

Kansai Economic Insight Monthly

2020/2/26

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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

- The deterioration of Kansai's economy is likely to persist* -

- ✓ Production in December increased for the first time in three months. However, Q4 production declined for the first time in two quarters. The Q4 average was -6.6% lower relative to Q3, which was the largest decline since the Global Financial Crisis.
- ✓ In January, Kansai logged a trade deficit for the first time in eight months. Excluding September 2019, both exports and imports have been shrinking since December 2018. The impact of the coronavirus outbreak has not crystalized yet.
- ✓ The Economy Watcher DI in January improved for the first time in four months. Although the negative impact of the consumption tax hike in October started to wear off, concerns about the economic impact of the coronavirus epidemic are growing.
- ✓ In November, wages in Kansai kept declining for the fourth consecutive month in nominal terms, and for the ninth straight month in real terms. Lower disposable incomes bode ill for private consumption.
- ✓ Large retailers' revenues in December kept declining for the third month in a row. Department store sales flagged due to weak seasonal product sales. The recovery from the reactionary fall in demand after the consumption tax hike is taking longer than it did after the previous tax hike in 2014.
- ✓ In December, private and rental housing construction decreased, but condominium construction grew substantially. As a result, the number of new housing starts increased for the first time in five months. However, 2019 saw an overall decline.
- ✓ The effective job offers-to-applicants ratio in December improved for the first time in eight months, however, the unemployment rate increased for the first time in two months. On an annual basis, the former indicator improved for the tenth, and the latter improved for the seventh consecutive year in 2019.
- ✓ December was the 22nd straight month of expansion in construction investments. On an annual basis, 2019 was the fourth year of uninterrupted growth. The contract amount for public works projects in January increased in all prefectures.
- ✓ The number of international arrivals at Kansai International Airport in January increased for the first time in two months. Although the impact of the coronavirus is not visible in statistics yet, it is likely to be significant.
- ✓ In China, the release of key statistics has been delayed due to the coronavirus. Travelling and going out have been restricted in an effort to contain the epidemic. Excluding the Hubei province, factories across China have gradually resumed operations starting February 10th, following the end of the lunar new year holidays, which were extended by a week. Concerns about the future of the Chinese economy are growing.

※ 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

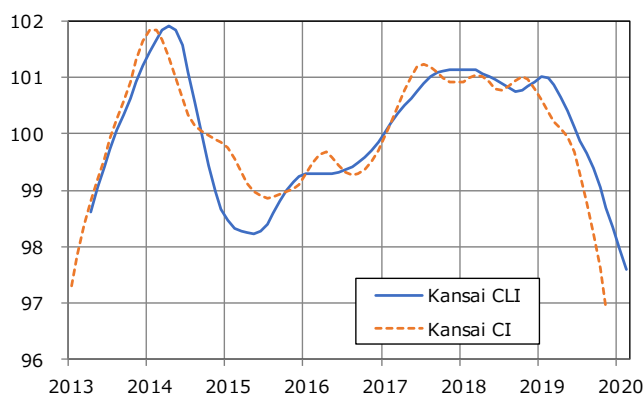
	2019												2020
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Production	↓	↑	↓	↑	↑	↓	↑	↓	↑	↓	↓	↑	
Trade	↓	↑	↓	↓	↓	→	→	↑	↑	↑	↑	→	↑
Sentiment	↓	↑	↓	→	↓	→	↓	↑	↑	↓	→	→	→
Consumption	↓	↓	→	→	→	→	↓	→	↑	↓	↓	↓	
Housing	↑	→	↑	↓	↓	→	↑	↓	↓	→	↓	↑	
Employment	↓	↑	→	↑	↓	↓	↓	↓	→	↓	↓	↑	
Public Works	↑	↑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

Criteria for determining the trends

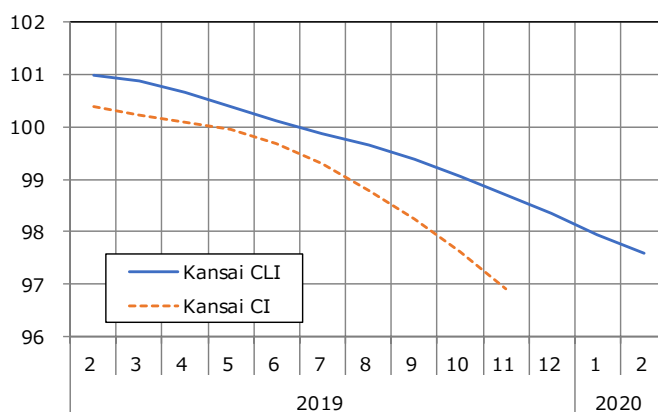
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2013/1~2020/2)



Latest trends (2019/2~2020/2)



Major Monthly Statistics

Monthly statistics	18/11M	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	20/1M
Business Confidence															
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	50.8	49.9	45.4	48.0	47.1	46.9	45.3	45.1	44.2	44.8	50.0	40.4	40.4	40.2	40.9
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	53.1	47.4	50.7	49.7	49.9	49.9	47.5	49.4	46.7	43.8	38.6	45.4	45.8	45.1	39.9
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	49.5	46.8	45.6	47.1	44.9	45.3	44.2	44.1	41.6	43.1	46.6	36.9	38.8	39.7	41.9
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted)	50.8	47.9	49.4	48.4	48.1	47.6	45.5	45.6	44.4	40.5	37.8	44.3	45.9	45.5	41.8
Consumer Sentiment Indices															
[Kansai] Consumer Confidence Index (original index)	42.4	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	38.9
[Kansai] overall livelihood (original index)	40.3	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	37.3
[Kansai] income growth (original index)	40.9	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	39.8
[Kansai] employment conditions (original index)	46.4	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	41.5
[Kansai] willingness to buy durable goods (original index)	42.0	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	36.8
[Japan] Consumer Confidence Index (seasonally adjusted)	42.8	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	39.1
[Kansai] Large retail store sales (billion yen)	321.4	407.1	321.5	282.5	317.7	302.5	304.1	308.1	319.6	307.2	327.2	282.8	310.9	392.1	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-2.4	0.8	-3.4	-1.3	0.2	-0.8	0.4	0.5	-3.4	0.8	13.7	-8.9	-3.3	-3.7	UN
[Japan] Large retail store sales (billion yen)	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	1,588.9	1,671.6	1,457.7	1,610.9	2,019.5	UN
[Japan] Large retail store sales (YoY % change, all stores)	-1.7	-0.5	-3.0	-1.5	1.0	-1.4	-0.2	-0.3	-4.5	0.9	10.4	-8.1	-2.0	-3.0	UN
Housing & Construction															
[Kansai] New housing starts (number of units)	12,329	11,360	11,371	11,310	11,626	11,897	10,253	11,318	12,849	10,737	11,852	11,314	11,212	12,043	UN
[Kansai] New housing starts (YoY % change)	4.8	11.1	23.7	-0.7	7.8	-11.2	-27.5	-3.6	5.7	-8.8	-5.6	-1.6	-9.1	6.0	UN
[Japan] New housing starts (number of units)	84,213	78,364	67,087	71,966	76,558	79,389	72,581	81,541	79,232	76,034	77,915	77,123	75,523	72,174	UN
[Japan] New housing starts (YoY % change)	-0.6	2.1	1.1	4.2	10.0	-5.7	-8.7	0.3	-4.1	-7.1	-4.9	-7.4	-12.7	-7.9	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	73.6	75.1	70.5	75.4	81.9	76.4	67.4	72.3	81.0	79.8	77.7	74.5	59.5	74.1	68.4
[Kansai] Residential lots contract ratio (original index)	74.4	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	66.8
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	55.5	50.2	70.8	64.3	67.7	65.0	60.0	63.9	63.2	75.0	57.2	47.0	58.2	60.3	66.1
[Tokyo area] Residential lots contract ratio (original index)	53.9	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	63.0
[Kansai] Advance Payment Guarantees (APGs) for public works (billion yen)	94.7	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	92.0
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	10.9	-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	28.9
[Japan] Advance Payment Guarantees (APGs) for public works (billion yen)	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	911.0	803.8	641.5
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-5.2	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	9.6
[Kansai] Construction works (total, billion yen)	589.8	610.4	607.9	602.7	589.7	511.8	514.7	530.2	545.8	551.7	572.4	589.7	605.5	618.0	UN
[Kansai] Construction works (total, YoY % change)	0.5	0.2	3.0	5.7	5.6	5.6	6.7	3.3	8.1	4.2	3.3	4.5	2.7	1.2	UN
[Japan] Construction works (total, billion yen)	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	4,945.3	5,002.6	5,000.3	UN
[Japan] Construction works (total, YoY % change)	-1.1	-2.2	-0.7	0.1	0.8	1.6	2.8	2.6	1.9	2.9	1.6	2.0	1.8	1.1	UN
[Japan] Construction works (public works, billion yen)	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	2,116.0	2,182.0	2,197.1	UN
[Japan] Construction works (public works, YoY % change)	-4.2	-5.6	-2.3	-1.6	-3.0	0.1	2.1	5.3	4.9	7.7	7.0	9.2	9.3	7.6	UN
Indices of Industrial Production															
[Kansai] Industrial production (seasonally adjusted, 2010=100)	104.5	103.9	102.5	102.4	99.6	101.3	102.5	100.0	104.7	100.3	104.4	98.2	93.4	97.3	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	-1.9	-0.6	-1.3	-0.2	-2.7	1.7	1.2	-2.4	4.7	-4.2	4.1	-5.9	-4.9	4.2	UN
[Kansai] Industrial shipments index (original figure, YoY % change)	1.2	-3.2	-0.2	-3.9	-7.0	-3.6	-4.2	-7.3	2.7	-7.3	6.0	-11.2	-11.8	-3.3	UN
[Kansai] Industrial inventories index (original figure, YoY % change)	-2.8	-1.7	-2.8	-1.3	-0.2	0.4	0.3	5.6	6.6	8.2	3.2	4.8	3.9	3.0	UN
[Kansai] Industrial shipments index (seasonally adjusted, 2010=100)	104.1	103.1	103.0	100.6	99.7	100.6	102.8	97.9	104.2	100.2	107.2	98.0	93.4	97.1	UN
[Kansai] Industrial shipments index (seasonally adjusted, MoM change)	-4.7	-1.0	-0.1	-2.3	-0.9	0.9	2.2	-4.8	6.4	-3.8	7.0	-9.6	-4.7	4.0	UN
[Kansai] Industrial inventories index (seasonally adjusted, 2010=100)	99.0	100.1	98.6	100.0	101.8	102.0	101.0	105.0	105.0	105.7	102.0	103.6	102.9	103.2	UN
[Kansai] Industrial inventories index (seasonally adjusted, MoM change)	0.2	1.1	-1.5	1.4	1.8	0.2	-1.0	4.0	0.0	0.7	-3.6	1.6	-0.7	0.3	UN
[Japan] Industrial production (seasonally adjusted, 2010=100)	104.6	104.7	102.1	102.8	102.2	102.8	104.9	101.4	102.7	101.5	103.2	98.6	97.6	98.8	UN
[Japan] Industrial production (seasonally adjusted, MoM change)	-0.9	0.1	-2.5	0.7	-0.6	0.6	2.0	-3.3	1.3	-1.2	1.7	-4.5	-1.0	1.2	UN
[Japan] Industrial shipments index (original figure, YoY % change)	1.1	-3.1	-0.1	-0.3	-4.0	-1.4	-1.8	-4.9	1.9	-4.5	2.2	-7.3	-7.7	-3.4	UN
[Japan] Industrial inventories index (original figure, YoY % change)	0.4	1.7	1.2	1.4	0.2	1.2	1.5	3.0	2.5	2.6	0.9	2.6	1.6	1.3	UN
[Japan] Industrial shipments index (seasonally adjusted, 2010=100)	102.8	103.1	100.6	102.2	100.9	102.7	104.0	99.8	102.5	101.2	102.7	98.1	96.4	96.7	UN
[Japan] Industrial shipments index (seasonally adjusted, MoM change)	-1.5	0.3	-2.4	1.6	-1.3	1.8	1.3	-4.0	2.7	-1.3	1.5	-4.5	-1.7	0.3	UN
[Japan] Industrial inventories index (seasonally adjusted, 2010=100)	101.6	102.9	102.0	102.4	103.8	103.8	104.3	104.7	104.5	104.4	102.9	104.2	103.3	104.2	UN
[Japan] Industrial inventories index (seasonally adjusted, MoM change)	0.1	1.3	-0.9	0.4	1.4	0.0	0.5	0.4	-0.2	-0.1	-1.4	1.3	-0.9	0.9	UN
Labor Statistics															
[Kansai] Total cash earnings (all six prefectures, YoY % change)	2.0	-1.7	1.0	0.1	-2.0	-0.1	0.0	-1.2	0.3	-0.8	-0.0	-0.2	-0.2	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	2.6	-1.2	1.4	0.7	-1.8	0.4	0.2	-1.3	0.4	-0.9	-0.0	-0.2	-0.3	UN	UN
[Japan] Total cash earnings (YoY % change)	1.7	1.5	-0.6	-0.7	-1.3	-0.3	-0.5	0.4	-1.0	-0.1	0.5	0.0	0.1	-0.2	UN
[Kansai] Unemployment rate (seasonally adjusted)	3.4	2.9	2.8	2.6	2.8	2.8	2.9	2.7	2.4	2.1	2.6	2.6	2.3	2.4	UN
[Kansai] Unemployment rate (original figure)	3.1	2.6	2.7	2.7	2.8	2.7	2.8	2.8	2.6	2.2	2.7	2.6	2.1	2.2	UN
[Japan] Unemployment rate (seasonally adjusted)	2.5	2.4	2.5	2.3	2.5	2.4	2.4	2.3	2.2	2.2	2.4	2.4	2.2	2.2	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.47	2.47	2.60	2.61	2.49	2.62	2.52	2.44	2.50	2.57	2.42	2.53	2.42	2.58	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.40	2.40	2.48	2.50	2.42	2.48	2.43	2.36	2.34	2.45	2.28	2.44	2.32	2.43	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.62	1.62	1.61	1.62	1.62	1.64	1.63	1.62	1.60	1.59	1.59	1.58	1.57	1.59	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.63	1.63	1.63	1.63	1.63	1.63	1.62	1.61	1.59	1.59	1.57	1.57	1.57	1.57	UN
International Trade															
[Kansai] Trade balance (billion yen)	19.1	178.9	-184.6	213.4	273.0	101.0	-9.4	269.9	68.5	120.3	200.7	190.7	110.6	193.5	-125.3
[Kansai] Exports (billion yen)	1,504.9	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	1,414.4	1,137.6
[Kansai] Exports (YoY % change)	-1.0	-7.2	-8.8	-1.9	-8.2	-5.7	-10.4	-10.9	-1.7	-12.8	27.5	-7.8	-10.2	-4.1	-3.6
[Kansai] Imports (billion yen)	1,485.9	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	1,241.2	1,220.9	1,262.9
[Kansai] Imports (YoY % change)	9.5	-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	-7.4

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