

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.

Highlights

Kansai's economy is expected to keep improving. Consumption is expected to pick up moderately, but rising prices might exert downward pressure *

- ✓ Economic conditions in Kansai are improving and this trend is likely to continue. The employment environment and consumption are both recovering moderately. However, sentiment has deteriorated due to the negative impact of rising prices. Inflation might exert a significant downward pressure on private consumption in the future.
- ✓ The number of new COVID-19 cases bottomed out on June 21. However, it started rising thereafter, marking the seventh wave of infections. The pace of increase accelerated in July, with the number of new infections exceeding the peak of the sixth wave.
- ✓ Industrial production in May declined MoM for the first time in two months. This was the first significant decline since May 2020, due in part to large production cuts in transportation machinery, and electronic and telecommunications devices.
- ✓ The unemployment rate improved in May, but both the number of workers and the labor force shrank. However, the April-May averages of the number of workers and the labor force were higher compared to Q1 average. In addition, the ratio of job offers to applicants improved for the second consecutive month. Overall, the employment situation is improving.
- ✓ In April, salaries in the six prefectures of the Kansai region increased YoY in nominal terms for the 14th consecutive month, exceeding the pre-pandemic level for the fourth consecutive month. However, in real terms, they declined for the second month in a row due to inflation. Since prices are expected to keep rising in the foreseeable future, real wage growth is likely to remain negative.
- ✓ In May, the sales of large retailers increased YoY for the eighth consecutive month. Therein, supermarket sales declined for the second consecutive month due to a slowdown in domestic food demand and rising food prices. In contrast, department store sales increased for the third consecutive month, mainly due to an increase in customers during the Golden Week holidays. This was the first time in three years that there were no restrictions on activities during the Golden Week.
- ✓ The number of new housing starts in May declined for the second consecutive month. Housing starts decreased in all three categories: owner-occupied housing, rental housing, and houses for sale. The decline in condominium starts remained particularly steep for two months in a row.
- ✓ The amount of completed construction in May increased YoY for the third consecutive month. The amount of completed public works construction declined slightly for the first time in four months. However, the value of public works contracts in Q2 expanded substantially from the previous quarter, showing signs of a turnaround.
- ✓ In June, the Economy Watcher's Diffusion Index (DI) for current conditions worsened MoM for the first time in four months, and the DI for future conditions deteriorated for the first time in five months. Both indices were affected by declining consumer confidence due to rising prices and concerns about worsening corporate earnings.
- ✓ The trade balance in June logged a surplus for the first time in two months. However, on a quarterly basis, in Q2 the trade surplus contracted YoY for the third consecutive quarter, and the pace of contraction accelerated. The increase in imports continues to outpace the increase in exports.
- ✓ In June, the number of international arrivals at Kansai International Airport (KIX) exceeded 20,000 for the third consecutive month. Due to the gradual easing of immigration, the total number of foreign visitors in Q2 rose sharply to over 70,000, up from around 10,000 in Q1.
- ✓ China's real GDP barely maintained positive growth in Q2, +0.4% YoY, but on an annualized basis the growth was a negative -10.4% QoQ. The slow recovery in employment and domestic demand, coupled with the risk of zero-COVID policies due to the spread of Omicron infections, means that a significant improvement is not expected in Q3.

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

Trends in the Kansai Economy

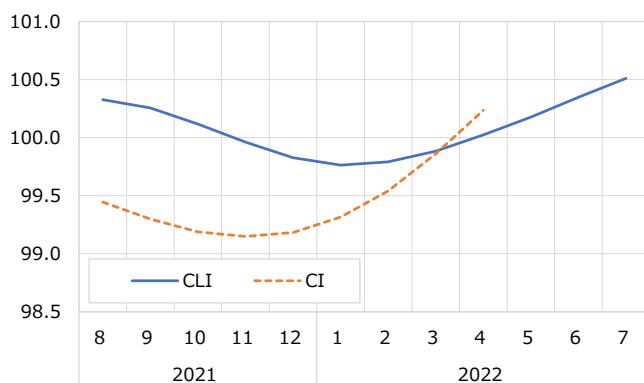
	2021						2022					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Production	↓	↓	↓	↓	↑	→	↑	↑	↓	↑	↓	
Employment	↓	↓	→	→	→	→	↑	↑	→	↑	↑	
Consumption	↑	↓	↓	→	↑	↑	↑	→	↑	↑	↑	
Housing	↑	↑	↑	↑	↓	→	→	↓	↑	→	↓	
Public Works	→	↑	↓	↓	↓	↓	↓	↓	→	↑	↑	↑
Sentiment	→	↓	↑	↑	↑	→	↓	↓	↑	↑	↑	↓
Trade	↑	→	→	↑	↓	↓	↓	↓	↓	↓	↓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

Criteria for determining the trends

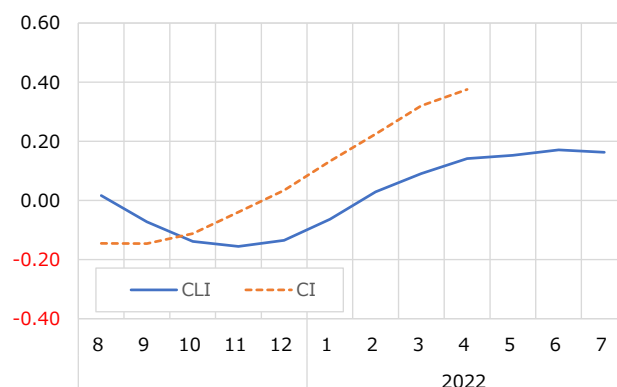
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2021/8~2022/7)



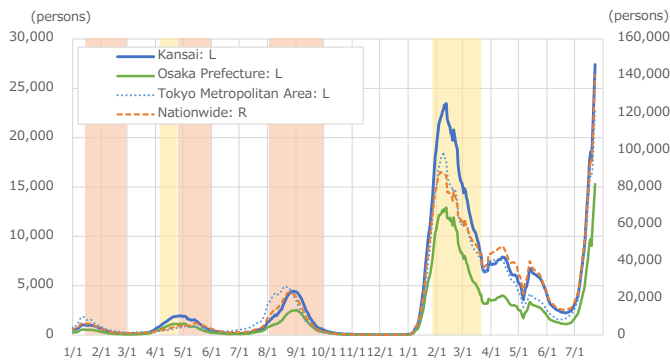
Kansai's CLI and CI: MoM changes (2021/8~2022/7)



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

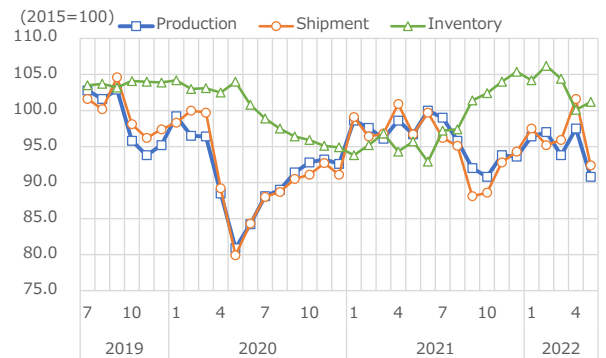
Data in Kansai at a glance

【Number of New Daily COVID-19 Infections】



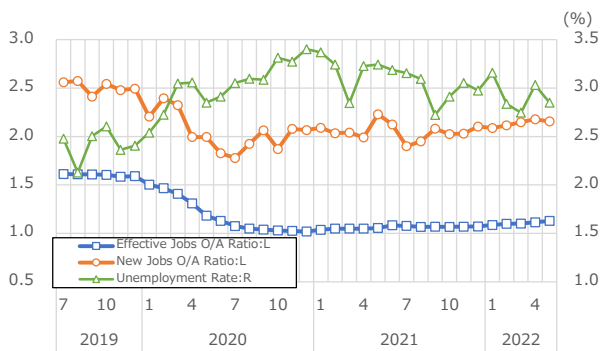
Source: MHLW

【Production, Shipment & Inventory】



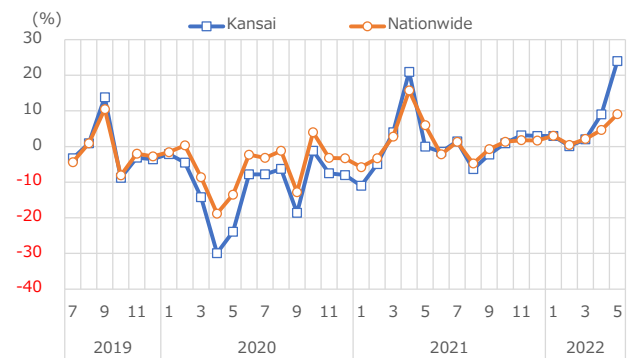
Source: METI

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



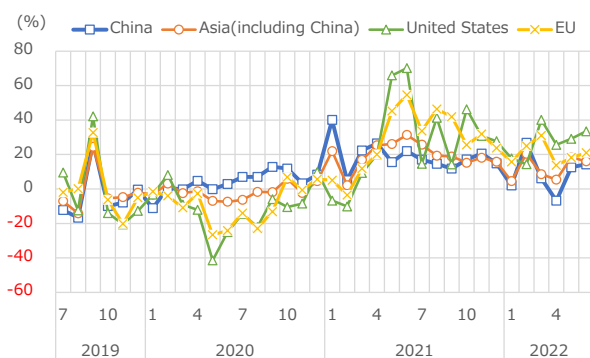
Source: MHLW, MIAC

【Revenues of Large Retailers】



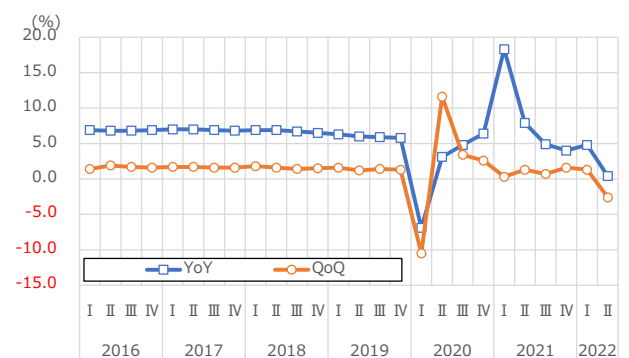
Source: METI

【Exports by Region】



Source: MOF

【China's GDP】



Source: CEIC

Major Monthly Statistics

Monthly statistics	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jul-22
Industrial Production												
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	99.0	95.8	92.0	90.8	93.8	93.6	96.4	97.0	93.8	97.5	90.8	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	-1.0	-3.2	-4.0	-1.3	3.3	-0.2	3.0	0.6	-3.3	3.9	-6.9	UN
...shipments index (unadjusted figure, YoY % change)	6.9	9.6	-2.7	-4.8	2.2	3.5	-0.9	-1.3	-1.6	-1.5	-2.4	UN
...inventories index (unadjusted figure, YoY % change)	-1.8	-0.1	5.2	6.7	9.3	11.0	11.0	11.5	7.9	6.2	5.8	UN
...shipments index (seasonally adjusted, 2015=100)	96.2	95.1	88.1	88.6	92.8	94.3	97.5	95.2	95.9	101.6	92.4	UN
...shipments index (seasonally adjusted, MoM change)	-3.5	-1.1	-7.4	0.6	4.7	1.6	3.4	-2.4	0.7	5.9	-9.1	UN
...inventories index (seasonally adjusted, 2015=100)	97.2	97.4	101.4	102.4	104.0	105.4	104.2	106.2	104.4	100.1	101.2	UN
...inventories index (seasonally adjusted, MoM change)	4.6	0.2	4.1	1.0	1.6	1.3	-1.1	1.9	-1.7	-4.1	1.1	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	98.1	96.2	89.9	91.8	96.4	96.6	94.3	96.2	96.5	95.1	88.0	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	-0.8	-1.9	-6.5	2.1	5.0	0.2	-2.4	2.0	0.3	-1.5	-7.5	UN
...shipments index (unadjusted figure, YoY % change)	10.7	6.7	-4.6	-5.9	3.3	2.5	-1.3	-1.5	-2.4	-4.6	-3.1	UN
...inventories index (unadjusted figure, YoY % change)	-4.7	-3.8	0.4	2.1	5.5	4.9	4.7	7.1	6.8	4.1	3.8	UN
...shipments index (seasonally adjusted, 2015=100)	96.1	93.6	86.9	89.1	93.9	94.1	92.7	92.7	93.3	93.0	89.2	UN
...shipments index (seasonally adjusted, MoM change)	-0.4	-2.6	-7.2	2.5	5.4	0.2	-1.5	0.0	0.6	-0.3	-4.1	UN
...inventories index (seasonally adjusted, 2015=100)	95.4	95.3	97.9	98.4	99.8	99.9	99.2	101.3	100.9	98.6	97.7	UN
...inventories index (seasonally adjusted, MoM change)	-0.3	-0.1	2.7	0.5	1.4	0.1	-0.7	2.1	-0.4	-2.3	-0.9	UN
Labor Statistics												
[Kansai] Unemployment rate (seasonally adjusted)	3.2	3.1	2.7	2.9	3.1	3.0	3.2	2.8	2.7	3.0	2.9	UN
[Kansai] Unemployment rate (unadjusted figure)	3.3	3.2	2.9	2.9	2.7	2.7	3.0	2.8	2.8	3.1	2.9	UN
[Japan] Unemployment rate (seasonally adjusted)	2.8	2.8	2.8	2.7	2.8	2.7	2.8	2.7	2.6	2.5	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	1.2	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)	1.9	2.0	2.1	2.0	2.0	2.1	2.1	2.1	2.1	2.2	2.2	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.0	2.0	2.1	2.0	2.1	2.2	2.2	2.2	2.2	2.2	2.3	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	0.3	1.1	0.3	0.1	0.1	0.1	2.8	1.3	0.8	1.2	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	0.6	1.6	0.1	0.1	-0.5	-0.8	2.3	0.1	-0.6	-1.6	UN	UN
[Japan] Total cash earnings (YoY % change)	0.6	0.6	0.2	0.2	0.8	-0.4	1.1	1.2	2.0	1.7	1.0	UN
Retail sales												
[Kansai] Large retail store sales (JPY billion)	309.2	278.5	269.0	291.3	306.5	384.0	298.0	265.5	298.9	289.1	296.3	UN
[Kansai] Large retail store sales (YoY % change, all stores)	1.4	-6.4	-2.3	0.9	3.1	3.0	2.9	0.1	2.0	9.0	24.0	UN
[Japan] Large retail store sales (JPY billion)	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	1,624.2	1,680.7	UN
[Japan] Large retail store sales (YoY % change, all stores)	1.3	-4.8	-0.7	1.3	1.8	1.7	3.0	0.5	2.1	4.6	9.1	UN
Housing & Construction												
[Kansai] New housing starts (number of units)	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	9,691.0	UN
[Kansai] New housing starts (YoY % change)	11.9	15.2	9.9	6.3	-5.4	-2.4	0.1	-14.1	14.6	-0.7	-5.6	UN
[Japan] New housing starts (number of units)	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	76,294.0	67,193.0	UN
[Japan] New housing starts (YoY % change)	9.9	7.5	4.3	10.4	3.7	4.2	2.1	6.3	6.0	2.4	-4.3	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	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	10,552.7	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	3.1	-0.5	-0.8	-1.2	-3.7	-4.0	-8.4	-7.0	40.1	-5.5	-12.7	UN
[Japan] New housing starts (number of units, seasonally adjusted)	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	73,734.0	68,977.0	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	3.3	-2.5	-2.4	3.7	-3.0	-1.5	-2.1	6.4	6.3	-4.6	-6.5	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	71.0	60.7	61.4	60.0	65.6	70.2	82.5	74.8	72.3	61.9	76.9	68.6
[Kansai] Residential lots contract ratio (unadjusted figure)	73.4	65.0	59.4	57.3	65.6	73.5	77.5	79.2	72.9	59.8	72.0	70.3
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	66.5	72.7	68.7	75.2	88.7	76.3	59.2	72.4	69.6	77.4	69.4	64.9
[Tokyo area] Residential lots contract ratio (unadjusted figure)	68.3	73.0	67.7	71.4	79.9	73.5	58.4	73.3	75.2	79.6	70.2	67.7
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	532.4	547.7	576.8	592.2	616.2	628.8	624.0	609.7	609.6	537.8	528.6	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	1.8	2.0	0.8	1.2	0.3	-2.7	-0.9	-0.4	1.6	2.0	2.3	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	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	3,706.1	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	2.2	1.5	0.6	-0.1	-1.5	-2.9	-4.6	-4.8	-5.0	-1.1	0.5	UN
[Kansai] Construction works (total, JPY billion)	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	1,301.6	UN
[Kansai] Construction works (total, YoY % change)	0.2	-3.3	-6.6	-8.0	-9.5	-13.2	-14.6	-14.9	-14.6	-9.5	-6.2	UN
[Japan] Construction works (total, JPY billion)	140.8	122.0	150.5	136.7	80.5	89.6	61.6	65.7	168.7	335.0	155.2	178.4
[Japan] Construction works (total, YoY % change)	0.2	11.0	-16.7	-12.5	-16.6	-19.5	-8.4	-22.5	2.2	20.6	8.1	5.3
[Japan] Construction works (public works, JPY billion)	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	1,651.9
[Japan] Construction works (public works, YoY % change)	-9.9	-11.0	-15.1	-19.8	-14.5	-6.6	-17.7	-9.1	-4.3	-4.0	-10.3	0.1
Consumer Sentiment												
[Kansai] Consumer Confidence Index (seasonally adjusted)	37.8	37.2	36.8	36.8	36.5	36.6	35.0	33.9	33.0	33.6	34.5	32.5
...overall livelihood	39.4	38.4	38.6	37.2	35.9	36.4	34.8	35.0	32.1	32.7	32.7	30.0
...income growth	37.5	37.5	37.5	37.6	37.6	38.2	36.8	37.2	36.4	37.4	37.3	36.0
...employment conditions	35.5	35.0	33.4	35.6	37.1	39.6	35.5	33.7	34.7	37.1	42.0	38.7
...willingness to buy durable goods	38.9	38.4	37.1	35.9	34.6	33.6	32.6	29.7	28.4	28.2	27.2	25.4
[Japan] Consumer Confidence Index (seasonally adjusted)	37.6	37.2	37.7	38.4	38.3	38.3	36.5	35.2	32.8	33.0	34.1	32.1
Business Confidence												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	47.5	35.3	42.7	54.1	57.3	58.7	40.3	39.3	48.4	50.6	52.1	51.0
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	46.3	44.3	55.4	55.1	51.3	49.4	41.9	44.2	47.5	49.2	53.4	45.0
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	48.0	34.9	42.3	55.1	56.8	57.5	37.9	37.7	47.8	50.4	54.0	52.9
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	47.3	43.5	56.6	56.6	53.2	50.3	42.5	44.4	50.1	50.3	52.5	47.6
International Trade												
[Kansai] Trade balance (JPY billion)	267.6	212.3	223.3	429.9	83.4	287.9	-162.6	176.4	276.9	189.3	-49.5	134.4
[Kansai] Exports (JPY billion)	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	1,673.7	1,945.8
[Kansai] Exports (YoY % change)	24.9	26.1	21.2	21.0	22.9	18.5	9.7	20.3	15.1	10.2	21.0	21.0
[Kansai] Imports (JPY billion)	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	1,571.2	1,723.2	1,811.5
[Kansai] Imports (YoY % change)	17.1	30.9	30.3	18.3	39.3	32.3	35.8	30.8	27.5	22.2	48.8	41.2

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