

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's economy at a standstill, outlook remains gloomy. Rising hopes for a recovery in service consumption in the face of supply constraints* -

- ✓ Kansai's economy remains stagnant, and the outlook is uncertain. Although the shortage of semiconductors has led to significant production cuts in some industries, the easing of restrictions aimed at curbing the spread of COVID-19 is expected to improve the consumer sentiment and lead to a recovery in service consumption.
- ✓ The number of new daily COVID-19 infections (seven-day average) peaked at the end of August and has remained low since then. As the restrictions aimed at curbing the spread of the virus have been lifted, and tourism campaigns restart, the so-far sluggish consumption of services is expected to recover.
- ✓ September was the third consecutive month of MoM decline in industrial production. This was mainly due to a large drop in transportation machinery production caused by a shortage of semiconductors. As a result, the Q3 Index of Industrial Production declined QoQ for the first time in five quarters.
- ✓ The unemployment rate in September logged a slight improvement for the fifth consecutive month. As a result, Q3 saw a QoQ improvement for the third quarter in a row. However, this trend is not good news, as the number of employed persons declined. The effective jobs offers-to-applicants ratio in September remained flat MoM. Likewise, the Q3 figure remained flat from the previous quarter.
- ✓ In August, wages in the six Kansai prefectures kept increasing YoY for the sixth consecutive month in nominal terms, and for the eighth 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.
- ✓ The revenues of large retailers in September declined YoY for the second month in a row. The rapid decrease in new infections and the expectations that the state of emergency would be lifted led to a recovery in department store sales. However, on a QoQ basis, Q3 saw the first decline in two quarters, reflecting the impact of the fourth state of emergency.
- ✓ The number of new housing starts in September increased YoY for the first time in two months, mainly driven by condominium construction. Although the construction of private housing and housing for rent decelerated in Q3, the recovery trend is visible.
- ✓ The amount of completed public construction in September expanded YoY for the 24th consecutive month, while nationwide public construction declined three months in a row. However, the amount of planned public construction in October decreased YoY for the second month in a row.
- ✓ The Economy Watcher diffusion index (DI) of current conditions in October improved MoM for the second month in a row, as the number of new infections declined and the government's appeals for shortened business hours were lifted. The DI of future conditions improved for the second consecutive month too.
- ✓ In October, the trade balance remained positive for the 21st month in a row, and the surplus expanded from the previous month. Exports grew YoY for eight consecutive months. Notably, the exports of semiconductor manufacturing equipment hit a historic high, driven by increasing demand in Asia. Imports expanded for nine months in a row, led by crude oil.
- ✓ The number of international arrivals at Kansai International Airport (KIX) in October (3,743) increased slightly from the previous month (3,079) as the limit for daily arrivals was raised.
- ✓ In October, economic activity in China was suppressed by the government's "Zero Corona" policy. Although foreign demand is strong and domestic consumption is expanding, production and employment remain stagnant. As a result of the tightening of fiscal and monetary policies, investment in state-owned assets is decelerating, and the real estate industry is facing fund procurement difficulties, which raises concerns about an economic slowdown.

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

Trends in the Kansai Economy

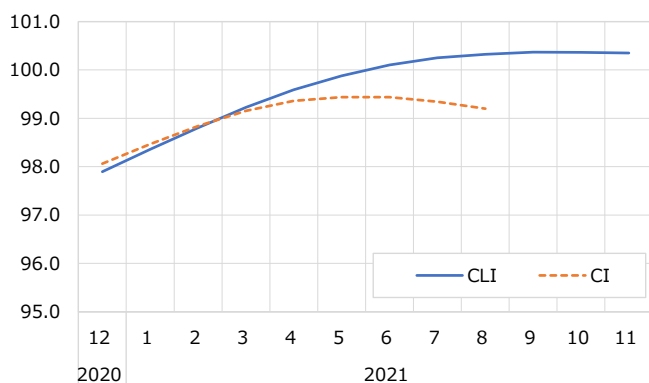
	2020		2021									
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Production	↑	↓	↑	↑	↓	↑	↓	↑	↓	↓	↓	
Employment	↑	↓	↑	↑	↓	↓	↑	↑	↓	↓	→	
Consumption	↓	↓	↓	↓	↑	↑	→	↓	↑	↓	↓	
Housing	↑	↓	↓	↓	→	↑	→	↑	↑	↑	↑	
Public Works	↓	↑	↓	↑	→	↓	↑	↑	→	↑	↓	↓
Sentiment	↓	↓	→	↑	↑	↓	↑	↑	→	↓	↑	↑
Trade	↑	↑	↑	↓	↑	↑	↑	↑	↑	→	→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

Criteria for determining the trends

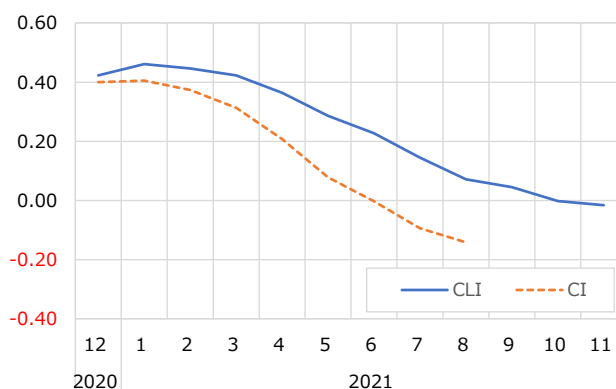
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2020/12~2021/11)



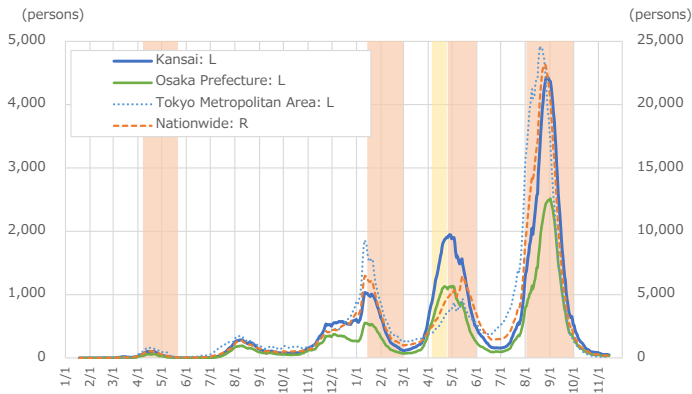
Kansai's CLI and CI: MoM changes (2020/12~2021/11)



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

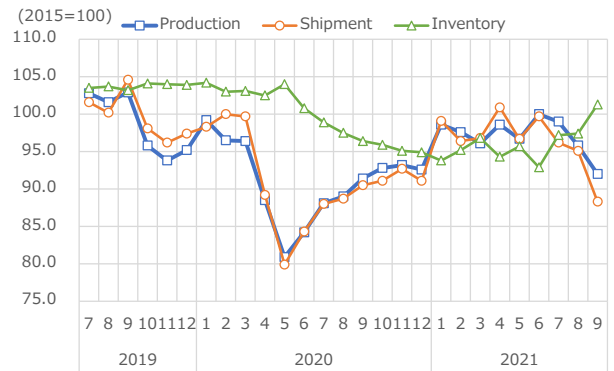
Data in Kansai at a glance

【Number of New Daily COVID-19 Infections】



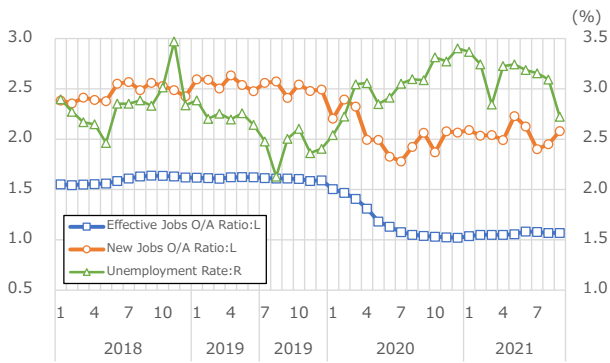
Source: MHLW

【Production, Shipment & Inventory】



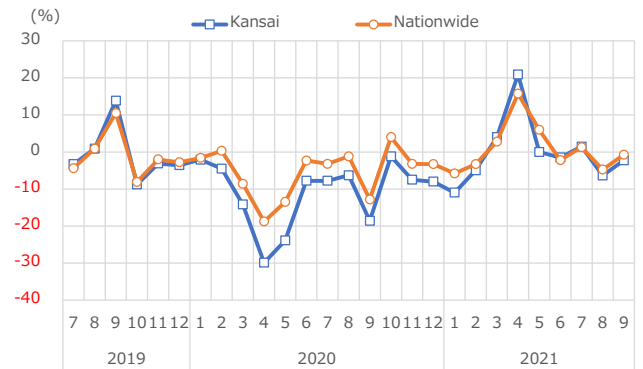
Source: METI

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



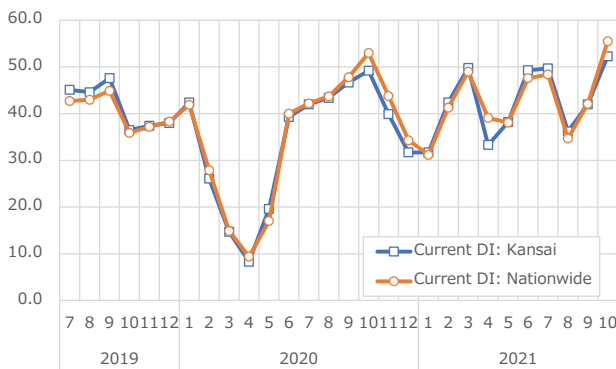
Source: MHLW, MIAC

【Revenues of Large Retailers】



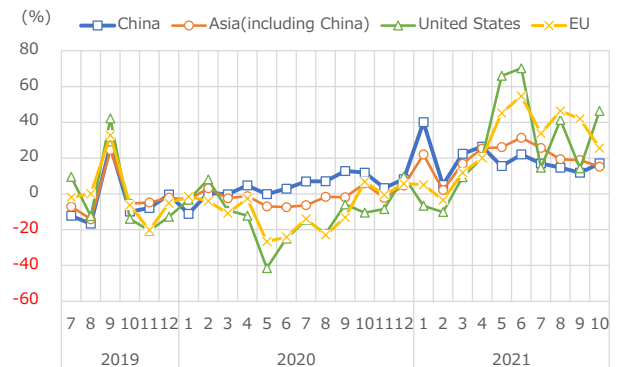
Source: METI

【Economy Watcher diffusion index (DI)】



Source: Cabinet Office

【Exports by Region】



Source: MOF

Major Monthly Statistics

Monthly statistics	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
Industrial Production												
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	93.2	92.6	98.6	97.6	96.1	98.6	96.7	100.0	99.0	95.8	92.0	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	0.4	-0.6	6.5	-1.0	-1.5	2.6	-1.9	3.4	-1.0	-3.2	-4.0	UN
...shipments index (unadjusted figure, YoY % change)	-0.4	-4.6	-3.5	-4.1	-0.1	13.1	21.1	18.2	6.9	9.9	-2.5	UN
...inventories index (unadjusted figure, YoY % change)	-9.2	-8.9	-9.9	-7.5	-6.1	-8.0	-8.0	-7.8	-1.8	0.0	5.1	UN
...shipments index (seasonally adjusted, 2015=100)	92.7	91.1	99.1	96.4	96.8	100.9	96.7	99.7	96.2	95.1	88.3	UN
...shipments index (seasonally adjusted, MoM change)	1.8	-1.7	8.8	-2.7	0.4	4.2	-4.2	3.1	-3.5	-1.1	-7.2	UN
...inventories index (seasonally adjusted, 2015=100)	95.1	94.9	93.8	95.2	96.8	94.3	95.7	92.9	97.2	97.4	101.3	UN
...inventories index (seasonally adjusted, MoM change)	-0.8	-0.2	-1.2	1.5	1.7	-2.6	1.5	-2.9	4.6	0.2	4.0	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	94.2	94.0	96.9	95.6	97.2	100.0	93.5	99.6	98.1	94.6	89.5	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	0.7	-0.2	3.1	-1.3	1.7	2.9	-6.5	6.5	-1.5	-3.6	-5.4	UN
...shipments index (unadjusted figure, YoY % change)	-4.1	-3.2	-5.3	-3.2	3.4	16.2	21.5	19.2	11.2	7.2	-4.5	UN
...inventories index (unadjusted figure, YoY % change)	-9.1	-8.4	-10.2	-9.5	-9.8	-9.8	-8.7	-5.0	-4.5	-3.7	0.5	UN
...shipments index (seasonally adjusted, 2015=100)	93.5	92.9	95.6	94.4	94.8	97.7	92.3	96.7	96.4	92.2	86.6	UN
...shipments index (seasonally adjusted, MoM change)	0.9	-0.6	2.9	-1.3	0.4	3.1	-5.5	4.8	-0.3	-4.4	-6.1	UN
...inventories index (seasonally adjusted, 2015=100)	95.4	96.0	95.1	94.4	94.8	94.7	93.7	95.7	95.0	94.9	98.1	UN
...inventories index (seasonally adjusted, MoM change)	-1.2	0.6	-0.9	-0.7	0.4	-0.1	-1.1	2.1	-0.7	-0.1	3.4	UN
Labor Statistics												
[Kansai] Unemployment rate (seasonally adjusted)	3.3	3.4	3.4	3.2	2.8	3.3	3.2	3.2	3.1	3.1	2.7	UN
[Kansai] Unemployment rate (unadjusted figure)	2.9	3.1	3.2	3.2	2.9	3.3	3.3	3.4	3.3	3.2	2.9	UN
[Japan] Unemployment rate (seasonally adjusted)	3.0	3.0	2.9	2.9	2.6	2.8	3.0	2.9	2.8	2.8	2.8	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.0	1.0	1.1	1.1	1.1	1.0	1.1	1.1	1.1	1.1	1.1	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.1	1.2	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.1	2.1	2.1	2.0	2.1	1.9	2.2	2.2	1.9	2.0	2.2	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.0	2.1	2.0	1.9	2.0	1.8	2.1	2.1	2.0	2.0	2.1	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	-1.3	-3.7	-0.7	-0.0	1.1	1.2	2.3	1.3	0.3	1.1	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	-0.3	-2.3	0.0	0.5	1.4	1.9	2.7	1.2	0.1	0.8	UN	UN
[Japan] Total cash earnings (YoY % change)	-1.8	-3.0	-1.3	-0.4	0.6	1.4	1.9	0.1	0.6	0.6	0.2	UN
Retail sales												
[Kansai] Large retail store sales (JPY billion)	297.2	372.9	289.5	265.2	293.1	265.2	239.0	289.3	309.2	278.5	269.0	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-7.5	-8.0	-11.0	-4.9	4.0	20.9	-0.0	-1.5	1.4	-6.4	-2.3	UN
[Japan] Large retail store sales (JPY billion)	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	1,556.6	UN
[Japan] Large retail store sales (YoY % change, all stores)	-3.2	-3.3	-5.8	-3.3	2.8	15.7	6.0	-2.2	1.3	-4.8	-0.7	UN
Housing & Construction												
[Kansai] New housing starts (number of units)	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	12,436.0	UN
[Kansai] New housing starts (YoY % change)	7.9	-13.2	-10.6	-6.0	-1.3	31.4	1.3	5.4	11.9	15.2	9.9	UN
[Japan] New housing starts (number of units)	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	73,178.0	UN
[Japan] New housing starts (YoY % change)	-3.7	-9.0	-3.1	-3.7	1.5	7.1	9.9	7.3	9.9	7.5	4.3	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	11,565.2	11,097.8	9,366.8	10,607.8	11,380.0	12,395.8	11,022.3	11,489.8	12,122.2	11,667.3	11,929.1	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	5.3	-4.0	-15.6	13.2	7.3	8.9	-11.1	4.2	5.5	-3.8	2.2	UN
[Japan] New housing starts (number of units, seasonally adjusted)	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	70,424.0	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	0.7	-4.2	2.2	0.8	9.0	0.3	-0.9	-1.0	6.9	-7.7	-1.2	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	69.0	82.0	63.0	76.2	76.3	62.5	82.6	72.2	72.9	59.5	60.2	57.1
[Kansai] Residential lots contract ratio (unadjusted figure)	69.3	80.0	61.2	78.5	74.8	62.0	78.3	73.2	73.4	65.0	59.4	57.3
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	64.8	64.1	69.2	76.2	69.0	74.2	68.4	69.8	63.5	73.3	67.6	75.2
[Tokyo area] Residential lots contract ratio (unadjusted figure)	58.1	62.6	68.1	76.0	73.6	73.6	69.3	72.5	68.3	73.0	67.7	71.4
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	621.7	652.9	637.0	619.7	609.1	533.6	523.0	532.6	539.8	556.1	587.3	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	5.7	8.0	4.6	2.5	1.1	2.1	5.1	1.1	1.9	2.4	1.8	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	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	4,555.8	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-1.0	0.1	-0.3	-0.1	0.6	-0.0	0.0	1.6	2.1	1.5	0.5	UN
[Kansai] Construction works (total, JPY billion)	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	1,883.4	UN
[Kansai] Construction works (total, YoY % change)	6.1	7.7	5.8	5.4	5.4	1.8	-0.6	0.5	-0.2	-3.6	-6.9	UN
[Japan] Construction works (total, JPY billion)	96.5	111.3	67.3	84.8	165.0	277.8	143.6	169.4	140.8	122.0	150.5	136.7
[Japan] Construction works (total, YoY % change)	-27.6	16.5	-26.8	13.3	4.5	-13.2	18.9	5.6	0.2	11.0	-16.7	-12.5
[Japan] Construction works (public works, JPY billion)	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	1,076.7
[Japan] Construction works (public works, YoY % change)	-3.3	-8.6	-1.4	-7.3	1.9	-9.2	6.3	0.7	-9.9	-11.0	-15.1	-19.8
Consumer Sentiment												
[Kansai] Consumer Confidence Index (seasonally adjusted)	31.8	30.0	28.5	33.4	36.6	34.5	34.2	37.8	37.5	36.8	37.2	37.3
...overall livelihoood	34.6	33.1	30.8	36.4	39.0	37.2	37.0	38.9	39.4	38.2	39.1	37.1
...income growth	33.8	33.2	32.1	35.1	37.3	36.7	36.5	37.2	37.3	37.4	37.3	37.7
...employment conditions	25.4	21.1	20.6	26.3	31.4	29.4	27.7	36.3	35.1	34.1	33.4	37.5
...willingness to buy durable goods	33.6	32.3	30.3	35.7	39.5	35.3	35.9	39.2	38.8	38.2	37.4	36.1
[Japan] Consumer Confidence Index (seasonally adjusted)	33.5	32.0	29.9	33.9	36.1	34.7	34.1	37.4	37.5	36.7	37.8	39.2
Business Confidence												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	39.9	31.7	31.7	42.4	49.8	33.3	38.2	49.3	49.7	36.2	42.0	52.3
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	33.9	37.6	38.4	51.6	46.9	39.2	50.1	50.3	46.2	43.9	54.5	55.0
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	43.8	34.3	31.2	41.3	49.0	39.1	38.1	47.6	48.4	34.7	42.1	55.5
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	35.0	36.1	39.9	51.3	49.8	41.7	47.6	52.4	48.4	43.7	56.6	57.5
International Trade												
[Kansai] Trade balance (JPY billion)	215.3	375.0	130.6	241.8	379.7	316.3	227.0	329.0	270.1	215.0	225.5	431.2
[Kansai] Exports (JPY billion)	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	1,616.0	1,732.5
[Kansai] Exports (YoY % change)	-4.0	5.2	13.3	-1.4	14.6	24.5	33.2	38.7	25.0	26.2	21.2	21.1
[Kansai] Imports (JPY billion)	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	1,305.0	1,390.5	1,301.3
[Kansai] Imports (YoY % change)	-12.7	-8.9	-8.3	17.1	6.3	4.5	14.2	20.8	17.4	30.7	30.1	18.2

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