M	19/12M	20/1M	20/2M	20/3M
<b>Business Confidence</b>												
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	47.2	45.1	45.0	43.8	45.3	50.4	39.9	40.2	40.2	40.9	25.1	12.7
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	51.0	47.5	49.8	46.3	42.3	37.2	45.1	46.2	45.1	39.9	25.1	18.6
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	45.3	44.1	44.0	41.2	42.8	46.7	36.7	39.4	39.7	41.9	27.4	14.2
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted)	48.4	45.6	45.8	44.3	39.7	36.9	43.7	45.7	45.5	41.8	24.6	18.8
<b>Consumer Sentiment Indices</b>												
[Kansai] Consumer Confidence Index (original index)	40.0	39.5	39.0	38.2	36.9	35.7	36.1	38.1	38.4	38.9	37.7	30.3
[Kansai] overall livelihood (original index)	37.3	37.1	36.9	36.4	35.5	33.8	34.3	37.9	38.1	37.3	37.1	29.1
[Kansai] income growth (original index)	39.3	40.0	39.7	39.6	39.6	38.9	38.0	39.4	39.1	39.8	38.7	34.4
[Kansai] employment conditions (original index)	44.2	43.2	43.4	42.0	41.1	41.8	40.6	40.6	40.6	41.5	38.4	27.5
[Kansai] willingness to buy durable goods (original index)	39.0	37.5	35.8	34.7	31.3	28.1	31.6	34.6	35.7	36.8	36.5	30.0
[Japan] Consumer Confidence Index (seasonally adjusted)	40.4	39.4	38.7	37.8	37.1	35.6	36.2	38.7	39.1	39.1	38.3	30.5
[Kansai] Large retail store sales (billion yen)	302.5	304.1	308.1	319.6	307.2	327.2	282.8	310.9	392.1	315.2	270.3	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-0.8	0.4	0.5	-3.4	0.8	13.7	-8.9	-3.3	-3.7	-2.1	-4.5	UN
[Japan] Large retail store sales (billion yen)	1,535.4	1,563.1	1,597.7	1,624.2	1,589.7	1,671.7	1,457.7	1,610.8	2,022.8	1,606.4	1,438.7	UN
[Japan] Large retail store sales (YoY % change, all stores)	-1.4	-0.2	-0.3	-4.5	0.9	10.4	-8.1	-2.0	-2.9	-1.6	0.3	UN
<b>Housing &amp; Construction</b>												
[Kansai] New housing starts (number of units)	11,897	10,253	11,318	12,849	10,737	11,852	11,314	11,212	12,043	9,758	10,978	UN
[Kansai] New housing starts (YoY % change)	-11.2	-27.5	-3.6	5.7	-8.8	-5.5	-1.6	-9.1	6.0	-14.2	-2.9	UN
[Japan] New housing starts (number of units)	79,389	72,581	81,541	79,232	76,034	77,915	77,123	73,523.0	72,174.0	60,341.0	63,105.0	UN
[Japan] New housing starts (YoY % change)	-5.7	-8.7	0.3	-4.1	-7.1	-4.9	-7.4	-12.7	-7.9	-10.1	-12.3	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	76.1	67.0	70.9	82.5	80.9	78.7	74.2	59.4	74.1	68.4	74.9	70.3
[Kansai] Residential lots contract ratio (original index)	75.9	67.7	73.3	83.1	84.9	75.7	73.8	60.1	71.0	66.8	75.3	69.2
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	65.5	60.1	64.2	63.2	75.0	55.4	45.6	56.9	60.3	66.1	58.3	65.6
[Tokyo area] Residential lots contract ratio (original index)	64.3	60.0	65.9	67.9	75.4	56.8	42.6	55.2	61.3	63.0	59.3	70.0
[Kansai] Advance Payment Guarantees (APGs) for public works (billion yen)	220.6	141.5	147.1	135.3	106.0	120.0	189.6	133.2	95.5	92.0	74.8	157.9
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	4.2	21.6	9.4	-4.0	11.1	9.8	62.2	40.7	8.6	28.9	-6.4	44.5
[Japan] Advance Payment Guarantees (APGs) for public works (billion yen)	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	1,487.0
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	2.5	10.5	1.0	28.5	2.2	4.6	5.1	11.3	-3.6	9.6	4.2	12.9
[Kansai] Construction works (total, billion yen)	511.8	514.7	530.2	545.8	551.7	572.4	589.7	605.5	618.0	617.6	612.3	UN
[Kansai] Construction works (total, YoY % change)	5.6	6.7	3.3	8.1	4.2	3.3	4.5	2.7	1.2	1.6	1.6	UN
[Japan] Construction works (total, billion yen)	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	4,721.5	UN
[Japan] Construction works (total, YoY % change)	1.6	2.8	2.6	1.9	2.9	1.6	2.0	1.8	1.1	0.4	-1.9	UN
[Japan] Construction works (public works, billion yen)	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	2,053.4	UN
[Japan] Construction works (public works, YoY % change)	0.1	2.1	5.3	4.9	7.7	7.0	9.2	9.3	7.6	5.8	2.0	UN
<b>Indices of Industrial Production</b>												
[Kansai] Industrial production (seasonally adjusted, 2010=100)	101.3	102.5	100.0	104.7	100.3	104.4	98.2	93.8	97.5	100.4	97.6	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	1.7	1.2	-2.4	4.7	-4.2	4.1	-5.9	-4.5	4.4	3.0	-2.8	UN
[Kansai] Industrial shipments index (original figure, YoY % change)	-3.6	-4.2	-7.3	2.7	-7.2	6.0	-11.2	-11.5	-2.8	-4.4	-1.4	UN
[Kansai] Industrial inventories index (original figure, YoY % change)	0.4	0.3	5.6	6.6	8.2	3.2	4.8	3.9	3.0	5.7	2.8	UN
[Kansai] Industrial shipments index (seasonally adjusted, 2010=100)	100.6	102.8	97.9	104.2	100.2	107.2	98.0	93.7	97.6	98.5	99.0	UN
[Kansai] Industrial shipments index (seasonally adjusted, MoM change)	0.9	2.2	-4.8	6.4	-3.8	7.0	-8.6	-4.4	4.5	0.9	0.5	UN
[Kansai] Industrial inventories index (seasonally adjusted, 2010=100)	102.0	101.0	105.0	105.0	105.7	102.0	103.6	102.9	103.2	104.2	102.8	UN
[Kansai] Industrial inventories index (seasonally adjusted, MoM change)	0.2	-1.0	4.0	0.0	0.7	-3.5	1.6	-0.7	0.3	1.0	-1.3	UN
[Japan] Industrial production (seasonally adjusted, 2010=100)	102.7	104.2	101.4	102.7	101.5	103.2	98.6	97.6	98.8	99.8	99.5	UN
[Japan] Industrial production (seasonally adjusted, MoM change)	-0.1	1.5	-3.3	1.3	-1.2	1.7	-4.5	-1.0	1.2	1.9	-0.3	UN
[Japan] Industrial shipments index (original figure, YoY % change)	1.2	1.5	-4.9	1.9	-4.5	2.2	-7.3	-7.7	-3.4	3.6	1.6	UN
[Japan] Industrial inventories index (original figure, YoY % change)	1.2	1.5	3.0	2.5	2.6	0.9	2.6	1.6	1.3	3.6	1.6	UN
[Japan] Industrial shipments index (seasonally adjusted, 2010=100)	102.0	102.8	99.8	102.5	101.2	102.7	98.1	96.4	96.7	97.9	98.9	UN
[Japan] Industrial shipments index (seasonally adjusted, MoM change)	0.7	0.8	-4.0	2.7	-1.3	1.5	-4.5	-1.7	0.3	0.9	1.0	UN
[Japan] Industrial inventories index (seasonally adjusted, 2010=100)	103.4	103.8	104.7	104.5	104.4	102.9	104.2	103.3	104.2	106.2	104.4	UN
[Japan] Industrial inventories index (seasonally adjusted, MoM change)	0.0	0.4	0.4	-0.2	-0.1	-1.4	1.3	-0.9	0.9	2.1	-1.7	UN
<b>Labor Statistics</b>												
[Kansai] Total cash earnings (all six prefectures, YoY % change)	-0.1	0.0	-1.2	0.3	-0.8	-0.0	-0.2	-0.2	-1.0	-0.7	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	0.4	0.2	-1.3	0.4	-0.9	-0.0	-0.2	-0.3	-1.2	-0.3	UN	UN
[Japan] Total cash earnings (YoY % change)	-0.3	-0.5	0.4	-1.0	-0.1	0.5	0.0	0.1	-0.2	1.5	0.7	UN
[Kansai] Unemployment rate (seasonally adjusted)	2.8	2.9	2.7	2.4	2.1	2.5	2.6	2.3	2.3	2.6	2.7	UN
[Kansai] Unemployment rate (original figure)	2.7	2.8	2.8	2.6	2.2	2.7	2.6	2.1	2.2	2.4	2.7	UN
[Japan] Unemployment rate (seasonally adjusted)	2.4	2.4	2.3	2.2	2.2	2.4	2.4	2.2	2.2	2.4	2.4	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.62	2.52	2.44	2.50	2.57	2.42	2.53	2.42	2.58	2.16	2.38	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.48	2.43	2.36	2.34	2.45	2.28	2.44	2.32	2.43	2.04	2.22	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.64	1.63	1.62	1.60	1.59	1.59	1.58	1.57	1.59	1.50	1.48	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.63	1.62	1.61	1.59	1.59	1.57	1.57	1.57	1.57	1.49	1.45	UN
<b>International Trade</b>												
[Kansai] Trade balance (billion yen)	101.0	-9.4	269.9	68.5	120.3	200.7	190.7	110.7	193.5	-126.1	417.2	245.5
[Kansai] Exports (billion yen)	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	1,137.7	1,330.0	1,421.8
[Kansai] Exports (YoY % change)	-5.7	-10.4	-10.9	-1.7	-12.9	27.5	-7.8	-10.2	-4.1	-3.8	0.8	-5.3
[Kansai] Imports (billion yen)	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	1,263.8	912.8	1,176.3
[Kansai] Imports (YoY % change)	3.6	-5.1	-13.8	-0.6	-10.5	30.2	-14.0	-16.5	-5.8	-7.4	-17.5	-4.2

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