

# Kansai Economic Insight Monthly

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▼ APIR's monthly report "Kansai Economic Insight Monthly" is an analysis of economic trends in the Kansai region and the Kansai-related sectors of China's economy.

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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.

## Highlights

### - Kansai economy back on track to recovery. State of emergency and new COVID-19 variants likely to suppress private consumption\* -

- ✓ The number of new daily COVID-19 infections (seven-day average) has been increasing since July 1, severely accelerating in August. The peak number of infections in the current (fifth) wave of COVID-19 is significantly larger than that of previous (fourth) wave. The restrictions aimed at curbing the spread of the virus are likely to suppress consumption.
- ✓ Industrial production in June increased from the previous month thanks to the good performance of the chemical industry (except medical products) and the production of machines for general and business use. This was the first MoM increase in two months, and on a quarterly basis, Q2 was the fourth consecutive quarter of positive growth. As a result, industrial production surpassed its level from the beginning of the pandemic (Q1 in 2020).
- ✓ The unemployment rate in June logged a slight improvement for the second month in a row. However, on a quarterly basis, unemployment rate in Q2 rose for the first time in two quarters due to its severe deterioration in April. The effective jobs offers-to-applicants ratio kept improving both on a monthly basis, for the second consecutive month in June, and on a quarterly basis in Q2. Nevertheless, this recovery belies a divergence between the manufacturing sector and service industries requiring face-to-face interaction.
- ✓ In May, wages in the six prefectures of Kansai kept increasing YoY for the third consecutive month in nominal terms, and for the fifth in real terms. However, the income environment is stagnating – a comparison with the same month in the pre-pandemic 2019, which is more appropriate year, reveals a decline in wages.
- ✓ The revenues of large retailers in June kept decreasing YoY for the second month in a row. On the one hand, a comparison with the pre-pandemic 2019 shows that the rate of decline in June narrowed from the previous month because the state of emergency was lifted. On a quarterly basis, the rate of decline accelerated in Q2, due to the spread of infections and the ensuing declaration of an emergency state.
- ✓ The number of new housing starts in June increased YoY for the first time in two months. The Q2 figure marked the first increase in two quarters too. The improvement was mainly driven by housing for rent. However, the pace of recovery is likely to slow down due to the wood supply shock and the increasing number of COVID-19 infections.
- ✓ The amount of completed construction in June rose YoY for the 39th month in a row. Therein, public construction expanded for the 21st consecutive month. The amount of planned public construction in July increased YoY too, for the third month in a row.
- ✓ The Economy Watcher diffusion index (DI) of current conditions in July improved MoM for the third month in a row. However, the improvement was small, and the DI of future conditions deteriorated for the first time in three months due to the fifth wave of COVID-19 infections.
- ✓ In July, both exports and imports kept increasing YoY, for five and six consecutive months, respectively. Both rates of increase remain high, although it decelerated slightly from the previous month. Semiconductor exports hit a historic high for the second month in a row.
- ✓ The number of international arrivals at Kansai International Airport (KIX) in July reached 2,776, as athletes and other personnel flew in for the Tokyo Olympics. The number remains negligible despite the increase from the previous month.
- ✓ In July, the Chinese economy decelerated due to the new restrictions aimed at curbing the spread of COVID-19 infections and the floods caused by the record-breaking rainfall.

※ Judgment based on APIR's CI and CLI indices for Kansai.

## Trends in the Kansai Economy

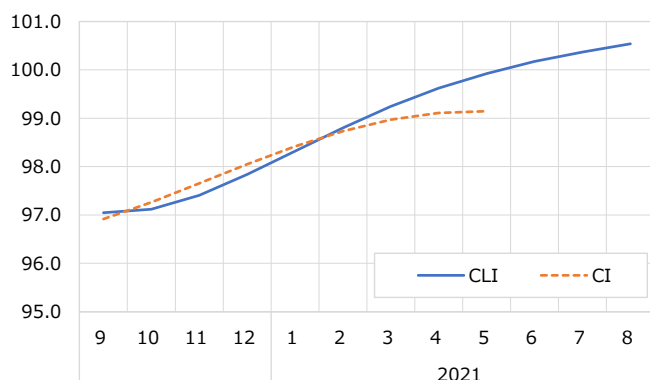
	2020					2021						
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Production	→	↑	↑	↑	↓	↑	↑	↓	↑	↓	↑	
Employment	↓	↓	↓	↑	↓	↑	↑	↓	↓	↑	↑	
Consumption	↓	↓	↓	↓	↓	↓	↓	↑	↑	→	↓	
Housing	↓	→	→	↑	↓	↓	↓	→	↑	→	↑	
Public Works	→	↑	↓	↓	↑	↓	↑	→	↓	↑	↑	→
Sentiment	↑	↑	↑	↓	↓	→	↑	↑	↓	↑	↑	→
Trade	↑	↑	↑	↑	↑	↑	↓	↑	↑	↑	↑	↑
China	↑	↑	↑	↑	↑	→	→	↑	↑	↑	↑	→

### Criteria for determining the trends

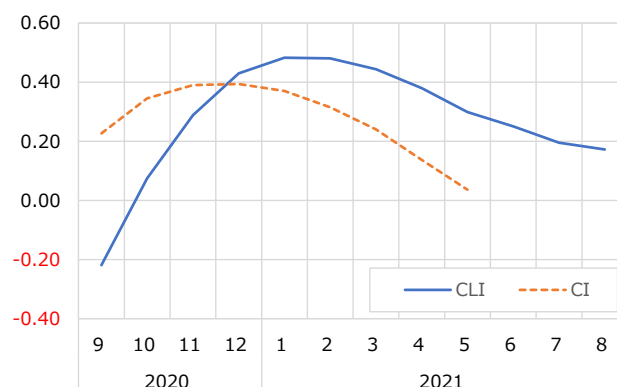
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend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

Kansai's CI and CLI (2020/9~2021/8)



Kansai's CLI and CI: MoM changes (2020/9~2021/8)



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

## Major Monthly Statistics

Monthly statistics	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21
<b>Industrial Production</b>												
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	89.0	91.4	92.8	93.2	92.6	98.6	97.6	96.1	98.6	96.7	99.7	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	1.0	2.7	1.5	0.4	-0.6	6.5	-1.0	-1.5	2.6	-1.9	3.1	UN
...shipments index (unadjusted figure, YoY % change)	-14.1	-10.8	-1.0	-0.4	-4.6	-3.5	-4.1	-0.1	13.1	21.1	17.9	UN
...inventories index (unadjusted figure, YoY % change)	-7.0	-6.1	-8.4	-9.2	-8.9	-9.9	-7.5	-6.1	-8.0	-8.0	-7.5	UN
...shipments index (seasonally adjusted, 2015=100)	88.7	90.5	91.1	92.7	91.1	99.1	96.4	96.8	100.9	96.7	99.4	UN
...shipments index (seasonally adjusted, MoM change)	0.8	2.0	0.7	1.8	-1.7	8.8	-2.7	0.4	4.2	-4.2	2.8	UN
...inventories index (seasonally adjusted, 2015=100)	97.5	96.4	95.9	95.1	94.9	93.8	95.2	96.8	94.3	95.7	93.3	UN
...inventories index (seasonally adjusted, MoM change)	-1.4	-1.1	-0.5	-0.8	-0.2	-1.2	1.5	1.7	-2.6	1.5	-2.5	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	88.3	91.6	93.5	94.2	94.0	96.9	95.6	97.2	100.0	93.5	99.6	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	2.0	3.7	2.1	0.7	-0.2	3.1	-1.3	1.7	2.9	-6.5	6.5	UN
...shipments index (unadjusted figure, YoY % change)	-14.3	-9.6	-3.3	-4.1	-3.2	-5.3	-3.2	3.4	16.2	21.5	19.2	UN
...inventories index (unadjusted figure, YoY % change)	-5.6	-5.7	-8.1	-9.1	-8.4	-10.2	-9.5	-9.8	-9.8	-8.7	-5.0	UN
...shipments index (seasonally adjusted, 2015=100)	87.4	90.7	92.7	93.5	92.9	95.6	94.4	94.8	97.7	92.3	96.7	UN
...shipments index (seasonally adjusted, MoM change)	2.3	3.8	2.2	0.9	-0.6	2.9	-1.3	0.4	3.1	-5.5	4.8	UN
...inventories index (seasonally adjusted, 2015=100)	98.6	97.6	96.6	95.4	96.0	95.1	94.4	94.8	94.7	93.7	95.7	UN
...inventories index (seasonally adjusted, MoM change)	-0.9	-1.0	-1.0	-1.2	0.6	-0.9	-0.7	0.4	-0.1	-1.1	2.1	UN
<b>Labor Statistics</b>												
[Kansai] Unemployment rate (seasonally adjusted)	3.1	3.1	3.2	3.3	3.4	3.4	3.2	2.8	3.3	3.2	3.2	UN
[Kansai] Unemployment rate (unadjusted figure)	3.2	3.3	3.3	2.9	3.1	3.2	3.2	2.9	3.3	3.3	3.4	UN
[Japan] Unemployment rate (seasonally adjusted)	3.0	3.0	3.1	3.0	3.0	2.9	2.9	2.6	2.8	3.0	2.9	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.0	1.1	1.1	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.1	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	1.9	2.1	1.9	2.1	2.1	2.1	2.0	2.1	1.9	2.2	2.2	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	1.8	2.0	1.8	2.0	2.1	2.0	1.9	2.0	1.8	2.1	2.1	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	-2.9	-1.5	-1.7	-1.3	-3.7	-0.7	-0.0	1.1	1.2	2.3	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	-3.2	-1.7	-1.4	-0.3	-2.3	0.0	0.5	1.4	1.9	2.7	UN	UN
[Japan] Total cash earnings (YoY % change)	-1.3	-0.9	-0.7	-1.8	-3.0	-1.3	-0.4	0.6	1.4	1.9	-0.1	UN
<b>Retail sales</b>												
[Kansai] Large retail store sales (JPY billion)	297.4	275.2	288.7	297.2	372.9	289.5	265.2	293.1	265.2	239.0	289.3	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-6.3	-18.6	-1.2	-7.5	-8.0	-11.0	-4.9	4.0	20.9	-0.0	-1.5	UN
[Japan] Large retail store sales (JPY billion)	1,688.2	1,568.0	1,630.3	1,678.1	2,103.6	1,628.4	1,496.9	1,670.1	1,552.6	1,541.0	1,642.2	UN
[Japan] Large retail store sales (YoY % change, all stores)	-1.2	-12.8	4.0	-3.2	-3.3	-5.8	-3.3	2.8	15.7	6.0	-2.2	UN
<b>Housing &amp; Construction</b>												
[Kansai] New housing starts (number of units)	9,716.0	11,318.0	11,061.0	12,102.0	10,453.0	8,720.0	#####	#####	#####	#####	#####	UN
[Kansai] New housing starts (YoY % change)	-9.5	-4.5	-2.2	7.9	-13.2	-10.6	-6.0	-1.3	31.4	1.3	5.4	UN
[Japan] New housing starts (number of units)	69,101.0	70,186.0	70,685.0	70,798.0	65,643.0	#####	#####	#####	#####	#####	#####	UN
[Japan] New housing starts (YoY % change)	-9.1	-9.9	-8.3	-3.7	-9.0	-3.1	-3.7	1.5	7.1	9.9	7.3	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	10,126.8	10,856.7	10,978.2	11,565.2	11,097.8	9,366.8	#####	#####	#####	#####	#####	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	-6.5	7.2	1.1	5.3	-4.0	-15.6	13.2	7.3	8.9	-11.1	4.2	UN
[Japan] New housing starts (number of units, seasonally adjusted)	67,257.0	66,928.0	67,724.0	68,210.0	65,328.0	#####	#####	#####	#####	#####	#####	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	-2.8	-0.5	1.2	0.7	-4.2	2.2	0.8	9.0	0.3	-0.9	-1.0	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	71.6	70.2	57.8	69.0	82.0	63.0	76.2	76.3	62.5	82.6	72.2	72.9
[Kansai] Residential lots contract ratio (unadjusted figure)	78.2	69.2	58.0	69.3	80.0	61.2	78.5	74.8	62.0	78.3	73.2	73.4
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	68.7	73.3	73.8	64.8	64.1	69.2	76.2	69.0	74.2	68.4	69.8	63.5
[Tokyo area] Residential lots contract ratio (unadjusted figure)	68.5	73.4	70.4	58.1	62.6	68.1	76.0	73.6	73.6	69.3	72.5	68.3
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	558.3	598.0	610.8	641.8	677.7	658.1	639.2	628.5	548.7	539.5	551.8	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	2.1	5.1	4.2	6.6	9.2	5.1	2.8	1.5	2.6	6.0	2.2	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	4,341.5	4,662.2	4,879.6	4,978.3	5,091.5	5,001.8	4,859.0	4,941.5	4,028.5	3,851.8	4,122.8	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-3.6	-1.6	-1.1	-0.6	0.5	0.1	0.2	0.8	0.2	0.5	2.1	UN
[Kansai] Construction works (total, JPY billion)	1,892.6	2,151.4	2,339.3	2,435.5	2,543.2	2,498.1	2,394.5	2,481.6	1,667.4	1,515.0	1,681.7	UN
[Kansai] Construction works (total, YoY % change)	5.5	7.3	6.5	6.3	8.2	6.2	5.8	5.5	2.3	0.3	1.3	UN
[Japan] Construction works (total, JPY billion)	109.9	180.6	156.2	96.5	111.3	67.3	84.8	165.0	277.8	143.6	169.4	140.8
[Japan] Construction works (total, YoY % change)	3.7	50.5	-17.6	-27.6	16.5	-26.8	13.3	4.5	-13.2	18.9	5.6	0.2
[Japan] Construction works (public works, JPY billion)	1,300.9	1,493.2	1,342.6	881.4	734.5	632.8	648.5	1,515.6	2,094.0	1,413.3	1,650.8	1,389.8
[Japan] Construction works (public works, YoY % change)	13.2	17.1	-0.4	-3.3	-8.6	-1.4	-7.3	1.9	-9.2	6.3	0.7	-9.9
<b>Consumer Sentiment</b>												
[Kansai] Consumer Confidence Index (seasonally adjusted)	29.3	32.7	32.5	31.8	30.0	28.5	33.4	36.6	34.5	34.2	37.8	37.5
...overall livelihood	31.7	35.9	34.9	34.6	33.1	30.8	36.4	39.0	37.2	37.0	38.9	39.4
...income growth	31.9	34.5	34.3	33.8	33.2	32.1	35.1	37.3	36.7	36.5	37.2	37.3
...employment conditions	21.3	24.4	25.6	25.4	21.1	20.6	26.3	31.4	29.4	27.7	36.3	35.1
...willingness to buy durable goods	32.4	34.4	34.7	33.6	32.3	30.3	35.7	39.5	35.3	35.9	39.2	38.8
[Japan] Consumer Confidence Index (seasonally adjusted)	29.4	32.6	33.5	33.5	32.0	29.9	33.9	36.1	34.7	34.1	37.4	37.5
<b>Business Confidence</b>												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	43.4	46.7	49.2	39.9	31.7	31.7	42.4	49.8	33.3	38.2	49.3	49.7
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	42.8	44.9	44.4	33.9	37.6	38.4	51.6	46.9	39.2	50.1	50.3	46.2
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	43.7	47.8	53.0	43.8	34.3	31.2	41.3	49.0	39.1	38.1	47.6	48.4
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	42.9	47.1	47.7	35.0	36.1	39.9	51.3	49.8	41.7	47.6	52.4	48.4
<b>International Trade</b>												
[Kansai] Trade balance (JPY billion)	206.2	269.9	330.8	215.3	375.0	130.6	241.8	379.7	316.3	227.0	329.7	271.2
[Kansai] Exports (JPY billion)	1,204.9	1,333.9	1,430.7	1,298.1	1,487.4	1,289.1	1,311.6	1,630.0	1,597.5	1,383.4	1,608.0	1,556.2
[Kansai] Exports (YoY % change)	-8.7	-5.7	2.3	-4.0	5.2	13.3	-1.4	14.6	24.5	33.2	38.7	25.0
[Kansai] Imports (JPY billion)	998.6	1,063.9	1,099.9	1,082.9	1,112.5	1,158.5	1,069.8	1,250.3	1,281.2	1,156.4	1,278.4	1,285.0
[Kansai] Imports (YoY % change)	-16.8	-12.4	-8.9	-12.7	-8.9	-8.3	17.1	6.3	4.5	14.2	20.7	17.3

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