

## MESSAGE FROM THE EXECUTIVE DIRECTOR

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In 2024, the Japanese economy showed signs of temporary stagnation, but then entered a gentle recovery phase, mainly driven by domestic demand. In the foreign exchange market, the dollar continued to strengthen against the yen, and in April 2024 the dollar briefly reached 160 JPY for the first time in 34 years. In early July, the dollar reached the 161-JPY range, marking a historic low for the yen. The wage increase rate in the 2024 spring labor negotiations (Shunto) exceeded 5% for the first time in 33 years. However, due to the ongoing depreciation of the JPY and rising prices, real wages declined by 0.3%, marking the third consecutive year of negative growth. In 2025, attention will be focused on whether Shunto can achieve its target of a wage increase rate of over 5%, and whether this can lead to a virtuous cycle of prices and wages.

As for the global economy, although it is steadily recovering, the pace of growth has been slow due to persistent inflation and geopolitical tensions. The International Monetary Fund (IMF) has forecast that the global economy will continue to grow steadily, with growth rates of +3.3% in both 2025 and 2026, but this is below the average growth rate of +3.7% seen in the past (2000-2019), and the IMF says that the momentum is lacking (IMF World Economic Outlook, January 2025). In the future, there are concerns about the impact on the global economy due to the possibility of worsening trade friction, a decrease in investment, and renewed supply chain disruption due to significant changes in tariff policy in the second Trump administration.

Regarding China, the world's second largest economy, the real GDP growth rate in 2024 was +5.0%, achieving the government target of around +5.0%, but it slowed down from the previous year (+5.2%). The real estate market remains in a serious slump, and there are many other issues, such as sluggish domestic demand and excess production of electric vehicles, so the future of the economy remains uncertain. As China is Japan's largest trading partner, there are concerns about the impact of the economic slowdown, and it is necessary to keep a close eye on future developments.

By the time this white paper is published in April 2025, the Osaka-Kansai Expo 2025 will likely have already opened. The Expo is a place where we can propose solutions to the common challenges facing humanity, acting as a testing ground for future societies, and it is an opportunity for the further development of the Japanese and Kansai economies. I sincerely hope that all those involved will unite their efforts to ensure the success of the Expo.

In light of these circumstances, this year's "Kansai and the Asia Pacific, Economic Outlook: 2024-25" incorporates hints for considering the future from various perspectives, including international political and economic perspectives and the Kansai economy, while taking into account the uncertain future of the Chinese economy. We hope that this publication will contribute to the development of the Asia-Pacific and Kansai economies.

Finally, we would like to express our sincere gratitude to all those involved for their cooperation in publishing this year's report.

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