

Kansai Economic Insight Monthly

2020/12/27

Vol.92 November/December

▼APIR's "Kansai Economic Insight Monthly" is an analysis of economic trends in the Kansai region and the Kansai-related sectors of China's economy. It is published in the fourth week of each month.

▼ Authors: Yoshihisa Inada (Konan University Professor & Director of the APIR Center for Quantitative Economic Analysis), Yusuke Kinoshita (APIR Program Officer), Norihiko Toyohara (Kwansei Gakuin University Professor), Chiu-Wei Kuo, Yani Karavasilev (APIR Research Fellows), Shigekazu Yoshida, Ryosuke Nomura (APIR Research Promotion Officers), and Jingfei Che (APIR Intern).

▼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.

Index

Highlights

Trends in the Kansai Economy

Kansai Economic Trend Indices

Major Monthly Statistics

Highlights

- Kansai's economy expected to recover after bottoming out* -

- ✓ As the number of new Covid-19 infections in Kansai has been surging since the end of October, we are in the midst of the third wave of the pandemic. The number of daily infections has been exceeding 500 since the end of November.
- ✓ Although production rose MoM for the second consecutive month in October, it is still below its pre-pandemic level in January.
- ✓ The unemployment rate in October deteriorated for the first time in three months. The effective job applicants-to-offers ratio in Kansai prefectures, regardless of work location, worsened for the 12th month in a row, while the ratio with a work location in Kansai was 0.97, remaining below 1.00 for three consecutive months. The employment environment is still in a severe state.
- ✓ In September, wages in the six prefectures of Kansai decreased YoY for the 14th consecutive month in nominal terms, and the for the 19th in real terms. Although the rate of decline has been decelerating, the income environment keeps deteriorating.
- ✓ The sales of large retailers in October kept declining YoY for the 13th consecutive month. However, the rate of decline slowed down significantly from the previous month mainly due to the poor record in October last year, when sales went down due to the consumption tax hike. In addition to that, the number of Covid-19 infections had subsided in the first half of October, which had a positive effect on consumption.
- ✓ The number of new housing starts in October declined MoM for the first time in two months. The construction of private houses and housing for rent exerted significant downward pressure.
- ✓ The amount of completed construction in October kept increasing YoY for the third consecutive month. The contract amount for public works projects in November declined YoY for two months in a row.
- ✓ While consumer sentiment in November worsened slightly MoM, the Economy Watcher Diffusion Index (DI) registered a substantial deterioration. The third wave of Covid-19 infections had a major negative impact.
- ✓ Kansai's total exports in November declined YoY for the first time in two months, as China-bound exports decelerated. Imports declined YoY for the 14th consecutive month. As a result, the amount of total trade continued to decline, despite the positive trade balance, which remained in positive territory for ten months.
- ✓ The number of international arrivals at Kansai International Airport (KIX) in November was 11,945, surpassing ten thousand for the first time since March 2020. However, the figure remains negligible.
- ✓ The normalization of economic activities in China has continued thanks to the containment of the coronavirus. Although the Chinese economy itself is recovering, both domestic and external demand might appear stronger than they are in reality, due to the rebound from the coronavirus-induced slump.

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

Trends in the Kansai Economy

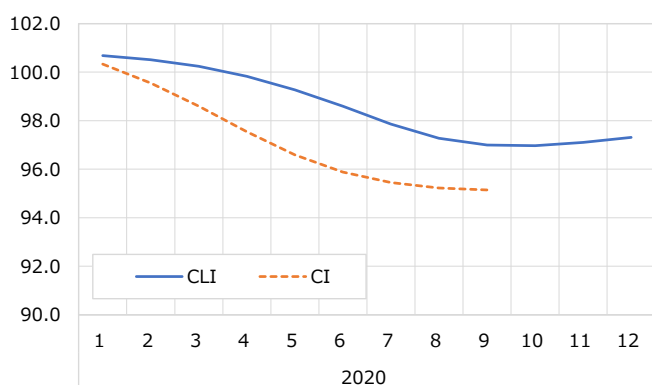
	2019		2020										
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Production	↓	↑	↑	↓	↓	↓	↓	↑	↑	→	↑	↑	
Employment	↓	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
Consumption	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
Housing	↓	↑	↓	→	→	↓	→	→	↓	↓	→	→	
Public Works	↑	→	↑	↓	↑	↑	↓	↑	→	→	↑	↓	↓
Sentiment	→	→	→	↓	↓	↓	↑	↑	↑	↑	↑	↑	↓
Trade	↑	→	↑	↑	→	→	→	↓	↑	↑	↑	↑	↑
China	→	→	↓	↓	↓	→	→	↑	↑	↑	↑	↑	↑

Criteria for determining the trends

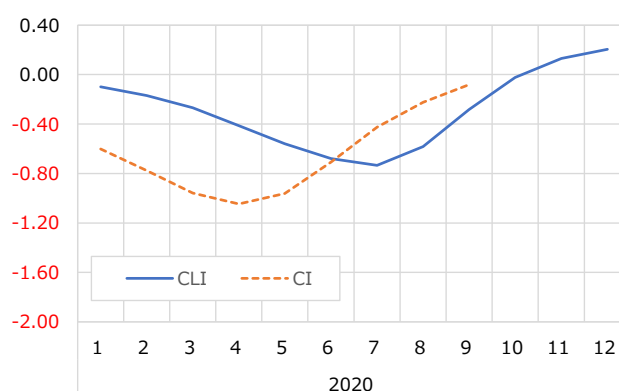
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2020/1~2020/12)



Kansai's CLI and CI: MoM changes (2020/1~2020/12)



Major Monthly Statistics

Monthly statistics	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Industrial Production												
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	95.2	99.7	99.0	97.9	88.6	80.7	83.1	89.1	88.7	90.8	92.3	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	1.5	4.7	-0.7	-1.1	-9.5	-8.9	3.0	7.2	-0.4	2.4	1.7	UN
...shipments index (unadjusted figure, YoY % change)	-2.9	-5.3	-1.5	-1.1	-12.4	-25.5	-12.8	-13.3	-13.8	-11.0	-0.7	UN
...inventories index (unadjusted figure, YoY % change)	3.1	5.4	2.7	3.0	1.9	3.2	-2.3	-5.1	-7.3	-6.2	-8.8	UN
...shipments index (seasonally adjusted, 2015=100)	97.4	96.7	100.4	98.2	87.0	77.6	83.1	89.2	88.1	91.3	96.9	UN
...shipments index (seasonally adjusted, MoM change)	1.2	-0.7	3.8	-2.2	-11.4	-10.8	7.1	7.3	-1.2	3.6	6.1	UN
...inventories index (seasonally adjusted, 2015=100)	103.9	105.6	103.5	104.7	103.5	105.0	101.2	98.3	96.1	96.8	95.0	UN
...inventories index (seasonally adjusted, MoM change)	-0.1	1.6	-2.0	1.2	-1.1	1.4	-3.6	-2.9	-2.2	0.7	-1.9	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	97.9	99.8	99.5	95.8	86.4	78.7	80.2	87.2	88.1	91.5	95.2	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	0.2	1.9	-0.3	-3.7	-9.8	-8.9	1.9	8.7	1.0	3.9	4.0	UN
...shipments index (unadjusted figure, YoY % change)	-3.8	-3.3	-5.4	-6.5	-16.6	-26.8	-16.6	-16.6	-14.2	-9.8	-3.0	UN
...inventories index (unadjusted figure, YoY % change)	1.2	3.6	1.6	2.9	2.7	-0.5	-3.4	-4.8	-5.9	-5.7	-8.1	UN
...shipments index (seasonally adjusted, 2015=100)	97.0	97.9	98.9	93.2	84.3	76.8	80.5	85.8	87.1	90.5	94.9	UN
...shipments index (seasonally adjusted, MoM change)	0.2	0.9	1.0	-5.8	-9.5	-8.9	4.8	6.6	1.5	3.9	4.9	UN
...inventories index (seasonally adjusted, 2015=100)	104.0	106.2	104.4	106.4	106.1	103.3	100.8	99.3	98.0	97.5	95.7	UN
...inventories index (seasonally adjusted, MoM change)	0.4	2.1	-1.7	1.9	-0.3	-2.6	-2.4	-1.5	-1.3	-0.5	-1.8	UN
Labor Statistics												
[Kansai] Unemployment rate (seasonally adjusted)	2.3	2.6	2.7	3.1	3.2	2.8	3.0	3.1	3.1	3.0	3.2	UN
[Kansai] Unemployment rate (unadjusted figure)	2.2	2.4	2.7	3.1	3.1	2.9	3.1	3.2	3.2	3.3	3.3	UN
[Japan] Unemployment rate (seasonally adjusted)	2.2	2.4	2.4	2.5	2.6	2.9	2.8	2.9	3.0	3.0	3.1	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.6	1.5	1.5	1.4	1.3	1.2	1.1	1.1	1.0	1.0	1.0	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.57	1.49	1.45	1.39	1.32	1.20	1.11	1.08	1.04	1.03	1.04	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.57	2.16	2.38	2.38	1.95	1.96	1.83	1.75	1.93	2.16	1.85	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.44	2.04	2.22	2.26	1.85	1.88	1.72	1.72	1.82	2.02	1.82	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	-1.2	-0.6	-1.0	-1.3	-3.3	-3.7	-3.8	-2.6	-2.9	-1.5	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	-2.2	-1.4	-1.6	-1.8	-3.6	-4.1	-4.1	-3.1	-3.2	-1.7	UN	UN
[Japan] Total cash earnings (YoY % change)	-0.2	1.2	0.7	0.0	-0.6	-2.3	-2.0	-1.5	-1.3	-0.9	-0.7	UN
Retail sales												
[Kansai] Large retail store sales (JPY billion)	393	315	270	281	223	239	293.7	304.7	297.4	275.2	288.7	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-4	-2.1	-4.5	-14.5	-28.6	-23.9	-7.8	-7.8	-6.3	-18.6	-1.2	UN
[Japan] Large retail store sales (JPY billion)	2,023.4	1,606.4	1,438.9	1,621.9	1,345.0	1,452.9	1,678.9	1,691.8	1,688.2	1,568.0	1,627.4	UN
[Japan] Large retail store sales (YoY % change, all stores)	-3	-1.6	0.3	-8.8	-18.6	-13.6	-2.3	-3.2	-1.2	-12.8	3.8	UN
Housing & Construction												
[Kansai] New housing starts (number of units)	12,043	9,758.0	10,978.0	11,646.0	10,030.0	10,131.0	10,982.0	11,782.0	9,716.0	11,318.0	11,061.0	UN
[Kansai] New housing starts (YoY % change)	6.0	-14.2	-2.9	0.2	-15.7	-1.2	-3.0	-8.3	-9.5	-4.5	-2.2	UN
[Japan] New housing starts (number of units)	72,174.0	60,341.0	63,105.0	70,729.0	69,568.0	63,839.0	71,101.0	70,244.0	69,101.0	70,186.0	70,685.0	UN
[Japan] New housing starts (YoY % change)	-7.9	-10.1	-12.3	-7.6	-12.4	-12.0	-12.8	-11.3	-9.1	-9.9	-8.3	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	12,406.0	10,468.6	11,803.8	11,851.5	9,411.0	10,927.4	10,682.0	11,069.9	9,634.7	11,049.9	10,765.4	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	13.7	-15.6	12.8	0.4	-20.6	16.1	-2.2	3.6	-13.0	14.7	-2.6	UN
[Japan] New housing starts (number of units, seasonally adjusted)	70,990.0	67,744.0	72,615.0	75,420.0	66,786.0	67,421.0	65,826.0	68,974.0	68,255.0	67,910.0	66,793.0	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	0.5	-4.6	7.2	3.9	-11.4	1.0	-2.4	4.8	-1.0	-0.5	-1.6	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	74.1	68.4	74.9	70.3	78.4	49.8	69.4	65.7	73.5	71.0	58.5	68.6
[Kansai] Residential lots contract ratio (unadjusted figure)	71.0	66.8	75.3	69.2	77.9	50.0	70.4	67.4	78.2	69.2	58.0	69.3
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	60.3	66.1	58.3	65.6	79.8	72.3	70.9	58.1	68.1	73.9	77.7	61.2
[Tokyo area] Residential lots contract ratio (unadjusted figure)	61.3	63.0	59.3	70.0	78.9	72.3	73.2	62.4	68.5	73.4	70.4	58.1
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	598.3	602.3	596.9	593.6	517.1	492.9	521.0	523.9	536.5	568.6	584.1	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	2.1	2.7	2.4	3.3	3.3	-0.2	2.0	-1.0	0.5	2.6	2.5	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	4,840.1	4,771.0	4,627.6	4,666.7	3,873.6	3,701.1	3,887.8	4,008.8	4,170.8	4,458.7	4,658.4	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	2.6	1.8	-0.3	0.7	-0.2	-2.1	-2.9	-3.2	-4.0	-2.3	-1.6	UN
[Kansai] Construction works (total, JPY billion)	2,136.0	2,135.5	2,055.7	2,134.0	1,492.6	1,387.7	1,521.6	1,594.0	1,730.9	1,960.6	2,129.5	UN
[Kansai] Construction works (total, YoY % change)	9.5	8.2	4.4	9.1	7.0	7.6	6.2	6.6	5.3	6.8	6.2	UN
[Japan] Construction works (total, JPY billion)	95.5	92.0	74.8	157.9	319.9	120.8	160.4	140.6	109.9	180.6	156.2	96.5
[Japan] Construction works (total, YoY % change)	8.6	28.9	-6.4	44.5	45.0	-14.7	9.0	3.9	3.7	50.5	-17.6	-27.6
[Japan] Construction works (public works, JPY billion)	803.8	641.5	699.4	1,487.0	2,305.4	1,329.1	1,638.6	1,543.2	1,300.9	1,493.2	1,342.6	881.4
[Japan] Construction works (public works, YoY % change)	-3.6	9.6	-5.4	12.9	3.2	-6.4	13.2	-4.1	13.2	17.1	-0.4	-3.3
Consumer Sentiment												
[Kansai] Consumer Confidence Index (seasonally adjusted)	38.3	38.6	38.1	30.4	19.6	23.1	28.3	28.5	28.8	32.8	33.0	33.0
...overall liveliness	38.0	36.6	37.9	29.5	20.0	24.0	30.8	30.9	31.4	35.8	35.5	36.0
...income growth	39.5	39.5	39.2	34.7	23.6	26.8	30.8	31.7	31.7	34.9	34.9	34.6
...employment conditions	40.3	41.6	38.7	27.3	12.8	15.9	20.8	20.6	20.7	25.5	26.9	26.6
...willingness to buy durable goods	35.2	36.3	36.7	29.8	22.3	25.5	30.8	30.8	31.3	34.2	34.6	34.9
[Japan] Consumer Confidence Index (seasonally adjusted)	39.0	38.8	38.3	30.9	21.6	24.0	28.4	29.5	29.3	32.7	33.6	33.7
Business Confidence												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	40	40.9	25.1	12.7	5.8	17.1	37.0	41.1	43.7	49.7	53.7	43.2
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	45.1	39.90	25.10	18.60	18.60	38.20	43.40	35.60	43.70	46.50	45.80	33.40
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	39.7	41.9	27.4	14.2	7.9	15.5	38.8	41.1	43.9	49.3	54.5	45.6
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	45.5	41.80	24.60	18.80	16.60	36.50	44.00	36.00	42.40	48.30	49.10	36.50
International Trade												
[Kansai] Trade balance (JPY billion)	193	-126.1	417.0	245.2	55.8	26.8	102.3	150.2	206.7	271.0	332.1	217.1
[Kansai] Exports (JPY billion)	1,414.4	1,137.7	1,330.0	1,421.9	1,281.8	1,038.7	1,159.7	1,244.5	1,204.9	1,334.0	1,430.8	1,298.1
[Kansai] Exports (YoY % change)	-4.1	-3.6	0.8	-5.2	-5.4	-17.0	-14.1	-11.8	-8.7	-5.7	2.3	-4.0
[Kansai] Imports (JPY billion)	1,220.9	1,263.8	913.1	1,176.7	1,226.0	1,011.9	1,057.4	1,094.3	998.2	1,063.0	1,098.7	1,081.0
[Kansai] Imports (YoY % change)	-5.8	-7.4	-17.5	-4.2	-2.1	-19.6	-2.1	-18.5	-16.9	-12.5	-9.0	-12.9

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