

**Statement by Kengo Sakurada, Chairman of Keizai Doyukai  
on FY2020 Third Supplementary Budget Draft**

1. The Cabinet approved today the FY2020 third supplementary budget draft, with the aggregate annual expenditure ¥175.7 trillion and the total new government bond issuance ¥112.6 trillion, both hitting a record high. It will substantially undermine the nation's fiscal sustainability. We, however, understand that it is an inevitable result of the efforts to strike a balance between measures against the COVID-19 spread and for short-term economic support on one side, and measures for post-Corona economic growth on the other side.
2. The budget draft focuses on forward-looking investments for future growth. They aim for funds to support technological innovation for a carbon neutral economy, assistance for SMEs' business transition/restructuring, and digitalization of administrative procedures. We appreciate such government's stance, as it is appropriate from the perspective of macroeconomic resource allocation. On another front, we found measures herein, which make the medical service infrastructure more robust to respond to a resurgence of the virus in the near term. These are also valid.
3. The next Diet session must delve into the cost benefit analysis of the measures taken against the coronavirus pandemic. In doing so, the lawmakers should not dodge the discussions over the efforts to ensure the long-term fiscal sustainability—the efforts to protect the benefits of the future generations. The reduction of the annual expenditure is no exception for review. Furthermore, when we expect the funds to flow into businesses that make the most of the financial assistance with higher policy effects, a scheme is a must to optimize the fund distribution on a micro level. That scheme is expected to help identify potentially advanced technologies with its insights. Now is the time that the government will establish such scheme for implementing the measures.
4. Looking at a horizon when the pandemic subsides and searching quickly for a trajectory out of the crisis, we need to establish an independent fiscal institution. In this regard, the government's effort to share with the public the long-term picture of the nation's economic/fiscal status, and the thorough implementation of wise spending, will be an effective strategy to pursue.