# APIR 一般財団法人 アジア太平洋研究所
## ASIA PACIFIC INSTITUTE OF RESEARCH

# *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 is on track to recovery. The vaccination rate is on the rise but highly infectious mutant strains of COVID-19 pose risks * -**

✓ The number of new daily COVID-19 infections in Kansai (7-day average) hit a low on July 1 (156 infections). However, it has been rising since then, reaching a higher number than that seen at the end of May, when the third state of emergency was still in force. Although the vaccination rate is climbing, the spread of highly infectious mutant strains of COVID-19 poses risks.

✓ Industrial production in May decreased for the first time in two months due to a decline in the production of general-purpose and industrial machinery, and chemical products (excluding pharmaceuticals). The April-May average was only slightly higher than the Q1 average.

✓ The unemployment rate in May decreased for the first time in two months, and the effective job applicants-to-offers ratio improved slightly for the first time in four months. However, the April-May average shows that the employment environment is still in a severe state.

✓ In April, total cash earnings in the six Kansai prefectures rose YoY for the second consecutive month in nominal terms and for the fourth consecutive month in real terms. However, compared with the same month of the pre-pandemic 2019, the figures were both negative.

✓ Large-scale retail sales in May remained almost unchanged from a year earlier. However, a comparison with April in pre-pandemic 2019, which is more appropriate, reveals that revenues have deteriorated further from the previous month due to the declaration of a third state of emergency.

✓ The number of new housing starts in May decreased MoM for the first time in four months. A large decrease in the construction of housing for rent contributed to the overall decline. Future trends should be closely monitored, as the sharp rise in the price of imported lumber is starting to take its toll on construction.

✓ In May, the amount of completed construction in Kansai increased YoY for the 38th month in a row. Judging from the amount of construction work on hand, the amount of completed construction is expected to keep increasing. The contract amount for public works in June increased for the second month in a row.

✓ In June, the Economy Watcher Diffusion Index (DI) improved for the second month in a row, as the state of emergency was lifted. The future-conditions DI improved for the second consecutive month due to expectations of accelerated vaccination.

✓ Kansai's exports in June increased YoY for the fourth consecutive month, and imports – for the fifth. Since the former outgrew the latter, the trade balance remained positive for 17 months in a row. Notably, the monthly figure of exported semiconductors and other electric parts hit an all-time high in June.

✓ The number of international arrivals at Kansai International Airport (KIX) in June (2,364) increased slightly from May, but it remained negligible as strict entry restrictions remain in place.

✓ On a YoY basis, China's real GDP growth rate in Q2 was +7.9%, down by half from Q1. However, on a QoQ basis, growth in Q2 accelerated from Q1.

※ Judgment based on APIR's CI and CLI indices for Kansai.
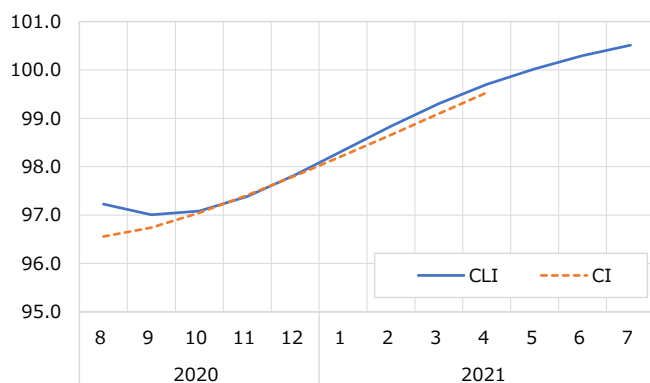
## Trends in the Kansai Economy

| | 2020 | | | | | | | 2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
| 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 (2020/8~2021/7)



### Kansai's CLI and CI: MoM changes (2020/8~2021/7)
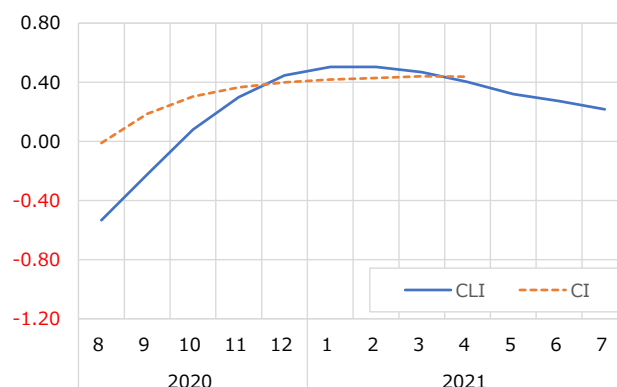


※Economic forecasts are based on the Kansai economic trend indices (CI, CLI) developed by APIR.

# Major Monthly Statistics

| Monthly statistics | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 | Dec-20 | Jan-21 | Feb-21 | Mar-21 | Apr-21 | May-21 | Jun-21 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Industrial Production** | | | | | | | | | | | | |
| [Kansai] Index of Industrial Production (seasonally adjusted, 2015=100) | 88.1 | 89.0 | 91.4 | 92.8 | 93.2 | 92.6 | 98.6 | 97.6 | 96.1 | 98.6 | 97.1 | UN |
| [Kansai] Index of Industrial Production (seasonally adjusted, MoM change) | 4.6 | 1.0 | 2.7 | 1.5 | 0.4 | -0.6 | 6.5 | -1.0 | -1.5 | 2.6 | -1.5 | UN |
| ...shipments index (unadjusted figure, YoY % change) | -13.4 | -14.1 | -10.8 | -1.0 | -0.4 | -4.6 | -3.5 | -4.1 | -0.1 | 13.1 | 21.7 | UN |
| ...inventories index (unadjusted figure, YoY % change) | -5.3 | -7.0 | -6.1 | -8.4 | -9.2 | -8.9 | -9.9 | -7.5 | -6.1 | -8.0 | -8.4 | UN |
| ...shipments index (seasonally adjusted, 2015=100) | 88.0 | 88.7 | 90.5 | 91.1 | 92.7 | 91.1 | 99.1 | 96.4 | 96.8 | 100.9 | 97.2 | UN |
| ...shipments index (seasonally adjusted, MoM change) | 4.4 | 0.8 | 2.0 | 0.7 | 1.8 | -1.7 | 8.8 | -2.7 | 0.4 | 4.2 | -3.7 | UN |
| ...inventories index (seasonally adjusted, 2015=100) | 98.9 | 97.5 | 96.4 | 95.9 | 95.1 | 94.9 | 93.8 | 95.2 | 96.8 | 94.3 | 95.3 | UN |
| ...inventories index (seasonally adjusted, MoM change) | -1.9 | -1.4 | -1.1 | -0.5 | -0.8 | -0.2 | -1.2 | 1.5 | 1.7 | -2.6 | 1.1 | UN |
| [Japan] Index of Industrial Production (seasonally adjusted, 2015=100) | 86.6 | 88.3 | 91.6 | 93.5 | 94.2 | 94.0 | 96.9 | 95.6 | 97.2 | 100.0 | 93.5 | UN |
| [Japan] Index of Industrial Production (seasonally adjusted, MoM change) | 6.9 | 2.0 | 3.7 | 2.1 | 0.7 | -0.2 | 3.1 | -1.3 | 1.7 | 2.9 | -6.5 | UN |
| ...shipments index (unadjusted figure, YoY % change) | -16.8 | -14.3 | -9.6 | -3.3 | -4.1 | -3.2 | -5.3 | -3.2 | 3.4 | 16.2 | 21.5 | UN |
| ...inventories index (unadjusted figure, YoY % change) | -4.7 | -5.6 | -5.7 | -8.1 | -9.1 | -8.4 | -10.2 | -9.5 | -9.8 | -9.8 | -8.7 | UN |
| ...shipments index (seasonally adjusted, 2015=100) | 85.4 | 87.4 | 90.7 | 92.7 | 93.5 | 92.9 | 95.6 | 94.4 | 94.8 | 97.7 | 92.3 | UN |
| ...shipments index (seasonally adjusted, MoM change) | 5.3 | 2.3 | 3.8 | 2.2 | 0.9 | -0.6 | 2.9 | -1.3 | 0.4 | 3.1 | -5.5 | UN |
| ...inventories index (seasonally adjusted, 2015=100) | 99.5 | 98.6 | 97.6 | 96.6 | 95.4 | 96.0 | 95.1 | 94.4 | 94.8 | 94.7 | 93.7 | UN |
| ...inventories index (seasonally adjusted, MoM change) | -1.3 | -0.9 | -1.0 | -1.0 | -1.2 | 0.6 | -0.9 | -0.7 | 0.4 | -0.1 | -1.1 | UN |
| **Labor Statistics** | | | | | | | | | | | | |
| [Kansai] Unemployment rate (seasonally adjusted) | 3.1 | 3.1 | 3.1 | 3.2 | 3.3 | 3.4 | 3.4 | 3.2 | 2.8 | 3.3 | 3.2 | UN |
| [Kansai] Unemployment rate (unadjusted figure) | 3.2 | 3.2 | 3.3 | 3.3 | 2.9 | 3.1 | 3.2 | 3.2 | 2.9 | 3.3 | 3.3 | UN |
| [Japan] Unemployment rate (seasonally adjusted) | 2.9 | 3.0 | 3.0 | 3.1 | 3.0 | 3.0 | 2.9 | 2.9 | 2.6 | 2.8 | 3.0 | UN |
| [Kansai] Effective job openings-to-applicants ratio (seasonally adjusted) | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.1 | 1.1 | 1.1 | 1.0 | 1.1 | UN |
| [Japan] Effective job openings-to-applicants ratio (seasonally adjusted) | 1.1 | 1.1 | 1.0 | 1.0 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | UN |
| [Kansai] New job openings-to-applicants ratio (seasonally adjusted) | 1.8 | 1.9 | 2.1 | 1.9 | 2.1 | 2.1 | 2.1 | 2.0 | 2.1 | 1.9 | 2.2 | UN |
| [Japan] New job openings-to-applicants ratio (seasonally adjusted) | 1.7 | 1.8 | 2.0 | 1.8 | 2.0 | 2.1 | 2.0 | 1.9 | 2.0 | 1.8 | 2.1 | UN |
| [Kansai] Total cash earnings (all six prefectures, YoY % change) | -2.6 | -2.9 | -1.5 | -1.7 | -1.3 | -3.7 | -0.7 | -0.0 | 1.1 | 1.2 | UN | UN |
| [Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change) | -3.1 | -3.2 | -1.7 | -1.4 | -0.3 | -2.3 | 0.0 | 0.5 | 1.4 | 1.9 | UN | UN |
| [Japan] Total cash earnings (YoY % change) | -1.5 | -1.3 | -0.9 | -0.7 | -1.8 | -3.0 | -1.3 | -0.4 | 0.6 | 1.4 | 1.9 | |
| **Retail sales** | | | | | | | | | | | | |
| [Kansai] Large retail store sales (JPY billion) | 304.7 | 297.4 | 275.2 | 288.7 | 297.2 | 372.9 | 289.5 | 265.2 | 293.1 | 265.2 | 239.0 | UN |
| [Kansai] Large retail store sales (YoY % change, all stores) | -7.8 | -6.3 | -18.6 | -1.2 | -7.5 | -8.0 | -11.0 | -4.9 | 4.0 | 20.9 | -0.0 | UN |
| [Japan] Large retail store sales (JPY billion) | 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 | 1,552.6 | 1,541.0 | UN |
| [Japan] Large retail store sales (YoY % change, all stores) | -3.2 | -1.2 | -12.8 | 4.0 | -3.2 | -3.3 | -5.8 | -3.3 | 2.8 | 15.7 | 6.0 | UN |
| **Housing & Construction** | | | | | | | | | | | | |
| [Kansai] New housing starts (number of units) | 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 | 10,264.0 | UN |
| [Kansai] New housing starts (YoY % change) | -8.3 | -9.5 | -4.5 | -2.2 | 7.9 | -13.2 | -10.6 | -6.0 | -1.3 | 31.4 | 1.3 | UN |
| [Japan] New housing starts (number of units) | 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 | 70,178.0 | UN |
| [Japan] New housing starts (YoY % change) | -11.3 | -9.1 | -9.9 | -8.3 | -3.7 | -9.0 | -3.1 | -3.7 | 1.5 | 7.1 | 9.9 | UN |
| [Kansai] New housing starts (number of units, seasonally adjusted) | 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 | 11,022.3 | UN |
| [Kansai] New housing starts (YoY % change, seasonally adjusted) | -0.7 | -6.5 | 7.2 | 1.1 | 5.3 | -4.0 | -15.6 | 13.2 | 7.3 | 8.9 | -11.1 | UN |
| [Japan] New housing starts (number of units, seasonally adjusted) | 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 | 72,942.0 | UN |
| [Japan] New housing starts (YoY % change, seasonally adjusted) | 2.7 | -2.8 | -0.5 | 1.2 | 0.7 | -4.2 | 2.2 | 0.8 | 9.0 | 0.3 | -0.9 | UN |
| [Kansai] Residential lots contract ratio (seasonally adjusted) | 66.9 | 71.6 | 70.2 | 57.8 | 69.0 | 82.0 | 63.0 | 76.2 | 76.3 | 62.5 | 82.6 | 72.2 |
| [Kansai] Residential lots contract ratio (unadjusted figure) | 67.4 | 78.2 | 69.2 | 58.0 | 69.3 | 80.0 | 61.2 | 78.5 | 74.8 | 62.0 | 78.3 | 73.2 |
| [Tokyo area] Residential lots contract ratio (seasonally adjusted) | 58.2 | 68.7 | 73.3 | 73.8 | 64.8 | 64.1 | 69.2 | 76.2 | 69.0 | 74.2 | 68.4 | 69.8 |
| [Tokyo area] Residential lots contract ratio (unadjusted figure) | 62.4 | 68.5 | 73.4 | 70.4 | 58.1 | 62.6 | 68.1 | 76.0 | 73.6 | 73.6 | 69.3 | 72.5 |
| [Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion) | 543.3 | 558.3 | 598.0 | 610.8 | 641.8 | 677.7 | 658.1 | 639.2 | 628.5 | 548.7 | 539.5 | UN |
| [Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change) | 0.1 | 2.1 | 5.1 | 4.2 | 6.6 | 9.2 | 5.1 | 2.8 | 1.5 | 2.6 | 6.0 | UN |
| [Japan] Advance Payment Guarantees (APGs) for public works (JPY billion) | 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 | 3,851.8 | UN |
| [Japan] Advance Payment Guarantees (APGs) for public works (YoY % change) | -2.6 | -3.6 | -1.6 | -1.1 | -0.6 | 0.5 | 0.1 | 0.2 | 0.8 | 0.2 | 0.5 | UN |
| [Kansai] Construction works (total, JPY billion) | 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 | 1,515.0 | UN |
| [Kansai] Construction works (total, YoY % change) | 7.0 | 5.5 | 7.3 | 6.5 | 6.3 | 8.2 | 6.2 | 5.8 | 5.5 | 2.3 | 0.3 | UN |
| [Japan] Construction works (total, JPY billion) | 140.6 | 109.9 | 180.6 | 156.2 | 96.5 | 111.3 | 67.3 | 84.8 | 165.0 | 277.8 | 143.6 | 169.4 |
| [Japan] Construction works (total, YoY % change) | 3.9 | 3.7 | 50.5 | -17.6 | -27.6 | 16.5 | -26.8 | 13.3 | 4.5 | -13.2 | 18.9 | 5.6 |
| [Japan] Construction works (public works, JPY billion) | 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 | 1,650.8 |
| [Japan] Construction works (public works, YoY % change) | -4.1 | 13.2 | 17.1 | -0.4 | -3.3 | -8.6 | -1.4 | -7.3 | 1.9 | -9.2 | 6.3 | 0.7 |
| **Consumer Sentiment** | | | | | | | | | | | | |
| [Kansai] Consumer Confidence Index (seasonally adjusted) | 28.7 | 29.3 | 32.7 | 32.5 | 31.8 | 30.0 | 28.5 | 33.4 | 36.6 | 34.5 | 34.2 | 37.8 |
| ...overall livelihood | 31.1 | 31.7 | 35.9 | 34.9 | 34.6 | 33.1 | 30.8 | 36.4 | 39.0 | 37.2 | 37.0 | 38.9 |
| ...income growth | 31.8 | 31.9 | 34.5 | 34.3 | 33.8 | 33.2 | 32.1 | 35.1 | 37.3 | 36.7 | 36.5 | 37.2 |
| ...employment conditions | 21.0 | 21.3 | 24.4 | 25.6 | 25.4 | 21.1 | 20.6 | 26.3 | 31.4 | 29.4 | 27.7 | 36.3 |
| ...willingness to buy durable goods | 31.2 | 32.4 | 34.4 | 34.7 | 33.6 | 32.3 | 30.3 | 35.7 | 39.5 | 35.3 | 35.9 | 39.2 |
| [Japan] Consumer Confidence Index (seasonally adjusted) | 29.5 | 29.4 | 32.6 | 33.5 | 33.5 | 32.0 | 29.9 | 33.9 | 36.1 | 34.7 | 34.1 | 37.4 |
| **Business Confidence** | | | | | | | | | | | | |
| [Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted) | 42.0 | 43.4 | 46.7 | 49.2 | 39.9 | 31.7 | 31.7 | 42.4 | 49.8 | 33.3 | 38.2 | 49.3 |
| [Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted) | 34.6 | 42.8 | 44.9 | 44.4 | 33.9 | 37.6 | 38.4 | 51.6 | 46.9 | 39.2 | 50.1 | 50.3 |
| [Japan] Economy Watcher Diffusion Index (current, seasonally adjusted) | 42.2 | 43.7 | 47.8 | 53.0 | 43.8 | 34.3 | 31.2 | 41.3 | 49.0 | 39.1 | 38.1 | 47.6 |
| [Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted) | 36.7 | 42.9 | 47.1 | 47.7 | 35.0 | 36.1 | 39.9 | 51.3 | 49.8 | 41.7 | 47.6 | 52.4 |
| **International Trade** | | | | | | | | | | | | |
| [Kansai] Trade balance (JPY billion) | 149.0 | 206.2 | 269.9 | 330.8 | 215.3 | 375.0 | 130.6 | 241.8 | 379.7 | 316.8 | 227.4 | 330.0 |
| [Kansai] Exports (JPY billion) | 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 | 1,608.3 |
| [Kansai] Exports (YoY % change) | -11.8 | -8.7 | -5.7 | 2.3 | -4.0 | 5.2 | 13.3 | -1.4 | 14.6 | 24.5 | 33.2 | 38.7 |
| [Kansai] Imports (JPY billion) | 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 | 1,278.3 |
| [Kansai] Imports (YoY % change) | -18.4 | -16.8 | -12.4 | -8.9 | -12.7 | -8.9 | -8.3 | 17.1 | 6.3 | 4.5 | 14.2 | 20.7 |

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

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