

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 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

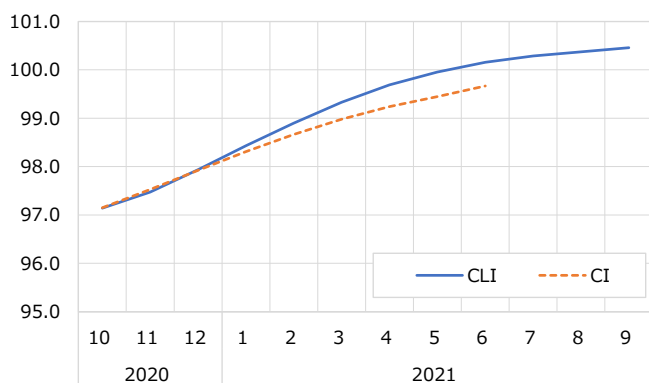
	2020				2021							
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Production	↑	↑	↑	↓	↑	↑	↓	↑	↓	↑	↓	
Employment	↓	↓	↑	↓	↑	↑	↓	↓	↑	↑	↓	
Consumption	↓	↓	↓	↓	↓	↓	↑	↑	→	↓	↑	
Housing	→	→	↑	↓	↓	↓	→	↑	→	↑	↑	
Public Works	↑	↓	↓	↑	↓	↑	→	↓	↑	↑	→	
Sentiment	↑	↑	↓	↓	→	↑	↑	↓	↑	↑	→	↓
Trade	↑	↑	↑	↑	↑	↓	↑	↑	↑	↑	↑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

Criteria for determining the trends

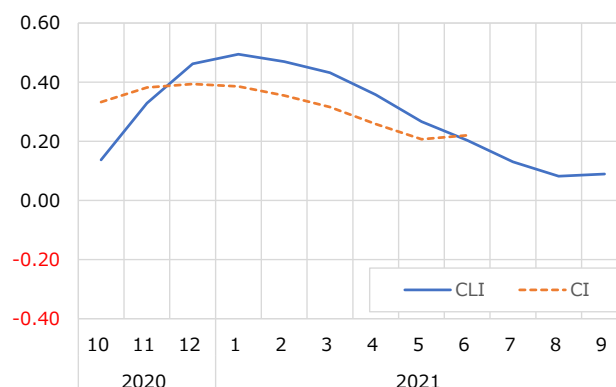
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend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



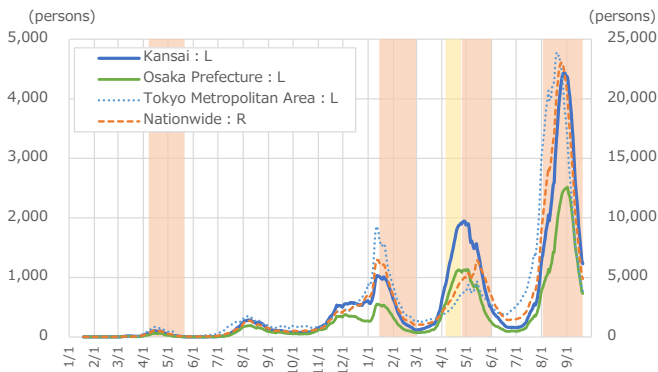
Kansai's CLI and CI: MoM changes (2020/10~2021/9)



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

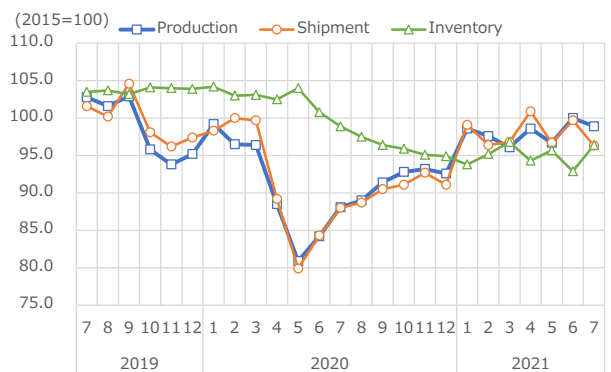
Data in Kansai at a glance

【Number of New Daily COVID-19 Infections】



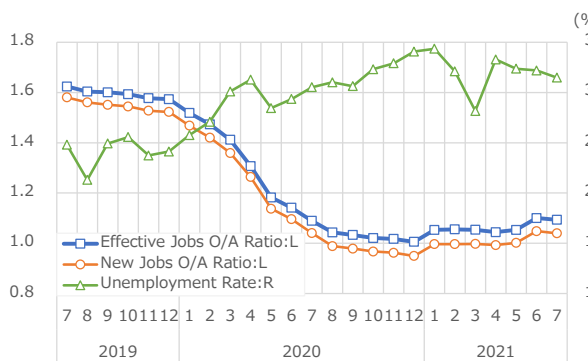
Source: MHLW

【Production, Shipment & Inventory】



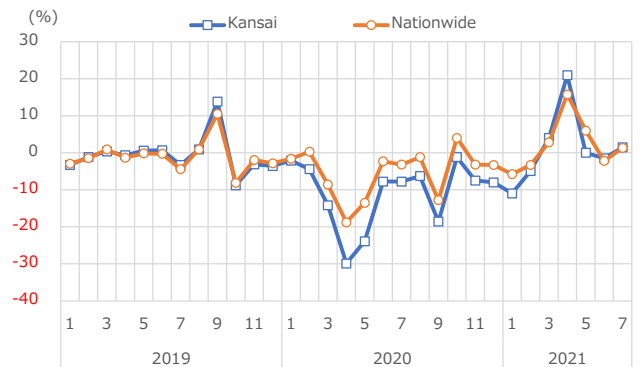
Source: METI

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



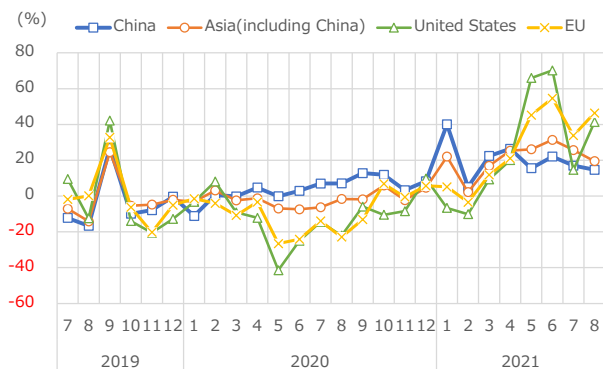
Source: MHLW, MIAC

【Revenues of Large Retailers】



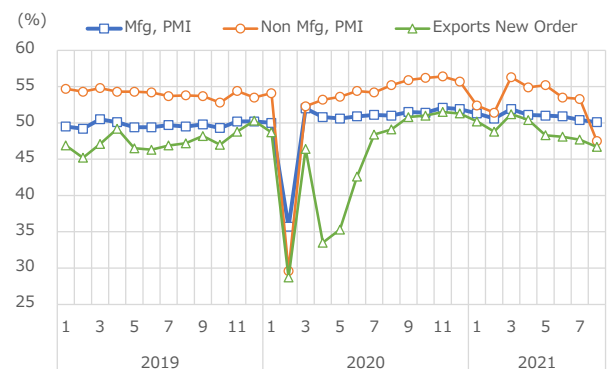
Source: METI

【Exports by Region】



Source: MOF

【PMI in China】



Source: CEIC

