

MESSAGE FROM THE RESEARCH DIRECTOR



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In 2022, the Japanese economy continued to be affected by COVID-19, as it was in 2021, in terms of the movement of people and goods. On the other hand, the world has already lifted behavioral restrictions, and economic activities have resumed. In 2023, supply shortages caused by globally disrupted supply chains have been overcome, and economic activities have recovered. However, the situation concerning Russia and Ukraine is still very complicated so that energy and food supplies continue to be affected, and countries around the world are suffering from steep inflation. This inflation has caused Western countries to shift from easing monetary policy to tightening it, and there are concerns about the possibility of recession affecting the world economy if the tight monetary policy continues for a long period.

In China, the GDP growth rate for the full year of 2022 was 3.0% (National Bureau of Statistics), much lower than the 5.5% target of the Chinese government, due to the lockdown in each city caused by its comprehensive zero corona policy. In 2023, however, China revised that policy and moved into a new phase, lifting the previous restrictions. This is expected to lead to full-fledged economic activities in the country.

In Japan, although behavioral restrictions were gradually lifted in 2022, infection spread during the seventh wave in August and the eighth wave in December, and tourism and service industries were severely affected, as in the previous year. In addition, soaring natural resource prices and price hikes for food and other commodities have continued to impact household budgets. On May 8, 2023, however, the classification of COVID-19 under the Infectious Disease Control Law was lowered from category 2 to category 5, making it equivalent to seasonal influenza, and various restrictions were lifted, leading to a recovery in the tourism and service industries that were so greatly affected by the corona disaster. On the other hand, regarding economic security issues, the U.S.-China conflict is intensifying. Depending on Japan's economic security policy, there is a possibility that trade with China may be affected, negatively impacting the Japanese and Kansai economies.

The new trend in 2023 is that the rate of wage increase was 3.89% (Nikkei's Survey on Wage Trends), the highest figure in 31 years. According to the Ministry of Health, Labour and Welfare (2022: Analysis of Labor Economy), Japan's nominal and real wages in 2020 were 111.4 and 103.1, respectively, compared with the indicator of 100 in 1991. Since the respective averages for the G7 countries excluding Japan were 227.0

and 131.4, Japan is clearly behind the other six countries. In order for Japan to shift to a virtuous cycle that leads to continuous productivity growth and further consumption in the future, continuous wage increases, not just transitory ones, are essential.

The theme of the Osaka-Kansai Expo, which will be held in April 2025, is “Design Future Society for Our Lives,” and its concepts are (1) co-creation of our future society, (2) online platform for sharing challenges and solutions from around the world, and (3) place to create and share new ideas. People, things, and wisdom will gather from around the world to find solutions to various issues. Preparations are currently underway to host the event, but the recent sharp rise in building material costs and labor shortages are making it difficult to arrange the event as planned. I hope that the public and private sectors will work together to overcome these difficulties and convene this event.

The Osaka IR (Integrated Resort) zone development plan was finally approved by the national government on April 14, 2023, and, together with the 2025 Expo, it will be a catalyst for the Osaka and Kansai economies in the future. By codeveloping entertainment facilities, casinos, hotels, MICE (Meeting, Incentive travel, Convention, Exhibition/Event) facilities, restaurants, and many other visitor attractions, Osaka is expected to allure a great deal of domestic and foreign investment, and attract many more visitors, making them of growing industries in this area in the future. The project will further lead to the promotion of tourism in the wider Kansai region, hopefully leading to a ripple effect on the economy of the entire region.

In light of these circumstances, this year’s “Asia Pacific and Kansai: The Kansai Economic White Paper 2023” has two themes: “The Dawn of the Post-Corona Era: Changes and Challenges” for the Asia-Pacific region in Part I; and “A Crossroads for its Economic Turnaround” for the Kansai economy in Part II.

The first part focuses on the challenges and prospects of the Asia-Pacific region from an international political and economic perspective, as a main issue surrounding the region in 2023.

The second part of the report, dealing with a crossroads for Kansai’s economic turnaround, discusses the current state and future prospects for the Kansai economy, as well as issues such as its labor market, DX (Digital Transformation), and human resource support and cultivation in the Kansai region, while also considering the tourism industry in this region. It also discusses the industrial structure that is expected to turn the Kansai economy around into the future.

In this way, this book includes hints for considering the future from a variety of perspectives. In addition, as in the previous year, Part III summarizes the status of the Osaka-Kansai Expo as Expo 2025 Chronology and, from this year, tourism in Kansai is described as Tourism Chronology.

The Asia Pacific Institute of Research (APIR) will continue to develop the results of its research into practical applications, aiming to be a frontrunner in contributing to the development of the Asia Pacific and Kansai economies, including that of Japan.

Finally, I would like to express my sincere gratitude to all those who have contributed to the publication of this book.

A handwritten signature in black ink, appearing to read 'K. Miyahara', written in a cursive, flowing style.

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