

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

- Severe economic deterioration looming in Kansai* -

- ✓ Production in May shrank for the fourth month in a row, reaching the lowest level since 1993. Production volume was equivalent to 80.7 percent of the 2015 level. In particular, the production of industrial machinery and general-purpose machinery registered a substantial decline.
- ✓ Although Kansai maintained a trade surplus for the fifth consecutive month in a row in June, exports and imports both kept shrinking. The fall in the exports of construction and mining machinery to the EU and the US was particularly steep due to the Covid-19 pandemic. Nevertheless, certain imports increased, especially medicines and office equipment, which saw a rise in demand due to telecommuting.
- ✓ The Economy Watcher Diffusion Index (DI) in June improved for the second month in a row. Department stores, convenience stores and electronics retail stores saw their sales recover after the state of emergency was lifted.
- ✓ In April, wages in Kansai declined for the ninth consecutive month in nominal terms, and for the 14th straight month in real terms. Shortened business hours and business closures led to a large decline in non-scheduled working hours. The income environment has been deteriorating steadily.
- ✓ Large retailers' revenues in May fell for the eighth consecutive month, but seem to have bottomed out as the decline rate slowed down from the previous month. Supermarket sales fared well due to an increase in demand for non-durables, except for non-durables used at cafes, cafeterias and other similar establishments. The fall in department store sales decelerated thanks to the revival in domestic demand.
- ✓ The number of new housing starts in May jumped by +16.1% MoM, increasing for the first time in two months. Condominium construction made a significant positive contribution.
- ✓ The effective job offers-to-applicants ratio in May deteriorated for the fifth month in a row. The decline rate accelerated, as after the state of emergency was lifted, the number of job seekers increased while the amount of new job offers kept decreasing, especially in the service sector.
- ✓ The amount of completed construction in May shrank for the first time in 17 months. On the other hand, the contract amount for public works projects in June increased for the first time in two months.
- ✓ The number of international arrivals at Kansai International Airport in June was 577. Although the figure is slightly higher than the all-time low in May (181 passengers), it remains negligible.
- ✓ China's real GDP expanded +3.2% in Q2, which was 10 percentage points higher than the negative growth in Q1. Although production has picked up thanks to a package of government policies, consumption and investment have been slow to recover.

※ 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

Trends in the Kansai Economy

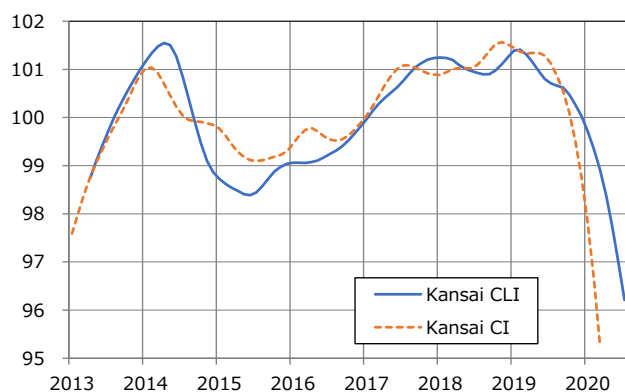
	2019							2020					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Production	↓	↑	↓	↑	↓	↓	↑	↑	↓	↓	↓	↓	
Trade	→	→	↑	↑	↑	↑	→	↑	↑	→	→	→	↓
Sentiment	→	↓	↑	↑	↓	→	→	→	↓	↓	↓	↑	↑
Consumption	→	↓	→	↑	↓	↓	↓	↓	↓	↓	↓	↓	
Housing	→	↑	↓	↓	→	↓	↑	↓	→	→	↓	↑	→
Employment	↓	↓	↓	→	↓	↓	↑	↓	↓	↓	↓	↓	
Public Works	↑	→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

Criteria for determining the trends

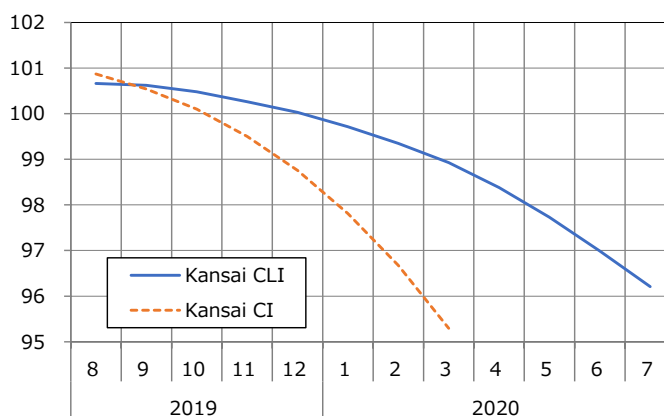
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2013/1~2020/7)



Latest trends (2019/8~2020/7)



Major Monthly Statistics

Monthly statistics	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Business Confidence												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	43.8	45.3	50.4	39.9	40.2	40.2	40.9	25.1	12.7	5.8	17.1	37.0
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	46.3	42.3	37.2	45.1	46.2	45.1	39.9	25.1	18.6	18.6	38.2	43.4
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	41.2	42.8	46.7	36.7	39.4	39.7	41.9	27.4	14.2	7.9	15.5	38.8
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	44.3	39.7	36.9	43.7	45.7	45.5	41.8	24.6	18.8	16.6	36.5	44.0
Consumer Sentiment												
[Kansai] Consumer Confidence Index (seasonally adjusted)	38.1	36.9	35.9	36.2	38.1	38.3	38.6	38.1	30.4	19.6	23.1	28.3
...overall livelihood	36.4	35.5	34.1	34.2	37.6	38.0	36.6	37.9	29.5	20.0	24.0	30.8
...income growth	39.5	39.2	38.7	38.4	39.4	39.5	39.5	39.2	34.7	23.6	26.8	30.8
...employment conditions	42.2	41.1	41.7	40.9	40.6	40.3	41.6	38.7	27.3	12.8	15.9	20.8
...willingness to buy durable goods	34.6	31.6	28.1	31.6	34.9	35.2	36.3	36.7	29.8	22.3	25.5	30.8
[Japan] Consumer Confidence Index (seasonally adjusted)	37.8	37.1	35.6	36.2	38.7	39.1	39.1	38.3	30.9	21.6	24.0	28.4
[Kansai] Large retail store sales (JPY billion)	319.6	307.2	327.2	282.8	310.9	392.1	315.2	270.3	280.9	222.9	241.6	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-3.4	0.8	13.7	-8.9	-3.3	-3.7	-2.1	-4.5	-14.5	-28.7	-23.1	UN
[Japan] Large retail store sales (JPY billion)	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	1,344.5	1,455.5	UN
[Japan] Large retail store sales (YoY % change, all stores)	-4.5	0.9	10.4	-8.1	-2.0	-2.9	-1.6	0.3	-8.8	-18.6	-13.4	UN
Housing & Construction												
[Kansai] New housing starts (number of units, seasonally adjusted)	12,072	10,647	11,571	11,012	10,909	12,406	10,469	11,804	11,852	9,411.0	10,927.4	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	9.7	-11.8	8.7	-4.8	-0.9	13.7	-15.6	12.8	0.4	-20.6	16.1	UN
[Japan] New housing starts (number of units, seasonally adjusted)	75,672	75,672	75,236	74,624	70,649	70,990	67,744	72,615	75,420	66,390.0	67,267.0	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	-1.6	0.0	-0.6	-0.8	-5.3	0.5	-4.6	7.2	3.9	-12.0	1.3	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	81.0	79.8	77.7	74.5	59.5	74.1	68.4	74.9	70.3	78.4	49.8	69.4
[Kansai] Residential lots contract ratio (unadjusted figure)	83.1	84.9	75.7	73.8	60.1	71.0	66.8	75.3	69.2	77.9	50.0	70.4
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	63.2	75.0	57.2	47.0	58.2	60.3	66.1	58.3	65.6	79.8	72.3	70.9
[Tokyo area] Residential lots contract ratio (unadjusted figure)	67.9	75.4	56.8	42.6	55.2	61.3	63.0	59.3	70.0	78.9	72.3	73.2
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	135.3	106.0	120.0	189.6	133.2	95.5	92.0	74.8	157.9	319.9	120.8	160.4
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	-4.0	11.1	9.8	62.2	40.7	8.6	28.9	-6.4	44.5	45.0	-14.7	9.0
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	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	1,329.1	1,638.6
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	28.5	2.2	4.6	5.1	11.3	-3.6	9.6	4.2	12.9	3.2	-6.4	13.2
[Kansai] Construction works (total, JPY billion)	529.3	533.8	554.2	569.7	582.6	598.3	602.3	596.9	593.6	517.2	493.0	UN
[Kansai] Construction works (total, YoY % change)	8.6	5.0	4.5	5.6	3.8	2.1	2.7	2.4	3.3	3.3	-0.2	UN
[Japan] Construction works (total, JPY billion)	4,131.4	4,346.9	4,561.6	4,736.5	4,798.4	4,840.1	4,771.0	4,627.6	4,666.7	3,873.3	3,700.8	UN
[Japan] Construction works (total, YoY % change)	2.6	3.5	2.5	3.2	3.3	2.6	1.75	-0.3	0.7	-0.2	-2.1	UN
[Japan] Construction works (public works, JPY billion)	1,495.7	1,644.3	1,835.0	2,005.9	2,086.1	2,136.0	2,135.5	2,055.7	2,134.0	1,492.6	1,388.1	UN
[Japan] Construction works (public works, YoY % change)	4.9	7.8	7.6	10.8	11.4	9.5	8.2	4.4	9.1	7.0	7.6	UN
Industrial Production												
[Kansai] Index of Industrial Production (seasonally adjusted, 2010=100)	104.7	100.3	104.4	98.2	93.8	97.5	100.4	97.5	96.6	87.7	80.7	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	4.7	-4.2	4.1	-5.9	-4.5	4.4	3.0	-2.9	-0.9	-9.2	-8.0	UN
...shipments index (unadjusted figure, YoY % change)	2.7	-7.2	6.0	-11.2	-11.5	-2.8	-4.4	-1.6	0.9	-12.9	-25.2	UN
...inventories index (unadjusted figure, YoY % change)	6.6	8.2	3.2	4.8	3.9	3.0	5.7	2.8	3.1	1.9	3.3	UN
...shipments index (seasonally adjusted, 2010=100)	104.2	100.2	107.2	98.0	93.7	97.6	98.5	98.8	99.0	86.7	78.7	UN
...shipments index (seasonally adjusted, MoM change)	6.4	-3.8	7.0	-8.6	-4.4	4.5	0.9	0.3	0.2	-12.4	-9.2	UN
...inventories index (seasonally adjusted, 2010=100)	105.0	105.7	102.0	103.6	102.9	103.2	104.2	102.8	104.9	103.9	104.3	UN
...inventories index (seasonally adjusted, MoM change)	0.0	0.7	-3.5	1.6	-0.7	0.3	1.0	-1.3	2.0	-1.0	0.4	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2010=100)	102.7	101.5	103.2	98.6	97.6	98.8	99.8	99.5	95.8	86.4	78.7	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	1.3	-1.2	1.7	-4.5	-1.0	1.2	1.9	-0.3	-3.7	-9.8	-8.9	UN
...shipments index (unadjusted figure, YoY % change)	1.9	-4.5	2.2	-7.3	-7.7	-3.4	3.6	-5.4	-6.5	-16.6	-26.8	UN
...inventories index (unadjusted figure, YoY % change)	2.5	2.6	0.9	2.6	1.6	1.3	3.6	1.6	2.9	2.7	-0.5	UN
...shipments index (seasonally adjusted, 2010=100)	102.5	101.2	102.7	98.1	96.4	96.7	97.9	98.9	93.2	84.3	76.8	UN
...shipments index (seasonally adjusted, MoM change)	2.7	-1.3	1.5	-4.5	-1.7	0.3	0.9	1.0	-5.8	-9.5	-8.9	UN
...inventories index (seasonally adjusted, 2010=100)	104.5	104.4	102.9	104.2	103.3	104.2	106.2	104.4	106.4	106.1	103.3	UN
...inventories index (seasonally adjusted, MoM change)	-0.2	-0.1	-1.4	1.3	-0.9	0.9	2.1	-1.7	1.9	-0.3	-2.6	UN
Labor Statistics												
[Kansai] Total cash earnings (all six prefectures, YoY % change)	0.3	-0.8	-0.0	-0.2	-0.2	-1.0	-0.7	-1.0	-1.3	-3.3	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	0.4	-0.9	-0.0	-0.2	-0.3	-1.2	-0.3	-1.1	-1.3	-3.5	UN	UN
[Japan] Total cash earnings (YoY % change)	-1.0	-0.1	0.5	0.0	0.1	-0.2	1.0	0.7	0.1	-0.7	-2.3	UN
[Kansai] Unemployment rate (seasonally adjusted)	2.4	2.1	2.5	2.6	2.3	2.3	2.6	2.7	3.1	3.2	2.8	UN
[Kansai] Unemployment rate (unadjusted figure)	2.6	2.2	2.7	2.6	2.1	2.2	2.4	2.7	3.1	3.1	2.9	UN
[Japan] Unemployment rate (seasonally adjusted)	2.2	2.2	2.4	2.4	2.2	2.2	2.4	2.4	2.5	2.6	2.9	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.50	2.57	2.42	2.53	2.42	2.58	2.16	2.38	2.38	1.95	2.0	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.34	2.45	2.28	2.44	2.32	2.43	2.04	2.22	2.26	1.85	1.9	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.60	1.59	1.59	1.58	1.57	1.59	1.50	1.48	1.42	1.33	1.2	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.59	1.59	1.57	1.57	1.57	1.57	1.49	1.45	1.39	1.32	1.2	UN
International Trade												
[Kansai] Trade balance (JPY billion)	68.5	120.3	200.7	190.7	110.7	193.5	-126.1	417.0	245.6	54.7	28.1	102.9
[Kansai] Exports (JPY billion)	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	1,039.2	1,159.5
[Kansai] Exports (YoY % change)	-1.7	-12.9	27.5	-7.8	-10.2	-4.1	-3.6	0.8	-5.2	-5.5	-16.9	-14.1
[Kansai] Imports (JPY billion)	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	1,011.1	1,056.6
[Kansai] Imports (YoY % change)	-0.6	-10.5	30.2	-14.0	-16.5	-5.8	-7.4	-17.5	-4.2	-2.2	-19.7	-2.2

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