

December 21, 2018

**Statement by Yoshimitsu Kobayashi, Chairman of Keizai Doyukai
on FY 2019 Government Budget Draft**

1. The Cabinet has approved today a draft budget for the fiscal 2019. The total budget is a record ¥101.5 trillion including the “extraordinary measures,” making it the first initial budget topping ¥100 trillion. We understand that the increase of tax revenues to around ¥62.5 trillion is explained by the consumption tax rate hike and the Abenomics performance. Meanwhile, the economic measures spending is as much as ¥2.3 trillion to mitigate the ¥2 trillion impact of the consumption tax increase. We are concerned about the loosening of the fiscal discipline due to large extraordinary spending and tax reduction countermeasures. The government should demonstrate to the public, in plain language, the time frame of measures for leveling out total demand, as well as the cost-effectiveness of those measures and their consistency in the government’s fiscal consolidation targets.
2. Growth of the social security expenditures in real term is limited to the natural increase due to aging. We give it a positive assessment. Having a truly sustainable social security system that accommodates the needs of all generations necessitates a far-reaching reform from the perspectives of life-long benefits and burdens. Discussions should move forward over the increase of burdens, such as reviewing the responsibilities of the elderly aged 75 or older for their healthcare costs and raising the consumption tax rate higher than 10%. We need a resolution to this challenge without delay.
3. The draft budget presents the total ¥100 billion, or 10% of the total operating subsidy, for the national university corporations, as the priority amount. We welcome the system introduced to distribute this amount, utilizing a relative assessment mostly based on the common outcome measures. Going forward, the government should be selective in other measures to attribute to improving quality in education and research with a higher weighting to objective-assessment-based budget distribution.

4. The financial health of local governments has improved, thanks to the record-high tax revenue. Now is the time to respond to the escalation of the local shrinking population. We request the central and municipal governments to steadily pursue the primary balance surplus by promoting wider and standard administrative services as well as digital transformation.

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