

## MESSAGE FROM THE RESEARCH DIRECTOR



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In 2025, Japan's economy showed signs of stagnation in some sectors but overall recovered at a moderate pace. While exports declined and housing investment dropped significantly due to legal revisions, personal consumption and capital investment remained resilient. Against this backdrop, spring labor negotiations saw wage increases exceed 5%—a high level partly driven by structural labor shortages—fostering a virtuous cycle of rising prices and wages. Maintaining and further accelerating this momentum is now essential. To achieve sustainable growth for the Japanese economy, it is crucial to synergize government and local economic support measures—such as investment promotion and regulatory reform—with private sector initiatives to drive innovation, digital transformation (DX), and operational efficiency.

The global economy is currently showing signs of a gradual recovery. While the trade policies of the second Trump administration, which took office in January 2025, were initially viewed as a major source of instability for the global economy, their impact has been less severe than initially anticipated. This is due to progress in negotiations with various countries, companies absorbing tariff costs, and the restructuring of supply chains. Furthermore, expanding demand for AI is boosting the economy and is also driving stock price increases, fueled by expectations. On the other hand, geopolitical risks, such as Israel's attacks on the Gaza Strip and the U.S. military action against Venezuela in January 2026, are factors prompting caution in corporate activities and investment decisions. As the risk of global fragmentation increases, the necessity for international economic cooperation is being reaffirmed.

China's economy faces significant structural challenges, including a sluggish real estate market, persistently high youth unemployment rates, and deteriorating local government finances. Although the government has expanded its fiscal deficit and maintained a certain level of growth through public investment, the recovery in private consumption and corporate investment lacks strength. This situation could impact the Japanese economy, particularly the Kansai region, through trade and tourism, which are highly dependent on China. It is necessary to closely monitor future developments.

Meanwhile, 2025 marked a major turning point for the Kansai economy. The Osaka-Kansai Expo, held over six months under the theme "Designing a Future Society Where Life Shines," saw participation from over 150 countries and regions and welcomed more than 25 million visitors from Japan and abroad, generating tremendous

excitement. In particular, toward the latter half of the event, enthusiasm accelerated rapidly, fueled in part by the surging popularity of the official mascot, Myaku Myaku. The iconic “Grand Roof Ring,” recognized by Guinness World Records as one of the world’s largest wooden structures, served as both a visitor circulation route and a space for relaxation, delivering profound surprise and awe to attendees. Furthermore, various events unfolded, including exhibitions of cutting-edge robotics, innovative experiential programs in healthcare and wellness, and introductions to Kansai’s regional food cultures and traditional performing arts, allowing visitors to experience the possibilities of future society. It is essential that this momentum not be temporary, but rather be leveraged to further deepen tourism demand, create business opportunities through international exchange, and foster new industries and employment through the societal implementation of cutting-edge technologies. Furthermore, integrated efforts across the entire Kansai region are needed for the integrated resort “Osaka IR” scheduled to open in Yumeshima, Osaka in autumn 2030. These include strengthening transportation infrastructure, ensuring safety and security, and developing human resources in the tourism, MICE, and digital sectors. It is crucial for the public and private sectors to collaborate and maximize the use of the region’s unique resources to enhance Kansai’s international competitiveness and foster sustainable growth beyond the Expo. Through these efforts, Kansai is expected to achieve further leaps forward as a core economic and cultural hub representing Asia.

Given these circumstances, this book, “Kansai and the Asia Pacific, Economic Outlook :2025-26,” establishes two themes: “Asia-Pacific Part: The U.S. Economy and Global Trends Under the Second Trump Administration” and “Kansai Economy Part: Toward the Sustainable Development of the Kansai Economy.” The former addresses key issues surrounding the Asia-Pacific region in 2025, focusing on challenges and prospects for the region based on the economic policies of the second Trump administration. The latter part analyzes the current state and future prospects of the Kansai economy for sustainable development. It focuses on foreign workers in its analysis of labor supply and demand and also examines Kansai’s tourism industry. Furthermore, it considers the changes in consumer behavior brought about by the COVID-19 pandemic and shifts in the industrial structure of the Kansai economy.

The Asia Pacific Institute of Research (APIR) aims to translate its accumulated research achievements into practical applications and continue striving to be a front-runner contributing to the development of the Asia-Pacific region, including Japan, and the Kansai economy.

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

A handwritten signature in black ink, reading "Kagutoshi Murao". The signature is written in a cursive, flowing style.

February 2026