

# Kansai Economic Insight Monthly

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▼ APIR “Kansai Economic Insight Monthly” is an analysis of economic trends in the Kansai region and the Kansai-related sectors of China’s economy.

▼ The report 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 the following prefectures: Shiga, Kyoto, Osaka, Hyogo, Nara, and Wakayama.

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## Highlights

### - Economy still deteriorating but likely to level off\* -

- ✓ Production in September expanded for the first time in two months (MoM, seasonally adjusted). As a whole, Q3 production increased for the first time in three quarters. The Kansai Bureau of Economy, Trade and Industry (METI) kept its assessment of the economy unchanged.
- ✓ Kansai logged a trade surplus for the fifth consecutive month in October. However, both exports and imports shrank YoY. Excluding September this year, which saw a rebound from last year’s typhoon-induced slump, trade volume has been declining steadily since December 2018.
- ✓ The October Economy Watchers’ Diffusion Index (DI) deteriorated MoM for the first time in three months. The index value dropped to 39.9, reflecting the reactionary fall after the rush demand in September.
- ✓ Nominal wages in the core Kansai prefectures (Osaka, Kyoto and Hyogo) in August declined YoY for the first time in two months. Real wages declined YoY for the sixth month in a row.
- ✓ Large retailers’ revenues in September surpassed last year’s level by a large margin due to rush demand before the consumption tax hike. Although department store revenues increased as much as they did before the previous tax hike in 2014, super-market sales saw limited growth as the new tax rate does not apply to foodstuffs.
- ✓ The number of new housing starts in September declined YoY for the second month in a row. Whereas private housing and condominium construction expanded, the construction of housing for rent logged a major decline. As a result, Q3 was the second consecutive quarter of YoY decline.
- ✓ Although the effective job offers-to-applicants ratio in September remained high, the number of new job openings decreased. The unemployment rate increased for the first time in four months.
- ✓ The construction volume in September increased YoY for the 19<sup>th</sup> month in a row. As a result, Q3 was the sixth consecutive quarter of YoY expansion. The seasonally adjusted value of public works in October registered substantial growth, increasing for the first time in two months.
- ✓ The number of international arrivals at Kansai International Airport in October grew slightly (+0.2% YoY). According to August data, the numbers of Chinese and Taiwanese nationals increased for the 11<sup>th</sup> and 2<sup>nd</sup> month in a row, respectively. In contrast, visitor numbers from Hong Kong and Korea declined respectively for the 2<sup>nd</sup> and 15<sup>th</sup> consecutive month.
- ✓ China’s PMI in October deteriorated to 49.3, reflecting the deceleration in industrial production. Total trade volume shrank for the sixth month in a row. Domestic consumption and fixed capital investment both saw decelerating growth rates, making the economic outlook is increasingly uncertain.

※ Judgment of business conditions based on APIR’s Kansai CI and CLI.

### Trends in the Kansai Economy

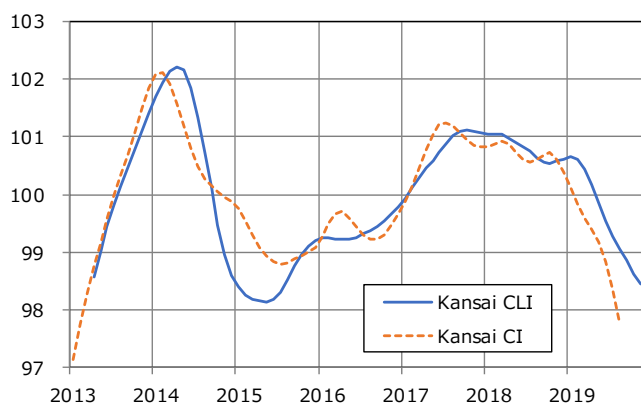
	2018			2019									
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Production	↑	↓	↓	↓	↑	↓	↑	↑	↓	↑	↓	↑	
Trade	→	↓	↓	↓	↑	↓	↓	↓	→	→	↑	↑	↑
Sentiment	↑	→	↓	↓	↑	↓	→	↓	→	↓	↑	↑	↓
Consumption	→	↓	→	↓	↓	→	→	→	→	↓	→	↑	
Housing	↓	→	↑	↑	→	↑	↓	↓	→	↑	↓	↓	
Employment	↓	↓	↓	↓	↑	→	↑	↓	↓	↓	↓	→	
Public Works	↓	↑	↓	↑	↑	↓	→	↑	↑	→	↑	↑	↑
China	↓	↓	↓	↓	↓	→	↓	↓	→	↓	↓	→	↓

#### Criteria for determining the trends

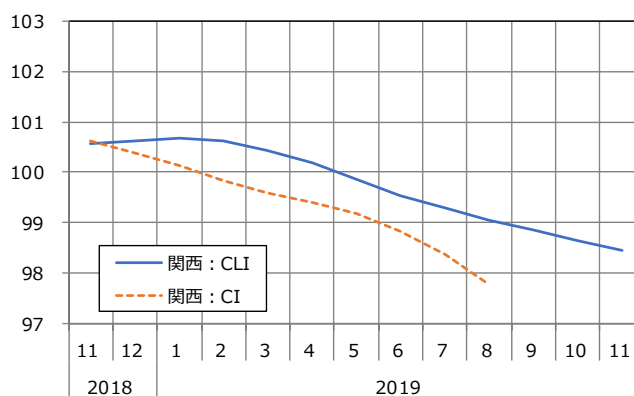
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 in CI and CLI (2013/1~2019/11)



Latest trends in CI and CLI (2018/11~2019/11)



## Major Monthly Statistics

Monthly statistics	18/10M	18/11M	18/12M	19/1M	19/2M	19/3M	19/4M	19/5M	19/6M	19/7M	19/8M	19/9M	19/10M
<b>Business Confidence</b>													
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	51.3	50.8	49.9	45.4	48.0	47.0	47.2	45.1	45.0	43.8	45.3	50.4	39.9
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	51.9	53.1	47.4	50.7	50.4	50.6	51.0	47.5	49.8	46.3	42.3	37.2	45.1
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	48.6	49.5	46.8	45.6	47.5	44.8	45.3	44.1	44.0	41.2	42.8	46.7	36.7
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted)	50.0	50.8	47.9	49.4	48.9	48.6	48.4	45.6	45.8	44.3	39.7	36.9	43.7
<b>Consumer Sentiment Indices</b>													
[Kansai] Consumer Confidence Index (original index)	42.6	42.4	42.5	41.8	40.6	40.1	40.0	39.5	39.0	38.2	36.9	35.7	36.1
[Kansai] overall livelihood (original index)	40.5	40.3	40.6	40.2	38.1	37.2	37.3	37.1	36.9	36.4	35.5	33.8	34.3
[Kansai] income growth (original index)	40.8	40.9	40.6	40.8	39.8	39.2	39.3	40.0	39.7	39.6	39.6	38.9	38.0
[Kansai] employment conditions (original index)	46.6	46.4	46.0	44.1	44.1	44.0	44.2	43.2	43.4	42.0	41.1	41.8	40.6
[Kansai] willingness to buy durable goods (original index)	42.3	42.0	42.6	41.9	40.5	39.8	39.0	37.5	35.8	34.7	31.3	28.1	31.6
[Japan] Consumer Confidence Index (seasonally adjusted)	42.9	42.8	42.6	41.8	41.5	40.5	40.4	39.4	38.7	37.8	37.1	35.6	36.2
[Kansai] Large retail store sales (billion yen)	310.5	321.4	407.1	321.5	282.5	317.7	302.5	304.1	308.1	319.6	307.2	327.2	UN
[Kansai] Large retail store sales (YoY % change, all stores)	0.1	-2.4	-0.8	-3.4	-1.3	0.2	-0.8	0.4	0.5	-3.4	0.8	13.7	UN
[Japan] Large retail store sales (billion yen)	1,586.2	1,643.7	2,082.5	1,632.2	1,434.5	1,654.4	1,535.4	1,563.1	1,597.7	1,624.2	1,589.7	1,671.7	UN
[Japan] Large retail store sales (YoY % change, all stores)	-0.2	-1.7	-0.5	-3.0	-1.5	1.0	-1.4	-0.2	-0.3	-4.5	0.9	10.4	UN
<b>Housing &amp; Construction</b>													
[Kansai] New housing starts (number of units)	11,496	12,329	11,360	11,371	11,310	11,626	11,897	10,253	11,318	12,849	10,737	11,852	UN
[Kansai] New housing starts (YoY % change)	-5.5	4.8	11.1	23.7	-0.7	7.8	-11.2	-27.5	-3.6	5.7	-8.8	-5.5	UN
[Japan] New housing starts (number of units)	83,330	84,213	78,364	67,087	71,966	76,558	79,389	72,581	81,541	79,232	76,034	77,915	UN
[Japan] New housing starts (YoY % change)	0.3	-0.6	2.1	1.1	4.2	10.0	-5.7	-8.7	0.3	-4.1	-7.1	-4.9	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	78.2	73.6	75.1	70.5	75.2	83.0	76.1	67.0	70.9	82.5	80.9	78.7	74.2
[Kansai] Residential lots contract ratio (original index)	77.7	74.4	72.1	70.2	75.8	80.6	75.9	67.7	73.3	83.1	84.9	75.7	73.8
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	73.1	55.5	50.2	70.8	64.6	69.2	65.5	60.1	64.2	63.2	75.0	55.4	45.6
[Tokyo area] Residential lots contract ratio (original index)	68.3	53.9	49.4	67.5	65.5	72.2	64.3	60.0	65.9	67.9	75.4	56.8	42.6
[Kansai] Advance Payment Guarantees (APGs) for public works (billion yen)	116.9	94.7	88.0	71.4	80.0	109.3	220.6	141.5	147.1	135.3	106.0	120.0	189.6
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	-10.0	10.9	-9.8	9.1	60.5	-10.5	4.2	21.6	9.4	-4.0	11.1	9.8	62.2
[Japan] Advance Payment Guarantees (APGs) for public works (billion yen)	1,282.3	818.9	834.0	585.3	739.0	1,316.5	2,232.9	1,420.4	1,447.9	1,609.1	1,149.3	1,275.1	1,348.0
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	9.5	-5.2	4.6	-4.1	20.4	3.7	2.5	10.5	1.0	28.5	2.2	4.6	5.1
[Kansai] Construction works (total, billion yen)	564.2	589.8	610.4	607.9	602.7	589.7	511.8	514.7	530.2	545.8	551.7	572.4	UN
[Kansai] Construction works (total, YoY % change)	3.0	0.5	0.2	3.0	5.7	5.6	5.6	6.7	3.3	8.1	4.2	3.3	UN
[Japan] Construction works (total, billion yen)	4,850.7	4,915.6	4,945.3	4,897.0	4,811.8	4,790.7	4,023.6	4,002.9	4,231.1	4,343.4	4,574.6	4,782.4	UN
[Japan] Construction works (total, YoY % change)	-1.1	-1.1	-2.2	-0.7	0.1	0.8	1.6	2.8	2.6	1.9	2.9	1.6	UN
[Japan] Construction works (public works, billion yen)	1,938.5	1,996.5	2,042.5	2,047.5	2,013.0	1,985.8	1,456.7	1,410.4	1,558.4	1,616.2	1,768.8	1,954.4	UN
[Japan] Construction works (public works, YoY % change)	-5.2	-4.2	-5.6	-2.3	-1.4	-3.0	0.1	2.1	5.3	4.9	7.7	7.0	UN
<b>Indices of Industrial Production</b>													
[Kansai] Industrial production (seasonally adjusted, 2010=100)	106.5	104.5	103.9	102.5	102.4	99.6	101.3	102.5	100.0	104.7	100.3	103.8	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	3.0	-1.9	-0.6	-1.3	-0.1	-2.7	1.7	1.2	-2.4	4.7	-4.2	3.5	UN
[Kansai] Industrial shipments index (original figure, YoY % change)	8.3	1.2	-3.2	-0.2	-3.9	-7.0	-3.6	-4.2	-7.3	2.7	-7.2	5.6	UN
[Kansai] Industrial inventories index (original figure, YoY % change)	-4.0	-2.8	-1.7	-2.8	-1.3	-0.2	0.4	0.3	5.6	6.6	8.2	3.3	UN
[Kansai] Industrial shipments index (seasonally adjusted, 2010=100)	109.2	104.1	103.1	103.0	100.6	99.7	100.6	102.8	97.9	104.2	100.2	106.8	UN
[Kansai] Industrial shipments index (seasonally adjusted, MoM change)	6.2	-4.7	-1.0	-0.1	-2.3	-0.9	0.9	2.2	-4.8	6.4	-3.8	6.6	UN
[Kansai] Industrial inventories index (seasonally adjusted, 2010=100)	98.8	99.0	100.1	98.6	100.0	101.8	102.0	101.0	105.0	105.0	105.7	102.1	UN
[Kansai] Industrial inventories index (seasonally adjusted, MoM change)	0.0	0.2	1.1	-1.5	1.4	1.8	0.2	-1.0	4.0	0.0	0.7	-3.4	UN
[Japan] Industrial production (seasonally adjusted, 2010=100)	105.6	104.6	104.7	102.1	102.8	102.2	102.8	104.9	101.4	102.7	101.5	103.2	UN
[Japan] Industrial production (seasonally adjusted, MoM change)	2.0	-0.9	0.1	-2.5	0.7	-0.6	0.6	2.0	-3.3	1.3	-1.2	1.7	UN
[Japan] Industrial shipments index (original figure, YoY % change)	5.7	1.1	-3.1	-0.1	-0.3	-4.0	-1.4	-1.8	-4.9	1.9	-4.5	2.2	UN
[Japan] Industrial inventories index (original figure, YoY % change)	-0.9	0.4	1.7	1.2	1.4	0.2	1.2	1.5	3.0	2.5	2.6	0.9	UN
[Japan] Industrial shipments index (seasonally adjusted, 2010=100)	104.4	102.8	103.1	100.6	102.2	100.9	102.7	104.0	99.8	102.5	101.2	102.7	UN
[Japan] Industrial shipments index (seasonally adjusted, MoM change)	2.3	-1.5	0.3	-2.4	1.6	-1.3	1.8	1.3	-4.0	2.7	-1.3	1.5	UN
[Japan] Industrial inventories index (seasonally adjusted, 2010=100)	101.5	101.6	102.9	102.0	102.4	103.8	103.8	104.3	104.7	104.5	104.4	102.9	UN
[Japan] Industrial inventories index (seasonally adjusted, MoM change)	-0.5	0.1	1.3	-0.9	0.4	1.4	0.0	0.5	0.4	-0.2	-0.1	-1.4	UN
<b>Labor Statistics</b>													
[Kansai] Total cash earnings (all 6 prefectures, YoY % change)	0.4	2.0	-1.7	1.0	0.1	-2.1	-0.1	0.0	-1.2	UN	UN	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	0.9	2.6	-1.3	1.3	0.7	-2.0	0.4	0.2	-1.3	0.4	-0.9	UN	UN
[Japan] Total cash earnings (YoY % change)	1.1	1.7	1.5	-0.6	-0.7	-1.3	-0.3	-0.5	0.4	-1.0	-0.1	0.8	UN
[Kansai] Unemployment rate (seasonally adjusted)	3.0	3.4	2.9	2.8	2.6	2.8	2.8	2.9	2.7	2.4	2.1	2.5	UN
[Kansai] Unemployment rate (original figure)	3.0	3.1	2.6	2.7	2.7	2.8	2.7	2.8	2.8	2.6	2.2	2.7	UN
[Japan] Unemployment rate (seasonally adjusted)	2.4	2.5	2.4	2.5	2.3	2.5	2.4	2.4	2.3	2.2	2.2	2.4	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.51	2.47	2.47	2.60	2.61	2.49	2.62	2.52	2.44	2.50	2.57	2.42	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.40	2.40	2.40	2.48	2.50	2.42	2.48	2.43	2.36	2.34	2.45	2.28	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.62	1.62	1.62	1.61	1.62	1.62	1.64	1.63	1.62	1.60	1.59	1.59	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.62	1.63	1.63	1.63	1.63	1.63	1.63	1.62	1.61	1.59	1.59	1.57	UN
<b>International Trade</b>													
[Kansai] Trade balance (billion yen)	113.4	19.1	178.9	-184.6	213.8	273.5	101.0	-9.4	269.9	69.1	120.3	200.9	190.3
[Kansai] Exports (billion yen)	1,517.2	1,504.9	1,474.8	1,179.9	1,320.0	1,500.1	1,354.5	1,250.9	1,350.3	1,410.2	1,321.5	1,415.1	1,398.4
[Kansai] Exports (YoY % change)	6.4	-1.0	-7.2	-8.9	-1.9	-6.3	-5.7	-10.4	-10.9	-1.7	-12.9	27.5	-7.8
[Kansai] Imports (billion yen)	1,403.8	1,485.9	1,295.9	1,364.5	1,106.2	1,226.6	1,253.5	1,260.3	1,080.4	1,341.1	1,201.2	1,214.0	1,208.1
[Kansai] Imports (YoY % change)	10.9	9.5	-2.8	0.1	-9.8	-1.4	3.6	-5.1	-13.8	-0.6	-10.5	30.2	-13.9

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