

# **Emergency Economic Measures for The Revitalization of the Japanese Economy**

January 11th, 2013  
Cabinet Decision  
Government of Japan

## **Summary**

### **Key Features of the Measures**

This is the first of a series of packages aimed at the “revitalization of the economy”, “post-quake reconstruction” and “crisis management” by adopting a three-pronged strategy consisting of bold monetary policy, flexible fiscal policy and a growth strategy that promotes private investment. The implementation of these measures is different from past measures in both its scope and its reach.

The emergency measures are aimed at reversing the long-lasting trend of a shrinking economy, which has been suffering from the prolonged appreciation of the yen and deflation, decline in employment and income, increased inequality between generations, pessimism about the future and a sense of stagnation. The measures will reverse these trends and realize a strong economy full of hope and wealth, in which innovations and new businesses are successively generated, driving an increase in employment and income.

In addition to a supplementary budget, regulatory reform, policy-based finance and tax measures will be used to prevent a double dip of the economy and make a smooth transition to a strategy for sustained economic growth. The measures will be implemented and delivered uninterruptedly with a strong sense of urgency in close cooperation among the ministries under the leadership of the Headquarters for Economic Revitalization and the Council on Economic and Fiscal Policy.

## Concept of the Measures Aimed at Revitalizing the Japanese Economy

### **Accelerating the efforts for reconstruction of the areas damaged by the Great East Japan Earthquake and strengthening disaster prevention**

- Strengthening the existing system and measures and accelerating the efforts for reconstruction from the perspective of those in the damaged areas
- Strengthening the resilience of the Nation's infrastructure by addressing aging social infrastructure intensively and strengthening the basis for industry and livelihood

### **Flexible management of economic and fiscal policy**

- Eliminating deflationary expectations by showing a strong political willingness and clear commitment to end deflation as soon as possible
- Giving priority to the areas that contribute to sustained growth and have the potential to support the future Japanese economy, with a particular emphasis on the measures that could have an immediate impact on the economy or a large demand creation effect
- Focusing public investment on the projects that protect citizen's lives and livelihoods or contribute to the growth and revitalization of the regions
- Building a framework to strengthen coordination between the government and the Bank of Japan. Strongly expecting aggressive monetary easing by the BOJ with a clear inflation target.
- Monitoring the trends of foreign exchange market carefully and addressing them appropriately

### **Implementation and realization of the strategy for growth**

- Aiming to build a nation imbued with the concepts of "the most business friendly country in the world", "a country where the potential of individuals is fully realized and employment and income grow", and "Hybrid-Economy" driven by the twin engines for growth that consist of "Trade oriented country" and "Industrial investment oriented country"
- Encouraging business investment and innovation, facilitating the expansion of Japanese businesses in overseas markets, developing new markets through these measures and increasing jobs, strengthening human capital development and increasing jobs for the younger generation, and developing an environment where those who have failed can challenge again

- Developing the systems for implementing bold regulatory and institutional reform in the areas that have a potential of high growth

### **Specific Policies of “Emergency Economic Measures for the Revitalization of the Japanese Economy”**

*All the available policy measures will be adopted focusing on three priority areas including 1) Post-quake reconstruction and disaster prevention, 2) Creation of wealth through growth and 3) Ensuring a sense of security in daily life and revitalizing regions*

#### **I. Measures for Post-quake Reconstruction and Disaster Prevention**

##### **1. Acceleration of the efforts for reconstruction of the areas damaged by the Great East Japan Earthquake**

- (1) Building and improving the social infrastructure, facilitation of the settlement of residents, etc.
- (2) Restoring the industries and creating employment opportunities
- (3) Promoting swift recovery from the nuclear plant disaster, etc.

##### **2. Strengthening the resilience of Nation’s infrastructure for better disaster prevention and mitigation and for enhancing disaster response systems, etc.**

- (1) Rebuilding the infrastructure that protects lives and livelihood (actions to address aging infrastructure and disaster prevention/mitigation actions)
- (2) Developing protection measures against disaster to ensure functioning of the key social infrastructures
- (3) Promoting disaster prevention measures to improve the quake-resistance of school buildings and to address the aging of buildings
- (4) Strengthening large-scale disaster response systems

#### **II. Creation of Wealth through Growth**

##### **1. Stimulating private investment for stronger growth**

- (1) Encouraging business investments for stronger growth and those for promoting energy saving and renewable energy
- (2) Promoting R&D and innovations

- (3) Improving the infrastructures that will help strengthen international competitiveness
- (4) Resource and oceanic development

**2. Measures for small and medium-sized enterprises, small-scale businesses, and measures for agriculture, forestry and fishery**

- (1) Measures for small and medium-sized enterprises and small-scale businesses
- (2) Improving the competitiveness of agriculture, forestry and fishery through aggressive promotion

**3. Facilitating the expansion of Japanese businesses in overseas markets**

**4. Revitalizing financial and capital markets**

**5. Measures for human capital development and employment**

**III. Ensuring a Sense of Security in Daily Life and Revitalizing the Regions**

**1. Ensuring a sense of security in daily life**

- (1) Building a healthcare system which gives a sense of security
- (2) Developing systems in education for ensuring the security of students and promoting measures for supporting parents to raise children
- (3) Ensuring the safer and better quality of living space and facilitating creation of a recycling society
- (4) Ensuring a sense of security
- (5) Supporting recovery from disasters such as typhoons, heavy rain and others

**2. Revitalizing regions through making use of local assets**

- (1) Enhancing the dissemination of regions' attractiveness and promoting tourism
- (2) Promoting measures to revitalize public transport and other measures that help invigorate regional economies and industries
- (3) Revitalizing the regional economies through making use of local assets and accelerating the construction of resident-friendly communities
- (4) Promoting regional city renovations and compact cities
- (5) Supporting local governments' funding and ensuring the swift implementation of the emergency economic measures

#### **IV. Regulatory reform to fully harness potential**

#### **V. Measures for the stability of the currency market**

### **The Scale and Economic Impact of Emergency Economic Measures for the Revitalization of the Japanese Economy**

#### **Economic impact of fiscal measures (preliminary estimate as of 11 January)**

- Expected impact on real GDP is approximately 2%
- Impact on job creation is approximately 600 thousand (preliminary estimate)

The incorporated measures such as regulatory reform, tax reform, revitalization of financial and capital markets and the implementation of the growth strategy for promoting innovation and R&D will lead to economic growth accompanied by stimulated business investment and consumption, stronger competitiveness and an increase in income and employment

#### **Additional effects are also expected**

- Ensuring the security of citizen's lives and livelihoods through public investment and other measures for reconstruction in the areas damaged by the Great East Japan Earthquake, prevention and mitigation against disaster and disaster restoration
- Expanding the growth frontier and increasing value-added of businesses through strengthening the basis for future growth and fostering the seeds of growth
- Generating innovation and strengthening the competitiveness of industries through promoting business investment and improving infrastructure
- Revitalizing the regions through the promotion of tourism, the aggressive promotion of agriculture, the revitalization of public transport and urban renaissance
- Together with the expansion of the size of the economic "pie", increasing jobs and labor income distribution through taxation and other measures and facilitating the transfer of assets to the younger generation

**Financial Size of the Package**

[Trillion yen (Approximately)]

	Central Government Expenditure	Total Size
<b><u>I. Measures for post-quake reconstruction and disaster prevention</u></b>	3.8	5.5
1. Acceleration of the efforts for reconstruction of the areas damaged by the Great East Japan Earthquake	(1.6)	(1.7)
2. Disaster prevention and mitigation	(2.2)	(3.8)
<b><u>II. Creation of wealth through growth</u></b>	3.1	12.3
-Stimulating private investment for stronger growth	(1.8)	(3.2)
-Measures for small and medium-sized enterprises, small-scale businesses, and measures for agriculture, forestry and fishery	(0.9)	(8.5)
-Facilitating the expansion of Japanese businesses in overseas markets	(0.1)	(0.3)
-Measures for human capital development and employment	(0.3)	(0.3)
<b><u>III. Ensuring a sense of security in daily life and revitalizing the regions</u></b>	3.1	2.1
-Ensuring a sense of security in daily life	(0.8)	(0.9)
-Revitalizing the regions	(0.9)	(1.2)
-Supporting local governments' funding and ensuring the swift implementation of the emergency economic measures	(1.4)	
Obligatory assurance of national subsidization for a multiyear construction project	0.3	0.3
<b>Related to economic measures</b>	<b>10.3</b>	<b>20.2</b>
Government's financial contribution to state pensions at 50%	2.8	
<b>Total amount of supplementary budget</b>	<b>13.1</b>	

Note: Central government expenditures include 0.4 trillion yen of fiscal investment and loan programmes.