



December 22, 2017

**Statement by Yoshimitsu Kobayashi, Chairman of Keizai Doyukai  
On FY 2018 Government Budget Draft**

1. The Cabinet has approved today a draft budget for the fiscal 2018—the last year of the intensive reform period in the *Plan to Advance Economic and Fiscal Revitalization*. While the total expenditure is a record JPY 97.7 trillion, the growth of the social security expenditures is limited, and the new government bond issuance decreases for the six consecutive years, thanks to the high-level tax revenue of over JPY 59 trillion for the first time in the 27 years, as the fruits of Abenomics. The draft budget is worth our positive evaluation as a contributor to economic revitalization and fiscal consolidation.
2. The growth of the social security expenditures, accounting for one-third of the total expenditure, is limited to the three-year total of JPY 1.5 trillion—the target of the *Plan to Advance Economic and Fiscal Revitalization*. Looking at the details, the total medical treatment remuneration is down 0.9% and its main part is up 0.55%. We believe that the remuneration framework should be reviewed to be the one that reflects nursing-care facilities' efforts for the self-support of the elderly, knowing that baby boomers will be all over the age of 75 in 2025. It is vital for enhancing the system's sustainability and promoting a seamless linkage between medical care and nursing care, which will self-support the elderly.
3. Although the primary balance deficit will be squeezed by JPY 0.45 trillion from the FY 2017 level, the change in use of the consumption tax revenue increase has necessitated a reset of the primary balance surplus target in FY 2020. The coming revision of the *Plan to Advance Economic and Fiscal Revitalization* in the middle of 2018 should clarify a new target year and a process to realize the surplus. In order to press ahead with the reform limiting the spending, we request the government to present a reform policy more stringent than the previous ones with regard to the target spending amount that functions as restraints to the expanding total expenditure.

4. 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. While the recently announced *new economic policy package* has determined to increase benefits for child-rearing generations, the discussions over the increase of burdens should be made further, such as reviewing the responsibilities of the elderly aged 75 or over for their own expenses and raising the consumption tax rate over 10%.

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