

Kansai Economic Insight Monthly

2021/3/25

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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

- **Current and future outlook for Kansai's economy remains at a phase change※** -

The international situation and high oil prices pose risks

- ✓ Current and future outlook for Kansai's economy is unstable. Currently, the income environment is weak and consumption is declining as human flows remain subdued due to COVID-19 restrictions. The sentiment has deteriorated, and Russia's invasion of Ukraine is likely to keep pushing up commodity prices, thereby putting downward pressure on the economy.
- ✓ The number of new daily COVID-19 infections in the Kansai region has declined to about 30% of the peak of the sixth wave in mid-February. With the lifting of measures aimed at curbing the spread of the virus, a gradual recovery in service consumption is expected.
- ✓ Industrial production in January rose MoM for the first time in two months. The increase was mainly due to an increase in the production of manufacturing machinery, chemical products (excluding pharmaceuticals), electronic components and devices, and other products.
- ✓ The unemployment rate in January deteriorated from the previous month for the first time in two months. The number of workers decreased due to an increase in the non-labor force population as a result of the spread of the infection. The employment environment is deteriorating. The ratio of job offers to applicants increased for the first time in seven months, but only slightly. This widened the gap between Kansai and other regions in Japan, which are recovering at a faster pace.
- ✓ In December, salaries in the six Kansai prefectures increased YoY for the 10th consecutive month in nominal terms. However, growth remained modest, and in real terms they declined for the fourth consecutive month, with the decline rate accelerating from the previous month. On an annual basis, there was a nominal increase for the first time in three years, and a real one for the first time in four years. However, this recovery was modest compared to the sharp decline during the pandemic.
- ✓ The sales of large retailers increased YoY for the fourth consecutive month in January. However, they were lower compared to the same month in the pre-pandemic 2019, and the negative margin widened from December. In the case of supermarkets, the negative margin narrowed due to an increase in eating at home as a result of the spread of COVID-19. On the other hand, department store sales deteriorated due to a rapid decline in the number of store customers.
- ✓ The number of new housing starts in January declined MoM for the sixth consecutive month. The main reason was a large decrease in the construction of houses for rent. Looking ahead, downward pressure is intensifying due to a decrease in the number of visitors to housing exhibitions caused by the spread of Omicron, as well as a decrease in demand for condominiums due to the sharp rise in prices per square meter.
- ✓ Completed construction in January continued to decline YoY both in Kansai and nationwide. Public works continued to increase in the Kansai region, but remained sluggish nationwide. The value of public works contracts in February continued to decline both in the Kansai region and nationwide.
- ✓ The Economy Watcher diffusion index (DI) of current conditions in February deteriorated for the second consecutive month due to the negative impact of measures aimed at curbing the spread of COVID-19, especially on industries such as food services and lodging. The DI of future conditions improved for the first time in five months, but there are concerns about soaring raw material prices.
- ✓ The trade balance in February logged a surplus for the first time in two months. While the imports of pharmaceuticals and energy-related products continued to increase, the exports of semiconductors and other electronic components to Asian countries remained robust.
- ✓ The number of international arrivals at KIX in February was 3,499, remaining almost unchanged from the previous month, as the suspension of new foreign arrivals remained in place.
- ✓ The Chinese economy continued to be stable in January-February, with accelerated production and strong consumption spurred by the Chinese New Year and the Winter Olympics. On the other hand, producer prices remain high due to soaring commodity prices globally, and there are concerns that future international developments might exacerbate this trend.

Trends in the Kansai Economy

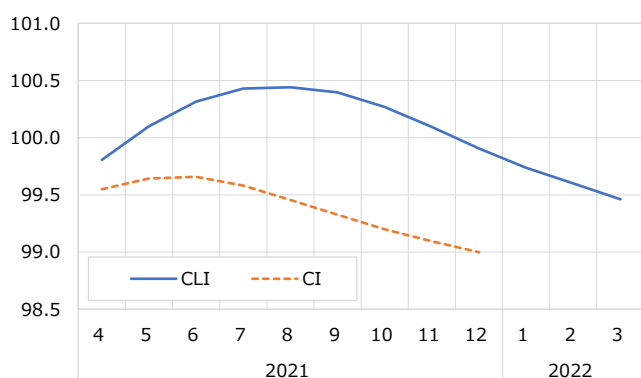
	2021										2022	
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Production	↓	↑	↓	↑	↓	↓	↓	↓	↑	→	↑	
Employment	↓	↓	↑	↑	↓	↓	→	→	→	→	↑	
Consumption	↑	↑	→	↓	↑	↓	↓	→	↑	↑	↑	
Housing	→	↑	→	↑	↑	↑	↑	↑	↓	→	→	
Public Works	→	↓	↑	↑	→	↑	↓	↓	↓	↓	↓	↓
Sentiment	↑	↓	↑	↑	→	↓	↑	↑	↑	→	↓	↓
Trade	↑	↑	↑	↑	↑	→	→	↑	↓	↓	↓	↓
China	↑	↑	↑	↑	→	↓	↓	↓	→	→	→	→

Criteria for determining the trends

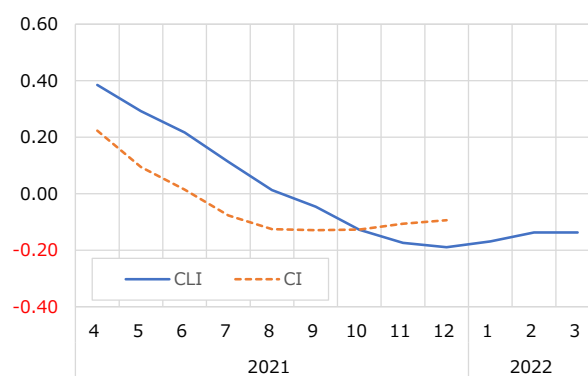
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2021/4~2022/3)



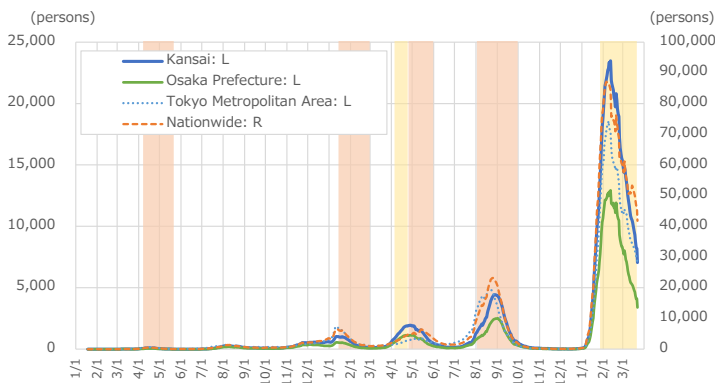
Kansai's CLI and CI: MoM changes (2021/4~2022/3)



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

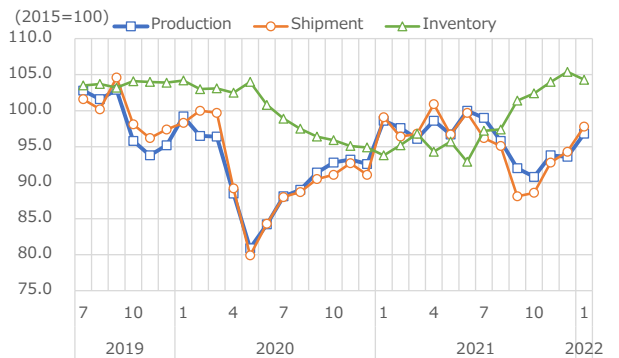
Data in Kansai at a glance

【Number of New Daily COVID-19 Infections】



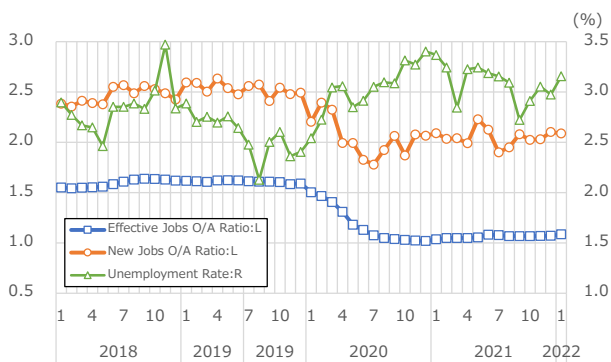
Source: MHLW

【Production, Shipment & Inventory】



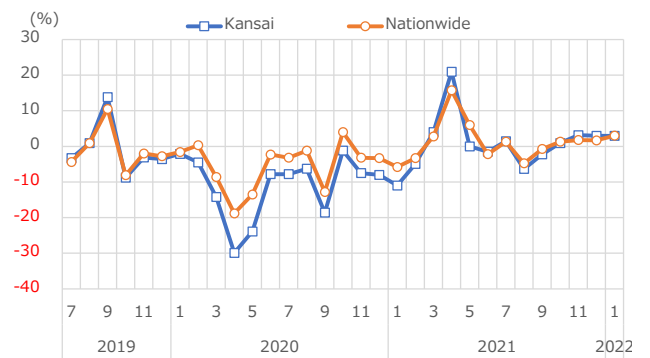
Source: METI

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



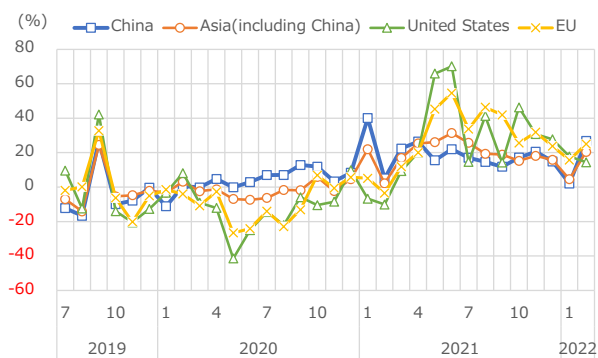
Source: MHLW, MIAC

【Revenues of Large Retailers】



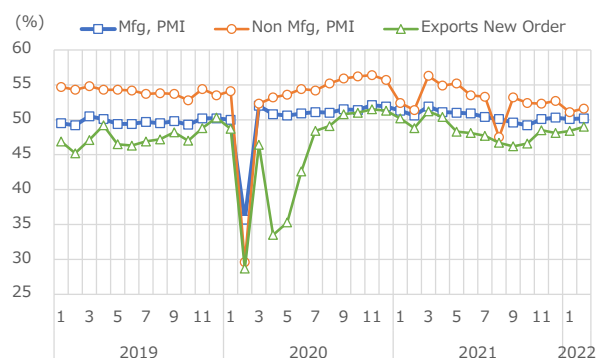
Source: METI

【Exports by Region】



Source: MOF

【PMI in China】



Source: CEIC

Major Monthly Statistics

Monthly statistics	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
Industrial Production												
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	96.1	98.6	96.7	100.0	99.0	95.8	92.0	90.8	93.8	93.6	96.8	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	-1.5	2.6	-1.9	3.4	-1.0	-3.2	-4.0	-1.3	3.3	-0.2	3.4	UN
...shipments index (unadjusted figure, YoY % change)	-0.1	13.1	21.1	18.2	6.9	9.6	-2.7	-4.8	2.2	3.5	-0.6	UN
...inventories index (unadjusted figure, YoY % change)	-6.1	-8.0	-8.0	-7.8	-1.8	-0.1	5.2	6.7	9.3	11.0	11.1	UN
...shipments index (seasonally adjusted, 2015=100)	96.8	100.9	96.7	99.7	96.2	95.1	88.1	88.6	92.8	94.3	97.8	UN
...shipments index (seasonally adjusted, MoM change)	0.4	4.2	-4.2	3.1	-3.5	-1.1	-7.4	0.6	4.7	1.6	3.7	UN
...inventories index (seasonally adjusted, 2015=100)	96.8	94.3	95.7	92.9	97.2	97.4	101.4	102.4	104.0	105.4	104.3	UN
...inventories index (seasonally adjusted, MoM change)	1.7	-2.6	1.5	-2.9	4.6	0.2	4.1	1.0	1.6	1.3	-1.0	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	97.2	100.0	93.5	99.6	98.1	94.6	89.5	91.1	97.5	96.5	95.7	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	1.7	2.9	-6.5	6.5	-1.5	-3.6	-5.4	1.8	7.0	-1.0	-0.8	UN
...shipments index (unadjusted figure, YoY % change)	3.4	16.2	21.5	19.2	11.2	7.2	-4.5	-5.6	3.5	2.8	-0.9	UN
...inventories index (unadjusted figure, YoY % change)	-9.8	-9.8	-8.7	-5.0	-4.5	-3.7	0.5	2.2	5.6	5.0	4.6	UN
...shipments index (seasonally adjusted, 2015=100)	94.8	97.7	92.3	96.7	96.4	92.2	86.6	88.7	95.3	95.4	93.9	UN
...shipments index (seasonally adjusted, MoM change)	0.4	3.1	-5.5	4.8	-0.3	-4.4	-6.1	2.4	7.4	0.1	-1.6	UN
...inventories index (seasonally adjusted, 2015=100)	94.8	94.7	93.7	95.7	95.0	94.9	98.1	98.7	100.7	100.8	99.4	UN
...inventories index (seasonally adjusted, MoM change)	0.4	-0.1	-1.1	2.1	-0.7	-0.1	3.4	0.6	2.0	0.1	-1.4	UN
Labor Statistics												
[Kansai] Unemployment rate (seasonally adjusted)	2.8	3.2	3.2	3.2	3.2	3.1	2.7	2.9	3.1	3.0	3.2	UN
[Kansai] Unemployment rate (unadjusted figure)	2.9	3.3	3.3	3.4	3.3	3.2	2.9	2.9	2.7	2.7	3.0	UN
[Japan] Unemployment rate (seasonally adjusted)	2.7	2.8	2.9	2.9	2.8	2.8	2.8	2.7	2.8	2.7	2.8	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.0	1.0	1.1	1.1	1.1	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	1.2	1.2	1.2	1.2	1.2	1.2	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.0	2.0	2.2	2.1	1.9	2.0	2.1	2.0	2.0	2.1	2.1	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.0	1.9	2.2	2.1	2.0	2.0	2.1	2.0	2.1	2.2	2.2	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	1.1	1.2	2.3	1.3	0.3	1.1	0.3	0.1	0.1	0.1	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	1.4	1.9	2.7	1.2	0.1	0.8	-0.5	-0.8	-1.4	-1.9	UN	UN
[Japan] Total cash earnings (YoY % change)	0.6	1.4	1.9	0.1	0.6	0.6	0.2	0.2	0.8	-0.4	0.9	UN
Retail sales												
[Kansai] Large retail store sales (JPY billion)	293.1	265.2	239.0	289.3	309.2	278.5	269.0	291.3	306.5	384.0	298.0	UN
[Kansai] Large retail store sales (YoY % change, all stores)	4.0	20.9	-0.0	-1.5	1.4	-6.4	-2.3	0.9	3.1	3.0	2.9	UN
[Japan] Large retail store sales (JPY billion)	1,670.1	1,552.6	1,541.0	1,642.0	1,713.7	1,607.9	1,556.3	1,651.8	1,707.8	2,139.2	1,677.0	UN
[Japan] Large retail store sales (YoY % change, all stores)	2.8	15.7	6.0	-2.2	1.3	-4.8	-0.7	1.3	1.8	1.7	3.0	UN
Housing & Construction												
[Kansai] New housing starts (number of units)	11,497.0	13,182.0	10,264.0	11,571.0	13,184.0	11,194.0	12,436.0	11,753.0	11,450.0	10,201.0	8,729.0	UN
[Kansai] New housing starts (YoY % change)	-1.3	31.4	1.3	5.4	11.9	15.2	9.9	6.3	-5.4	-2.4	0.1	UN
[Japan] New housing starts (number of units)	71,787.0	74,521.0	70,178.0	76,312.0	77,182.0	74,303.0	73,178.0	78,004.0	73,414.0	68,393.0	59,690.0	UN
[Japan] New housing starts (YoY % change)	1.5	7.1	9.9	7.3	9.9	7.5	4.3	10.4	3.7	4.2	2.1	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	11,166.8	12,170.3	11,176.6	11,529.2	11,889.2	11,824.6	11,735.2	11,589.0	11,161.7	10,720.3	9,817.8	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	5.1	9.0	-8.2	3.2	3.1	-0.5	-0.8	-1.2	-3.7	-4.0	-8.4	UN
[Japan] New housing starts (number of units, seasonally adjusted)	72,144.0	71,701.0	72,848.0	71,657.0	74,026.0	72,176.0	70,432.0	73,067.0	70,888.0	69,811.0	68,318.0	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	5.1	-0.6	1.6	-1.6	3.3	-2.5	-2.4	3.7	-3.0	-1.5	-2.1	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	74.2	64.2	83.6	71.4	71.0	60.7	61.4	60.0	65.6	70.2	82.5	74.8
[Kansai] Residential lots contract ratio (unadjusted figure)	74.8	62.0	78.3	73.2	73.4	65.0	59.4	57.3	65.6	73.5	77.5	79.2
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	68.1	71.5	68.5	69.5	66.5	72.7	68.7	75.2	88.7	76.3	59.2	72.4
[Tokyo area] Residential lots contract ratio (unadjusted figure)	73.6	73.6	69.3	72.5	68.3	73.0	67.7	71.4	79.9	73.5	58.4	73.3
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	609.1	533.6	523.0	532.6	539.8	556.1	587.3	602.2	626.9	640.0	634.6	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	1.1	2.1	5.1	1.1	1.9	2.4	1.8	1.7	0.8	-2.0	-0.4	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	4,788.2	3,928.6	3,752.0	4,006.0	4,146.0	4,296.5	4,555.8	4,726.4	4,750.2	4,780.6	4,613.4	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	0.6	-0.0	0.0	1.6	2.1	1.5	0.5	-0.2	-1.6	-2.9	-4.7	UN
[Kansai] Construction works (total, JPY billion)	2,328.4	1,566.4	1,421.1	1,575.5	1,640.2	1,721.5	1,883.4	2,017.0	2,063.0	2,064.3	1,994.0	UN
[Kansai] Construction works (total, YoY % change)	5.4	1.8	-0.6	0.5	-0.2	-3.6	-6.9	-8.2	-9.6	-13.1	-14.6	UN
[Japan] Construction works (total, JPY billion)	165.0	277.8	143.6	169.4	140.8	122.0	150.5	136.7	80.5	89.6	61.6	65.7
[Japan] Construction works (total, YoY % change)	4.5	-13.2	18.9	5.6	0.2	11.0	-16.7	-12.5	-16.6	-19.5	-8.4	-22.5
[Japan] Construction works (public works, JPY billion)	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	685.9	520.9	589.7
[Japan] Construction works (public works, YoY % change)	1.9	-9.2	6.3	0.7	-9.9	-11.0	-15.1	-19.8	-14.5	-6.6	-17.7	-9.1
Consumer Sentiment												
[Kansai] Consumer Confidence Index (seasonally adjusted)	36.8	35.1	35.4	37.7	37.8	37.2	36.8	36.8	36.5	36.6	35.0	33.9
...overall livelihood	38.9	37.8	38.2	39.1	39.4	38.4	38.6	37.2	35.9	36.4	34.8	35.0
...income growth	36.6	36.9	37.1	37.4	37.5	37.5	37.5	37.6	37.6	38.2	36.8	37.2
...employment conditions	31.1	30.1	29.9	35.3	35.5	35.0	33.4	35.6	37.1	39.6	35.5	33.7
...willingness to buy durable goods	39.7	36.0	36.7	38.8	38.9	38.4	37.1	35.9	34.6	33.6	32.6	29.7
[Japan] Consumer Confidence Index (seasonally adjusted)	36.1	34.7	34.1	37.4	37.5	36.7	37.8	39.2	39.2	39.1	36.7	35.3
Business Confidence												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	48.5	31.4	34.7	46.2	47.5	35.3	42.7	54.1	57.3	58.7	40.3	39.3
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	46.0	40.0	50.5	49.7	46.3	44.3	55.4	55.1	51.3	49.4	41.9	44.2
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	48.5	39.0	37.8	46.5	48.0	34.9	42.3	55.1	56.8	57.5	37.9	37.7
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	50.2	43.5	48.0	51.1	47.3	43.5	56.6	56.6	53.2	50.3	42.5	44.4
International Trade												
[Kansai] Trade balance (JPY billion)	375.9	312.2	225.2	325.3	267.6	212.3	223.3	429.9	83.4	287.9	-161.4	177.6
[Kansai] Exports (JPY billion)	1,630.0	1,597.6	1,383.5	1,608.0	1,554.6	1,519.9	1,616.0	1,731.8	1,595.8	1,762.6	1,413.6	1,578.6
[Kansai] Exports (YoY % change)	14.6	24.5	33.2	38.7	24.9	26.1	21.2	21.0	22.9	18.5	9.7	20.3
[Kansai] Imports (JPY billion)	1,254.0	1,285.4	1,158.3	1,282.7	1,287.0	1,307.6	1,392.7	1,301.9	1,512.4	1,474.7	1,575.1	1,401.0
[Kansai] Imports (YoY % change)	6.6	4.7	14.1	20.9	17.1	30.9	30.3	18.3	39.3	32.3	35.7	30.7

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