Kansai Economic Insight Monthly
2022/10/26
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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

Expectations of recovery in face-to-face services overshadowed by inflation concerns

✓ Kansai's economy expected to remain on an upward trajectory. Production is currently increasing, but the pace of recovery is weak. The employment environment, consumption, and business sentiment keep improving. The outlook for the future is particularly good for face-to-face services thanks to the launch of the nationwide travel support program and expectations of a recovery in demand generated by inbound tourism. However, inflation remains a concern.

✓ After a period of decline, the number of new COVID-19 infections has recently started increasing. Although a recovery in face-to-face services is expected due to the government's nationwide travel support program and the lifting of the cap on the number of foreign visitors, it is essential to ensure the sustainability of the healthcare system.

✓ In August, industrial production rose MoM for the first time in two months, due to the increased production of electrical and ICT equipment, among others. The July-August average was higher than the Q2 average, but Kansai's pace of recovery has been slower than that of the nation as a whole.

✓ In August, the unemployment rate declined for the second consecutive month, the employment rate exceeded its pre-pandemic level, and the ratio of job offers to applicants improved for the fifth consecutive month. Overall, the employment situation is improving.

✓ In July, salaries in the six Kansai prefectures increased YoY in nominal terms for the 17th consecutive month. In real terms, however, they declined for the fifth month in a row due to the rising consumer price index. Since prices are expected to keep rising in the foreseeable future, real wages are likely to keep declining.

✓ In August, the sales of large retailers increased YoY for the 11th consecutive month. Therein, department store sales increased for the sixth consecutive month, due in part to a rebound from last year's voluntary restraint on sales and to a rush of demand before the expected price hikes for luxury goods. On the other hand, supermarket sales declined for the first time in two months.

✓ New housing starts in August increased MoM for the first time in two months. However, the prices of construction materials are soaring and this trend is being passed on to housing prices.

✓ In August, the amount of completed construction increased YoY for the eighth consecutive month. Therein, the amount of completed public works increased for the 14th month in a row. On the other hand, the value of public works contracts in September declined YoY for the first time in two months.

✓ In September, the Economy Watcher's Diffusion Index (DI) for current conditions improved MoM for the second consecutive month. In particular, the DI for service-related industries improved due to a decrease in the number of new COVID infections. The DI for future conditions improved MoM for the second consecutive month too, due to the launch of the government's national travel support program and expectations for a recovery in inbound tourism.

✓ In September, Kansai's trade balance logged a surplus for the first time in three months. However, on a quarterly basis, Q3 saw the first deficit in 32 quarters, i.e., since 2014 Q3. Imports continued to outpace exports for the fifth consecutive quarter.

✓ The number of international arrivals at Kansai International Airport (KIX) in September increased from the previous month, surpassing the level seen in March 2020, when the pandemic started. The Q3 figure exceeded 100,000, as border control measures were eased.

✓ China's real GDP growth accelerated to +3.9% YoY in Q3. However, YoY growth in January-September was a modest +3.0%, making it difficult to achieve the government's 5.5% target. Since the zero-COVID policy and the sluggish real estate market are likely to keep hindering economic recovery, China's economy is not expected to improve significantly in Q4.

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

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![APIR 一般財団法人 アジア太平洋研究所 ASIA PACIFIC INSTITUTE OF RESEARCH]

Trends in the Kansai Economy

|	2021			2022								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
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)

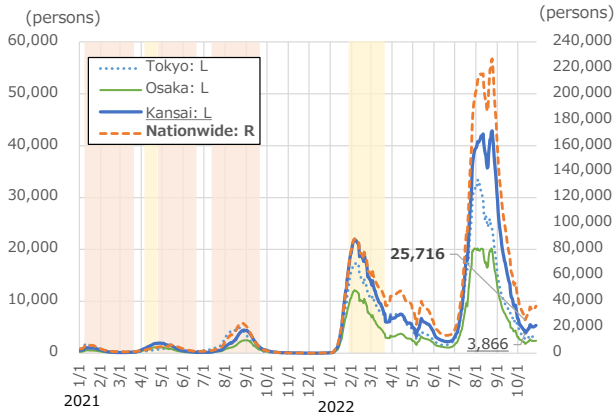**Kansai's CI and CLI (2021/11～2022/10)**
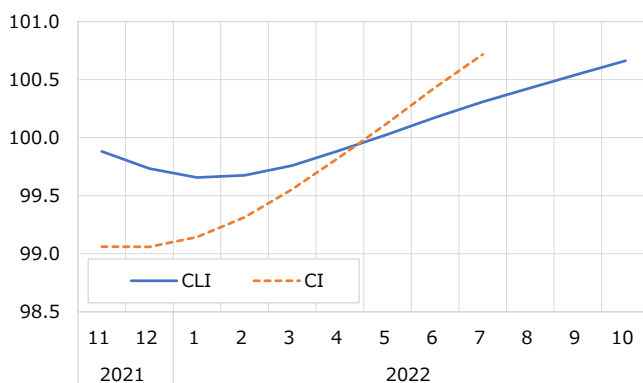
Kansai's CLI and CI: MoM changes (2021/11～2022/10)
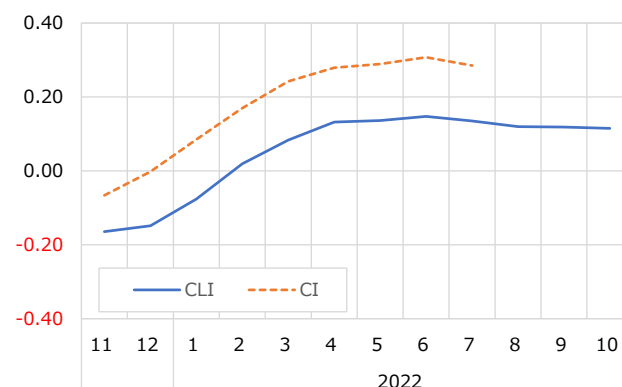
※Economic forecasts are based on the Kansai economic trend indices (CI, CLI) developed by APIR.

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Data in Kansai at a glance

【Number of New Daily COVID-19 Infections】

(persons)
60,000
50,000
40,000
30,000
25,716
20,000
10,000
3,866
0

Tokyo: L
Osaka: L
Kansai: L
Nationwide: R

(persons)
240,000
220,000
200,000
180,000
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0

2021 2022

Source: MHLW

【Production, Shipment & Inventory】

(2015=100)
Production — Shipment — Inventory
110.0
105.0
100.0
95.0
90.0
85.0
80.0
75.0

7 10 1 4 7 10 1 4 7 10 1 4 7
2019 2020 2021 2022
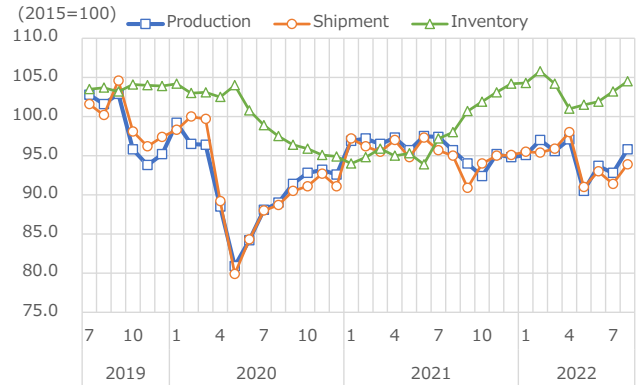
Source: METI

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

3.0
2.5
2.0
1.5
1.0
0.5

(%)
3.5
3.0
2.5
2.0
1.5
1.0

Effective Jobs O/A Ratio:L
New Jobs O/A Ratio:L
Unemployment Rate:R

7 10 1 4 7 10 1 4 7 10 1 4 7
2019 2020 2021 2022
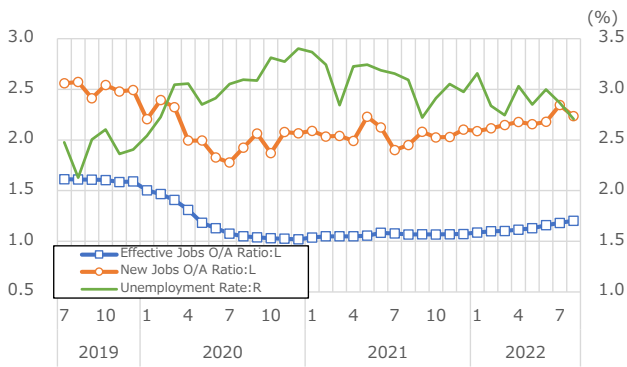
Source: MHLW, MIAC

【Revenues of Large Retailers】

(%)
30
20
10
0
-10
-20
-30
-40

Kansai — Nationwide

7 9 11 1 3 5 7 9 11 1 3 5 7 9 11 1 3 5 7
2019 2020 2021 2022
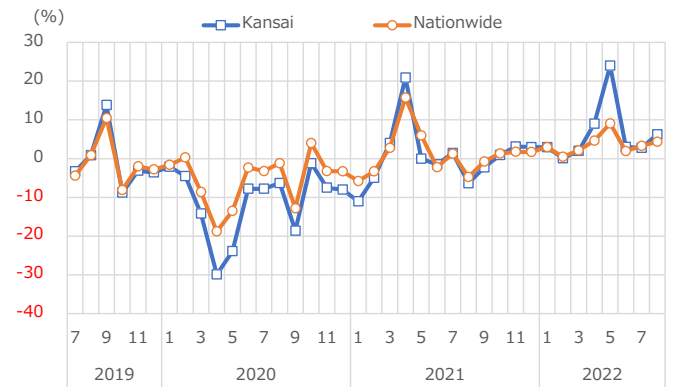
Source: METI

【Exports by Region】

(%)
80
60
40
20
0
-20
-40
-60

China — United States — EU

7 10 1 4 7 10 1 4 7 10 1 4 7
2019 2020 2021 2022
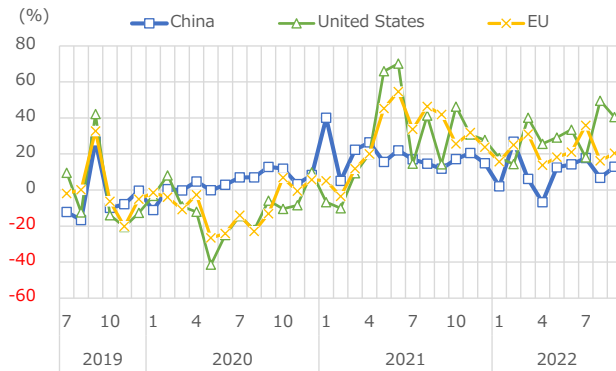
Source: MOF

【China's Real GDP】

(%)
20.0
15.0
10.0
5.0
0.0
-5.0
-10.0
-15.0

YoY — QoQ

Ⅰ Ⅱ Ⅲ Ⅳ Ⅰ Ⅱ Ⅲ Ⅳ Ⅰ Ⅱ Ⅲ Ⅳ Ⅰ Ⅱ Ⅲ Ⅳ Ⅰ Ⅱ Ⅲ Ⅳ Ⅰ Ⅱ Ⅲ Ⅳ Ⅰ Ⅱ Ⅲ
2016 2017 2018 2019 2020 2021 2022
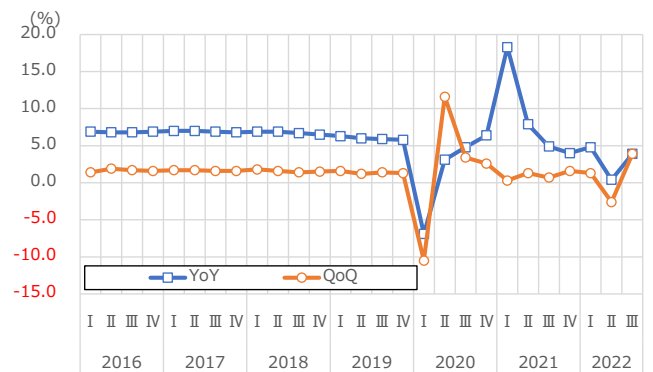
Source: CEIC

Monthly statistics	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Industrial Production												
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	92.4	95.2	94.8	95.1	97.0	95.6	97.1	90.5	93.7	92.8	95.8	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	-1.7	3.0	-0.4	0.3	2.0	-1.4	1.6	-6.8	3.5	-1.0	3.2	UN
...shipments index (unadjusted figure, YoY % change)	-4.9	2.4	4.4	-0.5	-0.9	-0.9	-0.9	-2.1	-4.3	-5.2	0.8	UN
...inventories index (unadjusted figure, YoY % change)	6.8	9.2	10.6	10.9	11.6	8.6	6.4	6.4	8.5	6.2	6.6	UN
...shipments index (seasonally adjusted, 2015=100)	94.0	95.0	95.1	95.5	95.4	95.9	98.0	91.0	93.0	91.4	93.9	UN
...shipments index (seasonally adjusted, MoM change)	3.4	1.1	0.1	0.4	-0.1	0.5	2.2	-7.1	2.2	-1.7	2.7	UN
...inventories index (seasonally adjusted, 2015=100)	101.9	103.1	104.2	104.3	105.8	104.2	101.0	101.5	101.9	103.2	104.5	UN
...inventories index (seasonally adjusted, MoM change)	1.2	1.2	1.1	0.1	1.4	-1.5	-3.1	0.5	0.4	1.3	1.3	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	91.8	96.4	96.6	94.3	96.2	96.5	95.1	88.0	96.1	96.9	100.2	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	2.1	5.0	0.2	-2.4	2.0	0.3	-1.5	-7.5	9.2	0.8	3.4	UN
...shipments index (unadjusted figure, YoY % change)	-5.9	3.3	2.5	-1.3	-1.5	-2.4	-4.6	-3.1	-2.9	-2.1	5.9	UN
...inventories index (unadjusted figure, YoY % change)	2.1	5.5	4.9	4.7	7.1	6.8	4.1	3.8	4.2	5.1	5.9	UN
...shipments index (seasonally adjusted, 2015=100)	89.1	93.9	94.1	92.7	92.7	93.3	93.0	89.2	93.7	94.8	97.5	UN
...shipments index (seasonally adjusted, MoM change)	2.5	5.4	0.2	-1.5	0.0	0.6	-0.3	-4.1	5.0	1.2	2.8	UN
...inventories index (seasonally adjusted, 2015=100)	98.4	99.8	99.9	99.2	101.3	100.9	98.6	97.7	99.6	100.2	100.9	UN
...inventories index (seasonally adjusted, MoM change)	0.5	1.4	0.1	-0.7	2.1	-0.4	-2.3	-0.9	1.9	0.6	0.7	UN
Labor Statistics												
[Kansai] Unemployment rate (seasonally adjusted)	2.9	3.1	3.0	3.2	2.8	2.7	3.0	2.9	3.0	2.9	2.7	UN
[Kansai] Unemployment rate (unadjusted figure)	2.9	2.7	2.7	3.0	2.8	2.8	3.1	2.9	3.2	3.0	2.8	UN
[Japan] Unemployment rate (seasonally adjusted)	2.7	2.8	2.7	2.8	2.7	2.6	2.5	2.6	2.6	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	1.2	1.2	1.2	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.3	1.3	1.3	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.0	2.0	2.1	2.1	2.1	2.1	2.2	2.2	2.2	2.3	2.2	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.0	2.1	2.2	2.2	2.2	2.2	2.2	2.3	2.2	2.4	2.3	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	0.1	0.1	0.1	2.8	1.3	0.8	1.2	1.0	1.8	1.9	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	0.1	-0.5	-0.8	2.3	0.1	-0.6	-1.6	-1.7	-0.8	-1.0	UN	UN
[Japan] Total cash earnings (YoY % change)	0.2	0.8	-0.4	1.1	1.2	2.0	1.3	1.0	2.0	1.3	1.7	UN
Retail sales												
[Kansai] Large retail store sales (JPY billion)	291.3	306.5	384.0	298.0	265.5	298.9	289.1	296.4	298.1	317.7	295.9	UN
[Kansai] Large retail store sales (YoY % change, all stores)	0.9	3.1	3.0	2.9	0.1	2.0	9.0	24.0	3.0	2.8	6.3	UN
[Japan] Large retail store sales (JPY billion)	1,651.8	1,707.8	2,139.2	1,676.7	1,503.6	1,705.3	1,624.2	1,680.9	1,673.5	1,770.4	1,677.7	UN
[Japan] Large retail store sales (YoY % change, all stores)	1.3	1.8	1.7	3.0	0.5	2.1	4.6	9.1	1.9	3.3	4.3	UN
Housing & Construction												
[Kansai] New housing starts (number of units)	11,753.0	11,450.0	10,201.0	8,729.0	8,873.0	13,175.0	13,094.0	9,691.0	11,688.0	11,445.0	12,691.0	UN
[Kansai] New housing starts (YoY % change)	6.3	-5.4	-2.4	0.1	-14.1	14.6	-0.7	-5.6	1.0	-13.2	13.4	UN
[Japan] New housing starts (number of units)	78,004.0	73,414.0	68,393.0	59,690.0	64,614.0	76,120.0	76,294.0	67,193.0	74,596.0	72,981.0	77,712.0	UN
[Japan] New housing starts (YoY % change)	10.4	3.7	4.2	2.1	6.3	6.0	2.4	-4.3	-2.2	-5.4	4.6	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	11,589.0	11,161.7	10,720.3	9,817.8	9,133.9	12,796.6	12,089.1	10,552.7	11,645.7	10,321.0	13,406.0	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	-1.2	-3.7	-4.0	-8.4	-7.0	40.1	-5.5	-12.7	10.4	-11.4	29.9	UN
[Japan] New housing starts (number of units, seasonally adjusted)	73,067.0	70,888.0	69,811.0	68,318.0	72,671.0	77,278.0	73,734.0	68,977.0	70,398.0	68,736.0	75,209.0	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	3.7	-3.0	-1.5	-2.1	6.4	6.3	-4.6	-6.5	2.1	-2.4	9.4	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	60.0	65.6	70.2	82.5	74.8	72.3	61.9	76.9	68.6	63.7	71.9	73.9
[Kansai] Residential lots contract ratio (unadjusted figure)	57.3	65.6	73.5	77.5	79.2	72.9	59.8	72.0	70.3	65.8	77.0	71.5
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	75.2	88.7	76.3	59.2	72.4	69.6	77.4	69.4	64.8	59.1	61.7	62.5
[Tokyo area] Residential lots contract ratio (unadjusted figure)	71.4	79.9	73.5	58.4	73.3	75.2	79.6	70.2	67.6	60.7	62.0	61.6
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	598.7	623.5	636.0	631.3	617.8	617.2	544.3	534.7	567.0	584.2	615.6	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	2.4	1.2	-1.8	0.2	1.2	3.6	3.2	3.0	7.1	8.8	11.3	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	4,670.3	4,702.4	4,730.2	4,563.9	4,428.0	4,490.8	3,840.4	3,726.4	3,997.5	4,127.5	4,363.4	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	1.0	0.2	-1.1	-2.5	-2.6	-3.6	-0.6	0.7	1.2	0.8	2.8	UN
[Kansai] Construction works (total, JPY billion)	1,989.3	2,043.2	2,045.9	1,974.1	1,888.7	1,967.1	1,405.2	1,316.1	1,484.4	1,558.2	1,698.7	UN
[Kansai] Construction works (total, YoY % change)	-5.8	-6.4	-9.6	-10.7	-10.7	-11.9	-8.0	-5.6	-4.1	-3.5	0.1	UN
[Japan] Construction works (total, JPY billion)	136.7	80.5	89.6	61.6	65.7	168.7	335.0	155.2	178.4	118.5	122.0	141.2
[Japan] Construction works (total, YoY % change)	-12.5	-16.6	-19.5	-8.4	-22.5	2.2	20.6	8.1	5.3	-15.8	0.0	-6.2
[Japan] Construction works (public works, JPY billion)	1,076.7	753.4	685.9	520.9	589.7	1,449.9	2,010.5	1,267.2	1,651.9	1,292.4	1,156.2	1,298.5
[Japan] Construction works (public works, YoY % change)	-19.8	-14.5	-6.6	-17.7	-9.1	-4.3	-4.0	-10.3	0.1	-7.0	-0.1	2.4
Consumer Sentiment												
[Kansai] Consumer Confidence Index (unadjusted figure)	37.7	38.5	38.1	36.1	34.2	32.5	32.4	32.5	32.1	30.4	32.4	30.8
...overall livelihood	37.8	38.5	38.1	36.7	34.7	31.2	31.2	31.2	29.5	29.0	32.0	29.6
...income growth	37.9	38.8	38.8	37.6	37.0	36.3	36.4	36.4	35.4	34.7	35.3	35.6
...employment conditions	39.1	41.3	40.3	36.4	34.5	34.4	34.6	36.1	38.2	34.4	36.6	34.7
...willingness to buy durable goods	36.0	36.0	35.3	33.8	30.4	28.2	27.3	26.1	25.2	23.3	25.6	23.4
[Kansai] Consumer Confidence Index (seasonally adjusted)	36.8	36.5	36.6	35.0	33.9	33.0	33.6	34.5	32.5	30.9	33.3	30.5
...overall livelihood	37.2	35.9	36.4	34.8	35.0	32.1	32.7	32.7	30.0	29.2	32.5	29.7
...income growth	37.6	37.6	38.2	36.8	37.2	36.4	37.4	37.3	36.0	34.9	35.3	35.3
...employment conditions	35.6	37.1	39.6	35.5	33.7	34.7	37.1	42.0	38.7	35.7	38.8	33.1
...willingness to buy durable goods	35.9	34.6	33.6	32.6	29.7	28.4	28.2	27.2	25.4	23.6	27.0	23.4
[Japan] Consumer Confidence Index (seasonally adjusted)	38.4	38.3	38.3	36.5	35.2	32.8	33.0	34.1	32.1	30.2	32.5	30.8
Business Confidence												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	54.1	57.3	58.7	40.3	39.3	48.4	50.6	52.1	51.0	39.2	42.0	48.2
[Kansai] Economy Watcher Diffusion Index (current, households)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	55.1	51.3	49.4	41.9	44.2	47.5	49.2	53.4	45.0	42.4	48.9	49.7
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	55.1	56.8	57.5	37.9	37.7	47.8	50.4	54.0	52.9	43.8	45.5	48.4
[Japan] Economy Watcher Diffusion Index (current, households)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	56.6	53.2	50.3	42.5	44.4	50.1	50.3	52.5	47.6	42.8	49.4	49.2
International Trade												
[Kansai] Trade balance (JPY billion)	429.9	83.4	287.9	-162.6	176.4	276.9	189.3	-50.2	133.9	-36.4	-68.8	74.4
[Kansai] Exports (JPY billion)	1,731.8	1,595.8	1,762.6	1,413.6	1,578.4	1,875.8	1,760.6	1,673.7	1,945.9	1,857.1	1,759.3	1,930.5
[Kansai] Exports (YoY % change)	21.0	22.9	18.5	9.7	20.3	15.1	10.2	21.0	21.0	19.5	15.7	19.5
[Kansai] Imports (JPY billion)	1,301.9	1,512.4	1,474.7	1,576.3	1,401.9	1,598.9	1,571.2	1,723.9	1,811.9	1,893.5	1,828.0	1,856.1
[Kansai] Imports (YoY % change)	18.3	39.3	32.3	35.8	30.8	27.5	22.2	48.8	41.3	47.1	39.8	33.3

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