

Kansai Economic Insight Monthly

2019/12/24

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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 October dropped after expanding in September (MoM, seasonally adjusted). The manufacturing of production machinery, machines for general and business use, and chemical products (excluding medicines) declined.
- ✓ Kansai logged a trade surplus for the sixth consecutive month in November. However, both exports and imports kept shrinking YoY. There was a substantial decline in imports from China and exports to the EU and the US. Excluding September this year, which saw a rebound from last year’s typhoon-induced slump, Kansai’s total trade has been declining steadily since December 2018.
- ✓ The Economy Watcher DI improved to 40.2 in November after declining in October. This improvement is due to the effects of the nine-month incentive program adopted by the government in order to mitigate the negative impact of the consumption tax hike in October, whereby 5% rebates are given for some cashless payments.
- ✓ Wages in the core Kansai prefectures (Osaka, Kyoto and Hyogo) in September declined YoY for the second consecutive month in nominal terms, and for the seventh consecutive month in real terms.
- ✓ Large retailers’ revenues in October slumped YoY. The reactionary fall from the rush demand before the consumption tax hike was evident in department store revenues. Supermarket revenues declined too due to stagnant seasonal product sales.
- ✓ The number of new housing starts in October decreased for the third month in a row (-1.6% YoY). Condominium construction expanded, but the construction of private houses and housing for rent declined by a wider margin.
- ✓ The number of both job openings and applicants declined in October. However, as the former decreased by a wider margin than the latter, there was no improvement in the effective job offers-to-applicants ratio, which has remained unchanged since May. The unemployment rate increased for the second consecutive month.
- ✓ October was the 20th straight month of expansion in construction investments (+4.5% YoY). The value of public works contracts in November remained high, growing for the second consecutive month (+1.0% MoM, seasonally adjusted).
- ✓ The number of international arrivals at Kansai International Airport in November grew YoY for the 14th month in row. Growth was modest but positive in spite of the decline in Korean visitor numbers. Data by nationality, which comes with a two-month time lag, shows that visits by Koreans declined for the 16th consecutive month in September. In contrast, the number of Chinese and Taiwanese visitors increased for the 12th and 3rd consecutive month, respectively. Visitor numbers from Hong Kong increased for the first time in three months.
- ✓ China’s PMI improved in November, surpassing the cutoff level of 50 for the first time in seven months. Industrial production accelerated from the previous month, while real private consumption expenditure and fixed capital formation stayed unchanged. The future outlook remains unclear.

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

Trends in the Kansai Economy

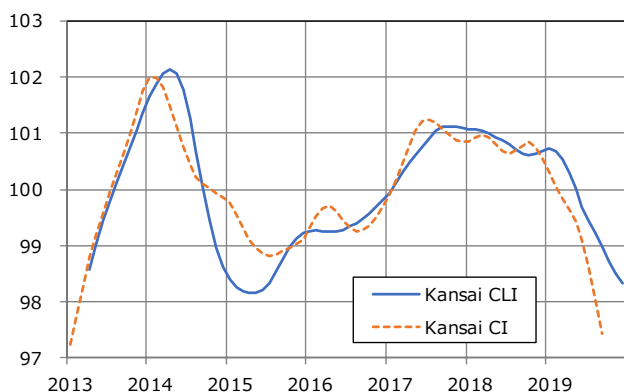
	2018		2019										
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Production	↓	↓	↓	↑	↓	↑	↑	↓	↑	↓	↑	↓	
Trade	↓	↓	↓	↑	↓	↓	↓	→	→	↑	↑	↑	↑
Sentiment	→	↓	↓	↑	↓	→	↓	→	↓	↑	↑	↓	→
Consumption	↓	→	↓	↓	→	→	→	→	↓	→	↑	↓	
Housing	→	↑	↑	→	↑	↓	↓	→	↑	↓	↓	→	
Employment	↓	↓	↓	↑	→	↑	↓	↓	↓	↓	→	↓	
Public Works	↑	↓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

Criteria for determining the trends

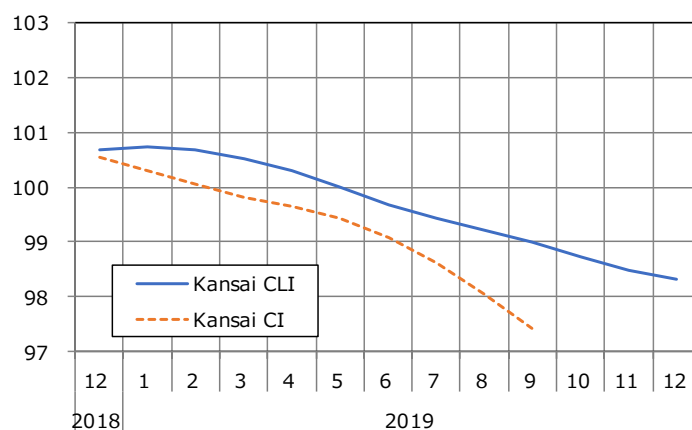
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2013/1~2019/12)



Latest trends in CI and CLI (2018/12~2019/12)



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
Business Confidence													
[Kansai] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	50.8	49.9	45.4	48.0	47.0	47.2	45.1	45.0	43.8	45.3	50.4	39.9	40.2
[Kansai] "Economy Watcher" Survey (projected, seasonally adjusted)	53.1	47.4	50.7	50.4	50.6	51.0	47.5	49.8	46.3	42.3	37.2	45.1	46.2
[Japan] "Economy Watcher" Survey (current diffusion index, seasonally adjusted)	49.5	46.8	45.6	47.5	44.8	45.3	44.1	44.0	41.2	42.8	46.7	36.7	39.4
[Japan] "Economy Watcher" Survey (projected, seasonally adjusted)	50.8	47.9	49.4	48.9	48.6	48.4	45.6	45.8	44.3	39.7	36.9	43.7	45.7
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
[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
[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
[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
[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
[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
[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	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	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	1,589.7	1,671.7	1,457.7	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	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	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	-5.5	-1.6	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	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	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	73.6	75.1	70.5	75.2	83.0	76.1	67.0	70.9	82.5	80.9	78.7	74.2	59.4
[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
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	55.5	50.2	70.8	64.6	69.2	65.5	60.1	64.2	63.2	75.0	55.4	45.6	56.9
[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
[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
[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
[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
[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
[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	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	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	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	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	UN
[Japan] Construction works (public works, YoY % change)	-4.2	-5.6	-2.3	-1.4	-3.0	0.1	2.1	5.3	4.9	7.7	7.0	9.2	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	98.6	UN
[Kansai] Industrial production (seasonally adjusted, MoM change)	-1.9	-0.6	-1.3	-0.1	-2.7	1.7	1.2	-2.4	4.7	-4.2	4.1	-5.6	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	-7.2	6.0	-10.9	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	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	98.3	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	-8.3	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	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	-3.5	1.6	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	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	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	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	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	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	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	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	UN
Labor Statistics													
[Kansai] Total cash earnings (all six prefectures, YoY % change)	2.0	-1.7	1.0	0.1	-2.1	-0.1	0.0	-1.2	UN	UN	UN	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo prefectures, YoY % change)	2.6	-1.3	1.3	0.7	-2.0	0.4	0.2	-1.3	0.4	-0.9	-0.0	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	UN	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	2.5	2.6	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	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	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	2.5	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	2.4	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	1.6	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	1.6	UN
International Trade													
[Kansai] Trade balance (billion yen)	19.1	178.9	-184.6	213.8	273.5	101.0	-9.4	269.9	69.1	120.3	200.9	190.3	114.3
[Kansai] Exports (billion yen)	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	1,355.3
[Kansai] Exports (YoY % change)	-1.0	-7.2	-8.9	-1.9	-6.3	-5.7	-10.4	-10.9	-1.7	-12.9	27.5	-7.8	-9.9
[Kansai] Imports (billion yen)	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	1,240.9
[Kansai] Imports (YoY % change)	9.5	-2.8	0.1	-9.8	-1.4	3.6	-5.1	-13.8	-0.6	-10.5	30.2	-13.9	-16.5

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