

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.

Highlights

Kansai's economy expected to remain on an upward trajectory

The number of new infections has subsided but inflation remains a risk factor

- ✓ Kansai's economy expected to remain on an upward trajectory. Production is currently declining, but the employment environment, consumption, and sentiment are all improving. The outlook is expected to improve due to the subsiding infection rate. However, inflation remains a concern.
- ✓ The number of new COVID-19 infections has peaked out both in Japan and in the Kansai region, and it keeps declining. In view of this, the government's response is moving to a new stage, with a review of the total number of positive cases being discussed and the border control measures for those entering Japan are being eased.
- ✓ In July, industrial production shrank MoM for the first time in two months. This was largely due to a decline in the chemical industry (excl. pharmaceuticals), and the production of electronic and communication devices. Kansai's pace of recovery has been slower than that of the nation as a whole, with the production level in July being only slightly higher than the Q2 average.
- ✓ In July, the unemployment rate declined slightly, and both the number of workers and the labor force increased. In addition, the ratio of job offers to applicants improved for the fourth consecutive month. Overall, the employment situation is improving.
- ✓ In June, salaries in the six Kansai prefectures increased YoY in nominal terms for the 16th consecutive month. In real terms, however, they declined for the fourth month in a row due to a rise in the consumer price index. Since prices are expected to keep rising in the foreseeable future, real wages are likely to keep declining.
- ✓ The sales of large retailers increased YoY for the 10th consecutive month in July. Therein, department store sales increased for the fifth consecutive month, due in part to the extremely hot summer as well as clearance sales. Supermarket sales increased for the first time in four months, but only slightly.
- ✓ New housing starts in July declined MoM for the first time in two months. The prices of construction materials are soaring and this trend is being passed on to housing prices.
- ✓ In July, the amount of completed construction increased YoY for the seventh consecutive month. Therein, the amount of completed public works increased for the 13th month in a row. On the other hand, the value of public works contracts in August almost remained unchanged YoY.
- ✓ In August, the Economy Watcher's Diffusion Index (DI) for current conditions improved from the previous month for the first time in three months, but the pace of improvement was slow, partly because the number of new infections remained high. The DI for future conditions improved for the first time in three months, partly due to expectations that the number of infections will subside.
- ✓ In August, Kansai's trade balance logged a deficit for the second consecutive month. The YoY increase in exports decelerated from the previous month, while the YoY increase in imports accelerated.
- ✓ The number of international arrivals at Kansai International Airport (KIX) in August increased from the previous month, but remained at the level of March 2020, when the pandemic started. Further easing of border control measures is expected, including lifting the cap on the number of foreign visitors, as well as the admission of individual travelers.
- ✓ In August, the recovery pace of China's economy accelerated from the previous month in terms of both production and personal consumption. However, the real estate market remained sluggish, and restrictions on economic activities due to the zero-COVID policy put downward pressure on domestic demand, especially the service industry. Looking ahead, the impact of these downward pressures is likely to continue, and the economy is not expected to improve significantly in Q3.

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

Trends in the Kansai Economy

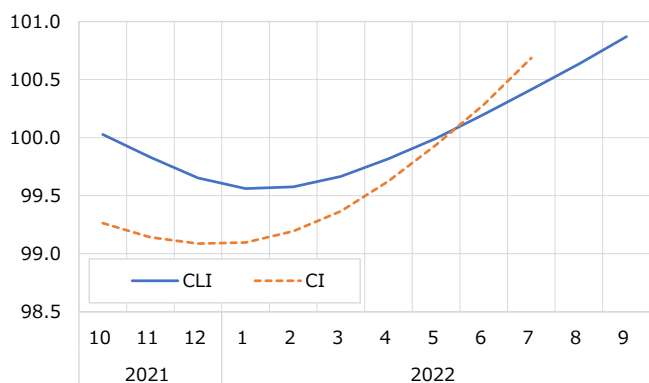
	2021				2022							
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Production	↓	↓	↑	→	↑	↑	↓	↑	↓	↑	↓	
Employment	→	→	→	→	↑	↑	→	↑	↑	↑	↑	
Consumption	↓	→	↑	↑	↑	→	↑	↑	↑	↑	↑	
Housing	↑	↑	↓	→	→	↓	↑	→	↓	→	↓	
Public Works	↓	↓	↓	↓	↓	↓	→	↑	↑	↑	↓	→
Sentiment	↑	↑	↑	→	↓	↓	↑	↑	↑	↓	↓	↑
Trade	→	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓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

Criteria for determining the trends

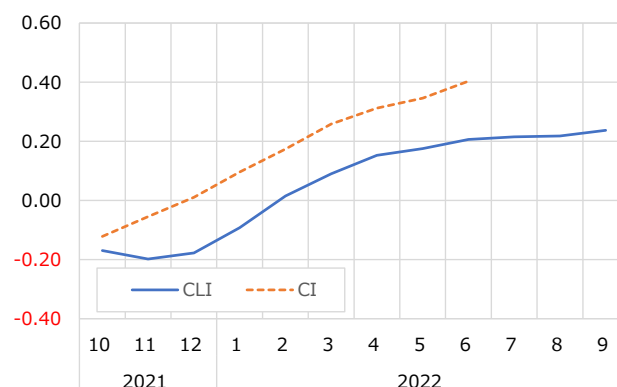
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2021/10~2022/9)



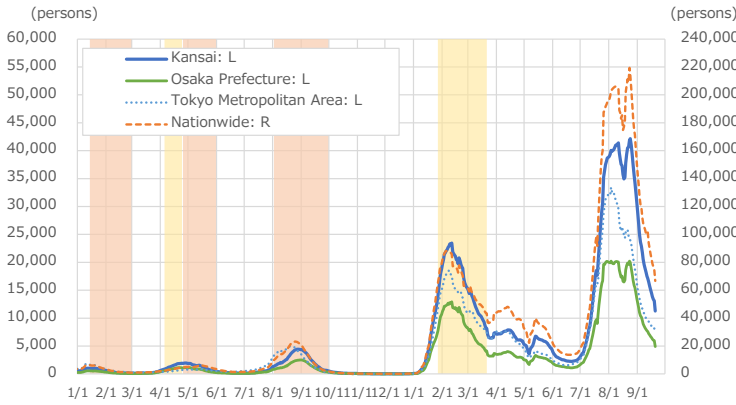
Kansai's CLI and CI: MoM changes (2021/10~2022/9)



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

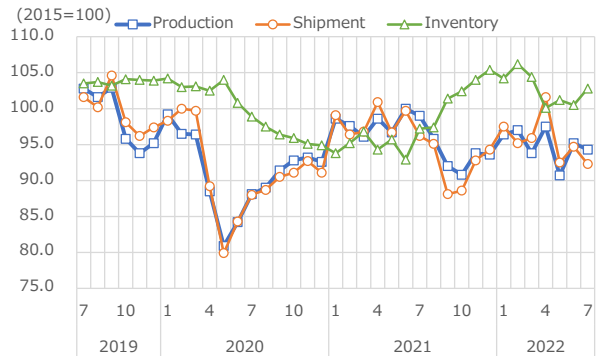
Data in Kansai at a glance

【Number of New Daily COVID-19 Infections】



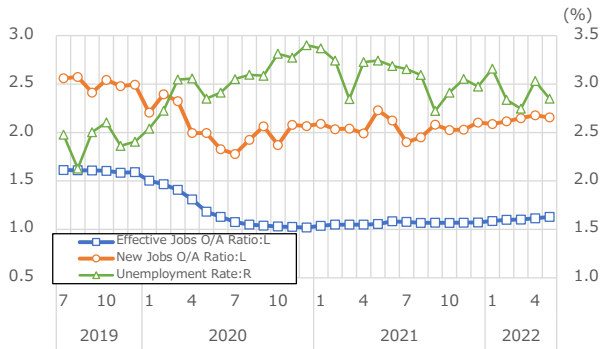
Source: MHLW

【Production, Shipment & Inventory】



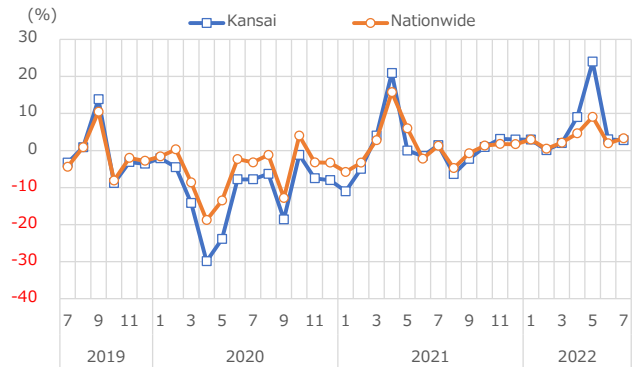
Source: METI

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



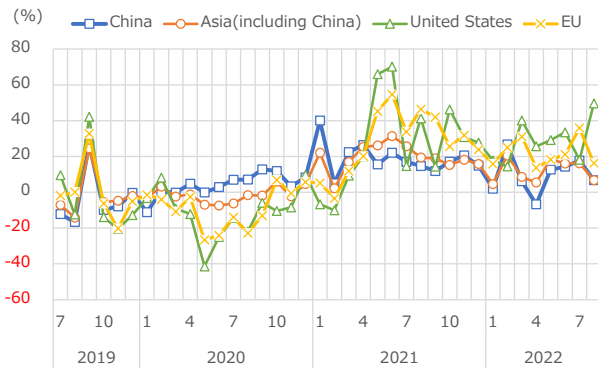
Source: MHLW, MIAC

【Revenues of Large Retailers】



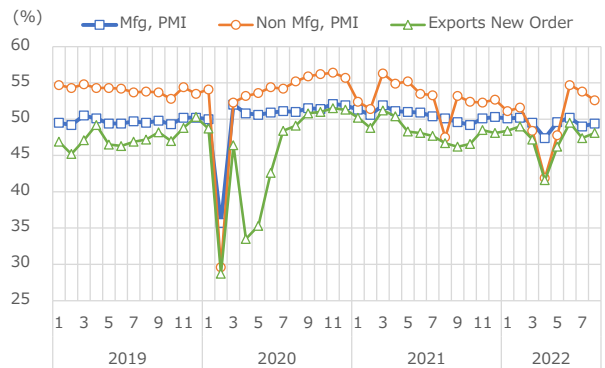
Source: METI

【Exports by Region】



Source: MOF

【China's PMI】



Source: CEIC

