APIR 一般財団法人 アジア太平洋研究所
ASIA PACIFIC INSTITUTE OF RESEARCH

Inquiries: +81-(0)6-6485-7694
Ryosuke Nomura, Yani Karavasilev

Analysis and Forecasts for the Kansai Economy

Kansai Economic Insight Quarterly No.76

27 November, 2025

- 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).

- Authors: Yoshihisa Inada, Hiroaki Irie (Kindai University Professor & APIR Researcher), Ryo Ogawa (Osaka Metropolitan University Professor & APIR Researcher), Yani Karavasilev(Associate Professor, Kansei Gakuin University and Research Fellow, Asia Pacific Institute of Research), Ryosuke Nomura (Dep-uty Chief Research Fellow, APIR), Liu, Ziying (Researcher, APIR), Quan, Ming (Researcher, APIR), Kenta Koyama (Staff, APIR), Sayo Kabetani (Lead Research Officer), Maki Warabino (Lead Research Officer), Takenori Ueda (Lead Research Officer) and Tetsuya Nakajima (Lead Research Officer).

- 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.

Index

Forecast Highlights	1
Forecast Summary	2
Forecasts at a Glance	3

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

Forecast Highlights

The economy is recovering, but lacks momentum, with activity remaining in a lull

In addition to fading post-Expo demand, deteriorating relations with China are raising concerns about the outlook

- The Kansai Economy in Q3 2025 is showing signs of recovery, but uncertainty is increasing. With the Osaka-Kansai Expo, which attracted a large number of visitors, now over, its boost to private consumption is expected to fade. Meanwhile, deteriorating relations with China represent the biggest risk to the outlook, heightening uncertainty, particularly for external demand.
- **Household Sector**: Indicators are mixed, with some showing improvement while others remain cautious. Consumer sentiment has improved, and retail sales are recovering. However, real wages remain sluggish, while employment conditions are broadly flat. The housing market also remains weak, with the decline following the legislative changes continuing.
- **Corporate Sector**: The corporate sector remains relatively resilient, with business sentiment firm and capital investment plans expected to increase significantly. However, the pace of recovery differs between the manufacturing and non-manufacturing sectors. In the manufacturing sector in particular, production is showing signs of weakness, and output is declining across a wide range of industries.
- **External Sector**: Exports remained firm, supported by strong demand in Asia for semiconductors and other electronic components, while imports declined as energy prices fell. Inbound tourism, however, showed signs of weakness, with visitor numbers to Japan remaining stagnant and duty-free sales at department stores falling below year-earlier levels for two consecutive quarters.
- **Public Sector**: The public sector lacks momentum, partly due to the post-Expo pullback in demand. Although contract values are showing signs of recovery, activity measured by completed work remains weak.
- **We forecast Kansai's real GRP growth at +1.1% in FY2025 and +0.9% in FY2026**. Private demand is expected to drive growth in both FY2025 and FY2026, with moderate growth of around 1% projected in each year. Compared with the previous forecast, the FY2025 projection has been revised upward by +0.4 percentage points (pp), while the FY2026 projection is unchanged.
- In terms of contributions to growth, private demand is expected to lead, contributing +1.1 pp in FY2025 and +0.8 pp in FY2026. Public demand is expected to make no contribution to growth in FY2025 but provide modest support in FY2026. External demand is expected to make no contribution to growth in FY2025 and weigh on growth in FY2026.
- The Japanese-language version of this report features two analyses: "Preliminary Estimates of GRP for Kansai Prefectures (FY2023–FY2025)" and "The Impact of Deteriorating Japan-China Relations on Inbound Tourism in the Kansai Region."

Forecast Summary

	Kansai					Japan				
FY	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Private final consumption expenditure	2.8	0.0	0.8	1.3	0.8	2.6	▲ 0.4	0.7	1.0	1.0
Private residential investment	▲ 3.5	▲ 1.3	▲ 0.3	▲ 4.5	2.4	▲ 2.7	0.7	▲ 0.6	▲ 4.5	1.5
Private non-residential capital investment	5.3	1.1	2.3	3.9	2.1	3.2	▲ 0.9	1.9	3.1	2.9
Government final consumption expenditure	1.7	0.1	1.6	0.7	1.0	1.1	▲ 0.8	1.2	0.5	1.0
Public fixed capital formation	▲ 8.2	1.8	3.2	▲ 2.2	1.0	▲ 5.5	▲ 0.4	0.6	0.2	0.5
Exports	4.7	▲ 0.4	1.8	1.8	1.1	5.0	3.0	1.5	2.2	1.0
Imports	0.7	▲ 1.1	3.3	2.8	1.7	7.4	▲ 2.8	3.5	2.9	1.4
Real GDP	2.9	0.4	1.1	1.1	0.9	1.3	0.4	0.6	1.1	1.1
Private demand (contribution)	3.5	0.0	1.0	1.1	0.8	1.9	▲ 0.7	0.8	1.1	1.0
Public demand (contribution)	0.1	0.0	0.4	▲ 0.0	0.2	▲ 0.1	▲ 0.2	0.3	0.1	0.2
Net exports (contribution)	▲ 0.6	0.4	▲ 0.2	0.0	▲ 0.1	▲ 0.6	1.3	▲ 0.5	▲ 0.1	▲ 0.1
Nominal GDP	3.6	4.2	4.5	3.7	1.9	2.2	4.7	3.7	3.7	2.3
GDP deflator	0.7	3.9	3.3	2.6	1.0	0.9	4.3	3.1	2.6	1.2
Consumer price index	2.9	2.8	2.8	2.9	1.6	3.1	2.8	2.6	2.8	1.8
Industrial Production Index	▲ 1.1	▲ 3.5	▲ 2.3	0.7	1.4	▲ 0.3	▲ 1.9	▲ 1.4	0.6	1.3
Unemployment rate	2.9	2.9	2.7	2.9	2.9	2.6	2.6	2.5	2.6	2.5

Notes: Unit= %. All figures except 'Unemployment rate' are YoY growth rates.
Figures on Kansai's economy for FY 2023-24 are estimates, and figures for FY 2025-26 are forecasts. Figures on Japan's economy are official until FY 2024, and figures for FY 2025 and after are sourced from APIR's "Japanese Economy: Analysis and Forecasts No. 155".

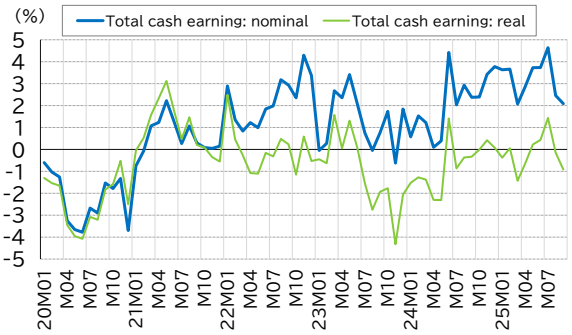
Previous Forecast

	Kansai					Japan				
FY	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Private final consumption expenditure	2.8	▲ 0.2	0.8	0.8	0.7	2.6	▲ 0.4	0.8	0.7	0.8
Private residential investment	▲ 3.5	▲ 0.9	▲ 0.5	▲ 4.8	1.3	▲ 2.7	0.7	▲ 0.4	▲ 4.5	0.5
Private non-residential capital investment	5.3	1.1	2.5	3.6	2.6	3.2	▲ 0.8	2.0	3.2	1.2
Government final consumption expenditure	1.7	0.1	1.6	0.4	0.7	1.1	▲ 0.8	1.3	▲ 0.0	0.7
Public fixed capital formation	▲ 8.2	1.8	4.0	▲ 2.2	0.9	▲ 5.5	▲ 0.4	0.8	▲ 0.7	0.4
Exports	4.7	▲ 0.1	1.5	2.1	1.0	5.0	3.1	1.7	2.6	0.8
Imports	0.7	▲ 1.2	4.1	3.2	1.7	7.4	▲ 2.7	3.4	2.3	1.3
Real GRP/GDP	2.9	0.4	0.9	0.6	0.9	1.3	0.5	0.8	0.7	0.8
Private demand (contribution)	3.5	▲ 0.1	1.0	0.7	0.7	1.9	▲ 0.7	0.9	0.7	0.8
Public demand (contribution)	0.1	0.0	0.4	▲ 0.1	0.1	▲ 0.1	▲ 0.2	0.3	▲ 0.1	0.2
Net exports (contribution)	▲ 0.6	0.5	▲ 0.5	0.0	0.0	▲ 0.6	1.3	▲ 0.4	0.1	▲ 0.1

Source: Both the table above and the table below were prepared by the author.

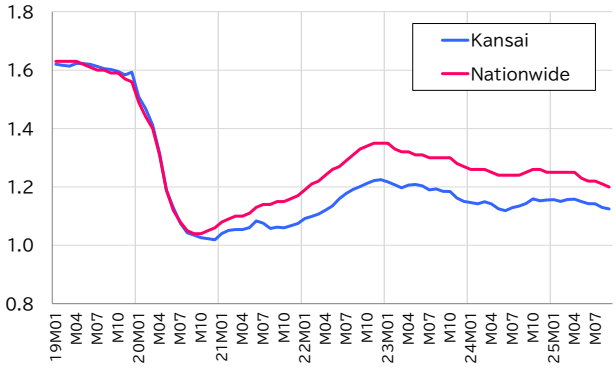
Forecasts at a Glance

【Total cash earnings in nominal and real terms】



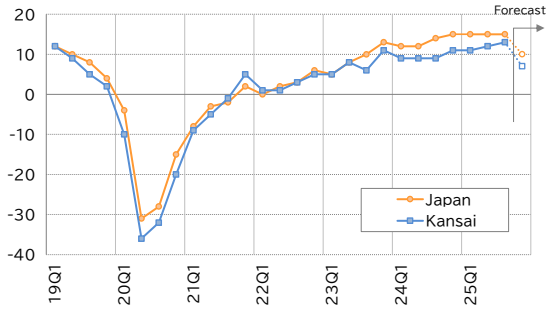
Source: Ministry of Health, Labour and Welfare of Japan

【Effective job offers-to-applicants ratio】



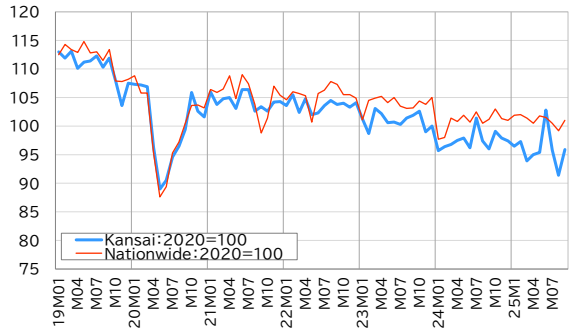
Source: Ministry of Health, Labour and Welfare of Japan

【Business Conditions DI (Bank of Japan Tankan Survey, September 2025)】



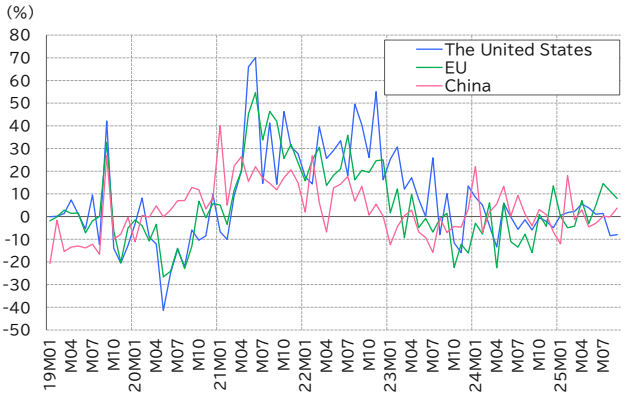
Source: Bank of Japan, Osaka Branch

【Indices of Industrial Production】



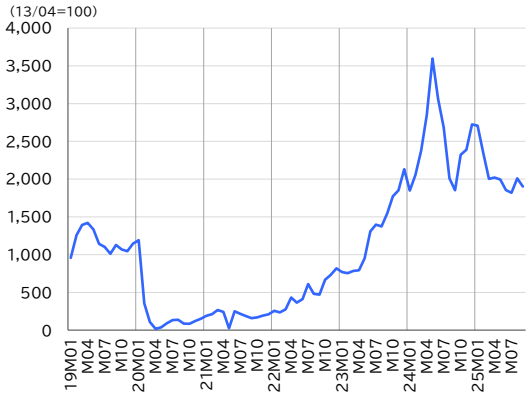
Source: Kansai Bureau of Economy, Trade and Industry

【Exports by region (YoY)】



Source: Osaka Customs

【Department store duty-free sales】



Source: Bank of Japan, Osaka Branch