

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 back on track to recovery but prospects overshadowed by new state of emergency* -

- ✓ The number of new daily Covid-19 infections in Kansai (seven-day average) jumped in April, reaching an all-time high on April 28. Although the figure started decreasing in May, the number of new daily infections remains high.
- ✓ Production in March declined MoM for the first time in three months, dragged down by a slowdown in the manufacturing of machinery for general and business use. On a quarterly basis, however, Q1 was the third straight quarter of growth, with production recovering to its level in March 2020.
- ✓ The unemployment rate in March decreased for the second month in a row. However, the effective job applicants-to-offers ratio deteriorated slightly for the first time in three months. On a quarterly basis, in Q1 the former improved for the first time in six quarters, and the latter – for the first time in seven. The employment environment is improving, albeit slowly.
- ✓ In February, nominal wages in Kansai decreased YoY for the 19th month in a row. On the bright side, the rate of decline decelerated from the previous month. Real wages increased for the first time in 24 months.
- ✓ The sales of large retailers in March logged the first YoY increase in 18 months. However, that was due to increased demand for stay-at-home essentials as well as a rebound from the slump in demand by inbound visitors a year ago. A comparison with February 2019, which is more appropriate, reveals that revenues remain lower than their pre-Corona level.
- ✓ The number of new housing starts in March kept rising MoM for the second month in a row. The increase was spread across all types of construction, but it was especially noticeable in condominium construction.
- ✓ In March, the amount of completed construction increased YoY for the eighth month in a row. Kansai performed much better than Kanto, which logged 15 consecutive months in negative territory. However, the contract amount for public works projects in April declined YoY for the first time in three months.
- ✓ In April, the Economy Watcher Diffusion Index (DI) deteriorated for the first time in four months as a state of emergency was imposed for the third time. The revenues of services requiring face-to-face interaction were hit the hardest. The leading DI worsened for the second month in a row.
- ✓ Kansai's exports in April increased YoY for the second consecutive month, driven by China-bound exports of semiconductor manufacturing equipment, and US-bound exports of construction and mining machinery. Imports expanded for the third month in a row, notably medicines from the US and Europe.
- ✓ The number of international arrivals at Kansai International Airport (KIX) in April decreased to 2,341 from 3,129 in March. Inbound demand has vanished.
- ✓ In April, most of China's economic indicators kept improving. The rate of YoY improvement decelerated from the previous month, reflecting the fact that by this time last year lockdowns in China had already been lifted and economic activities had resumed. Data on China's 2020 census were finally released, showing the slowest population growth in decades, and suggest that demographics could turn into a major economic issue in the future.

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

Trends in the Kansai Economy

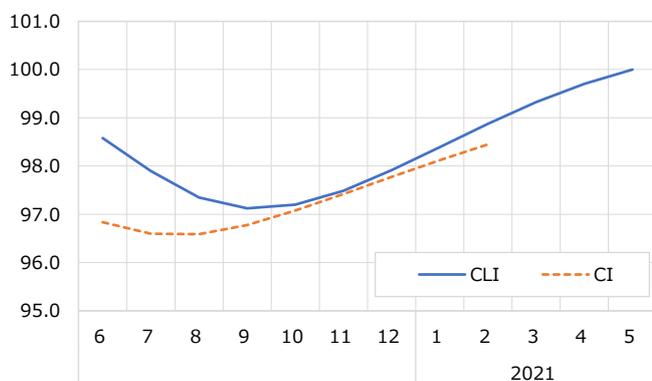
	2020									2021			
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Production	↓	↓	↑	↑	→	↑	↑	↑	↓	↑	↑	↓	
Employment	↓	↓	↓	↓	↓	↓	↓	↑	↓	↑	↑	↓	
Consumption	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↑	
Housing	↓	→	→	↓	↓	→	→	↑	↓	↓	↓	→	
Public Works	↑	↓	↑	→	→	↑	↓	↓	↑	↓	↑	→	↓
Sentiment	↓	↑	↑	↑	↑	↑	↑	↓	↓	→	↑	↑	↓
Trade	→	→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

Criteria for determining the trends

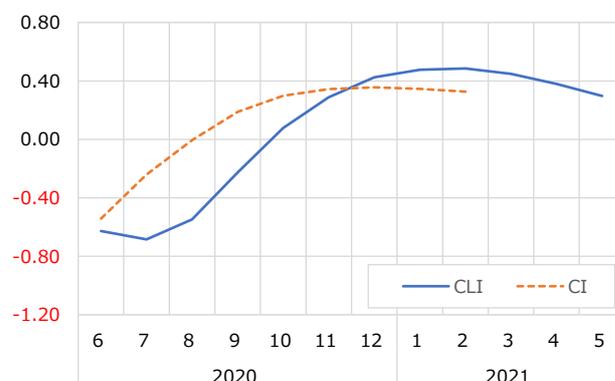
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2020/6~2021/5)



Kansai's CLI and CI: MoM changes (2020/6~2021/5)



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

Major Monthly Statistics

Monthly statistics	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21
Industrial Production													
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	88.6	80.7	83.1	89.1	88.7	90.8	92.5	95.7	91.1	99.6	100.4	96.4	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	-9.5	-8.9	3.0	7.2	-0.4	2.4	1.9	3.5	-4.8	9.3	0.8	-4.0	UN
...shipments index (unadjusted figure, YoY % change)	-12.4	-25.5	-12.8	-13.3	-13.8	-11.0	-0.8	0.2	-4.3	-3.1	-3.5	-0.8	UN
...inventories index (unadjusted figure, YoY % change)	1.9	3.2	-2.3	-5.1	-7.3	-6.2	-8.7	-9.6	-8.8	-10.4	-8.0	-6.6	UN
...shipments index (seasonally adjusted, 2015=100)	87.0	77.6	83.1	89.2	88.1	91.3	96.8	97.6	91.4	97.5	97.8	94.3	UN
...shipments index (seasonally adjusted, MoM change)	-11.4	-10.8	7.1	7.3	-1.2	3.6	6.0	0.8	-6.4	6.7	0.3	-3.6	UN
...inventories index (seasonally adjusted, 2015=100)	103.5	105.0	101.2	98.3	96.1	96.8	95.1	94.0	94.7	94.6	95.3	97.8	UN
...inventories index (seasonally adjusted, MoM change)	-1.1	1.4	-3.6	-2.9	-2.2	0.7	-1.8	-1.2	0.7	-0.1	0.7	2.6	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	86.3	77.2	81.0	86.6	88.3	91.6	93.5	94.2	94.0	96.9	95.6	97.2	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	-10.3	-10.5	4.9	6.9	2.0	3.7	2.1	0.7	-0.2	3.1	-1.3	1.7	UN
...shipments index (unadjusted figure, YoY % change)	-17.0	-27.5	-16.7	-16.8	-14.3	-9.6	-3.3	-4.1	-3.2	-5.3	-3.2	3.4	UN
...inventories index (unadjusted figure, YoY % change)	2.6	-0.3	-3.3	-4.7	-5.6	-5.7	-8.1	-9.1	-8.4	-10.2	-9.5	-9.8	UN
...shipments index (seasonally adjusted, 2015=100)	84.1	75.9	81.1	85.4	87.4	90.7	92.7	93.5	92.9	95.6	94.4	94.8	UN
...shipments index (seasonally adjusted, MoM change)	-10.3	-9.8	6.9	5.3	2.3	3.8	2.2	0.9	-0.6	2.9	-1.3	0.4	UN
...inventories index (seasonally adjusted, 2015=100)	105.1	102.6	100.8	99.5	98.6	97.6	96.6	95.4	96.0	95.1	94.4	94.8	UN
...inventories index (seasonally adjusted, MoM change)	0.0	-2.4	-1.8	-1.3	-0.9	-1.0	-1.0	-1.2	0.6	-0.9	-0.7	0.4	UN
Labor Statistics													
[Kansai] Unemployment rate (seasonally adjusted)	3.1	2.8	2.9	3.1	3.1	3.1	3.2	3.3	3.4	3.4	3.2	2.8	UN
[Kansai] Unemployment rate (unadjusted figure)	3.1	2.9	3.1	3.2	3.2	3.3	3.3	2.9	3.1	3.2	3.2	2.9	UN
[Japan] Unemployment rate (seasonally adjusted)	2.6	2.8	2.8	2.9	3.0	3.0	3.1	3.0	3.0	2.9	2.9	2.6	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.3	1.2	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.1	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.3	1.2	1.1	1.1	1.1	1.0	1.0	1.1	1.1	1.1	1.1	1.1	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	1.9	2.0	1.9	1.8	1.9	2.1	1.9	2.1	2.1	2.1	2.0	2.1	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	1.8	1.9	1.7	1.7	1.8	2.0	1.8	2.0	2.1	2.0	1.9	2.0	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	-3.3	-3.7	-3.8	-2.6	-2.9	-1.5	-1.7	-1.3	-3.7	-0.7	-0.0	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	-3.6	-4.1	-4.1	-3.1	-3.2	-1.7	-1.4	-0.3	-2.3	0.0	0.5	UN	UN
[Japan] Total cash earnings (YoY % change)	-0.6	-2.3	-2.0	-1.5	-1.3	-0.9	-0.7	-1.8	-3.0	-1.3	-0.4	0.2	UN
Retail sales													
[Kansai] Large retail store sales (JPY billion)	219.3	239.1	293.7	304.7	297.4	275.2	288.7	297.2	372.9	289.5	265.2	294.2	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-29.9	-23.9	-7.8	-7.8	-6.3	-18.6	-1.2	-7.5	-8.0	-11.0	-4.9	4.4	UN
[Japan] Large retail store sales (JPY billion)	1,341.5	1,454.3	1,678.9	1,691.9	1,688.2	1,568.0	1,630.3	1,678.1	2,103.6	1,628.4	1,496.9	1,671.2	UN
[Japan] Large retail store sales (YoY % change, all stores)	-18.8	-13.5	-2.3	-3.2	-1.2	-12.8	4.0	-3.2	-3.3	-5.8	-3.3	2.9	UN
Housing & Construction													
[Kansai] New housing starts (number of units)	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	10,324.0	10,324.0	UN
[Kansai] New housing starts (YoY % change)	-15.7	-1.2	-3.0	-8.3	-9.5	-4.5	-2.2	7.9	-13.2	-10.6	-6.0	-6.0	UN
[Japan] New housing starts (number of units)	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	60,764.0	60,764.0	UN
[Japan] New housing starts (YoY % change)	-12.4	-12.0	-12.8	-11.3	-9.1	-9.0	-8.3	-3.7	-9.0	-3.1	-3.7	-3.7	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	9,431.8	10,879.5	10,904.9	10,833.1	10,126.8	10,856.7	10,978.2	11,565.2	11,097.8	9,366.8	10,607.8	10,607.8	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	-18.2	15.3	0.2	-0.7	-6.5	7.2	1.1	5.3	-4.0	-15.6	13.2	13.2	UN
[Japan] New housing starts (number of units, seasonally adjusted)	68,220.0	66,640.0	67,341.0	69,186.0	67,257.0	66,928.0	67,724.0	68,210.0	65,328.0	66,757.0	67,299.0	67,299.0	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	-7.9	-2.3	1.1	2.7	-2.8	-0.5	1.2	0.7	-4.2	2.2	0.8	0.8	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	78.6	52.7	69.4	66.9	71.6	70.2	57.8	69.0	82.0	63.0	76.2	76.3	62.5
[Kansai] Residential lots contract ratio (unadjusted figure)	77.9	50.0	70.4	67.4	78.2	69.2	58.0	69.3	80.0	61.2	78.5	74.8	62.0
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	79.5	71.3	70.4	58.2	68.7	73.3	73.8	64.8	64.1	69.2	76.2	69.0	74.2
[Tokyo area] Residential lots contract ratio (unadjusted figure)	78.9	72.3	73.2	62.4	68.5	73.4	70.4	58.1	62.6	68.1	76.0	73.6	73.6
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	517.1	492.9	521.0	523.9	536.5	568.6	584.1	612.6	641.5	627.6	610.6	600.0	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	3.3	-0.2	2.0	-1.0	0.5	2.6	2.5	5.1	7.2	4.2	2.3	1.1	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	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	4,613.4	4,688.9	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-0.2	-2.1	-2.9	-3.2	-4.0	-2.3	-1.6	-1.2	-0.1	-0.5	-0.3	0.5	UN
[Kansai] Construction works (total, JPY billion)	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	2,163.5	2,251.3	UN
[Kansai] Construction works (total, YoY % change)	7.0	7.6	6.2	6.6	5.3	6.8	6.2	6.0	7.6	5.7	5.2	5.5	UN
[Japan] Construction works (total, JPY billion)	319.9	120.8	160.4	140.6	109.9	180.6	156.2	96.5	111.3	67.3	84.8	165.0	277.8
[Japan] Construction works (total, YoY % change)	45.0	-14.7	9.0	3.9	3.7	50.5	-17.6	-27.6	16.5	-26.8	13.3	4.5	-13.2
[Japan] Construction works (public works, JPY billion)	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	1,515.6	2,094.0
[Japan] Construction works (public works, YoY % change)	3.2	-6.4	13.2	-4.1	13.2	17.1	-0.4	-3.3	-8.6	-1.4	-7.3	1.9	-9.2
Consumer Sentiment													
[Kansai] Consumer Confidence Index (seasonally adjusted)	20.0	23.7	29.0	28.7	29.3	32.7	32.5	31.8	30.0	28.5	33.4	36.6	34.5
...overall livelihood	20.5	24.6	31.5	31.1	31.7	35.9	34.9	34.6	33.1	30.8	36.4	39.0	37.2
...income growth	24.1	27.4	31.3	31.8	31.9	34.5	34.3	33.8	33.2	32.1	35.1	37.3	36.7
...employment conditions	13.5	17.0	21.9	21.0	21.3	24.4	25.6	25.4	21.1	20.6	26.3	31.4	29.4
...willingness to buy durable goods	22.4	25.7	31.4	31.2	32.4	34.4	34.7	33.6	32.3	30.3	35.7	39.5	35.3
[Japan] Consumer Confidence Index (seasonally adjusted)	21.3	24.1	28.3	29.5	29.4	32.6	33.5	33.5	32.0	29.9	33.9	36.1	34.7
Business Confidence													
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	8.3	19.6	39.3	42.0	43.4	46.7	49.2	39.9	31.7	31.7	42.4	49.8	33.3
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	20.2	39.6	42.5	34.6	42.8	44.9	44.4	33.9	37.6	38.4	51.6	46.9	39.2
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	9.4	17.0	40.0	42.2	43.7	47.8	53.0	43.8	34.3	31.2	41.3	49.0	39.1
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	17.9	37.9	44.6	36.7	42.9	47.1	47.7	35.0	36.1	39.9	51.3	49.8	41.7
International Trade													
[Kansai] Trade balance (JPY billion)	57.0	26.4	100.6	149.0	206.2	269.9	330.8	215.3	375.0	130.6	241.8	380.7	317.2
[Kansai] Exports (JPY billion)	1,282.8	1,038.7	1,159.7	1,244.5	1,204.9	1,333.9	1,430.7	1,298.1	1,487.4	1,289.1	1,311.6	1,630.0	1,597.5
[Kansai] Exports (YoY % change)	-5.3	-17.0	-14.1	-11.8	-8.7	-5.7	2.3	-4.0	5.2	13.3	-1.4	14.6	24.5
[Kansai] Imports (JPY billion)	1,225.8	1,012.3	1,059.0	1,095.5	998.6	1,063.9	1,099.9	1,082.9	1,112.5	1,158.5	1,069.8	1,249.3	1,280.3
[Kansai] Imports (YoY % change)	-2.1	-19.6	-1.9	-18.4	-16.8	-12.4	-8.9	-12.7	-8.9	-8.3	17.1	6.2	4.4

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