

Kansai Economic Insight Monthly

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

·The report is scheduled to be 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.

Highlights

- The economy is showing signs of stagnation and potential deterioration -

- ✓ Although the Index of Industrial Production (IIP) registered a MoM increase in February, the average for the first two months this year decreased significantly compared to the preceding quarter. The Kansai Bureau of Economy, Trade and Industry’s overall assessment of the economy as “gradually improving” remained unchanged from the previous month.
- ✓ The trade balance in March remained positive for a second consecutive month, with the surplus being considerably larger than a year earlier. Exports grew driven mainly by motors, semiconductors and other electronic components, while imports fell for the first time in 13 months.
- ✓ According to the Economy Watchers Survey released by the Cabinet Office, the Diffusion Index (DI) in March worsened for the third consecutive month. Despite strong demand due to inbound tourism and seasonal product sales, consumer confidence deteriorated due to the appreciation of the yen and the weak stock market.
- ✓ Total cash earnings in January improved somewhat in the major Kansai prefectures (Osaka and Hyogo), but real wage growth has stagnated due to the continuous rise in prices. This is a trend to watch in the future.
- ✓ In February, large retail stores registered a YoY decrease in sales for the first time in four months due to the unfavorable weather conditions. Although supermarket sales increased as a result of soaring vegetable prices, department store sales declined due to weak demand for spring clothing.
- ✓ As a result of robust residential lot sales, the number of new housing starts in February increased markedly from the previous year, growing for the first time in six months.
- ✓ The effective jobs-to-applicants ratio in February remained unchanged from the previous month. Although the unemployment rate worsened for the first time in two months, the employment environment remained stable.
- ✓ The seasonally adjusted value of public works contracts in March rose sharply from the previous month, registering the first increase in four months. As a result, the first quarter of 2018 was the second consecutive quarter of positive QoQ growth.
- ✓ Construction works in February registered a year-over-year decline for the first time in three months. Growth has been sluggish as the impact of the Olympic and Paralympic Games has been barely felt in the Kansai region.
- ✓ The number of international tourists visiting Kansai increased for the 13th consecutive month in March. The trend is robust, with the double digit growth having continued for 12 consecutive months.
- ✓ China’s real GDP grew 6.8% YoY in the first quarter of 2018, surpassing the 6.5% growth target set by the government. China’s economy has maintained the same growth rate for three consecutive quarters.

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Highlights

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Major Monthly Statistics

Trends in the Kansai Economy

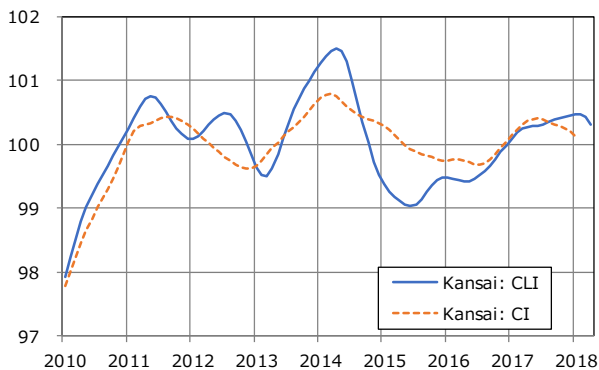
	2017										2018		
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Production	→	↗	↘	↗	↘	↗	↘	↗	↗	↗	↘	↗	
Trade	→	→	→	→	→	↗	↗	→	↗	→	↗	↘	↗
Sentiment	↘	→	↗	↗	→	↘	→	↗	↗	↗	↘	↘	→
Consumption	↘	→	→	→	→	→	↗	→	↗	→	→	→	
Housing	→	↘	→	↘	→	→	→	→	→	↘	↘	↗	
Employment	→	↗	↗	↗	↗	→	↗	↗	↗	↗	↗	→	
Public Works	↘	↘	↗	↘	↘	↘	↘	↗	↗	→	↗	↘	→
China	↗	→	→	→	→	→	→	→	→	→	→	→	→

(*Criteria for determining the trends)

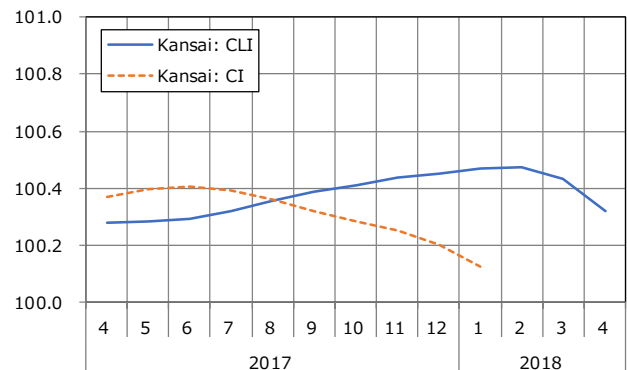
- **Production:** The trend is positive if there is at least a 0.5% month-over-month increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend is positive if there is an improvement in the trade balance of 50 billion yen or more compared to the same month of the previous year according to the Osaka Customs trade statistics. If there is a deterioration of more than 50 billion yen, the trend is negative. Otherwise, the trend is stable.
- **Sentiment:** The trend is positive if the Diffusion Index (DI) for the Kinki region published in the Cabinet Office 'Economy Watchers Survey' improves by at least 1 point from the previous month. If it deteriorates by 1 point or more, the trend is negative. Otherwise, the trend is stable.
- **Consumption:** The trend is upward if the monthly large retail store sales index (all stores) compiled by the Kansai Bureau of Economy, Trade and Industry increases by 1% or more year-over-year. If it decreases by more than 1%, the trend is downward. Otherwise, the trend is stable.
- **Housing:** The trend is upward if new housing starts increase by 5% or more year-over-year according to the residential construction statistics published by the Ministry of Land, Infrastructure and Transport. If there is a decrease of 5% or more, the trend is downward. Otherwise, the trend is stable.
- **Employment:** The trend is positive if there is an improvement of at least 0.01 point in the seasonally adjusted effective job offerings-to-applicants ratio published by the Ministry of Health, Labor and Welfare. If there is a deterioration of 0.01 points 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% year-over-year as per the statistics on advance payment guarantees released by West Japan Construction Assurance Ltd. If it decreases by 5% or more, the trend is negative. Otherwise, the trend is stable.

The Kansai Economic Trends Indices: the Composite Index(CI) and the Composite Leading Indicator(CLI)

Long-term trends in CI and CLI (2010/1~2018/4)



Latest trends in CI and CLI (2017/4~2018/4)



※Economic forecasts are based on the Kansai economic trend indexes (CI, CLI) developed by APIR.

