

# Basic Policy on Economic and Fiscal Management and Reform 2024: Realizing a Growth-Oriented Economy Driven by Wage Increases and Investment

## Chapter 1

### Transition to a New Stage: Growth-Oriented Economy

- A once-in-a-lifetime opportunity to break free from deflation and realize a growth-oriented economy.
- Effecting a transition of the Japanese economy to a new, growth-oriented stage without allowing it to slip into deflation again.
- Higher income and productivity driven by wage increases are key to the transition.
- Ensuring that income hikes will exceed price hikes this year, and keeping wage increases above price hikes from next year.

## Chapter 2

### Achieving Sustainable Economic Growth through Responding to Social Issues: Increasing Income and Productivity through Sustaining Wage Increases and Making Strategic Investments

<p><b>1.Higher income and sustained wage increases that allow people to feel a sense of affluence</b></p> <p><b>(1) Encouraging wage increases</b></p> <ul style="list-style-type: none"> <li>• Achieving the target of increasing the minimum wage to 1,500 yen by the middle of the 2030s, earlier than planned</li> <li>• Converting non-regular workers into regular workers, utilizing the package for not being conscious of annual income barriers, expanding the scope of application of employee insurance, and rectifying wage gaps between men and women, among other actions</li> <li>• Increasing wages in health care, social welfare, and other public service sectors</li> <li>• Increasing wages in construction, trucking, and other sectors; utilizing labor cost standards and standard freight charges; encouraging rational price forming in agriculture, forestry and fisheries, and the food industry; and developing new legislation, among other actions</li> </ul> <p><b>(2) Trinity labor market reforms</b></p> <ul style="list-style-type: none"> <li>• Reskilling and upskilling all generations (expanding education and training benefits and utilizing vocational ability tests, among other actions)</li> <li>• Developing guidelines for introducing job-based personnel management (job-based pay)</li> <li>• Gathering and organizing information on job applications, job openings, and career development for facilitating labor transfers to growth sectors; and developing a platform for making such various information visible</li> <li>• Exploring the possibility of convening a national congress for promoting labor market reforms, among other actions</li> </ul> <p><b>(3) Price-pass-through measures</b></p> <ul style="list-style-type: none"> <li>• Realizing “structured price-pass-through” across the supply chain (e.g., strengthening the enforcement of the Antimonopoly Act, etc., exploring the possibility of revising the Subcontract Act, and studying a possible process of abolishing the use of promissory notes)</li> <li>• Ensuring the labor cost guidelines are complied with, and encouraging wider and better use of negotiation formats that fit the characteristics of each industry</li> <li>• Appropriating budgets for coping with changes to contracts with government and other public agencies during the contract term, and making appropriate use of the minimum price system, etc.</li> </ul>	<p><b>2.Revitalization of mid-sized companies and small and medium enterprises that underpin affluence</b></p> <p><b>(1) Responding to labor shortages</b></p> <ul style="list-style-type: none"> <li>• Supporting catalog-type labor-saving investment</li> <li>• Urging the sectors with growing labor shortage concerns (transportation, accommodation, food service, etc.) to develop autonomous action plans for wider use of automation technology and to implement reskilling and upskilling</li> <li>• Promoting the division of labor in trades requiring national qualifications that are experiencing a labor shortage</li> <li>• Encouraging collaboration between large companies, and mid-sized companies and small and medium enterprises, joint development of new technologies and products, and temporary staffing that capitalizes on side jobs and multiple jobs, etc.</li> </ul> <p><b>(2) Earning power of mid-sized companies and small and medium enterprises</b></p> <ul style="list-style-type: none"> <li>• Returning financial support measures to pre-COVID-19 pandemic levels, focusing on support for management improvement, business revitalization, and re-challenging of small and medium-sized enterprises, and growth support that capitalizes on equities among others</li> <li>• Creating an environment conducive to business succession and M&amp;A (e.g., exploring the possibility of revising the requirements for corporate directorship under the tax measure for the succession to businesses, studying ways to promote third-party succession, disclosing brokerage fee systems, promoting PMI, and encouraging support through regional financial institutions)</li> <li>• Encouraging measures such as capital investment, M&amp;A, and group-forming by Leading Medium Enterprises that drive the local economy as well as by small and medium enterprises with an ambition to grow into larger enterprises</li> </ul> <p><b>(3) Export and overseas business expansion</b></p> <ul style="list-style-type: none"> <li>• Enhancing support for registrants for the Support Program for 10,000 New Exporters in starting their exports and expanding their operations overseas</li> <li>• Encouraging market cultivation by local trading firms, etc. for mid-sized companies and small and medium enterprises, among other actions</li> </ul>	<p><b>3.Responding to social issues through increasing investment and implementing innovative technologies in society</b></p> <p><b>(1) Digital transformation (DX)</b></p> <ul style="list-style-type: none"> <li>• Developing a database for public basic information and promoting its use</li> <li>• Developing quasi-zenith satellites and utilizing satellite data for organizing geospatial information and promoting their wider use and social implementation</li> <li>• Promoting DFFT, strengthening Japan’s AI competitiveness and ensuring its safety in an integrated manner</li> <li>• Exploring legislative measures for mass production of next-generation semiconductors, etc.</li> <li>• Promoting digital government; digital transformation (DX) for health, long-term, and child care; education; transportation and logistics; disaster risk reduction; and tourism</li> </ul> <p><b>(2) Green transformation (GX) and energy security</b></p> <ul style="list-style-type: none"> <li>• Developing the national strategy for GX by the end of FY2024 and revising the Strategic Energy, Plan etc.</li> <li>• Promoting energy conservation, expanding the deployment of renewable energy, utilizing nuclear power, and implementing low-carbon hydrogen and its derivatives in society</li> <li>• Realizing and implementing the Pro-Growth Carbon Pricing Concept, among other actions</li> <li>• Realizing the AZEC initiative and developing technology for domestic marine resources</li> </ul> <p><b>(3) Development of frontiers</b></p> <ul style="list-style-type: none"> <li>• Implementing measures under the Space Technology Strategy, providing support through the Space Strategy Fund, and exploring the possibility of revising Act on Launching of Spacecraft, etc. and Control of Spacecraft</li> <li>• Implementing measures based on the Ocean Development Strategy, building an MSIL business platform, and strengthening the command function for ocean policy</li> </ul> <p><b>(4) Promotion of science, technology and innovation</b></p> <ul style="list-style-type: none"> <li>• Promoting R&amp;D in such fields as fusion energy, quantum technology, AI, biotechnology, materials, semiconductors, 6G, health and medicine, among other actions</li> </ul> <p><b>(5) Promoting Japan as a Leading Asset Management Center</b></p> <ul style="list-style-type: none"> <li>• Developing the Asset Owner Principles</li> <li>• Promoting the Special Zones for Financial and Asset Management Businesses by leveraging the National Strategic Special Zones</li> <li>• Exploring the possibility of raising the iDeCo contribution limits, among other actions</li> </ul>	<p><b>4.Responding to social issues through building startup networks and improving connectivity overseas</b></p> <p><b>(1) Supporting startups and building their networks</b></p> <ul style="list-style-type: none"> <li>• Developing human resources for startups and enhancing entrepreneurship education</li> <li>• Giving shape to the Global Startup Campus Initiative</li> <li>• Supporting startups through public procurement and expanding opportunities for matching between the government sector and startups</li> <li>• Invigorating M&amp;A toward diversifying exit strategies and submitting swiftly a bill that permits the reduction of financial debts through a majority vote</li> </ul> <p><b>(2) Leveraging overseas vitality</b></p> <ul style="list-style-type: none"> <li>• Expanding a free and fair economic zone as well as maintaining and strengthening the rules-based multilateral trading system</li> <li>• Promoting trade digital transformation (DX), encouraging Japanese companies to expand their operations overseas, revising the Infrastructure System Overseas Promotion Strategy with a focus on 2030, and improving broad-based connectivity with the Global South</li> <li>• Implementing the “Priority Program for Attracting Foreign Direct Investment”, etc. for an achievement of the target of “100 trillion yen” in inward foreign direct investment by 2030 at an earliest date</li> <li>• Establishing the UHC Knowledge Hub in Japan, promoting the international expansion of health and long-term care, including inbound medical inbound, and contributing to the Vaccine Alliance, among other actions</li> <li>• Supporting the content industry in doing business overseas (e.g., training creators, luring shooting crews to Japan, and developing guidelines for regulation on transactions)</li> <li>• Developing systems for acceptance foreign nationals</li> </ul> <p><b>(3) Promoting the EXPO 2025 OSAKA, KANSAI, JAPAN</b></p> <ul style="list-style-type: none"> <li>• Gathering participants toward opening, constructing; constructing the venue; demonstrating, implementing, and showcasing technologies that help solve social issues; and building national momentum</li> </ul>
<p><b>5.Responding to social issues through regional revitalization and local initiatives</b></p> <p><b>(1) New developments of the Vision for a Digital Garden City Nation and the regional revitalization</b></p> <ul style="list-style-type: none"> <li>• Taking new actions in line with the policy document “Regional revitalization: efforts for the past ten years and future directions” (addressing such issues as a shrinking population and the monopolar concentration in Tokyo)</li> <li>• Expediting regional revitalization by utilizing the power of digital technologies</li> <li>• Creating model communities committed to social implementation of cutting-edge technologies that meet the needs of local communities</li> </ul> <p><b>(2) Digital administrative and fiscal reforms</b></p> <ul style="list-style-type: none"> <li>• Taking measures in line with the Report of Digital Administrative and Fiscal Reform 2024</li> </ul> <p><b>(3) Revitalizing local communities and expanding exchanges among them</b></p> <ul style="list-style-type: none"> <li>• Developing a sustainable national land and redesigning for transportation(e.g., developing compact cities, promoting regional transportation, constructing new shinkansen lines and Linear Chuo Shinkansen, and strengthening the capabilities of freight and passenger transportation)</li> <li>• Community development leveraging individuality and expanding the population with strong relationship to the areas (e.g., encouraging dual habitation and multi-location life)</li> <li>• Promoting Japan as a sustainable tourism nation (e.g., promoting inbound tourism, creating luxury inbound tourist destinations, and taking measures against overtourism)</li> </ul> <p><b>(4) Sustainable growth of agriculture, forestry and fisheries, and food security</b></p> <ul style="list-style-type: none"> <li>• Effecting intensified structural transformation for the first five years after the basic law was amended</li> <li>• Strengthening food security and promoting the export of agricultural, forestry, and fishery products and foods</li> </ul>	<p><b>6.Building an inclusive society in which people can feel happy</b></p> <p><b>(1) Building an inclusive, cooperative, and women-empowering society</b></p> <ul style="list-style-type: none"> <li>• Supporting senior citizens living alone and others, as well as promoting policies on dementia</li> <li>• Measures to address loneliness and isolation</li> <li>• Supporting the employment ice age generation (employment support for the middle-aged and elderly and broad-based social participation support, including reskilling and upskilling for employment)</li> <li>• Supporting recruitment, development and appointment of, and health promotion for, women under the Basic Policy on Gender Equality and Empowerment of Women 2024</li> </ul> <p><b>(2) Realizing safety and securities of people’s lives with a rich-heart.</b></p> <ul style="list-style-type: none"> <li>• Strengthening the capacity to deter and cope with fake advertisement scams</li> <li>• Building a more reliable system of Foods with Function Claims and taking measures against customer abuse, hay fever, bear encounters, etc.</li> <li>• Realizing a nation built on culture and the arts with a rich heart, diversity, and vitality</li> <li>• Revitalizing society by sports through regional revitalization, economic growth, health promotion, etc.</li> </ul>	<p><b>7.Responding to changing environments of the international community to form a basis for sustainable economic growth</b></p> <p><b>(1) Diplomacy and security</b></p> <ul style="list-style-type: none"> <li>• Coordinating and cooperating with other countries toward a Free and Open Indo-Pacific</li> <li>• Strengthening Japan’s engagement to the Global South and providing powerful assistance for Ukraine and its neighboring countries</li> <li>• Expanding ODA in various forms, including through the mobilization of private-finance by utilizing ODA as a catalyst, and promoting and strengthening OSA strategically</li> <li>• Implementing the Hiroshima Action Plan; and comprehensively resolving the outstanding issues of concern such as the abductions, nuclear and missile issues in accordance with the Japan-North Korea Pyongyang Declaration, among other actions</li> <li>• Fundamentally reinforcing our defense capabilities based on the National Security Strategy of Japan, etc.; and building a strong powerful and sustainable defense industry, among other actions</li> <li>• Building a posture that allows for operating seamlessly across all phases from peacetime to armed contingencies under a soon-to-be established Joint Operations Command</li> <li>• Proceeding with securing shelters in anticipation of armed attacks, among other actions</li> <li>• Reinforcing cybersecurity and submitting early a bill that allows for implementing active cyber defense, among other actions</li> </ul> <p><b>(2) Economic security</b></p> <ul style="list-style-type: none"> <li>• Building transparent, resilient, and sustainable supply chains through international coordination</li> <li>• Preparing to establish a think tank on safety and security</li> <li>• Preparing to put in force the Act on the Protection and Utilization of Critical Economic Security Information</li> <li>• Strengthening the implementation framework under the guidance of the National Security Secretariat</li> </ul>	<p><b>8.Promoting disaster prevention and mitigation, and national resilience</b></p> <p><b>(1) Disaster prevention and mitigation, and national resilience</b></p> <ul style="list-style-type: none"> <li>• Securing necessary and sufficient budgets and taking both hard and soft measures under the Fundamental Plan for National Resilience</li> <li>• Taking measures under the Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience</li> <li>• Accelerating discussions for the Mid-term Plan for Implementation of National Resilience as much as possible to start formulating the plan early in FY2024</li> <li>• Strengthening the resilience of transportation, communication, energy and other lifelines</li> <li>• Upgrading disaster risk reduction and weather information utilizing the next-generation geostationary meteorological satellite, etc.</li> <li>• Promoting the use of ships for medical care provision, encouraging people to take out household earthquake insurance, promoting digital transformation (DX) for firefighting and disaster prevention, and mitigating volcanic disasters, among other actions</li> </ul> <p><b>(2) Recovery and reconstruction from the Great East Japan Earthquake, the 2024 Noto Peninsula Earthquake, and other natural disasters</b></p> <ul style="list-style-type: none"> <li>• Recovery and reconstruction from the Great East Japan Earthquake (e.g., fulfilling the role in reconstruction work during the second-term period for reconstruction and revitalization, ensuring the safety of disposing of ALPS-treated water, managing reputational damage, providing continued livelihood support, and promoting the Fukushima Innovation Coast Framework)</li> <li>• Recovery and reconstruction, etc. from the 2024 Noto Peninsula Earthquake (e.g., rebuilding lives and livelihoods, rehabilitating infrastructure, etc., supporting efforts financed by reconstruction funds, and supporting the development of a digital lifeline in Oku-Noto)</li> </ul>

# Chapter 3 Realizing a sustainable Economy and Society over the Medium and Long Term : the Economic and Fiscal Plan for New Stage

Medium- to long-term mission

Overcoming an aging society, a falling birthrate, and depopulation and realizing a sustainable economy and society in which people can feel affluence and happiness

Period Covered

Six years until FY2030, when depopulation will go into full swing

Achieving economic revival and fiscal consolidation at the same time while increasing the scale of the economy

Economic landscape

- Securing a steady real economic growth rate of over 1% even during and after the 2030s, when depopulation will go into full swing, and aiming to achieve even a higher growth
- Eyeing a nominal GDP of some 1,000 trillion yen around 2040 while achieving the price stability target of 2% in a sustainable and stable manner

Five visions for a new stage

Improving productivity and expanding growth opportunities by transforming the act of solving social issues into an engine for growth

Realizing a society with a high level of well-being in which everyone plays an active role

Ensuring the sustainability of the economy, public finance, and social security

Forming sustainable local communities by capitalizing on their unique characteristics and growth resources

Improving connectivity with overseas growth markets and transforming the energy structure

Medium-term economic and fiscal framework

## Basic approach

- Raising the potential growth rate through improving productivity, expanding labor force participation, and increasing the birth rate, based on the understanding that the economy is the foundation of public finance
- Aggressively making domestic investment with the collective power of the public and private sectors to encourage the corporate sector to shift to excess investment
- Reforming the economy, public finance, and social security in an integrated manner while maintaining coordination among the three aspects
- Promoting the social implementation of new technologies and digital transformation (DX), as well as the expansion or collective delivery of public services or the commercialization of public service, while adequately reflecting increases in wages and procurement prices
- Returning the expenditure structure to normal and expanding the virtuous cycle of growth and distribution

## Fiscal consolidation target

- The government will resolutely pursue fiscal consolidation and work on achieving the current target
  - Paying attention to international financial markets in a world with interest rates
- Aiming to achieve the primary surplus of the central and local governments in FY2025, and moving further forward with efforts to achieve both economic revival and fiscal consolidation in order to reduce the public debt-to-GDP ratio steadily without reversing the progress in or achievement of the commitment throughout the plan period
- The economy is the foundation of public finance, and macroeconomic policy options in line with the circumstances should not be distorted by giving a greater priority to meeting the above-mentioned target, including the current target year.

## Budget formulation

- Continuing current expenditure reform efforts (FY2025–2027)
  - Determining the details in the budget formulation process in each fiscal year while taking into account economic and price trends and other developments, as the Japanese economy is entering a new stage
- This should not lead to narrowing the range of available options for important policies Working to raise the potential growth rate while working on flexible macroeconomic management

Basic courses of action and priority issues for major policy sections

### (1) Building a social security system for all generations

- Improving medical and long-term care delivery systems
  - Establishing a more effective and helpful primary care system for the people
  - Exploring what “Community Health Care Visions” should look like (this will involve discussing legislative measures and the government will come up with conclusions by the end of this year)
  - Measures to respond to the maldistribution of physicians (Formulation of a comprehensive package of measures by the end of this year)
  - Optimizing the medical admission quota (promptly considering optimization of admission quotas from FY2027 onwards)
- Reforming health and long-term care insurance systems
  - Giving comprehensive consideration to various health care insurance systems (including submitting related bills)
  - Reviewing, among other things, the “certain level of income” criterion for having to pay 20% of the cost under the long-term care insurance system, and coming up with conclusions before the period of the tenth Insured Long-Term Care Service Plans

- Encouraging the prevention, aggravation prevention, and health promotion
  - Deepening collaboration between insurers and employers under the Third Term Data Health Plan (collaborative health)
  - Utilizing PHR, including lifelog data recorded in wearable devices, and making visible the quality of health promotion services provided by private institutions
- Promoting health care, including strengthening drug discovery capabilities
  - Reorganizing the drug discovery ecosystem, and fundamentally reinforcing drug discovery capabilities by solidifying the research base
  - Studying ways to make better use of cost-effectiveness assessment—including appropriate evaluation of the innovativeness of pharmaceuticals—in terms of promoting innovations and giving consideration to the burden of insurance contributions on the working population
  - Exploring what the drug price survey and revision for 2025 should look like in light of the advancement of innovations, the need to secure stable supply, and changes in the environment surrounding such as the price hikes, while considering the sustainability of the universal health insurance system
  - Developing a legal framework for stable supply of generic drugs

- Building a pension system that is neutral corresponding to diversification of work styles
  - Paving the way to revising the public pension system by the end of this year based on the results of the Actuarial Valuation this summer
- Addressing medium- to long-term issues surrounding social security and a declining birthrate
  - Demonstrating policies while agilely implementing advanced technology and data under policy coordination across ministerial barriers (e.g., promoting proactive care through health checkups for all generations); and providing effective comprehensive assistance that fits the realities of communities
  - Providing additional health incentives, building a social security system neutral to work styles, developing an integrated policy package for work-style reforms, etc., and creating an environment where people can fulfill their potential throughout their lives regardless of their age or gender
  - Studying the optimal shape of structural reforms designed to ensure the stability and assurance of the social security system over the medium- to long-term

### (2) Measures to cope with the declining birthrate, and child policy

- Steadily implementing measures incorporated in the Acceleration Plan for Child and Childrearing Support
  - Strengthening financial support and enhancing support for all children and child-rearing households, creating an environment conducive to introducing the System of Child and Child-rearing Support Contribution, among other actions
- Implementing the General Principles for Child-Related Measures
  - Supporting the sound development of all children and youths as society as a whole; promoting preconception care Providing assistance that better meets the needs of children, youths, and families in a difficult situation, and providing assistance to single-parent families
- Steadily implementing EBPM, which involves promoting PDCA, by using indicators, including numerical targets

### (3) Revitalizing public education and promoting research activities

- Revitalizing high-quality public education of a Reiwa type
  - Further accelerating work-style reforms, improving treatment (e.g., submitting a bill to the Act on Special Measures Concerning Salaries to the 2025 ordinary session of the Diet), expanding and enhancing the instruction systems, and providing training support in an integrated manner toward securing and training highly qualified teachers
  - Developing a framework and environment for providing rich learning experience as “team schools,” among other actions
  - Improving the quality of higher education and senior high school education and reducing the financial burden
- Building a mechanism for improving research quality toward fundamentally reinforcing basic research capabilities

### (4) Strategic infrastructure development

- Promoting the development and spread of regional living areas through coordination and cooperation across local governments and sectors and between the public and private sectors, nurturing self-reliant regional management agents, making inter-local government urban areas compact, and addressing aging infrastructure
- Accelerating DX for infrastructure (e.g., promoting cross-sectoral development and disclosure of infrastructure data and online administrative procedures)
- Making public investment in a stable and sustained manner in light of medium- and long-term projections
- Promoting PPP/PFI
- Sustainable use and management of land and water resources

### (5) Enhancing fundamentals of local administration and public finance

- Revitalizing local economies, creating new employment opportunities, strengthening efforts for disaster prevention and mitigation, delivering public services across local governments in light of demographic projections that vary from region to region, and promoting DX through thorough implementation of digital technology
- Ensuring that the total amount of general revenue sources necessary for stable fiscal management of local governments, including those receiving local allocation tax grants, will effectively on par or above the level of the FY2024 Fiscal Plan of Local Governments
- Strengthening efforts for consolidation or joint use of public facilities among several local governments
- Implementing front-yard reforms and back-yard reforms in an integrated manner for DX for local governments

Enhancing evidence-based policy making (EBPM) for pursuing reforms

- Selecting key policies and plans across two or more fiscal years, with relevant ministries and agencies formulating the policy for evidence development during the budget request phase and reporting on progress on the policy before the Basic Policy on Economic and Fiscal Management and Reform for the next fiscal year is formulated Exploring measures to reflect the policy in the budget formulation from the next fiscal year onward

## Chapter 4 Immediate Economic and Fiscal Management and Approach to Fiscal 2025 Budget Preparation

Steadily and promptly executing the economic package compiled in November 2023, the FY2023 supplementary budget, the FY2024 regular budget, and related measures. Preparing the budget for FY2025 in line with the medium- and long-term economic and fiscal framework under this policy.