

Analysis and Forecasts for the Kansai Economy

Kansai Economic Insight Quarterly No.67

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- This report provides an analysis of current economic trends in the Kansai region. It is produced by APIR's *Short-term Forecasts for Japan's and Kansai's Economies* project team headed by Yoshihisa Inada (Director of the APIR Centre for Quantitative Economic Analysis & Professor Emeritus of Konan University).

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- In this report, 'Kansai' includes 6 prefectures: Shiga, Kyoto, Osaka, Hyogo, Nara and Wakayama. The term 'Kinki' used in official data to define the same region has been changed to 'Kansai' for consistency purposes.

- Forecasts are made using APIR's original forecast model for the Kansai economy and are supervised by Prof. Yoshihisa Inada and Prof. Hiroaki Irie.

Forecast Highlights

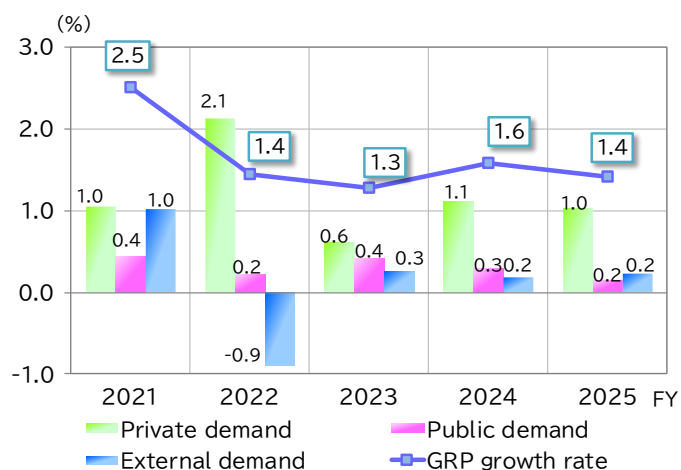
Revised Economic Forecast for Kansai's GRP
reflecting the second advance estimate of Q3 2023 GDP:
+1.3% in FY 2023, +1.6% in FY 2024, +1.4% in FY 2025

- The second official advance estimate of real GDP growth for Q3 2023 was revised to -0.7% QoQ (an annualized -2.9%), down from -0.5% QoQ (an annualized -2.1%) in the first advanced estimate. While private capital investment was revised upward, private consumption, changes in private inventories, and public investment were revised downward. Domestic private-sector demand, including consumption and investment, has stagnated. The real GDP growth rate for FY 2021 was revised from +2.6% to +2.8%, and for FY 2022 from +1.3% to +1.5%, both upward revisions.
- We have revised our forecast for Kansai's economy to reflect the second official advance GDP estimate. We now expect that Kansai's real GRP to grow +1.3% in FY 2023, +1.6% in FY 2024, and +1.4% in FY 2025, maintaining a moderate recovery trend in the 1-2% range, and recovering to its pre-pandemic (FY 2019) level in FY 2023. Due to the official revisions in past GDP growth figures, we revised our estimate for FY 2022 growth up by +0.1%pt. However, there is no revision to our estimates for FY 2023 and beyond.
- Looking contributions to growth by GDP components, private demand will be the driver of growth with +0.6 percentage point (pp) in FY 2023, +1.1 pp in FY 2024, and +1.0 pp in FY 2025. Public demand will also support growth with +0.4 pp in FY 2023, +0.3 pp in FY 2024, and +0.2 pp in FY 2025. External demand will be weak, contributing +0.3 pp in FY 2023, +0.2 pp in FY 2024, and +0.2 pp in FY 2025.

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Note: Figures in the table are calculated using the expenditure method, and differ from forecasts made using the production method.



Forecast Summary

FY	Kansai					Japan				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Private final consumption expenditure	1.6	2.6	0.4	1.1	0.8	1.8	2.7	0.0	0.9	0.8
Private residential investment	▲ 1.5	3.6	1.2	0.1	1.3	0.1	▲ 3.4	2.5	1.6	0.3
Private non-residential capital investment	1.2	1.6	2.1	2.3	2.8	1.7	3.4	▲ 0.1	2.1	2.9
Government final consumption expenditure	3.0	1.1	0.7	0.3	0.4	3.2	1.4	0.9	0.3	0.2
Public fixed capital formation	▲ 1.5	0.8	4.0	2.9	2.4	▲ 6.5	▲ 6.1	3.0	1.7	0.9
Exports	8.4	2.7	0.7	2.1	3.4	12.4	4.7	4.1	3.8	2.4
Imports	4.1	6.0	0.1	1.3	3.2	7.1	7.1	▲ 2.7	1.9	1.9
Real GRP/GDP	2.5	1.4	1.3	1.6	1.4	2.8	1.5	1.7	1.4	1.1
Private demand (contribution)	1.0	2.1	0.6	1.1	1.0	1.7	2.0	▲ 0.0	0.9	0.9
Public demand (contribution)	0.4	0.2	0.4	0.3	0.2	0.3	0.0	0.4	0.1	0.1
Net exports (contribution)	1.0	▲ 0.9	0.3	0.2	0.2	0.8	▲ 0.5	1.4	0.4	0.1
Nominal GRP/GDP	2.3	2.0	4.3	1.9	2.9	2.7	2.3	5.1	1.8	2.3
GRP/GDP deflator	▲ 0.1	0.5	3.0	0.3	1.4	▲ 0.1	0.8	3.3	0.4	1.2
Consumer price index	0.0	2.8	2.8	2.1	1.6	0.0	3.1	2.8	2.0	1.4
Industrial Production Index	5.2	▲ 2.2	▲ 0.0	1.1	1.6	5.5	▲ 0.3	▲ 0.5	1.1	1.6
Unemployment rate	3.0	2.9	3.0	2.9	2.8	2.8	2.6	2.6	2.5	2.4

Notes: Unit= %. All figures except 'Unemployment rate' are YoY growth rates. Figures on Kansai's economy for FY 2021-22 are estimates, and figures for FY 2023-25 are forecasts. Figures on Japan's economy are official until FY 2022. Forecasts for the Japanese economy (FY 2023-25) are sourced from APIR's Economic Forecast and Analysis No. 146.

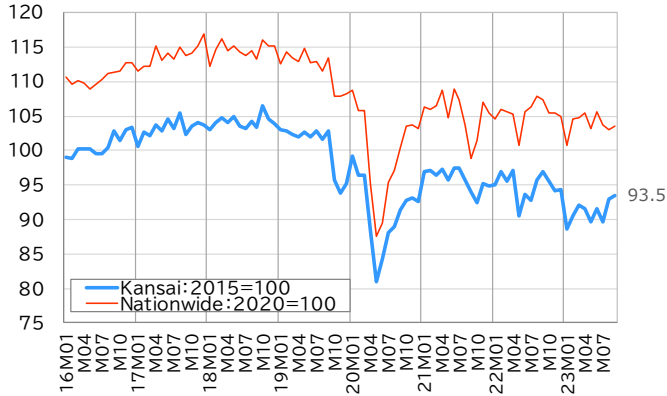
Previous Forecast

(2023/11/29)

FY	Kansai					Japan				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Private final consumption expenditure	1.5	2.4	0.3	1.1	0.8	1.5	2.5	▲ 0.2	1.0	0.7
Private residential investment	▲ 1.6	▲ 0.6	1.1	1.1	0.5	▲ 0.6	▲ 3.2	2.4	0.3	0.6
Private non-residential capital investment	1.3	1.2	2.2	2.4	2.7	2.3	3.0	0.4	2.2	2.5
Government final consumption expenditure	3.0	0.9	0.5	0.3	0.4	3.4	0.7	0.5	0.2	0.2
Public fixed capital formation	▲ 1.5	1.0	3.0	2.6	2.4	▲ 6.5	▲ 3.2	1.4	1.5	0.9
Exports	8.4	2.7	0.8	2.2	3.2	12.4	4.5	3.2	2.5	2.2
Imports	4.2	5.4	▲ 0.2	1.6	3.1	7.2	7.2	▲ 3.0	1.4	2.0
Real GRP/GDP	2.5	1.3	1.3	1.6	1.4	2.6	1.3	1.5	1.2	1.0
Private demand (contribution)	1.0	1.8	0.6	1.2	1.0	1.5	1.9	▲ 0.1	0.9	0.8
Public demand (contribution)	0.4	0.2	0.3	0.3	0.2	0.4	0.0	0.3	0.1	0.1
Net exports (contribution)	1.0	▲ 0.7	0.4	0.2	0.3	0.8	▲ 0.6	1.3	0.2	0.1

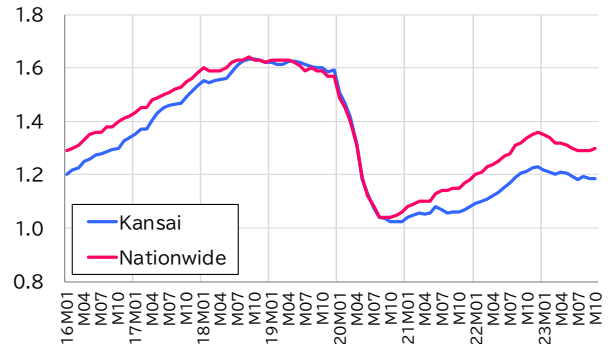
Forecasts at a Glance

【Index of Industrial Production (Kansai:2015=100, Nationwide:2020=100), including Fukui Prefecture】



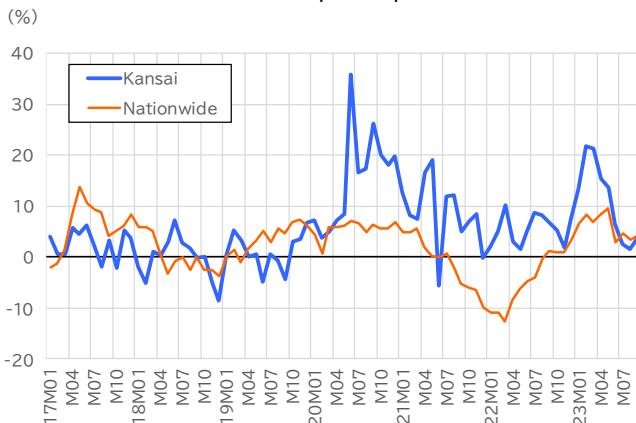
Source: Kansai Bureau of Economy, Trade and Industry

【Effective job offers-to-applicants ratio】



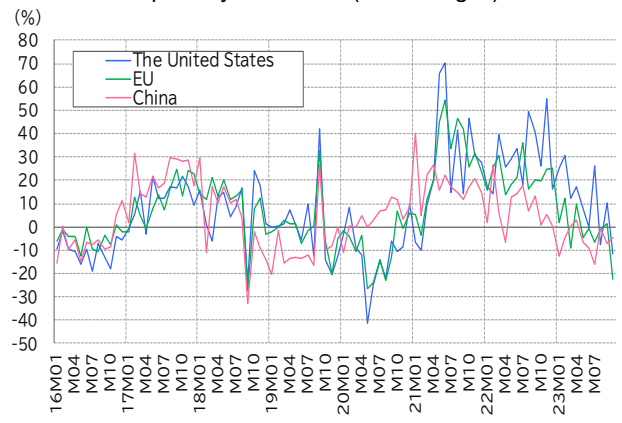
Source: Ministry of Health, Labour and Welfare of Japan

【The amount of completed public works】



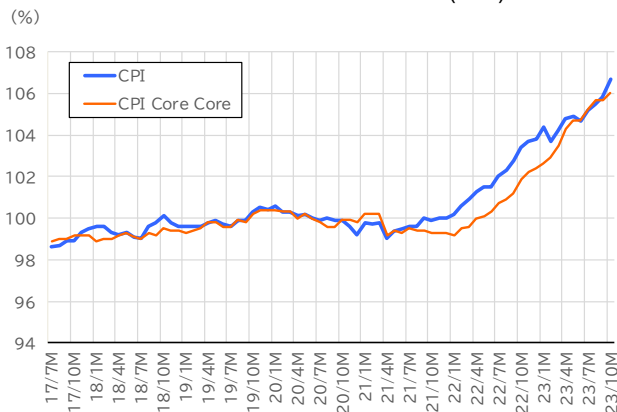
Source: MLIT

【Exports by destination (YoY changes)】



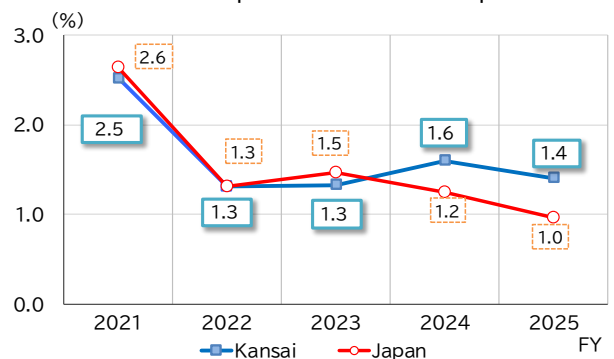
Source: Osaka Customs

【Kansai Consumer Price Index (CPI)】



Source: MIC

【Forecast comparison: Kansai vs. Japan】



Source: APIR "KEIQ No.66"