

# **Summary of the New Economic Measures**

(provisional translation)

December 2019

Cabinet Office

# “Comprehensive Economic Measures to Create a Future with Security and Growth”

(Cabinet Decision on December 5, 2019)

## Current Conjuncture of the Economy and Basic Concept of the Economic Measures

The economy is recovering at a moderate pace...

- *The overall impact caused by consumption tax rate hike in October 2019, at present, is judged smaller than the last hike (in 2014), partially helped by the already-adopted counteracting measures including reduced rate, while sales in some sectors declined after the tax hike partially due to the effect of a series of natural disasters.*

...however, more attention should be paid to the downside risks originating from overseas economy.

- *The Government recognizes that thorough and preemptive policy actions are called for in order to keep the risk materialization from negatively affecting domestic private demand.*

In addition, a series of natural disasters brought about severe damages in wide areas.

- *The damages caused by Typhoon Hagibis etc. are severer compared to those in the last year.*

Need to accelerate challenge toward building Society 5.0, besides passive counteracting measures against risks and damages

- *In addition to ensuring security, it is high time to move forward to establishing a medium- and long-term sustainable growth path mainly led by private demand, beyond the 2020 Tokyo Olympics and Paralympics.*
- *Thereby, the Government needs to advance and accelerate Abenomics, and ensure the path toward exit from deflation and economic revitalization.*

...and conducts appropriate policy mix between fiscal policy and monetary policy.

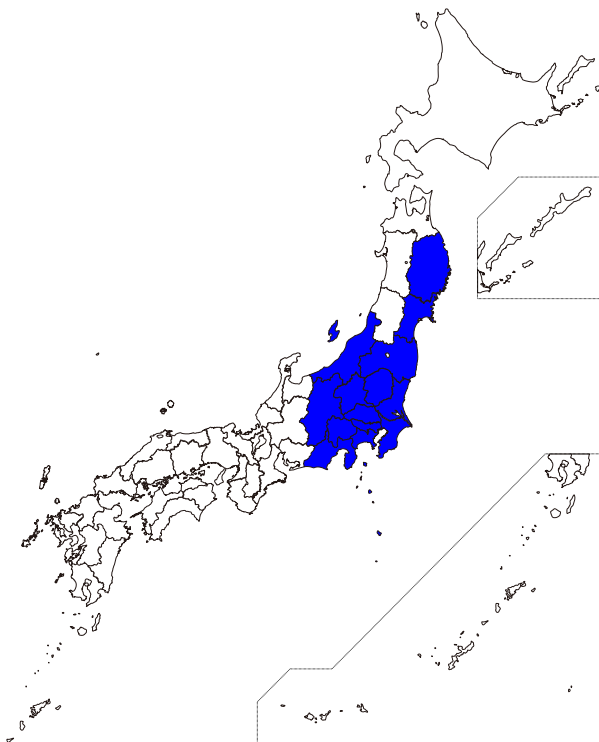
- *Whilst the BoJ tenaciously continues strong monetary easing, the Government shall take bold fiscal policy aiming at overcoming the downside risks and realizing autonomous growth path.*
- *Timely and thorough actions are to be conducted by newly formulating Supplementary budget for FY2019 and appropriately combining it with Temporal and Special Measures allocated from FY2020 Initial budget, etc.*

# Measures to Implement: Three Pillars

## I. Restoration and Reconstruction from Natural Disasters and Ensuring Safety and Security

1. Acceleration of Restoration and Reconstruction from Natural Disasters  
*e.g. Restoration (including improvement) of the damaged infrastructure including rivers, roads and ports*
2. Strong Promotion of Disaster Prevention, Mitigation and Building National Resilience
  - (i) Steady Implementation of the Three-Year Emergency Response Plan (from FY2018-2020)
  - (ii) Further Strengthening of National Resilience Projects Focusing on Flood Control Measures  
*e.g. Improving river channels and levees, Preventing measures against flood including developing rainwater storage facility, Promoting to lay power lines underground, Developing “net zero energy buildings (ZEB),” etc.*
3. Securing Public Safety and Security  
*e.g. Developing shared information platform for disaster management, Promoting renewable energy in natural parks’ facilities*

Reference 1. A series of Typhoons brought about severe damages in 2019



- September 7<sup>th</sup>-9<sup>th</sup>  
Typhoon 15 (Faxai)
- October 12<sup>nd</sup>-13<sup>rd</sup>  
Typhoon 19 (Hagibis)
- October 24<sup>th</sup>-26<sup>th</sup>  
Typhoon 21 (Bualoi)

Reference 2. Disaster Prevention, Mitigation and Building National Resilience (national expenditure)

	3-year Plan	Strengthening
FY2018 Second Supplementary Budget	1.1 trillion	—
FY2019 Initial Budget (Temporal and Special Measures)	1.3 trillion	—
FY2019 Supplementary Budget	—	1.2 trillion Decided on Dec 13
FY2020 Initial Budget (Temporal and Special Measures)	1.1 trillion Decided on Dec 20	—

Steadily implementing 3 year emergency response plan

Mainly focusing on flood control measures

## II. Intensive Support for Those Striving to Overcome Economic Downside Risks

### 1. Developing an Environment for Enhancing Productivity of SMEs

*e.g. Subsidies for investment in ICT and digital technologies, etc. (through continuous, multi-year support)*

*Supports for capacity building and carrier development of those working at SMEs*

### 2. Facilitation of Overseas Business Operations

*e.g. Support for developing new foreign market by SMEs, Creation of a new facility in JBIC for supporting overseas M&A, etc.*

### 3. Making Agriculture, Forestry and Fisheries a Growth Industry and Accelerating Enhancement of Exporting Capacity

*e.g. Enhancing production capacity of dairy and livestock sector (incl. “wagyu”), Implementation of “smart agriculture” technology, Development of processed food production facilities for export (those introducing HACCP, etc.)*

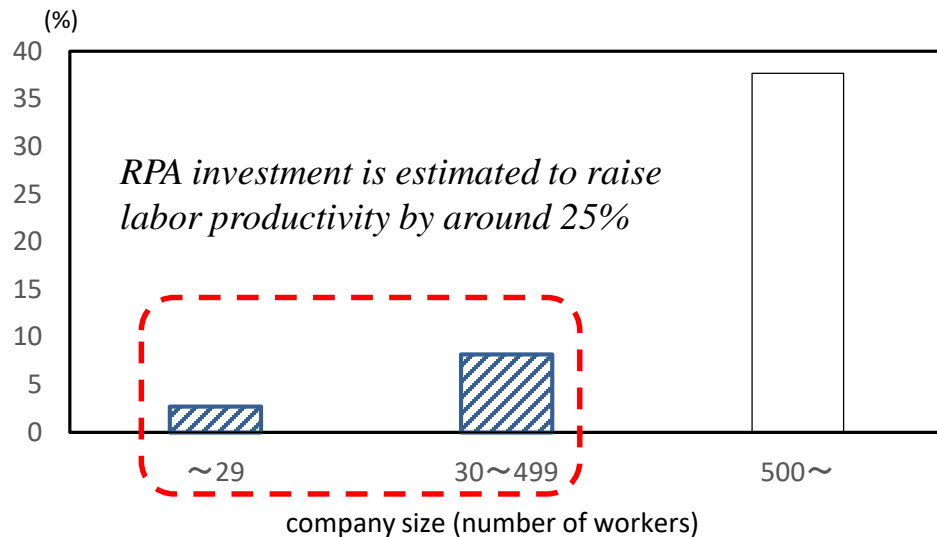
### 4. Further Promotion of Regional Revitalization

*e.g. Grant to local governments for establishing regional revitalization hubs, Strengthening regional finance functions, Promotion of matching between local businesses and managerial talents from urban areas*

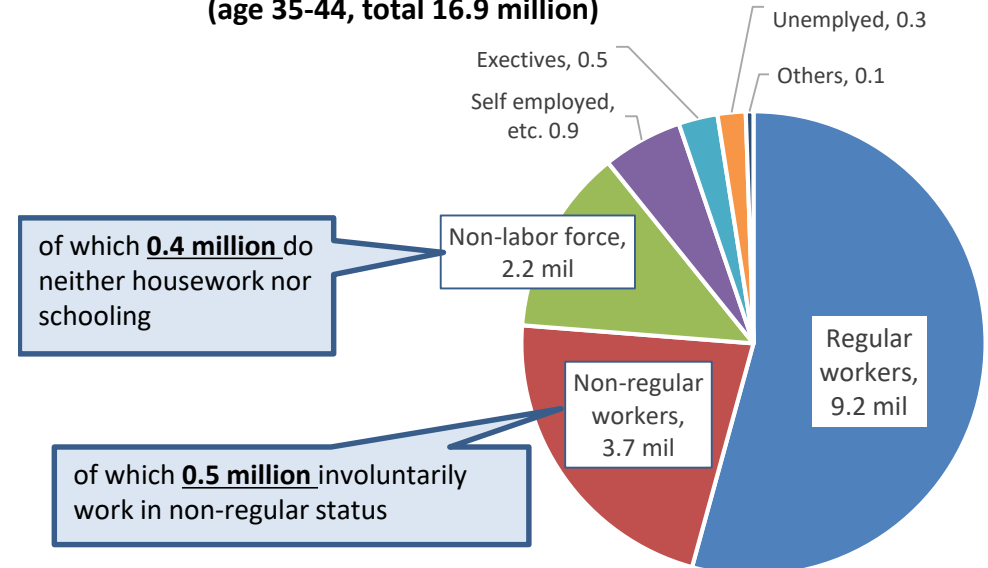
### 5. Support for the “Employment Ice-Age” Generation

*e.g. Establishing specialized contact at public job-placement offices, Encouraging custom-made support for social withdrawals by local governments, and Formulating 3-year action plan and continuously securing revenues to implement it. Hiring those from this generation in government service sector.*

Reference 3. Ratio of Companies Undertaking Investment in RPA



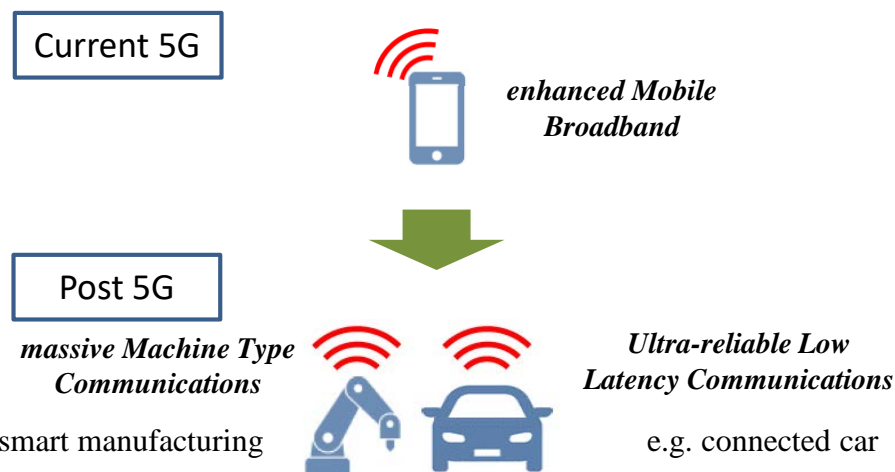
Reference 4. Major "Employment Ice-age Generation" (age 35-44, total 16.9 million)



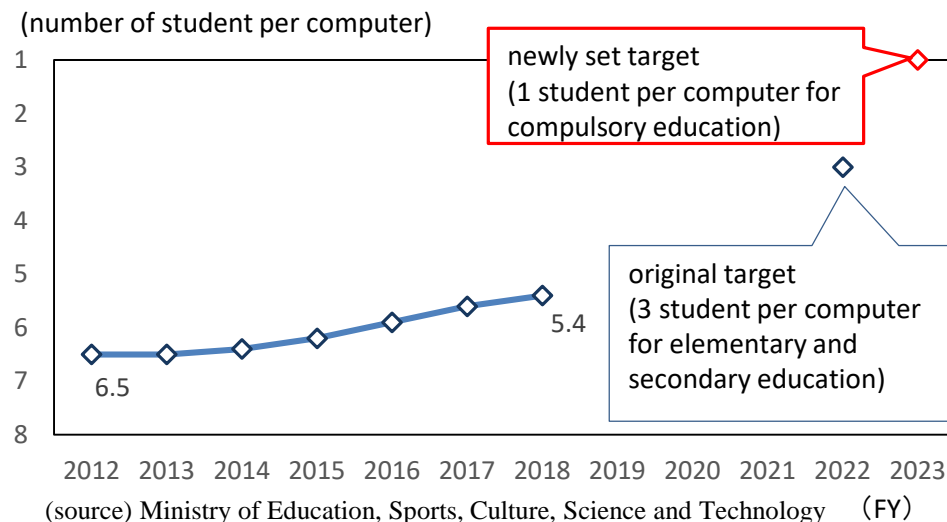
### III. Investing for a Future, Maintaining/Enhancing Economic Vitality Beyond the 2020 Tokyo Olympics and Paralympics

- Promoting Innovation and Social Implementation of Technologies Toward Realizing Society 5.0 and SDGs  
*e.g. Enhancing “moonshot” type R&D program, Supporting finance for younger researchers in a multi-year scheme, Developing “post-5G” technologies, Accelerating safe and reliable 5G investment, Subsidy for purchasing safe driving supporting autos*  
*e.g. R&D for zero emission technology, Social implementation of innovative materials contributing to energy saving, Promoting issuance of ESG corporate bonds.*
- Investing in Human Capital for Those Playing Important Roles in Society 5.0 and Creating an Environment Suitable for Child Rearing  
*e.g. Realizing an environment where every pupil/student in compulsory education is equipped with and utilize his/her computer until FY2023, with developing high-speed and large-capacity communication network (by continuously securing revenues)*
- Infrastructure Development for the Era of 60 Million Inbound Tourists  
*e.g. Capacity enhancement of capital area airport (via fiscal investment and loan scheme), Conducting strategic/intensive promotion, and Developing stress-free environment to further attract inbound tourists*
- Improvement of Infrastructure to Support Productivity Enhancement  
*e.g. Development of highways, hub ports, etc. partially through fiscal investment and loan scheme*
- Supporting Private Consumption in a Seamless Manner  
*e.g. Continuing point reward program for cashless payment at small- and medium- size retail stores until June 2020, and Initiating a new point granting program using the Social security and Tax Number Card (“Individual Number Card”) from September 2020.*
- Promotion of Corporate Governance Reform, etc.

Reference 5. Developing “Post 5G” Technologies



Reference 6. Human Capital Investment (Providing Computers to Students)



## Size

(Approx., trillion yen)

	I.	II.	III.	Total
Fiscal Expenses	5.8	3.1	4.3	<b>13.2</b>
<i>of which Central and Local Governments</i>	5.4	2.1	1.9	<b>9.4</b>
<i>of which Fiscal Investment and loan</i>	0.3	1.1	2.4	<b>3.8</b>
Total Size (incl. expenses by private sector)	7.0	7.3	11.7	<b>26.0</b>

### Central Government 7.6

General account	6.2
-FY19 Supplementary budget	4.3
-FY20 Temporal and special measures	1.8
Special accounts	1.5
Local Governments	1.8

## Economic Impact

- ✓ Government Expenses in this Economic Measure are expected to directly boost real GDP amount (demand) by approximately 1.4%.
  - The effect is presumed to realize by around FY2021
- ✓ Growth-enhancing Infrastructure development (not included above) is estimated to promote domestic investment equivalent to 0.7% of GDP.