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 is deteriorating but likely to level off* -

✓ Production declined for the second month in a row in November. The Kansai Bureau of Economy, Trade and Industry (METI) downgraded its assessment.

✓ Kansai logged a trade surplus for the seventh consecutive month in December. However, both exports and imports kept shrinking. On an annual basis, the amount of total trade in 2019 declined for the first time in three years, reflecting the impact of the US-China trade conflict and the tightening of the regulations on the export of certain goods to Korea (semiconductor-making equipment and some chemicals).

✓ The Economy Watcher DI improved for the second consecutive month in December, as the negative impact of the consumption tax hike in October started to wear off. However, excluding the pre-hike month of September, the basic trend remains weak.

✓ In October, wages in the core Kansai prefectures (Osaka, Kyoto and Hyogo) declined for the third consecutive month in nominal terms, and for the eighth in real terms. The income environment is deteriorating.

✓ Large retailers' revenues in November kept declining for the second month in a row. Department store sales flagged due to weak inbound demand and the reactionary fall in demand after the consumption tax hike, which has not worn off completely. Supermarket revenues declined too due to stagnant seasonal product sales.

✓ The number of new housing starts in November decreased for the fourth consecutive month across all residential housing categories.

✓ The effective job offers-to-applicants ratio deteriorated for the second month in a row in November, as the number of active job openings declined and the number of job applicants increased. Although the unemployment rate decreased for the first time in two months, the labor force population shrank for the first time in two months.

✓ November was the 21st straight month of expansion in construction investments. Although the public works contract value in December declined for the first time in three months, Q4 as a whole registered a substantial QoQ increase.

✓ The number of international arrivals at Kansai International Airport in December declined for the first time in 15 months. Data by nationality, which comes with a two-month time lag, shows that visits by Koreans declined for the 17th consecutive month in October. In contrast, visitor numbers from China, Taiwan and Hong Kong increased for the 13th, 4th and 2nd month in a row, respectively.

✓ China's GDP expanded +6.1% in 2019, reaching the lower bound of the government's target. Although China and the United States signed a "phase one" trade deal in January 2020, structural problems will remain a major issue.

※ 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

|	2018	2019											
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
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 (2013/1～2020/1)
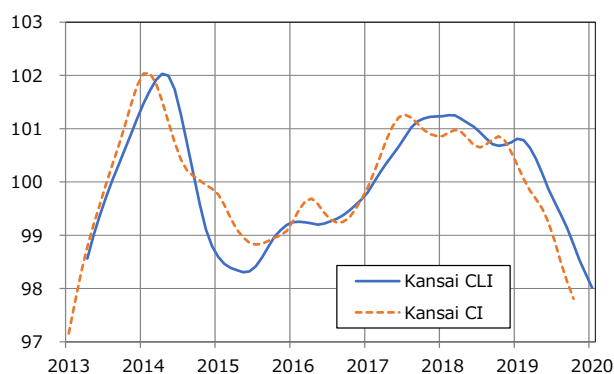
Latest trends (2019/1～2020/1)
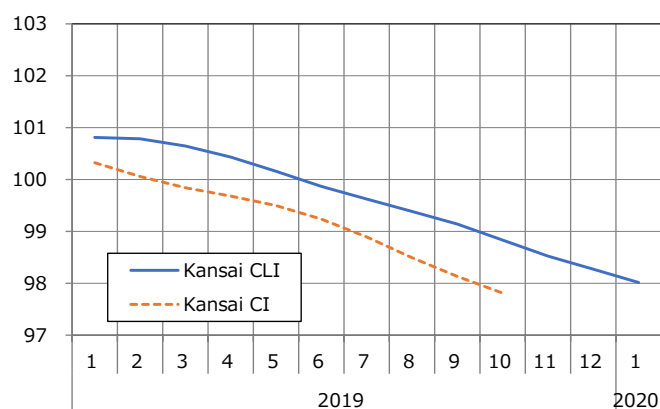
Major Monthly Statistics

Monthly statistics	18/12M	19/1M	19/2M	19/3M	19/4M	19/5M	19/6M	19/7M	19/8M	19/9M	19/10M	19/11M	19/12M
Business Confidence													
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	49.9	45.4	48.0	47.0	47.2	45.1	45.0	43.8	45.3	50.4	39.9	40.2	41.0
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	47.4	50.7	50.4	50.6	51.0	47.5	49.8	46.3	42.3	37.2	45.1	46.2	45.2
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	46.8	45.6	47.5	44.8	45.3	44.1	44.0	41.2	42.8	46.7	36.7	39.4	39.8
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted)	47.9	49.4	48.9	48.6	48.4	45.6	45.8	44.3	39.7	36.9	43.7	45.7	45.4
Consumer Sentiment Indices													
[Kansai] Consumer Confidence Index (original index)	42.5	41.8	40.6	40.1	40.0	39.5	39.0	38.2	36.9	35.7	36.1	38.1	38.4
[Kansai] overall livelihood (original index)	40.6	40.2	38.1	37.2	37.3	37.1	36.9	36.4	35.5	33.8	34.3	37.9	38.1
[Kansai] income growth (original index)	40.6	40.8	39.8	39.2	39.3	40.0	39.7	39.6	39.6	38.9	38.0	39.4	39.1
[Kansai] employment conditions (original index)	46.0	44.1	44.1	44.0	44.2	43.2	43.4	42.0	41.1	41.8	40.6	40.6	40.6
[Kansai] willingness to buy durable goods (original index)	42.6	41.9	40.5	39.8	39.0	37.5	35.8	34.7	31.3	28.1	31.6	34.6	35.7
[Japan] Consumer Confidence Index (seasonally adjusted)	42.6	41.8	41.5	40.5	40.4	39.4	38.7	37.8	37.1	35.6	36.2	38.7	39.1
[Japan] Large retail store sales (billion yen)	407.1	321.5	282.5	317.7	302.5	304.1	308.1	319.6	307.2	327.2	282.8	310.9	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-0.8	-3.4	-1.3	0.2	-0.8	0.4	0.5	-3.4	0.8	13.7	-8.9	-3.3	UN
[Japan] Large retail store sales (billion yen)	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	1,457.7	1,610.8	UN
[Japan] Large retail store sales (YoY % change, all stores)	-0.5	-3.0	-1.5	1.0	-1.4	-0.2	-0.3	-4.5	0.9	10.4	-8.1	-2.0	UN
Housing & Construction													
[Kansai] New housing starts (number of units)	11,360	11,371	11,310	11,626	11,897	10,253	11,318	12,849	10,737	11,852	11,314	11,212	UN
[Kansai] New housing starts (YoY % change)	11.1	23.7	-0.7	7.8	-11.2	-27.5	-3.6	5.7	-8.8	-5.5	-1.6	-9.1	UN
[Japan] New housing starts (number of units)	78,364	67,087	71,966	76,558	79,389	72,581	81,541	79,232	76,034	77,915	77,123	73,523	UN
[Japan] New housing starts (YoY % change)	2.1	1.1	4.2	10.0	-5.7	-8.7	0.3	-4.1	-7.1	-4.9	-7.4	-12.7	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	75.1	70.5	75.2	83.0	76.1	67.0	70.9	82.5	80.9	78.7	74.2	59.4	73.9
[Kansai] Residential lots contract ratio (original index)	72.1	70.2	75.8	80.6	75.9	67.7	73.3	83.1	84.9	75.7	73.8	60.1	71.0
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	50.2	70.8	64.6	69.2	65.5	60.1	64.2	63.2	75.0	55.4	45.6	56.9	62.3
[Tokyo area] Residential lots contract ratio (original index)	49.4	67.5	65.5	72.2	64.3	60.0	65.9	67.9	75.4	56.8	42.6	55.2	61.3
[Kansai] Advance Payment Guarantees (APGs) for public works (billion yen)	88.0	71.4	80.0	109.3	220.6	141.5	147.1	135.3	106.0	120.0	189.6	133.2	95.5
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	-9.8	9.1	60.5	-10.5	4.2	21.6	9.4	-4.0	11.1	9.8	62.2	40.7	8.6
[Japan] Advance Payment Guarantees (APGs) for public works (billion yen)	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	911.0	803.8
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	4.6	-4.1	20.4	3.7	2.5	10.5	1.0	28.5	2.2	4.6	5.1	11.3	-3.6
[Kansai] Construction works (total, billion yen)	610.4	607.9	602.7	589.7	511.8	514.7	530.2	545.8	551.7	572.4	589.7	605.5	UN
[Kansai] Construction works (total, YoY % change)	0.2	3.0	5.7	5.6	5.6	6.7	3.3	8.1	4.2	3.3	4.5	2.7	UN
[Japan] Construction works (total, billion yen)	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	4,945.3	5,002.6	UN
[Japan] Construction works (total, YoY % change)	-2.2	-0.7	0.1	0.8	1.6	2.8	2.6	1.9	2.9	1.6	2.0	1.8	UN
[Japan] Construction works (public works, billion yen)	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	2,116.0	2,182.0	UN
[Japan] Construction works (public works, YoY % change)	-5.6	-2.3	-1.4	-3.0	0.1	2.1	5.3	4.9	7.7	7.0	9.2	9.3	UN
Indices of Industrial Production													
[Kansai] Industrial production (seasonally adjusted, 2010=100)	103.9	102.5	102.4	99.6	101.3	102.5	100.0	104.7	100.3	104.4	98.2	93.8	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	-0.6	-1.3	-0.1	-2.7	1.7	1.2	-2.4	4.7	-4.2	4.1	-5.9	-4.5	UN
[Kansai] Industrial shipments index (original figure, YoY % change)	-3.2	-0.2	-3.9	-7.0	-3.6	-4.2	-7.3	2.7	-7.2	6.0	-11.2	-11.5	UN
[Kansai] Industrial inventories index (original figure, YoY % change)	-1.7	-2.8	-1.3	-0.2	0.4	0.3	5.6	6.6	8.2	3.2	4.8	3.9	UN
[Kansai] Industrial shipments index (seasonally adjusted, 2010=100)	103.1	103.0	100.6	99.7	100.6	102.8	97.9	104.2	100.2	107.2	98.0	93.7	UN
[Kansai] Industrial shipments index (seasonally adjusted, MoM change)	-1.0	-0.1	-2.3	-0.9	0.9	2.2	-4.8	6.4	-3.8	7.0	-8.6	-4.4	UN
[Kansai] Industrial inventories index (seasonally adjusted, 2010=100)	100.1	98.6	100.0	101.8	102.0	101.0	105.0	105.0	105.7	102.0	103.6	102.9	UN
[Kansai] Industrial inventories index (seasonally adjusted, MoM change)	1.1	-1.5	1.4	1.8	0.2	-1.0	4.0	0.0	0.7	-3.5	1.6	-0.7	UN
[Japan] Industrial production (seasonally adjusted, 2010=100)	104.7	102.1	102.8	102.2	102.8	104.9	101.4	102.7	101.5	103.2	98.6	97.6	UN
[Japan] Industrial production (seasonally adjusted, MoM change)	0.1	-2.5	0.7	-0.6	0.6	2.0	-3.3	1.3	-1.2	1.7	-4.5	-1.0	UN
[Japan] Industrial shipments index (original figure, YoY % change)	-3.1	-0.1	-0.3	-4.0	-1.4	-1.8	-4.5	1.9	-4.5	2.2	-7.3	-7.7	UN
[Japan] Industrial inventories index (original figure, YoY % change)	1.7	1.2	1.4	0.2	1.2	1.5	3.0	2.5	2.6	0.9	2.6	1.6	UN
[Japan] Industrial shipments index (seasonally adjusted, 2010=100)	103.1	100.6	102.2	100.9	102.7	104.0	99.8	102.5	101.2	102.7	98.1	96.4	UN
[Japan] Industrial shipments index (seasonally adjusted, MoM change)	0.3	-2.4	1.6	-1.3	1.8	1.3	-4.0	2.7	-1.3	1.5	-4.5	-1.7	UN
[Japan] Industrial inventories index (seasonally adjusted, 2010=100)	102.9	102.0	102.4	103.8	103.8	104.3	104.7	104.5	104.4	102.9	104.2	103.3	UN
[Japan] Industrial inventories index (seasonally adjusted, MoM change)	1.3	-0.9	0.4	1.4	0.0	0.5	0.4	-0.2	-0.1	-1.4	1.3	-0.9	UN
Labor Statistics													
[Kansai] Total cash earnings (all six prefectures, YoY % change)	-1.7	1.0	0.1	-2.1	-0.1	0.0	-1.2	0.3	-0.8	-0.0	-0.2	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	-1.2	1.4	0.7	-1.8	0.4	0.2	-1.3	0.4	-0.9	-0.0	-0.2	UN	UN
[Japan] Total cash earnings (YoY % change)	1.5	-0.6	-0.7	-1.3	-0.3	-0.5	0.4	-1.0	-0.1	0.5	0.0	0.1	UN
[Kansai] Unemployment rate (seasonally adjusted)	2.9	2.8	2.6	2.8	2.8	2.9	2.7	2.4	2.1	2.5	2.6	2.3	UN
[Kansai] Unemployment rate (original figure)	2.6	2.7	2.7	2.8	2.7	2.8	2.8	2.6	2.2	2.7	2.6	2.1	UN
[Japan] Unemployment rate (seasonally adjusted)	2.4	2.5	2.3	2.5	2.4	2.4	2.3	2.2	2.2	2.4	2.4	2.2	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.47	2.60	2.61	2.49	2.62	2.52	2.44	2.50	2.57	2.42	2.53	2.4	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.40	2.48	2.50	2.42	2.48	2.43	2.36	2.34	2.45	2.28	2.44	2.3	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.62	1.61	1.62	1.62	1.64	1.63	1.62	1.60	1.59	1.59	1.58	1.6	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.63	1.63	1.63	1.63	1.63	1.62	1.61	1.59	1.59	1.57	1.57	1.6	UN
International Trade													
[Kansai] Trade balance (billion yen)	178.9	-184.6	213.4	273.0	101.0	-9.4	269.9	68.5	120.3	200.7	190.7	110.7	193.3
[Kansai] Exports (billion yen)	1,474.8	1,179.9	1,320.0	1,500.7	1,354.5	1,250.9	1,350.3	1,410.2	1,321.5	1,415.2	1,398.4	1,351.8	1,414.1
[Kansai] Exports (YoY % change)	-7.2	-8.9	-1.9	-6.2	-5.7	-10.4	-10.9	-1.7	-12.9	27.5	-7.8	-10.2	-4.1
[Kansai] Imports (billion yen)	1,295.9	1,364.5	1,106.6	1,227.7	1,253.5	1,260.3	1,080.4	1,341.7	1,201.2	1,214.4	1,207.8	1,241.1	1,220.8
[Kansai] Imports (YoY % change)	-2.8	0.1	-9.8	-1.3	3.6	-5.1	-13.8	-0.6	-10.5	30.2	-14.0	-16.5	-5.8

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