

Kansai Economic Insight Monthly

2023/1/26

Vol.117 December/January

▼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

Growing uncertainties pose downside risks for the economy

- ✓ Kansai's economy is expected to remain on an upward trajectory. Although industrial production has been declining for the second consecutive month and the recovery in the employment environment appears to have paused, consumption and business confidence keep improving. Looking ahead, rising uncertainty over inflation and global economic conditions remain major downside risks.
- ✓ The number of new COVID-19 infections peaked on January 11 and has since declined. The government has announced its intention to downgrade COVID-19's legal status as an infectious disease, placing it on the same level as the seasonal flu. This means that people will no longer be requested to limit their activities.
- ✓ Industrial production in November declined MoM for the second consecutive month. In particular, the production of electronic components and devices declined for the third consecutive month, showing a weak trend compared to the rest of Japan.
- ✓ In November, the number of unemployed persons increased, while both the number of labor force and employed persons decreased. The employment rate declined for the second consecutive month too, falling below its pre-pandemic level. The recovery in employment has stalled.
- ✓ In October, salaries in the six Kansai prefectures increased YoY for the 20th consecutive month in nominal terms. However, the consumer price index continued to rise, resulting in an eighth consecutive monthly decline in real terms.
- ✓ The sales of large retailers increased for the 14th consecutive month in November. Therein, department store sales increased for the ninth consecutive month due to strong demand for high-end items and a recovery in inbound sales. Supermarket sales increased for the second month in a row due in part to the rising prices of food products.
- ✓ The number of new housing starts in November decreased MoM for the first time in two months. Housing starts for condominiums and owner-occupied houses remained sluggish due in part to soaring construction costs and the weak yen.
- ✓ The amount of completed construction in November increased YoY for the 11th consecutive month, and remained high relative to Japan as a whole, but both public and private construction slowed down from the previous month. The value of public works contracts in December declined for the second consecutive month.
- ✓ In December, the Economy Watcher's Diffusion Index (DI) for current conditions improved MoM for the fifth consecutive month. The DI for the outlook also improved for the second consecutive month. The DI for the service industry, which is related to the recovery of domestic travel demand and inbound demand, also improved.
- ✓ In December, the trade balance logged a surplus for the fourth consecutive month. The growth of imports decreased significantly from the previous month as energy prices calmed down and the yen's depreciation saw a correction. As a result, the surplus widened from the previous month.
- ✓ The number of international arrivals at KIX in December was 331,000, recovering to 50% of the pre-pandemic level. For the full year of 2022, the number of visitors remained at 885,000 due to the weak first half of the year, although there was a significant relaxation of waterfront measures.
- ✓ China's real GDP growth in Q4 2022 slowed from Q3 to +2.9% YoY. As a result, economic growth for the full year of 2022 was only +3.0%, well below the government's target growth rate (+5.5%). Although a recovery in consumption is expected in January, as the Chinese New Year celebrations this year are taking place without any restrictions on activities for the first time in four years, a resurgence in COVID-19 infections remains a risk factor.

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

Trends in the Kansai Economy

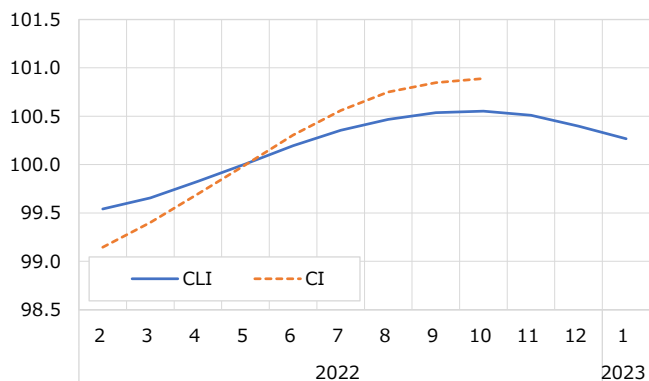
	2022											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Production	↑	↑	↓	↑	↓	↑	↓	↑	↑	↓	↓	
Employment	↑	↑	→	↑	↑	↑	↑	↑	↑	↑	→	
Consumption	↑	→	↑	↑	↑	↑	↑	↑	↑	↑	↑	
Housing	→	↓	↑	→	↓	→	↓	↑	→	↑	→	
Public Works	↓	↓	→	↑	↑	↑	↓	→	↓	↑	→	↓
Business Confidence	↓	↓	↑	↑	↑	↓	↓	↑	↑	→	→	↑
Consumer Sentiment	↓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

Criteria for determining the trends

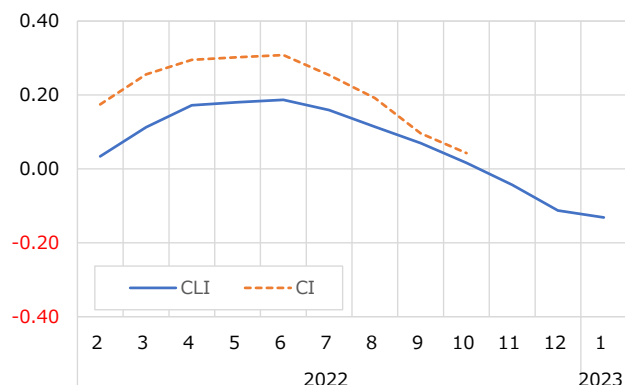
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2022/2~2023/1)



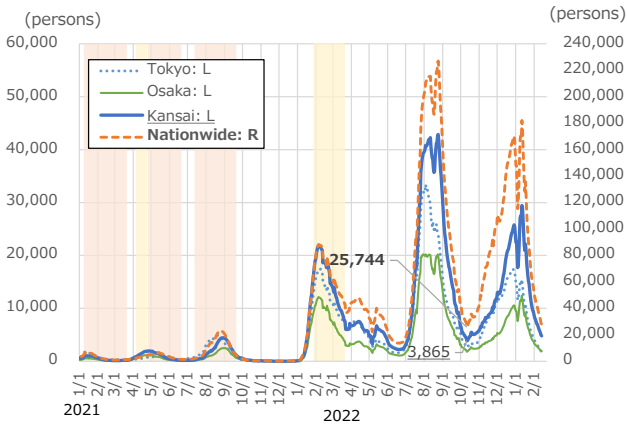
Kansai's CLI and CI: MoM changes (2022/2~2023/1)



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

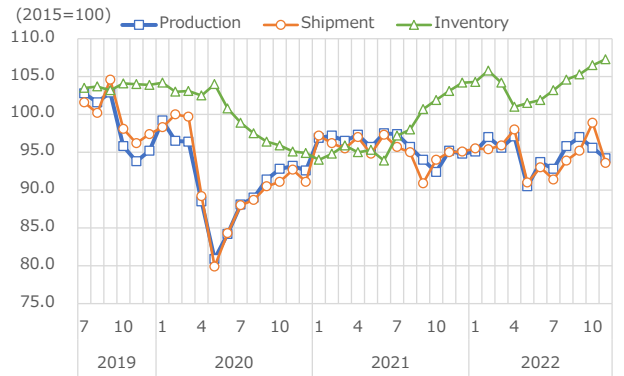
Data in Kansai at a glance

【Number of New Daily COVID-19 Infections】



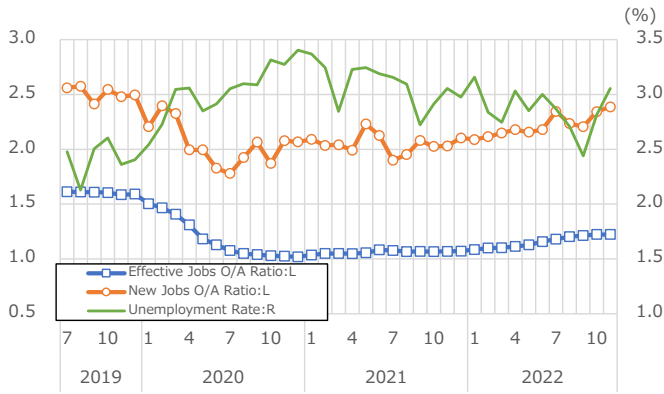
Source: MHLW

【Production, Shipment & Inventory】



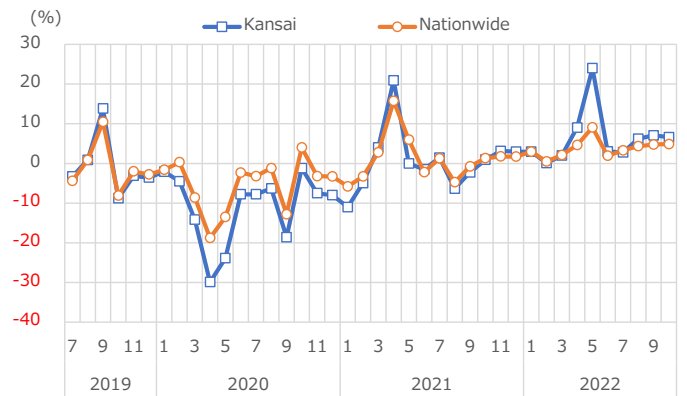
Source: METI

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



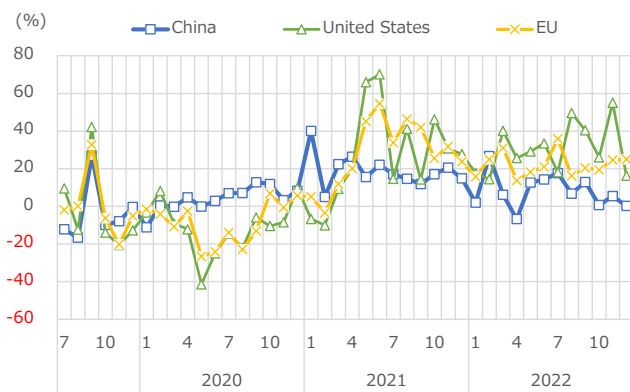
Source: MHLW, MIAC

【Revenues of Large Retailers】



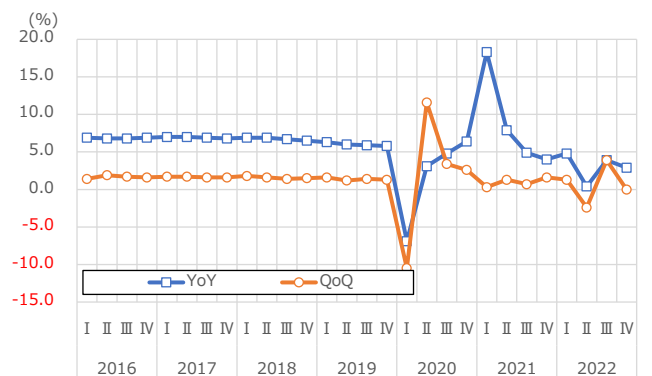
Source: METI

【Exports by Region】



Source: MOF

【China's Real GDP】



Source: CEIC

Major Monthly Statistics (2)

Monthly statistics (continued)	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
International Trade												
[Kansai] Trade balance (JPY billion)	-162.6	176.4	276.9	189.3	-50.2	133.9	-36.4	-69.5	73.7	63.5	20.6	209.0
[Kansai] Trade balance (YoY % change)	-227.1	-26.4	-26.1	-39.2	-122.5	-58.7	-113.7	-133.1	-66.8	-85.2	-74.3	-26.6
...with Asia (JPY billion)	-13.0	317.2	317.4	350.4	195.4	256.7	196.5	109.0	182.0	161.4	126.9	279.1
YoY change (%)	n.a.	32.8	-19.1	12.2	-23.4	-29.2	-33.3	-60.6	-33.7	-55.9	-36.0	-12.8
...China (JPY billion)	-210.9	42.4	-21.3	-11.0	-88.4	-85.0	-63.5	-116.0	-82.4	-113.2	-115.6	-16.3
YoY change (%)	141.4	n.a.	n.a.	8.1	418.2	n.a.	n.a.	666.4	53.5	n.a.	172.4	n.a.
...with ASEAN (JPY billion)	-16.6	23.2	72.5	66.8	48.5	61.5	23.6	6.4	27.4	32.4	19.9	30.3
YoY change (%)	n.a.	-50.4	3.7	3.8	-23.0	-20.8	-56.3	-76.2	-61.4	-51.0	277.8	-18.3
...with the US (JPY billion)	76.3	117.8	150.3	153.3	119.9	175.4	72.2	131.4	154.0	168.5	160.0	139.3
YoY change (%)	16.3	25.4	112.4	66.6	58.7	43.5	-23.0	56.4	47.9	0.8	89.7	4.5
...with the EU (JPY billion)	-58.1	-36.6	-22.7	-59.7	-76.7	-36.6	15.3	3.9	35.6	45.4	19.1	52.5
YoY change (%)	154.5	1,274.1	87.9	1,066.6	392.4	0.1	n.a.	n.a.	n.a.	54.0	n.a.	1,001.4
Exports												
[Kansai] Exports (JPY billion)	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	2,001.7	1,898.1	1,930.1
[Kansai] Exports (YoY % change)	9.7	20.3	15.1	10.2	21.0	21.0	19.5	15.7	19.5	15.6	18.9	9.5
...to Asia (JPY billion)	936.3	1,052.5	1,201.9	1,143.2	1,108.1	1,248.7	1,237.5	1,096.7	1,225.8	1,242.8	1,188.0	1,231.2
YoY change (%)	4.5	20.5	8.6	5.4	18.4	16.0	16.2	6.8	12.6	9.5	10.0	4.0
...to China (JPY billion)	337.9	394.8	455.8	392.4	409.5	474.9	490.2	428.5	470.2	463.9	457.3	471.3
YoY change (%)	2.0	26.8	6.1	-6.8	12.6	14.2	17.7	6.8	12.9	0.7	5.4	0.2
...to ASEAN (JPY billion)	218.8	254.4	305.1	299.9	285.7	318.8	313.1	278.8	325.5	328.3	314.7	303.9
YoY change (%)	6.7	13.5	14.0	13.9	23.4	23.5	19.1	30.6	27.4	29.3	28.8	13.6
...to the US (JPY billion)	190.3	211.5	289.2	271.2	245.0	315.6	241.3	301.4	305.5	347.0	325.5	284.3
YoY change (%)	17.8	14.4	40.0	25.6	29.1	33.5	18.1	49.6	40.4	26.1	55.0	16.2
...to the EU (JPY billion)	146.6	163.0	206.8	181.8	165.8	189.6	202.7	178.5	201.9	215.9	196.1	220.7
YoY change (%)	15.8	25.0	31.1	13.7	18.2	21.1	35.9	16.2	20.4	19.4	24.6	25.0
Real Exports (BOJ, 2015=100)	120.3	121.2	120.1	114.1	124.4	121.2	118.0	113.1	116.1	120.7	120.3	115.1
MoM change (%)	0.5	0.7	-0.9	-5.1	9.1	-2.6	-2.6	-4.2	2.7	3.9	-0.3	-4.3
Imports												
[Kansai] Imports (JPY billion)	1,576.3	1,401.9	1,598.9	1,571.2	1,723.9	1,811.9	1,893.5	1,828.8	1,856.9	1,938.2	1,877.5	1,721.1
[Kansai] Imports (YoY % change)	35.8	30.8	27.4	22.2	48.7	41.2	46.8	39.7	33.2	48.6	23.9	16.4
...from Asia (JPY billion)	949.4	735.3	884.5	792.8	912.6	991.9	1,041.0	987.7	1,043.9	1,081.4	1,061.1	952.1
YoY change (%)	34.9	15.8	23.8	2.7	34.0	39.0	35.1	31.6	28.2	40.6	20.4	10.2
...from China (JPY billion)	548.8	352.4	477.1	403.4	497.8	559.9	553.7	544.5	552.5	577.2	572.8	487.6
YoY change (%)	31.1	2.6	24.9	-6.4	30.8	41.1	34.3	30.8	17.6	38.6	20.3	4.4
...from ASEAN (JPY billion)	235.4	231.1	232.6	233.1	237.2	257.3	289.5	272.4	298.1	295.9	294.8	273.6
YoY change (%)	39.2	30.4	17.6	17.2	40.8	42.5	38.7	46.0	61.6	57.6	23.3	18.7
...from the US (JPY billion)	114.0	93.8	138.8	118.0	125.1	140.2	169.1	170.0	151.6	178.4	165.5	145.0
YoY change (%)	18.8	2.9	2.3	-4.8	9.6	22.7	52.9	44.7	33.6	65.1	31.7	30.3
...from the EU (JPY billion)	204.6	199.6	229.6	241.5	242.6	226.2	187.4	174.6	166.3	170.5	177.0	168.2
YoY change (%)	36.9	49.9	35.1	46.4	55.6	17.1	10.3	-9.5	-14.3	12.7	7.5	-2.1
Real Imports (BOJ, 2015=100)	106.8	107.4	104.7	97.6	107.6	105.8	110.4	104.2	101.1	110.9	105.2	101.1
MoM change (%)	5.7	0.6	-2.5	-6.8	10.2	-1.7	4.3	-5.6	-3.0	9.7	-5.2	-3.8
Crude oil imports (JPY billion)	56.7	73.5	57.1	110.0	105.3	115.2	133.5	135.2	139.5	140.7	133.2	121.0
YoY change (%)	123.7	76.4	27.6	115.3	213.9	207.0	218.5	194.2	315.7	210.4	105.0	134.9
Crude oil imports (1000KL)	997.6	1,181.0	837.1	1,375.4	1,228.5	1,218.4	1,332.3	1,407.6	1,416.6	1,450.8	1,426.0	1,471.0
YoY change (%)	29.6	2.8	-22.3	22.5	64.3	52.4	61.1	58.5	114.2	72.8	31.4	67.6
Crude oil price (JPY/KL)	56,876.4	62,218.7	68,253.8	80,002.7	85,744.3	94,582.1	100,227.7	96,019.8	98,489.9	97,014.2	93,421.8	82,243.8
YoY change (%)	72.6	71.6	64.2	75.8	91.0	101.5	97.7	85.6	94.1	79.6	56.0	40.2
Exchange Rate												
USD/JPY monthly average	114.8	115.2	118.5	126.0	128.8	133.9	136.6	135.2	143.1	147.0	142.4	134.9
MoM change (%)	0.8	0.3	2.9	6.4	2.2	3.9	2.1	-1.0	5.8	2.7	-3.1	-5.3

Note: If the trade balance in a given month changes its sign from the same month in the previous year (surplus to deficit or vice versa), YoY changes cannot be calculated (n.a.).