

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

Private consumption picks up. Inflation and China's economic slowdown remain risks.

- ✓ Kansai's economy expected to remain on an upward trajectory. Production is currently increasing, albeit at a slow pace. The employment environment, private consumption, and business sentiment are all improving. The outlook for the service industry is particularly good. However, accelerating inflation and China's economic slowdown remain risks.
- ✓ The number of COVID-19 infections has increased significantly since the beginning of November. As the number of influenza cases has also increased compared to last year and the year before, attention should be paid to the risk of simultaneous infections.
- ✓ In September, industrial production rose MoM for the second consecutive month, due in part to increased production of transportation machinery and other products. On a quarterly basis, Q3 production rose QoQ for the first time in two quarters. However, the pace of recovery has been slower than in the rest of the country.
- ✓ In September, the unemployment rate declined for the third consecutive month, the employment rate exceeded its pre-pandemic level, and the ratio of job offers to applicants improved for the sixth consecutive month. On a quarterly basis, in Q3, unemployment declined for the first time in two quarters, while both the employment rate and the job vacancy rate rose for the third consecutive quarter.
- ✓ In August, salaries in the six Kansai prefectures increased YoY in nominal terms for the 18th month in a row. In real terms, however, they declined for the sixth 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 September, the sales of large retailers increased YoY for the 12th consecutive month. Therein, department store sales increased for the seventh straight month, partly driven by high-end items and autumn/winter clothing, and partly due to a rebound from the previous year's reduced opening hours. On the other hand, supermarket sales saw a decline for the second consecutive month.
- ✓ The number of new housing starts in September fell MoM for the first time in two months. On a quarterly basis, however, it increased QoQ for the second consecutive quarter in Q3. The outlook remains uncertain due to the rising prices of construction materials.
- ✓ The amount of completed construction increased YoY for the ninth consecutive month in September. Therein, public works increased for the 15th consecutive month. Both public and private construction are on an upward trend. The value of public works contracts increased for the first time in two months in October.
- ✓ In October, the Economy Watcher's Diffusion Index (DI) for current conditions improved MoM for the third consecutive month. In particular, the DI for service-related industries improved due to the launch of the government's national travel support program and expectations for a recovery in inbound tourism. However, the DI for future conditions deteriorated for the first time in three months due to concerns about the negative impact of high prices on consumption.
- ✓ In October, the trade balance logged a surplus for the second consecutive month. However, the surplus shrank compared to the previous month. Both imports and exports reached record highs, but the growth of exports slowed down from the previous month, while the growth of imports accelerated.
- ✓ The number of international arrivals at KIX in October increased significantly from the previous month, exceeding 100,000. This was due to a significant easing of entry restrictions, including the removal of the cap on the number of people entering the country.
- ✓ In October, the Chinese economy experienced a slowdown in production and a decline in consumer spending, partly due to stricter anti-COVID restrictions in some cities. In November, the number of infections rose rapidly, and many cities are expected to tighten up restrictions. As a result, the economy is expected to deteriorate in Q4.

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

Trends in the Kansai Economy

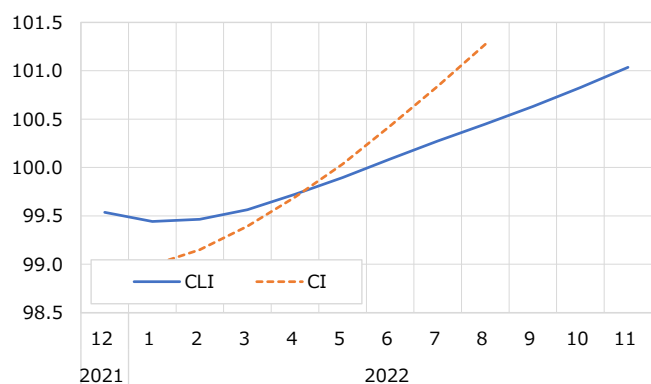
	2021		2022									
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Production	↑	→	↑	↑	↓	↑	↓	↑	↓	↑	↑	
Employment	→	→	↑	↑	→	↑	↑	↑	↑	↑	↑	
Consumption	↑	↑	↑	→	↑	↑	↑	↑	↑	↑	↑	
Housing	↓	→	→	↓	↑	→	↓	→	↓	↑	→	
Public Works	↓	↓	↓	↓	→	↑	↑	↑	↓	→	↓	↑
Sentiment	↑	→	↓	↓	↑	↑	↑	↓	↓	↑	↑	→
Trade	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓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

Criteria for determining the trends

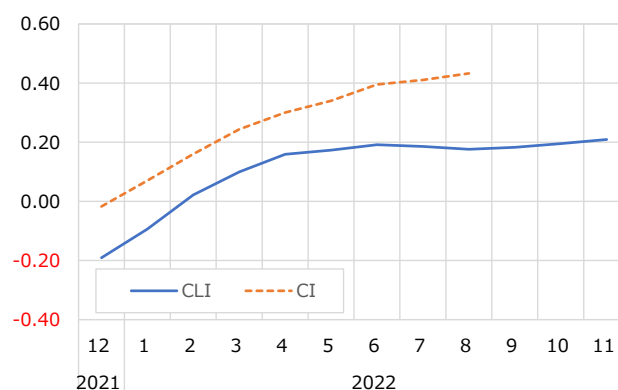
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2021/12~2022/11)



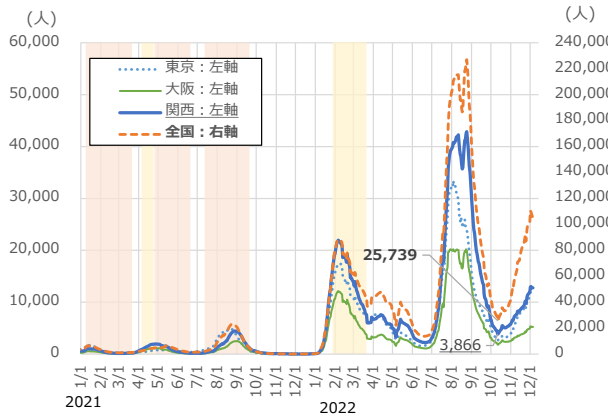
Kansai's CLI and CI: MoM changes (2021/12~2022/11)



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

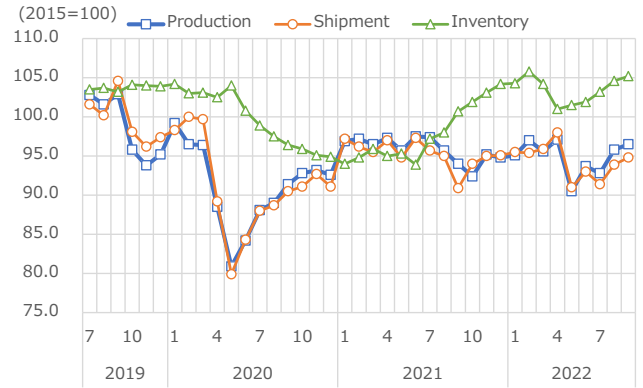
Data in Kansai at a glance

【Number of New Daily COVID-19 Infections】



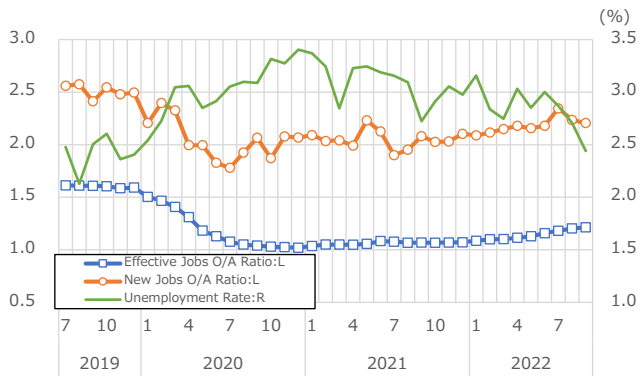
Source: MHLW

【Production, Shipment & Inventory】



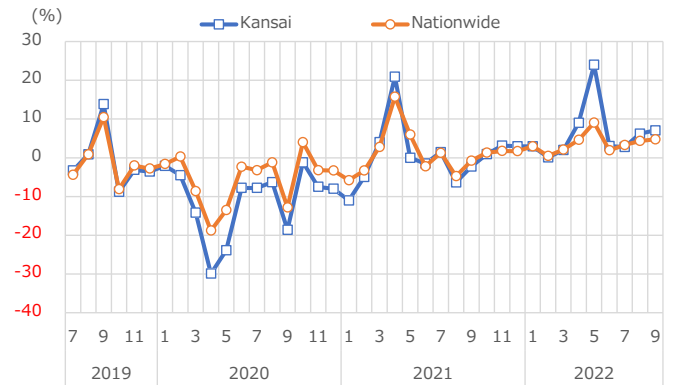
Source: METI

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



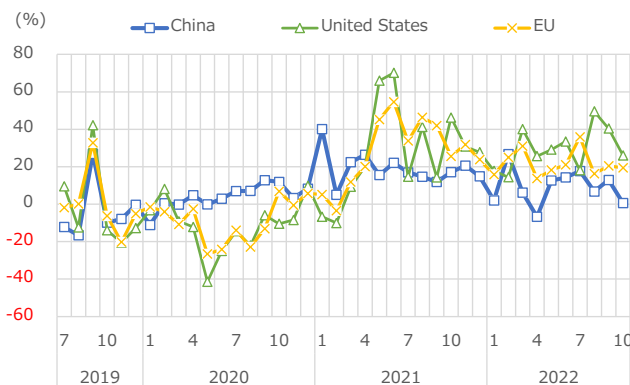
Source: MHLW, MIAC

【Revenues of Large Retailers】



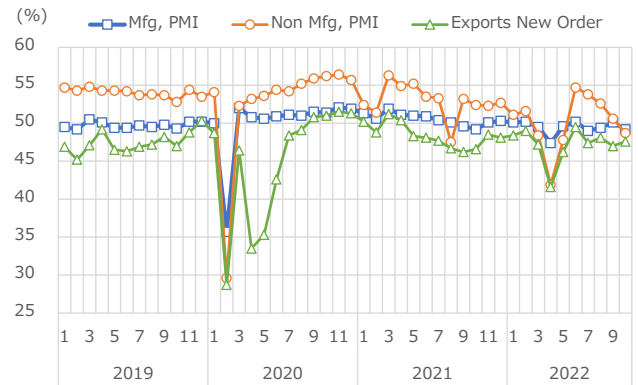
Source: METI

【Exports by Region】



Source: MOF

【China's PMI】



Source: CEIC

