

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.

▼ Authors: Yoshihisa Inada (Konan University Professor Emeritus & Director of the APIR Center for Quantitative Economic Analysis), Norihiko Toyohara (Kwansei Gakuin University Professor), Chiu-Wei Kuo, Yani Karavasilev (APIR Research Fellows), Shigekazu Yoshida, Ryosuke Nomura (APIR Research Promotion Officers), Kou, Imai (Chief Program Officer and Researcher), Nobuhiro Yamamori (Program Officer and Researcher).

▼ 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

Latest indicators suggest an improvement in Kansai's economic outlook Consumption expected to recover, but slowdown in China poses risks*

- ✓ Currently, Kansai's economy is in a phase of change, suggesting an improvement in the outlook. Sentiment has improved as the number of new infections has subsided. Looking ahead, China's strict adherence to its "Zero COVID" policy is a major downside risk to Kansai's economy.
- ✓ Despite concerns about a possible resurgence in infections after the Golden Week holidays, the number of new daily COVID-19 infections stood at a relatively low 6,168 as of May 18. However, the low rate of third-dose vaccination among young people remains an issue.
- ✓ Industrial production in March decreased MoM for the first time in three months due to production cuts in electronic components and devices, and electrical and information/communication machinery. On a quarterly basis, Q1 industrial production rose QoQ for the first time in three quarters due to increased production in January and February.
- ✓ The unemployment rate improved MoM for the second consecutive month in March. On a quarterly basis, in Q1 both the unemployment rate and the job openings-to-applicants ratio improved for the first time in two quarters. The employment situation showed a general recovery, but it lacked strength. Both the labor force and the number of workers have not reached their pre-pandemic levels, and the ratio of employees who are absent from work remains high.
- ✓ In February, nominal salaries in Kansai's six prefectures rose YoY for the 12th consecutive month, reaching their pre-pandemic level. However, due to the rise in the consumer prices, the increase in real terms remained modest and was smaller than in the previous month.
- ✓ The sales of large retailers increased for the sixth consecutive month in March, partly due to the relaxation of measures aimed at curbing the spread of COVID-19. Supermarket sales increased for the second consecutive month on the back of strong demand for home-cooked meals. Department store sales increased for the first time in two months due to strong sales of clothing and accessories.
- ✓ The number of new housing starts in March rose significantly MoM, marking the first increase in eight months and reaching the highest level since December 2019. However, on a quarterly basis, Q1 was for the second consecutive quarter of decline.
- ✓ The volume of completed construction in March increased YoY for the second consecutive month, and the amount of completed public works increased for the 30th straight month. The public works contract amount in April increased for the second consecutive month. Both the amount of completed public works and their contract value kept increasing in Kansai. This is in stark contrast with the rest of Japan, where these have been declining.
- ✓ The Economy Watcher diffusion index (DI) of current conditions for April improved MoM for the second month in a row. The DI for the restaurant and travel industries improved, due in part to a recovery in the flow of people. The DI of future conditions improved for the third consecutive month, but there are concerns about a sharp rise in raw material prices due to the conflict in Ukraine.
- ✓ The trade balance in April logged a surplus for the third consecutive month. However, both exports and imports shrank from the previous month. Notably, both exports to and imports from China fell sharply YoY due to the strict lockdowns in Shanghai and other major cities.
- ✓ As the daily cap on the number of international arrivals was raised, the number of international arrivals at Kansai International Airport (KIX) in April increased significantly from the previous month, reaching 21,616, the highest number since March 2020.
- ✓ In April, many economic indicators in China cooled for the first time since the Wuhan lockdown, due to the strict "Zero COVID" policy. The Chinese government is adhering to the policy and this is likely to put downward pressure on the Chinese economy in Q2.

Trends in the Kansai Economy

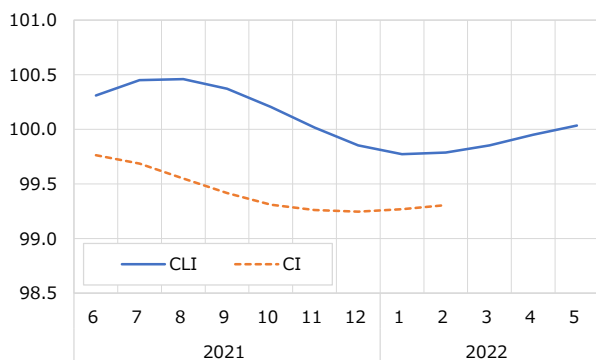
	2021								2022			
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Production	↓	↑	↓	↓	↓	↓	↑	→	↑	↑	↓	
Employment	↑	↑	↓	↓	→	→	→	→	↑	↑	→	
Consumption	→	↓	↑	↓	↓	→	↑	↑	↑	→	↑	
Housing	→	↑	↑	↑	↑	↑	↓	→	→	↓	↑	
Public Works	↑	↑	→	↑	↓	↓	↓	↓	↓	↓	→	↑
Sentiment	↑	↑	→	↓	↑	↑	↑	→	↓	↓	↑	↑
Trade	↑	↑	↑	→	→	↑	↓	↓	↓	↓	↓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

Criteria for determining the trends

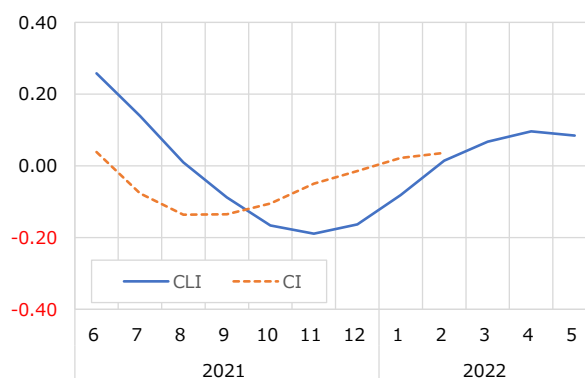
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2021/6~2022/5)



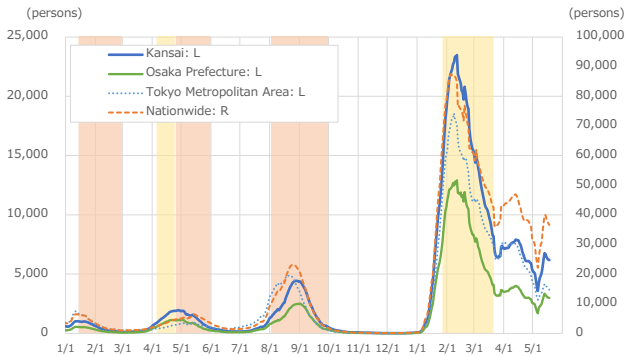
Kansai's CLI and CI: MoM changes (2021/6~2022/5)



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

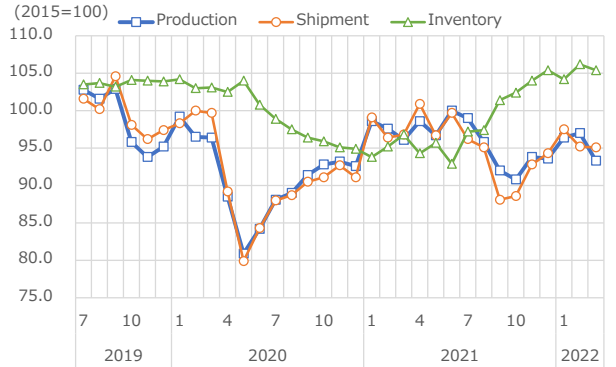
Data in Kansai at a glance

【Number of New Daily COVID-19 Infections】



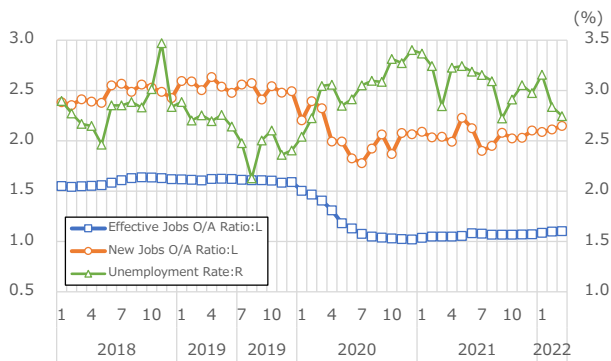
Source: MHLW

【Production, Shipment & Inventory】



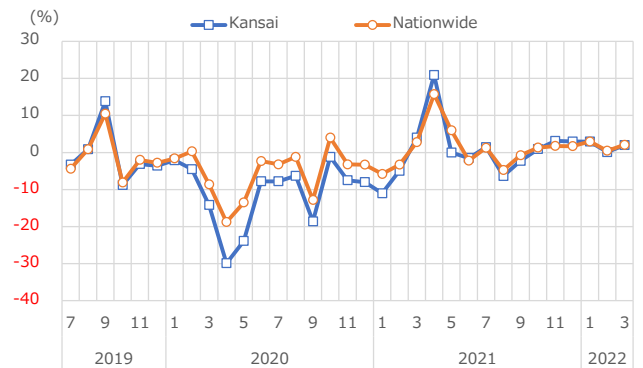
Source: METI

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



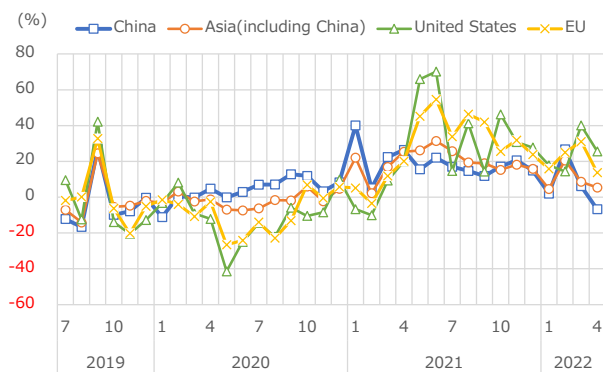
Source: MHLW, MIAC

【Revenues of Large Retailers】



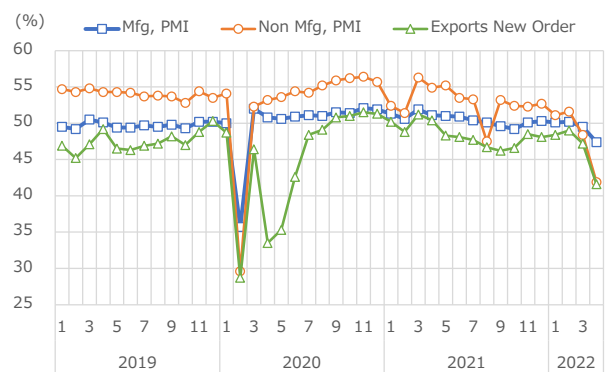
Source: METI

【Exports by Region】



Source: MOF

【China's PMI】



Source: CEIC

Major Monthly Statistics

Monthly statistics	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
Industrial Production												
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	96.7	100.0	99.0	95.8	92.0	90.8	93.8	93.6	96.4	97.0	93.3	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	-1.9	3.4	-1.0	-3.2	-4.0	-1.3	3.3	-0.2	3.0	0.6	-3.8	UN
...shipments index (unadjusted figure, YoY % change)	21.1	18.2	6.9	9.6	-2.7	-4.8	2.2	3.5	-0.9	-1.3	-2.4	UN
...inventories index (unadjusted figure, YoY % change)	-8.0	-7.8	-1.8	-0.1	5.2	6.7	9.3	11.0	11.0	11.5	8.9	UN
...shipments index (seasonally adjusted, 2015=100)	96.7	99.7	96.2	95.1	88.1	88.6	92.8	94.3	97.5	95.2	95.1	UN
...shipments index (seasonally adjusted, MoM change)	-4.2	3.1	-3.5	-1.1	-7.4	0.6	4.7	1.6	3.4	-2.4	-0.1	UN
...inventories index (seasonally adjusted, 2015=100)	95.7	92.9	97.2	97.4	101.4	102.4	104.0	105.4	104.2	106.2	105.4	UN
...inventories index (seasonally adjusted, MoM change)	1.5	-2.9	4.6	0.2	4.1	1.0	1.6	1.3	-1.1	1.9	-0.8	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	92.3	98.9	98.1	96.2	89.9	91.8	96.4	96.6	94.3	96.2	96.5	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	-6.2	7.2	-0.8	-1.9	-6.5	2.1	5.0	0.2	-2.4	2.0	0.3	UN
...shipments index (unadjusted figure, YoY % change)	21.2	18.9	10.7	6.7	-4.6	-5.9	3.3	2.5	-1.3	-1.5	-2.4	UN
...inventories index (unadjusted figure, YoY % change)	-8.9	-5.1	-4.7	-3.8	0.4	2.1	5.5	4.9	4.7	7.1	6.8	UN
...shipments index (seasonally adjusted, 2015=100)	93.5	96.5	96.1	93.6	86.9	89.1	93.9	94.1	92.7	92.7	93.3	UN
...shipments index (seasonally adjusted, MoM change)	-2.6	3.2	-0.4	-2.6	-7.2	2.5	5.4	0.2	-1.5	0.0	0.6	UN
...inventories index (seasonally adjusted, 2015=100)	94.2	95.7	95.4	95.3	97.9	98.4	99.8	99.9	99.2	101.3	100.9	UN
...inventories index (seasonally adjusted, MoM change)	-0.5	1.6	-0.3	-0.1	2.7	0.5	1.4	0.1	-0.7	2.1	-0.4	UN
Labor Statistics												
[Kansai] Unemployment rate (seasonally adjusted)	3.2	3.2	3.2	3.1	2.7	2.9	3.1	3.0	3.2	2.8	2.7	UN
[Kansai] Unemployment rate (unadjusted figure)	3.3	3.4	3.3	3.2	2.9	2.9	2.7	2.7	3.0	2.8	2.8	UN
[Japan] Unemployment rate (seasonally adjusted)	2.9	2.9	2.8	2.8	2.8	2.7	2.8	2.7	2.8	2.7	2.6	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.2	2.1	1.9	2.0	2.1	2.0	2.0	2.1	2.1	2.1	2.1	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.2	2.1	2.0	2.0	2.1	2.0	2.1	2.2	2.2	2.2	2.2	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	2.3	1.3	0.3	1.1	0.3	0.1	0.1	0.1	2.8	1.3	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	3.4	1.9	0.6	1.6	0.1	0.1	-0.5	-0.8	2.3	0.1	UN	UN
[Japan] Total cash earnings (YoY % change)	1.9	0.1	0.6	0.6	0.2	0.2	0.8	-0.4	1.1	1.2	1.2	UN
Retail sales												
[Kansai] Large retail store sales (JPY billion)	239.0	289.3	309.2	278.5	269.0	291.3	306.5	384.0	298.0	265.5	298.9	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-0.0	-1.5	1.4	-6.4	-2.3	0.9	3.1	3.0	2.9	0.1	2.0	UN
[Japan] Large retail store sales (JPY billion)	1,541.0	1,642.1	1,713.7	1,607.8	1,556.4	1,651.8	1,707.8	2,139.2	1,676.7	1,503.6	1,704.7	UN
[Japan] Large retail store sales (YoY % change, all stores)	6.0	-2.2	1.3	-4.8	-0.7	1.3	1.8	1.7	3.0	0.5	2.1	UN
Housing & Construction												
[Kansai] New housing starts (number of units)	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	13,175.0	UN
[Kansai] New housing starts (YoY % change)	1.3	5.4	11.9	15.2	9.9	6.3	-5.4	-2.4	0.1	-14.1	14.6	UN
[Japan] New housing starts (number of units)	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	76,120.0	UN
[Japan] New housing starts (YoY % change)	9.9	7.3	9.9	7.5	4.3	10.4	3.7	4.2	2.1	6.3	6.0	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	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	12,796.6	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	-8.2	3.2	3.1	-0.5	-0.8	-1.2	-3.7	-4.0	-8.4	-7.0	40.1	UN
[Japan] New housing starts (number of units, seasonally adjusted)	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	77,278.0	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	1.6	-1.6	3.3	-2.5	-2.4	3.7	-3.0	-1.5	-2.1	6.4	6.3	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	83.6	71.4	71.0	60.7	61.4	60.0	65.6	70.2	82.5	74.8	72.3	61.9
[Kansai] Residential lots contract ratio (unadjusted figure)	78.3	73.2	73.4	65.0	59.4	57.3	65.6	73.5	77.5	79.2	72.9	59.8
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	68.5	69.5	66.5	72.7	68.7	75.2	88.7	76.3	59.2	72.4	69.6	77.4
[Tokyo area] Residential lots contract ratio (unadjusted figure)	69.3	72.5	68.3	73.0	67.7	71.4	79.9	73.5	58.4	73.3	75.2	79.6
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	523.0	532.6	539.8	556.1	587.3	602.2	626.9	640.0	634.6	619.7	619.1	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	5.1	1.1	1.9	2.4	1.8	1.7	0.8	-2.0	-0.4	0.0	1.6	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	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	4,545.0	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	0.0	1.6	2.1	1.5	0.5	-0.2	-1.6	-2.9	-4.7	-4.8	-5.1	UN
[Kansai] Construction works (total, JPY billion)	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	1,982.7	UN
[Kansai] Construction works (total, YoY % change)	-0.6	0.5	-0.2	-3.6	-6.9	-8.2	-9.6	-13.1	-14.6	-14.9	-14.8	UN
[Japan] Construction works (total, JPY billion)	143.6	169.4	140.8	122.0	150.5	136.7	80.5	89.6	61.6	65.7	168.7	335.0
[Japan] Construction works (total, YoY % change)	18.9	5.6	0.2	11.0	-16.7	-12.5	-16.6	-19.5	-8.4	-22.5	2.2	20.6
[Japan] Construction works (public works, JPY billion)	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	2,010.5
[Japan] Construction works (public works, YoY % change)	6.3	0.7	-9.9	-11.0	-15.1	-19.8	-14.5	-6.6	-17.7	-9.1	-4.3	-4.0
Consumer Sentiment												
[Kansai] Consumer Confidence Index (seasonally adjusted)	35.4	37.7	37.8	37.2	36.8	36.8	36.5	36.6	35.0	33.9	33.0	33.3
...overall livelihood	38.2	39.1	39.4	38.4	38.6	37.2	35.9	36.4	34.8	35.0	32.1	31.5
...income growth	37.1	37.4	37.5	37.5	37.5	37.6	37.6	38.2	36.8	37.2	36.4	37.0
...employment conditions	29.9	35.3	35.5	35.0	33.4	35.6	37.1	39.6	35.5	33.7	34.7	38.2
...willingness to buy durable goods	36.7	38.8	38.9	38.4	37.1	35.9	34.6	33.6	32.6	29.7	28.4	27.6
[Japan] Consumer Confidence Index (seasonally adjusted)	35.1	37.4	37.6	37.2	37.7	38.4	38.3	38.3	36.5	35.2	32.8	33.0
Business Confidence												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	34.7	46.2	47.5	35.3	42.7	54.1	57.3	58.7	40.3	39.3	48.4	50.6
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	50.5	49.7	46.3	44.3	55.4	55.1	51.3	49.4	41.9	44.2	47.5	49.2
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	37.8	46.5	48.0	34.9	42.3	55.1	56.8	57.5	37.9	37.7	47.8	50.4
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	48.0	51.1	47.3	43.5	56.6	56.6	53.2	50.3	42.5	44.4	50.1	50.3
International Trade												
[Kansai] Trade balance (JPY billion)	225.2	325.3	267.6	212.3	223.3	429.9	83.4	287.9	-162.6	176.4	281.3	190.8
[Kansai] Exports (JPY billion)	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	1,875.8	1,760.2
[Kansai] Exports (YoY % change)	33.2	38.7	24.9	26.1	21.2	21.0	22.9	18.5	9.7	20.3	15.1	10.2
[Kansai] Imports (JPY billion)	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	1,401.9	1,594.5	1,569.4
[Kansai] Imports (YoY % change)	14.1	20.9	17.1	30.9	30.3	18.3	39.3	32.3	35.8	30.8	27.1	22.1

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