

# Kansai Economic Insight Monthly

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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 March declined for the second month in a row. Reflecting the bearish trend, the Kansai Bureau of Economy, Trade and Industry (METI) downgraded its outlook further.
- ✓ Although Kansai's exports and imports both kept shrinking in April, the decline in imports decelerated relative to March. Imports from China increased for the first time in seven months, mainly due to a spike in demand for masks and smart phones.
- ✓ The Economy Watcher Diffusion Index (DI) in April slumped to a new all-time low (5.8), having already hit a historic nadir in March (12.7). Kansai's DI, which had this far been higher than Japan's, dropped below the nationwide level, reflecting a rapid deterioration in business confidence.
- ✓ In February, wages in Kansai declined for the seventh consecutive month in nominal terms, and for the 12th straight month in real terms. There has been a steady deterioration in the income environment.
- ✓ Large retailers' revenues in March declined for the sixth consecutive month. Although supermarket sales fared well, department store sales hit an all-time low, sustaining a triple blow from the slump in foreign visitor numbers, social distancing, and shortened business hours and temporary closures in response to the Covid-19 pandemic.
- ✓ The number of new housing starts in March increased slightly for the second month in a row. The upsurge in the construction of private homes and housing for rent was offset by the decline in condominium construction, resulting in a largely flat trend.
- ✓ The effective job offers-to-applicants ratio in March (1.42) deteriorated for the third consecutive month. The amount of new job offers decreased markedly in industries requiring face-to-face communication, due to the impact of Covid-19. The unemployment rate (3.1%) also increased for the fourth straight month.
- ✓ Construction investments in March expanded for the 25th month in a row, albeit at a modest pace. The contract amount for public works projects in April increased for the second consecutive month.
- ✓ The number of international arrivals at Kansai International Airport in April hit an all-time low of just 401 passengers (-99.9% year-on-year). At the beginning of May, Japan expanded its entry ban to visitors from over a hundred countries and territories. As travel restrictions are unlikely to be lifted soon, the recovery in the number of foreign visitors might be delayed significantly.
- ✓ China's manufacturing PMI and non-manufacturing PMI both surpassed the break-even level in April. However, new export orders are stagnating. Although production activities have been recovering, the growth in consumption and investment is still negative. The sudden slowdown of the global economy is likely to put a drag on China's economic growth in the foreseeable 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

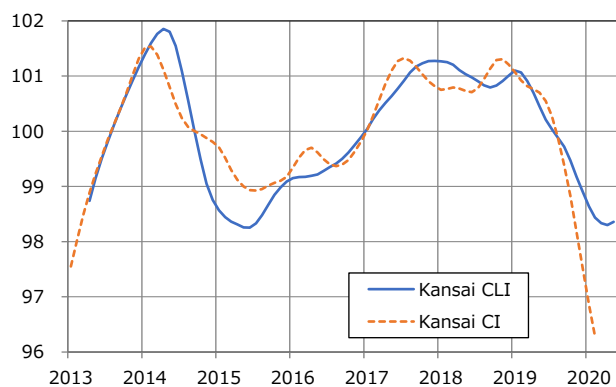
	2019									2020			
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Production	↑	↑	↓	↑	↓	↑	↓	↓	↑	↑	↓	↓	
Trade	↓	↓	→	→	↑	↑	↑	↑	→	↑	↑	→	→
Sentiment	→	↓	→	↓	↑	↑	↓	→	→	→	↓	↓	↓
Consumption	→	→	→	↓	→	↑	↓	↓	↓	↓	↓	↓	
Housing	↓	↓	→	↑	↓	↓	→	↓	↑	↓	→	→	
Employment	↑	↓	↓	↓	↓	→	↓	↓	↑	↓	↓	↓	
Public Works	→	↑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

#### Criteria for determining the trends

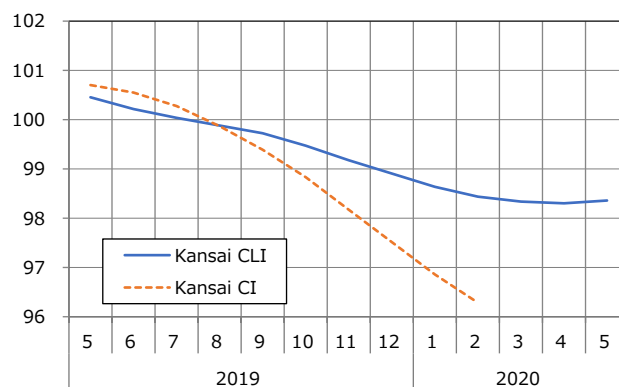
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2013/1~2020/5)



Latest trends (2019/2~2020/5)



## Major Monthly Statistics

Monthly statistics	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
<b>Business Confidence</b>												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	45.1	45.0	43.8	45.3	50.4	39.9	40.2	40.2	40.9	25.1	12.7	5.8
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	47.5	49.8	46.3	42.3	37.2	45.1	46.2	45.1	39.9	25.1	18.6	18.6
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	44.1	44.0	41.2	42.8	46.7	36.7	39.4	39.7	41.9	27.4	14.2	7.9
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	45.6	45.8	44.3	39.7	36.9	43.7	45.7	45.5	41.8	24.6	18.8	16.6
<b>Consumer Sentiment</b>												
[Kansai] Consumer Confidence Index (seasonally adjusted)	39.5	38.7	38.1	36.9	35.9	36.2	38.1	38.3	38.6	38.1	30.4	19.6
...overall livelihood	36.8	36.6	36.4	35.5	34.1	34.2	37.6	38.0	36.6	37.9	29.5	20.0
...income growth	39.5	39.4	39.5	39.2	38.7	38.4	39.4	39.5	39.5	39.2	34.7	23.6
...employment conditions	43.5	43.0	42.2	41.1	41.7	40.9	40.6	40.3	41.6	38.7	27.3	12.8
...willingness to buy durable goods	37.9	35.7	34.6	31.6	28.1	31.6	34.9	35.2	36.3	36.7	29.8	22.3
[Japan] Consumer Confidence Index (seasonally adjusted)	39.4	38.7	37.8	37.1	35.6	36.2	38.7	39.1	39.1	38.3	30.9	30.9
[Kansai] Large retail store sales (JPY billion)	304.1	308.1	319.6	307.2	327.2	282.8	310.9	392.1	315.2	270.3	280.9	UN
[Kansai] Large retail store sales (YoY % change, all stores)	0.4	0.5	-3.4	0.8	13.7	-8.9	-3.3	-3.7	-2.1	-4.5	-14.5	UN
[Japan] Large retail store sales (JPY billion)	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	1,620.4	UN
[Japan] Large retail store sales (YoY % change, all stores)	-0.2	-0.3	-4.5	0.9	10.4	-8.1	-2.0	-2.9	-1.6	0.3	-8.8	UN
<b>Housing &amp; Construction</b>												
[Kansai] New housing starts (number of units, seasonally adjusted)	11,059	11,009	12,072	10,647	11,571	11,012	10,909	12,406	10,469	11,804	11,852	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	-0.9	-0.5	9.7	-11.8	8.7	-4.8	-0.9	13.7	-15.6	12.8	0.4	UN
[Japan] New housing starts (number of units, seasonally adjusted)	76,400	76,933	75,672	75,672	75,236	74,624	70,649	70,990	67,744	72,615	75,420	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	-2.0	0.7	-1.6	0.0	-0.6	-0.8	-5.3	0.5	-4.6	7.2	3.9	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	67.4	72.3	81.0	79.8	77.7	74.5	59.5	74.1	68.4	74.9	70.3	78.4
[Kansai] Residential lots contract ratio (unadjusted figure)	67.7	73.3	83.1	84.9	75.7	73.8	60.1	71.0	66.8	75.3	69.2	77.9
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	60.0	63.9	63.2	75.0	57.2	47.0	58.2	60.3	66.1	58.3	65.6	79.8
[Tokyo area] Residential lots contract ratio (unadjusted figure)	60.0	65.9	67.9	75.4	56.8	42.6	55.2	61.3	63.0	59.3	70.0	78.9
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	141.5	147.1	135.3	106.0	120.0	189.6	133.2	95.5	92.0	74.8	157.9	319.9
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	21.6	9.4	-4.0	11.1	9.8	62.2	40.7	8.6	28.9	-6.4	44.5	45.0
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	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	2,305.4
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	10.5	1.0	28.5	2.2	4.6	5.1	11.3	-3.6	9.6	4.2	12.9	3.2
[Kansai] Construction works (total, JPY billion)	514.7	530.2	545.8	551.7	572.4	589.7	605.5	618.0	617.6	612.3	601.4	UN
[Kansai] Construction works (total, YoY % change)	6.7	3.3	8.1	4.2	3.3	4.5	2.7	1.2	1.6	1.6	2.0	UN
[Japan] Construction works (total, JPY billion)	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	4,731.1	UN
[Japan] Construction works (total, YoY % change)	2.8	2.6	1.9	2.9	1.6	2.0	1.8	1.1	0.04	-1.9	-1.2	UN
[Japan] Construction works (public works, JPY billion)	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	2,116.0	UN
[Japan] Construction works (public works, YoY % change)	2.1	5.3	4.9	7.7	7.0	9.2	9.3	7.6	5.8	2.0	6.6	UN
<b>Industrial Production</b>												
[Kansai] Index of Industrial Production (seasonally adjusted, 2010=100)	102.5	100.0	104.7	100.3	104.4	98.2	93.8	97.5	100.4	97.5	95.9	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	1.2	-2.4	4.7	-4.2	4.1	-5.9	-4.5	4.4	3.0	-2.9	-1.6	UN
...shipments index (unadjusted figure, YoY % change)	-4.2	-7.3	2.7	-7.2	6.0	-11.2	-11.5	-2.8	-4.4	-1.6	0.3	UN
...inventories index (unadjusted figure, YoY % change)	0.3	5.6	6.6	8.2	3.2	4.8	3.9	3.0	5.7	2.8	3.2	UN
...shipments index (seasonally adjusted, 2010=100)	102.8	97.9	104.2	100.2	107.2	98.0	93.7	97.6	98.5	98.8	98.4	UN
...shipments index (seasonally adjusted, MoM change)	2.2	-4.8	6.4	-3.8	7.0	-8.6	-4.4	4.5	0.9	0.3	-0.4	UN
...inventories index (seasonally adjusted, 2010=100)	101.0	105.0	105.0	105.7	102.0	103.6	102.9	103.2	104.2	102.8	105.0	UN
...inventories index (seasonally adjusted, MoM change)	-1.0	4.0	0.0	0.7	-3.5	1.6	-0.7	0.3	1.0	-1.3	2.1	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2010=100)	104.2	101.4	102.7	101.5	103.2	98.6	97.6	98.8	99.8	99.5	95.8	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	1.5	-3.3	1.3	-1.2	1.7	-4.5	-1.0	1.2	1.9	-0.3	-3.7	UN
...shipments index (unadjusted figure, YoY % change)	1.5	-4.9	1.9	-4.5	2.2	-7.3	-7.7	-3.4	3.6	-5.4	-6.5	UN
...inventories index (unadjusted figure, YoY % change)	1.5	3.0	2.5	2.6	0.9	2.6	1.6	1.3	3.6	1.6	2.9	UN
...shipments index (seasonally adjusted, 2010=100)	102.8	99.8	102.5	101.2	102.7	98.1	96.4	96.7	97.9	98.9	93.2	UN
...shipments index (seasonally adjusted, MoM change)	0.8	-4.0	2.7	-1.3	1.5	-4.5	-1.7	0.3	0.9	1.0	-5.8	UN
...inventories index (seasonally adjusted, 2010=100)	103.8	104.7	104.5	104.4	102.9	104.2	103.3	104.2	106.2	104.4	106.4	UN
...inventories index (seasonally adjusted, MoM change)	0.4	0.4	-0.2	-0.1	-1.4	1.3	-0.9	0.9	2.1	-1.7	1.9	UN
<b>Labor Statistics</b>												
[Kansai] Total cash earnings (all six prefectures, YoY % change)	0.0	-1.2	0.3	-0.8	-0.0	-0.2	-0.2	-1.0	-0.7	-1.0	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	0.2	-1.3	0.4	-0.9	-0.0	-0.2	-0.3	-1.2	-0.3	-1.1	UN	UN
[Japan] Total cash earnings (YoY % change)	-0.5	0.4	-1.0	-0.1	0.5	0.0	0.1	-0.2	1.0	0.7	0.1	UN
[Kansai] Unemployment rate (seasonally adjusted)	2.9	2.7	2.4	2.1	2.5	2.6	2.3	2.3	2.6	2.7	3.1	UN
[Kansai] Unemployment rate (unadjusted figure)	2.8	2.8	2.6	2.2	2.7	2.6	2.1	2.2	2.4	2.7	3.1	UN
[Japan] Unemployment rate (seasonally adjusted)	2.4	2.3	2.2	2.2	2.4	2.4	2.2	2.2	2.4	2.4	2.5	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.52	2.44	2.50	2.57	2.42	2.53	2.42	2.58	2.16	2.38	2.38	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.43	2.36	2.34	2.45	2.28	2.44	2.32	2.43	2.04	2.22	2.26	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.63	1.62	1.60	1.59	1.59	1.58	1.57	1.59	1.50	1.48	1.42	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.62	1.61	1.59	1.59	1.57	1.57	1.57	1.57	1.49	1.45	1.39	UN
<b>International Trade</b>												
[Kansai] Trade balance (JPY billion)	-9.4	269.9	68.5	120.3	200.7	190.7	110.7	193.5	-126.1	417.0	245.6	54.7
[Kansai] Exports (JPY billion)	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	1,421.9	1,280.1
[Kansai] Exports (YoY % change)	-10.4	-10.9	-1.7	-12.9	27.5	-7.8	-10.2	-4.1	-3.6	0.8	-5.2	-5.5
[Kansai] Imports (JPY billion)	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	913.1	1,176.3	1,225.3
[Kansai] Imports (YoY % change)	-5.1	-13.8	-0.6	-10.5	30.2	-14.0	-16.5	-5.8	-7.4	-17.5	-4.2	-2.2

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