

## Analysis and Forecasts for the Kansai Economy

# Kansai Economic Insight Quarterly No.62

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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.

### Forecast Highlights

#### Revised Outlook for Kansai's Economy Reflecting the Second Advance 2022 Q3 GDP Estimate

**Real GDP growth forecast: +1.5% in FY 2022, +1.2% in FY 2023, +1.5% in FY 2024**

- ◆ According to the second official advance estimate, Japan's real GDP growth in 2022 Q3 was an annualized -0.8% QoQ, which was an upward revision from the first advance estimate (-1.2%). There were upward revisions in private inventory changes, government consumption, and exports, and downward revisions in private consumption, private residential investment, and public investment. According to the estimate, the pre-pandemic peak of Japan's real GDP was in 2019 Q3. Real GDP 2022 Q3 remained approximately 10 trillion yen below the pre-pandemic peak.
- ◆ We have revised our outlook for Kansai's economy to reflect the second official advance GDP estimate. Real GRP growth in Kansai is projected to be +1.5% in FY 2022, +1.2% in FY 2023, and +1.5% in FY 2024, following two consecutive years of negative growth in FY 2020 and FY 2021. The momentum of recovery will be weak, with growth remaining in the 1% range, and it will take time FY 2023 for Kansai's GRP to recover to its pre-pandemic level. Compared to our previous forecast (released on November 29, 2022), our latest forecast for FY 2022 has been revised downward by -0.3%pt, while our forecasts for FY 2023 and FY 2024 have both been revised upward by +0.1%pt.
- ◆ Looking at the contributions to real GRP growth, private-sector demand will be the main driver of growth, contributing +1.7 %pt in FY 2022, +0.9 %pt in FY 2023, and +1.2 %pt in FY 2024. Public demand will also support growth by +0.2%pt throughout the forecast period. On the other hand, external demand will depress growth by -0.4%pt in FY 2022, and it will not contribute significantly to growth in FY 2023 and FY 2024 (+0.1%pt each).

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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				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Private final consumption expenditure	▲ 5.4	1.9	2.1	1.2	1.2	▲ 5.1	1.5	2.5	1.4	1.3
Private residential investment	▲ 3.0	▲ 4.0	▲ 3.4	1.8	1.7	▲ 7.6	▲ 1.1	▲ 4.2	0.9	0.8
Private non-residential capital investment	▲ 6.8	1.6	2.8	3.1	3.1	▲ 5.7	2.1	3.3	2.9	2.7
Government final consumption expenditure	2.8	3.0	1.0	1.0	0.7	2.7	3.4	1.2	0.8	0.4
Public fixed capital formation	8.0	▲ 1.5	0.9	2.6	2.2	4.9	▲ 6.4	▲ 2.8	2.1	1.5
Exports	▲ 2.1	6.9	2.2	0.6	2.8	▲ 10.0	12.3	4.6	0.3	3.4
Imports	▲ 2.4	5.6	3.7	0.1	2.7	▲ 6.3	7.1	7.9	0.5	2.9
Real GRP/GDP	▲ 4.1	1.9	1.5	1.2	1.5	▲ 4.1	2.5	1.5	1.1	1.4
Private demand (contribution)	▲ 4.9	0.8	1.7	0.9	1.2	▲ 4.3	1.4	2.0	0.9	1.2
Public demand (contribution)	0.7	0.4	0.2	0.2	0.2	0.8	0.4	0.1	0.3	0.2
Net exports (contribution)	0.1	0.7	▲ 0.4	0.1	0.1	▲ 0.6	0.8	▲ 0.6	▲ 0.0	0.1
Nominal GRP/GDP	▲ 3.3	1.9	1.5	2.6	2.8	▲ 3.5	2.4	1.6	2.8	2.6
GRP/GDP deflator	0.8	▲ 0.1	0.0	1.4	1.3	0.7	▲ 0.1	0.1	1.6	1.1
Consumer price index	▲ 0.3	0.0	3.1	2.0	1.5	▲ 0.4	0.0	3.0	1.9	1.2
Industrial Production Index	▲ 8.3	5.2	1.5	1.9	1.9	▲ 9.6	5.8	1.4	2.1	2.0
Unemployment rate	3.1	3.0	2.9	2.8	2.7	2.9	2.8	2.5	2.4	2.3

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. 141.

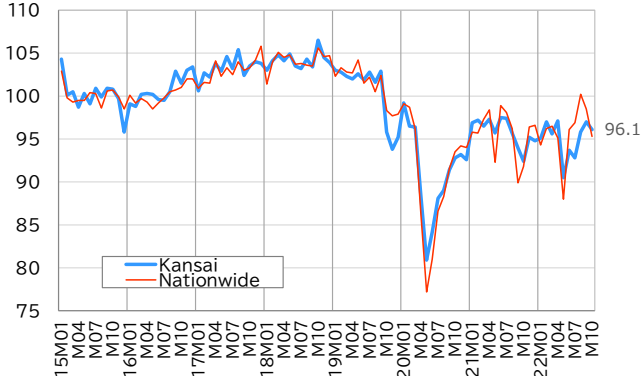
## Previous Forecast

(2022/11/29)

FY	Kansai					Japan				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Private final consumption expenditure	▲ 5.9	2.3	2.9	1.1	1.1	▲ 5.4	2.6	3.0	1.2	1.1
Private residential investment	▲ 3.9	▲ 3.7	▲ 4.6	2.8	1.0	▲ 7.8	▲ 1.7	▲ 3.8	0.9	0.6
Private non-residential capital investment	▲ 6.5	0.6	3.8	2.1	3.3	▲ 7.7	0.6	3.3	3.2	2.9
Government final consumption expenditure	2.8	1.9	1.1	1.0	0.7	2.5	2.0	1.5	1.0	0.5
Public fixed capital formation	8.0	▲ 1.6	1.2	2.6	2.0	5.1	▲ 7.5	▲ 2.2	2.1	1.0
Exports	▲ 2.0	6.9	2.4	0.2	3.3	▲ 10.0	12.4	3.7	▲ 0.6	3.2
Imports	▲ 2.3	5.2	5.0	▲ 0.3	3.4	▲ 6.3	7.1	7.1	▲ 0.3	2.6
Real GRP/GDP	▲ 4.4	1.9	1.8	1.1	1.4	▲ 4.6	2.3	1.7	1.2	1.4
Private demand (contribution)	▲ 5.1	0.9	2.3	0.8	1.2	▲ 4.7	1.5	2.1	0.9	1.1
Public demand (contribution)	0.7	0.2	0.2	0.2	0.2	0.8	0.0	0.2	0.3	0.2
Net exports (contribution)	0.1	0.9	▲ 0.6	0.1	0.1	▲ 0.6	0.8	▲ 0.6	▲ 0.1	0.1
Nominal GRP/GDP	▲ 3.5	0.8	1.6	3.0	2.6	▲ 3.9	1.3	1.4	2.9	2.6
GRP/GDP deflator	0.9	▲ 1.1	▲ 0.3	1.8	1.1	0.7	▲ 1.0	▲ 0.3	1.7	1.2
Consumer price index	▲ 0.3	0.0	2.2	1.9	1.5	▲ 0.4	0.0	2.7	1.9	1.3
Industrial Production Index	▲ 8.3	5.2	1.8	1.6	1.8	▲ 9.6	5.8	1.8	1.9	2.1
Unemployment rate	3.1	3.0	2.8	2.6	2.6	2.9	2.8	2.5	2.3	2.3

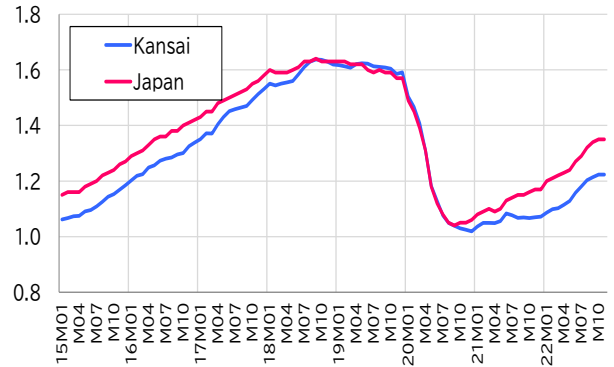
## Forecasts at a Glance

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



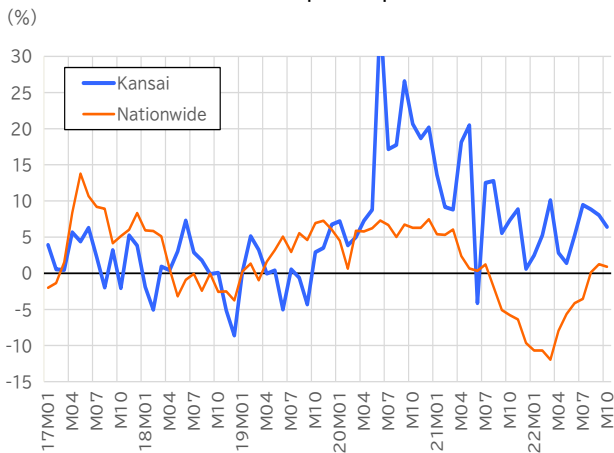
Source: Kansai Bureau of Economy, Trade and Industry

【Effective job offers-to-applicants ratio】



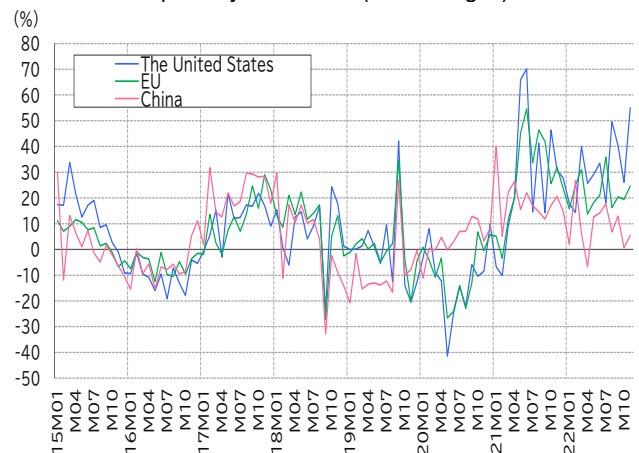
Source: Ministry of Health, Labour and Welfare of Japan

【The amount of completed public works】



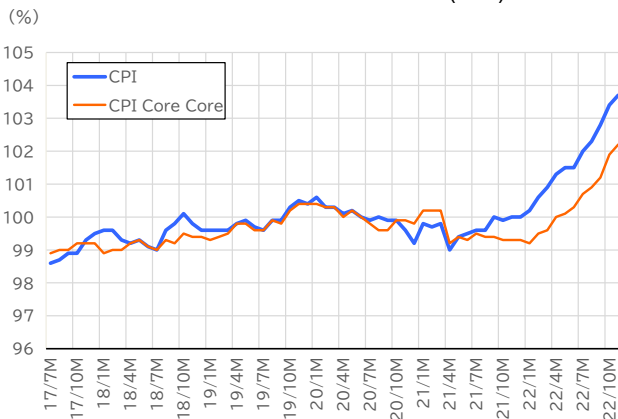
Source: MLIT

【Exports by destination (YoY changes)】



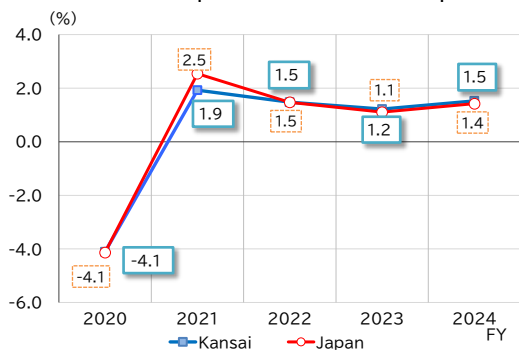
Source: Osaka Customs

【Kansai Consumer Price Index (CPI)】



Source: MIC

【Forecast comparison: Kansai vs. Japan】



Source: APIR "KEIQ No.62"