

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 peaked at 1,030 on January 12, right before Japan's second state of emergency was announced. The number has been decreasing since.
- ✓ Industrial production in December shrank MoM, marking the first decline in four months. This was mainly caused by the drop in production of general-use and industrial-use machinery, as well as electronic parts and devices. As a whole, 2020 was the worst year on record since 2009, mainly due to the steep decline in Q2.
- ✓ The unemployment rate and the effective job applicants-to-offers ratio in December both deteriorated for the first time in two months. The temporary suspension of the government's "Go to Travel" campaign and the appeal for shorter business hours had a major negative impact. On an annual basis, the unemployment rate and the effective job applicants-to-offers in 2020 deteriorated for the first time in eight and eleven years, respectively.
- ✓ In November, wages in the six prefectures of Kansai decreased YoY for the 16th consecutive month in nominal terms, and the for the 21st in real terms. Although the income environment keeps deteriorating, the rate of decline has been decelerating thanks to the normalization of economic activities.
- ✓ The sales of large retailers in December kept declining YoY for the 15th consecutive month, reflecting the government's appeal for self-restraint in going out due to the increasing number of Covid-19 infections. As a result, Q4 was the fifth consecutive quarter of YoY decline, and 2020 as a whole was the third consecutive year of shrinking revenues.
- ✓ The number of new housing starts in December dropped MoM for the first time in two months. The large decline in condominium construction exerted significant downward pressure. On an annual basis, they declined for the second straight year in 2020.
- ✓ The amount of completed construction in December kept increasing YoY for the fifth consecutive month. 2020 as a whole was the fifth consecutive year of expansion. In contrast, the contract amount for public works projects in January declined YoY for the first time in two months.
- ✓ Although the Economy Watcher Diffusion Index (DI) in January remained unchanged MoM, it is still quite low, reflecting the negative impact of the second state of emergency, especially on businesses related to travel and food services.
- ✓ Kansai's total exports in January expanded YoY for the second month in a row, reflecting a recovery in China-bound exports. In contrast, imports declined YoY for the 16th consecutive month. As a result, the trade balance remained in positive territory for twelve straight months.
- ✓ The number of international arrivals at Kansai International Airport (KIX) in January declined YoY for the 12th consecutive month. As the exceptional rights granted to certain kinds of business travelers were revoked, the rate of decline accelerated from the previous month.
- ✓ China's manufacturing and non-manufacturing PMI in January both deteriorated for the second month in a row. Due to the rising prices of internationally traded commodities, the PPI turned positive YoY for the first time in twelve months.

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

Trends in the Kansai Economy

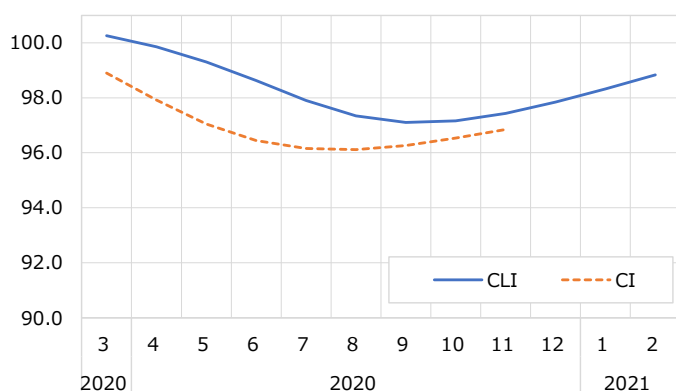
	2020												2021
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Production	↑	↓	↓	↓	↓	↑	↑	→	↑	↑	↑	↓	
Employment	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↑	↓	
Consumption	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
Housing	↓	→	→	↓	→	→	↓	↓	→	→	↑	↓	
Public Works	↑	↓	↑	↑	↓	↑	→	→	↑	↓	↓	↑	↓
Sentiment	→	↓	↓	↓	↑	↑	↑	↑	↑	↑	↓	↓	→
Trade	↑	↑	→	→	→	↓	↑	↑	↑	↑	↑	↑	↑
China	↓	↓	↓	→	→	↑	↑	↑	↑	↑	↑	↑	→

Criteria for determining the trends

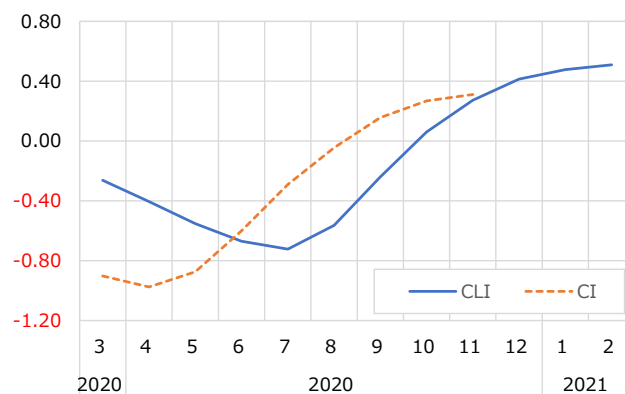
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2020/3~2021/2)



Kansai's CLI and CI: MoM changes (2020/3~2020/2)



Major Monthly Statistics

Monthly statistics	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
Industrial Production													
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	99.7	99.0	97.9	88.6	80.7	83.1	89.1	88.7	90.8	92.5	95.7	91.1	99.6
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	4.7	-0.7	-1.1	-9.5	-8.9	3.0	7.2	-0.4	2.4	1.9	3.5	-4.8	9.3
...shipments index (unadjusted figure, YoY % change)	-5.3	-1.5	-1.1	-12.4	-25.5	-12.8	-13.3	-13.8	-11.0	-0.8	0.2	-4.3	-3.4
...inventories index (unadjusted figure, YoY % change)	5.4	2.7	3.0	1.9	3.2	-2.3	-5.1	-7.3	-6.2	-8.7	-9.6	-8.8	-10.6
...shipments index (seasonally adjusted, 2015=100)	96.7	100.4	98.2	87.0	77.6	83.1	89.2	88.1	91.3	96.8	97.6	91.4	97.2
...shipments index (seasonally adjusted, MoM change)	-0.7	3.8	-2.2	-11.4	-10.8	7.1	7.3	-1.2	3.6	6.0	0.8	-6.4	6.3
...inventories index (seasonally adjusted, 2015=100)	105.6	103.5	104.7	103.5	105.0	101.2	98.3	96.1	96.8	95.1	94.0	94.7	94.4
...inventories index (seasonally adjusted, MoM change)	1.6	-2.0	1.2	-1.1	1.4	-3.6	-2.9	-2.2	0.7	-1.8	-1.2	0.7	-0.3
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	99.8	99.5	95.8	86.4	78.7	80.2	87.2	88.1	91.5	95.2	94.7	93.8	97.8
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	1.9	-0.3	-3.7	-9.8	-8.9	1.9	8.7	1.0	3.9	4.0	-0.5	-1.0	4.3
...shipments index (unadjusted figure, YoY % change)	-3.3	-5.4	-6.5	-16.6	-26.8	-16.6	-16.6	-14.2	-9.8	-3.0	-4.0	-2.9	-5.1
...inventories index (unadjusted figure, YoY % change)	3.6	1.6	2.9	2.7	-0.5	-3.4	-4.8	-5.9	-5.7	-8.1	-9.0	-8.4	-10.3
...shipments index (seasonally adjusted, 2015=100)	97.9	98.9	93.2	84.3	76.8	80.5	85.8	87.1	90.5	94.9	93.8	92.8	95.8
...shipments index (seasonally adjusted, MoM change)	0.9	1.0	-5.8	-9.5	-8.9	4.8	6.6	1.5	3.9	4.9	-1.2	-1.1	3.2
...inventories index (seasonally adjusted, 2015=100)	106.2	104.4	106.4	106.1	103.3	100.8	99.3	98.0	97.5	95.7	94.3	95.3	95.3
...inventories index (seasonally adjusted, MoM change)	2.1	-1.7	1.9	-0.3	-2.6	-2.4	-1.5	-1.3	-0.5	-1.8	-1.5	1.1	0.0
Labor Statistics													
[Kansai] Unemployment rate (seasonally adjusted)	2.6	2.7	3.0	3.1	2.8	2.9	3.1	3.1	3.1	3.2	3.3	3.4	3.4
[Kansai] Unemployment rate (unadjusted figure)	2.4	2.7	3.1	3.1	2.9	3.1	3.2	3.2	3.3	3.3	2.9	3.1	3.2
[Japan] Unemployment rate (seasonally adjusted)	2.4	2.4	2.5	2.6	2.8	2.8	2.9	3.0	3.0	3.1	3.0	3.0	2.9
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.5	1.5	1.4	1.3	1.2	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.1
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.5	1.5	1.4	1.3	1.2	1.1	1.1	1.1	1.0	1.0	1.1	1.1	1.1
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.2	2.3	2.4	1.9	2.0	1.9	1.8	1.9	2.1	1.9	2.1	2.1	2.1
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.1	2.2	2.2	1.8	1.9	1.7	1.7	1.8	2.0	1.8	2.0	2.1	2.0
[Kansai] Total cash earnings (all six prefectures, YoY % change)	-0.6	-1.0	-1.3	-3.3	-3.7	-3.8	-2.6	-2.9	-1.5	-1.7	-1.3	-3.7	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	-1.4	-1.6	-1.8	-3.6	-4.1	-4.1	-3.1	-3.2	-1.7	-1.4	-0.3	-2.3	UN
[Japan] Total cash earnings (YoY % change)	1.2	0.7	0.0	-0.6	-2.3	-2.0	-1.5	-1.3	-0.9	-0.7	-1.8	-3.0	-0.8
Retail sales													
[Kansai] Large retail store sales (JPY billion)	315.2	270.3	280.9	223.4	239.1	293.7	304.7	297.4	275.2	288.7	297.2	372.9	289.5
[Kansai] Large retail store sales (YoY % change, all stores)	-2.1	-4.5	-14.5	-28.6	-23.9	-7.8	-7.8	-6.3	-18.6	-1.2	-7.5	-8.0	-11.0
[Japan] Large retail store sales (JPY billion)	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	1,678.1	2,103.6	1,627.5
[Japan] Large retail store sales (YoY % change, all stores)	-1.6	0.3	-8.8	-18.6	-13.6	-2.3	-3.2	-1.2	-12.8	4.0	-3.2	-3.3	-5.8
Housing & Construction													
[Kansai] New housing starts (number of units)	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	12,102.0	10,453.0	8,720.0
[Kansai] New housing starts (YoY % change)	-14.2	-2.9	0.2	-15.7	-1.2	-3.0	-8.3	-9.5	-4.5	-2.2	7.9	-13.2	-10.6
[Japan] New housing starts (number of units)	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	70,798.0	65,643.0	58,448.0
[Japan] New housing starts (YoY % change)	-10.1	-12.3	-7.6	-12.4	-12.0	-12.8	-11.3	-9.1	-9.9	-8.3	-3.7	-9.0	-3.1
[Kansai] New housing starts (number of units, seasonally adjusted)	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	11,774.6	10,768.1	9,366.8
[Kansai] New housing starts (YoY % change, seasonally adjusted)	-15.6	12.8	0.4	-20.6	16.1	-2.2	3.6	-13.0	14.7	-2.6	9.4	-8.5	-15.6
[Japan] New housing starts (number of units, seasonally adjusted)	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	68,356.0	65,328.0	66,757.0
[Japan] New housing starts (YoY % change, seasonally adjusted)	-4.6	7.2	3.9	-11.4	1.0	-2.4	4.8	-1.0	-0.5	-1.6	2.3	-4.2	2.2
[Kansai] Residential lots contract ratio (seasonally adjusted)	68.8	73.1	70.6	78.6	52.7	69.4	66.9	71.6	70.2	57.8	69.0	82.0	63.0
[Kansai] Residential lots contract ratio (unadjusted figure)	66.8	75.3	69.2	77.9	50.0	70.4	67.4	78.2	69.2	58.0	69.3	80.0	61.2
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	63.9	59.7	65.2	79.5	71.3	70.4	58.2	68.7	73.3	73.8	64.8	64.1	69.2
[Tokyo area] Residential lots contract ratio (unadjusted figure)	63.0	59.3	70.0	78.9	72.3	73.2	62.4	68.5	73.4	70.4	58.1	62.6	68.1
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	602.3	596.9	593.6	517.1	492.9	521.0	523.9	536.5	568.6	584.1	612.6	641.5	627.6
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	2.7	2.4	3.3	3.3	-0.2	2.0	-1.0	0.5	2.6	2.5	5.1	7.2	4.2
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	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	4,833.1	4,748.9
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	1.8	-0.3	0.7	-0.2	-2.1	-2.9	-3.2	-4.0	-2.3	-1.6	-1.2	-0.1	-0.5
[Kansai] Construction works (total, JPY billion)	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	2,298.6	2,257.7
[Kansai] Construction works (total, YoY % change)	8.2	4.4	9.1	7.0	7.6	6.2	6.6	5.3	6.8	6.2	6.0	7.6	5.7
[Japan] Construction works (total, JPY billion)	92.0	74.8	157.9	319.9	120.8	160.4	140.6	109.9	180.6	156.2	96.5	111.3	67.3
[Japan] Construction works (total, YoY % change)	28.9	-6.4	44.5	45.0	-14.7	9.0	3.9	3.7	50.5	-17.6	-27.6	16.5	-26.8
[Japan] Construction works (public works, JPY billion)	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	632.8
[Japan] Construction works (public works, YoY % change)	9.6	-5.4	12.9	3.2	-6.4	13.2	-4.1	13.2	17.1	-0.4	-3.3	-8.6	-1.4
Consumer Sentiment													
[Kansai] Consumer Confidence Index (seasonally adjusted)	37.7	37.7	30.6	20.0	23.7	29.0	28.7	29.3	32.7	32.5	31.8	30.0	28.5
...overall livelihood	35.7	37.6	30.0	20.5	24.6	31.5	31.1	31.7	35.9	34.9	34.6	33.1	30.8
...income growth	38.8	39.0	35.1	24.1	27.4	31.3	31.8	31.9	34.5	34.3	33.8	33.2	32.1
...employment conditions	40.3	38.0	27.9	13.5	17.0	21.9	21.0	21.3	24.4	25.6	25.4	21.1	20.6
...willingness to buy durable goods	35.5	36.1	30.1	22.4	25.7	31.4	31.2	32.4	34.4	34.7	33.6	32.3	30.3
[Japan] Consumer Confidence Index (seasonally adjusted)	38.8	38.3	30.9	21.6	24.0	28.4	29.5	29.3	32.7	33.6	33.7	31.8	29.6
Business Confidence													
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	42.4	26.1	14.7	8.3	19.6	39.3	42.0	43.4	46.7	49.2	39.9	31.7	31.7
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	40.4	25.3	20.0	20.2	39.6	42.5	34.6	42.8	44.9	44.4	33.9	37.6	38.4
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	41.9	27.9	14.9	9.4	17.0	40.0	42.2	43.7	47.8	53.0	43.8	34.3	31.2
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	41.4	24.8	19.8	17.9	37.9	44.6	36.7	42.9	47.1	47.7	35.0	36.1	39.9
International Trade													
[Kansai] Trade balance (JPY billion)	-126.1	417.0	245.2	55.8	26.8	102.3	150.2	206.7	271.0	331.5	217.0	375.9	131.6
[Kansai] Exports (JPY billion)	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	1,289.0
[Kansai] Exports (YoY % change)	-3.6	0.8	-5.2	-5.4	-17.0	-14.1	-11.8	-8.7	-5.7	2.3	-4.0	5.2	13.3
[Kansai] Imports (JPY billion)	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	1,157.4
[Kansai] Imports (YoY % change)	-7.4	-17.5	-4.2	-2.1	-19.6	-2.1	-18.5	-16.9	-12.5	-9.0	-12.9	-9.0	-8.4

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