

Kansai Economic Insight Monthly

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▼APIR's monthly report "Kansai Economic Insight Monthly" is an analysis of economic trends in the Kansai region and the Kansai-related sectors of China's economy.

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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.

Highlights

- Kansai's economy is at a standstill, likely to remain sluggish※ -

Semiconductor shortage eases but the spread of Omicron remains a risk factor

- ✓ Kansai's economy is stagnant, and it is likely to remain sluggish. The shortage of semiconductors has eased somewhat, but future sentiment has worsened due to concerns about the spread of the Omicron variant.
- ✓ The number of new daily COVID-19 infections (seven-day average) in Kansai began to increase in late December and then rose sharply, reaching at a record high level toward the end of January, 2.5 times higher than the peak of the fifth wave. The occupancy rate of hospital beds increased too, raising concerns about the growing pressure on the healthcare system.
- ✓ In November, industrial production rose MoM for the first time in five months, driven by an increase in the production of transportation machinery. The trend reflects the fact that the semiconductor shortage has eased somewhat.
- ✓ In November, the unemployment rate worsened for the second consecutive month, and the effective jobs offers-to-applicants ratio remained flat MoM for the third consecutive month.
- ✓ In October, total cash earnings improved YoY for the eighth consecutive month in nominal terms, but growth remained modest. As consumer prices increased, real wages declined for the first time in two months. The income environment is deteriorating.
- ✓ The revenues of large retailers increased YoY for the second consecutive month in November. A recovery was seen mainly in department store sales, as human flows increased due to the low number of new infections. However, compared to the pre-pandemic level of the same month two years ago, sales remain low.
- ✓ The number of new housing starts in November decreased MoM for the second consecutive month, suppressed by declines in owner-occupied and rental housing. Although the recovery has slowed, there are signs that the slump in apartment loans has bottomed out, and the recovery trend is likely to continue.
- ✓ In November, the volume of public works contracts in Kansai increased YoY for the 26th consecutive month, outperforming the nation as a whole. On the other hand, the contract value of public works in December continued its sharp decline both in Kansai and nationwide.
- ✓ The Economy Watcher diffusion index (DI) of current conditions in December improved MoM for the fourth consecutive month driven by Christmas and year-end sales. However, it remained at a low level, due to concerns about the spread of the Omicron variant. The DI of future conditions deteriorated for the second consecutive month due to growing concerns about the spread of infections and rising raw material prices.
- ✓ In December, exports increased YoY for the 10th, and imports for the 11th consecutive month. The trade balance remained positive for the 23rd consecutive month. Electronic components, such as semiconductors, contributed to the increase in exports, while energy-related products kept pushing up imports. On an annual basis, exports in 2021 reached a new record high, driven by electronic components, such as semiconductors, and construction and mining equipment. Imports logged the second highest level after 2014 due to an increase in energy-related products and pharmaceuticals.
- ✓ The number of international arrivals at Kansai International Airport (KIX) in December was 2,737, down from the previous month (3,678), due to the suspension of new foreign arrivals. The total annual figure was 41,119, the lowest ever since the airport opened in 1994.
- ✓ China's real GDP expanded +4.0% YoY in 2021 Q3, marking the seventh consecutive quarterly increase. However, it slowed down by -0.9%pt from the previous quarter. Although 2020 saw a low growth rate of +2.2% YoY due to the outbreak of COVID-19, 2021 saw a recovery to +8.1% YoY, the highest growth rate since 2011 which exceeded the government's target of +6.0%.

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

Trends in the Kansai Economy

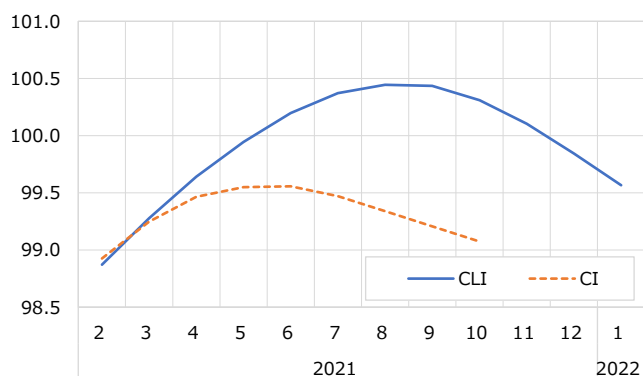
	2021											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Production	↑	↑	↓	↑	↓	↑	↓	↓	↓	↓	↑	
Employment	↑	↑	↓	↓	↑	↑	↓	↓	→	→	→	
Consumption	↓	↓	↑	↑	→	↓	↑	↓	↓	→	↑	
Housing	↓	↓	→	↑	→	↑	↑	↑	↑	↑	↓	
Public Works	↓	↑	→	↓	↑	↑	→	↑	↓	↓	↓	↓
Sentiment	→	↑	↑	↓	↑	↑	→	↓	↑	↑	↑	→
Trade	↑	↓	↑	↑	↑	↑	↑	→	→	↑	↓	↓
China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

Criteria for determining the trends

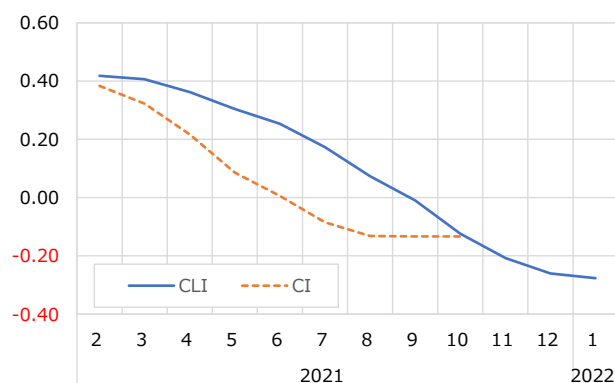
- **Production:** The trend is positive if there is at least a 0.5% MoM increase in the seasonally adjusted production index released by the Kansai Bureau of Economy, Trade and Industry. If there is a decrease of 0.5% or more, the trend is negative. Otherwise, the trend is stable.
- **Trade:** The trend 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 (2021/2~2022/1)



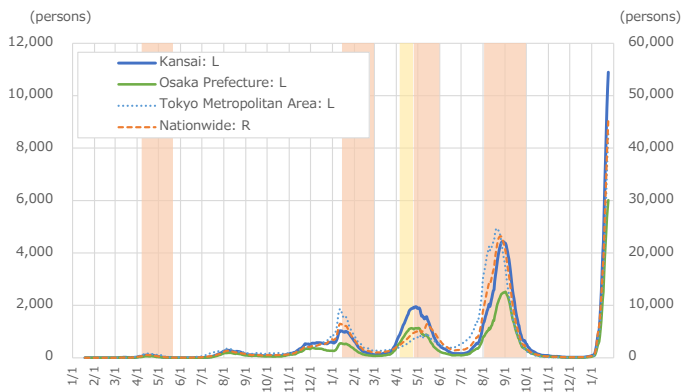
Kansai's CLI and CI: MoM changes (2021/2~2022/1)



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

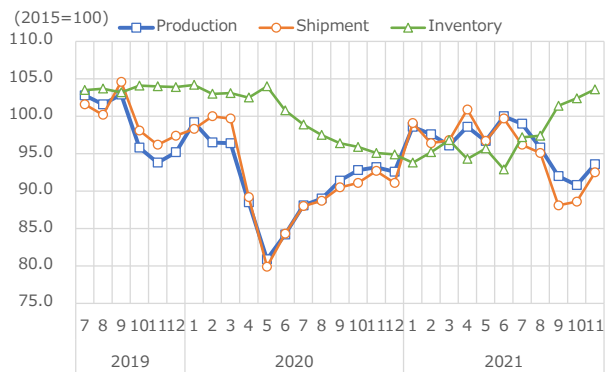
Data in Kansai at a glance

【Number of New Daily COVID-19 Infections】



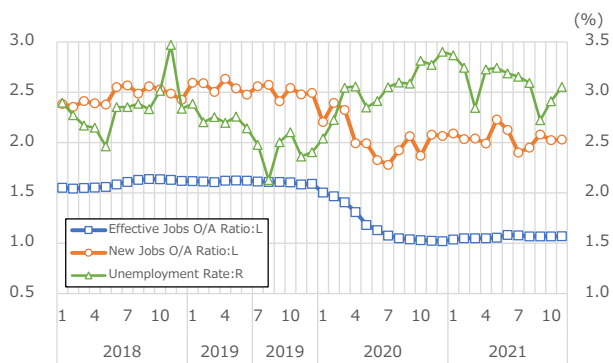
Source: MHLW

【Production, Shipment & Inventory】



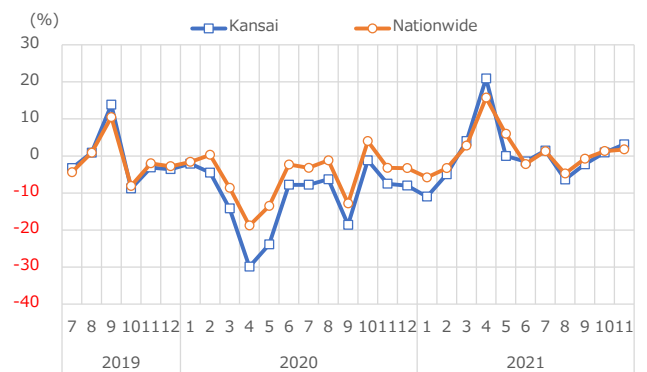
Source: METI

【Unemployment Rate, Jobs Offers-to-Applicants Ratio】



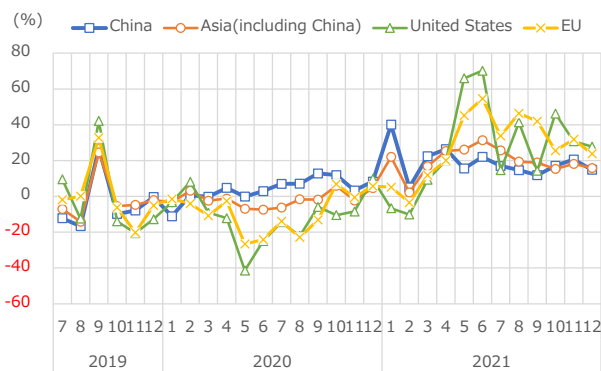
Source: MHLW, MIAC

【Revenues of Large Retailers】



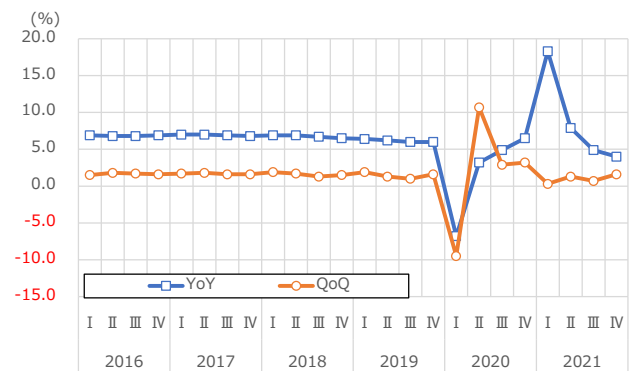
Source: METI

【Exports by Region】



Source: MOF

【GDP growth rate in China】



Source: CEIC

Major Monthly Statistics

Monthly statistics	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Industrial Production												
[Kansai] Index of Industrial Production (seasonally adjusted, 2015=100)	98.6	97.6	96.1	98.6	96.7	100.0	99.0	95.8	92.0	90.8	93.6	UN
[Kansai] Index of Industrial Production (seasonally adjusted, MoM change)	6.5	-1.0	-1.5	2.6	-1.9	3.4	-1.0	-3.2	-4.0	-1.3	3.1	UN
...shipments index (unadjusted figure, YoY % change)	-3.5	-4.1	-0.1	13.1	21.1	18.2	6.9	9.6	-2.7	-4.8	1.9	UN
...inventories index (unadjusted figure, YoY % change)	-9.9	-7.5	-6.1	-8.0	-8.0	-7.8	-1.8	-0.1	5.2	6.7	8.9	UN
...shipments index (seasonally adjusted, 2015=100)	99.1	96.4	96.8	100.9	96.7	99.7	96.2	95.1	88.1	88.6	92.5	UN
...shipments index (seasonally adjusted, MoM change)	8.8	-2.7	0.4	4.2	-4.2	3.1	-3.5	-1.1	-7.4	0.6	4.4	UN
...inventories index (seasonally adjusted, 2015=100)	93.8	95.2	96.8	94.3	95.7	92.9	97.2	97.4	101.4	102.4	103.6	UN
...inventories index (seasonally adjusted, MoM change)	-1.2	1.5	1.7	-2.6	1.5	-2.9	4.6	0.2	4.1	1.0	1.2	UN
[Japan] Index of Industrial Production (seasonally adjusted, 2015=100)	96.9	95.6	97.2	100.0	93.5	99.6	98.1	94.6	89.5	91.1	97.5	UN
[Japan] Index of Industrial Production (seasonally adjusted, MoM change)	3.1	-1.3	1.7	2.9	-6.5	6.5	-1.5	-3.6	-5.4	1.8	7.0	UN
...shipments index (unadjusted figure, YoY % change)	-5.3	-3.2	3.4	16.2	21.5	19.2	11.2	7.2	-4.5	-5.6	3.5	UN
...inventories index (unadjusted figure, YoY % change)	-10.2	-9.5	-9.8	-9.8	-8.7	-5.0	-4.5	-3.7	0.5	2.2	5.2	UN
...shipments index (seasonally adjusted, 2015=100)	95.6	94.4	94.8	97.7	92.3	96.7	96.4	92.2	86.6	88.7	95.3	UN
...shipments index (seasonally adjusted, MoM change)	2.9	-1.3	0.4	3.1	-5.5	4.8	-0.3	-4.4	-6.1	2.4	7.4	UN
...inventories index (seasonally adjusted, 2015=100)	95.1	94.4	94.8	94.7	93.7	95.7	95.0	94.9	98.1	98.7	100.7	UN
...inventories index (seasonally adjusted, MoM change)	-0.9	-0.7	0.4	-0.1	-1.1	2.1	-0.7	-0.1	3.4	0.6	2.0	UN
Labor Statistics												
[Kansai] Unemployment rate (seasonally adjusted)	3.4	3.2	2.8	3.3	3.2	3.2	3.1	3.1	2.7	2.8	3.1	UN
[Kansai] Unemployment rate (unadjusted figure)	3.2	3.2	2.9	3.3	3.3	3.4	3.3	3.2	2.9	2.9	2.7	UN
[Japan] Unemployment rate (seasonally adjusted)	2.9	2.9	2.6	2.8	3.0	2.9	2.8	2.8	2.8	2.7	2.8	UN
[Kansai] Effective job openings-to-applicants ratio (seasonally adjusted)	1.1	1.1	1.1	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	UN
[Japan] Effective job openings-to-applicants ratio (seasonally adjusted)	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.1	1.2	1.2	1.2	UN
[Kansai] New job openings-to-applicants ratio (seasonally adjusted)	2.1	2.0	2.1	1.9	2.2	2.2	1.9	2.0	2.2	2.0	2.0	UN
[Japan] New job openings-to-applicants ratio (seasonally adjusted)	2.0	1.9	2.0	1.8	2.1	2.1	2.0	2.0	2.1	2.1	2.1	UN
[Kansai] Total cash earnings (all six prefectures, YoY % change)	-0.7	-0.0	1.1	1.2	2.3	1.3	0.3	1.1	0.3	0.1	UN	UN
[Kansai] Total cash earnings (Osaka, Kyoto and Hyogo, YoY % change)	0.0	0.5	1.4	1.9	2.7	1.2	0.1	0.8	-0.5	-0.8	UN	UN
[Japan] Total cash earnings (YoY % change)	-1.3	-0.4	0.6	1.4	1.9	0.1	0.6	0.6	0.2	0.2	0.8	UN
Retail sales												
[Kansai] Large retail store sales (JPY billion)	289.5	265.2	293.1	265.2	239.0	289.3	309.2	278.5	269.0	291.3	306.5	UN
[Kansai] Large retail store sales (YoY % change, all stores)	-11.0	-4.9	4.0	20.9	-0.0	-1.5	1.4	-6.4	-2.3	0.9	3.1	UN
[Japan] Large retail store sales (JPY billion)	1,628.4	1,496.9	1,670.1	1,552.6	1,541.0	1,642.0	1,713.7	1,607.9	1,556.3	1,651.8	1,707.5	UN
[Japan] Large retail store sales (YoY % change, all stores)	-5.8	-3.3	2.8	15.7	6.0	-2.2	1.3	-4.8	-0.7	1.3	1.7	UN
Housing & Construction												
[Kansai] New housing starts (number of units)	8,720.0	10,324.0	11,497.0	13,182.0	10,264.0	11,571.0	13,184.0	11,194.0	12,436.0	11,753.0	11,450.0	UN
[Kansai] New housing starts (YoY % change)	-10.6	-6.0	-1.3	31.4	1.3	5.4	11.9	15.2	9.9	6.3	-5.4	UN
[Japan] New housing starts (number of units)	58,448.0	60,764.0	71,787.0	74,521.0	70,178.0	76,312.0	77,182.0	74,303.0	73,178.0	78,004.0	73,414.0	UN
[Japan] New housing starts (YoY % change)	-3.1	-3.7	1.5	7.1	9.9	7.3	9.9	7.5	4.3	10.4	3.7	UN
[Kansai] New housing starts (number of units, seasonally adjusted)	9,366.8	10,607.8	11,380.0	12,395.8	11,022.3	11,489.8	12,122.2	11,667.3	11,929.1	11,665.0	10,942.1	UN
[Kansai] New housing starts (YoY % change, seasonally adjusted)	-15.6	13.2	7.3	8.9	-11.1	4.2	5.5	-3.8	2.2	-2.2	-6.2	UN
[Japan] New housing starts (number of units, seasonally adjusted)	66,757.0	67,299.0	73,359.0	73,583.0	72,942.0	72,202.0	77,186.0	71,265.0	70,424.0	74,336.0	70,694.0	UN
[Japan] New housing starts (YoY % change, seasonally adjusted)	2.2	0.8	9.0	0.3	-0.9	-1.0	6.9	-7.7	-1.2	5.6	-4.9	UN
[Kansai] Residential lots contract ratio (seasonally adjusted)	63.0	76.2	76.3	62.5	82.6	72.2	72.9	59.5	60.2	57.1	65.3	75.3
[Kansai] Residential lots contract ratio (unadjusted figure)	61.2	78.5	74.8	62.0	78.3	73.2	73.4	65.0	59.4	57.3	65.6	73.5
[Tokyo area] Residential lots contract ratio (seasonally adjusted)	69.2	76.2	69.0	74.2	68.4	69.8	63.5	73.3	67.6	75.2	88.0	75.4
[Tokyo area] Residential lots contract ratio (unadjusted figure)	68.1	76.0	73.6	73.6	69.3	72.5	68.3	73.0	67.7	71.4	79.9	73.5
[Kansai] Advance Payment Guarantees (APGs) for public works (JPY billion)	637.0	619.7	609.1	533.6	523.0	532.6	539.8	556.1	587.3	602.2	626.9	UN
[Kansai] Advance Payment Guarantees (APGs) for public works (YoY % change)	4.6	2.5	1.1	2.1	5.1	1.1	1.9	2.4	1.8	1.7	0.8	UN
[Japan] Advance Payment Guarantees (APGs) for public works (JPY billion)	4,838.6	4,703.0	4,788.2	3,928.6	3,752.0	4,006.0	4,146.0	4,296.5	4,555.8	4,726.4	4,750.2	UN
[Japan] Advance Payment Guarantees (APGs) for public works (YoY % change)	-0.3	-0.1	0.6	-0.0	0.0	1.6	2.1	1.5	0.5	-0.2	-1.6	UN
[Kansai] Construction works (total, JPY billion)	2,334.8	2,238.5	2,328.4	1,566.4	1,421.1	1,575.5	1,640.2	1,721.5	1,883.4	2,017.0	2,063.0	UN
[Kansai] Construction works (total, YoY % change)	5.8	5.4	5.4	1.8	-0.6	0.5	-0.2	-3.6	-6.9	-8.2	-9.6	UN
[Japan] Construction works (total, JPY billion)	67.3	84.8	165.0	277.8	143.6	169.4	140.8	122.0	150.5	136.7	80.5	89.6
[Japan] Construction works (total, YoY % change)	-26.8	13.3	4.5	-13.2	18.9	5.6	0.2	11.0	-16.7	-12.5	-16.6	-19.5
[Japan] Construction works (public works, JPY billion)	632.8	648.5	1,515.6	2,094.0	1,413.3	1,650.8	1,389.8	1,157.5	1,268.2	1,076.7	753.4	685.9
[Japan] Construction works (public works, YoY % change)	-1.4	-7.3	1.9	-9.2	6.3	0.7	-9.9	-11.0	-15.1	-19.8	-14.5	-6.6
Consumer Sentiment												
[Kansai] Consumer Confidence Index (seasonally adjusted)	28.5	33.4	36.6	34.5	34.2	37.8	37.5	36.8	37.2	37.3	37.1	37.1
...overall liveliness	30.8	36.4	39.0	37.2	37.0	38.9	39.4	38.2	39.1	37.1	36.2	37.0
...income growth	32.1	35.1	37.3	36.7	36.5	37.2	37.3	37.4	37.3	37.7	37.9	38.7
...employment conditions	20.6	26.3	31.4	29.4	27.7	36.3	35.1	34.1	33.4	37.5	39.5	38.1
...willingness to buy durable goods	30.3	35.7	39.5	35.3	35.9	39.2	38.8	38.2	37.4	36.1	35.0	33.9
[Japan] Consumer Confidence Index (seasonally adjusted)	29.9	33.9	36.1	34.7	34.1	37.4	37.5	36.7	37.8	39.2	39.2	39.1
Business Confidence												
[Kansai] Economy Watcher Diffusion Index (current, seasonally adjusted)	31.7	42.4	49.8	33.3	38.2	49.3	49.7	36.2	42.0	52.3	54.1	54.2
[Kansai] Economy Watcher Diffusion Index (projected, seasonally adjusted)	38.4	51.6	46.9	39.2	50.1	50.3	46.2	43.9	54.5	55.0	51.3	49.5
[Japan] Economy Watcher Diffusion Index (current, seasonally adjusted)	31.2	41.3	49.0	39.1	38.1	47.6	48.4	34.7	42.1	55.5	56.3	56.4
[Japan] Economy Watcher Diffusion Index (projected, seasonally adjusted)	39.9	51.3	49.8	41.7	47.6	52.4	48.4	43.7	56.6	57.5	53.4	49.4
International Trade												
[Kansai] Trade balance (JPY billion)	130.6	241.8	379.7	316.3	227.0	329.0	270.1	215.0	224.4	430.5	84.4	287.8
[Kansai] Exports (JPY billion)	1,289.1	1,311.6	1,630.0	1,597.5	1,383.4	1,608.0	1,556.0	1,520.0	1,616.0	1,731.9	1,595.8	1,763.1
[Kansai] Exports (YoY % change)	13.3	-1.4	14.6	24.5	33.2	38.7	25.0	26.2	21.2	21.1	22.9	18.5
[Kansai] Imports (JPY billion)	1,158.5	1,069.8	1,250.3	1,281.2	1,156.4	1,279.1	1,285.9	1,305.0	1,391.6	1,301.4	1,511.4	1,475.3
[Kansai] Imports (YoY % change)	-8.3	16.9	6.2	4.4	14.0	20.5	17.0	30.7	30.2	18.2	39.2	32.3

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