

**Statement by Yoshimitsu Kobayashi, Chairman of Keizai Doyukai
On Another Postponement of Consumption Tax Rate Hike to 10 Percent**

1. Prime Minister Shinzo Abe officially announced his plan today to postpone the April 2017 consumption tax rate hike to 10 percent for another two years and half; until October 2019. The announcement came on the last day of the 190th ordinary Diet session. This is deemed to be his political judgement reflecting the outcome of the G7 Ise-Shima Summit closed on May 27 as well as about 70 percent public favoring another postponement.
2. The primary balance surplus by FY2020 -- Japan's international commitment -- cannot be achieved without the acceleration of the growth strategy and the fiscal reform strict to the expense. The government is requested to fulfill its accountability to clearly present the measures responding to another postponement as well as its financing in the "Basic Policy on Economic and Fiscal Management and Reform 2016" awaiting the Cabinet approval one of these days.
3. The public is conservative in spending and keen on saving due to the uncertainties in the future, which is mostly attributed to the concerns on the sustainability of social security. Facing the postponement, the public should not only look at the good news of enjoying the same consumption tax rate for another three years and four months, but also carefully consider whether the social security benefit has a sound fiscal background from today to the future and whether the upcoming generation bears the burden on our behalf.

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