

# Kansai Economic Insight Monthly

2020/8/25

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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 keeps deteriorating but shows signs of bottoming out\* -

- ✓ Although production in June picked up for the first time in five months, it remained a historically low level. Production volume in Q2 shrank by -15.3% QoQ, the first and major decline in two quarters.
- ✓ The total unemployment rate in June rose for the first time in two months. Although job search activities have resumed, the employment environment remains severe. The effective job offers-to-applicants ratio declined for the sixth month in a row, and the new job offers-to-applicants ratio deteriorated for the first time in two months.
- ✓ In May, wages in Kansai declined for the tenth consecutive month in nominal terms, and for the 15th straight month in real terms. Shortened business hours and business closures led to a large decline in working hours. The deterioration in the income environment became more evident as the rate of income decline was larger than the previous month.
- ✓ Large retailers' revenues in June fell for the ninth consecutive month. The rate of decline has been decelerating since the state of emergency was lifted. Overall, Q2 was the third consecutive quarter of YoY decline in sales.
- ✓ The number of new housing starts in June dropped for the first time in two months. Condominium construction made a significant negative contribution. Overall, Q2 was the second consecutive quarter of QoQ decline in residential construction.
- ✓ The amount of completed construction in June rose for the first time in two months. As a result, the Q2 was the ninth consecutive quarter of positive growth. The contract amount for public works projects in July increased for the second month in a row.
- ✓ The Economy Watcher Diffusion Index (DI) in July improved for the third month in a row. However, it remains low, and the surge in Covid-19 cases might put additional downward pressure on the economy.
- ✓ Although Kansai maintained a trade surplus for the sixth month in a row in July, exports and imports both kept shrinking. The total amount of trade has been on a downward trajectory for ten consecutive months. The decline was the most pronounced in steel exports and crude oil imports.
- ✓ The number of international arrivals at Kansai International Airport in July was 834. Although the figure is slightly higher than the previous month, it remains negligible.
- ✓ China's industrial production and investment kept recovering in July. However, the recovery in consumption was not as vigorous. As a result, a swift improvement in the domestic gap between supply and demand seems unlikely. In addition, the re-kindling of trade frictions with the U.S. poses risks to the possibility for a sustainable recovery.

※ 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

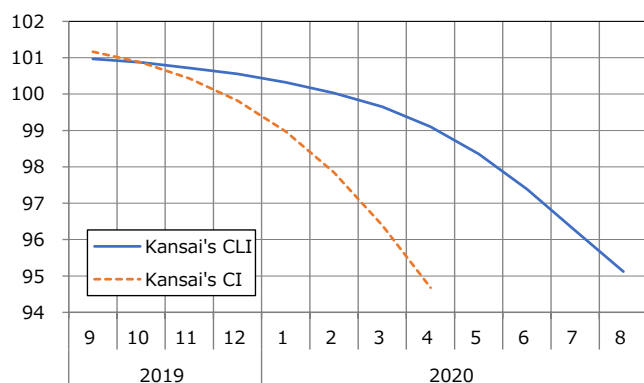
	2019						2020						
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Production	↑	↓	↑	↓	↓	↑	↑	↓	↓	↓	↓	↑	
Employment	↓	↓	→	↓	↓	↑	↓	↓	↓	↓	↓	↓	
Consumption	↓	→	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓	
Housing	↑	↓	↓	→	↓	↑	↓	→	→	↓	↑	→	
Public Works	→	↑	↑	↑	↑	→	↑	↓	↑	↑	↓	↑	
Sentiment	↓	↑	↑	↓	→	→	→	↓	↓	↓	↑	↑	↑
Trade	→	↑	↑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

#### Criteria for determining the trends

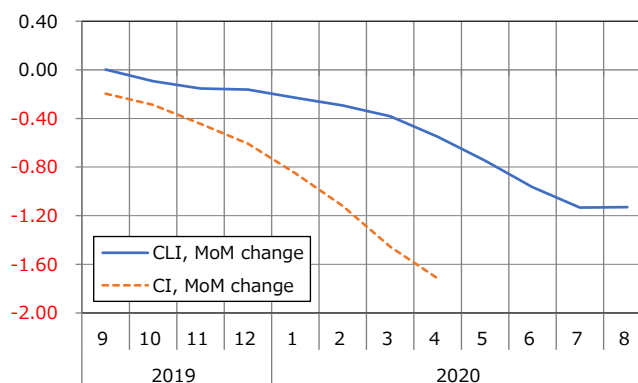
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend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

Kansai's CI and CLI (2019/9~2020/8)



Kansai's CLI and CI: MoM changes (2019/9~2020/8)



## Major Monthly Statistics

Monthly statistics	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20
<b>Industrial Production</b>												
[Kansai] Index of Industrial Production (seasonally adjusted, 2010=100)	100.3	104.4	98.2	93.4	97.5	100.4	97.5	96.6	87.7	80.2	81.5	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	-4.2	4.1	-5.9	-4.9	4.4	3.0	-2.9	-0.9	-9.2	-8.6	1.6	UN
...shipments index (unadjusted figure, YoY % change)	-7.2	6.0	-11.2	-11.8	-2.8	-4.4	-1.6	0.9	-12.9	-25.7	-13.7	UN
...inventories index (unadjusted figure, YoY % change)	8.2	3.2	4.8	3.9	3.0	5.7	2.8	3.1	1.9	3.2	-2.1	UN
...shipments index (seasonally adjusted, 2010=100)	100.2	107.2	98.0	93.4	97.6	98.5	98.8	99.0	86.7	78.1	81.8	UN
...shipments index (seasonally adjusted, MoM change)	-3.8	7.0	-8.6	-4.7	4.5	0.9	0.3	0.2	-12.4	-9.9	4.7	UN
...inventories index (seasonally adjusted, 2010=100)	105.7	102.0	103.6	102.9	103.2	104.2	102.8	104.9	103.9	104.2	102.8	UN
...inventories index (seasonally adjusted, MoM change)	0.7	-3.5	1.6	-0.7	0.3	1.0	-1.3	2.0	-1.0	0.3	-1.3	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2010=100)	100.5	102.4	98.3	97.7	97.9	99.8	99.5	95.8	86.4	78.7	80.2	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	-1.7	1.9	-4.0	-0.6	0.2	1.9	-0.3	-3.7	-9.8	-8.9	1.9	UN
...shipments index (unadjusted figure, YoY % change)	-5.0	2.1	-7.6	-8.0	-3.8	-3.3	-5.4	-6.5	-16.6	-26.8	-16.6	UN
...inventories index (unadjusted figure, YoY % change)	2.4	0.9	2.5	1.5	1.2	3.6	1.6	2.9	2.7	-0.5	-3.4	UN
...shipments index (seasonally adjusted, 2010=100)	100.0	101.8	98.2	96.8	97.0	97.9	98.9	93.2	84.3	76.8	80.5	UN
...shipments index (seasonally adjusted, MoM change)	-2.0	1.8	-3.5	-1.4	0.2	0.9	1.0	-5.8	-9.5	-8.9	4.8	UN
...inventories index (seasonally adjusted, 2010=100)	104.2	103.3	104.1	103.6	104.0	106.2	104.4	106.4	106.1	103.3	100.8	UN
...inventories index (seasonally adjusted, MoM change)	-0.1	-0.9	0.8	-0.5	0.4	2.1	-1.7	1.9	-0.3	-2.6	-2.4	UN
<b>Labor Statistics</b>												
[Kansai] Total cash earnings (all six prefectures, YoY % change)	2.1	2.4	2.6	2.3	2.3	2.6	2.7	3.1	3.2	2.8	3.0	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	2.2	2.7	2.6	2.1	2.2	2.4	2.7	3.1	3.1	2.9	3.1	UN
[Japan] Total cash earnings (YoY % change)	2.3	2.4	2.4	2.2	2.2	2.4	2.4	2.5	2.6	2.9	2.8	UN
[Kansai] Unemployment rate (seasonally adjusted)	1.60	1.60	1.59	1.58	1.59	1.50	1.48	1.42	1.33	1.20	1.12	UN
[Kansai] Unemployment rate (unadjusted figure)	1.59	1.58	1.58	1.57	1.57	1.49	1.45	1.39	1.32	1.20	1.11	UN
[Japan] Unemployment rate (seasonally adjusted)	2.56	2.48	2.55	2.48	2.57	2.16	2.38	2.38	1.95	1.96	1.83	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.43	2.35	2.43	2.38	2.44	2.04	2.22	2.26	1.85	1.88	1.72	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	-0.8	-0.0	-0.2	-0.2	-1.0	-0.7	-1.0	-1.3	-3.3	-3.6	UN	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	-0.9	-0.0	-0.2	-0.3	-1.2	-0.3	-1.1	-1.3	-3.5	-3.5	UN	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	-0.1	0.5	0.0	0.1	-0.2	1.0	0.7	0.1	-0.7	-2.3	-1.7	UN
<b>Retail sales</b>												
[Kansai] Large retail store sales (JPY billion)	307	327	283	310.9	392.1	315.2	270.3	280.9	223.4	239.1	293.7	UN
[Kansai] Large retail store sales (YoY % change, all stores)	0.9	13.8	-8.8	-3.1	-3.6	-2.1	-4.5	-14.5	-28.6	-23.9	-7.8	UN
[Japan] Large retail store sales (JPY billion)	1,590	1,672	1,458	1,610.8	2,022.8	1,606.4	1,438.7	1,621.9	1,345.0	1,452.9	1,677.6	UN
[Japan] Large retail store sales (YoY % change, all stores)	0.9	10.5	-8.1	-2.0	-2.8	-1.6	0.3	-8.8	-18.6	-13.6	-2.4	UN
<b>Housing &amp; Construction</b>												
[Kansai] New housing starts (number of units)	10,737	11,852	11,314	11,212	12,043	9,758	10,978	11,646	10,030	10,131	10,982	UN
[Kansai] New housing starts (YoY % change)	-8.8	-5.5	-1.6	-9.1	6.0	-14.2	-2.9	0.2	-15.7	-1.2	-3.0	UN
[Japan] New housing starts (number of units)	76,034	77,915	77,123	73,523	72,174	60,341	63,105	70,729	69,162	63,682	71,101	UN
[Japan] New housing starts (YoY % change)	-7.1	-4.9	-7.4	-12.7	-7.9	-10.1	-12.3	-7.6	-12.9	-12.3	-12.8	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	10,647	11,571	11,012	10,909	12,406	10,469	11,804	11,852	9,411	10,927	10,682	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	-11.8	8.7	-4.8	-0.9	13.7	-15.6	12.8	0.4	-20.6	16.1	-2.2	UN
[Japan] New housing starts (number of units, seasonally adjusted)	75,672	75,236	74,624	70,649	70,990	67,744	72,615	75,420	66,390	67,267	65,826	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	0.0	-0.6	-0.8	-5.3	0.5	-4.6	7.2	3.9	-12.0	1.3	-2.1	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	79.8	77.7	74.5	59.5	74.1	68.4	74.9	70.3	78.4	49.8	69.4	65.7
[Kansai] Residential lots contract ratio (unadjusted figure)	84.9	75.7	73.8	60.1	71.0	66.80	75.3	69.2	77.9	50.0	70.4	67.4
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	75.0	57.2	47.0	58.2	60.3	66.1	58.3	65.6	79.8	72.3	70.9	58.1
[Tokyo area] Residential lots contract ratio (unadjusted figure)	75.4	56.8	42.6	55.2	61.3	63.0	59.3	70.0	78.9	72.3	73.2	62.4
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	533.8	554.2	569.7	582.6	598.3	602.3	596.9	593.6	517.2	493.0	521.2	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	5.0	4.5	5.6	3.8	2.1	2.7	2.4	3.3	3.3	-0.2	2.0	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	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	3,887.1	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	3.5	2.5	3.2	3.3	2.6	1.8	-0.3	0.7	-0.2	-2.1	-2.9	UN
[Kansai] Construction works (total, JPY billion)	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	1,522.4	UN
[Kansai] Construction works (total, YoY % change)	7.8	7.6	10.8	11.4	9.5	8.2	4.4	9.1	7.0	7.6	6.3	UN
[Japan] Construction works (total, JPY billion)	106.0	120.0	189.6	133.2	95.5	92.0	74.8	157.9	319.9	120.8	160.4	140.6
[Japan] Construction works (total, YoY % change)	11.1	9.8	62.2	40.7	8.6	28.9	-6.4	44.5	45.0	-14.7	9.0	3.9
[Japan] Construction works (public works, JPY billion)	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	1,543.2
[Japan] Construction works (public works, YoY % change)	2.2	4.6	5.1	11.3	-3.6	9.6	4.2	12.9	3.2	-6.4	13.2	-4.1
<b>Consumer Sentiment</b>												
[Kansai] Consumer Confidence Index (original index)	36.9	35.7	36.1	38.1	38.4	38.9	37.7	30.3	19.6	23.1	28.5	28.5
[Kansai] overall liveliness (original index)	35.5	33.8	34.3	37.9	38.1	37.3	37.1	29.1	19.9	24.2	31.1	30.9
[Kansai] income growth (original index)	39.6	38.9	38.0	39.4	39.1	39.8	38.7	34.4	23.6	27.2	31.0	31.7
[Kansai] employment conditions (original index)	41.1	41.8	40.6	40.6	40.6	41.5	38.4	27.5	12.9	15.8	21.0	20.5
[Kansai] willingness to buy durable goods (original index)	31.3	28.1	31.6	34.6	35.7	36.8	36.5	30.0	22.1	25.2	30.9	30.9
[Kansai] Consumer Confidence Index (seasonally adjusted)	36.9	35.9	36.2	38.1	38.3	38.6	38.1	30.4	19.6	23.1	28.3	28.5
...overall liveliness	35.5	34.1	34.2	37.6	38.0	36.6	37.9	29.5	20.0	24.0	30.8	30.9
...income growth	39.2	38.7	38.4	39.4	39.5	39.5	39.2	34.7	23.6	26.8	30.8	31.7
...employment conditions	41.1	41.7	40.9	40.6	40.3	41.6	38.7	27.3	12.8	15.9	20.8	20.6
...willingness to buy durable goods	31.6	28.1	31.6	34.9	35.2	36.3	36.7	29.8	22.3	25.5	30.8	30.8
[Japan] Consumer Confidence Index (seasonally adjusted)	37.1	35.6	36.2	38.7	39.1	39.1	38.3	30.9	21.6	24.0	28.4	29.5
<b>Business Confidence</b>												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	45.3	50.4	39.9	40.2	40.2	40.9	25.1	12.7	5.8	17.1	37.0	41.1
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	42.3	37.2	45.1	46.2	45.1	39.9	25.1	18.6	18.6	38.2	43.4	35.6
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	42.8	46.7	36.7	39.4	39.7	41.9	27.4	14.2	7.9	15.5	38.8	41.1
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	39.7	36.9	43.7	45.7	45.5	41.8	24.6	18.8	16.6	36.5	44.0	36.0
<b>International Trade</b>												
[Kansai] Trade balance (JPY billion)	118.4	200.3	190.6	110.9	193.5	-126.1	417.0	245.2	55.8	26.8	103.0	150.9
[Kansai] Exports (JPY billion)	1,319.2	1,415.1	1,398.0	1,351.8	1,414.4	1,137.7	1,330.0	1,421.9	1,281.8	1,038.7	1,159.7	1,244.4
[Kansai] Exports (YoY % change)	-13.0	27.5	-7.9	-10.2	-4.1	-3.6	0.8	-5.2	-5.4	-17.0	-14.1	-11.8
[Kansai] Imports (JPY billion)	1,200.9	1,214.8	1,207.3	1,240.9	1,220.9	1,263.8	913.1	1,176.7	1,226.0	1,011.9	1,056.7	1,093.5
[Kansai] Imports (YoY % change)	-10.5	30.3	-14.0	-16.5	-5.8	-7.4	-17.5	-4.2	-2.1	-19.6	-2.2	-18.5

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