

**Economic Policy Speech by Goto Shigeyuki, Minister of State
for Economic and Fiscal Policy, to the 211th Session of the
Diet**

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1. Introduction

As the Cabinet Office Minister of State for Economic and Fiscal Policy, I would like to offer my opinions on the current state and challenges of the Japanese economy as well as the government's basic stance on policy management.

2. Current State of the Economy and Economic and Fiscal Management

Under the “new normal”, the Japanese economy has been on a mild recovery track. On the other hand, the environment surrounding Japan's economy is becoming increasingly severe as prices, mainly food and energy prices, which directly affect people's lives, continue to rise, and the global economy faces downside risks amid ongoing monetary tightening in the U.S. and European countries.

In order to take preventive measures against such economic downside risks and put the Japanese economy on a private-sector demand-led sustainable growth path, we will implement the “Comprehensive Economic Measures for Overcoming Price increases and Revitalizing the Economy,” which was approved by the Cabinet last October on a scale of 72 trillion yen with fiscal expenditures of 39 trillion yen, promptly and steadily with thorough management of the progress. First, we will directly reduce the burden of rising electricity and other prices and take other unprecedented and drastic measures so as to protect people's lives and business

activities from the current high prices. In addition, with the aim of realizing continuous wage increases to keep pace with rising prices we will significantly reinforce our assistance for small and medium-sized enterprises and other businesses tackling wage hikes and strengthen measures to allow the rising costs to be appropriately passed on. Furthermore, we will accelerate our efforts to bring a new form of capitalism into reality, realize “structural wage increase” by boosting investment in people and facilitating labor mobility, and drastically expand investment in growth areas.

We will implement these comprehensive economic measures and the second supplementary budget for FY2022 to support them, and together with the FY2023 budget, we will carry out thorough economic and fiscal management. Due to these measures, the Japanese economy is expected to grow about 1.5% in real terms and 2.1% in nominal terms in the next fiscal year. While continuing to closely monitor economic conditions and other factors, we will conduct flexible macroeconomic management without hesitation in a bid to achieve autonomous private-sector demand-led growth and to put an end to deflation.

The basis of economic and fiscal management is that it is the economy that underpins fiscal administration and not the other way around. We must tackle necessary policy measures to faithfully rebuild the economy. We will also work to put public finances on a sound footing. Under such a policy stance, we will promote

effective and efficient spending through the steady implementation of “the Reform Time Schedule for the New Plan to Advance Economic and Fiscal Revitalization.”

3. Acceleration of Our Efforts Toward a New Form of Capitalism Realization

We will transform the various social challenges we face into engines of growth. We will then distribute the fruits of that growth, thereby ensuring further growth. To realize this virtuous cycle of growth and distribution, and to build a sustainable economic society that grows strongly, we will accelerate our efforts toward the realization of a new form of capitalism.

The key to Japan’s economic revival is the realization of structural wage increases. To this end, we will accelerate the three-pronged labor market reform from the standpoint of workers by supporting skill improvement through reskilling, establishing a Japanese-style job-based wage system, and promoting smooth labor movement to growth areas. The “investment in people” package will be expanded to 1 trillion yen in scale over five years, whereby we will focus on each individual worker and support their efforts through such measures as the creation of a system that provides comprehensive support for reskilling, changing jobs, and career advancement, and direct assistance to individuals who are proactively engaged in reskilling to be able to transfer into areas with growth potential such as digital and green.

We will also compile “Guidelines for Facilitating Labor Mobility” by June this year with a view to facilitating labor mobility without causing unemployment and realizing structural wage increases in line with major changes in the industrial structure.

Moreover, by promoting a shift from “savings to investment,” we will work to increase household income from financial assets in addition to household income from wages. For the formation of a broader middle class, which is a goal of the new form of capitalism, we aim to double the number of NISA accounts and the amount of NISA account purchases over the next five years through carrying out the “Doubling Asset-based Income Plan,” with a view to doubling asset-based income itself as a long-term goal.

In addition to boosting investment in people, we will push ahead with the transformation to a new economic structure by significantly expanding investment in growth areas, such as science, technology and innovation, startups, GX, and DX.

Domestic investment in strategic areas, such as semiconductors, GX, and next-generation telecommunications technology, will be funded by a 7 trillion yen supplementary budget. Meanwhile, startups embody the idea of the new form of capitalism of transforming social issues into engines of growth to realize a sustainable economic society. With the objective of increasing investment in startups tenfold to 10 trillion yen in five years, we put the “Startup Development

Five-year Plan” into action as rapidly as possible and press on with initiatives based on the three pillars of human resources, funding, and open innovation in an integrated manner. We will bring back the entrepreneurial spirit to our country and realize a second boom in startups in an attempt to create a hundred world-class unicorn companies going forward. The government presenting a long-term vision and clearly stating its intention to provide support over multiple fiscal years, as seen above, will help private companies make better predictions for the future. Also, by developing an environment where investments can be made in a planned and stable manner, the government will dramatically increase domestic investment through public–private partnerships.

In addition, to ensure that public interest corporations will enhance their role as public players in a mature civil society and be able to respond flexibly to diverse social issues, we will promote reform of the public interest corporation system pursuing the two goals of expanding the degree of freedom of corporate activities and enhancing governance and accountability.

In order to revitalize Japan’s economy and usher in a new era, we will promote innovation and investment in people, improve productivity, maximize added value, increase the markup through appropriate pricing, and develop secure and appropriate payment practices that will enable businesses to raise wages and pass on rising costs to keep pace with rising prices. As thus far described, we are

determined to build a virtuous cycle of continuous growth and distribution together with you all.

4. Leveraging Overseas Vitality and Promoting Economic Partnerships

Japan will continue to be a trading and investment nation open to the world. The G7 Hiroshima Summit to be held in May this year is a good opportunity to demonstrate this to the world and to actively tap into the vitality of overseas countries to strengthen Japan's growth potential and increase national income. We will continue to improve business environment and attract human and financial resources from overseas to expand attractive growth markets and ensure a stable supply chain. In addition, we will strongly support overseas business investment by Japanese companies with advanced technologies and willingness, with the aim of increasing overseas profits and repatriation of them to Japan.

We will also promote the strengthening of economic partnerships, such as the Comprehensive and Progressive Agreement for TPP, or CPTPP. Japan has been leading the effort as a flag-bearer for free trade by promoting economic partnership agreements such as the CPTPP. Japan will continue to play a leading role in promoting free trade through this agreement and addressing new challenges such as digitalization. In Japan, we will steadily undertake measures based on the "Comprehensive TPP-Related Policy Framework."

The United Kingdom's CPTPP accession process is currently underway. The CPTPP establishes new free and fair rules for the 21st century and features high-level content in terms of both market access and rules. As the Chair of the Accession Working Group to negotiate the accession of the United Kingdom, Japan will work together with other CPTPP members to ensure that the accession process proceed maintaining the agreement's high levels and set a good precedent. We will also continue to carefully assess whether other economies having submitted a request to join are prepared to meet the agreement's high levels.

5. Building a social security system for all generations,etc.

We will build a social security system that can give peace of mind to all generations.

At the end of last year, a report was compiled at a meeting on a social security system oriented to all generations. Based on this report, we will continue to make steady efforts involving all generations to overcome the problems of a declining population and super-aging society from time and regional perspectives by addressing current issues as well as medium- and long-term issues, such as the enhancement of support for children and child-rearing, the establishment of a social security and other systems that are neutral to work styles, reforms of medical and nursing care systems, and the realization of a "cohesive society."

In particular, we will facilitate discussion about the “enhancement of support for children and child-rearing,” which is an investment in the future, and present a general framework for doubling the future budget for children and child-rearing by June when the “Basic Policy” is decided.

Furthermore, toward the realization of an inclusive society, we will help women play a more active role, undertake measures to reduce social isolation and loneliness, and support the “employment ice-age generation” in an integrated and comprehensive manner.

6. Response to COVID-19 Pandemic

Striking a balance between prevention of the spread of COVID-19 and socioeconomic activities, the government has been striving to enable people to conduct socioeconomic activities as close to normal as possible. This year, we will continue to make further efforts so that life can return to normal, while closely monitoring the ongoing COVID-19 situation. In addition, with the aim of strengthening the government’s function as headquarter so that we can respond appropriately to future pandemics, we will submit a bill to the Diet to establish the headquarters for infectious disease crisis management in the Cabinet Secretariat.

7. Conclusion

The world is at a historic turning point, and domestically, we are facing structural challenges, such as overcoming high prices and revitalizing the economy, as well as the declining birth rate. We will tackle these challenges one by one, head-on, to revitalize the Japanese economy and put it on a sustainable growth track. To this end, we will press forward with economic and social reforms with you all and do our best to usher in a new era.

I would like to ask the Japanese public and all members of the Diet for their understanding and cooperation in this regard.