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ASIA PACIFIC INSTITUTE OF RESEARCH

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Highlights

- Kansai's economy is back on track to recovery. The vaccine rollout is expected to play a key role in the recovery of private consumption* -

✓ After reaching an all-time high at the end of April, the number of new daily Covid-19 infections in Kansai (seven-day average) started decreasing in May. Currently, the fourth wave of infections is approaching its end.

✓ Production in April increased MoM for the first time in two months, propped up by the manufacturing of machinery for general and business use. Albeit increasing, the overall production level remained low in the first month of the second quarter.

✓ The unemployment rate in April increased for the first time in four months. The effective job applicants-to-offers ratio deteriorated too, increasing for the second month in a row. The third state of emergency suppressed economic activities, thereby exerting downward pressure on employment.

✓ In March, nominal wages in Kansai increased YoY for the first time in 20 months. Also, real wages increased for the third consecutive month. This, however, is likely due to the fact that the ratio of part-time to full-time workers kept decreasing for four straight months, which pushed up the average wage. The income environment is still halfway through to a full recovery.

✓ The sales of large retailers in April kept increasing YoY for the second month in a row. However, a comparison with April in pre-Corona 2019, which is more appropriate, reveals that revenues remain low. In fact, sales decreased from the previous month as a third state of emergency was announced in April. The decline in department store sales was especially large.

✓ The number of new housing starts in April kept rising MoM for the third month in a row, thanks to the recovery in the construction of private houses and a large increase in the construction of rental housing.

✓ In April, the amount of completed construction in Kansai increased YoY for the 37th month in a row. Kansai performed much better than Kanto, which logged 15 consecutive months of decline. The contract amount for public works projects in May rose too, marking the first YoY increase in two months.

✓ In May, the Economy Watcher Diffusion Index (DI) improved for the first time in two months. As the number of infections decreased and some of the restrictions on business hours and temporary closures were relaxed. The leading DI improved for the first time in three months, thanks to an expectation of vaccine rollout acceleration.

✓ Kansai's exports in May increased YoY for the third consecutive month, and imports – for the fourth, though the latter remain below their 2019 level. In particular, medicament imports from the US and Europe keep increasing.

✓ The number of international arrivals at Kansai International Airport (KIX) in May decreased to 2,001 from 2,341 in April, and it is likely to remain negligible as strict entry restrictions remain in place.

✓ Although China's trade balance remained positive for the 15th month in a row in May, it kept shrinking YoY for four consecutive months as imports kept increasing. Whereas the business sentiment and the indices of industrial production improved from the previous month, the increase in the sales of consumer goods decelerated.

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

## Index

Trends in the Kansai Economy

	2020								2021				
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
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 (2020/7～2021/6)
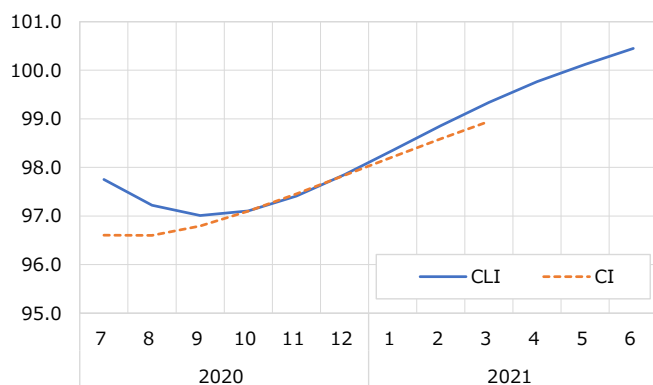
Kansai's CLI and CI: MoM changes (2020/7～2021/6)
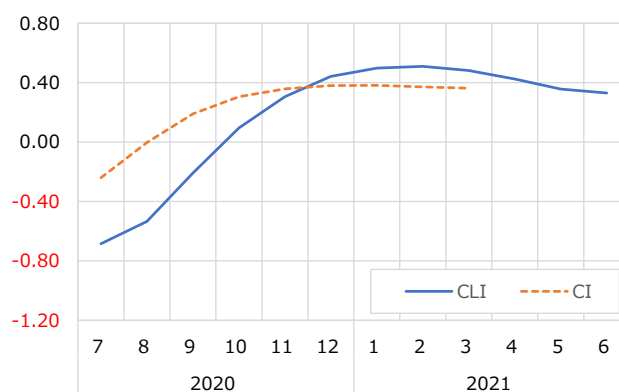
※Economic forecasts are based on the Kansai economic trend indices (CI, CLI) developed by APIR.

Major Monthly Statistics

Monthly statistics	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21
Industrial Production													
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	80.7	83.1	89.1	88.7	90.8	92.5	95.7	91.1	99.6	100.4	96.8	98.0	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	-8.9	3.0	7.2	-0.4	2.4	1.9	3.5	-4.8	9.3	0.8	-3.6	1.2	UN
...shipments index (unadjusted figure, YoY % change)	-25.5	-12.8	-13.3	-13.8	-11.0	-0.8	0.2	-4.3	-3.1	-3.5	-0.3	12.1	UN
...inventories index (unadjusted figure, YoY % change)	3.2	-2.3	-5.1	-7.3	-6.2	-8.7	-9.6	-8.8	-10.4	-8.0	-6.8	-8.0	UN
...shipments index (seasonally adjusted, 2015=100)	77.6	83.1	89.2	88.1	91.3	96.8	97.6	91.4	97.5	97.8	94.8	97.5	UN
...shipments index (seasonally adjusted, MoM change)	-10.8	7.1	7.3	-1.2	3.6	6.0	0.8	-6.4	6.7	0.3	-3.1	2.8	UN
...inventories index (seasonally adjusted, 2015=100)	105.0	101.2	98.3	96.1	96.8	95.1	94.0	94.7	94.6	95.3	97.6	95.3	UN
...inventories index (seasonally adjusted, MoM change)	1.4	-3.6	-2.9	-2.2	0.7	-1.8	-1.2	0.7	-0.1	0.7	2.4	-2.4	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	77.2	81.0	86.6	88.3	91.6	93.5	94.2	94.0	96.9	95.6	97.2	100.0	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	-10.5	4.9	6.9	2.0	3.7	2.1	0.7	-0.2	3.1	-1.3	1.7	2.9	UN
...shipments index (unadjusted figure, YoY % change)	-27.5	-16.7	-16.8	-14.3	-9.6	-3.3	-4.1	-3.2	-5.3	-3.2	3.4	16.2	UN
...inventories index (unadjusted figure, YoY % change)	-0.3	-3.3	-4.7	-5.6	-5.7	-8.1	-9.1	-8.4	-10.2	-9.5	-9.8	-9.8	UN
...shipments index (seasonally adjusted, 2015=100)	75.9	81.1	85.4	87.4	90.7	92.7	93.5	92.9	95.6	94.4	94.8	97.7	UN
...shipments index (seasonally adjusted, MoM change)	-9.8	6.9	5.3	2.3	3.8	2.2	0.9	-0.6	2.9	-1.3	0.4	3.1	UN
...inventories index (seasonally adjusted, 2015=100)	102.6	100.8	99.5	98.6	97.6	96.6	95.4	96.0	95.1	94.4	94.8	94.7	UN
...inventories index (seasonally adjusted, MoM change)	-2.4	-1.8	-1.3	-0.9	-1.0	-1.0	-1.2	0.6	-0.9	-0.7	0.4	-0.1	UN
Labor Statistics													
[Kansai] Unemployment rate (seasonally adjusted)	2.8	2.9	3.1	3.1	3.1	3.2	3.3	3.4	3.4	3.2	2.8	3.3	UN
[Kansai] Unemployment rate (unadjusted figure)	2.9	3.1	3.2	3.2	3.3	3.3	2.9	3.1	3.2	3.2	2.9	3.3	UN
[Japan] Unemployment rate (seasonally adjusted)	2.8	2.8	2.9	3.0	3.0	3.1	3.0	3.0	2.9	2.9	2.6	2.8	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.2	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.0	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.2	1.1	1.1	1.1	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.0	1.9	1.8	1.9	2.1	1.9	2.1	2.1	2.1	2.0	2.1	1.9	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	1.9	1.7	1.7	1.8	2.0	1.8	2.0	2.1	2.0	1.9	2.0	1.8	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	-3.7	-3.8	-2.6	-2.9	-1.5	-1.7	-1.3	-3.7	-0.7	-0.0	1.1	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	-4.1	-4.1	-3.1	-3.2	-1.7	-1.4	-0.3	-2.3	0.0	0.5	1.4	UN	UN
[Japan] Total cash earnings (YoY % change)	-2.3	-2.0	-1.5	-1.3	-0.9	-0.7	-1.8	-3.0	-1.3	-0.4	0.6	1.4	UN
Retail sales													
[Kansai] Large retail store sales (JPY billion)	239.1	293.7	304.7	297.4	275.2	288.7	297.2	372.9	289.5	265.2	293.1	265.2	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-23.9	-7.8	-7.8	-6.3	-18.6	-1.2	-7.5	-8.0	-11.0	-4.9	4.0	20.9	UN
[Japan] Large retail store sales (JPY billion)	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	1,670.1	1,552.7	UN
[Japan] Large retail store sales (YoY % change, all stores)	-13.5	-2.3	-3.2	-1.2	-12.8	4.0	-3.2	-3.3	-5.8	-3.3	2.8	15.7	UN
Housing & Construction													
[Kansai] New housing starts (number of units)	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	11,497.0	13,182.0	UN
[Kansai] New housing starts (YoY % change)	-1.2	-3.0	-8.3	-9.5	-4.5	-2.2	7.9	-13.2	-10.6	-6.0	-1.3	31.4	UN
[Japan] New housing starts (number of units)	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	71,787.0	74,521.0	UN
[Japan] New housing starts (YoY % change)	-12.0	-12.8	-11.3	-9.1	-9.9	-8.3	-3.7	-9.0	-3.1	-3.7	1.5	7.1	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	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	11,380.0	12,395.8	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	15.3	0.2	-0.7	-6.5	7.2	1.1	5.3	-4.0	-15.6	13.2	7.3	8.9	UN
[Japan] New housing starts (number of units, seasonally adjusted)	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	73,359.0	73,583.0	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	-2.3	1.1	2.7	-2.8	-0.5	1.2	0.7	-4.2	2.2	0.8	9.0	0.3	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	52.7	69.4	66.9	71.6	70.2	57.8	69.0	82.0	63.0	76.2	76.3	62.5	82.6
[Kansai] Residential lots contract ratio (unadjusted figure)	50.0	70.4	67.4	78.2	69.2	58.0	69.3	80.0	61.2	78.5	74.8	62.0	78.3
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	71.3	70.4	58.2	68.7	73.3	73.8	64.8	64.1	69.2	76.2	69.0	74.2	68.4
[Tokyo area] Residential lots contract ratio (unadjusted figure)	72.3	73.2	62.4	68.5	73.4	70.4	58.1	62.6	68.1	76.0	73.6	73.6	69.3
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	509.2	540.2	543.3	558.3	598.0	610.8	641.8	677.7	658.1	639.2	628.5	548.7	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	0.8	3.3	0.1	2.1	5.1	4.2	6.6	9.2	5.1	2.8	1.5	2.6	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	3,832.4	4,036.4	4,158.2	4,341.5	4,662.2	4,879.6	4,978.3	5,091.5	5,001.8	4,859.0	4,941.5	4,028.5	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-1.4	-2.3	-2.6	-3.6	-1.6	-1.1	-0.6	0.5	0.1	0.2	0.8	0.2	UN
[Kansai] Construction works (total, JPY billion)	1,510.2	1,659.7	1,741.8	1,892.6	2,151.4	2,339.3	2,435.5	2,543.2	2,498.1	2,394.5	2,481.6	1,667.4	UN
[Kansai] Construction works (total, YoY % change)	8.7	7.0	7.0	5.5	7.3	6.5	6.3	8.2	6.2	5.8	5.5	2.3	UN
[Japan] Construction works (total, JPY billion)	120.8	160.4	140.6	109.9	180.6	156.2	96.5	111.3	67.3	84.8	165.0	277.8	143.6
[Japan] Construction works (total, YoY % change)	-14.7	9.0	3.9	3.7	50.5	-17.6	-27.6	16.5	-26.8	13.3	4.5	-13.2	18.9
[Japan] Construction works (public works, JPY billion)	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	1,413.3
[Japan] Construction works (public works, YoY % change)	-6.4	13.2	-4.1	13.2	17.1	-0.4	-3.3	-8.6	-1.4	-7.3	1.9	-9.2	6.3
Consumer Sentiment													
[Kansai] Consumer Confidence Index (seasonally adjusted)	23.7	29.0	28.7	29.3	32.7	32.5	31.8	30.0	28.5	33.4	36.6	34.5	34.2
...overall livelihood	24.6	31.5	31.1	31.7	35.9	34.9	34.6	33.1	30.8	36.4	39.0	37.2	37.0
...income growth	27.4	31.3	31.8	31.9	34.5	34.3	33.8	33.2	32.1	35.1	37.3	36.7	36.5
...employment conditions	17.0	21.9	21.0	21.3	24.4	25.6	25.4	21.1	20.6	26.3	31.4	29.4	27.7
...willingness to buy durable goods	25.7	31.4	31.2	32.4	34.4	34.7	33.6	32.3	30.3	35.7	39.5	35.3	35.9
[Japan] Consumer Confidence Index (seasonally adjusted)	24.1	28.3	29.5	29.4	32.6	33.5	33.5	32.0	29.9	33.9	36.1	34.7	34.1
Business Confidence													
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	19.6	39.3	42.0	43.4	46.7	49.2	39.9	31.7	31.7	42.4	49.8	33.3	38.2
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	39.6	42.5	34.6	42.8	44.9	44.4	33.9	37.6	38.4	51.6	46.9	39.2	50.1
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	17.0	40.0	42.2	43.7	47.8	53.0	43.8	34.3	31.2	41.3	49.0	39.1	38.1
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	37.9	44.6	36.7	42.9	47.1	47.7	35.0	36.1	39.9	51.3	49.8	41.7	47.6
International Trade													
[Kansai] Trade balance (JPY billion)	26.4	100.6	149.0	206.2	269.9	330.8	215.3	375.0	130.6	241.8	379.7	316.8	227.4
[Kansai] Exports (JPY billion)	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	1,383.2
[Kansai] Exports (YoY % change)	-17.0	-14.1	-11.8	-8.7	-5.7	2.3	-4.0	5.2	13.3	-1.4	14.6	24.5	33.2
[Kansai] Imports (JPY billion)	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	1,250.3	1,280.7	1,155.8
[Kansai] Imports (YoY % change)	-19.6	-1.9	-18.4	-16.8	-12.4	-8.9	-12.7	-8.9	-8.3	17.1	6.3	4.5	14.2

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