

The Takaichi administration's economic and fiscal policies

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Cabinet Office

Basic Diagnosis

Japan has strong underlying strengths—high technological innovation capabilities and the efficiency of labor—yet domestic investment has been insufficient, and the potential growth rate is declining.

Japan must sever the trends of excessive austerity and underinvestment in the future; the government should step forward to catalyze private investment.

Crisis Management Investments and Growth Investments

Crisis-Management Investments: minimize strategic risks through targeted investment in economic security; food, energy and critical resources; national resilience; health and disaster preparedness; cybersecurity; and related areas.

Growth Investments: scale up investment in R&D, talent, frontier technologies, AI, startups, mass production and social implementation, and global market expansion.

Through public–private coordination, boldly boost domestic investment strategically and increase employment, income, and productivity.

Reforming the Budget Framework/ Fiscal Rules

To support efforts taken by both private-sector entities and local governments, and with a view to ensuring the predictability of government budgets, we will fundamentally overhaul the way the national budget is created, such as by making a clean break from our current budget formulation process in which it is assumed that a supplementary budget will be compiled each fiscal year, and instead allocating all necessary funds within the initial budget, to the extent possible.

(Example) Investment promotion measures through fiscal outlays across multiple fiscal years with securing of necessary resources, and funding that is provided over the long term.

Ensure fiscal sustainability through strategic choices across the budget

(Example) Administrative and fiscal reform, including establishment of an Office for the Review of Special Measures Concerning Taxation and Subsidies

Make clear indicators for steadily reducing the government debt-to-GDP ratio.

Household Support

A suspension of the consumption tax, which is limited to food and beverage items and only for a period of two years.

Introduction of a refundable tax credit system: concentrate support on those who need it most and improve the precision of household assistance.

How It Differs from Abenomics

Abenomics, the “three arrows” (bold monetary policy, flexible fiscal policy, and growth strategy), focused on exiting deflation and stimulating demand.

So-called Sanaenomics, centered on “responsible and proactive public finances,” with:

- Boldly promote domestic investment strategically through public–private coordination, raise supply capacity (higher potential growth) , and generate a virtuous cycle of investment and growth.

Sources: Policy Speech by the Prime Minister (221st Session of the Diet), Economic Policy Speech (221st Session of the Diet), Materials from the Council on Economic and Fiscal Policy