

Analysis and Forecasts for the Kansai Economy

Kansai Economic Insight Quarterly No.71

27 November, 2024

• 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.

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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 Highlights

Kansai economy continues moderate recovery as Expo approaches.

FY 2026 forecast now available: moderate growth to be sustained.

- ◆ In 2024 Q3, Kansai's economy kept recovering moderately. The household sector remains somewhat weak, but incomes, employment, and the housing sector are gradually recovering. In the corporate sector, there is a general trend of gradual recovery, but there is a polarization trend depending on the type of industry, size, and region. Production is moving back and forth, but business confidence and capital investment plans remain robust. The external sector is somewhat decelerating but is still in a good shape.
- ◆ The **household sector** is picking up moderately, but remains somewhat weak. 2024 Q3 saw a robust increase in the sales of large retail stores and in nominal wages. Although the employment environment is recovering, real wages keep declining due to inflation. Consumer sentiment seems to have peaked out, and remains weak.
- ◆ The **corporate sector** saw a gradual recovery, but trends by industry, size and region keep diverging. Production has been sluggish due in part to the shutdown of operations caused by typhoons. Capital investment plans and business sentiment are generally robust. However, the outlook for overseas economies, prices, and financial and capital markets is still uncertain.
- ◆ In the **external sector**, the exports and imports of goods are both picking up. Exports to Europe and the US remained sluggish, but the exports of semiconductor-related components to China and ASEAN are on the rise. Inbound tourism demand remains strong, although the pace of recovery is slowing.
- ◆ The **public sector** is recovering, with both public works contracts and the volume of completed works growing faster than the national average.
- ◆ **Kansai's real GRP growth is forecast to be +0.9% in FY 2024 and +1.1% in FY 2025, and +1.3% in FY 2026.** Growth will be moderate, in the 1% range, supported mainly by private demand. This is the first time we have released a forecast for FY 2026.
- ◆ Comparing this forecast with our previous forecast, the figure for FY 2024 was revised downwards by -0.4%, and the one for FY 2025 by -0.2%. Private demand was revised slightly upward in both FY 2024 and FY 2025. On the other hand, the upward revision of imports led to a downward revision in external demand, resulting in an overall downward revision.
- ◆ In terms of contribution to growth, private demand is expected to support growth with +0.9 percentage points (pp) in FY 2024, +1.1 pp in FY 2025 and +1.0 in FY 2026. Public demand will support growth by +0.3 pp in FY 2024, but its contribution will shrink somewhat in FY 2025 and FY 2026. External demand (trade with the rest of Japan and international trade) will suppress growth by -0.4 pp in FY 2024 and -0.1 pp FY 2025, but it will make a positive contribution of +0.2 pp in FY 2026.
- ◆ In FY 2024, Kansai's economic growth rate will outperform that of the rest of the country. In FY 2025 and FY 2026, Kansai will grow at approximately the same rate as the rest of Japan.
- ◆ In the Japanese-language version of this report, we discuss GRP growth rates in each Kansai prefecture, and we analyze the momentum building of the 2025 expo from the perspective of SNS posts.

Forecast Summary

FY	Kansai					Japan				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Private final consumption expenditure	2.9	0.1	1.0	1.2	1.0	2.7	▲ 0.6	0.8	1.2	1.1
Private residential investment	▲ 3.1	▲ 0.4	▲ 0.1	0.4	1.1	▲ 3.3	0.3	▲ 2.3	0.5	0.3
Private non-residential capital investment	1.6	1.6	3.0	2.7	1.6	4.1	0.3	1.9	1.7	2.3
Government final consumption expenditure	1.1	0.3	1.0	0.9	0.6	1.4	▲ 0.5	1.0	0.9	0.6
Public fixed capital formation	0.9	5.1	4.0	▲ 1.2	1.0	▲ 6.1	0.6	2.0	0.9	1.6
Exports	1.4	0.6	1.7	2.5	1.9	4.9	2.8	1.7	2.3	1.8
Imports	5.6	▲ 1.3	3.4	2.8	1.4	7.3	▲ 3.2	4.4	2.5	1.8
Real GRP/GDP	1.8	1.0	0.9	1.1	1.3	1.6	0.8	0.2	1.2	1.2
Private demand (contribution)	2.3	0.1	0.9	1.1	1.0	2.1	▲ 0.5	0.5	1.0	1.0
Public demand (contribution)	0.2	0.3	0.3	0.1	0.1	0.0	▲ 0.1	0.3	0.2	0.2
Net exports (contribution)	▲ 0.8	0.6	▲ 0.4	▲ 0.1	0.2	▲ 0.5	1.4	▲ 0.5	▲ 0.0	0.0
Nominal GRP/GDP	2.7	5.0	3.2	2.9	3.2	2.5	4.9	2.5	2.9	2.8
GRP/GDP deflator	1.0	4.0	2.4	1.8	1.9	0.9	4.1	2.3	1.7	1.6
Consumer price index	2.8	2.8	2.6	2.0	1.7	2.9	2.7	2.5	1.8	1.6
Industrial Production Index	▲ 1.1	▲ 3.5	▲ 0.5	2.0	1.4	▲ 0.3	▲ 1.9	▲ 0.8	3.0	2.1
Unemployment rate	2.9	2.9	2.8	2.6	2.6	2.6	2.6	2.5	2.4	2.3

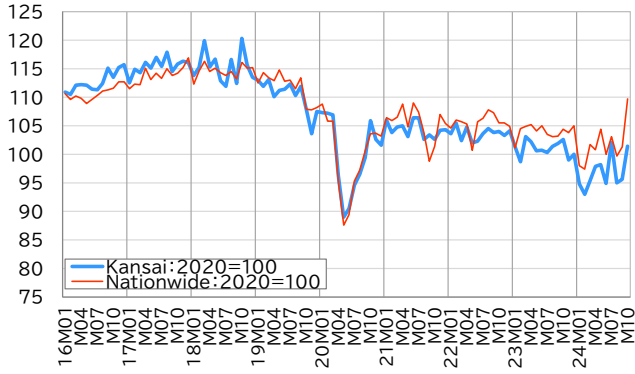
Notes: Unit= %. All figures except 'Unemployment rate' are YoY growth rates. Figures on Kansai's economy for FY 2022-23 are estimates, and figures for FY 2024-26 are forecasts. Figures on Japan's economy are official until FY 2023, and figures for FY 2024 and after are sourced from APIR's "Japanese Economy: Analysis and Forecasts No. 150".

Previous Forecast

FY	Kansai					Japan				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
Private final consumption expenditure	1.6	2.9	0.1	1.0	1.0	1.8	2.7	▲ 0.6	0.9	0.9
Private residential investment	▲ 1.5	▲ 3.4	▲ 0.7	▲ 1.8	1.0	0.1	▲ 3.3	0.3	▲ 0.8	0.8
Private non-residential capital investment	1.2	1.7	1.4	2.8	2.9	1.7	4.1	0.3	2.5	2.6
Government final consumption expenditure	3.0	1.1	0.3	0.6	0.7	3.2	1.4	▲ 0.5	0.6	0.9
Public fixed capital formation	▲ 1.5	0.9	5.1	4.0	▲ 1.5	▲ 6.5	▲ 6.1	0.7	2.3	0.6
Exports	8.3	1.4	1.1	1.6	2.5	12.4	4.9	2.8	0.4	2.7
Imports	4.0	5.5	▲ 1.1	1.5	2.4	7.2	7.3	▲ 3.2	2.3	2.4
Real GRP/GDP	2.5	1.8	1.1	1.2	1.3	2.8	1.6	0.8	0.4	1.2
Private demand (contribution)	1.0	2.3	0.1	0.8	1.1	1.7	2.1	▲ 0.5	0.6	0.9
Public demand (contribution)	0.4	0.2	0.3	0.3	0.0	0.3	0.0	▲ 0.1	0.2	0.2
Net exports (contribution)	1.0	▲ 0.7	0.8	0.2	0.2	0.8	▲ 0.5	1.4	▲ 0.4	0.1

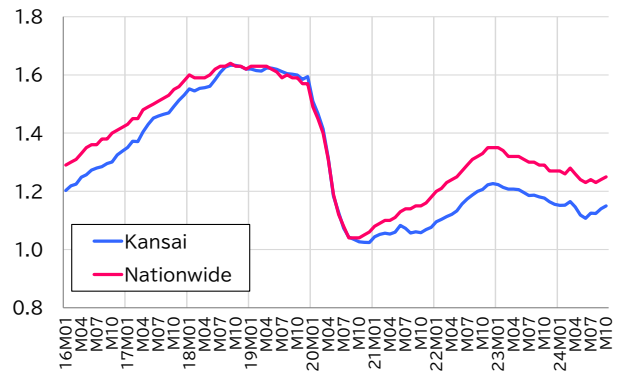
Forecasts at a Glance

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



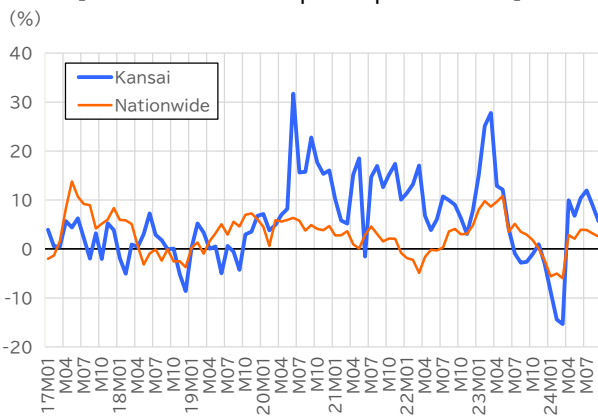
Source: Kansai Bureau of Economy, Trade and Industry

【Effective job offers-to-applicants ratio】



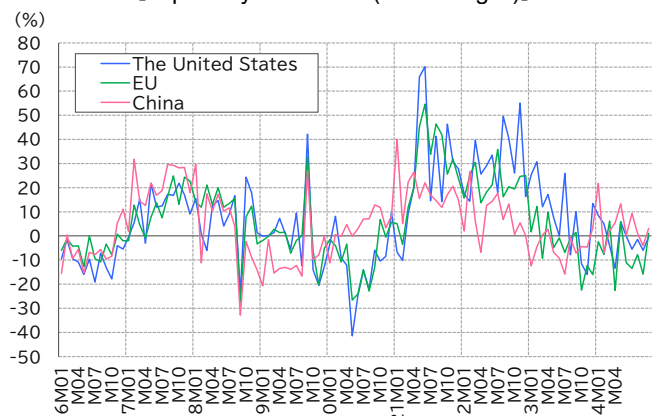
Source: Ministry of Health, Labour and Welfare of Japan

【The amount of completed public works】



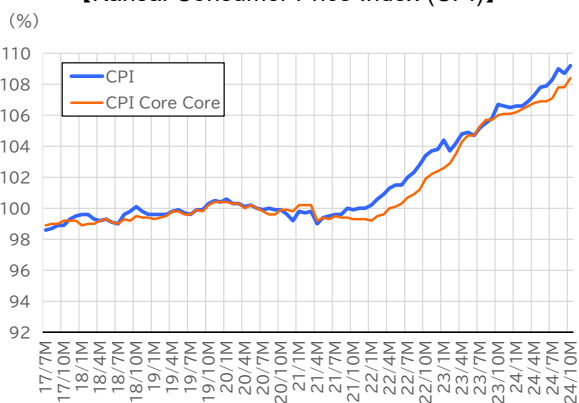
Source: MLIT

【Exports by destination (YoY changes)】



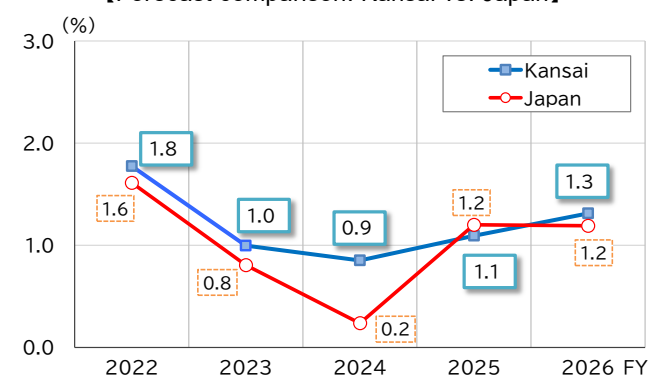
Source: Osaka Customs

【Kansai Consumer Price Index (CPI)】



Source: MIC

【Forecast comparison: Kansai vs. Japan】



Source: APIR "KEIQ No.71"