

# Kansai Economic Insight Monthly

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▼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.

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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.

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## Highlights

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

- ✓ The number of new daily Covid-19 infections in Kansai has surged sharply since the beginning of the year, reaching a historic high of 1,030 on January 12.
- ✓ Production rose MoM for the third consecutive month in November, driven by a surge in the manufacturing of machinery for general and industrial use, and electronic parts and devices. The Kansai Bureau of Economy, Trade and Industry (METI) upgraded its outlook for the first time in four months.
- ✓ The unemployment rate in November declined for the first time in two months, and the effective job applicants-to-offers ratio increased for the first time in 11 months. However, both improvements were minor, as the impact of Covid-19 is severe.
- ✓ In October, wages in Kansai decreased YoY for the 15th consecutive month in nominal terms, and for the 20th in real terms. Although the rate of decline has been decelerating, the income environment keeps deteriorating.
- ✓ The sales of large retailers in November logged the 14th consecutive month of YoY decline. In addition to the government's appeals for self-restraint in going out due to the increasing number of Covid-19 infections, weak demand for seasonal goods due to the spell of relatively warm weather had a negative effect on consumption.
- ✓ The number of new housing starts in November rose MoM for the first time in two months. The construction of condominiums exerted significant upward pressure.
- ✓ The amount of completed construction in November kept increasing YoY for the fourth consecutive month. The contract amount for public works projects in December rose for the first time in three months.
- ✓ The Economy Watcher Diffusion Index (DI) slumped in December, marking the second consecutive month of substantial deterioration. The third wave of Covid-19 infections, the temporary suspension of the "Go to Travel" campaign, and the appeal for shortened business hours of establishments providing face-to-face services had a major negative impact.
- ✓ Kansai's total exports in December rose YoY for the first time in two months. In contrast, imports declined for the 15th consecutive month. As a result, the trade balance remained in positive territory for 11 months. However, the amount of total trade kept shrinking.
- ✓ The number of international arrivals at Kansai International Airport (KIX) in December was 13,552, exceeding ten thousand for the second month in a row. The 2020 total was 1,011,184, marking a record low since 1996.
- ✓ China's real GDP expanded +6.5% in 2020 Q4, accelerating +1.6%pt from the previous quarter. GDP growth has remained in positive territory for three quarters in a row. Expanding +2.3% through the year of 2020, China was the only major economy to register positive growth in 2020.

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

### Trends in the Kansai Economy

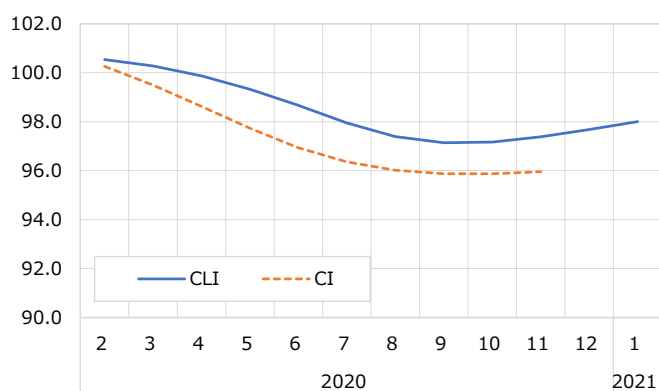
	2019	2020											
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Production	↑	↑	↓	↓	↓	↓	↑	↑	→	↑	↑	↑	
Employment	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↑
Consumption	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
Housing	↑	↓	→	→	↓	→	→	↓	↓	→	→	↑	
Public Works	→	↑	↓	↑	↑	↓	↑	→	→	↑	↓	↓	↑
Sentiment	→	→	↓	↓	↓	↑	↑	↑	↑	↑	↑	↓	↓
Trade	→	↑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

#### Criteria for determining the trends

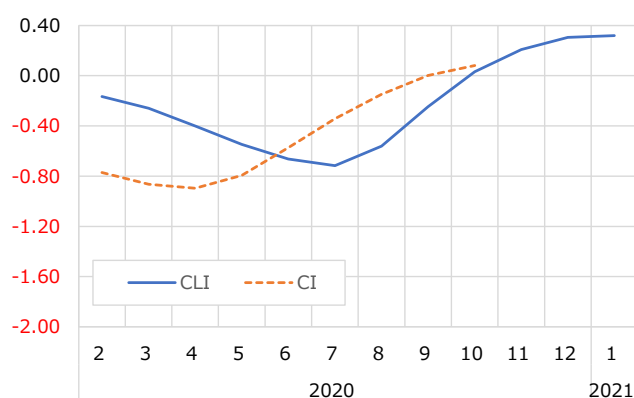
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2020/2~2021/1)



Kansai's CLI and CI: MoM changes (2020/2~2020/1)



## 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	Dec-20
<b>Industrial Production</b>													
[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	92.5	95.9	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	1.9	3.7	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	-0.8	0.3	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	-8.7	-9.6	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	96.8	97.7	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	6.0	0.9	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	95.1	94.0	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	-1.8	-1.2	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	94.7	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	-0.5	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	-4.0	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	-9.0	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	93.8	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	-1.2	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	94.3	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	-1.5	UN
<b>Labor Statistics</b>													
[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	3.1	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	2.9	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	2.9	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.59	1.50	1.48	1.42	1.33	1.20	1.12	1.07	1.04	1.03	1.02	1.03	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	1.06	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	2.11	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	2.02	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	-1.7	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	-1.4	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	0.0	UN
<b>Retail sales</b>													
[Kansai] Large retail store sales (JPY billion)	392.6	315.2	270.3	280.9	223.4	239.1	293.7	304.7	297.4	275.2	288.7	296.7	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-3.6	-2.1	-4.5	-14.5	-28.6	-23.9	-7.8	-7.8	-6.3	-18.6	-1.2	-7.7	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	1,630.3	1,672.2	UN
[Japan] Large retail store sales (YoY % change, all stores)	-2.8	-1.6	0.3	-8.8	-18.6	-13.6	-2.3	-3.2	-1.2	-12.8	4.0	-3.5	UN
<b>Housing &amp; Construction</b>													
[Kansai] New housing starts (number of units)	12,043	9,758	10,978	11,646	10,030	10,131	10,982	11,782	9,716	11,318	11,061	12,102	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	7.9	UN
[Japan] New housing starts (number of units)	72,174	60,341	63,105	70,729	69,568	63,839	71,101	70,244	69,101	70,186	70,685	70,798	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	-3.7	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	12,406	10,469	11,804	11,852	9,411	10,927	10,682	11,070	9,635	11,050	10,765	11,775	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	9.4	UN
[Japan] New housing starts (number of units, seasonally adjusted)	70,990	67,744	72,615	75,420	66,786	67,421	65,826	68,974	68,255	67,910	66,793	68,356	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	2.3	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	0.0
[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	0.0
[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	0.0
[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	0.0
[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	612.6	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	5.1	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	4,840.1	4,771.0	4,627.7	4,666.7	3,873.7	3,701.2	3,887.8	4,000.8	4,170.9	4,458.8	4,658.5	4,742.3	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	-1.2	UN
[Kansai] Construction works (total, JPY billion)	2,136.0	2,135.5	2,055.8	2,134.0	1,492.6	1,387.7	1,521.6	1,594.1	1,730.9	1,960.7	2,129.6	2,211.5	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	6.0	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	111.3
[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	16.5
[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	734.5
[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	-8.6
<b>Consumer Sentiment</b>													
[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	30.7
...overall livelihood	38.0	36.6	37.9	29.5	20.0	24.0	30.8	30.9	31.4	35.8	35.5	36.0	34.0
...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	33.7
...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	22.1
...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	33.1
[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	31.8
<b>Business Confidence</b>													
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	40.2	40.9	25.1	12.7	5.8	17.1	37.0	41.1	43.7	49.7	53.7	43.2	34.1
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	45.1	39.9	25.1	18.6	18.6	38.2	43.4	35.6	43.7	46.5	45.8	33.4	37.5
[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	35.5
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	45.5	41.8	24.6	18.8	16.6	36.5	44.0	36.0	42.4	48.3	49.1	36.5	37.1
<b>International Trade</b>													
[Kansai] Trade balance (JPY billion)	193.5	-126.1	417.0	245.2	55.8	26.8	102.3	150.2	206.7	271.0	331.5	217.0	375.9
[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	1,298.2	1,487.5
[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	5.2
[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	1,099.3	1,081.2	1,111.6
[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	-9.0

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