

# 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

### - Current and future outlook: Kansai's economy is at a phase change. The deteriorating international situation poses risks※-

- ✓ Currently, Kansai's economy is at a phase change and is expected to remain so in the near future. Employment and income conditions have improved somewhat, but the increase in consumption has been modest. The prolonged impact of the situation in Ukraine and China's urban lockdowns pose downside risks to the economy.
- ✓ The number of new COVID-19 infections peaked in mid-February and continued to decline. However, due to the emergence of new COVID-19 variants, infections started rising after reaching a low on March 26. Although the number of infections is on a downward trend again, it is still above the peak of the fifth wave.
- ✓ Industrial production in February increased MoM for the second consecutive month. The main contributors to the increase were electrical and telecommunications machinery, transportation machinery, and electronic parts and devices.
- ✓ The unemployment rate improved from the previous month for the first time in two months due to a decrease in the number of unemployed persons. However, the leave rate remained high, indicating that the employment situation remains severe. The ratio of job offers to job applicants increased slightly for the second consecutive month due to a decline in the number of job seekers.
- ✓ In January, salaries in six prefectures rose sharply YoY in both nominal and real terms. However, the future outlook for real wages remains uncertain as consumer prices keep rising.
- ✓ The sales of large retailers increased for the fifth consecutive month in February. However, the increase was modest as many people refrained from going out due to the increasing number of infections. Supermarket sales increased for the first time in four months due to bulk purchases of home meals, but department store sales were sluggish.
- ✓ The number of new housing starts in February declined MoM for the seventh consecutive month, remaining below 10,000 units for two months in a row. This was mainly due to a decrease in the construction of owner-occupied units. Housing construction is likely to face downward pressure due to concerns over rising prices caused by the stagnant distribution of raw materials brought about by the conflict in Ukraine.
- ✓ The volume of completed construction in February remained unchanged YoY, but public works increased for the 29th consecutive month. The public works contract amount in March increased for the second consecutive month. Compared to the rest of Japan, which continues to show a downward trend, the Kansai region performed well.
- ✓ The Economy Watcher diffusion index (DI) of current conditions for March improved MoM for the first time in three months. The relaxation of measures aimed at curbing the spread of COVID-19 had a positive impact on the restaurant and lodging industries. The DI of future conditions improved for the second consecutive month, but there are concerns about a sharp rise in raw material prices due to the tense situation in Ukraine.
- ✓ The trade balance in March logged a surplus for the second consecutive month. However, the surplus will continue to narrow as imports keep growing while exports are slowing. There are concerns that exports to China will stagnate due to the lockdowns in Shanghai and other major cities.
- ✓ Thanks to the relaxation of border control, the number of international arrivals at Kansai International Airport (KIX) in March increased significantly from the previous month, exceeding 10,000 for the first time since January 2021.
- ✓ China's real GDP increased 4.8% YoY in Q1, accelerating from the previous quarter for the first time in four quarters. However, growth decelerated QoQ, remaining below the target growth rate set by the National People's Congress. The "Zero COVID" policy is expected to cause an economic slowdown in Q2 due to concerns about logistics stagnation and factory shutdowns.

### Trends in the Kansai Economy

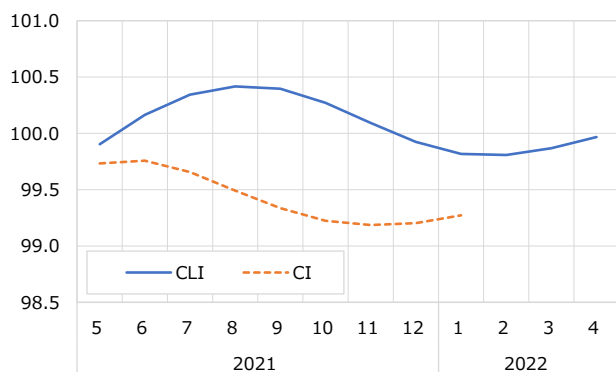
	2021									2022		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Production	↑	↓	↑	↓	↓	↓	↓	↑	→	↑	↑	
Employment	↓	↑	↑	↓	↓	→	→	→	→	↑	↑	
Consumption	↑	→	↓	↑	↓	↓	→	↑	↑	↑	→	
Housing	↑	→	↑	↑	↑	↑	↑	↓	→	→	↓	
Public Works	↓	↑	↑	→	↑	↓	↓	↓	↓	↓	↓	→
Sentiment	↓	↑	↑	→	↓	↑	↑	↑	→	↓	↓	↑
Trade	↑	↑	↑	↑	→	→	↑	↓	↓	↓	↓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

#### Criteria for determining the trends

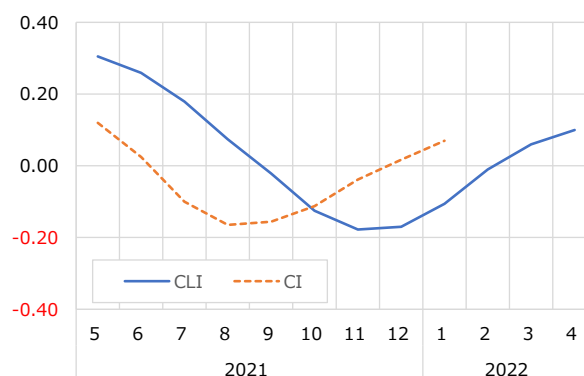
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2021/5~2022/4)



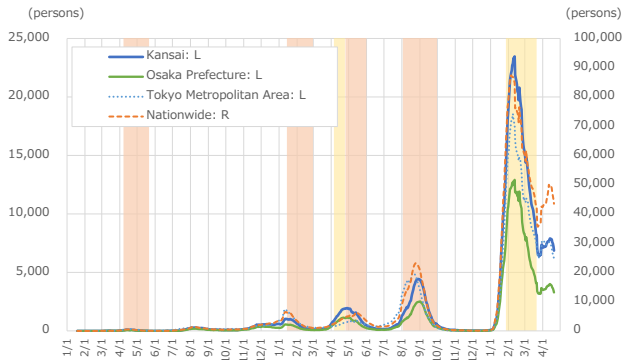
Kansai's CLI and CI: MoM changes (2021/5~2022/4)



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

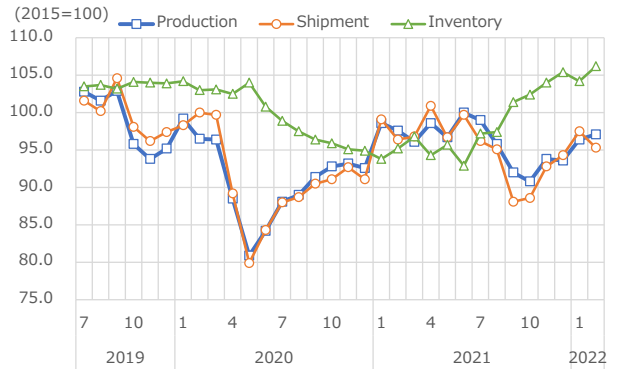
Data in Kansai at a glance

【Number of New Daily COVID-19 Infections】



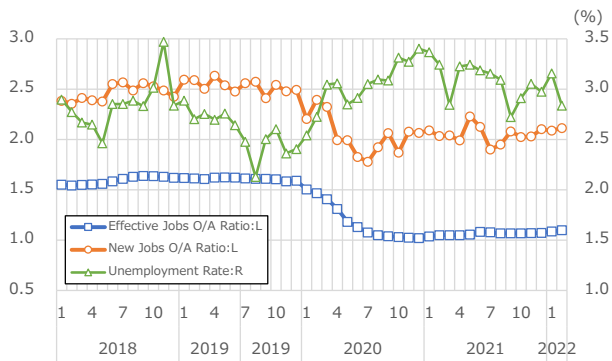
Source: MHLW

【Production, Shipment & Inventory】



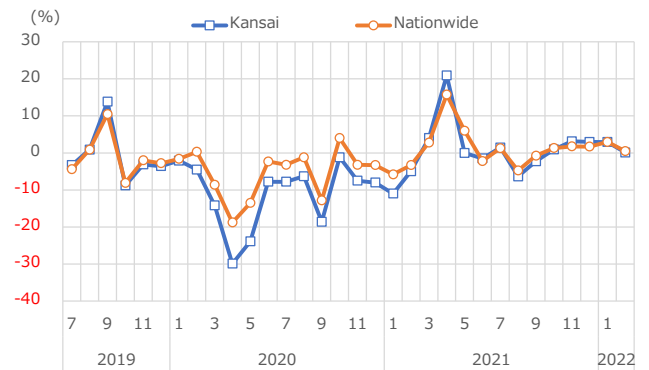
Source: METI

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



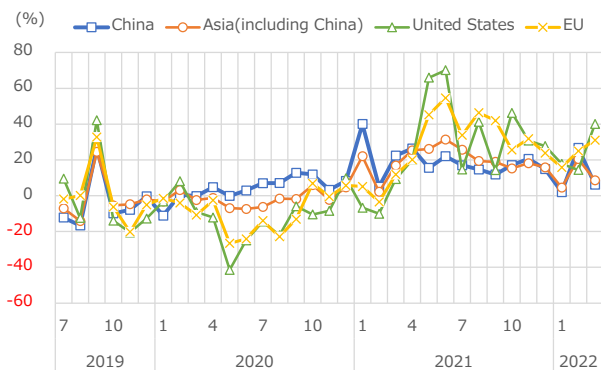
Source: MHLW, MIAC

【Revenues of Large Retailers】



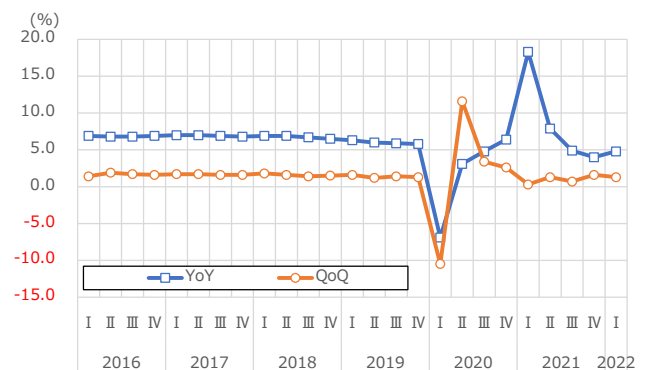
Source: METI

【Exports by Region】



Source: MOF

【China's GDP】



Source: CEIC

### Major Monthly Statistics

Monthly statistics	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
<b>Industrial Production</b>												
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	98.6	96.7	100.0	99.0	95.8	92.0	90.8	93.8	93.6	96.4	97.1	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	2.6	-1.9	3.4	-1.0	-3.2	-4.0	-1.3	3.3	-0.2	3.0	0.7	UN
...shipments index (unadjusted figure, YoY % change)	13.1	21.1	18.2	6.9	9.6	-2.7	-4.8	2.2	3.5	-0.9	-1.2	UN
...inventories index (unadjusted figure, YoY % change)	-8.0	-8.0	-7.8	-1.8	-0.1	5.2	6.7	9.3	11.0	11.0	11.5	UN
...shipments index (seasonally adjusted, 2015=100)	100.9	96.7	99.7	96.2	95.1	88.1	88.6	92.8	94.3	97.5	95.3	UN
...shipments index (seasonally adjusted, MoM change)	4.2	-4.2	3.1	-3.5	-1.1	-7.4	0.6	4.7	1.6	3.4	-2.3	UN
...inventories index (seasonally adjusted, 2015=100)	94.3	95.7	92.9	97.2	97.4	101.4	102.4	104.0	105.4	104.2	106.2	UN
...inventories index (seasonally adjusted, MoM change)	-2.6	1.5	-2.9	4.6	0.2	4.1	1.0	1.6	1.3	-1.1	1.9	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	98.4	92.3	98.9	98.1	96.2	89.9	91.8	96.4	96.6	94.3	96.2	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	1.1	-6.2	7.2	-0.8	-1.9	-6.5	2.1	5.0	0.2	-2.4	2.0	UN
...shipments index (unadjusted figure, YoY % change)	16.2	21.5	19.2	11.2	7.2	-4.5	-5.6	3.5	2.8	-0.9	-1.7	UN
...inventories index (unadjusted figure, YoY % change)	-9.8	-8.7	-5.0	-4.5	-3.7	0.5	2.2	5.6	5.0	4.6	7.3	UN
...shipments index (seasonally adjusted, 2015=100)	96.0	93.5	96.5	96.1	93.6	86.9	89.1	93.9	94.1	92.7	92.7	UN
...shipments index (seasonally adjusted, MoM change)	1.3	-2.6	3.2	-0.4	-2.6	-7.2	2.5	5.4	0.2	-1.5	0.0	UN
...inventories index (seasonally adjusted, 2015=100)	94.7	94.2	95.7	95.4	95.3	97.9	98.4	99.8	99.9	99.2	101.3	UN
...inventories index (seasonally adjusted, MoM change)	0.2	-0.5	1.6	-0.3	-0.1	2.7	0.5	1.4	0.1	-0.7	2.1	UN
<b>Labor Statistics</b>												
[Kansai] Unemployment rate (seasonally adjusted)	3.2	3.2	3.2	3.2	3.1	2.7	2.9	3.1	3.0	3.2	2.8	UN
[Kansai] Unemployment rate (unadjusted figure)	3.3	3.3	3.4	3.3	3.2	2.9	2.9	2.7	2.7	3.0	2.8	UN
[Japan] Unemployment rate (seasonally adjusted)	2.8	2.9	2.9	2.8	2.8	2.8	2.7	2.8	2.7	2.8	2.7	UN
[Kansai] 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	1.1	1.1	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.0	2.2	2.1	1.9	2.0	2.1	2.0	2.0	2.1	2.1	2.1	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	1.9	2.2	2.1	2.0	2.0	2.1	2.0	2.1	2.2	2.2	2.2	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	1.2	2.3	1.3	0.3	1.1	0.3	0.1	0.1	0.1	2.8	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	2.6	3.4	1.9	0.6	1.6	0.1	0.1	-0.5	-0.8	2.3	UN	UN
[Japan] Total cash earnings (YoY % change)	1.4	1.9	0.1	0.6	0.6	0.2	0.2	0.8	-0.4	1.1	1.2	UN
<b>Retail sales</b>												
[Kansai] Large retail store sales (JPY billion)	265.2	239.0	289.3	309.2	278.5	269.0	291.3	306.5	384.0	298.0	265.5	UN
[Kansai] Large retail store sales (YoY % change, all stores)	20.9	-0.0	-1.5	1.4	-6.4	-2.3	0.9	3.1	3.0	2.9	0.1	UN
[Japan] Large retail store sales (JPY billion)	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	1,676.7	1,503.8	UN
[Japan] Large retail store sales (YoY % change, all stores)	15.7	6.0	-2.2	1.3	-4.8	-0.7	1.3	1.8	1.7	3.0	0.5	UN
<b>Housing &amp; Construction</b>												
[Kansai] New housing starts (number of units)	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	8,873.0	UN
[Kansai] New housing starts (YoY % change)	31.4	1.3	5.4	11.9	15.2	9.9	6.3	-5.4	-2.4	0.1	-14.1	UN
[Japan] New housing starts (number of units)	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	64,614.0	UN
[Japan] New housing starts (YoY % change)	7.1	9.9	7.3	9.9	7.5	4.3	10.4	3.7	4.2	2.1	6.3	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	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	9,133.9	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	9.0	-8.2	3.2	3.1	-0.5	-0.8	-1.2	-3.7	-4.0	-8.4	-7.0	UN
[Japan] New housing starts (number of units, seasonally adjusted)	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	72,671.0	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	-0.6	1.6	-1.6	3.3	-2.5	-2.4	3.7	-3.0	-1.5	-2.1	6.4	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	64.2	83.6	71.4	71.0	60.7	61.4	60.0	65.6	70.2	82.5	74.8	72.3
[Kansai] Residential lots contract ratio (unadjusted figure)	62.0	78.3	73.2	73.4	65.0	59.4	57.3	65.6	73.5	77.5	79.2	72.9
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	71.5	68.5	69.5	66.5	72.7	68.7	75.2	88.7	76.3	59.2	72.4	69.6
[Tokyo area] Residential lots contract ratio (unadjusted figure)	73.6	69.3	72.5	68.3	73.0	67.7	71.4	79.9	73.5	58.4	73.3	75.2
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	533.6	523.0	532.6	539.8	556.1	587.3	602.2	626.9	640.0	634.6	619.7	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	2.1	5.1	1.1	1.9	2.4	1.8	1.7	0.8	-2.0	-0.4	0.0	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	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	4,475.7	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-0.0	0.0	1.6	2.1	1.5	0.5	-0.2	-1.6	-2.9	-4.7	-4.8	UN
[Kansai] Construction works (total, JPY billion)	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	1,905.3	UN
[Kansai] Construction works (total, YoY % change)	1.8	-0.6	0.5	-0.2	-3.6	-6.9	-8.2	-9.6	-13.1	-14.6	-14.9	UN
[Japan] Construction works (total, JPY billion)	277.8	143.6	169.4	140.8	122.0	150.5	136.7	80.5	89.6	61.6	65.7	168.7
[Japan] Construction works (total, YoY % change)	-13.2	18.9	5.6	0.2	11.0	-16.7	-12.5	-16.6	-19.5	-8.4	-22.5	2.2
[Japan] Construction works (public works, JPY billion)	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	1,449.9
[Japan] Construction works (public works, YoY % change)	-9.2	6.3	0.7	-9.9	-11.0	-15.1	-19.8	-14.5	-6.6	-17.7	-9.1	-4.3
<b>Consumer Sentiment</b>												
[Kansai] Consumer Confidence Index (seasonally adjusted)	35.1	35.4	37.7	37.8	37.2	36.8	36.8	36.5	36.6	35.0	33.9	33.0
...overall livelihood	37.8	38.2	39.1	39.4	38.4	38.6	37.2	35.9	36.4	34.8	35.0	32.1
...income growth	36.9	37.1	37.4	37.5	37.5	37.5	37.6	37.6	38.2	36.8	37.2	36.4
...employment conditions	30.1	29.9	35.3	35.5	35.0	33.4	35.6	37.1	39.6	35.5	33.7	34.7
...willingness to buy durable goods	36.0	36.7	38.8	38.9	38.4	37.1	35.9	34.6	33.6	32.6	29.7	28.4
[Japan] Consumer Confidence Index (seasonally adjusted)	35.7	35.1	37.4	37.6	37.2	37.7	38.4	38.3	38.3	36.5	35.2	32.8
<b>Business Confidence</b>												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	31.4	34.7	46.2	47.5	35.3	42.7	54.1	57.3	58.7	40.3	39.3	48.4
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	40.0	50.5	49.7	46.3	44.3	55.4	55.1	51.3	49.4	41.9	44.2	47.5
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	39.0	37.8	46.5	48.0	34.9	42.3	55.1	56.8	57.5	37.9	37.7	47.8
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	43.5	48.0	51.1	47.3	43.5	56.6	56.6	53.2	50.3	42.5	44.4	50.1
<b>International Trade</b>												
[Kansai] Trade balance (JPY billion)	312.2	225.2	325.3	267.6	212.3	223.3	429.9	83.4	287.9	-162.6	177.1	282.5
[Kansai] Exports (JPY billion)	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	1,578.4	1,876.7
[Kansai] Exports (YoY % change)	24.5	33.2	38.7	24.9	26.1	21.2	21.0	22.9	18.5	9.7	20.3	15.1
[Kansai] Imports (JPY billion)	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	1,576.3	1,401.2	1,594.2
[Kansai] Imports (YoY % change)	4.7	14.1	20.9	17.1	30.9	30.3	18.3	39.3	32.3	35.8	30.8	27.1

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