

Analysis and Forecasts for the Kansai Economy

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• 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).

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• 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.

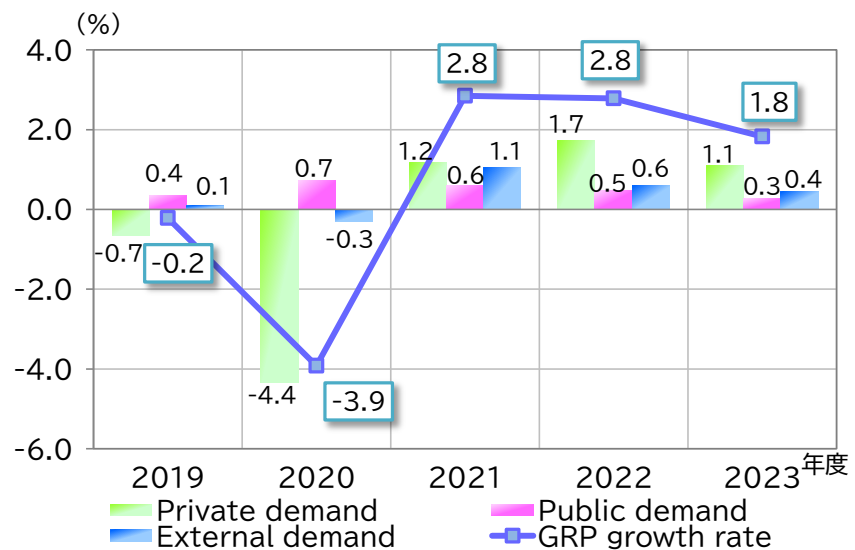
• Forecasts are made using APIR's original forecast model for the Kansai economy and are supervised by Prof. Yoshihisa Inada and Prof. Hiroaki Irie.

Overview

Forecast for Kansai's economy updated due to revisions in 2021 Q3 second advance GDP estimate

- Real GRP to grow +2.8% in FY 2021, +2.8% in FY 2022 and +1.8% in FY 2023 -

- ◆ According to the second advance GDP estimate, Japan's Q3 real GDP was revised down to an annualized -3.6% QoQ. The figure was -0.8%pt lower than the first advance estimate. The contribution of private demand remained unchanged, but that of public demand was revised down. The contribution of net exports was modest. Due to a revision of historical GDP levels, the pre-pandemic peak of the economy changed to 2019 Q2.
- ◆ **Our forecast for Kansai's real GRP growth is +2.8% in FY 2021, +2.8% in FY 2022 and +1.8% in FY 2023.** Although FY 2021 will mark the first positive growth rate in three years, it will be modest compared to the slump in FY 2020. The reason is that consumption growth has been sluggish due to the prolonged state of emergency. The economy will not recover to its pre-pandemic level until FY 2022 or later.
- ◆ Compared to our previous forecast (November 30), the FY 2021 overall growth forecast figure remains unchanged. However, we revised down our estimate for FY 2022. It reflects the downward revision in our forecast for private demand. On the other hand, the FY 2023 figure was revised up, reflecting the upward revision in our forecast for private demand (which was greater than the downward revision in external demand).
- ◆ In terms of contributions to growth, we forecast that private demand will drive GDP growth by +1.2%pt in FY 2021, making the first positive contribution in four years. Public demand and external demand will prop up growth by +0.6%pt and +1.1%pt, respectively. In FY 2022, the contributions are forecast to be +1.7%pt by private demand, +0.5%pt by public demand, and +0.6%pt by external demand. In FY 2023 the contributions of all components will remain positive, but they will be significantly smaller.



Index

Forecast Highlights	1
Summary of Forecast Results	2
Forecast 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 Summary

FY	Kansai					Japan				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Private final consumption expenditure	▲ 1.0	▲ 5.9	2.0	2.2	1.1	▲ 1.0	▲ 5.5	2.5	2.3	0.8
Private residential investment	▲ 0.9	▲ 1.8	0.2	0.5	1.3	2.6	▲ 7.8	▲ 0.6	▲ 0.8	1.2
Private non-residential capital investment	0.5	▲ 5.0	1.1	3.2	2.3	▲ 0.6	▲ 7.5	1.7	3.4	3.8
Government final consumption expenditure	1.6	3.0	2.8	1.8	0.9	2.1	2.5	2.3	1.5	0.9
Public fixed capital formation	1.2	4.7	1.0	2.8	2.5	1.6	5.1	▲ 5.7	2.9	1.9
Exports	0.6	▲ 2.9	7.9	5.7	4.9	▲ 2.2	▲ 10.5	11.6	4.6	5.5
Imports	0.3	▲ 1.7	4.9	4.8	4.3	0.2	▲ 6.6	6.3	2.6	3.5
Real GRP/GDP	▲ 0.2	▲ 3.9	2.8	2.8	1.8	▲ 0.7	▲ 4.5	2.7	2.6	1.7
Private demand (contribution)	▲ 0.7	▲ 4.4	1.2	1.7	1.1	▲ 0.7	▲ 4.7	1.7	1.8	1.0
Public demand (contribution)	0.4	0.7	0.6	0.5	0.3	0.5	0.8	0.2	0.5	0.3
Net exports (contribution)	0.1	▲ 0.3	1.1	0.6	0.4	▲ 0.4	▲ 0.7	0.9	0.4	0.4
Nominal GRP/GDP	0.8	▲ 3.2	2.1	3.3	2.4	0.2	▲ 3.9	1.8	3.1	2.2
GRP/GDP deflator	1.0	0.7	▲ 0.7	0.5	0.6	0.8	0.7	▲ 0.9	0.5	0.4
Consumer price index	0.6	▲ 0.2	0.0	0.8	0.7	0.6	▲ 0.4	0.0	0.9	0.6
Industrial Production Index	▲ 4.5	▲ 8.2	6.3	3.5	3.0	▲ 3.8	▲ 9.5	6.1	3.5	2.4
Unemployment rate	2.6	3.1	3.1	3.1	3.0	2.3	2.9	2.8	2.8	2.6

Notes: Unit= %. Figures for all components except 'Total unemployment rate' are growth rates. Forecasts for the Japanese economy are sourced from APIR's Economic Forecast and Analysis No. 135.

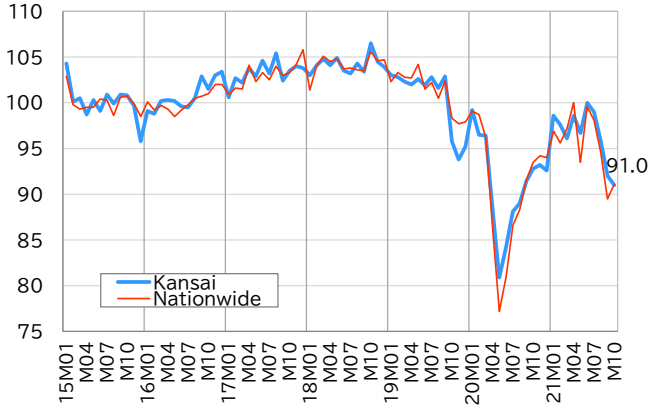
Previous Forecast

(2021/11/30)

FY	Kansai					Japan				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Private final consumption expenditure	▲ 1.0	▲ 5.9	2.1	2.1	0.9	▲ 1.0	▲ 5.8	2.8	2.2	0.7
Private residential investment	▲ 0.5	▲ 1.0	0.7	▲ 0.1	1.5	2.5	▲ 7.2	▲ 0.7	▲ 1.5	0.4
Private non-residential capital investment	0.4	▲ 5.0	1.1	3.4	1.3	▲ 0.6	▲ 6.9	1.1	3.2	3.3
Government final consumption expenditure	1.6	3.2	2.5	1.8	0.9	2.0	3.4	2.7	1.8	0.9
Public fixed capital formation	1.2	3.6	0.5	2.8	2.5	1.5	4.2	▲ 3.3	2.4	2.0
Exports	0.6	▲ 2.9	7.9	5.8	4.9	▲ 2.2	▲ 10.4	11.6	4.5	4.5
Imports	0.3	▲ 1.6	4.8	4.8	3.8	0.2	▲ 6.8	6.7	2.6	3.3
Real GRP/GDP	▲ 0.2	▲ 4.0	2.8	2.9	1.7	▲ 0.5	▲ 4.4	2.8	2.6	1.4
Private demand (contribution)	▲ 0.7	▲ 4.3	1.1	1.8	0.9	▲ 0.6	▲ 4.7	1.6	1.7	0.9
Public demand (contribution)	0.4	0.7	0.5	0.5	0.3	0.5	0.9	0.4	0.5	0.3
Net exports (contribution)	0.1	▲ 0.4	1.2	0.6	0.6	▲ 0.4	▲ 0.6	0.8	0.4	0.2

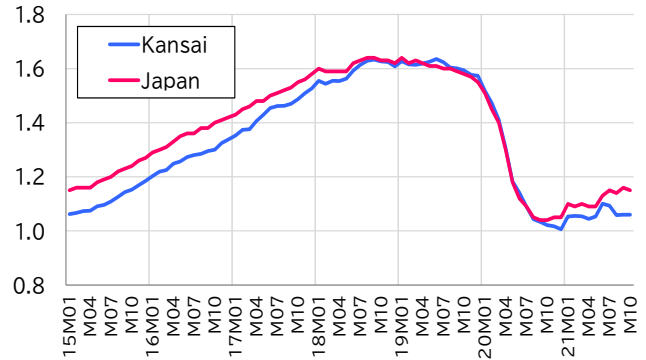
Forecast at a glance

【Index of Industrial Production (2015=100), including Fukui Prefecture】



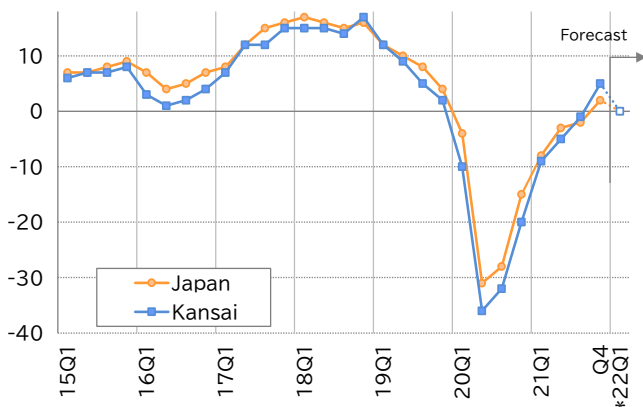
Source: Kansai Bureau of Economy, Trade and Industry

【Effective job offers-to-applicants ratio】



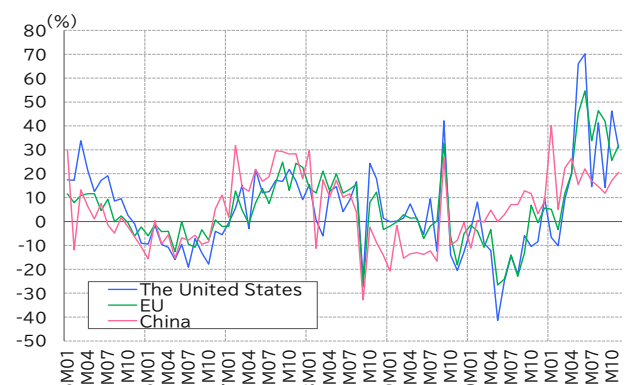
Source: Ministry of Health, Labour and Welfare of Japan

【Current conditions DI (BOJ Tankan Survey 2021/12)】



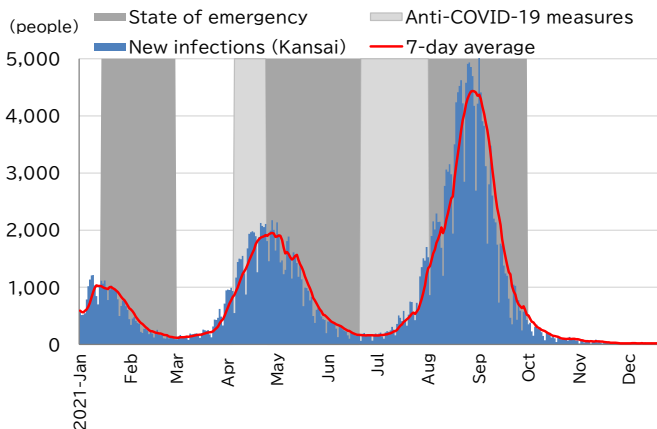
Note: Firms of all sizes in all industries.
Source: BOJ Osaka branch

【Exports by destination (YoY changes)】



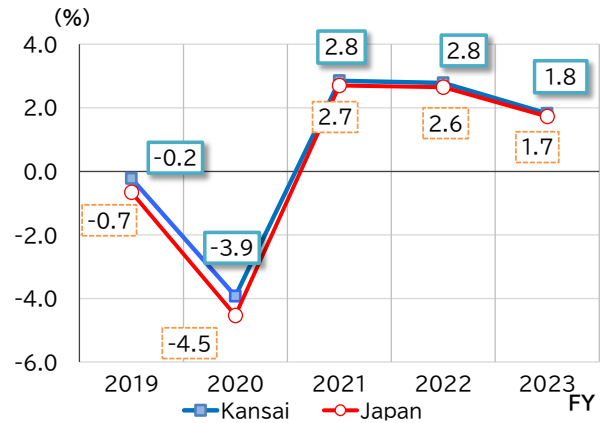
Source: Osaka Customs

【New COVID-19 infections in Kansai】



Source: Prepared by APIR based on various press materials.

【Forecast comparison: Kansai vs. Japan】



Source: APIR "JEAF No. 136"