

Comprehensive Economic Measures for Overcoming Price Increases and Revitalizing the Economy

Cabinet Decision on October 28th, 2022
(Summary)

Cabinet Office

Recognition of the Current Economic Situation and Purpose of Comprehensive Economic Measures

- ◆ Although the socioeconomic activities are being normalized in the coexistence with COVID-19, energy and food price increases caused by commodity price hikes and the depreciation of yen have been significantly affecting people's lives and business activities. Moreover, the recession risk has been arising globally due to the global monetary policy tightening against the worldwide inflation.
- ◆ The Government will overcome the current difficulties, put the Japanese economy on a sustainable and higher growth path for the future and thereby revitalize the Japanese economy. To this end, under a “New Form of Capitalism,” the Government will prioritize “countermeasures against the price hikes and the depreciation of yen”, “structural wage increases” and “investment and reform for the growth” and swiftly implement these comprehensive economic measures using all policy measures such as budget and tax frameworks, and regulatory reforms, while considering the risk of economic slowdown in overseas economies.

I . Countermeasures against price hikes and efforts for wage increases

1. Support for households and businesses in the difficulties caused by energy and food price increases

- Mitigation measures for electricity(※1) and gas(※2) charges as well as gasoline(※3) prices

※1: For households, the amount of support will effectively cover the average expected increase in electricity charges in the early spring of FY2023.

※2: The amount of support will correspond to the expected increases of burden.

※3: The support will be continued after Jan. 2023 while its upper limit will be moderately adjusted.

These mitigation measures will decrease the burden of a standard household by ¥45,000 in total from January to September 2023.

- Reducing food loss and waste, and supporting food banks and home delivery meals for children

2. Transition to the resilient economy against energy and food crisis

◆ Development of resilient energy supply systems

- Strengthening stable LNG supply system and energy efficiency(※4) as well as utilizing zero-emission power supply(※5)

※4: Intensive support for firms' introduction of energy efficient machinery in three years and support for energy efficient housing reform.

※5: Accelerating the introduction of renewable energy and storage batteries, and restarting more than 10 nuclear power plants as well as proceeding the discussion about development and construction of next-generation nuclear reactors.

◆ Development of resilient food supply systems

- Promoting domestic production of fertilizers and feeds and increasing the use of domestic soy beans and wheats

3. Promotion of continuous wage increases and support for SMEs

◆ Promotion of wage increases

- Aiming for the wage increases which could cover the price hikes in the wage negotiations next spring
- Significantly expanding the support for wage increases of SMEs and thoroughly implementing equal pay for equal work

◆ Development of the environment for wage increases by SMEs

- Developing systems for appropriate price pass-through
- Strongly and flexibly supporting continuous business restructuring, productivity improvement and smooth business successions in multiple years
- Establishing a scheme to deal with a new credit demand in addition to refinancing under the credit guarantee system

II . Recovery and Reinforcement of Local “Profitability” Utilizing the Depreciation of Yen

1. Recovery of demand from COVID-19 and local revitalization

◆ Restoration of tourism-oriented country

- Promoting an intensive package to achieve yearly five trillion yen of inbound consumption swiftly and formulating a new “Basic Plan for Promoting a Tourism-Oriented Country”
- Restoring tourist spots and tourism industry and making them high value added, strategically promoting visits to Japan, spreading Japanese contents to overseas countries, and revitalizing domestic tourism.

◆ Local revitalization

- Stimulating demand through support for various events of entertainment and shopping districts
- Supporting art and cultural activities as well as art and cultural experience of children, strategically utilizing cultural resources, and promoting sports
- Maintaining and reinforcing agricultural property and production bases of livestock industry and fishery, as well as taking measures for strengthening international competitiveness of forestry
- Strategic and planned development of infrastructure, compact, comfortable and lively urban development, revitalization of cities and disadvantaged areas

2. Reinforcement of economic resilience by utilizing the depreciation of yen

◆ Strengthening supply capacity and expanding exports of items which overseas countries expect Japan to provide

- Japan-U.S. joint development of next-generation semiconductor technology, expansion of investment in the areas of key cutting-edge technology such as advanced semiconductors through international coordination and reinforcement of domestic production capacity of important goods

◆ Return of domestic business investment and expansion of foreign direct investment to Japan

- Supporting development of domestic production base for crucial products and materials whose supply chain disruption is likely to damage the economy, and promoting foreign direct investment to Japan

◆ Expansion of exports by SMEs

- Promoting “10 thousand Newly Exporting SMEs Support Program”

◆ Expansion of agricultural product exports

- Frontloading the goal of two trillion yen export in 2025

III. Acceleration of a “New Form of Capitalism”①

1. Drastic reinforcement of “investment in human capital” and labor reallocation to growing sectors: Integrated reform for structural wage increases

◆ Reinforcement of investment in human capital, smooth labor reallocation, promotion of diverse workstyles and corporate governance reform pertaining to human capital

- Expanding an “investment in human capital” package to one trillion yen in five years(※6) and formulating a guideline for smooth labor reallocation by June 2023

※6: Smoothing labor reallocation among firms or sectors, providing comprehensive support from vocational training to job change for career development of the current employees and supporting the reskilling of employees

- Strengthening support for young researchers, developing 2.3 million digital promotion personnel and assisting the reorganization of universities and technical school faculties into growing sectors
- Expansion of non-financial information disclosure, workstyle reform to enhance productivity, development of an environment which allows diverse and flexible workstyles and support for employment ice age generation

◆ Doubling asset-based income

- Formulating “Doubling Asset-Based Income Plan,” considering drastic expansion and perpetuation of NISA, a reform of iDeCo, and expanding financial education

2. Promotion of bold investment in growing sectors

◆ Science technology and innovation

- Developing core technology, strengthening international joint research (e.g. quantum technologies and AI), supporting international research by young researchers, promoting research and development of space science, ocean, nuclear and fusion energy, and reinforcing core regional universities with unique strength

◆ Acceleration of startups

- Formulating a five year startup development plan with a view to increasing startups by 10 times in five years, providing human resource and network support in the initial period(※7), starting one IPO for one university campaign, strengthening the supply of fund and diversifying business developments and exit strategies (※8)

※7: Expanding unexplored projects, sending young entrepreneurs abroad, establishing overseas entrepreneurship development centers and embodying a global startup campus concept

※8: Supporting research and development startups and expanding SBIR

III. Acceleration of a “New Form of Capitalism”②

◆ GX (Green transformation)

- Expanding Green Innovation Fund, promoting research and development of innovative GX technologies and proceeding the concept of Asia Zero Emission Community
- Implementing measures which contribute to the economic growth in advance as a part of the public investment based on a “10 year roadmap” that will be compiled by the end of this year, while considering the needs to deal with the current energy price increases

◆ DX (Digital transformation)

- Research and development of Beyond 5G (6G), promotion of Individual Number Cards (My Number Cards) dissemination(accelerating the integration with health insurance cards), DX of SMEs, medical and elderly care, and education, the vision for a Digital Garden City Nation and Japan-U.S. joint development of next-generation semiconductor technology

3. Realization of inclusive society

◆ Measures to address declining birthrate and support for children and child-rearing households

- Establishing and continuously implementing a scheme which provides comprehensive consultation supports from pregnancy to childbirth and child-rearing, and financial assistances(※9), increasing the amount of lump-sum childbirth and childcare allowances(FY2023 budget) and ensuring access to nutritious meals for children such as children’s cafeteria

※9: Equivalent to ¥100,000 at the time of registering pregnancy and childbirth

◆ Woman empowerment, Measures against loneliness and isolation, and support people facing difficulties such as employment ice age generation

- Fostering female digital human resources and entrepreneurs, thoroughly implementing equal pay for equal work, and improving working conditions for female employees
- Strengthening measures against loneliness and isolation, and supporting employment ice age generation and the disabilities

IV. Ensuring People's Safety and Security

1. Reinforcement of pandemic response in the coexistence with COVID-19

◆ Reinforcement and prioritization of health care system

- Securing medical facilities and personnel, and antigen testing kits as well as developing PCR test systems

◆ Prevention of spreading infections by vaccination and preparation for the next wave

- Development of vaccination systems, research on vaccines and remedies, and cooperation with international organizations

2. Disaster risk reduction and enhancement of national resilience

- Promoting river basin disaster resilience and improving accuracy of forecast for heavy rainfall

3. Acceleration of reconstruction and recovery from natural disasters

- Reconstruction and recovery from Great East Japan Earthquake and support for sustainable fishery in response to emission of ALPS treated water

4. Measures against changing diplomatic and national security environment

◆ Diplomacy and national security

- Flexible and strong diplomacy to host in G7 Hiroshima summit, support for Ukraine and its neighboring countries, and reinforcement of stable operational capability of Self Defense Forces and strategic coast guard systems

◆ Economic and food security

- Fostering advanced core technologies such as quantum and AI, making supply chains of important goods resilient (※10) and strengthening food security

※10: Early designation of important goods and establishment of a fund to support production, supply, stockpiling and development of key items

5. Ensuring People's Safety and Security

- Promoting "Support Package for Children's Security and Safety," strengthening measures against unscrupulous business practices such as amending consumer contract law and reinforcing security for G7 Hiroshima summit

V. Preparation for Future Shocks

- Expanding the reserve funds for COVID-19 and price hikes
- Establishing new reserve funds for economic emergency following Russian aggression in Ukraine(tentative name)

Scale of these Comprehensive Economic Measures

	I	II	III	IV	V	Total
Fiscal Expense	¥12.2 tril.	¥4.8 tril.	¥6.7 tril.	¥10.6 tril.	¥4.7 tril.	¥39.0 tril.
Project Scale	¥37.5tril.	¥8.9 tril.	¥9.8 tril.	¥10.7 tril.	¥4.7 tril.	¥71.6 tril.

※FY2022 2nd supplementary budget: ¥29.6 tril.

Impact of these Comprehensive Economic Measures

- ◆ These comprehensive economic measures are estimated to **directly raise real GDP by approximately 4.6 %**

※In addition to this direct impact, these comprehensive economic measures can induce private investment and further wage increases, which support robust economic growth.

- ◆ Mitigation measures for electricity/gas charges and gasoline prices are expected to **reduce consumer prices by approximately 1.2%**

※Average year on year effect between January and September 2023. Moreover, nationwide traveling supports will also contribute to reducing consumer prices.