

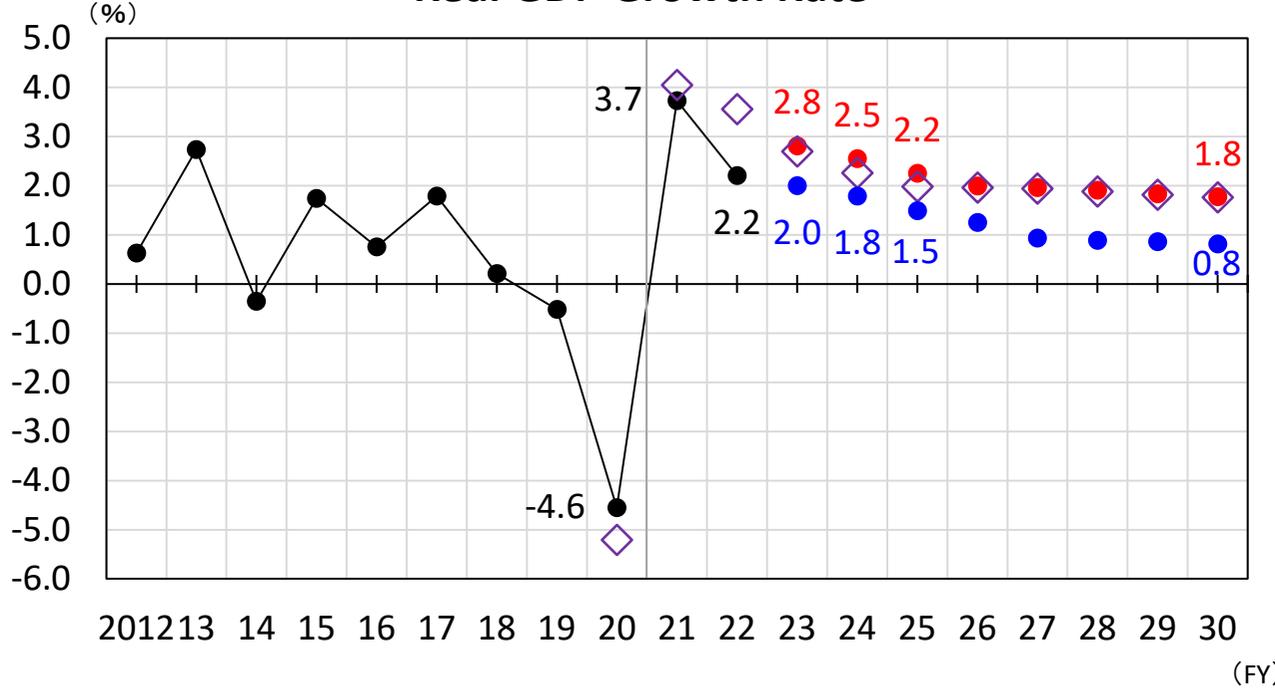
# Executive Summary: Economic and Fiscal Projections for Medium to Long Term Analysis (July 2021)

Cabinet Office

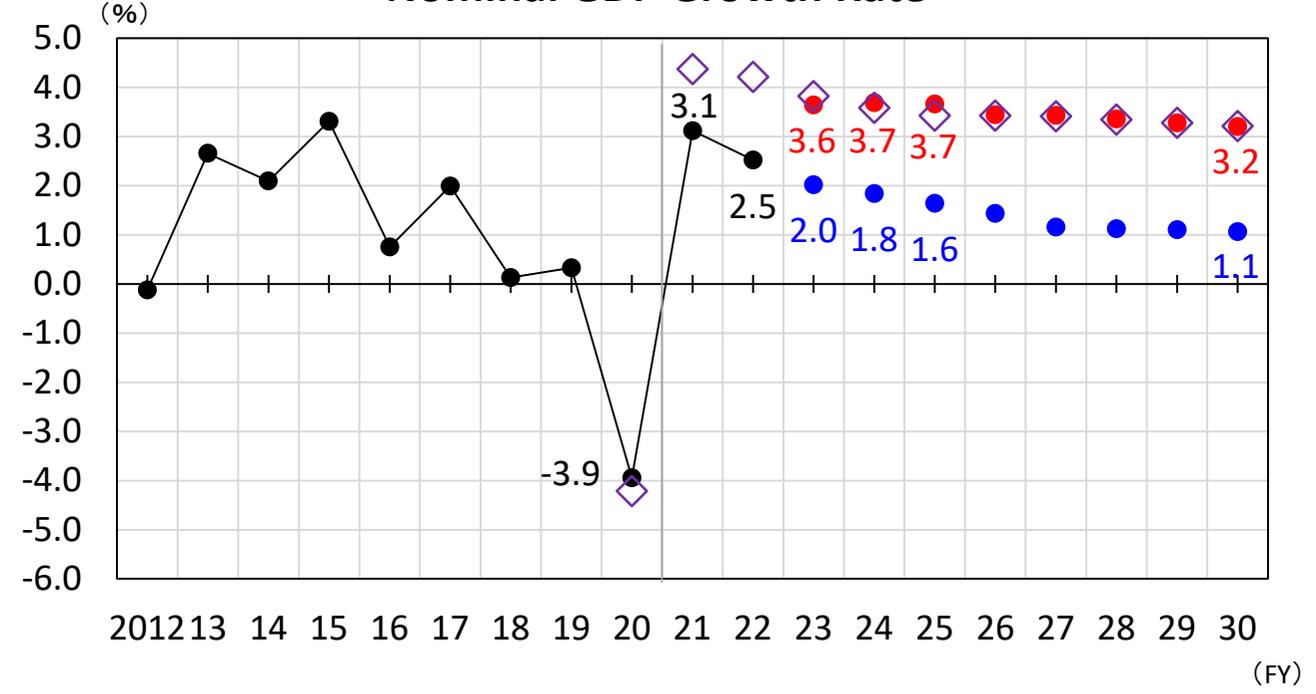
# 1. Projections of the Macro Economy

In the Economic Growth Achieved Case, after the economy returns to the pre-pandemic level by the end of 2021 along with accelerating vaccinations, the GDP growth rate in the medium to long term is projected to achieve around 2% in real terms and over around 3% in nominal terms as the Government encourages private investment in four priority areas of green society, digitalization, regional revitalization and children / childcare.  
Although the impact of the disease on the economy needs to be carefully examined, nominal GDP is projected to achieve 600 trillion yen in around FY2024.  
 The Government will continue to implement necessary measures in a flexible manner according to circumstances with paying careful attention to the status of the disease and the economic impact and will realize self-sustaining economic growth led by private demand by strengthening the growth potential.

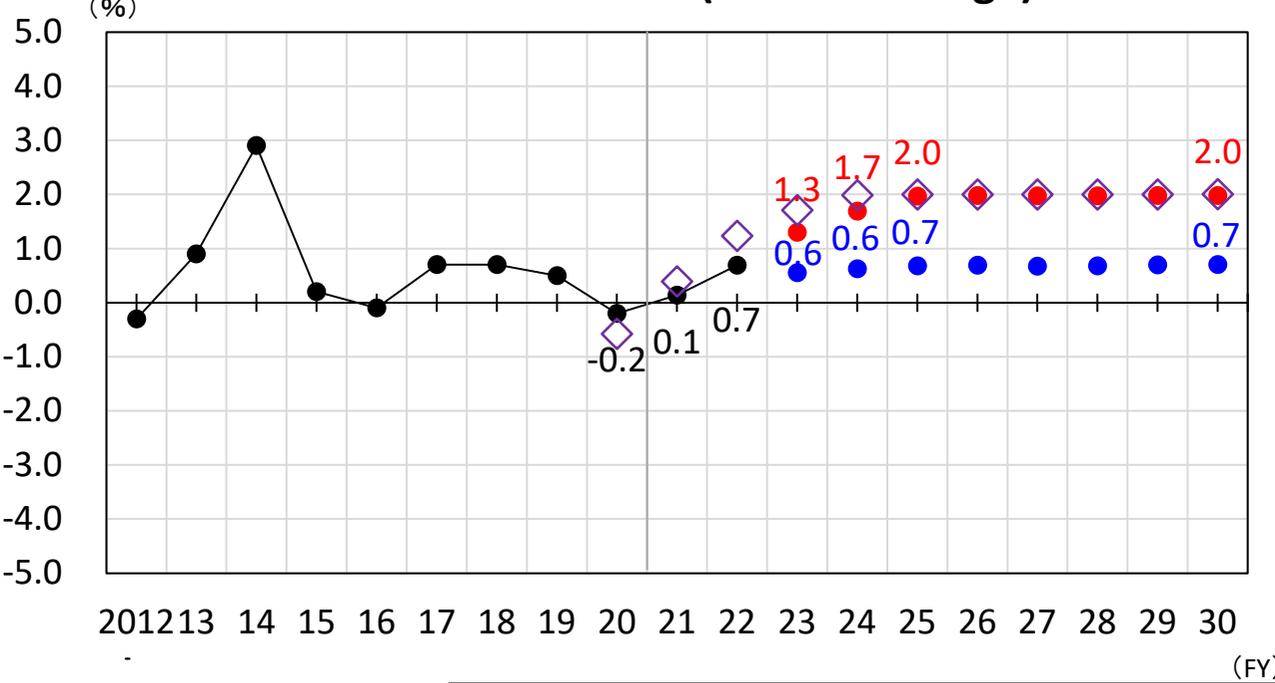
**Real GDP Growth Rate**



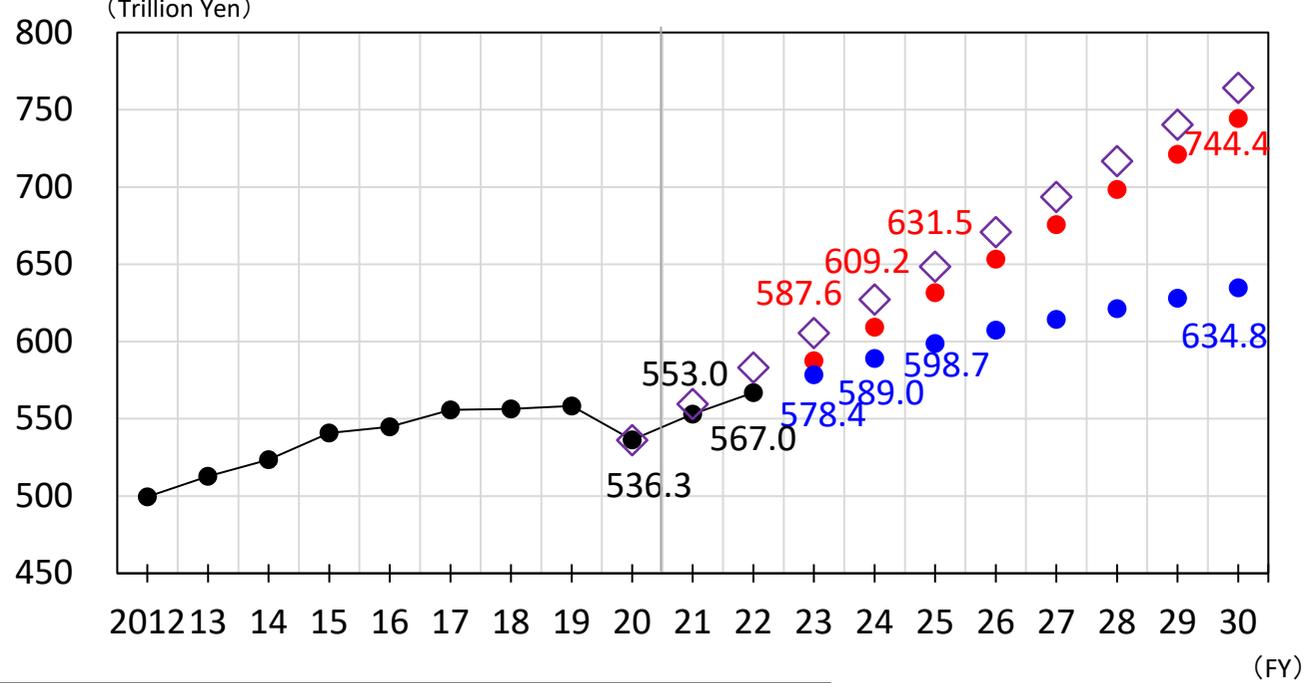
**Nominal GDP Growth Rate**



**Consumer Price Index (Rate of Change)**



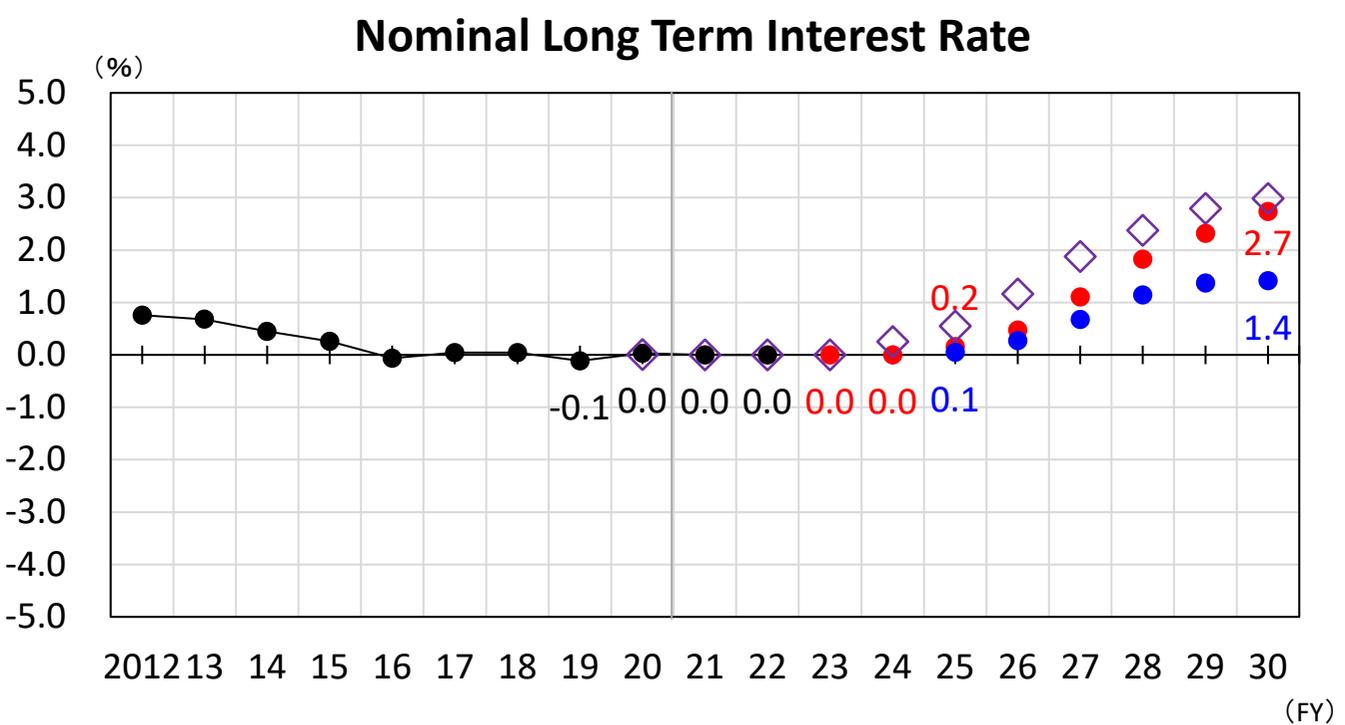
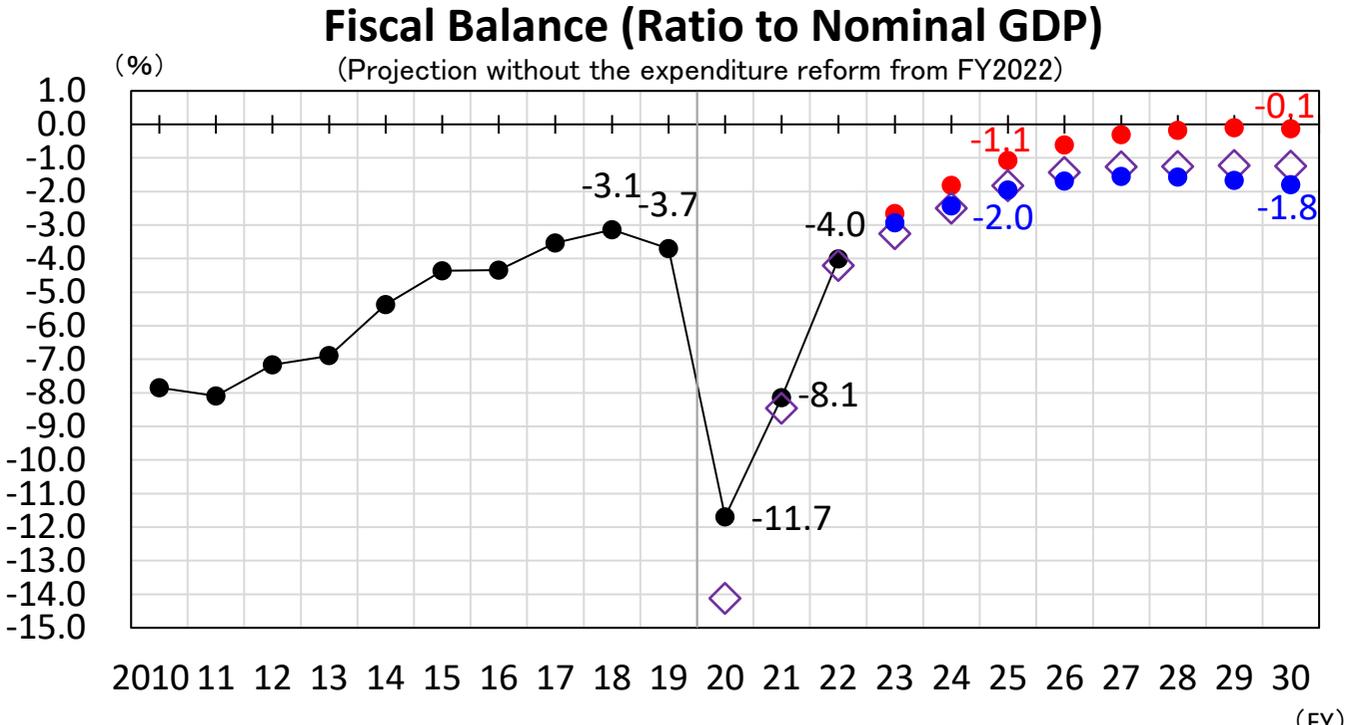
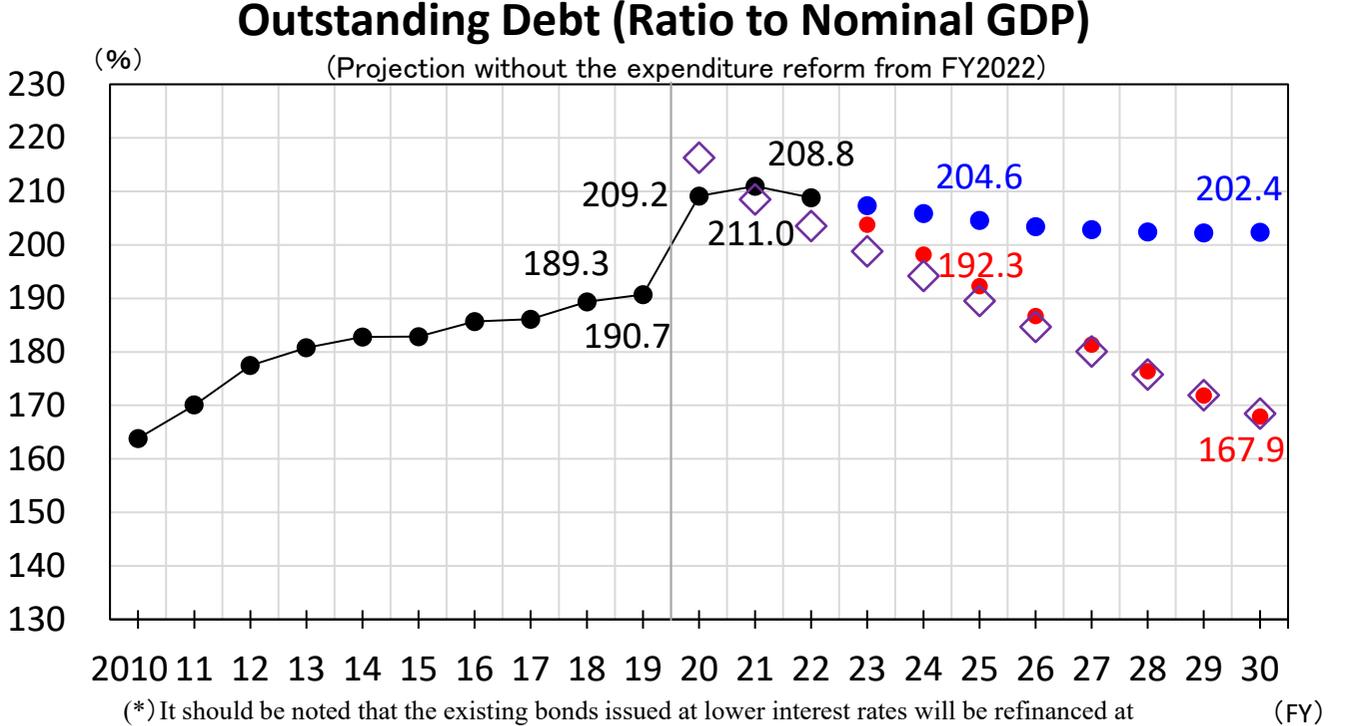
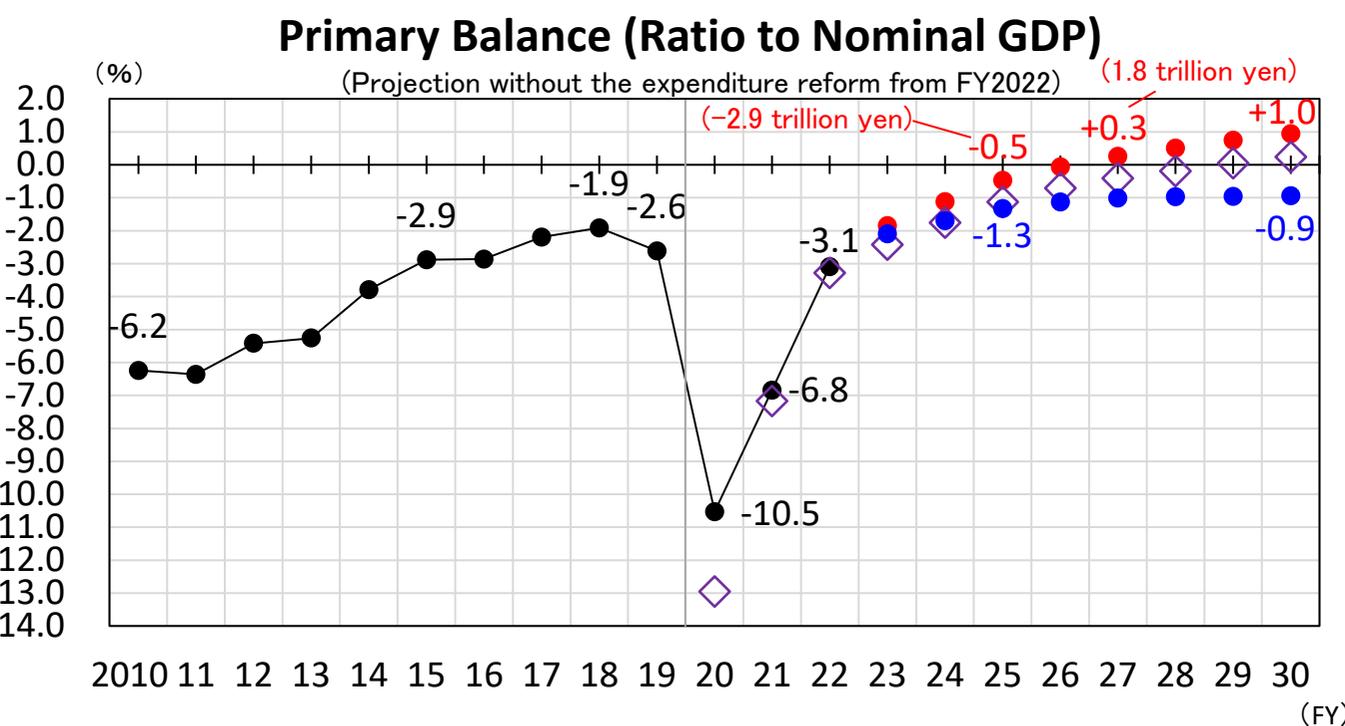
**Nominal GDP**



● Economic Growth Achieved Case   ● Baseline Case   ◇ Economic Growth Achieved Case (January 2021)

# 2. Projections of the Central and Local Governments' Public Finances

While the primary deficit will temporarily widen due to the increase in expenditures of the supplementary budgets for dealing with the Infectious Disease, in the Economic Growth Achieved Case, it is projected to be around 0.5% in FY2025 and turn to surplus in FY2027 without the expenditure reforms. If the Government continues the expenditure reform carried out thus far, the primary surplus will be achieved in FY2025, around two years earlier. It is important to ensure overcoming deflation and economic revitalization, to realize private demand-led higher economic growth in terms of both quality and quantity and to continue improvement both from the expenditure and revenue sides. The outstanding debt to GDP ratio will increase in FY2020 and 2021 and then decline steadily in the period of the projection.



● Economic Growth Achieved Case   ● Baseline Case   ◇ Economic Growth Achieved Case (January 2021)

# Economic and fiscal assumptions

## 【Economic assumptions】

- Economic conditions reflect the “Quarterly Estimates of GDP for January – March 2021 (Second Preliminary Estimates)” and the “Mid-year Economic Projection for FY 2021.”
- As for assumptions related to the potential growth rate, in the Economic Growth Achieved Case, the TFP growth rate rises from the current level (0.4%) to around 1.3% in five years (in FY2025). In the Baseline Case, the TFP growth rate moves at around 0.7%.
- In the Economic Growth Achieved Case, the rate of change for CPI is projected to achieve around 2% from FY2025. Under this condition, the nominal long-term interest rate is assumed to continue at the zero-interest rate until FY2024.

## 【Fiscal assumptions】

- Fiscal conditions for the Central and Local Governments reflect the latest data\* such as:
  - The “Settlement Highlights of the General Account of the Central Government for FY2020,”
  - The “Provisional Settlement Results of Local Tax Revenue for FY2020,” etc.
- \* As for the revenue from FY2021, we reflect the increase of the tax revenue base that we estimated based on current economic fundamentals and the settlements for FY2020.
- From FY2022, social security expenditures will increase reflecting the aging of population and price and wage developments, and other expenditures will increase along with the inflation rates.