

**Statement by Yoshimitsu Kobayashi, Chairman of Keizai Doyukai
On Fiscal 2016 Government Budget Draft**

1. Today, the Cabinet approved a draft budget for the fiscal year 2016. While it is record-high 96.72 trillion yen and 0.38 trillion yen increase from fiscal 2015, the total expenditure of the first year under the “The Plan to Advance Economic and Fiscal Revitalization” has its increase limited to 0.47 trillion yen with the primary deficit squeezed to 10.8 trillion yen. We welcome the move to restore fiscal health.
2. Our evaluation of the social security expenses accounting for over 30 percent of the total expenditure is mixed; While a positive remark should be given to the 0.84 percent negative revision ratio for the total medical treatment remuneration, we regret that its main part will rise by 0.49 percent as well as the implementation of the special drug repricing measures for market expansion. These are against innovating the medical sector.
3. The enhancement of the childcare support is an appropriate measure. The ODA budget increase for the first time in seventeen years for the purpose of promoting infrastructure exports to emerging markets is also considered necessary. Additionally, issues such as uneven distribution of financial source and ideal local allocation tax are to be addressed for a swift solution whereas the abolishment of “special addition” to and the cut of the local allocation tax are reasonable, considering the healthy local tax revenue.
4. The draft budget projects 3.08 trillion yen tax revenue increase from fiscal 2015 to 57.6 trillion yen with 2.43 trillion yen decrease of the new government bond issuance. We welcome these as a positive move toward the fiscal consolidation. Meanwhile, the government must make further efforts for the Individual Number system launching in January 2016 to gain public confidence as a reliable and useful tool. Finally, we should be wary that the tax revenue in fiscal 2016 is projected on the premise of the aggressive nominal GDP growth rate of 3.1%. There is no easy way to the fiscal consolidation besides spending cuts without sanctuary and the far-reaching reform to the suitable tax system.