

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 expected to keep improving. As China's economy is slowing down, domestic service spending is expected to drive recovery.*

- ✓ Economic conditions in Kansai are improving and this trend is likely to continue. Sentiment has improved due to a recovery in human flows during the long holidays (Golden Week), as there were no restrictions on activities. Although China's economic slowdown due to the zero-COVID policy, as well as high raw material prices remain risk factors, Kansai's recovery is expected to be driven by domestic spending on services.
- ✓ The number of new positives in COVID-19 has been on a downward trend since the Golden Week. However, the decline started decelerating in mid-June.
- ✓ Industrial production in April rose MoM for the first time in two months. This was due to an increase in the production of manufacturing equipment and transportation equipment.
- ✓ In April, both labor supply and labor demand expanded due to the normalization of economic activity. However, the total unemployment rate rose MoM for the first time in three months, as the recovery in the number of workers remained modest relative to the increase in the labor force. The ratio of job offers to applicants improved for the first time in two months.
- ✓ In March, wages in the six Kansai prefectures increased YoY in nominal terms for the 13th consecutive month and exceeded the pre-pandemic level three months in a row. In real terms, however, they declined for the first time in three months due to a rise in the consumer price index.
- ✓ The sales of large retailers in Kansai increased YoY for the seventh consecutive month in April. Therein, supermarket sales declined for the first time in three months due to a slowdown in demand for eating at home. In contrast, department store sales increased for the second consecutive month as a rebound from the shortened business hours and closures last year.
- ✓ New housing starts in April declined MoM for the first time in two months. Rental housing increased, but owner-occupied housing and houses for sale declined. Within the houses for sale, condominium starts declined sharply in reaction to the large increase in the previous month.
- ✓ In April, the amount of completed construction increased YoY for the second consecutive month, and the amount of completed public works construction increased for the third consecutive month. The value of public works contracts in May increased for the third consecutive month, continuing to outperform Japan as a whole, which logged a decline.
- ✓ The Economy Watcher diffusion index (DI) of current conditions for May improved MoM for the third consecutive month. Business confidence improved due to a significant increase in human flows during the Golden Week, as there were no restrictions on activities. The DI of future conditions improved for the fourth consecutive month too, but the negative impact of China's zero-COVID policy remains a risk factor.
- ✓ The trade balance in May logged a deficit for the first time in four months. This was due to record-high imports caused by soaring fuel prices. By region, the trade deficit with China widened as imports from China increased due to the easing of logistics.
- ✓ The number of international arrivals at Kansai International Airport (KIX) in May reached 27,161, exceeding the 20,000 mark for the second consecutive month, due in part to the increased entry limit.
- ✓ Looking at China's economy in May, production showed signs of resumption as economic activity gradually normalized in Shanghai, with industrial production growth turning positive from the previous month and exports expanding. On the other hand, there has been no improvement in employment, domestic demand has remained sluggish, and the effects of the zero-COVID policy are expected to persist in June. This is likely to exert downward pressure on the Chinese economy in Q2.

Trends in the Kansai Economy

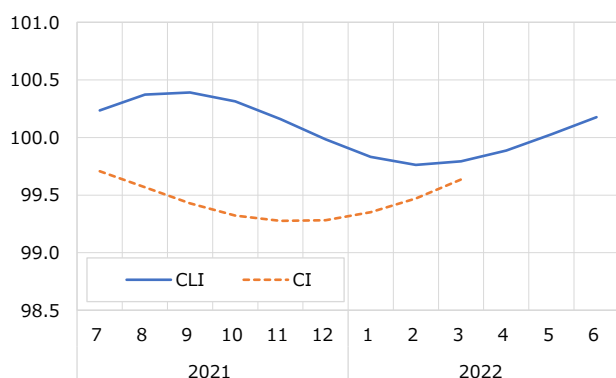
	2021								2022				
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Production	↓	↑	↓	↓	↓	↓	↑	→	↑	↑	↓	↑	
Employment	↑	↑	↓	↓	→	→	→	→	↑	↑	→	↑	
Consumption	→	↓	↑	↓	↓	→	↑	↑	↑	→	↑	↑	
Housing	→	↑	↑	↑	↑	↑	↓	→	→	↓	↑	→	
Public Works	↑	↑	→	↑	↓	↓	↓	↓	↓	↓	→	↑	↑
Sentiment	↑	↑	→	↓	↑	↑	↑	→	↓	↓	↑	↑	↑
Trade	↑	↑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

Criteria for determining the trends

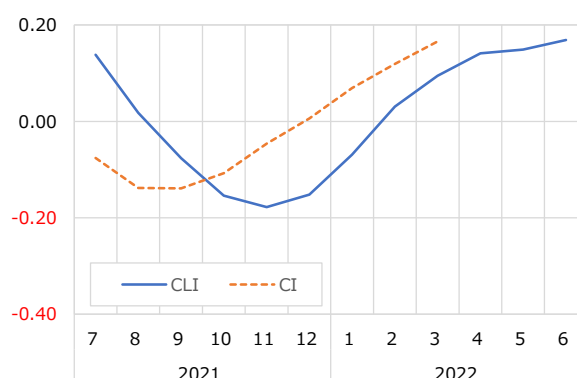
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2021/7~2022/6)



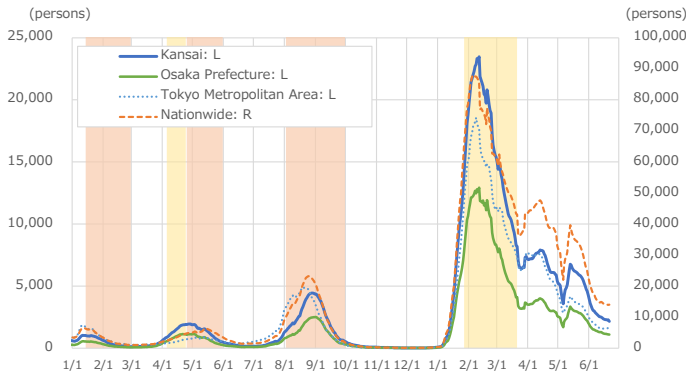
Kansai's CLI and CI: MoM changes (2021/7~2022/6)



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

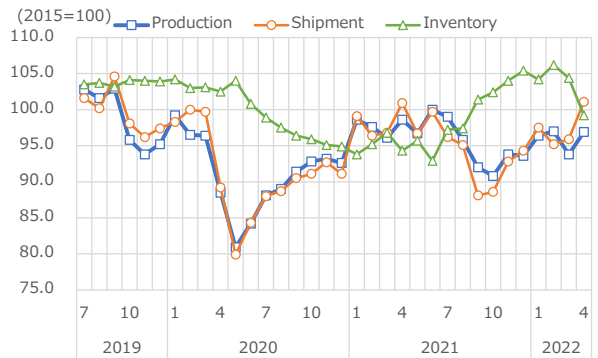
Data in Kansai at a glance

【Number of New Daily COVID-19 Infections】



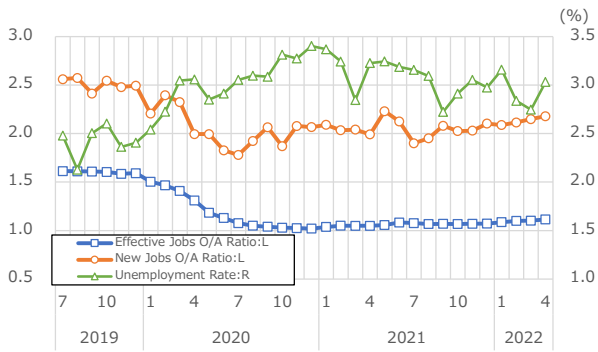
Source: MHLW

【Production, Shipment & Inventory】



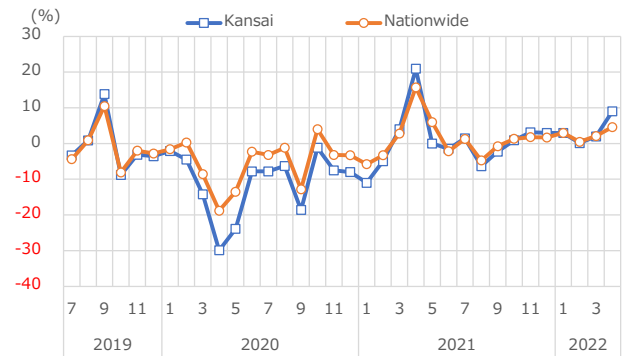
Source: METI

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



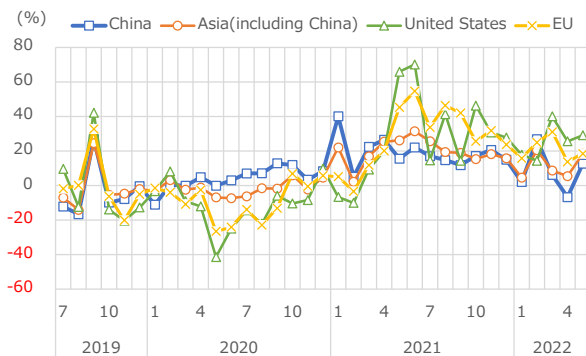
Source: MHLW, MIAC

【Revenues of Large Retailers】



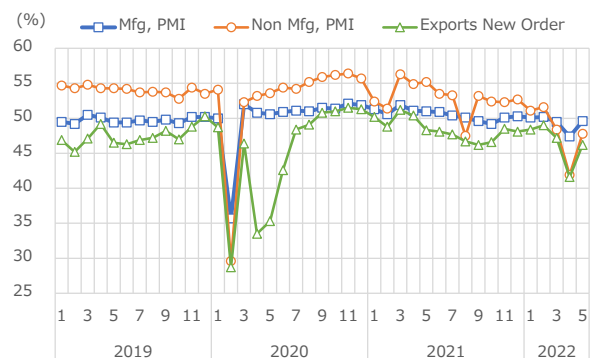
Source: METI

【Exports by Region】



Source: MOF

【China's PMI】



Source: CEIC

Major Monthly Statistics

Monthly statistics	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Industrial Production												
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	100.0	99.0	95.8	92.0	90.8	93.8	93.6	96.4	97.0	93.8	96.9	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	3.4	-1.0	-3.2	-4.0	-1.3	3.3	-0.2	3.0	0.6	-3.3	3.3	UN
...shipments index (unadjusted figure, YoY % change)	18.2	6.9	9.6	-2.7	-4.8	2.2	3.5	-0.9	-1.3	-1.6	-1.9	UN
...inventories index (unadjusted figure, YoY % change)	-7.8	-1.8	-0.1	5.2	6.7	9.3	11.0	11.0	11.5	7.9	5.2	UN
...shipments index (seasonally adjusted, 2015=100)	99.7	96.2	95.1	88.1	88.6	92.8	94.3	97.5	95.2	95.9	101.1	UN
...shipments index (seasonally adjusted, MoM change)	3.1	-3.5	-1.1	-7.4	0.6	4.7	1.6	3.4	-2.4	0.7	5.4	UN
...inventories index (seasonally adjusted, 2015=100)	92.9	97.2	97.4	101.4	102.4	104.0	105.4	104.2	106.2	104.4	99.2	UN
...inventories index (seasonally adjusted, MoM change)	-2.9	4.6	0.2	4.1	1.0	1.6	1.3	-1.1	1.9	-1.7	-5.0	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	98.9	98.1	96.2	89.9	91.8	96.4	96.6	94.3	96.2	96.5	95.1	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	7.2	-0.8	-1.9	-6.5	2.1	5.0	0.2	-2.4	2.0	0.3	-1.5	UN
...shipments index (unadjusted figure, YoY % change)	18.9	10.7	6.7	-4.6	-5.9	3.3	2.5	-1.3	-1.5	-2.4	-4.6	UN
...inventories index (unadjusted figure, YoY % change)	-5.1	-4.7	-3.8	0.4	2.1	5.5	4.9	4.7	7.1	6.8	4.1	UN
...shipments index (seasonally adjusted, 2015=100)	96.5	96.1	93.6	86.9	89.1	93.9	94.1	92.7	92.7	93.3	93.0	UN
...shipments index (seasonally adjusted, MoM change)	3.2	-0.4	-2.6	-7.2	2.5	5.4	0.2	-1.5	0.0	0.6	-0.3	UN
...inventories index (seasonally adjusted, 2015=100)	95.7	95.4	95.3	97.9	98.4	99.8	99.9	99.2	101.3	100.9	98.6	UN
...inventories index (seasonally adjusted, MoM change)	1.6	-0.3	-0.1	2.7	0.5	1.4	0.1	-0.7	2.1	-0.4	-2.3	UN
Labor Statistics												
[Kansai] Unemployment rate (seasonally adjusted)	3.2	3.2	3.1	2.7	2.9	3.1	3.0	3.2	2.8	2.7	3.0	UN
[Kansai] Unemployment rate (unadjusted figure)	3.4	3.3	3.2	2.9	2.9	2.7	2.7	3.0	2.8	2.8	3.1	UN
[Japan] Unemployment rate (seasonally adjusted)	2.9	2.8	2.8	2.8	2.7	2.8	2.7	2.8	2.7	2.6	2.5	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	1.2	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)	2.1	1.9	2.0	2.1	2.0	2.0	2.1	2.1	2.1	2.1	2.2	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.1	2.0	2.0	2.1	2.0	2.1	2.2	2.2	2.2	2.2	2.2	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	1.3	0.3	1.1	0.3	0.1	0.1	0.1	2.8	1.3	0.8	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	1.9	0.6	1.6	0.1	0.1	-0.5	-0.8	2.3	0.1	-0.6	UN	UN
[Japan] Total cash earnings (YoY % change)	0.1	0.6	0.6	0.2	0.2	0.8	-0.4	1.1	1.2	2.0	1.7	UN
Retail sales												
[Kansai] Large retail store sales (JPY billion)	289.3	309.2	278.5	269.0	291.3	306.5	384.0	298.0	265.5	298.9	288.9	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-1.5	1.4	-6.4	-2.3	0.9	3.1	3.0	2.9	0.1	2.0	8.9	UN
[Japan] Large retail store sales (JPY billion)	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	1,705.3	1,623.8	UN
[Japan] Large retail store sales (YoY % change, all stores)	-2.2	1.3	-4.8	-0.7	1.3	1.8	1.7	3.0	0.5	2.1	4.6	UN
Housing & Construction												
[Kansai] New housing starts (number of units)	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	13,094.0	UN
[Kansai] New housing starts (YoY % change)	5.4	11.9	15.2	9.9	6.3	-5.4	-2.4	0.1	-14.1	14.6	-0.7	UN
[Japan] New housing starts (number of units)	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	76,179.0	UN
[Japan] New housing starts (YoY % change)	7.3	9.9	7.5	4.3	10.4	3.7	4.2	2.1	6.3	6.0	2.2	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	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	12,089.1	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	3.2	3.1	-0.5	-0.8	-1.2	-3.7	-4.0	-8.4	-7.0	40.1	-5.5	UN
[Japan] New housing starts (number of units, seasonally adjusted)	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	73,622.0	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	-1.6	3.3	-2.5	-2.4	3.7	-3.0	-1.5	-2.1	6.4	6.3	-4.7	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	71.4	71.0	60.7	61.4	60.0	65.6	70.2	82.5	74.8	72.3	61.9	76.9
[Kansai] Residential lots contract ratio (unadjusted figure)	73.2	73.4	65.0	59.4	57.3	65.6	73.5	77.5	79.2	72.9	59.8	72.0
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	69.5	66.5	72.7	68.7	75.2	88.7	76.3	59.2	72.4	69.6	77.4	69.4
[Tokyo area] Residential lots contract ratio (unadjusted figure)	72.5	68.3	73.0	67.7	71.4	79.9	73.5	58.4	73.3	75.2	79.6	70.2
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	525.8	532.4	547.7	576.8	592.2	616.2	628.8	624.0	609.7	609.6	537.8	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	1.3	1.8	2.0	0.8	1.2	0.3	-2.7	-0.9	-0.4	1.6	2.0	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	3,935.9	4,076.6	4,222.4	4,473.3	4,644.5	4,666.4	4,694.2	4,532.3	4,395.0	4,462.6	3,818.6	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	1.5	2.2	1.5	0.6	-0.1	-1.5	-2.9	-4.6	-4.8	-5.0	-1.1	UN
[Kansai] Construction works (total, JPY billion)	1,538.5	1,602.5	1,679.0	1,837.2	1,969.9	2,014.9	2,016.9	1,949.1	1,862.7	1,946.1	1,389.6	UN
[Kansai] Construction works (total, YoY % change)	0.6	0.2	-3.3	-6.6	-8.0	-9.5	-13.2	-14.6	-14.9	-14.6	-9.5	UN
[Japan] Construction works (total, JPY billion)	169.4	140.8	122.0	150.5	136.7	80.5	89.6	61.6	65.7	168.7	335.0	155.2
[Japan] Construction works (total, YoY % change)	5.6	0.2	11.0	-16.7	-12.5	-16.6	-19.5	-8.4	-22.5	2.2	20.6	8.1
[Japan] Construction works (public works, JPY billion)	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	1,267.2
[Japan] Construction works (public works, YoY % change)	0.7	-9.9	-11.0	-15.1	-19.8	-14.5	-6.6	-17.7	-9.1	-4.3	-4.0	-10.3
Consumer Sentiment												
[Kansai] Consumer Confidence Index (seasonally adjusted)	37.7	37.8	37.2	36.8	36.8	36.5	36.6	35.0	33.9	33.0	33.6	34.5
...overall livelihood	39.1	39.4	38.4	38.6	37.2	35.9	36.4	34.8	35.0	32.1	32.7	32.7
...income growth	37.4	37.5	37.5	37.5	37.6	37.6	38.2	36.8	37.2	36.4	37.4	37.3
...employment conditions	35.3	35.5	35.0	33.4	35.6	37.1	39.6	35.5	33.7	34.7	37.1	42.0
...willingness to buy durable goods	38.8	38.9	38.4	37.1	35.9	34.6	33.6	32.6	29.7	28.4	28.2	27.2
[Japan] Consumer Confidence Index (seasonally adjusted)	37.4	37.6	37.2	37.7	38.4	38.3	38.3	36.5	35.2	32.8	33.0	34.1
Business Confidence												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	46.2	47.5	35.3	42.7	54.1	57.3	58.7	40.3	39.3	48.4	50.6	52.1
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	49.7	46.3	44.3	55.4	55.1	51.3	49.4	41.9	44.2	47.5	49.2	53.4
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	46.5	48.0	34.9	42.3	55.1	56.8	57.5	37.9	37.7	47.8	50.4	54.0
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	51.1	47.3	43.5	56.6	56.6	53.2	50.3	42.5	44.4	50.1	50.3	52.5
International Trade												
[Kansai] Trade balance (JPY billion)	325.3	267.6	212.3	223.3	429.9	83.4	287.9	-162.6	176.4	276.9	190.2	-49.2
[Kansai] Exports (JPY billion)	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	1,760.6	1,674.1
[Kansai] Exports (YoY % change)	38.7	24.9	26.1	21.2	21.0	22.9	18.5	9.7	20.3	15.1	10.2	21.0
[Kansai] Imports (JPY billion)	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	1,598.9	1,570.4	1,723.3
[Kansai] Imports (YoY % change)	20.9	17.1	30.9	30.3	18.3	39.3	32.3	35.8	30.8	27.5	22.2	48.8

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