

【Presentation to the Swiss Delegation】

Can Kansai's economy return to an accelerated growth trajectory?

-The role of Integrated Resorts (IR) and the World Expo-

April 20th, 2022, 12:30~13:00

Yoshihisa INADA

Director of Research and Director, Center for Quantitative
Economic Analysis(CQEA)

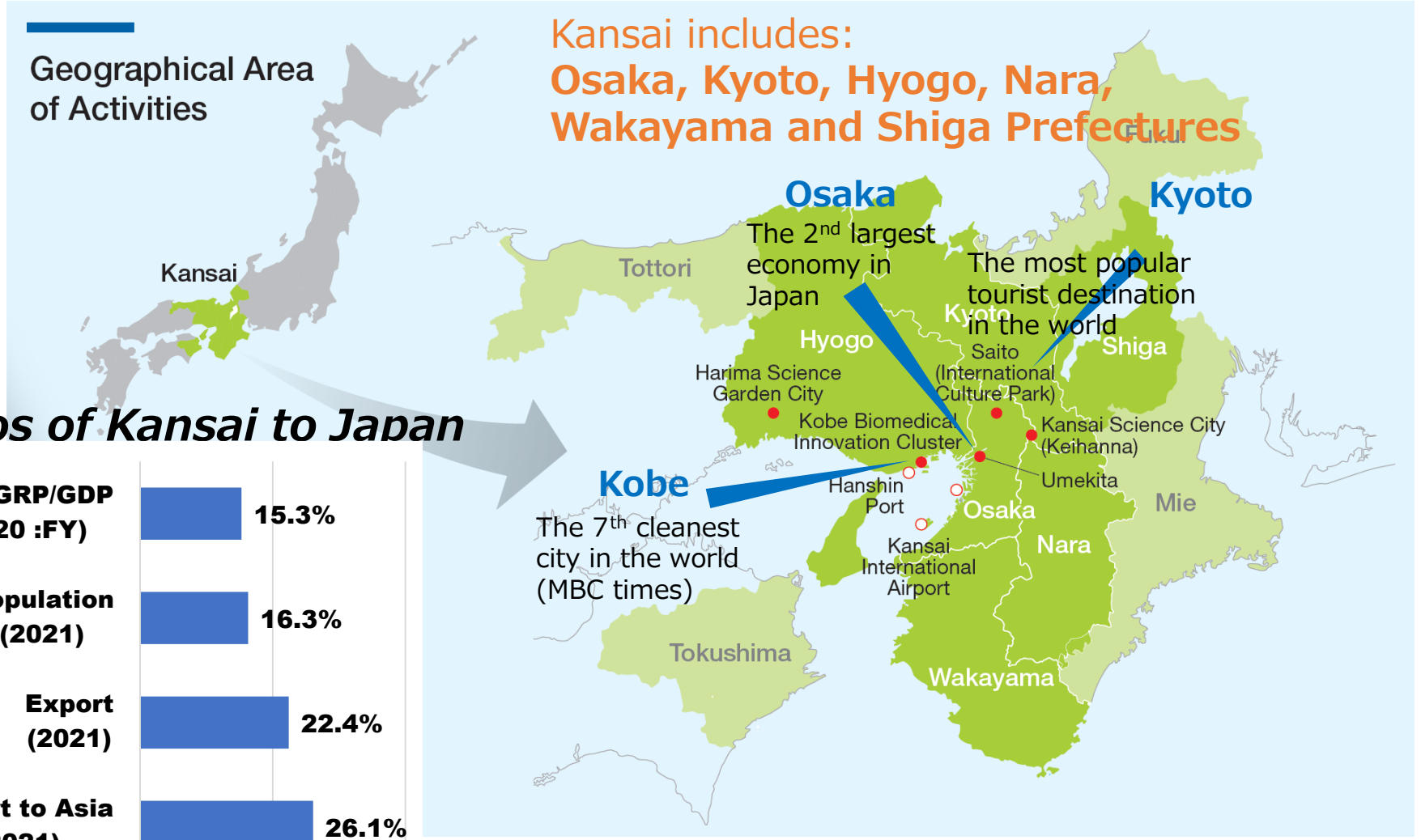
Professor Emeritus, Konan University, Ph.D. in Economics

@Hyatt Regency Osaka

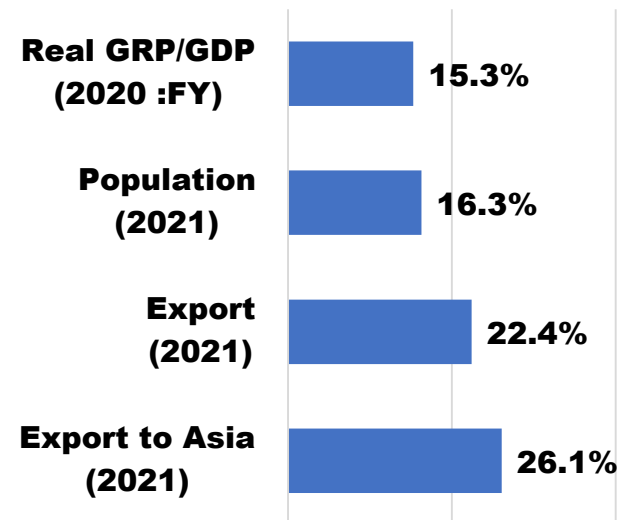
What is Kansai?

Three Definitions of Kansai

1. 6 pref. : Basic concept
2. 8 pref. : Union of Kansai Governments
3. 10 pref. : KANSAI Tourism Bureau



Ratios of Kansai to Japan



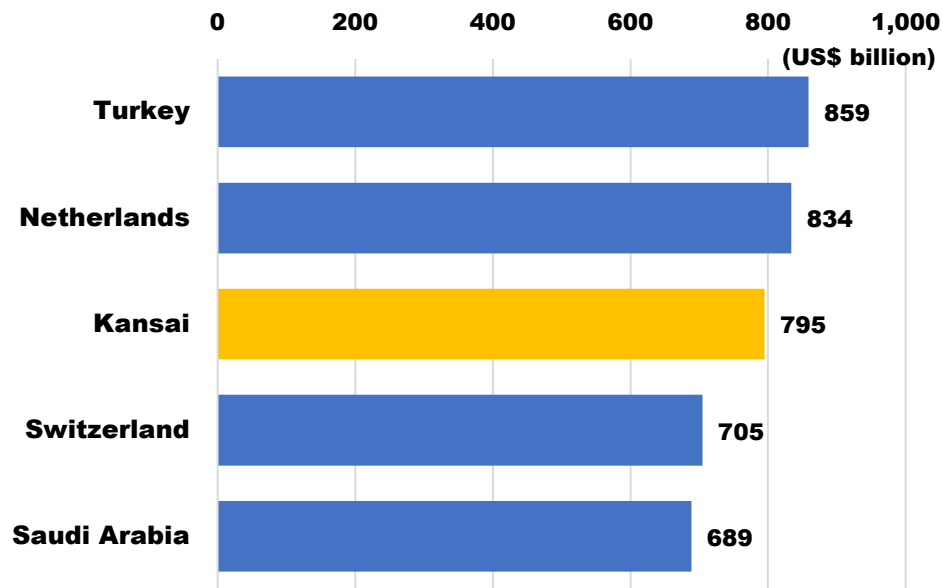
Data source : APIR

Source : Kansai Economic Federation" Kankeiren's Booklet 2018"

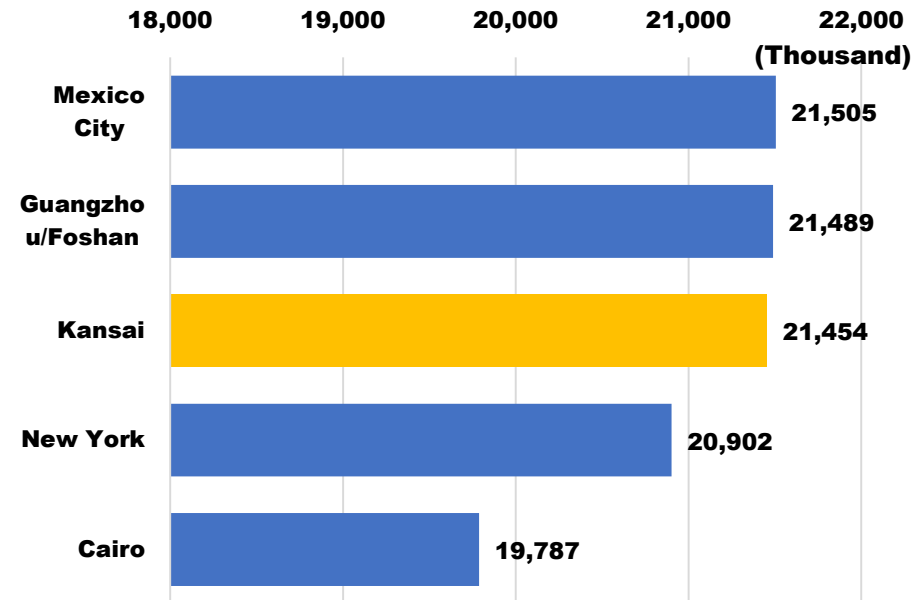
Kansai in the world

- Kansai is a huge market with a large population and GRP
- The size of Kansai's economy is equivalent to that of Switzerland

GDP comparison with countries around the world(2021)



Population comparison with major cities in the world



Source : World: "World Economic Outlook Database, April 2021." IMF
Kansai: "Kansai Economic Insight Quarterly No.58"

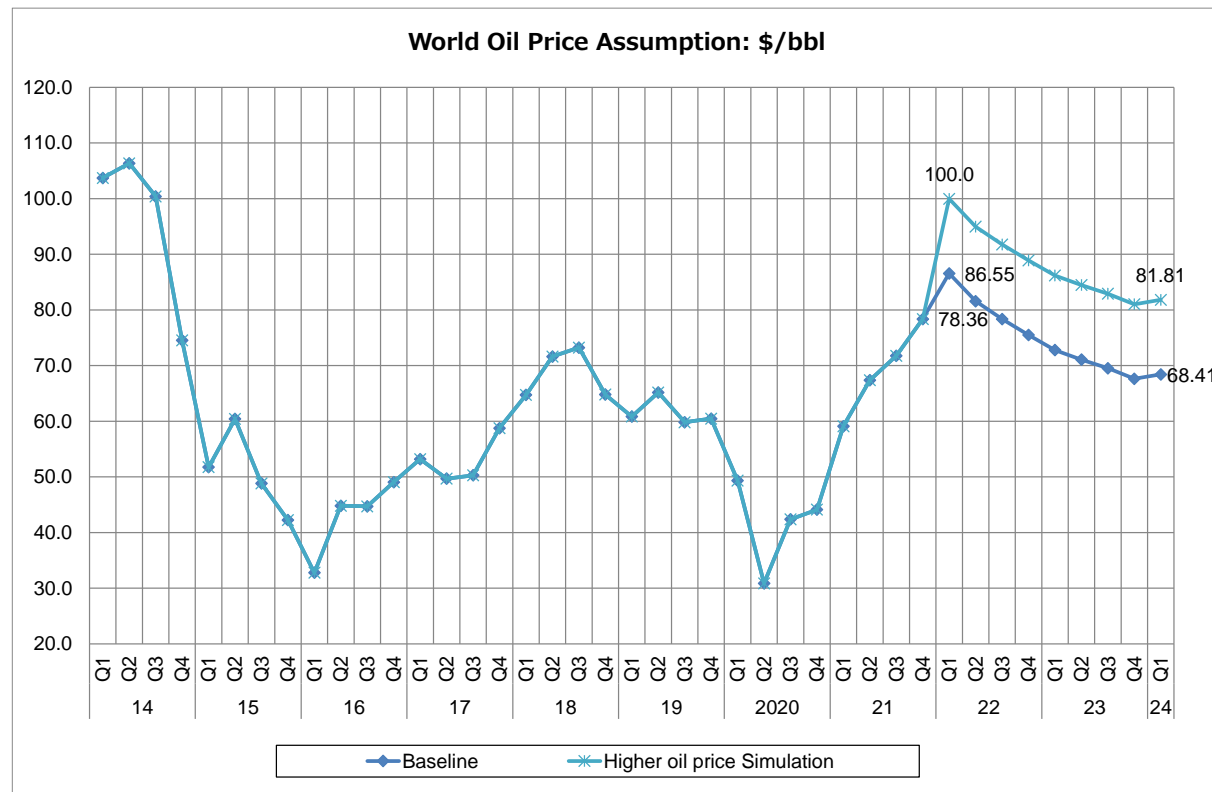
Source : World : "Demographia World Urban Areas 16th Annual Edition 2020.04"
Kansai: "Population based on the Basic Resident Register " MIC

The impact of crude oil price spike

- A simulation of the impact of the crude oil price spike due to Russia's invasion of Ukraine
- World crude oil price in Jan-Mar 22: USD 86.6: baseline ⇒ USD 100: simulation

(%)	FY2022	FY2023
Real GDP	-0.1	-0.3
Consumer price index	0.1	0.4
Corporate Goods Price Index	1.2	3.1
Private final consumption expenditure	-0.0	-0.2
Private non-residential capital investment	-0.0	-0.2
Export	-0.3	-1.2
Import	-0.0	-0.3

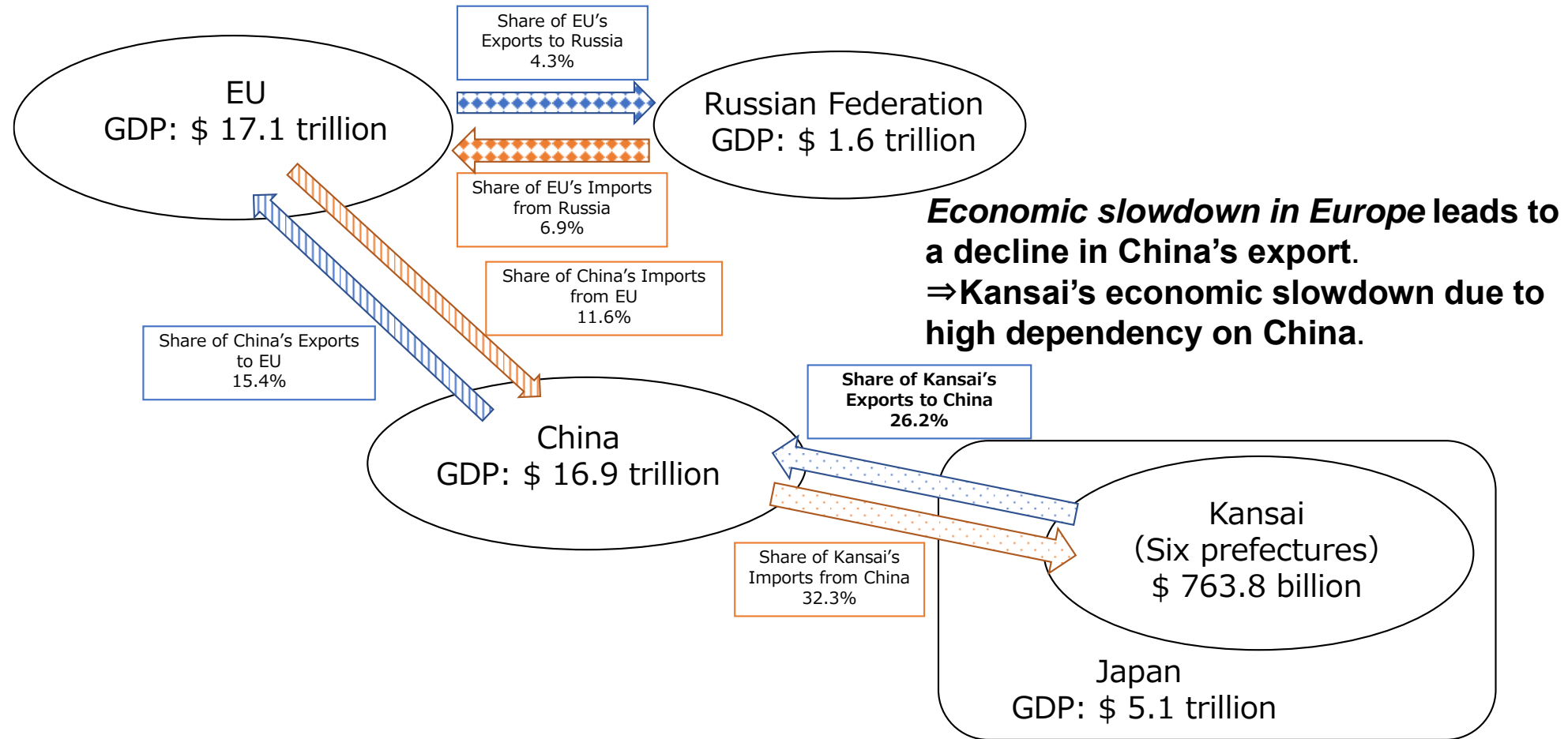
- **Combined effects of prolonged high oil prices**
 - Trade contraction, falling stock prices, a weak yen
 - Further decline in growth and acceleration of inflation



Source: APIR "Japanese Economy: Analysis and Forecasts No.137"

How Russian invasion of Ukraine affects Kansai?

Economic impact of Russian invasion of Ukraine on Kansai's economy

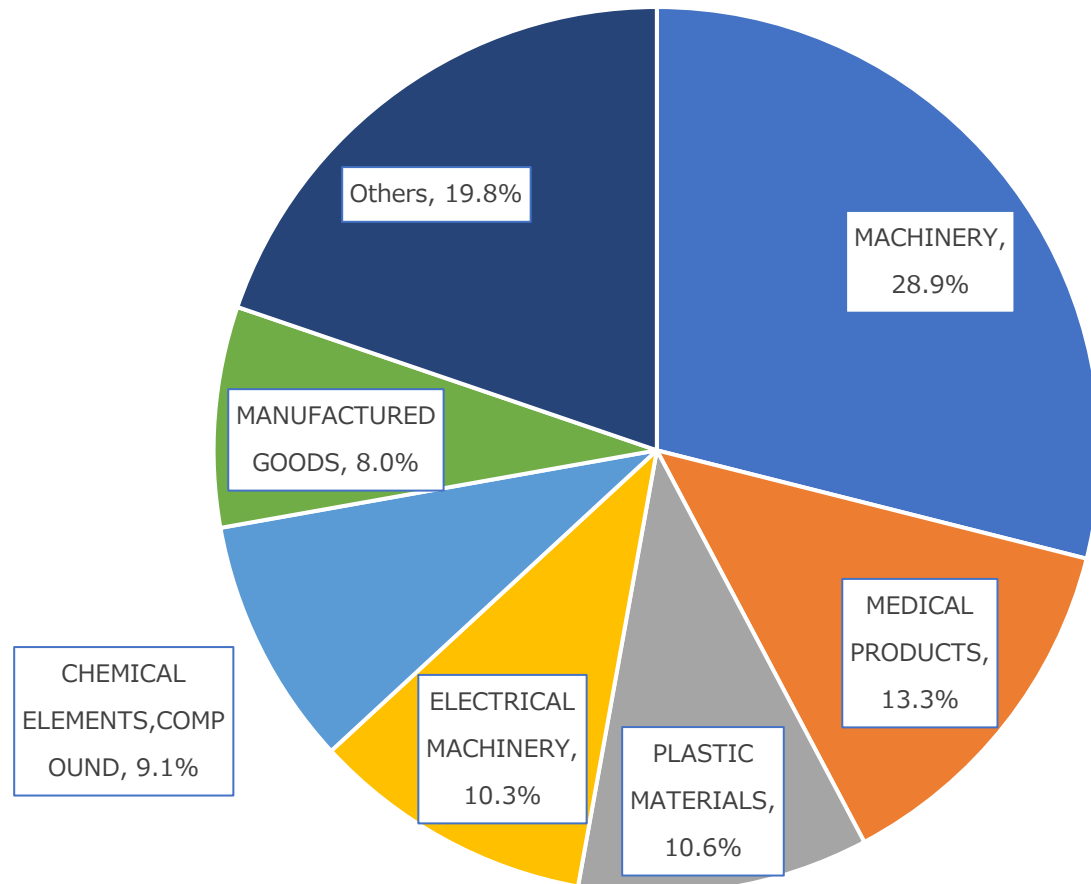


Trade share is in 2021

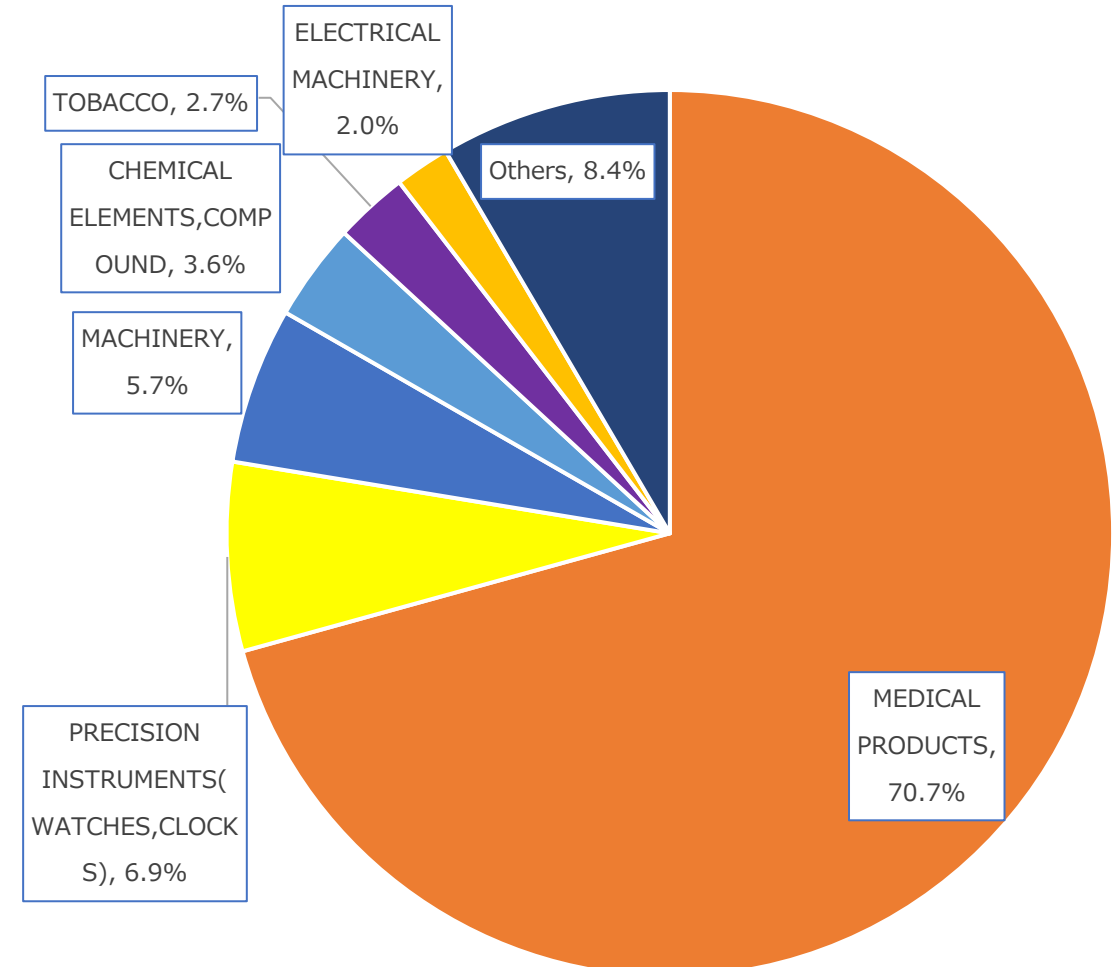
(Based on data by CEIC, IMF and Osaka Customs, 2021)

Trade relations between Kansai and Switzerland

Kansai Exports to Switzerland,2021,Total: 44.4 bn yen



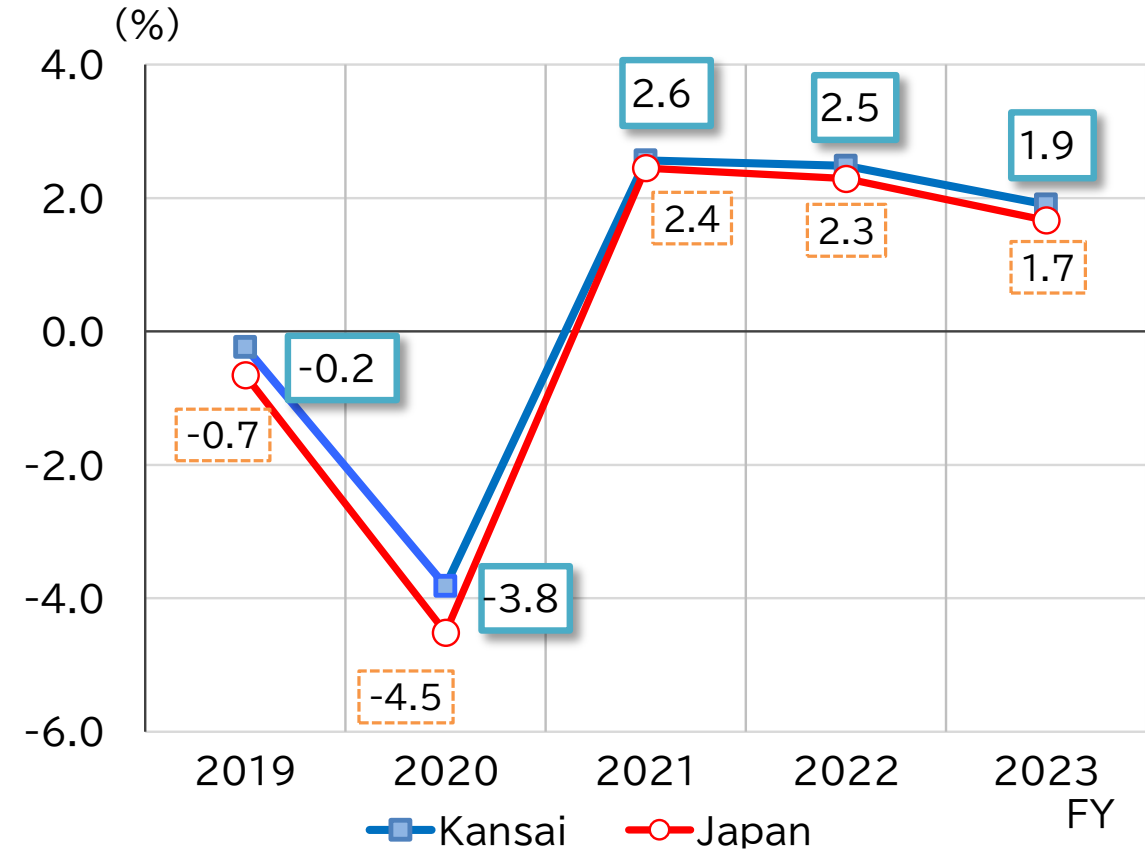
Kansai Imports from Switzerland,2021,Total: 222.7 bn yen



Data source : Osaka Customs, 2021

Comparison of Forecasts for Kansai and Japan

- **Kansai will outpace national growth from FY 2021 to FY 2023, thanks to the contributions of public demand and net exports**
- Public demand in Kansai is expected to grow faster than in Japan as a whole due to **public works projects in preparation for World Expo in 2025**
- In terms of **external demand**, strong exports to China and other regions in Japan are **factors boosting growth**



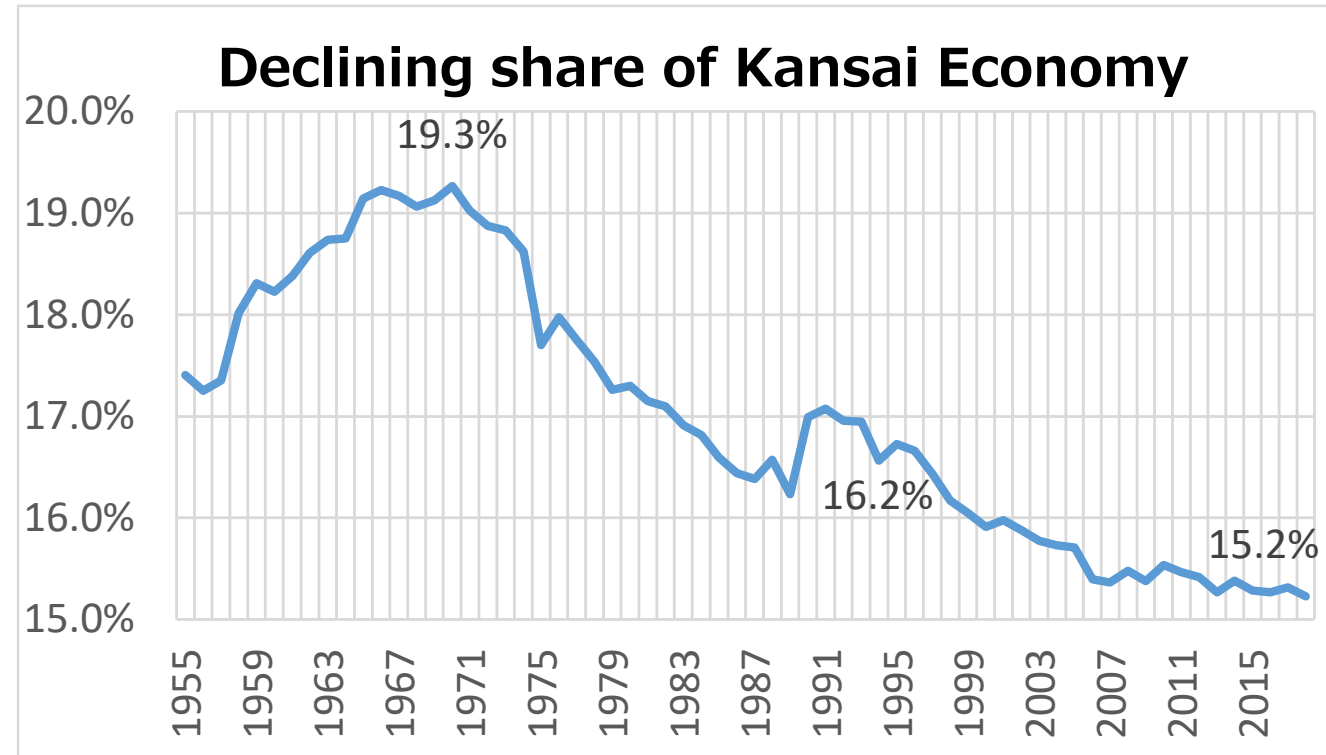
Comparison of Forecasts for Kansai and Japan

Source : APIR "Kansai Economic Insight Quarterly No.58"

The Sinking Kansai Economy: "The 15% Economy"

- **Kansai Economy's Share in Japan's GDP declines rapidly in 20 years after Osaka Expo**

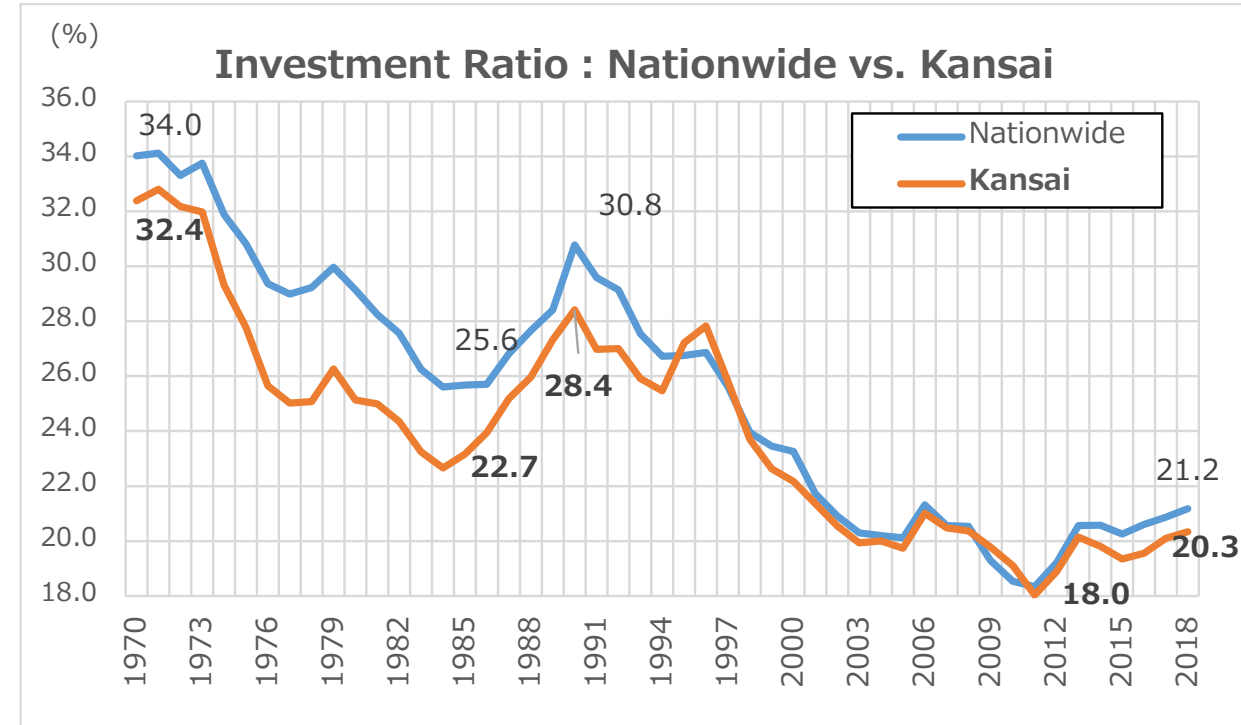
 - 1970 → 1989: 3.1%pts decline in 20 years
 - 1989 → 2018: Only 1%pt decline in 30 years
- **Background:** slower growth in Kansai than the rest of Japan
- **Challenges** in changing industrial structure: Absence of profitable industries



Kansai Economy's Share in Japan's GDP

The reason behind Kansai's ailing economy: lack of investment

- Investment is a major factor in determining the rate of economic growth
- Economic growth = investment rate / marginal capital coefficient
- **The rate of economic growth is proportional to the rate of investment**
- Kansai's investment rate declined after the 1970 Expo until the mid-1980s, remaining 2-3 pts lower than the national rate



Investment ratio in Kansai and Japan

Kansai's challenges are lack of investment and failure to shift to profitable industries

World Expo 2025 expected to raise the investment rate

- According to APIR estimates, a **1% pts increase in Kansai's investment rate would increase its growth rate by 0.36%pts**

Event	World Expo	IR Osaka	Total
Initial investment	189.7 bn yen	1,080.0 bn yen	1,269.7 bn yen
Kansai's growth rate	+0.08%pt	+0.45%pt	+0.53%pt

Implication: Investment attraction will lead to accelerated growth and a possible reversal of Kansai's declining share

Using the 2025 Osaka/Kansai Expo as a catalyst for a turnaround and sustainable growth

Background

- EXPO '70 did not lead to economic growth in Kansai. However, infrastructure is in place and ready for Kansai's economic turnaround ("**Ready to Go**")

Goal

- To attract growth industries (innovation industries), investment and human resources
- Introduction of a sense of belonging to "Kansai" ("**We are Kansai**") (residents and local governments)

Vision

- A chance to pioneer a society where men and women, young and old, locals and foreigners can lead vibrant lives

Strategy

- A chance to build on Kansai's strength: Kansai more open to the world
- Establish the strengths of the Kansai region as the "**Kansai Brand**" and disseminate it to the world

Kansai Brand

An innovation-friendly region

A livable region rich in history, culture, and nature