

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.

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

Highlights

- **Kansai's economy is at a standstill, likely to remain sluggish**※ -
Semiconductor shortages and new COVID-19 variants remain risk factors

- ✓ Kansai's economy is stagnant, and it is likely to remain sluggish. The shortage of semiconductors continues to exert downward pressure on production in related industries. In addition, concerns about the Omicron variant have worsened the future sentiment.
- ✓ The number of new daily COVID-19 infections (seven-day average) has been decreasing since the end of August, and is currently low. However, there are concerns that the Omicron variant could dampen the recovery of domestic travel demand and service consumption.
- ✓ October was the fourth consecutive month of MoM decline in industrial production. This was mainly due to a drop in the production of telecommunication-related products as well as electronic components and devices, caused by a shortage of semiconductors.
- ✓ The unemployment rate in October deteriorated for the first time in six months, albeit slightly. The effective jobs offers-to-applicants ratio remained flat MoM, extending the trend from September. Although the state of emergency has been lifted, both the labor force and the number of workers have shrunk. The labor market remains lackluster.
- ✓ In September, wages in the six Kansai prefectures kept increasing YoY for the seventh consecutive month in nominal terms. However, in real terms, they declined for the first time in nine months. A comparison with the same month in the pre-pandemic 2019 reveals that the income environment has not improved.
- ✓ The revenues of large retailers in October increased YoY for the first time in three months. The low number of new infections, combined with the fact that the state of emergency was lifted, led to an expansion in people's mobility. Thus, department store sales increased.
- ✓ The number of new housing starts in October decreased YoY for the first time in two months, due to the decline in condominium and housing for rent construction. The soaring prices of construction materials, such as plywood, will keep exerting downward pressure, suggesting that the recovery is likely to slow down in the future.
- ✓ The amount of completed public construction in October expanded YoY for the 25th consecutive month. Kansai performed better than Japan as a whole, which saw a decline in four months. However, the amount of planned public construction in November decreased YoY both in Kansai (for the third month) and nationwide (for the fifth month in a row).
- ✓ The Economy Watcher diffusion index (DI) of current conditions in November improved MoM for the third month in a row, due in part to the recovery in food service industry. In contrast, the DI of future conditions deteriorated for the first time in three months, reflecting concerns about price hikes caused by the Omicron variant and soaring raw material prices.
- ✓ In November, the trade balance remained positive for the 22nd month in a row, although the surplus was smaller than the previous month. Exports grew YoY for nine consecutive months. The exports of motor vehicles and semiconductors remained high. Imports expanded for 10 months in a row, mainly due to high crude oil prices.
- ✓ The number of international arrivals at Kansai International Airport (KIX) in November (3,678) remained almost at the same level as the previous month (3,743). The easing of entry restrictions had little impact on arrival numbers.
- ✓ In China, various economic indicators underperformed in November due to the reemergence of COVID-19. While people are refraining from going out, consumption via the Internet remains robust. The possibility of an economic slowdown in the future is increasing, partly due to concerns about the spread of the Omicron variant.

Trends in the Kansai Economy

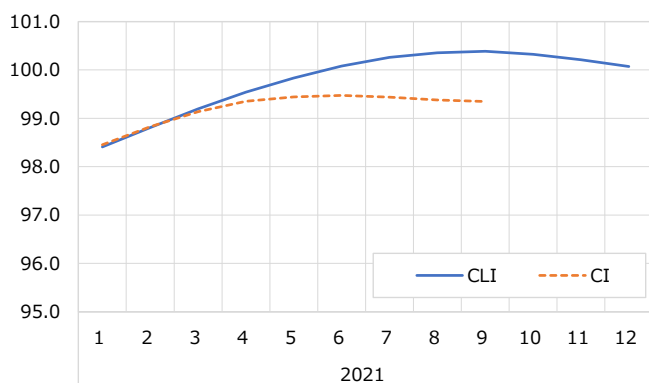
	2020	2021										
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Production	↓	↑	↑	↓	↑	↓	↑	↓	↓	↓	↓	
Employment	↓	↑	↑	↓	↓	↑	↑	↓	↓	→	→	
Consumption	↓	↓	↓	↑	↑	→	↓	↑	↓	↓	→	
Housing	↓	↓	↓	→	↑	→	↑	↑	↑	↑	↑	
Public Works	↑	↓	↑	→	↓	↑	↑	→	↑	↓	↓	↓
Sentiment	↓	→	↑	↑	↓	↑	↑	→	↓	↑	↑	↑
Trade	↑	↑	↓	↑	↑	↑	↑	↑	→	→	↑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

Criteria for determining the trends

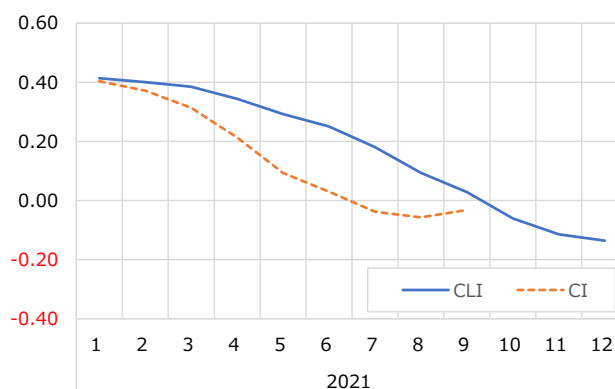
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2021/1~2021/12)



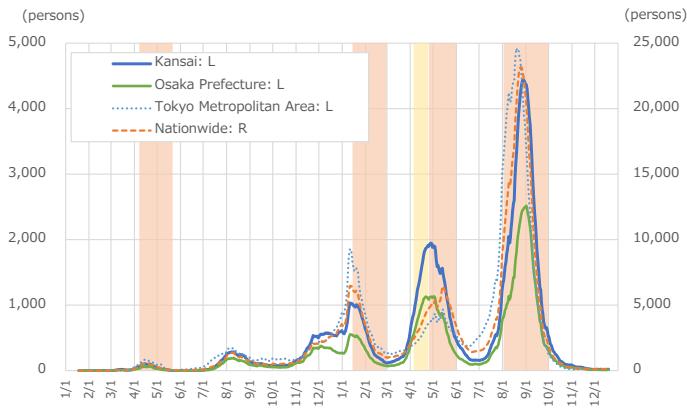
Kansai's CLI and CI: MoM changes (2021/1~2021/12)



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

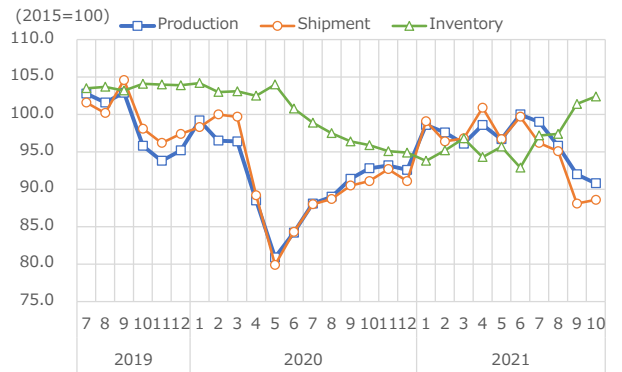
Data in Kansai at a glance

【Number of New Daily COVID-19 Infections】



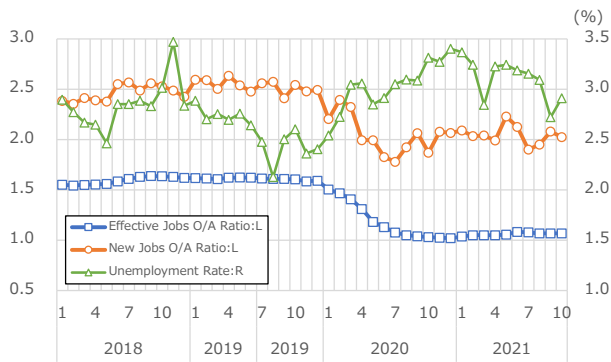
Source: MHLW

【Production, Shipment & Inventory】



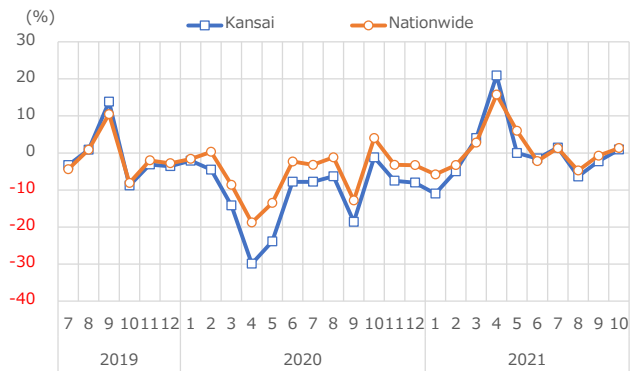
Source: METI

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



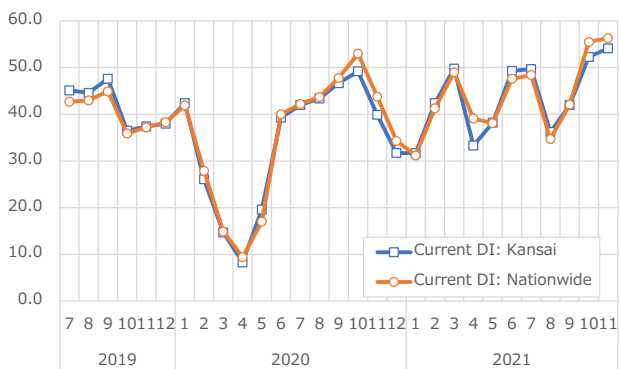
Source: MHLW, MIAC

【Revenues of Large Retailers】



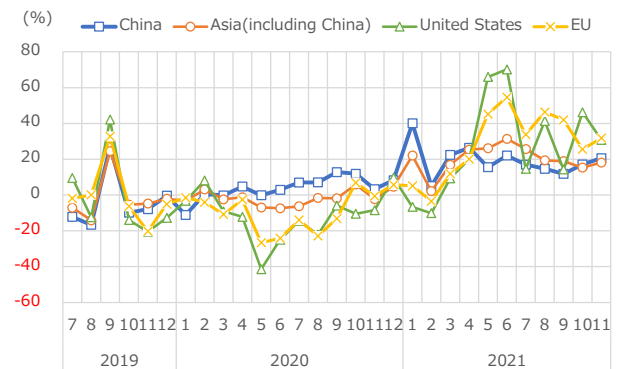
Source: METI

【Economy Watcher diffusion index (DI)】



Source: Cabinet Office

【Exports by Region】



Source: MOF

Major Monthly Statistics

Monthly statistics	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
Industrial Production												
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	92.6	98.6	97.6	96.1	98.6	96.7	100.0	99.0	95.8	92.0	90.8	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	-0.6	6.5	-1.0	-1.5	2.6	-1.9	3.4	-1.0	-3.2	-4.0	-1.3	UN
...shipments index (unadjusted figure, YoY % change)	-4.6	-3.5	-4.1	-0.1	13.1	21.1	18.2	6.9	9.6	-2.7	-4.8	UN
...inventories index (unadjusted figure, YoY % change)	-8.9	-9.9	-7.5	-6.1	-8.0	-8.0	-7.8	-1.8	-0.1	5.2	6.7	UN
...shipments index (seasonally adjusted, 2015=100)	91.1	99.1	96.4	96.8	100.9	96.7	99.7	96.2	95.1	88.1	88.6	UN
...shipments index (seasonally adjusted, MoM change)	-1.7	8.8	-2.7	0.4	4.2	-4.2	3.1	-3.5	-1.1	-7.4	0.6	UN
...inventories index (seasonally adjusted, 2015=100)	94.9	93.8	95.2	96.8	94.3	95.7	92.9	97.2	97.4	101.4	102.4	UN
...inventories index (seasonally adjusted, MoM change)	-0.2	-1.2	1.5	1.7	-2.6	1.5	-2.9	4.6	0.2	4.1	1.0	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	94.0	96.9	95.6	97.2	100.0	93.5	99.6	98.1	94.6	89.5	91.1	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	-0.2	3.1	-1.3	1.7	2.9	-6.5	6.5	-1.5	-3.6	-5.4	1.8	UN
...shipments index (unadjusted figure, YoY % change)	-3.2	-5.3	-3.2	3.4	16.2	21.5	19.2	11.2	7.2	-4.5	-5.6	UN
...inventories index (unadjusted figure, YoY % change)	-8.4	-10.2	-9.5	-9.8	-9.8	-8.7	-5.0	-4.5	-3.7	0.5	2.2	UN
...shipments index (seasonally adjusted, 2015=100)	92.9	95.6	94.4	94.8	97.7	92.3	96.7	96.4	92.2	86.6	88.7	UN
...shipments index (seasonally adjusted, MoM change)	-0.6	2.9	-1.3	0.4	3.1	-5.5	4.8	-0.3	-4.4	-6.1	2.4	UN
...inventories index (seasonally adjusted, 2015=100)	96.0	95.1	94.4	94.8	94.7	93.7	95.7	95.0	94.9	98.1	98.7	UN
...inventories index (seasonally adjusted, MoM change)	0.6	-0.9	-0.7	0.4	-0.1	-1.1	2.1	-0.7	-0.1	3.4	0.6	UN
Labor Statistics												
[Kansai] Unemployment rate (seasonally adjusted)	3.4	3.4	3.2	2.8	3.3	3.2	3.2	3.1	3.1	2.7	2.8	UN
[Kansai] Unemployment rate (unadjusted figure)	3.1	3.2	3.2	2.9	3.3	3.3	3.4	3.3	3.2	2.9	2.9	UN
[Japan] Unemployment rate (seasonally adjusted)	3.0	2.9	2.9	2.6	2.8	3.0	2.9	2.8	2.8	2.8	2.7	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.0	1.1	1.1	1.1	1.0	1.1	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	1.2	1.1	1.2	1.2	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.1	2.1	2.0	2.1	1.9	2.2	2.2	1.9	2.0	2.2	2.0	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.1	2.0	1.9	2.0	1.8	2.1	2.1	2.0	2.0	2.1	2.1	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	-3.7	-0.7	-0.0	1.1	1.2	2.3	1.3	0.3	1.1	0.3	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	-2.3	0.0	0.5	1.4	1.9	2.7	1.2	0.1	0.8	-0.5	UN	UN
[Japan] Total cash earnings (YoY % change)	-3.0	-1.3	-0.4	0.6	1.4	1.9	0.1	0.6	0.6	0.2	0.2	UN
Retail sales												
[Kansai] Large retail store sales (JPY billion)	372.9	289.5	265.2	293.1	265.2	239.0	289.3	309.2	278.5	269.0	291.3	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-8.0	-11.0	-4.9	4.0	20.9	-0.0	-1.5	1.4	-6.4	-2.3	0.9	UN
[Japan] Large retail store sales (JPY billion)	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	1,556.3	1,651.8	UN
[Japan] Large retail store sales (YoY % change, all stores)	-3.3	-5.8	-3.3	2.8	15.7	6.0	-2.2	1.3	-4.8	-0.7	1.3	UN
Housing & Construction												
[Kansai] New housing starts (number of units)	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	11,753.0	UN
[Kansai] New housing starts (YoY % change)	-13.2	-10.6	-6.0	-1.3	31.4	1.3	5.4	11.9	15.2	9.9	6.3	UN
[Japan] New housing starts (number of units)	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	78,004.0	UN
[Japan] New housing starts (YoY % change)	-9.0	-3.1	-3.7	1.5	7.1	9.9	7.3	9.9	7.5	4.3	10.4	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	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	11,665.0	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	-4.0	-15.6	13.2	7.3	8.9	-11.1	4.2	5.5	-3.8	2.2	-2.2	UN
[Japan] New housing starts (number of units, seasonally adjusted)	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	74,336.0	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	-4.2	2.2	0.8	9.0	0.3	-0.9	-1.0	6.9	-7.7	-1.2	5.6	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	82.0	63.0	76.2	76.3	62.5	82.6	72.2	72.9	59.5	60.2	57.1	65.3
[Kansai] Residential lots contract ratio (unadjusted figure)	80.0	61.2	78.5	74.8	62.0	78.3	73.2	73.4	65.0	59.4	57.3	65.6
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	64.1	69.2	76.2	69.0	74.2	68.4	69.8	63.5	73.3	67.6	75.2	88.0
[Tokyo area] Residential lots contract ratio (unadjusted figure)	62.6	68.1	76.0	73.6	73.6	69.3	72.5	68.3	73.0	67.7	71.4	79.9
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	652.9	637.0	619.7	609.1	533.6	523.0	532.6	539.8	556.1	587.3	602.2	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	8.0	4.6	2.5	1.1	2.1	5.1	1.1	1.9	2.4	1.8	1.7	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	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	4,726.4	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	0.1	-0.3	-0.1	0.6	-0.0	0.0	1.6	2.1	1.5	0.5	-0.2	UN
[Kansai] Construction works (total, JPY billion)	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	2,017.0	UN
[Kansai] Construction works (total, YoY % change)	7.7	5.8	5.4	5.4	1.8	-0.6	0.5	-0.2	-3.6	-6.9	-8.2	UN
[Japan] Construction works (total, JPY billion)	111.3	67.3	84.8	165.0	277.8	143.6	169.4	140.8	122.0	150.5	136.7	80.5
[Japan] Construction works (total, YoY % change)	16.5	-26.8	13.3	4.5	-13.2	18.9	5.6	0.2	11.0	-16.7	-12.5	-16.6
[Japan] Construction works (public works, JPY billion)	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	753.4
[Japan] Construction works (public works, YoY % change)	-8.6	-1.4	-7.3	1.9	-9.2	6.3	0.7	-9.9	-11.0	-15.1	-19.8	-14.5
Consumer Sentiment												
[Kansai] Consumer Confidence Index (seasonally adjusted)	30.0	28.5	33.4	36.6	34.5	34.2	37.8	37.5	36.8	37.2	37.3	37.1
...overall livelihood	33.1	30.8	36.4	39.0	37.2	37.0	38.9	39.4	38.2	39.1	37.1	36.2
...income growth	33.2	32.1	35.1	37.3	36.7	36.5	37.2	37.3	37.4	37.3	37.7	37.9
...employment conditions	21.1	20.6	26.3	31.4	29.4	27.7	36.3	35.1	34.1	33.4	37.5	39.5
...willingness to buy durable goods	32.3	30.3	35.7	39.5	35.3	35.9	39.2	38.8	38.2	37.4	36.1	35.0
[Japan] Consumer Confidence Index (seasonally adjusted)	32.0	29.9	33.9	36.1	34.7	34.1	37.4	37.5	36.7	37.8	39.2	39.2
Business Confidence												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	31.7	31.7	42.4	49.8	33.3	38.2	49.3	49.7	36.2	42.0	52.3	54.1
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	37.6	38.4	51.6	46.9	39.2	50.1	50.3	46.2	43.9	54.5	55.0	51.3
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	34.3	31.2	41.3	49.0	39.1	38.1	47.6	48.4	34.7	42.1	55.5	56.3
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	36.1	39.9	51.3	49.8	41.7	47.6	52.4	48.4	43.7	56.6	57.5	53.4
International Trade												
[Kansai] Trade balance (JPY billion)	372.6	130.6	241.8	379.7	316.3	227.0	329.0	270.1	215.0	224.4	430.5	84.4
[Kansai] Exports (JPY billion)	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	1,731.9	1,595.8
[Kansai] Exports (YoY % change)	5.2	13.3	-1.4	14.6	24.5	33.2	38.7	25.0	26.2	21.2	21.1	22.9
[Kansai] Imports (JPY billion)	1,114.8	1,158.5	1,069.8	1,250.3	1,281.2	1,156.4	1,279.1	1,285.9	1,305.0	1,391.6	1,301.4	1,511.4
[Kansai] Imports (YoY % change)	-8.7	-8.3	16.9	6.2	4.4	14.0	20.5	17.0	30.7	30.2	18.2	39.2

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