Kansai Economic Insight Monthly
2021/9/24
Vol.101 August/September

▼ 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 but anti-COVID-19 measures might suppress consumption despite decreasing number of infections* -

✓ The number of new daily COVID-19 infections (seven-day average) has declined to under one-third of its peak on August 28. Despite that, restrictions aimed at curbing the spread of the virus (including shortened business hours) remain in place, and are likely to suppress consumption.

✓ Industrial production in July decreased for the first time in two months. The decline was caused by the shrinking production of electronic and communication devices, metal products, and machines for general and business use.

✓ The unemployment rate in July logged a slight improvement for the third month in a row. However, the number of employed persons declined, as restrictions aimed at curbing the spread of the virus remained in place. The effective jobs offers-to-applicants ratio declined for the first time in three months. The employment environment remains in a severe state.

✓ In June, wages in the six prefectures of Kansai kept increasing YoY for the fourth consecutive month in nominal terms, and for the sixth in real terms. However, the income environment is stagnating – a comparison with the same month in the pre-pandemic 2019, which is more appropriate, reveals a decline in wages.

✓ The revenues of large retailers in July increased YoY for the first time in three months. A comparison with the pre-pandemic 2019 shows that the rate of decline kept decelerating for the second month in a row, suggesting a gradually recovery.

✓ The number of new housing starts in July increased YoY for the second month in a row, mainly driven by condominium construction. However, there are concerns that the pace of recovery might slow down due to the wood supply shock and the increasing number of COVID-19 infections.

✓ The amount of completed construction in July rose YoY for the 40th month in a row. Therein, public construction expanded for the 22nd consecutive month. The amount of planned public construction in August increased YoY for the fourth month in a row.

✓ The Economy Watcher diffusion index (DI) of current conditions in August deteriorated MoM for the first time in four months. The DI of future conditions deteriorated for the second consecutive month due to concerns that the state of emergency might be extended in view of the rising number of COVID-19 infections.

✓ In August, exports kept increasing YoY, for six consecutive months thanks to a continued increase of Asia-bound semiconductor and plastic exports. Imports kept expanding for seven months in a row, driven by a jump in crude oil prices and medical goods imports.

✓ The number of international arrivals at Kansai International Airport (KIX) in August was 2,476, marking a decline both from the previous month and from the average monthly figure for the first half of 2021 (3,772).

✓ In China, many economic indicators deteriorated in August. The non-manufacturing PMI hit the lowest point since February 2020 due to the resurgence of COVID-19 infections. In addition, production levels plateaued due to bearish external demand.

※ Judgment based on APIR's CI and CLI indices for Kansai.
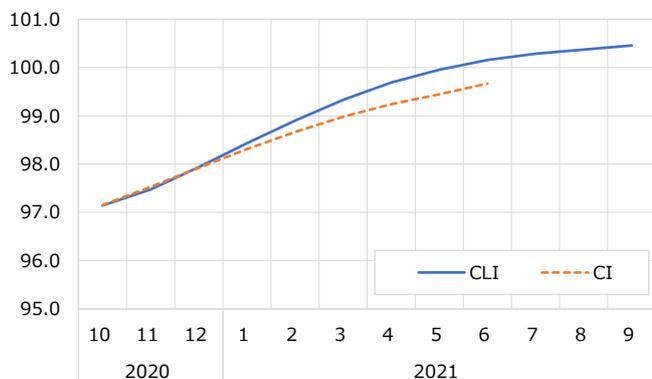
Trends in the Kansai Economy

|	2020				2021							
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
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 (2020/10〜2021/9)

Kansai's CLI and CI: MoM changes (2020/10〜2021/9)
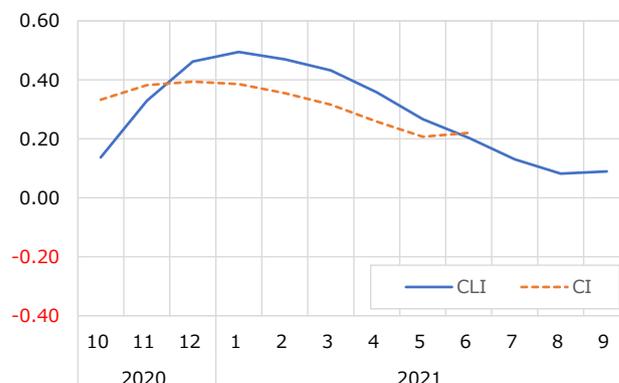
※Economic forecasts are based on the Kansai economic trend indices (CI, CLI) developed by APIR.

Data in Kansai at a glance

【Number of New Daily COVID-19 Infections】

(persons) / (persons)

- Kansai : L
- Osaka Prefecture : L
- Tokyo Metropolitan Area : L
- Nationwide : R
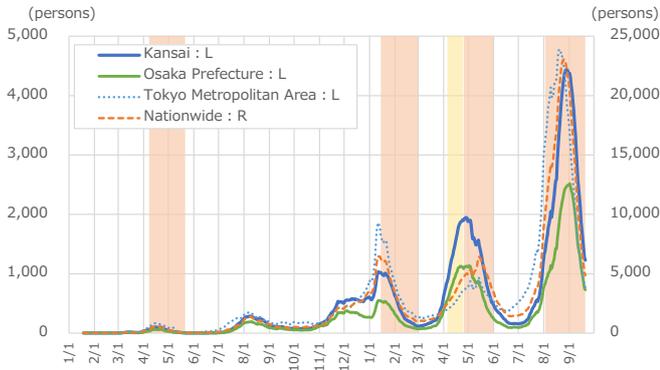
Source: MHLW

【Production, Shipment & Inventory】

(2015=100)

- Production
- Shipment
- Inventory
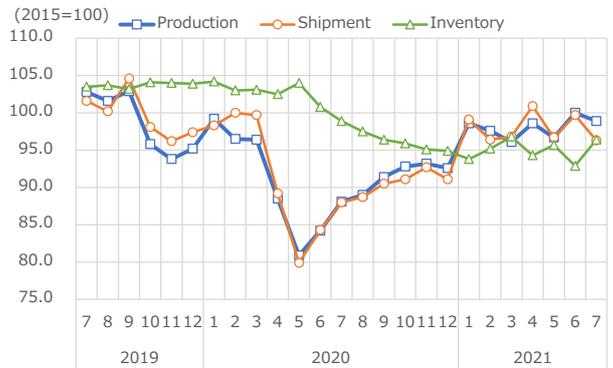
Source: METI

【Unemployment Rate, Jobs Offers-to-Applicants Ratio】

(%)

- Effective Jobs O/A Ratio:L
- New Jobs O/A Ratio:L
- Unemployment Rate:R
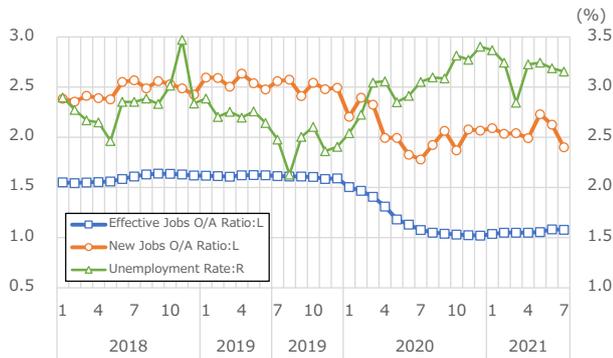
Source: MHLW, MIAC

【Revenues of Large Retailers】

(%)

- Kansai
- Nationwide
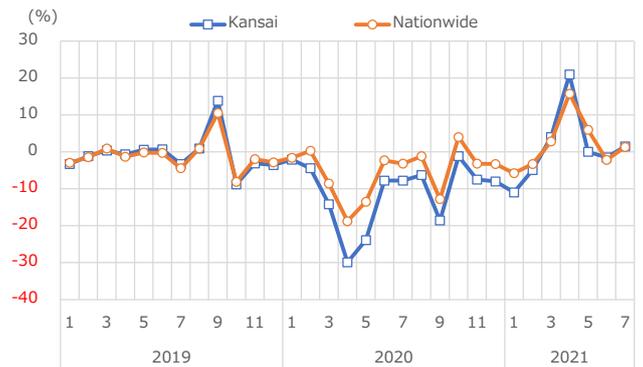
Source: METI

【Exports by Region】

(%)

- China
- Asia(including China)
- United States
- EU

Source: MOF

【PMI in China】

(%)

- Mfg, PMI
- Non Mfg, PMI
- Exports New Order
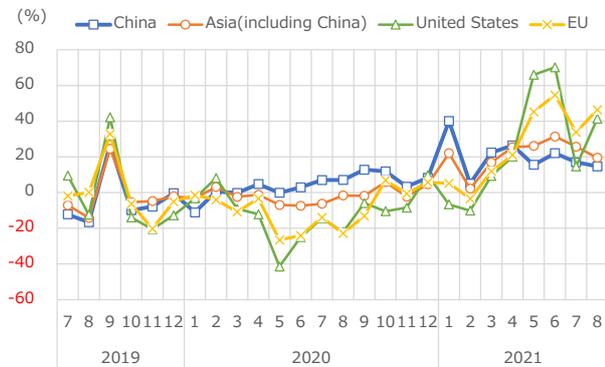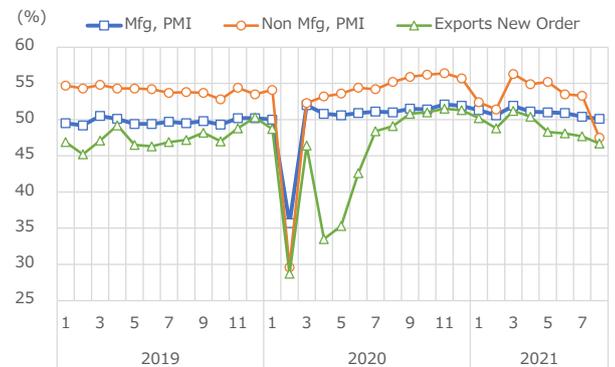
Source: CEIC

Major Monthly Statistics

Monthly statistics	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21
Industrial Production												
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	91.4	92.8	93.2	92.6	98.6	97.6	96.1	98.6	96.7	100.0	98.9	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	2.7	1.5	0.4	-0.6	6.5	-1.0	-1.5	2.6	-1.9	3.4	-1.1	UN
...shipments index (unadjusted figure, YoY % change)	-10.8	-1.0	-0.4	-4.6	-3.5	-4.1	-0.1	13.1	21.1	18.2	7.0	UN
...inventories index (unadjusted figure, YoY % change)	-6.1	-8.4	-9.2	-8.9	-9.9	-7.5	-6.1	-8.0	-8.0	-7.8	-2.6	UN
...shipments index (seasonally adjusted, 2015=100)	90.5	91.1	92.7	91.1	99.1	96.4	96.8	100.9	96.7	99.7	96.3	UN
...shipments index (seasonally adjusted, MoM change)	2.0	0.7	1.8	-1.7	8.8	-2.7	0.4	4.2	-4.2	3.1	-3.4	UN
...inventories index (seasonally adjusted, 2015=100)	96.4	95.9	95.1	94.9	93.8	95.2	96.8	94.3	95.7	92.9	96.4	UN
...inventories index (seasonally adjusted, MoM change)	-1.1	-0.5	-0.8	-0.2	-1.2	1.5	1.7	-2.6	1.5	-2.9	3.8	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	91.6	93.5	94.2	94.0	96.9	95.6	97.2	100.0	93.5	99.6	98.1	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	3.7	2.1	0.7	-0.2	3.1	-1.3	1.7	2.9	-6.5	6.5	-1.5	UN
...shipments index (unadjusted figure, YoY % change)	-9.6	-3.3	-4.1	-3.2	-5.3	-3.2	3.4	16.2	21.5	19.2	10.8	UN
...inventories index (unadjusted figure, YoY % change)	-5.7	-8.1	-9.1	-8.4	-10.2	-9.5	-9.8	-9.8	-8.7	-5.0	-4.3	UN
...shipments index (seasonally adjusted, 2015=100)	90.7	92.7	93.5	92.9	95.6	94.4	94.8	97.7	92.3	96.7	96.4	UN
...shipments index (seasonally adjusted, MoM change)	3.8	2.2	0.9	-0.6	2.9	-1.3	0.4	3.1	-5.5	4.8	-0.3	UN
...inventories index (seasonally adjusted, 2015=100)	97.6	96.6	95.4	96.0	95.1	94.4	94.8	94.7	93.7	95.7	95.0	UN
...inventories index (seasonally adjusted, MoM change)	-1.0	-1.0	-1.2	0.6	-0.9	-0.7	0.4	-0.1	-1.1	2.1	-0.7	UN
Labor Statistics												
[Kansai] Unemployment rate (seasonally adjusted)	3.1	3.2	3.3	3.4	3.4	3.2	2.8	3.3	3.2	3.2	3.1	UN
[Kansai] Unemployment rate (unadjusted figure)	3.3	3.3	2.9	3.1	3.2	3.2	2.9	3.3	3.3	3.4	3.3	UN
[Japan] Unemployment rate (seasonally adjusted)	3.0	3.1	3.0	3.0	2.9	2.9	2.6	2.8	3.0	2.9	2.8	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.03	1.02	1.02	1.01	1.05	1.06	1.05	1.04	1.05	1.10	1.09	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.04	1.04	1.05	1.05	1.10	1.09	1.10	1.09	1.09	1.13	1.15	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.13	1.87	2.08	2.09	2.13	1.97	2.07	1.92	2.19	2.19	1.89	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	1.97	1.84	2.04	2.11	2.03	1.88	1.99	1.82	2.09	2.08	1.98	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	-1.5	-1.7	-1.3	-3.7	-0.7	-0.0	1.1	1.2	2.3	1.3	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	-1.7	-1.4	-0.3	-2.3	0.0	0.5	1.4	1.9	2.7	1.2	UN	UN
[Japan] Total cash earnings (YoY % change)	-0.9	-0.7	-1.8	-3.0	-1.3	-0.4	0.6	1.4	1.9	0.1	1.0	UN
Retail sales												
[Kansai] Large retail store sales (JPY billion)	275.2	288.7	297.2	372.9	289.5	265.2	293.1	265.2	239.0	289.3	309.2	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-18.6	-1.2	-7.5	-8.0	-11.0	-4.9	4.0	20.9	-0.0	-1.5	1.4	UN
[Japan] Large retail store sales (JPY billion)	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	1,642.0	1,713.8	UN
[Japan] Large retail store sales (YoY % change, all stores)	-12.8	4.0	-3.2	-3.3	-5.8	-3.3	2.8	15.7	6.0	-2.2	1.3	UN
Housing & Construction												
[Kansai] New housing starts (number of units)	11,318	11,061	12,102	10,453	8,720	10,324	11,497	13,182	10,264	11,571	13,184	UN
[Kansai] New housing starts (YoY % change)	-4.5	-2.2	7.9	-13.2	-10.6	-6.0	-1.3	31.4	1.3	5.4	11.9	UN
[Japan] New housing starts (number of units)	70,186	70,685	70,798	65,643	58,448	60,764	71,787	74,521	70,178	76,312	77,182	UN
[Japan] New housing starts (YoY % change)	-9.9	-8.3	-3.7	-9.0	-3.1	-3.7	1.5	7.1	9.9	7.3	9.9	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	10,857	10,978	11,565	11,098	9,367	10,608	11,380	12,396	11,022	11,490	12,122	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	7.2	1.1	5.3	-4.0	-15.6	13.2	7.3	8.9	-11.1	4.2	5.5	UN
[Japan] New housing starts (number of units, seasonally adjusted)	66,928	67,724	68,210	65,328	66,757	67,299	73,359	73,583	72,942	72,202	77,186	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	-0.5	1.2	0.7	-4.2	2.2	0.8	9.0	0.3	-0.9	-1.0	6.9	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	70.2	57.8	69.0	82.0	63.0	76.2	76.3	62.5	82.6	72.2	72.9	59.5
[Kansai] Residential lots contract ratio (unadjusted figure)	69.2	58.0	69.3	80.0	61.2	78.5	74.8	62.0	78.3	73.2	73.4	65.0
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	73.3	73.8	64.8	64.1	69.2	76.2	69.0	74.2	68.4	69.8	63.5	73.3
[Tokyo area] Residential lots contract ratio (unadjusted figure)	73.4	70.4	58.1	62.6	68.1	76.0	73.6	73.6	69.3	72.5	68.3	73.0
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	598.0	610.8	641.8	677.7	658.1	639.2	628.5	548.7	539.5	551.8	570.3	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	5.1	4.2	6.6	9.2	5.1	2.8	1.5	2.6	6.0	2.2	5.0	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	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	4,284.8	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-1.6	-1.1	-0.6	0.5	0.1	0.2	0.8	0.2	0.5	2.1	3.0	UN
[Kansai] Construction works (total, JPY billion)	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	1,772.4	UN
[Kansai] Construction works (total, YoY % change)	7.3	6.5	6.3	8.2	6.2	5.8	5.5	2.3	0.4	1.3	1.8	UN
[Japan] Construction works (total, JPY billion)	180.6	156.2	96.5	111.3	67.3	84.8	165.0	277.8	143.6	169.4	140.8	122.0
[Japan] Construction works (total, YoY % change)	50.5	-17.6	-27.6	16.5	-26.8	13.3	4.5	-13.2	18.9	5.6	0.2	11.0
[Japan] Construction works (public works, JPY billion)	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	1,157.5
[Japan] Construction works (public works, YoY % change)	17.1	-0.4	-3.3	-8.6	-1.4	-7.3	1.9	-9.2	6.3	0.7	-9.9	-11.0
Consumer Sentiment												
[Kansai] Consumer Confidence Index (seasonally adjusted)	32.7	32.5	31.8	30.0	28.5	33.4	36.6	34.5	34.2	37.8	37.5	36.8
...overall livelihood	35.9	34.9	34.6	33.1	30.8	36.4	39.0	37.2	37.0	38.9	39.4	38.2
...income growth	34.5	34.3	33.8	33.2	32.1	35.1	37.3	36.7	36.5	37.2	37.3	37.4
...employment conditions	24.4	25.6	25.4	21.1	20.6	26.3	31.4	29.4	27.7	36.3	35.1	34.1
...willingness to buy durable goods	34.4	34.7	33.6	32.3	30.3	35.7	39.5	35.3	35.9	39.2	38.8	38.2
[Japan] Consumer Confidence Index (seasonally adjusted)	32.6	33.5	33.5	32.0	29.9	33.9	36.1	34.7	34.1	37.4	37.5	36.7
Business Confidence												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	46.7	49.2	39.9	31.7	31.7	42.4	49.8	33.3	38.2	49.3	49.7	36.2
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	44.9	44.4	33.9	37.6	38.4	51.6	46.9	39.2	50.1	50.3	46.2	43.9
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	47.8	53.0	43.8	34.3	31.2	41.3	49.0	39.1	38.1	47.6	48.4	34.7
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	47.1	47.7	35.0	36.1	39.9	51.3	49.8	41.7	47.6	52.4	48.4	43.7
International Trade												
[Kansai] Trade balance (JPY billion)	269.9	330.8	215.3	375.0	130.6	241.8	379.7	316.3	227.0	329.0	270.8	216.9
[Kansai] Exports (JPY billion)	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	1,556.0	1,520.9
[Kansai] Exports (YoY % change)	-5.7	2.3	-4.0	5.2	13.3	-1.4	14.6	24.5	33.2	38.7	25.0	26.2
[Kansai] Imports (JPY billion)	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	1,279.1	1,285.2	1,304.0
[Kansai] Imports (YoY % change)	-12.4	-8.9	-12.7	-8.9	-8.3	17.1	6.3	4.5	14.2	20.8	17.3	30.6

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