

# 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.

▼ Authors: Yoshihisa Inada (Konan University Professor & Director of the APIR Center for Quantitative Economic Analysis), Yusuke Kinoshita (APIR Program Officer), Norihiko Toyohara (Kwansei Gakuin University Professor), Chiu-Wei Kuo, Yani Karavasilev (APIR Research Fellows), Shigekazu Yoshida, Ryosuke Nomura (APIR Research Promotion Officers), and Jingfei Che (APIR Intern).

▼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 shows signs of bottoming out\* -

- ✓ Production in August remained the same as the previous month. The production volume was 11% lower than this year's peak level in January. Recovery is slow.
- ✓ The total unemployment rate in August did not change from July. However, the effective job offers-to-applicants ratio declined for the eighth month in a row – in particular, the within-region ratio (0.98) dropped below the 1.00 cutoff level for the first time since April 2014. The employment environment remains tough.
- ✓ In July, wages in Kansai's six prefectures declined for the 12th consecutive month in nominal terms, and for the 17th straight month in real terms. Shortened business hours and the growing use of teleworking led to a decline in working hours. The income environment keeps deteriorating.
- ✓ Large retailers' revenues in August fell for the 11th consecutive month. Recovery was sluggish, as consumers refrained from going out due to the heat wave and the government's appeal to stay home in response to the resurgence of Covid-19.
- ✓ The number of new housing starts in August declined slightly for the first time in two months. The construction of condominiums and housing for rent made significant positive contributions nonetheless.
- ✓ The amount of completed construction in August increased for the first time in two months. The contract amount of public works projects in September increased for the fourth month in a row.
- ✓ The Economy Watcher Diffusion Index (DI) in September rose for the fifth month in a row. Improvements were seen in the retail sector, including department stores, and in the travel-related sector, likely due to the government's "Go to Travel" campaign aimed at encouraging domestic travel to help boost the economy.
- ✓ Kansai's exports in September shrank for the seventh month in a row. Nevertheless, the decline rate has slowed down for four straight months, reflecting recovering exports to China and the U.S. The total amount of imports, however, has been on a downward trajectory for 12 consecutive months.
- ✓ The number of international arrivals at Kansai International Airport in September rose slightly, as foreign nationals who have a residence status in Japan were allowed to re-enter the country. Albeit increasing, the figure remains negligible.
- ✓ China's real GDP expanded +4.9% in Q3, accelerating from Q2. Cumulative growth from January to September totaled +0.7% YoY, meaning that GDP growth in 2020 as a whole will likely remain in positive territory.

※ 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

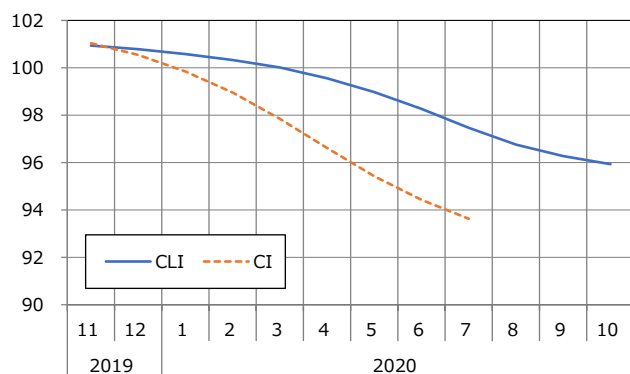
	2019				2020								
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Production	↑	↓	↓	↑	↑	↓	↓	↓	↓	↑	↑	→	
Employment	→	↓	↓	↑	↓	↓	↓	↓	↓	↓	↓	↓	
Consumption	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
Housing	↓	→	↓	↑	↓	→	→	↓	→	→	↓	↓	
Public Works	↑	↑	↑	→	↑	↓	↑	↑	↓	↑	→	→	↑
Sentiment	↑	↓	→	→	→	↓	↓	↓	↑	↑	↑	↑	↑
Trade	→	↑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

#### Criteria for determining the trends

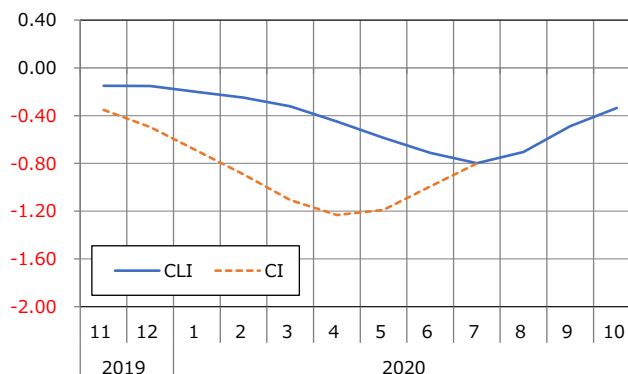
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2019/11~2020/10)



Kansai's CLI and CI: MoM changes (2019/11~2020/10)



### Major Monthly Statistics

Monthly statistics	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
<b>Industrial Production</b>												
[Kansai] Index of Industrial Production (seasonally adjusted, 2010=100)	95.8	93.8	95.2	99.7	99.0	97.9	88.6	80.7	83.1	89.1	89.1	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	-6.9	-2.1	1.5	4.7	-0.7	-1.1	-9.5	-8.9	3.0	7.2	0.0	UN
...shipments index (unadjusted figure, YoY % change)	-11.8	-11.9	-2.9	-5.3	-1.5	-1.1	-12.4	-25.5	-12.8	-13.3	-13.6	UN
...inventories index (unadjusted figure, YoY % change)	4.9	4.0	3.1	5.4	2.7	3.0	1.9	3.2	-2.3	-5.1	-7.2	UN
...shipments index (seasonally adjusted, 2010=100)	98.1	96.2	97.4	96.7	100.4	98.2	87.0	77.6	83.1	89.2	88.3	UN
...shipments index (seasonally adjusted, MoM change)	-6.2	-1.9	1.2	-0.7	3.8	-2.2	-11.4	-10.8	7.1	7.3	-1.0	UN
...inventories index (seasonally adjusted, 2010=100)	104.1	104.0	103.9	105.6	103.5	104.7	103.5	105.0	101.2	98.3	96.2	UN
...inventories index (seasonally adjusted, MoM change)	0.9	-0.1	-0.1	1.6	-2.0	1.2	-1.1	1.4	-3.6	-2.9	-2.1	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2010=100)	98.3	97.7	97.9	99.8	99.5	95.8	86.4	78.7	88.1	87.2	88.1	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	-4.0	-0.6	0.2	1.9	-0.3	-3.7	-9.8	-8.9	1.9	8.7	1.0	UN
...shipments index (unadjusted figure, YoY % change)	-7.6	-8.0	-3.8	-3.3	-5.4	-6.5	-16.6	-26.8	-16.6	-16.6	-14.2	UN
...inventories index (unadjusted figure, YoY % change)	2.5	1.5	1.2	3.6	1.6	2.9	2.7	-0.5	-3.4	-4.8	-5.9	UN
...shipments index (seasonally adjusted, 2010=100)	98.2	96.8	97.0	97.9	98.9	93.2	84.3	76.8	80.5	85.8	87.1	UN
...shipments index (seasonally adjusted, MoM change)	-3.5	-1.4	0.2	0.9	1.0	-5.8	-9.5	-8.9	4.8	6.6	1.5	UN
...inventories index (seasonally adjusted, 2010=100)	104.1	103.6	104.0	106.2	104.4	106.4	106.1	103.3	100.8	99.3	98.0	UN
...inventories index (seasonally adjusted, MoM change)	0.8	-0.5	0.4	2.1	-1.7	1.9	-0.3	-2.6	-2.4	-1.5	-1.3	UN
<b>Labor Statistics</b>												
[Kansai] Unemployment rate (seasonally adjusted)	2.6	2.3	2.3	2.6	2.7	3.1	3.2	2.8	3.0	3.1	3.1	UN
[Kansai] Unemployment rate (unadjusted figure)	2.6	2.1	2.2	2.4	2.7	3.1	3.1	2.9	3.1	3.2	3.2	UN
[Japan] Unemployment rate (seasonally adjusted)	2.4	2.2	2.2	2.4	2.4	2.5	2.6	2.9	2.8	2.9	3.0	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.59	1.58	1.59	1.50	1.48	1.42	1.33	1.20	1.12	1.07	1.04	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.58	1.57	1.57	1.49	1.45	1.39	1.32	1.20	1.11	1.08	1.04	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.55	2.48	2.57	2.16	2.38	2.38	1.95	1.96	1.83	1.75	1.93	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.43	2.38	2.44	2.04	2.22	2.26	1.85	1.88	1.72	1.72	1.82	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	-0.3	-0.3	-1.2	-0.6	-1.0	-1.3	-3.3	-3.7	-3.8	-2.6	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	-0.4	-0.5	-1.5	-0.2	-1.1	-1.2	-3.4	-3.6	-3.1	-2.7	UN	UN
[Japan] Total cash earnings (YoY % change)	0.0	0.1	-0.2	1.2	0.7	0.0	-0.6	-2.3	-2.0	-1.5	-1.3	UN
<b>Retail sales</b>												
[Kansai] Large retail store sales (JPY billion)	283	311	392.6	315.2	270.3	280.9	223.4	239.1	293.7	304.7	297.4	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-8.8	-3.1	-3.6	-2.1	-4.5	-14.5	-28.6	-23.9	-7.8	-7.8	-6.3	UN
[Japan] Large retail store sales (JPY billion)	1,457	1,611	2,023.4	1,606.4	1,438.9	1,621.9	1,345.0	1,452.9	1,678.9	1,691.8	1,688.1	UN
[Japan] Large retail store sales (YoY % change, all stores)	-8.1	-2.0	-2.8	-1.6	0.3	-8.8	-18.6	-13.6	-2.3	-3.2	-1.2	UN
<b>Housing &amp; Construction</b>												
[Kansai] New housing starts (number of units)	11,314	11,212	12,043	9,758	10,978	11,646	10,030	10,131	10,982	11,782	9,716.0	UN
[Kansai] New housing starts (YoY % change)	-1.6	-9.1	6.0	-14.2	-2.9	0.2	-15.7	-1.2	-3.0	-8.3	-9.5	UN
[Japan] New housing starts (number of units)	77,123	73,523	72,174	60,341	63,105	70,729	69,568	63,839	71,101	70,244	69,101.0	UN
[Japan] New housing starts (YoY % change)	-7.4	-12.7	-7.9	-10.1	-12.3	-7.6	-12.4	-12.0	-12.8	-11.3	-9.1	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	11,012	10,909	12,406	10,469	11,804	11,852	9,411	10,927	10,682	11,070	9,634.7	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	-4.8	-0.9	13.7	-15.6	12.8	0.4	-20.6	16.1	-2.2	3.6	-13.0	UN
[Japan] New housing starts (number of units, seasonally adjusted)	74,624	70,649	70,990	67,744	72,615	75,420	66,786	67,421	65,826	68,974	68,255.0	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	-0.8	-5.3	0.5	-4.6	7.2	3.9	-11.4	1.0	-2.4	4.8	-1.0	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	74.5	59.5	74.1	68.4	74.9	70.3	78.4	49.8	69.4	65.7	73.5	UN
[Kansai] Residential lots contract ratio (unadjusted figure)	73.8	60.1	71.0	66.8	75.30	69.2	77.9	50.0	70.4	67.4	78.2	UN
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	47.0	58.2	60.3	66.1	58.3	65.6	79.8	72.3	70.9	58.1	68.1	UN
[Tokyo area] Residential lots contract ratio (unadjusted figure)	42.6	55.2	61.3	63.0	59.3	70.0	78.9	72.3	73.2	62.4	68.5	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	569.7	582.6	598.3	602.3	596.9	593.6	517.1	492.9	521.0	523.9	536.5	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	5.6	3.8	2.1	2.7	2.4	3.3	3.3	-0.2	2.0	-1.0	0.5	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	4,736.5	4,798.4	4,840.1	4,771.0	4,627.6	4,666.7	3,873.6	3,701.1	3,887.8	4,000.8	4,170.8	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	3.2	3.3	2.6	1.8	-0.3	0.7	-0.2	-2.1	-2.9	-3.2	-4.0	UN
[Kansai] Construction works (total, JPY billion)	2,005.9	2,086.1	2,136.0	2,135.5	2,055.7	2,134.0	1,492.6	1,387.7	1,521.6	1,594.0	1,730.9	UN
[Kansai] Construction works (total, YoY % change)	10.8	11.4	9.5	8.2	4.4	9.1	7.0	7.6	6.2	6.6	5.3	UN
[Japan] Construction works (total, JPY billion)	189.6	133.2	95.5	92.0	74.8	157.9	319.9	120.8	160.4	140.6	109.9	180.6
[Japan] Construction works (total, YoY % change)	62.2	40.7	8.6	28.9	-6.4	44.5	45.0	-14.7	9.0	3.9	3.7	50.5
[Japan] Construction works (public works, JPY billion)	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	1,300.9	1,493.2
[Japan] Construction works (public works, YoY % change)	5.1	11.3	-3.6	9.6	-5.4	12.9	3.2	-6.4	13.2	-4.1	13.2	17.1
<b>Consumer Sentiment</b>												
[Kansai] Consumer Confidence Index (original index)	36.1	38.1	38.4	38.9	37.7	30.3	19.6	23.1	28.5	28.5	28.8	32.6
[Kansai] overall livelihood (original index)	34.3	37.9	38.1	37.3	37.1	29.1	19.9	24.2	31.1	30.9	31.4	35.4
[Kansai] income growth (original index)	38.0	39.4	39.1	39.8	38.7	34.4	23.6	27.2	31.0	31.7	32.0	35.0
[Kansai] employment conditions (original index)	40.6	40.6	40.6	41.5	38.4	27.5	12.9	15.8	21.0	20.5	20.7	25.6
[Kansai] willingness to buy durable goods (original index)	31.6	34.6	35.7	36.8	36.5	30.0	22.1	25.2	30.9	30.9	31.0	34.3
[Kansai] Consumer Confidence Index (seasonally adjusted)	36.2	38.1	38.3	38.6	38.1	30.4	19.6	23.1	28.3	28.5	28.8	32.8
...overall livelihood	34.2	37.6	38.0	36.6	37.9	29.5	20.0	24.0	30.8	30.9	31.4	35.8
...income growth	38.4	39.4	39.5	39.5	39.2	34.7	23.6	26.8	30.8	31.7	31.7	34.9
...employment conditions	40.9	40.6	40.3	41.6	38.7	27.3	12.8	15.9	20.8	20.6	20.7	25.5
...willingness to buy durable goods	31.6	34.9	35.2	36.3	36.7	29.8	22.3	25.5	30.8	30.8	31.3	34.2
[Japan] Consumer Confidence Index (seasonally adjusted)	36.5	38.8	39.0	38.8	38.3	30.9	21.6	24.0	28.4	29.5	29.3	32.7
<b>Business Confidence</b>												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	40.4	40.4	40.2	40.9	25.1	12.7	5.8	17.1	37.0	41.1	43.7	49.7
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	45.4	45.8	45.1	39.9	25.1	18.6	18.6	38.2	43.4	35.6	43.7	46.5
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	36.9	38.8	39.7	41.9	27.4	14.2	7.9	15.5	38.8	41.1	43.9	49.3
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	44.3	45.9	45.5	41.8	24.6	18.8	16.6	36.5	44.0	36.0	42.4	48.3
<b>International Trade</b>												
[Kansai] Trade balance (JPY billion)	190.6	110.9	193.5	-126.1	417.0	245.2	55.8	26.8	102.3	150.2	208.3	258.1
[Kansai] Exports (JPY billion)	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	1,244.5	1,204.9	1,334.8
[Kansai] Exports (YoY % change)	-7.9	-10.2	-4.1	-3.6	0.8	-5.2	-5.4	-17.0	-14.1	-11.8	-8.7	-5.7
[Kansai] Imports (JPY billion)	1,207.3	1,240.9	1,220.9	1,263.8	913.1	1,176.7	1,226.0	1,011.9	1,057.4	1,094.3	996.5	1,076.7
[Kansai] Imports (YoY % change)	-14.0	-16.5	-5.8	-7.4	-17.5	-4.2	-2.1	-19.6	-2.1	-18.5	-17.0	-11.4

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