KEIZAI DOYUKAI

December 27, 2024

Statement by Takeshi Niinami, Chairperson of Keizai Doyukai on FY2025 Government Budget Draft

1. The Cabinet has approved today a government budget draft for fiscal 2025. The general account total expenditure is a record ¥115.5 trillion. Social security expenditure and national debt service are also record high, and they are the “three highests.” The lives of the people need the norm “Wage hikes beat CPI growth” to take root, together with higher disposable income, leading to private-sector-oriented economic growth. For this to happen, the fiscal mindset must shift from that of the deflation era to another with more focus on wise spending. In light of this, the course of new year Diet deliberations over the budget draft and the tax reform proposal is of significant importance to the development of Japanese economy. We hope that thorough discussions will be made, so that the final draft will be compiled in a way fit for the inflation era.

2. What we expect from this budget draft above all is to achieve private-sector-oriented economic growth for the people by implementing the measures herein. They include domestic investment promotion measures for the artificial intelligence/semiconductor sector and green transformation (GX). Meanwhile, it is essential to ramp up private-sector demand and growth power through wage hikes, activization of regional economy, and enhancement of SMEs’ productivity that is the key to the two others. Furthermore, when implementing the measures, we request thorough EBPM (evidence-based policymaking) and higher effectiveness, so that the people will recognize the results.

3. With a record budget for social security expenditure as well, we must reduce the social insurance cost borne by the working-age generations. Thus, there is a pressing need to build a Reiwa-model social security system, through root and branch spending reforms in healthcare and nursing care sector and with ‘ability-to-pay’ principle for all generations. There are more discussions recently on overhauling annual income ceiling relevant to tax and social insurance cost, as well as the system for high-cost medical expenses. We should take this as an opportunity to further deepen discussions to build a system for healthcare, nursing care, and pension, fit for the era of shrinking population.

4. National debt service has also hit a record high. If the government bond should lose market confidence, it will impact financing in the private sector as well. It is appreciated that this aspect has been informed to the public in the latest tax reform discussions. Meanwhile, what efforts have been made for the normalization of fiscal management and reaching the target of primary surplus in FY2025? The government is fully accountable for the future path toward economic

revitalization and fiscal consolidation on the basis of the medium- to long-term provisional calculations, as well as for the FY2024 supplementary budget that recently passed the parliament. Given the fact that the aging population makes the increase of financial demand inevitable going forward, we should be even more vigilant about how to finance the spending.

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