

Analysis and Forecasts for the Kansai Economy

Kansai Economic Insight Quarterly No.72

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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.

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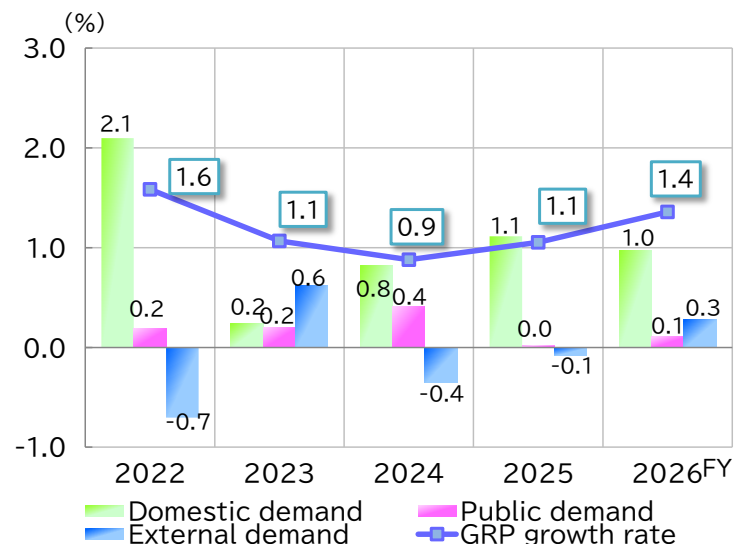
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Note: Figures in the table are calculated using the expenditure method, and differ from forecasts made using the production method.

Forecast Highlights

Revised forecast for Kansai's GRP reflecting the second official advance GDP estimate: **+0.9% in FY 2024, +1.1% in FY 2025, +1.4% in FY 2026**

- ◆ According to the second official advance GDP estimate, Japan's real GDP in Q3 2024 grew at an annualized rate of +1.2%, an upward revision from the first estimate (+0.9%). Although there was a slowdown from the previous quarter (an annualized +2.2%), Q3 was the second consecutive quarter of positive growth. Nevertheless, starting in 2023 Q3, Japan's real GDP remained below its pre-pandemic peak for five consecutive quarters. It can be said that Japan's economic recovery has been weak.
- ◆ We revised our forecast for Kansai's GRP growth, reflecting the second advance GDP estimate. We now forecast GRP growth of +0.9% in FY 2024, +1.1% in FY 2025, +1.4% in FY 2026. Growth, which has been in the 1% range since FY 2021, will keep its momentum. Comparing this forecast with our previous forecast (November 27), the figures for FY 2024 and FY 2025 were left unchanged, while the figure for FY 2026 was revised upwards by +0.1 percentage point.
- ◆ In terms of contributions to growth, private demand is expected to support growth steadily, with +0.8 percentage points (pp) in FY 2024, +1.1 pp in FY 2025 and +1.0 pp in FY 2026. Real wages, which will turn to positive growth after the second half of FY 2025, will be the driver of private consumption. Public demand will support growth by +0.4 pp in FY 2024, but then its contribution will shrink to +0.0 pp in FY 2025 and +0.1 pp in 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 is expected to make a positive contribution of +0.3 pp in FY 2026.



Forecast Summary

	Kansai					Japan					
	FY	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Private final consumption expenditure		3.0	▲ 0.0	0.8	1.2	1.2	2.6	▲ 0.4	0.6	1.1	1.3
Private residential investment		▲ 2.4	▲ 2.7	0.2	0.8	▲ 0.3	▲ 2.6	0.8	▲ 2.1	▲ 0.4	▲ 0.1
Private non-residential capital investment		1.3	1.4	3.2	2.9	1.7	3.6	▲ 0.1	2.4	2.5	2.3
Government final consumption expenditure		0.9	0.1	1.6	0.6	0.4	1.1	▲ 0.8	1.6	0.6	0.5
Public fixed capital formation		1.0	4.5	4.0	▲ 1.8	1.1	▲ 5.5	▲ 0.3	1.8	0.7	1.6
Exports		1.4	0.6	1.7	2.8	2.1	4.9	2.8	1.4	2.3	2.3
Imports		4.8	▲ 1.0	3.5	3.1	1.5	7.3	▲ 3.3	4.5	2.4	2.1
Real GRP/GDP		1.6	1.1	0.9	1.1	1.4	1.4	0.7	0.3	1.2	1.3
Private demand (contribution)		2.1	0.2	0.8	1.1	1.0	1.9	▲ 0.6	0.5	1.1	1.1
Public demand (contribution)		0.2	0.2	0.4	0.0	0.1	▲ 0.1	▲ 0.2	0.4	0.2	0.2
Net exports (contribution)		▲ 0.7	0.6	▲ 0.4	▲ 0.1	0.3	▲ 0.5	1.4	▲ 0.6	▲ 0.0	0.0
Nominal GRP/GDP		2.7	5.1	3.3	2.9	3.3	2.3	4.9	2.8	3.0	2.8
GRP/GDP deflator		1.1	3.9	2.4	1.8	1.9	0.9	4.2	2.4	1.8	1.5
Consumer price index		2.9	2.8	2.7	2.2	1.8	3.1	2.8	2.6	2.0	1.6
Industrial Production Index		▲ 1.1	▲ 3.5	▲ 0.6	1.5	1.1	▲ 0.3	▲ 1.9	▲ 0.7	1.9	1.4
Unemployment rate		2.9	2.9	2.8	2.7	2.6	2.6	2.6	2.5	2.4	2.3

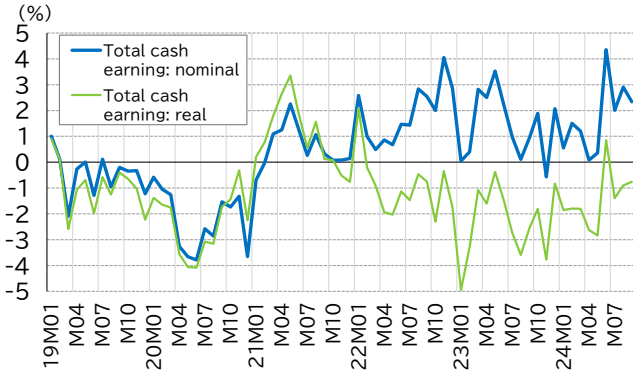
Notes: Unit= %. All figures except 'Unemployment rate' are YoY growth rates. Figures on Kansai's economy for FY 2022-23 are estimates, and figures for FY 2024-26 are forecasts. Figures on Japan's economy are official until FY 2023, and figures for FY 2024 and after are sourced from APIR's "Japanese Economy: Analysis and Forecasts No. 151".

Previous Forecast

	Kansai					Japan					
	FY	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
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

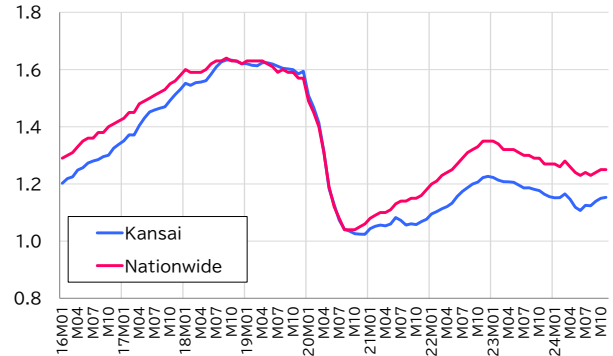
Forecasts at a Glance

【Total cash earnings in nominal and real terms】



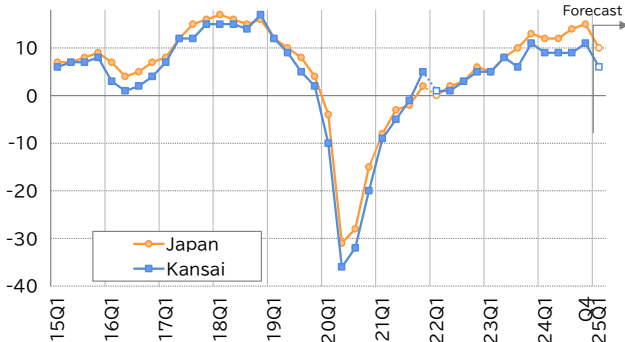
Source: Ministry of Health, Labour and Welfare of Japan

【Effective job offers-to-applicants ratio】



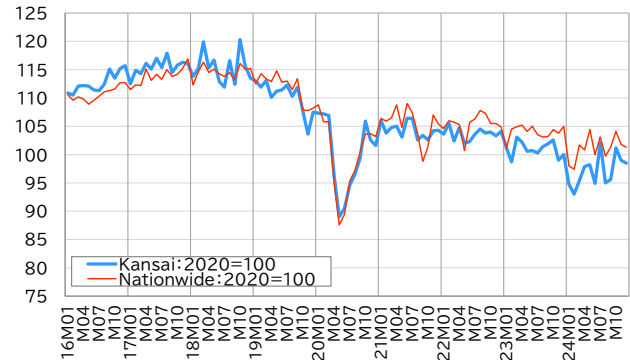
Source: Ministry of Health, Labour and Welfare of Japan

【Business Conditions DI (Bank of Japan Tankan Survey, December 2024)】



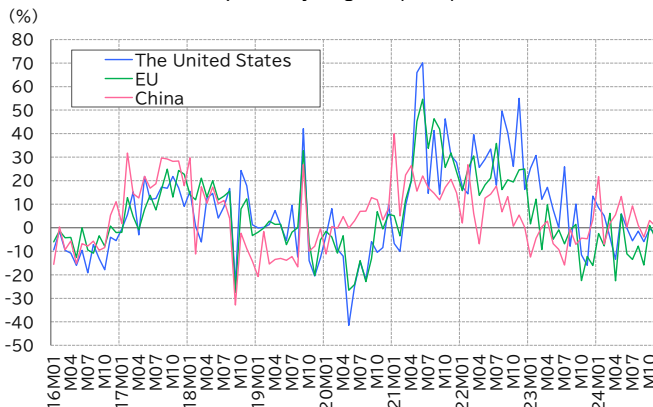
Source: Bank of Japan, Osaka Branch

【Indices of Industrial Production】



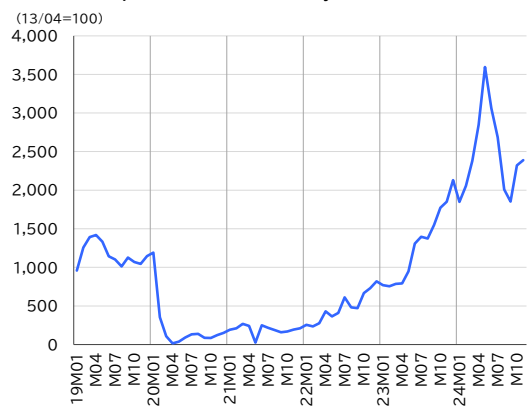
Source: Kansai Bureau of Economy, Trade and Industry

【Exports by region (YoY)】



Source: Osaka Customs

【Department store duty-free sales】



Source: Bank of Japan, Osaka Branch