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

- Both current economic conditions and economic outlook keep improving. Improving sentiment expected to raise expenditure on services* -

✓ Both the current economic conditions and the outlook for Kansai's economy keep improving. The government's decision to lift the state of emergency is expected to improve consumer sentiment and raise expenditure on services. However, the slowdown in China's domestic demand is raising concerns about Kansai's exports to China.

✓ The number of new daily COVID-19 infections (seven-day average) peaked on August 28 and has remained low since then. The restrictions aimed at curbing the spread of the virus, including shortened business hours, have been lifted. As a result, we expect to see a recovery, albeit a gradual one, in the expenditure on services.

✓ Industrial production in August decreased for the second month in row. The main reason was the slump in the production of electronic and communication devices, and transportation machinery, caused by the global semiconductor shortages.

✓ The unemployment rate in August logged a slight improvement for the fourth consecutive month. However, the number of employed persons declined due to the restrictions aimed at curbing the spread of the virus. The effective jobs offers-to-applicants ratio declined for the second month in a row. The employment environment remains unfavorable.

✓ In July, wages in the six prefectures of Kansai kept increasing YoY for the fifth consecutive month in nominal terms, and for the seventh in real terms. However, the growth rate was modest. A comparison with the same month in the pre-pandemic 2019 reveals a decline in both real and nominal wages, suggesting that the income environment has not improved and is still lackluster.

✓ The revenues of large retailers in August decreased YoY for the first time in two months Both department store sales and supermarket sales declined due to increasing infections spread, refraining from going out by the state of emergency and the long spells of rain.

✓ The number of new housing starts in August decreased YoY for the first time in three months, mainly due to the slowdown in condominium construction. However, there are signs that the wood supply shortages are easing, and that stagnant housing loans have bottomed out, suggesting that a recovery might be around the corner.

✓ The amount of completed construction in August rose YoY for the 13th month in a row. Therein, public construction expanded for the 23rd consecutive month. The amount of planned public construction in September decreased YoY for the first time in five months.

✓ The Economy Watcher diffusion index (DI) of current conditions in September improved MoM for the first time in two months, as the end of the emergency state was announced. The DI of future conditions improved for the first time in three months too, reflecting hopes of fewer COVID-19 related restrictions and a higher vaccination rate.

✓ In September, the trade balance remained positive for the 20th month in a row, but the surplus narrowed from the previous month. Exports expanded YoY for seven consecutive months thanks to the increasing demand for semiconductors in Asia. Imports expanded for eight months in a row, driven by increasing imports of communication devices from China and medical goods from the EU.

✓ The number of international arrivals at Kansai International Airport (KIX) in September was 3,079, marking a slight increase from the previous month. Although the Q3 figure is higher than Q2, it remains negligible compared to its pre-pandemic level.

✓ China's GDP grew +4.9% YoY in Q3, decelerating significantly from the previous quarter. The slowdown reflects the multiple natural disasters and power supply restrictions in certain areas, which affected negatively the manufacturing industry.

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

Trends in the Kansai Economy

	2020			2021								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
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 (2020/11～2021/10)

Kansai's CLI and CI: MoM changes (2020/11～2021/10)
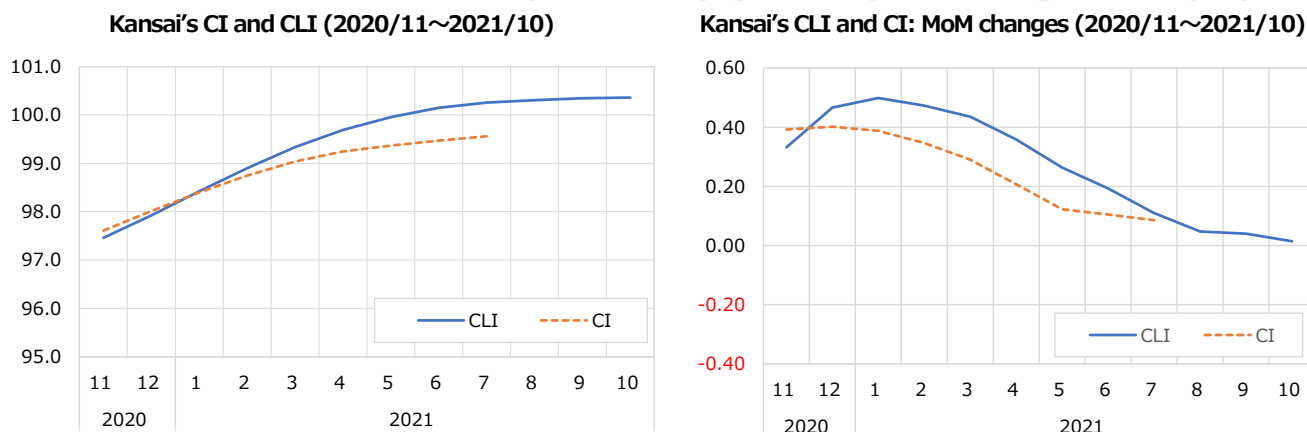
※Economic forecasts are based on the Kansai economic trend indices (CI, CLI) developed by APIR.

APIR 一般財団法人 アジア太平洋研究所
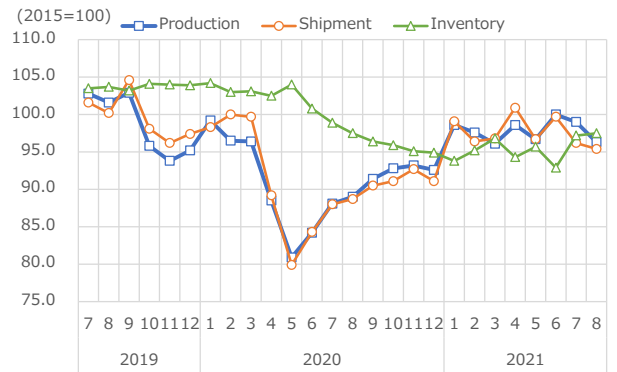ASIA PACIFIC INSTITUTE OF RESEARCH

Data in Kansai at a glance

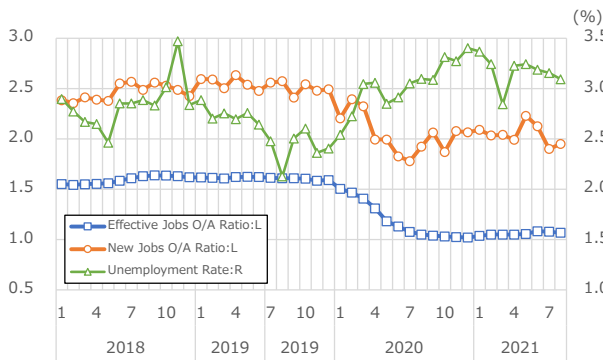### 【Number of New Daily COVID-19 Infections】
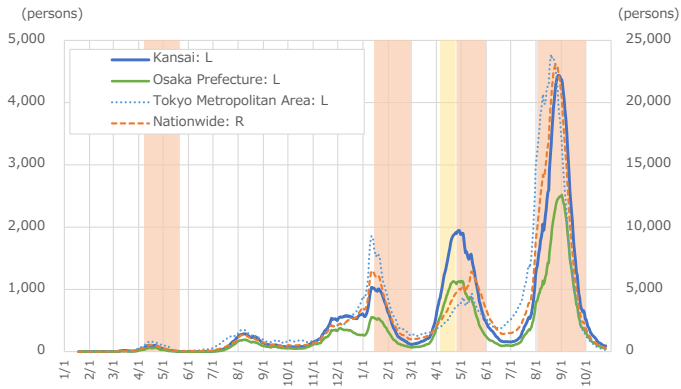
Source: MHLW

【Production, Shipment & Inventory】

Source: METI

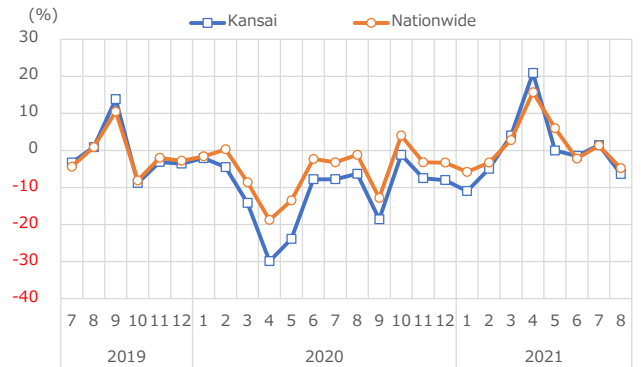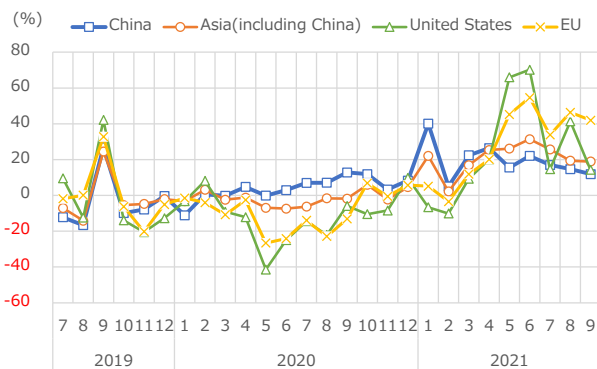### 【Unemployment Rate, Jobs Offers-to-Applicants Ratio】

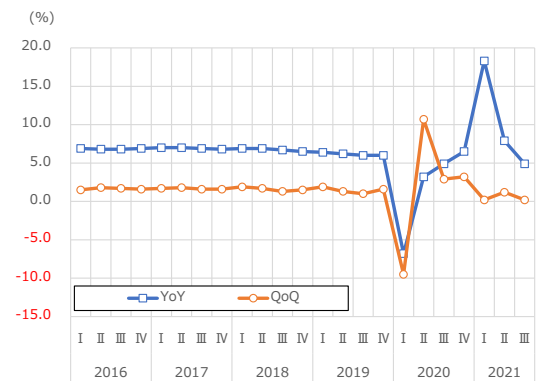Source: MHLW, MIAC

【Revenues of Large Retailers】

Source: METI

【Exports by Region】

Source: MOF

【GDP growth rate in China】

Source: CEIC

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Major Monthly Statistics

Monthly statistics	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21
Industrial Production												
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	92.8	93.2	92.6	98.6	97.6	96.1	98.6	96.7	100.0	99.0	96.3	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	1.5	0.4	-0.6	6.5	-1.0	-1.5	2.6	-1.9	3.4	-1.0	-2.7	UN
...shipments index (unadjusted figure, YoY % change)	-1.0	-0.4	-4.6	-3.5	-4.1	-0.1	13.1	21.1	18.2	6.9	9.9	UN
...inventories index (unadjusted figure, YoY % change)	-8.4	-9.2	-8.9	-9.9	-7.5	-6.1	-8.0	-8.0	-7.8	-1.8	0.0	UN
...shipments index (seasonally adjusted, 2015=100)	91.1	92.7	91.1	99.1	96.4	96.8	100.9	96.7	99.7	96.2	95.4	UN
...shipments index (seasonally adjusted, MoM change)	0.7	1.8	-1.7	8.8	-2.7	0.4	4.2	-4.2	3.1	-3.5	-0.8	UN
...inventories index (seasonally adjusted, 2015=100)	95.9	95.1	94.9	93.8	95.2	96.8	94.3	95.7	92.9	97.2	97.5	UN
...inventories index (seasonally adjusted, MoM change)	-0.5	-0.8	-0.2	-1.2	1.5	1.7	-2.6	1.5	-2.9	4.6	0.3	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	93.5	94.2	94.0	96.9	95.6	97.2	100.0	93.5	99.6	98.1	94.6	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	2.1	0.7	-0.2	3.1	-1.3	1.7	2.9	-6.5	6.5	-1.5	-3.6	UN
...shipments index (unadjusted figure, YoY % change)	-3.3	-4.1	-3.2	-5.3	-3.2	3.4	16.2	21.5	19.2	11.2	7.2	UN
...inventories index (unadjusted figure, YoY % change)	-8.1	-9.1	-8.4	-10.2	-9.5	-9.8	-9.8	-8.7	-5.0	-4.5	-3.7	UN
...shipments index (seasonally adjusted, 2015=100)	92.7	93.5	92.9	95.6	94.4	94.8	97.7	92.3	96.7	96.4	92.2	UN
...shipments index (seasonally adjusted, MoM change)	2.2	0.9	-0.6	2.9	-1.3	0.4	3.1	-5.5	4.8	-0.3	-4.4	UN
...inventories index (seasonally adjusted, 2015=100)	96.6	95.4	96.0	95.1	94.4	94.8	94.7	93.7	95.7	95.0	94.9	UN
...inventories index (seasonally adjusted, MoM change)	-1.0	-1.2	0.6	-0.9	-0.7	0.4	-0.1	-1.1	2.1	-0.7	-0.1	UN
Labor Statistics												
[Kansai] Unemployment rate (seasonally adjusted)	3.2	3.3	3.4	3.4	3.2	2.8	3.3	3.2	3.2	3.1	3.1	UN
[Kansai] Unemployment rate (unadjusted figure)	3.3	2.9	3.1	3.2	3.2	2.9	3.3	3.3	3.4	3.3	3.2	UN
[Japan] Unemployment rate (seasonally adjusted)	3.1	3.0	3.0	2.9	2.9	2.6	2.8	3.0	2.9	2.8	2.8	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.0	1.0	1.0	1.1	1.1	1.1	1.0	1.1	1.1	1.1	1.1	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.1	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	1.9	2.1	2.1	2.1	2.0	2.1	1.9	2.2	2.2	1.9	2.0	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	1.8	2.0	2.1	2.1	1.9	2.0	1.8	2.1	2.1	2.0	2.0	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	-1.7	-1.3	-3.7	-0.7	-0.0	1.1	1.2	2.3	1.3	0.3	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	-1.4	-0.3	-2.3	0.0	0.5	1.4	1.9	2.7	1.2	0.1	UN	UN
[Japan] Total cash earnings (YoY % change)	-0.7	-1.8	-3.0	-1.3	-0.4	0.6	1.4	1.9	0.1	0.6	0.6	UN
Retail sales												
[Kansai] Large retail store sales (JPY billion)	288.7	297.2	372.9	289.5	265.2	293.1	265.2	239.0	289.3	309.2	278.5	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-1.2	-7.5	-8.0	-11.0	-4.9	4.0	20.9	-0.0	-1.5	1.4	-6.4	UN
[Japan] Large retail store sales (JPY billion)	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	1,713.7	1,607.9	UN
[Japan] Large retail store sales (YoY % change, all stores)	4.0	-3.2	-3.3	-5.8	-3.3	2.8	15.7	6.0	-2.2	1.3	-4.8	UN
Housing & Construction												
[Kansai] New housing starts (number of units)	11,061.0	12,102.0	10,453.0	8,720.0	10,324.0	11,497.0	13,182.0	10,264.0	11,571.0	13,184.0	11,194.0	UN
[Kansai] New housing starts (YoY % change)	-2.2	7.9	-13.2	-10.6	-6.0	-1.3	31.4	1.3	5.4	11.9	15.2	UN
[Japan] New housing starts (number of units)	70,685.0	70,798.0	65,643.0	58,448.0	60,764.0	71,787.0	74,521.0	70,178.0	76,312.0	77,182.0	74,303.0	UN
[Japan] New housing starts (YoY % change)	-8.3	-3.7	-9.0	-3.1	-3.7	1.5	7.1	9.9	7.3	9.9	7.5	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	10,978.2	11,565.2	11,097.8	9,366.8	10,607.8	11,380.0	12,395.8	11,023.3	11,489.8	12,122.2	11,667.3	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	1.1	5.3	-4.0	-15.6	13.2	7.3	8.9	-11.1	4.2	5.5	-3.8	UN
[Japan] New housing starts (number of units, seasonally adjusted)	67,724.0	68,210.0	65,328.0	66,757.0	67,299.0	73,359.0	73,583.0	72,942.0	72,202.0	77,186.0	71,265.0	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	1.2	0.7	-4.2	2.2	0.8	9.0	0.3	-0.9	-1.0	6.9	-7.7	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	57.8	69.0	82.0	63.0	76.2	76.3	62.5	82.6	72.2	72.9	59.5	60.2
[Kansai] Residential lots contract ratio (unadjusted figure)	58.0	69.3	80.0	61.2	78.5	74.8	62.0	78.3	73.2	73.4	65.0	59.4
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	73.8	64.8	64.1	69.2	76.2	69.0	74.2	68.4	69.8	63.5	73.3	67.6
[Tokyo area] Residential lots contract ratio (unadjusted figure)	70.4	58.1	62.6	68.1	76.0	73.6	73.6	69.3	72.5	68.3	73.0	67.7
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	592.4	621.7	652.9	637.0	619.7	609.1	533.6	523.0	532.6	539.8	556.1	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	3.2	5.7	8.0	4.6	2.5	1.1	2.1	5.1	1.1	1.9	2.4	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	4,737.3	4,826.0	4,924.5	4,838.6	4,703.0	4,788.2	3,928.6	3,752.0	4,006.0	4,146.0	4,296.5	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-1.4	-1.0	0.1	-0.3	-0.1	0.6	-0.0	0.0	1.6	2.1	1.5	UN
[Kansai] Construction works (total, JPY billion)	2,197.0	2,283.2	2,376.3	2,334.8	2,238.5	2,328.4	1,566.4	1,421.1	1,575.5	1,640.2	1,721.5	UN
[Kansai] Construction works (total, YoY % change)	6.1	6.1	7.7	5.8	5.4	5.4	1.8	-0.6	0.5	-0.2	-3.6	UN
[Japan] Construction works (total, JPY billion)	156.2	96.5	111.3	67.3	84.8	165.0	277.8	143.6	169.4	140.8	122.0	150.5
[Japan] Construction works (total, YoY % change)	-17.6	-27.6	16.5	-26.8	13.3	4.5	-13.2	18.9	5.6	0.2	11.0	-16.7
[Japan] Construction works (public works, JPY billion)	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	1,268.2
[Japan] Construction works (public works, YoY % change)	-0.4	-3.3	-8.6	-1.4	-7.3	1.9	-9.2	6.3	0.7	-9.9	-11.0	-15.1
Consumer Sentiment												
[Kansai] Consumer Confidence Index (seasonally adjusted)	32.5	31.8	30.0	28.5	33.4	36.6	34.5	34.2	37.8	37.5	36.8	37.2
...overall livelihood	34.9	34.6	33.1	30.8	36.4	39.0	37.2	37.0	38.9	39.4	38.2	39.1
...income growth	34.3	33.8	33.2	32.1	35.1	37.3	36.7	36.5	37.2	37.3	37.4	37.3
...employment conditions	25.6	25.4	21.1	20.6	26.3	31.4	29.4	27.7	36.3	35.1	34.1	33.4
...willingness to buy durable goods	34.7	33.6	32.3	30.3	35.7	39.5	35.3	35.9	39.2	38.8	38.2	37.4
[Japan] Consumer Confidence Index (seasonally adjusted)	33.5	33.5	32.0	29.9	33.9	36.1	34.7	34.1	37.4	37.5	36.7	37.8
Business Confidence												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	49.2	39.9	31.7	31.7	42.4	49.8	33.3	38.2	49.3	49.7	36.2	42.0
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	44.4	33.9	37.6	38.4	51.6	46.9	39.2	50.1	50.3	46.2	43.9	54.5
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	53.0	43.8	34.3	31.2	41.3	49.0	39.1	38.1	47.6	48.4	34.7	42.1
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	47.7	35.0	36.1	39.9	51.3	49.8	41.7	47.6	52.4	48.4	43.7	56.6
International Trade												
[Kansai] Trade balance (JPY billion)	330.8	215.3	375.0	130.6	241.8	379.7	316.3	227.0	329.0	270.1	215.7	225.8
[Kansai] Exports (JPY billion)	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	1,520.0	1,616.2
[Kansai] Exports (YoY % change)	2.3	-4.0	5.2	13.3	-1.4	14.6	24.5	33.2	38.7	25.0	26.2	21.2
[Kansai] Imports (JPY billion)	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	1,285.9	1,304.3	1,390.4
[Kansai] Imports (YoY % change)	-8.9	-12.7	-8.9	-8.3	17.1	6.3	4.5	14.2	20.8	17.4	30.6	30.7

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