

Kansai Economic Insight Monthly

2021/3/29

Vol.95 February/March

▼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 but resurging infections pose risks* -

- ✓ After peaking in mid-January, the number of new daily Covid-19 infections in Kansai started decreasing in February. However, there has been a third wave of infections since March 2nd. As a result, the number of new daily infections in mid-March reverted back to the level seen in November 2020.
- ✓ Production in January rose MoM for the first time in two months. Driven by a surge in the manufacturing of electronics, communication devices and production machinery, it reached the level of February 2020, when the impact of Covid-19 started to emerge.
- ✓ The unemployment rate in January remained unchanged from the previous month. The effective job applicants-to-offers ratio increased for the first time in 19 months (since June 2019). Although the ratio of new job openings to applicants kept improving for three months in a row, the outlook for services requiring face-to-face interaction remains uncertain.
- ✓ In December, wages in Kansai decreased YoY for the 17th consecutive month in nominal terms, and for the 22nd in real terms. On an annual basis, 2020 was the third straight year of decline in real wages. Last year, the severity of the income environment in Kansai became obvious, as the region kept performing worse than the nation as whole for three years in a row.
- ✓ The sales of large retailers in January logged the 16th consecutive month of YoY decline. The decline rate of department stores accelerated from the previous month due to the government's appeals for self-restraint in going out. In contrast, the decline rate of supermarket sales improved a tad.
- ✓ The number of new housing starts in January decreased MoM for the second straight month. The construction of private houses recovered, but the construction of housing for rent remained on a downward trajectory.
- ✓ The amount of completed construction in January kept increasing YoY for the sixth consecutive month. The contract amount for public works projects in February rose YoY for the first time in two months.
- ✓ In February, the Economy Watcher Diffusion Index (DI) improved for the first time in four months as the state of emergency was lifted. The leading indicators improved for the third month in a row, triggered by the start of vaccinations, which raised hopes about the potential end of the pandemic.
- ✓ Kansai's total exports in February declined YoY for the first time in three months, mainly due to the misalignment of the Chinese New Year dates this year (February) and last year (January). In contrast, imports expanded for the first time in 17 months, which was a reactionary increase from a year earlier, when China's production came to a halt due to Covid-19.
- ✓ The number of international arrivals at Kansai International Airport (KIX) in February was 1,819, marking a major decline from the previous month. The main reason was that the restrictions on foreigners entering the country were extended as a result of the new state of emergency.
- ✓ The outlook for China's sustained growth remains somewhat uncertain, as the double-digit year-on-year increase in the January-February averages of the nation's major economic indicators was mainly due to their low values in the same period last year.

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

Trends in the Kansai Economy

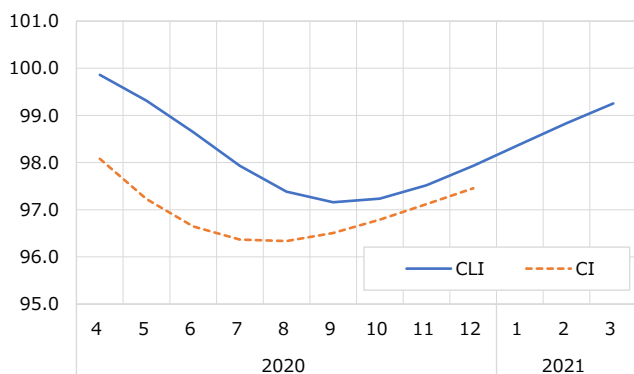
	2020												2021	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	
Production	↓	↓	↓	↓	↑	↑	→	↑	↑	↑	↓	↑		
Employment	↓	↓	↓	↓	↓	↓	↓	↓	↓	↑	↓	↑		
Consumption	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓		
Housing	→	→	↓	→	→	↓	↓	→	→	↑	↓	↓		
Public Works	↓	↑	↑	↓	↑	→	→	↑	↓	↓	↑	↓	↑	
Sentiment	↓	↓	↓	↑	↑	↑	↑	↑	↑	↓	↓	→	↑	
Trade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

Criteria for determining the trends

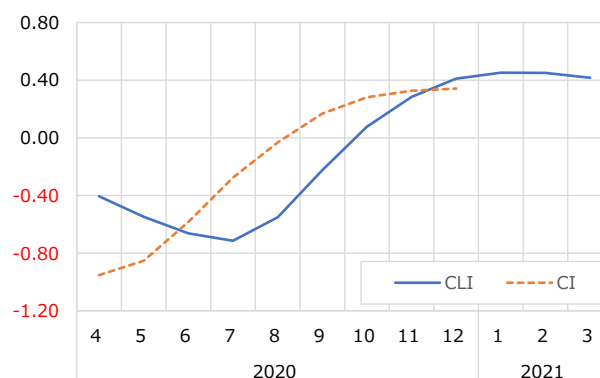
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2020/4~2021/3)



Kansai's CLI and CI: MoM changes (2020/4~2021/3)



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

Major Monthly Statistics

Monthly statistics	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
Industrial Production													
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	99.0	97.9	88.6	80.7	83.1	89.1	88.7	90.8	92.5	95.7	91.1	99.6	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	-0.7	-1.1	-9.5	-8.9	3.0	7.2	-0.4	2.4	1.9	3.5	-4.8	9.3	UN
...shipments index (unadjusted figure, YoY % change)	-1.5	-1.1	-12.4	-25.5	-12.8	-13.3	-13.8	-11.0	-0.8	0.2	-4.3	-3.4	UN
...inventories index (unadjusted figure, YoY % change)	2.7	3.0	1.9	3.2	-2.3	-5.1	-7.3	-6.2	-8.7	-9.6	-8.8	-10.6	UN
...shipments index (seasonally adjusted, 2015=100)	100.4	98.2	87.0	77.6	83.1	89.2	88.1	91.3	96.8	97.6	91.4	97.2	UN
...shipments index (seasonally adjusted, MoM change)	3.8	-2.2	-11.4	-10.8	7.1	7.3	-1.2	3.6	6.0	0.8	-6.4	6.3	UN
...inventories index (seasonally adjusted, 2015=100)	103.5	104.7	103.5	105.0	101.2	98.3	96.1	96.8	95.1	94.0	94.7	94.4	UN
...inventories index (seasonally adjusted, MoM change)	-2.0	1.2	-1.1	1.4	-3.6	-2.9	-2.2	0.7	-1.8	-1.2	0.7	-0.3	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	99.5	95.8	86.4	78.7	80.2	87.2	88.1	91.5	95.2	94.7	93.8	97.8	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	-0.3	-3.7	-9.8	-8.9	1.9	8.7	1.0	3.9	4.0	-0.5	-1.0	4.3	UN
...shipments index (unadjusted figure, YoY % change)	-5.4	-6.5	-16.6	-26.8	-16.6	-16.6	-14.2	-9.8	-3.0	-4.0	-2.9	-5.1	UN
...inventories index (unadjusted figure, YoY % change)	1.6	2.9	2.7	-0.5	-3.4	-4.8	-5.9	-5.7	-8.1	-9.0	-8.4	-10.3	UN
...shipments index (seasonally adjusted, 2015=100)	98.9	93.2	84.3	76.8	80.5	85.8	87.1	90.5	94.9	93.8	92.8	95.8	UN
...shipments index (seasonally adjusted, MoM change)	1.0	-5.8	-9.5	-8.9	4.8	6.6	1.5	3.9	4.9	-1.2	-1.1	3.2	UN
...inventories index (seasonally adjusted, 2015=100)	104.4	106.4	106.1	103.3	100.8	99.3	98.0	97.5	95.7	94.3	95.3	95.3	UN
...inventories index (seasonally adjusted, MoM change)	-1.7	1.9	-0.3	-2.6	-2.4	-1.5	-1.3	-0.5	-1.8	-1.5	1.1	0.0	UN
Labor Statistics													
[Kansai] Unemployment rate (seasonally adjusted)	2.7	3.0	3.1	2.8	2.9	3.1	3.1	3.1	3.2	3.3	3.4	3.4	UN
[Kansai] Unemployment rate (unadjusted figure)	2.7	3.1	3.1	2.9	3.1	3.2	3.2	3.3	3.3	2.9	3.1	3.2	UN
[Japan] Unemployment rate (seasonally adjusted)	2.4	2.5	2.6	2.8	2.8	2.9	3.0	3.0	3.1	3.0	3.0	2.9	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.5	1.4	1.3	1.2	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.1	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.5	1.4	1.3	1.2	1.1	1.1	1.1	1.0	1.0	1.1	1.1	1.1	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.3	2.4	1.9	2.0	1.9	1.8	1.9	2.1	1.9	2.1	2.1	2.1	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.2	2.2	1.8	1.9	1.7	1.7	1.8	2.0	1.8	2.0	2.1	2.0	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	-1.0	-1.3	-3.3	-3.7	-3.8	-2.6	-2.9	-1.5	-1.7	-1.3	-3.7	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	-1.6	-1.8	-3.6	-4.1	-4.1	-3.1	-3.2	-1.7	-1.4	-0.3	-2.3	UN	UN
[Japan] Total cash earnings (YoY % change)	0.7	0.0	-0.6	-2.3	-2.0	-1.5	-1.3	-0.9	-0.7	-1.8	-3.0	-0.8	UN
Retail sales													
[Kansai] Large retail store sales (JPY billion)	270.3	280.9	223.4	239.1	293.7	304.7	297.4	275.2	288.7	297.2	372.9	289.5	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-4.5	-14.5	-28.6	-23.9	-7.8	-7.8	-6.3	-18.6	-1.2	-7.5	-8.0	-11.0	UN
[Japan] Large retail store sales (JPY billion)	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	UN
[Japan] Large retail store sales (YoY % change, all stores)	0.3	-8.8	-18.6	-13.6	-2.3	-3.2	-1.2	-12.8	4.0	-3.2	-3.3	-5.8	UN
Housing & Construction													
[Kansai] New housing starts (number of units)	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	UN
[Kansai] New housing starts (YoY % change)	-2.9	0.2	-15.7	-1.2	-3.0	-8.3	-9.5	-4.5	-2.2	7.9	-13.2	-10.6	UN
[Japan] New housing starts (number of units)	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	UN
[Japan] New housing starts (YoY % change)	-12.3	-7.6	-12.4	-12.0	-12.8	-11.3	-9.1	-9.9	-8.3	-3.7	-9.0	-3.1	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	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	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	12.8	0.4	-20.6	16.1	-2.2	3.6	-13.0	14.7	-2.6	9.4	-8.5	-15.6	UN
[Japan] New housing starts (number of units, seasonally adjusted)	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	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	7.2	3.9	-11.4	1.0	-2.4	4.8	-1.0	-0.5	-1.6	2.3	-4.2	2.2	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	73.1	70.6	78.6	52.7	69.4	66.9	71.6	70.2	57.8	69.0	82.0	63.0	76.2
[Kansai] Residential lots contract ratio (unadjusted figure)	75.3	69.2	77.9	50.0	70.4	67.4	78.2	69.2	58.0	69.3	80.0	61.2	78.5
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	59.7	65.2	79.5	71.3	70.4	58.2	68.7	73.3	73.8	64.8	64.1	69.2	76.2
[Tokyo area] Residential lots contract ratio (unadjusted figure)	59.3	70.0	78.9	72.3	73.2	62.4	68.5	73.4	70.4	58.1	62.6	68.1	76.0
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	596.9	593.6	517.1	492.9	521.0	523.9	536.5	568.6	584.1	612.6	641.5	627.6	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	2.4	3.3	3.3	-0.2	2.0	-1.0	0.5	2.6	2.5	5.1	7.2	4.2	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	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	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-0.3	0.7	-0.2	-2.1	-2.9	-3.2	-4.0	-2.3	-1.6	-1.2	-0.1	-0.5	UN
[Kansai] Construction works (total, JPY billion)	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	UN
[Kansai] Construction works (total, YoY % change)	4.4	9.1	7.0	7.6	6.2	6.6	5.3	6.8	6.2	6.0	7.6	5.7	UN
[Japan] Construction works (total, JPY billion)	74.8	157.9	319.9	120.8	160.4	140.6	109.9	180.6	156.2	96.5	111.3	67.3	84.8
[Japan] Construction works (total, YoY % change)	-6.4	44.5	45.0	-14.7	9.0	3.9	3.7	50.5	-17.6	-27.6	16.5	-26.8	13.3
[Japan] Construction works (public works, JPY billion)	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	648.5
[Japan] Construction works (public works, YoY % change)	-5.4	12.9	3.2	-6.4	13.2	-4.1	13.2	17.1	-0.4	-3.3	-8.6	-1.4	-7.3
Consumer Sentiment													
[Kansai] Consumer Confidence Index (seasonally adjusted)	37.7	30.6	20.0	23.7	29.0	28.7	29.3	32.7	32.5	31.8	30.0	28.5	33.4
...overall livelihood	37.6	30.0	20.5	24.6	31.5	31.1	31.7	35.9	34.9	34.6	33.1	30.8	36.4
...income growth	39.0	35.1	24.1	27.4	31.3	31.8	31.9	34.5	34.3	33.8	33.2	32.1	35.1
...employment conditions	38.0	27.9	13.5	17.0	21.9	21.0	21.3	24.4	25.6	25.4	21.1	20.6	26.3
...willingness to buy durable goods	36.1	30.1	22.4	25.7	31.4	31.2	32.4	34.4	34.7	33.6	32.3	30.3	35.7
[Japan] Consumer Confidence Index (seasonally adjusted)	38.3	30.9	21.6	24.0	28.4	29.5	29.3	32.7	33.6	33.7	31.8	29.6	33.8
Business Confidence													
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	26.1	14.7	8.3	19.6	39.3	42.0	43.4	46.7	49.2	39.9	31.7	31.7	42.4
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	25.3	20.0	20.2	39.6	42.5	34.6	42.8	44.9	44.4	33.9	37.6	38.4	51.6
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	27.9	14.9	9.4	17.0	40.0	42.2	43.7	47.8	53.0	43.8	34.3	31.2	41.3
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	24.8	19.8	17.9	37.9	44.6	36.7	42.9	47.1	47.7	35.0	36.1	39.9	51.3
International Trade													
[Kansai] Trade balance (JPY billion)	417.0	245.2	55.8	26.8	102.3	150.2	206.7	271.0	331.5	217.0	375.9	131.6	242.8
[Kansai] Exports (JPY billion)	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	1,311.5
[Kansai] Exports (YoY % change)	0.8	-5.2	-5.4	-17.0	-14.1	-11.8	-8.7	-5.7	2.3	-4.0	5.2	13.3	-1.4
[Kansai] Imports (JPY billion)	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	1,068.7
[Kansai] Imports (YoY % change)	-17.5	-4.2	-2.1	-19.6	-2.1	-18.5	-16.9	-12.5	-9.0	-12.9	-9.0	-8.4	16.9

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