

MESSAGE FROM THE RESEARCH DIRECTOR



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Similar to 2020, in 2021 the COVID-19 pandemic continued to affect the movement of people and goods worldwide. However, in 2021, the global economy began to recover as vaccination progressed, and the world started shifting toward 'life with corona'. In the first half of 2021, the global economy recovered significantly due in part to large-scale monetary easing and fiscal stimulus. In the second half, recovery stalled due to the increase of COVID-19 infections in emerging economies, disruptions in the global supply chain caused by semiconductor shortages, and surging energy and resource prices. Nevertheless, the global economy logged an overall growth of 6.0% in 2021 (IMF).

In February 2022, Russia invaded Ukraine, and the G7 and other advanced economies imposed economic sanctions on Russia. This had a very large impact on the world as energy and food prices skyrocketed, reminding us of the extent to which global economic interdependence has advanced. In China, COVID-19 infections spiked after the Winter Olympics, and lockdowns were imposed in Shanghai and other major cities. China's 'zero-COVID' policy brought about a decline in international trade. The Kansai region, which is highly dependent on trade with China, has been affected more severely than other regions in Japan.

In FY 2021, Japan's quarterly economic growth rate alternated between negative and positive, as emergency states and measures aimed at curbing the spread of the virus were repeatedly imposed and lifted. However, the recovery is still weak relative to the -4.5% slump in FY 2020. The soaring prices of raw materials, the protracted conflict in Ukraine, the impact of China's zero-COVID policy, and the resurgence of COVID-19 are expected to weigh heavily on growth.

In Japan, as in other countries, the BA.1 Omicron variant of COVID-19 spread rapidly at the beginning of 2022, causing a sixth wave of infections. Although the number of new infections subsided, the BA.5 Omicron variant triggered a seventh wave of infections in the summer, far exceeding the number of infections during the sixth wave. Fortunately, the number of severe infections was lower than the fifth and sixth waves, and no restrictions were imposed on economic activities. In October, after the seventh wave of infections had sub-

sided, the restrictions on entry into Japan from overseas were lifted, which was good news for the tourism industry in the Kansai region. However, as new variants of COVID-19 are being identified (BQ.1, BQ1.1, XBB, etc.), we need to keep a close watch on the trends in infection numbers.

The Osaka-Kansai Expo will be held in 2025. The theme of the Expo is “Designing a Future Society for Our Lives,” and its purpose is to be “a place for co-creating a future society,” “an online platform for sharing issues and solutions from around the world,” and “a place for creating and disseminating new ideas”. “People, things, and wisdom” will gather from around the world to solve a variety of issues. We believe that those “people, things, and wisdom” will keep being utilized long after the Expo, and that this is precisely the legacy of the Expo. We also believe that one of the factors for the success of the Expo will be to conduct activities not only in Yumeshima, the site of the Expo, but also in the entire Kansai region.

Osaka is preparing to host an integrated resort (IR), which will be developed on the land adjacent to the Osaka/Kansai Expo site. The Expo and the IR are expected to attract many visitors both domestically and internationally. If domestic and foreign tourists from the Expo and IR can be channeled into tourism in the wider Kansai region, an economic ripple effect can be expected for the entire Kansai region.

In light of these circumstances, this year’s Economic Outlook has two themes: “The Asia Pacific at a Historical Turning Point for the World Order” and “Kansai’s Role and Future Challenges Seen through the COVID-19 Pandemic.” The former focuses on the challenges and prospects of the Asia-Pacific region in 2022 from an international political and economic perspective. The latter analyzes how the economic crisis caused by the COVID-19 pandemic has affected income distribution in the Kansai region, especially the decrease in the middle class which had been observed even before the pandemic. In addition, demographic trends and local fiscal issues are analyzed from various perspectives. Finally, we discuss the economic ripple effects of the Osaka-Kansai Expo, as well as aspirations for the rebranding of Kansai as a tourist destination. This year, the Economic Outlook features a new section, Part III, which is dedicated to the Osaka-Kansai Expo 2025.

At the Asia Pacific Institute of Research (APIR), we will keep putting the results of our research into practice, and we will keep aiming to be a frontrunner in contributing to the economic development of the Asia Pacific, Japan and Kansai.

I would like to express my sincere gratitude to all those involved in the publication of this Economic Outlook.



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