

Kansai Economic Insight Monthly

2022/12/26

Vol.116 November/December

▼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, Zhaoying Lu (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 expected to remain on an upward trajectory

Inflation and global economic slowdown pose risks

- ✓ Kansai's economy expected to remain on an upward trajectory. Although industrial production is currently decreasing, the employment environment, private consumption, and business sentiment are all improving. Accelerating inflation and the global economic slowdown remain risk factors.
- ✓ The number of COVID-19 infections started increasing in mid-December. In addition, all Kansai prefectures have entered the influenza epidemic season. Simultaneous epidemics are becoming a reality.
- ✓ October production fell MoM for the first time in three months, partly due to production cuts in plastic products and electronic components and devices. The production level was slightly higher than the Q3 average, but the pace of recovery remains slow.
- ✓ In October, the number of unemployed persons increased, while both the labor force and the number of employed persons declined. The employment rate also declined slightly from the previous month. The employment recovery appears to have paused. However, the number of new job openings increased significantly, indicating that the labor shortage is likely to continue in the future.
- ✓ In September, salaries in the six Kansai prefectures increased YoY in nominal terms for the 19th month in a row. In real terms, however, they declined for the 7th 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 October, the sales of large retailers increased YoY for the 13th consecutive month. Therein, department store sales increased for the 8th straight month, while supermarket sales rose for the first time in three months.
- ✓ The number of new housing starts in October rose MoM for the first time in two months. On the other hand, the price of construction materials is rising, and there are concerns that the future will see a decline in the willingness to purchase homes.
- ✓ The amount of completed construction increased YoY for the tenth consecutive month in October. Kansai outperformed Japan as a whole, with both public and private construction being on an upward trend. On the other hand, the value of public works contracts in November decreased for the first time in two months.
- ✓ In November, the Economy Watcher's Diffusion Index (DI) for current conditions improved MoM for the fourth consecutive month. The DI for future conditions improved for the first time in two months too. The improvement was centered on service-related industries, as a result of the recovery in domestic and inbound tourism.
- ✓ In November, the trade balance logged a surplus for the third consecutive month. The growth of exports accelerated from the previous month, while the growth of imports decelerated. Cumulative exports and imports since January exceeded 19 trillion yen each, which is the highest amount on record.
- ✓ The number of international arrivals at KIX in November was 247,090, more than doubling from the previous month. The number of international visitors is recovering as entry restrictions were eased substantially.
- ✓ In November, the number of COVID-19 infections in China rose rapidly, and many cities are tightened up restrictions. As a result, the recovery in production lost momentum and consumer spending declined substantially. Despite some positive developments, such as the significant easing of the zero-COVID policy in December, uncertainty remains strong and the economy will probably deteriorate as a whole in Q4.

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

Trends in the Kansai Economy

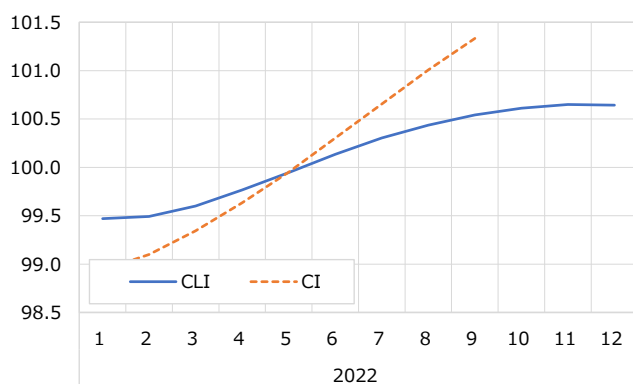
	2021	2022										
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Production	→	↑	↑	↓	↑	↓	↑	↓	↑	↑	↓	
Employment	→	↑	↑	→	↑	↑	↑	↑	↑	↑	↑	
Consumption	↑	↑	→	↑	↑	↑	↑	↑	↑	↑	↑	
Housing	→	→	↓	↑	→	↓	→	↓	↑	→	↑	
Public Works	↓	↓	↓	→	↑	↑	↑	↓	→	↓	↑	→
Sentiment	→	↓	↓	↑	↑	↑	↓	↓	↑	↑	→	→
Trade	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓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

Criteria for determining the trends

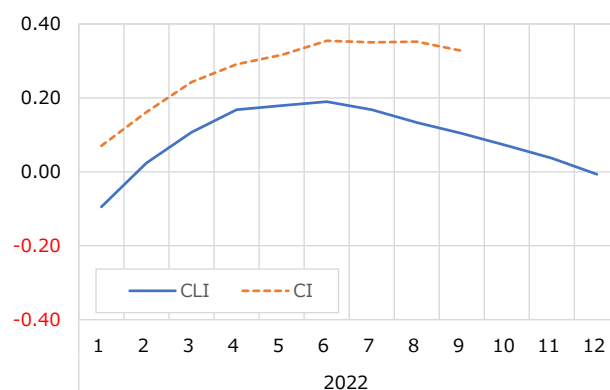
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2022/1~2022/12)



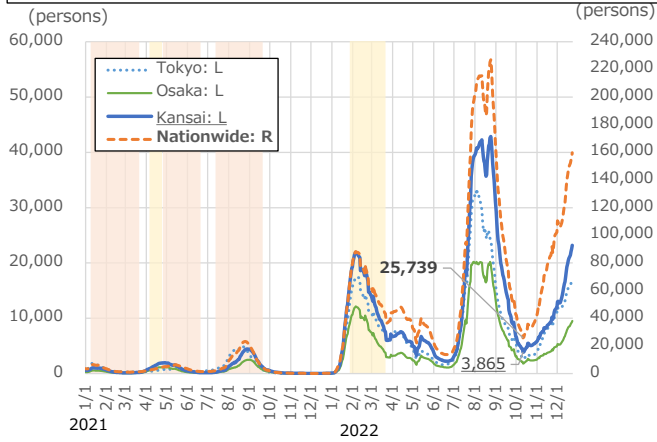
Kansai's CLI and CI: MoM changes (2022/1~2022/12)



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

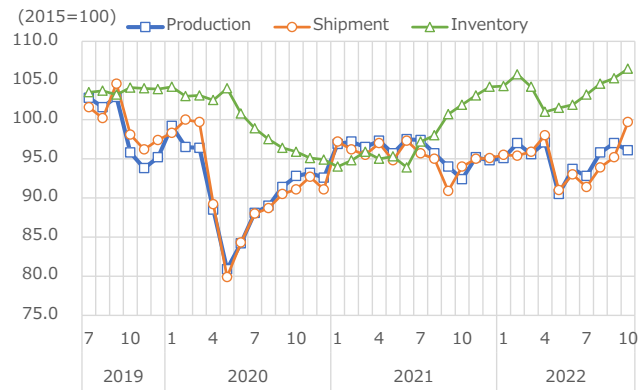
Data in Kansai at a glance

【Number of New Daily COVID-19 Infections】



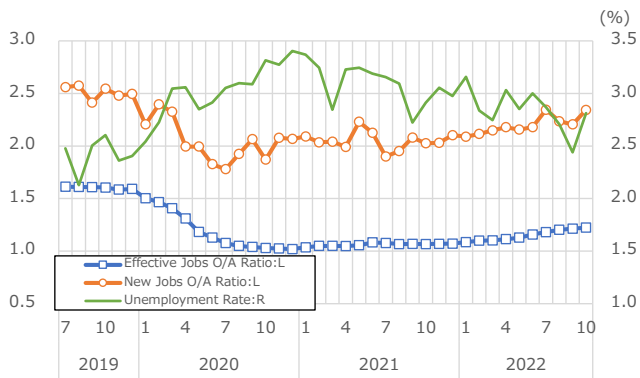
Source: MHLW

【Production, Shipment & Inventory】



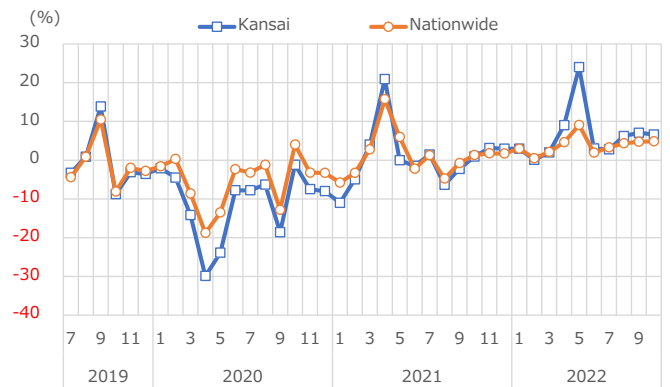
Source: METI

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



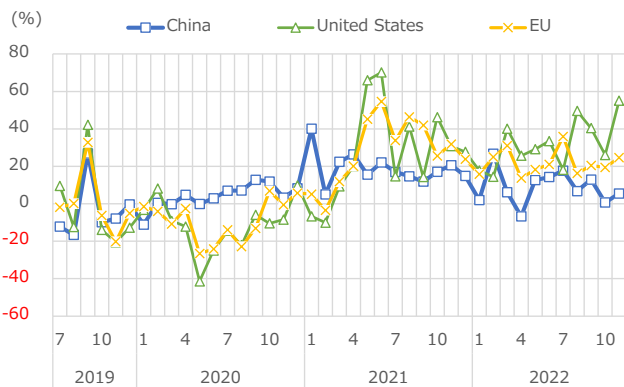
Source: MHLW, MIAC

【Revenues of Large Retailers】



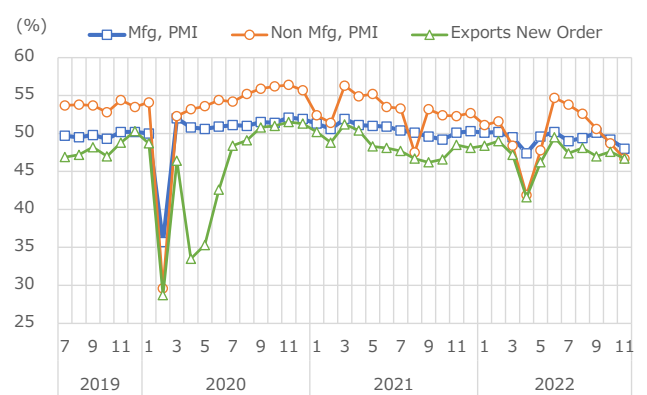
Source: METI

【Exports by Region】



Source: MOF

【China's PMI】



Source: CEIC

Major Monthly Statistics

Monthly statistics	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22
Industrial Production												
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	94.8	95.1	97.0	95.6	97.1	90.5	93.7	92.8	95.8	96.5	96.1	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	-0.4	0.3	2.0	-1.4	1.6	-6.8	3.5	-1.0	3.2	0.7	-0.9	UN
...shipments index (seasonally adjusted, 2015=100)	95.1	95.5	95.4	95.9	98.0	91.0	93.0	91.4	93.9	94.8	99.7	UN
...shipments index (seasonally adjusted, MoM change)	0.1	0.4	-0.1	0.5	2.2	-7.1	2.2	-1.7	2.7	1.0	4.7	UN
...inventories index (seasonally adjusted, 2015=100)	104.2	104.3	105.8	104.2	101.0	101.5	101.9	103.2	104.6	105.2	106.5	UN
...inventories index (seasonally adjusted, MoM change)	1.1	0.1	1.4	-1.5	-3.1	0.5	0.4	1.3	1.4	0.6	1.1	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	96.6	94.3	96.2	96.5	95.1	88.0	96.1	96.9	100.2	98.5	95.3	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	0.2	-2.4	2.0	0.3	-1.5	-7.5	9.2	0.8	3.4	-1.7	-3.2	UN
...shipments index (seasonally adjusted, 2015=100)	94.1	92.7	92.7	93.3	93.0	89.2	93.7	94.8	97.5	95.1	93.5	UN
...shipments index (seasonally adjusted, MoM change)	0.2	-1.5	0.0	0.6	-0.3	-4.1	5.0	1.2	2.8	-2.5	-1.7	UN
...inventories index (seasonally adjusted, 2015=100)	99.9	99.2	101.3	100.9	98.6	97.7	99.6	100.2	100.9	103.8	103.3	UN
...inventories index (seasonally adjusted, MoM change)	0.1	-0.7	2.1	-0.4	-2.3	-0.9	1.9	0.6	0.7	2.9	-0.5	UN
Labor Statistics												
[Kansai] Unemployment rate (seasonally adjusted)	3.0	3.2	2.8	2.7	3.0	2.9	3.0	2.9	2.7	2.4	2.8	UN
[Kansai] Unemployment rate (unadjusted figure)	2.7	3.0	2.8	2.8	3.1	2.9	3.2	3.0	2.8	2.6	2.8	UN
[Japan] Unemployment rate (seasonally adjusted)	2.7	2.8	2.7	2.6	2.5	2.6	2.6	2.6	2.5	2.6	2.6	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.2	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	1.3	1.3	1.3	1.3	1.4	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.1	2.1	2.1	2.1	2.2	2.2	2.2	2.3	2.2	2.2	2.3	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.2	2.2	2.2	2.2	2.2	2.3	2.2	2.4	2.3	2.3	2.3	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	0.1	2.8	1.3	0.8	1.2	1.0	1.8	1.9	3.2	2.9	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	-0.8	2.3	0.1	-0.6	-1.6	-1.7	-0.8	-1.0	-0.1	-0.4	UN	UN
[Japan] Total cash earnings (YoY % change)	-0.4	1.1	1.2	2.0	1.3	1.0	2.0	1.3	1.7	2.1	1.8	UN
Retail sales												
[Kansai] Large retail store sales (JPY billion)	384.0	298.0	265.5	298.9	289.1	296.4	298.1	317.7	295.9	288.0	310.6	UN
[Kansai] Large retail store sales (YoY % change, all stores)	3.0	2.9	0.1	2.0	9.0	24.0	3.0	2.8	6.2	7.1	6.6	UN
[Japan] Large retail store sales (JPY billion)	2,139.2	1,676.7	1,503.6	1,705.3	1,624.2	1,680.9	1,673.5	1,770.4	1,677.6	1,630.4	1,732.0	UN
[Japan] Large retail store sales (YoY % change, all stores)	1.7	3.0	0.5	2.1	4.6	9.1	1.9	3.3	4.3	4.8	4.9	UN
Prices												
[Kansai] Consumer Price Index (all items, unadjusted figure, 2020=100)	100.0	100.2	100.6	100.9	101.3	101.5	101.5	102.0	102.3	102.8	103.4	103.7
[Kansai] Consumer Price Index (all items, unadjusted figure, YoY % change)	0.7	0.4	0.9	1.1	2.3	2.1	2.0	2.3	2.7	2.7	3.5	3.7
...all items excluding food (unadjusted figure, 2020=100)	99.9	100.0	100.4	100.7	101.1	101.3	101.4	101.9	102.1	102.5	103.1	103.5
...all items excluding food (unadjusted figure, YoY % change)	0.4	0.1	0.6	0.7	1.9	1.7	1.9	2.1	2.5	2.7	3.4	3.5
...excluding food and energy (unadjusted figure, 2020=100)	99.3	99.2	99.5	99.6	100.0	100.1	100.3	100.7	100.9	101.2	101.9	102.2
...excluding food and energy (unadjusted figure, YoY % change)	-0.5	-1.0	-0.7	-0.6	0.8	0.8	1.0	1.3	1.6	1.8	2.6	2.9
Housing & Construction												
[Kansai] New housing starts (number of units)	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	12,090.0	13,918.0	UN
[Kansai] New housing starts (YoY % change)	-2.4	0.1	-14.1	14.6	-0.7	-5.6	1.0	-13.2	13.4	-2.8	18.4	UN
[Japan] New housing starts (number of units)	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	73,920.0	76,590.0	UN
[Japan] New housing starts (YoY % change)	4.2	2.1	6.3	6.0	2.4	-4.3	-2.2	-5.4	4.6	1.0	-1.8	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	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	11,408.7	13,723.8	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	-4.0	-8.4	-7.0	40.1	-5.5	-12.7	10.4	-11.4	29.9	-14.9	20.3	UN
[Japan] New housing starts (number of units, seasonally adjusted)	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	71,391.0	72,557.0	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	-1.5	-2.1	6.4	6.3	-4.6	-6.5	2.1	-2.4	9.4	-5.1	1.5	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	70.2	82.5	74.8	72.3	61.9	76.9	68.6	63.7	71.9	73.9	77.9	74.3
[Kansai] Residential lots contract ratio (unadjusted figure)	73.5	77.5	79.2	72.9	59.8	72.0	70.3	65.8	77.0	71.5	74.4	74.3
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	76.3	59.2	72.4	69.6	77.4	69.4	64.8	59.1	61.7	62.5	75.7	77.0
[Tokyo area] Residential lots contract ratio (unadjusted figure)	73.5	58.4	73.3	75.2	79.6	70.2	67.6	60.7	62.0	61.6	71.9	69.4
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	636.0	631.3	617.8	617.2	544.3	534.7	567.0	584.2	615.6	641.1	651.1	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	-1.8	0.2	1.2	3.6	3.2	3.0	7.1	8.8	11.3	10.0	8.8	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	4,730.2	4,563.9	4,428.0	4,490.8	3,840.5	3,726.6	3,997.9	4,128.1	4,364.4	4,612.5	4,764.8	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-1.1	-2.5	-2.6	-3.6	-0.6	0.7	1.2	0.8	2.8	2.6	2.0	UN
[Kansai] Construction works (total, JPY billion)	2,045.9	1,974.3	1,888.7	1,967.1	1,405.2	1,316.1	1,484.4	1,558.2	1,698.7	1,877.8	2,007.3	UN
[Kansai] Construction works (total, YoY % change)	-9.6	-10.7	-10.7	-11.9	-8.0	-5.6	-4.1	-3.5	0.1	1.3	0.9	UN
[Japan] Construction works (total, JPY billion)	89.6	61.6	65.7	168.7	335.0	155.2	178.4	118.5	122.0	141.2	178.6	79.3
[Japan] Construction works (total, YoY % change)	-19.5	-8.4	-22.5	2.2	20.6	8.1	5.3	-15.8	0.0	-6.2	30.6	-1.6
[Japan] Construction works (public works, JPY billion)	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	1,055.8	696.1
[Japan] Construction works (public works, YoY % change)	-6.6	-17.7	-9.1	-4.3	-4.0	-10.3	0.1	-7.0	-0.1	2.4	-1.9	-7.6
Consumer Sentiment												
[Kansai] Consumer Confidence Index (seasonally adjusted)	36.6	35.0	33.9	33.0	33.6	34.5	32.5	30.9	33.3	30.5	29.6	28.1
...overall livelihood	36.4	34.8	35.0	32.1	32.7	32.7	30.0	29.2	32.5	29.7	28.3	25.6
...income growth	38.2	36.8	37.2	36.4	37.4	37.3	36.0	34.9	35.3	35.3	34.7	33.9
...employment conditions	39.6	35.5	33.7	34.7	37.1	42.0	38.7	35.7	38.8	33.1	32.3	31.4
...willingness to buy durable goods	33.6	32.6	29.7	28.4	28.2	27.2	25.4	23.6	27.0	23.4	22.4	20.8
[Japan] Consumer Confidence Index (seasonally adjusted)	38.3	36.5	35.2	32.8	33.0	34.1	32.1	30.2	32.5	30.8	29.9	28.6
Business Confidence												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	58.7	40.3	39.3	48.4	50.6	52.1	51.0	39.2	42.0	48.2	48.9	49.4
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	49.4	41.9	44.2	47.5	49.2	53.4	45.0	42.4	48.9	49.7	44.7	45.7
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	57.5	37.9	37.7	47.8	50.4	54.0	52.9	43.8	45.5	48.4	49.9	48.1
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	50.3	42.5	44.4	50.1	50.3	52.5	47.6	42.8	49.4	49.2	46.4	45.1
International Trade												
[Kansai] Trade balance (JPY billion)	284.6	-162.6	176.4	276.9	189.3	-50.2	133.9	-36.4	-69.5	74.2	64.7	21.2
[Kansai] Exports (JPY billion)	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	1,930.6	2,002.0	1,898.4
[Kansai] Exports (YoY % change)	18.5	9.7	20.3	15.1	10.2	21.0	21.0	19.5	15.7	19.5	15.6	19.0
[Kansai] Imports (JPY billion)	1,478.0	1,576.3	1,401.9	1,598.9	1,571.2	1,723.9	1,811.9	1,893.5	1,828.8	1,856.4	1,937.3	1,877.3
[Kansai] Imports (YoY % change)	32.6	35.8	30.8	27.4	22.2	48.7	41.2	46.8	39.7	33.2	48.6	23.9

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