

# **Highlights of the Draft FY2019 Budget**

# Highlights of the Draft FY2019 Budget

- Shifting toward “Social security that accommodates the needs of all generations”, implement free early childhood education and enhancement of social security system funded by the revenue raised by the consumption tax hike

**Public spending (PS) : +¥811.0bn (National government spending (NGS) : +¥715.7bn\*<sup>1</sup>)**

- Free Early Childhood Education and Childcare [Starting from Oct.2019] ..... PS : +¥388.2bn (NGS : +¥388.2bn\*<sup>2</sup>)
- Improvement of working condition for long-term care workers [Starting from Oct.2019] ..... PS : +¥ 42.1bn (NGS : +¥ 21.3bn)
- Provision of benefits for supporting low-income pensioners ..... PS : +¥185.9bn (NGS : +¥185.9bn)
- Further burden reduction of long-term care insurance contributions for the low-income elderly ..... PS : +¥ 65.4bn (NGS : +¥ 32.7bn), etc.

\*<sup>1,2</sup> These amounts include temporary grants for children and child-rearing (assumed name) amount to **¥234.9bn** along with making whole expenses for the first year of free early childhood education and childcare to be national spending. The amount of increase in social security expenditure for enhancement of social security system excluding the grants is **+¥480.8bn** for public spending, **+¥153.2bn** for national government spending.

- Mobilize a range of measures to level the impact on the economy of the consumption tax hike

**“Temporal and Special Measures” : ¥2,028.0bn (NGS)**

- Point Rewards to Consumers via Small and Medium-sized Retail Businesses, etc. .... ¥ 279.8bn
- Vouchers with premiums for the Low-income or Child-rearing Households ..... ¥ 172.3bn
- Budgetary Measures for Housing Purchaser - Benefits for Housing Purchase “Sumai Kyu-fu kin” ..... ¥ 78.5bn  
- Point Reward System for Promoting Innovative Housing ..... ¥ 130.0bn
- Measures for Disaster Prevention, Disaster Mitigation and Building National Resilience ..... ¥1,347.5bn, etc.

- Based on “Three-year Emergency Response Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience”, reflecting “Emergency Inspection of Critical Infrastructure”, etc., implement 160 urgent measures intensively for 3 years until FY2020.

⇒ Utilize FY2019/FY2020 Temporal and Special Measures (FY2019 : 1,347.5bn\*<sup>3</sup>) and the Second Supplementary Budget for FY2018

\*<sup>3</sup> **National Government Spending. The whole spending**, including the Second Supplementary Budget for FY2018, amounts to **¥2.4tn**.

By contrast, **the size of the projects for 3 years** until FY2020 amounts to **approx. ¥7.0tn**.

《Fiscal Consolidation》 ※ [ ] shows the amount excluding the amount of “Temporal and Special Measures”.

- Under “New Plan to Advance Economic and Fiscal revitalization”, continue efforts for expenditure reforms.
  - Social Security Expenditures: achieved the principle of suppressing **the increase due to aging population** (+¥477.4bn)
  - Non-social security Expenditures: **continue efforts for expenditure reforms** (+¥33.0bn)
- **The amount of planned bond issuance has decreased in 7 consecutive years** since the start of Abe administration. (FY2018:¥33.7tn ⇒ FY2019:¥32.7tn [¥31.9tn])
- **Primary balance in the general account has improved.** (FY2018: -¥10.4tn ⇒ FY2019: -¥9.2tn [-¥8.4tn])

# FY2019 Budget: Framework (Ordinary / Temporal and Special Measures)

(Unit: bn yen)

• Ordinary

	FY2018 Budget (Initial)	FY2019 Budget	FY2018 →FY2019	Note
<b>Revenues</b>				
Tax Revenues	59,079.0	62,495.0	3,416.0	
Other Revenues	4,941.6	5,055.6	114.0	
Government Bond Issues	33,692.2	31,878.6	-1,813.6	
of which Construction Bonds	6,094.0	6,170.1	76.1	
Special Deficit-Financing Bonds	27,598.2	25,708.5	-1,889.7	
<b>Total</b>	<b>97,712.8</b>	<b>99,429.1</b>	<b>1,716.3</b>	
<b>Expenditures</b>				
National Debt Service	23,302.0	23,508.2	206.2	
General Expenditure	58,895.8	59,935.9	1,040.1	
of which Social Security Expenditure	32,988.2	33,991.4	1,003.1	
Non-Social Security Expenditure	25,907.6	25,944.5	37.0	
Local Allocation Tax Grants, etc.	15,515.0	15,985.0	470.1	
<b>Total</b>	<b>97,712.8</b>	<b>99,429.1</b>	<b>1,716.3</b>	

• Temporal and Special Measures

		FY2019 Budget	FY2018 →FY2019	Note
<b>Revenues</b>				
Other Revenues		1,246.1	Newly formulated	Earned surplus from Deposit Insurance Corporation of Japan : + ¥800.0bn Surplus from previous year : + ¥215.7bn, etc.
Government Bond Issues		781.9	Newly formulated	
of which Construction Bonds		781.9	Newly formulated	
<b>Total</b>		<b>2,028.0</b>	Newly formulated	
<b>Expenditures</b>				
General Expenditure		2,028.0	Newly formulated	
<b>Total</b>		<b>2,028.0</b>	Newly formulated	

(Note 1) General expenditure = Total expenditure in central government's general account – National debt service – Local allocation tax grants, etc.

(Note 2) Social security expenditure and Non-social security expenditure in FY2018 budget are rearranged to compare with FY2019 budget.

(Note 3) Figures may not add up to the totals due to rounding.

# FY2019 Budget: Framework (Ordinary + Temporal and Special Measures)

• Ordinary + Temporal and Special Measures

(Unit: bn yen)

	FY2018 Budget (Initial)	FY2019 Budget	FY2018 →FY2019	Note
<b>Revenues</b>				
Tax Revenues	59,079.0	62,495.0	3,416.0	
Other Revenues	4,941.6	6,301.6	1,360.1	
Government Bond Issues	33,692.2	32,660.5	-1,031.7	Bond Dependency Ratio: 32.2% (FY2018: 34.5%)
of which Construction Bonds	6,094.0	6,952.0	858.0	
Special Deficit-Financing Bonds	27,598.2	25,708.5	-1,889.7	
<b>Total</b>	<b>97,712.8</b>	<b>101,457.1</b>	<b>3,744.3</b>	
<b>Expenditures</b>				
National Debt Service	23,302.0	23,508.2	206.2	
General Expenditure	58,895.8	61,963.9	3,068.0	
Local Allocation Tax Grants, etc.	15,515.0	15,985.0	470.1	
<b>Total</b>	<b>97,712.8</b>	<b>101,457.1</b>	<b>3,744.3</b>	

(Note) Figures may not add up to the totals due to rounding.

## <Economic Indicators>

	FY2013 (Actual)	FY2014 (Actual)	FY2015 (Actual)	FY2016 (Actual)	FY2017 (Actual)	FY2018 (Estimated)	FY2019 (Projected)
Nominal GDP Growth	2.6%	2.2% (0.8%)	2.8%	0.7%	2.0%	0.9%	2.4% (2.0%)
Nominal GDP (tn yen)	507.3	518.2	533.0	536.8	547.4	552.5	566.1
Real GDP Growth	2.6%	-0.4%	1.3%	0.9%	1.9%	0.9%	1.3%
Consumer Price Index	0.9%	2.9% (0.9%)	0.2%	-0.1%	0.7%	1.0%	1.1% (0.6%)
Unemployment Rate	3.9%	3.5%	3.3%	3.0%	2.7%	2.4%	2.3%

(Note1) Figures are shown on a 2008 SNA basis.

(Note2) FY2018 and FY2019: based on "FY2019 Economic Outlook and Basic Stance for Economic and Fiscal Management" (Approved by the Cabinet on December 18, 2018).

(Note3) Figures in parentheses in FY2014 and FY2019 exclude the impact of the consumption tax rate hike.

## <Fiscal Indicators: Central Government's General Account>

(Unit: tn yen, unless otherwise stated)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
General Expenditure 1/	54.0	56.5	57.4	57.8	58.4	58.9	59.9 (62.0)
Tax Revenue 2/	43.1	50.0 (4.5)	54.5 (6.2)	57.6 (6.3)	57.7 (6.3)	59.1 (6.4)	62.5 (7.9)
Government Bond Issues 1/	42.9	41.3	36.9	34.4	34.4	33.7	31.9 (32.7)
Primary Balance 1/	-23.2	-18.0	-13.4	-10.8	-10.8	-10.4	-8.4 (-9.2)
Bond Dependency Ratio 1/	46.3%	43.0%	38.3%	35.6%	35.3%	34.5%	32.1% (32.2%)

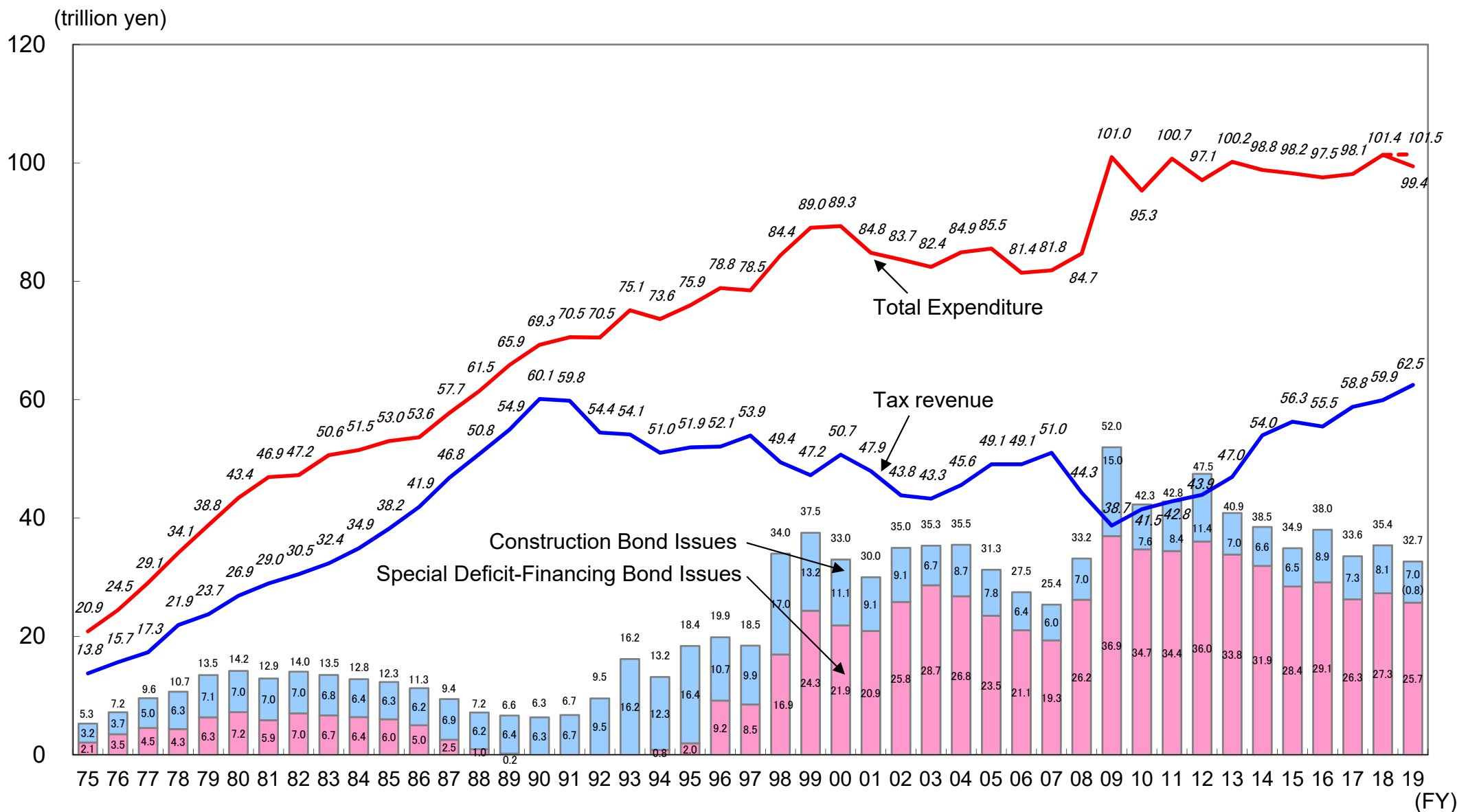
1/ Figures in parentheses in FY2019 include the impact of the Temporal and Special Measures.

2/ Figures in parentheses represent the increased revenue of consumption tax hike (FY2014-FY2018: Increase by raising from 5% to 8%, FY2019: Increase by raising from 5% to 10%).

(Note1) Figures are based on initial budget. Bond Dependency Ratio is calculated by dividing Government Bond Issues by the Total Expenditure.

(Note2) General expenditure = Total expenditure in central government's general account - National debt service - Local allocation tax grants, etc.

# Tax Revenue, Expenditure and Bond Issues in General Account



(Note1) FY1975 - FY2017: Settled Figures; FY2018: Based on the Second Supplementary Budget, FY2019: Based on Draft Budget.

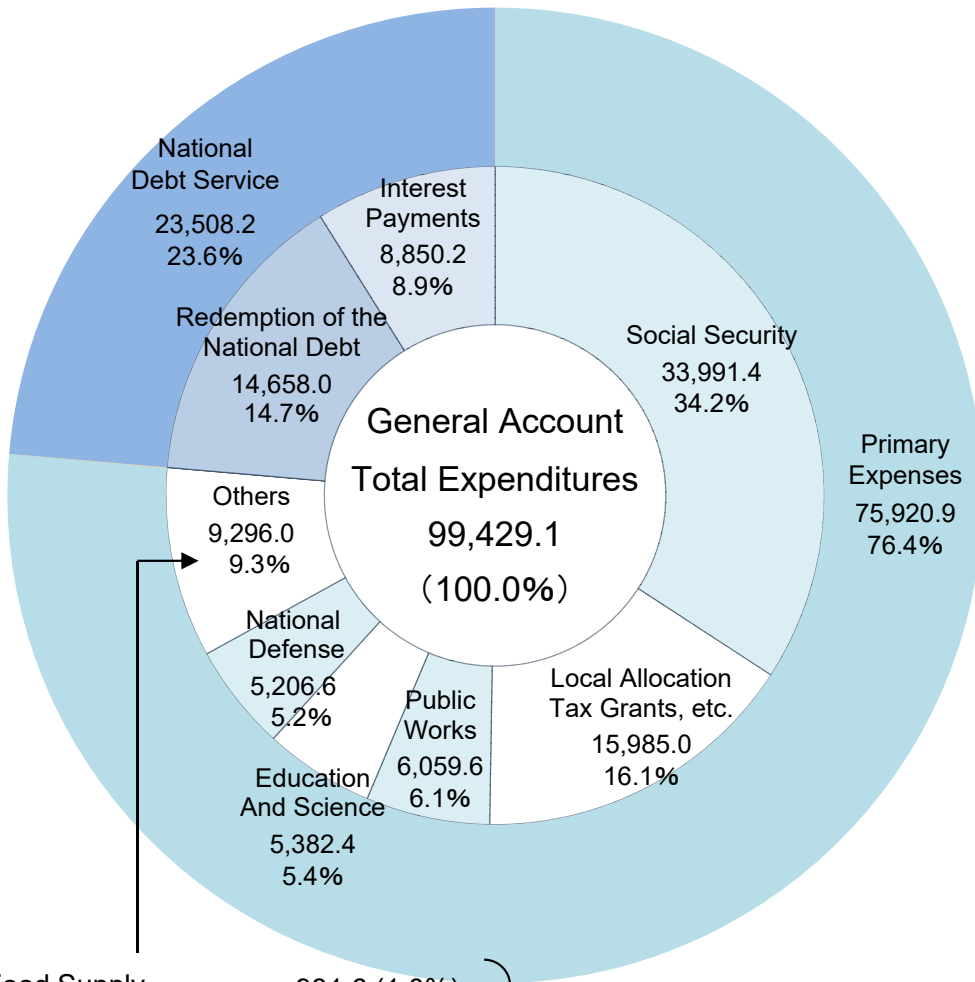
(Note2) Following various bonds are excluded: Ad-hoc Special Deficit-Financing Bonds issued in FY1990 as a source of funds to support peace and reconstruction activities in the Persian Gulf Region, Tax reduction-related Special Deficit-Financing Bonds issued in FY1994 - FY1996 to make up for decline in tax revenue due to a series of income tax cuts preceding consumption tax hike from 3% to 5%, Reconstruction Bonds issued in FY2011 as a source of funds to implement measures for the Reconstruction from the Great East Japan Earthquake and Pension-related Special Deficit-Financing Bonds issued in FY2012 and FY2013 as a source of funds to achieve the targeted national contribution to one-half of basic pension.

(Note3) The dotted line in Total Expenditure represents a figure including the expenditure for the Temporal and Special Measures; and the solid line represents a figure excluding it. The amount of Bond issues includes the bond issued for the Temporal and Special Measures; and the amount in parentheses represents the Construction bond issued for the Temporal and Special Measures.

# FY2019 Budget: Expenditure and Revenue

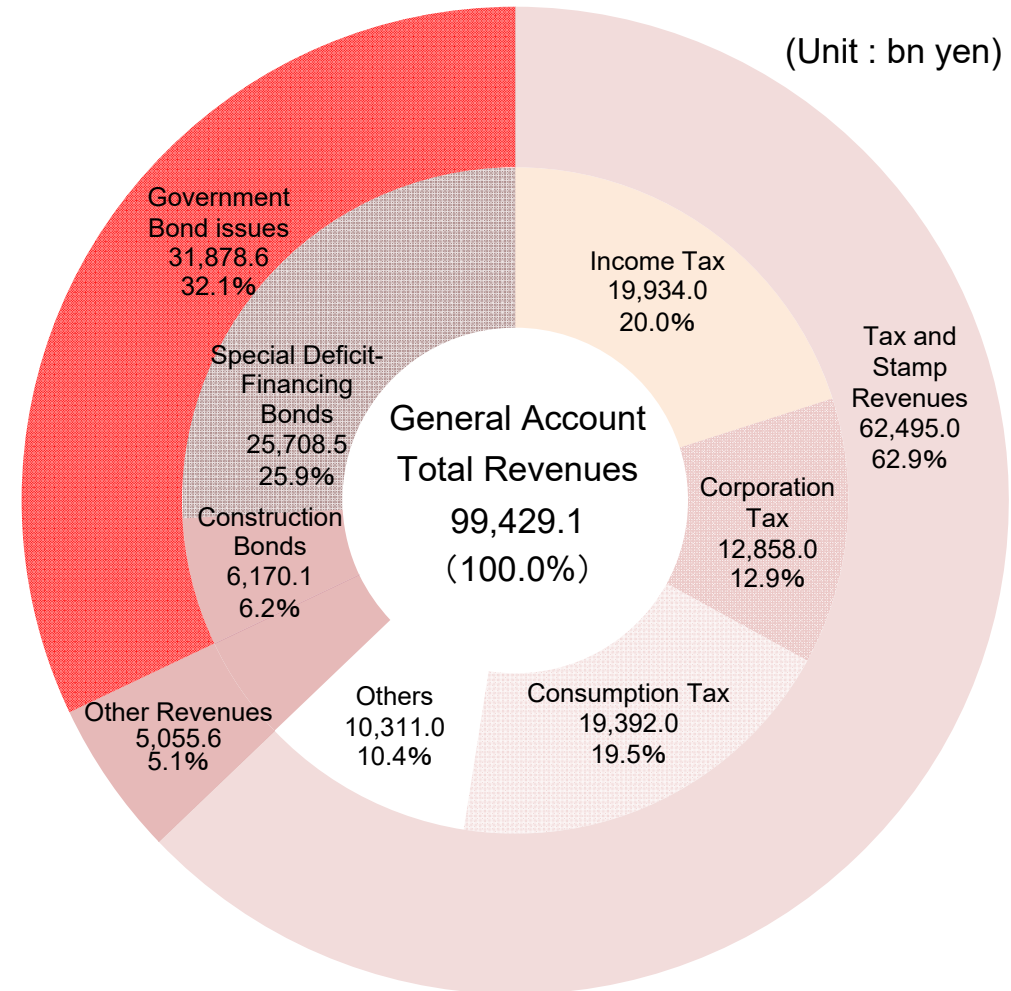
(Excluding Temporal and Special Measures)

## General Account Expenditure



## General Account Revenue

(Unit : bn yen)



Food Supply	981.6 (1.0%)
Energy	910.4 (0.9%)
Economic Assistance	502.1 (0.5%)
Former Military Personnel Pensions	209.7 (0.2%)
Promotion of SMEs	174.0 (0.2%)
Miscellaneous	6,018.1 (6.1%)
Contingency Reserves	500.0 (0.5%)

Primary Expenses: Indicator showing policy expenses of the fiscal year.

(Primary Expenses = General Account Total Expenditure – National Debt Service)

General Expenditure: 59,935.9(60.3%)

(General Expenditure = Primary Expenses – Local Allocation Tax Grants, etc.)

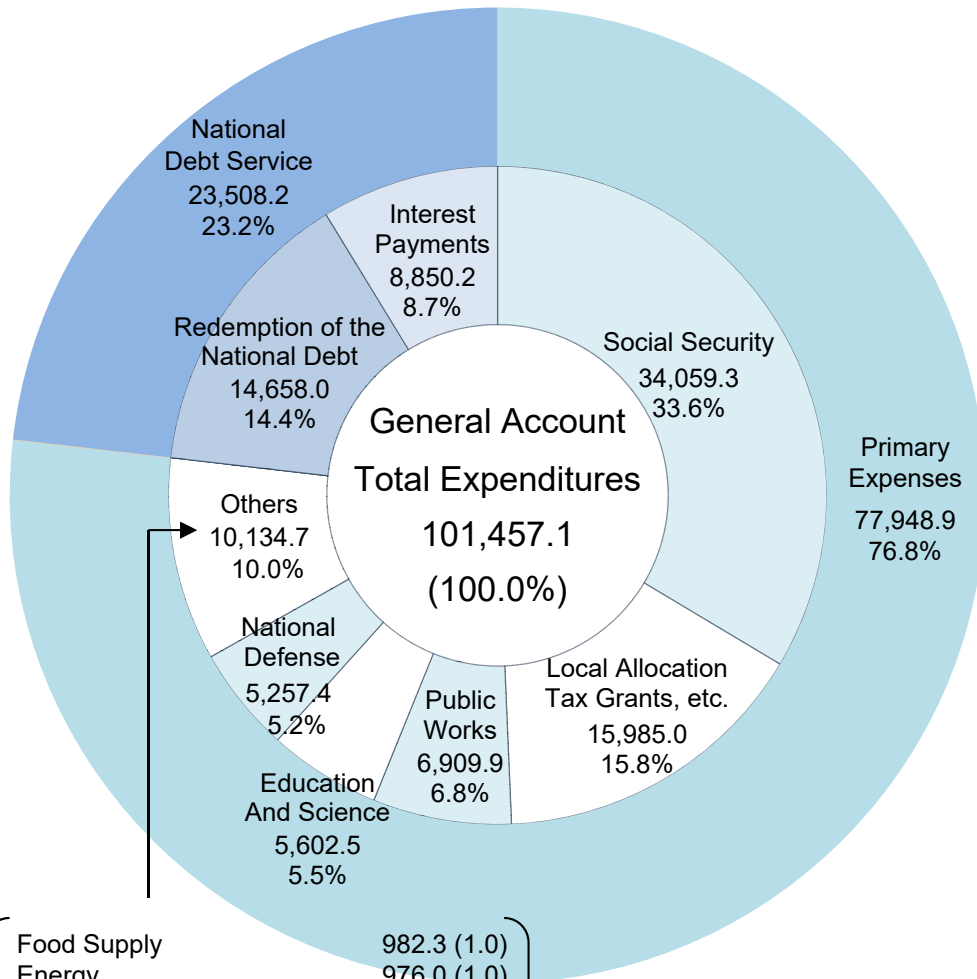
(Note1) Figures may not add up to the totals due to rounding.

(Note2) Social security related expenditures account for 56.7% of the general expenditure.

# FY2019 Budget: Expenditure and Revenue

(Ordinary + Temporal and Special Measures)

## General Account Expenditure



Food Supply	982.3 (1.0)
Energy	976.0 (1.0)
Economic Assistance	502.1 (0.5)
Former Military Personnel Pensions	209.7 (0.2)
Promotion of SMEs	179.0 (0.2)
Miscellaneous	6,785.6 (6.7)
Contingency Reserves	500.0 (0.5)

Primary Expenses: Indicator showing policy expenses of the fiscal year.

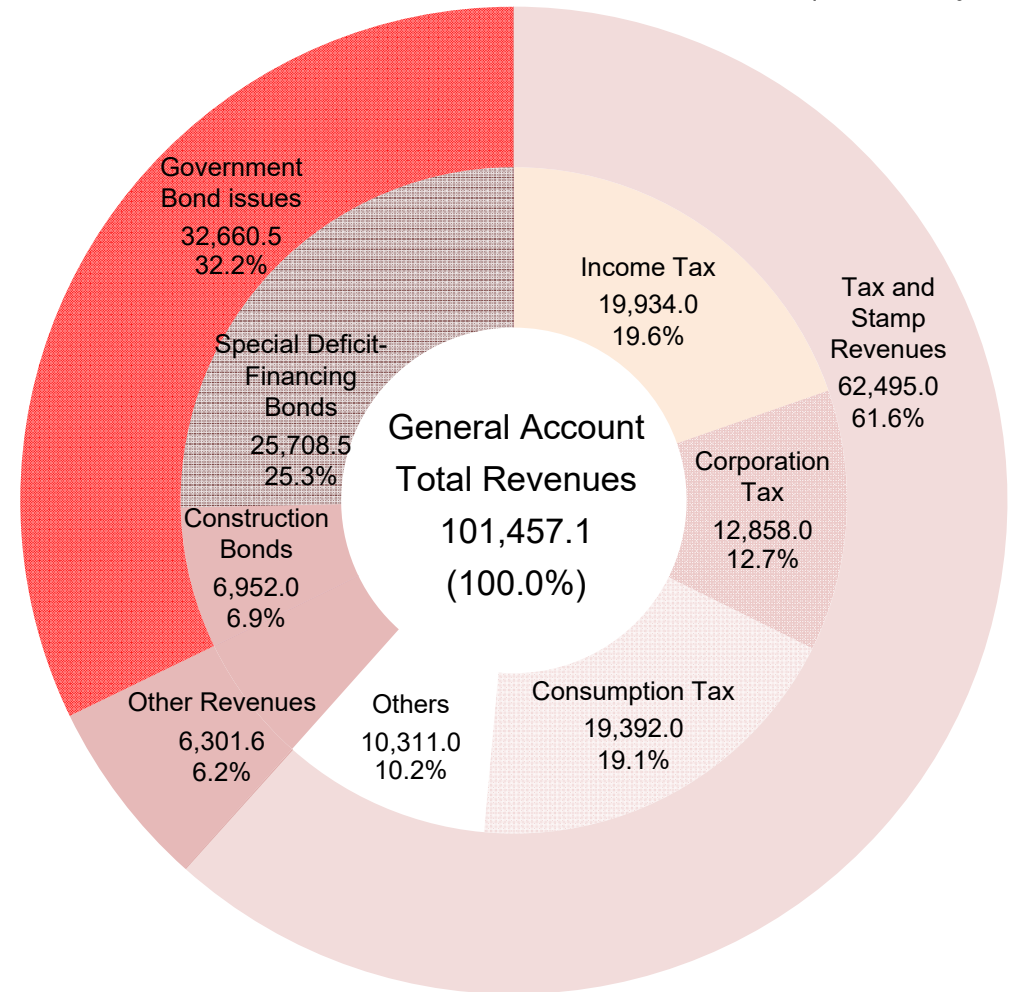
(Primary Expenses = General Account Total Expenditure – National Debt Service)

General Expenditure: 61,963.9 (61.1%)

(General Expenditure = Primary Expenses – Local Allocation Tax Grants, etc.)

## General Account Revenue

(Unit : bn yen)



(Note 1) Figures include Temporal and Special Measures, amounting to 2,028.0 bn yen.

(Note 2) Figures may not add up to the totals due to rounding.

(Note 3) Social security related expenditures account for 55.0% of the general expenditure.



# FY2019 Budget: Major Expenditure Items (Excluding the Temporal and Special Measures)

(Unit: bn yen , unless otherwise stated)

Major Expenditure Items	FY2018 Budget (Initial)	FY2019 Budget	Change (FY2018 to FY2019)	% Change (FY2018 to FY2019)
<b>General Expenditure</b>	58,895.8	59,935.9	+1,040.1	+1.8%
Social Security	32,988.2	33,991.4	+1,003.1	+3.0%
Education and Science	5,351.2	5,382.4	+31.1	+0.6%
of which Science	1,317.5	1,337.8	+20.4	+1.5%
Former Military Personnel Pensions	250.4	209.7	-40.7	-16.2%
National Defense	5,191.1	5,206.6	+15.5	+0.3%
Public Works	5,978.9	6,059.6	+80.7	+1.3%
Economic Assistance	508.9	502.1	-6.8	-1.3%
o/w Official Development Assistance	553.8	556.6	+2.7	+0.5%
Promotion of SMEs	177.1	174.0	-3.1	-1.8%
Energy	918.6	910.4	-8.2	-0.9%
Food Supply	992.4	981.6	-10.8	-1.1%
Miscellaneous	6,188.8	6,018.1	-170.7	-2.8%
Contingency Reserve	350.0	500.0	+150.0	+42.9%
<b>National Debt Service</b>	23,302.0	23,508.2	+206.2	+0.9%
<b>Local Allocation Tax Grants, etc.</b>	15,515.0	15,985.0	+470.1	+3.0%
<b>Total</b>	<b>97,712.8</b>	<b>99,429.1</b>	<b>+1,716.3</b>	<b>+1.8%</b>

(Note1) FY2018 budget is reclassified for proper comparison with FY2019.

(Note2) Figures may not add up to the totals due to rounding.

(Note3) General expenditure = Total expenditure in central government's general account – National debt service – Local allocation tax grants.

# FY2019 Budget: Major Expenditure Items

(Unit: bn yen , unless otherwise stated)

Major Expenditure Items	FY2018 Budget (Initial)	FY2019 Budget	FY2019 Budget		Change (FY2018 to FY2019)	Ordinary
			Ordinary	Temporal and Special Measures		
<b>General Expenditure</b>	58,895.8	61,963.9	59,935.9	2,028.0	+3,068.0	+1,040.1
Social Security	32,988.2	34,059.3	33,991.4	67.9	+1,071.0	+1,003.1
Education and Science	5,351.2	5,602.5	5,382.4	220.1	+251.3	+31.1
of which Science	1,317.5	1,359.7	1,337.8	21.9	+42.3	+20.4
Former Military Personnel Pensions	250.4	209.7	209.7	-	-40.7	-40.7
National Defense	5,191.1	5,257.4	5,206.6	50.8	+66.3	+15.5
Public Works	5,978.9	6,909.9	6,059.6	850.3	+931.0	+80.7
Economic Assistance	508.9	502.1	502.1	-	-6.8	-6.8
o/w Official Development Assistance	553.8	556.6	556.6	-	+2.7	+2.7
Promotion of SMEs	177.1	179.0	174.0	5.0	+1.9	-3.1
Energy	918.6	976.0	910.4	65.6	+57.4	-8.2
Food Supply	992.4	982.3	981.6	0.7	-10.1	-10.8
Miscellaneous	6,188.8	6,785.6	6,018.1	767.5	+596.8	-170.7
Contingency Reserve	350.0	500.0	500.0	-	+150.0	+150.0
<b>National Debt Service</b>	23,302.0	23,508.2	23,508.2	-	+206.2	+206.2
<b>Local Allocation Tax Grants, etc.</b>	15,515.0	15,985.0	15,985.0	-	+470.1	+470.1
<b>Total</b>	97,712.8	101,457.1	99,429.1	2,028.0	+3,744.3	+1,716.3

(Note1) FY2018 budget is reclassified for proper comparison with FY2019.

(Note2) Figures may not add up to the totals due to rounding.

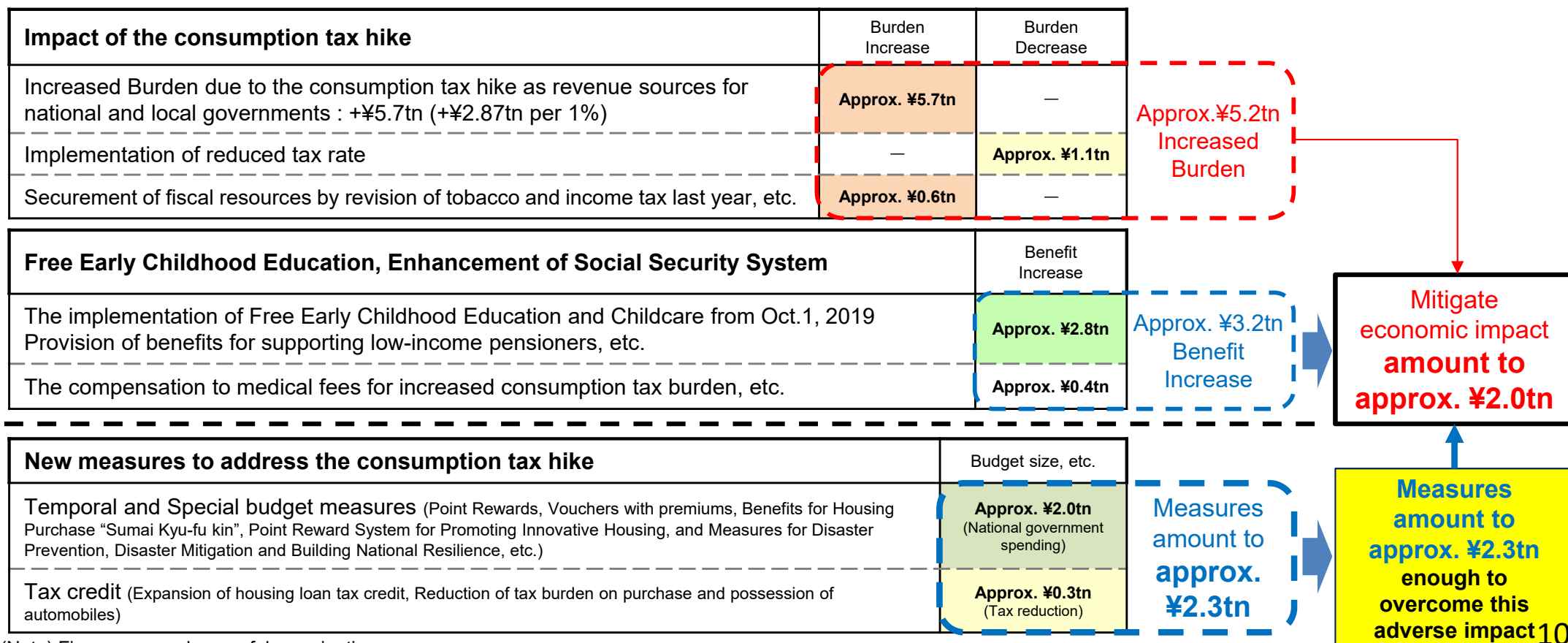
(Note3) General expenditure = Total expenditure in central government's general account – National debt service – Local allocation tax grants.

## Basic Concept

- The consumption tax rate is scheduled to be increased by 2% from the current 8% to 10% on Oct 1, 2019 as stipulated by law.
- Based on the previous experience with the past consumption tax hike by 3%, mobilize a range of measures and make every effort to ensure that the tax hike will not affect the trend of economic recovery.
  - (1) Combine measures in a well-balanced manner according to their sizes and timing of implementation throughout the FY2019/FY2020 budgets, including “Temporal and Special Measures”, and firmly maintain fiscal discipline as a whole
  - (2) Clarify the objectives of each measure,
  - (3) Implement measures with sufficient consideration on their values for future and economic structural reforms
- Provide clearly understandable information on the importance of consumption tax hike and the details of mitigating measures, etc.

## Impact of the consumption tax hike

Economic impact of this consumption tax hike is estimated to be **approx. ¥2.0tn**, suppressed by mitigating measures such as free early childhood education, etc. New measures, amounting to **approx. ¥2.3tn**, are prepared enough to overcome this adverse impact.



(Note) Figures are under careful examination.

# Enhancement of Social Security System along with consumption tax hike ,etc.

Public spending +¥811.0bn (National government spending +¥715.7bn\*1)

〔Major Policies〕	Public spending	National government Spending
<input type="radio"/> <b>Free Early Childhood Education and Childcare</b> • Free use of kindergartens, nursery centers and certified daycare centers for all children at the age of 3-5 and those at the age of 0-2 raised by households being exempted from municipal inhabitant tax, starting from Oct. 2019	+¥388.2bn	+¥388.2bn*2
<input type="radio"/> <b>Improvement of working conditions for long-term care workers</b> • Raise average wages for certified care workers serving for more than 10 years to amount to ¥80,000 per month by amending calculating basis, starting from Oct. 2019	+¥42.1bn	+¥21.3bn
<input type="radio"/> <b>Elimination of childcare placement waiting list</b>		
<ul style="list-style-type: none"> <li>• Expansion of the provision of childcare Offer 320,000 childcare places by the end of FY2020 by accelerating “the Plan for Raising Children with Peace of Mind” (increase of nursery operation expenses) * additional ¥100bn is funded by Entrepreneur-Donated Subsidy</li> </ul>	+¥33.0bn	+¥16.3bn
<ul style="list-style-type: none"> <li>• Improvement of working conditions for childcare workers Raise wages by 1% (amount to ¥3,000 per month), starting from Apr. 2019</li> </ul>	+¥20.6bn	+¥10.3bn
<input type="radio"/> Provision of <b>benefits for supporting low-income pensioners</b> [base amount ¥60,000/year (¥5,000/month)] (starting from Oct.2019)	¥185.9bn	¥185.9bn
<input type="radio"/> Further <b>burden reduction of long-term care insurance contributions</b> for the low-income elderly (generally from Oct.2019)	¥65.4bn	¥32.7bn
<input type="radio"/> <b>Expansion of the “fund for comprehensive securement of regional medical and long-term care”</b> for achievement of the “Community Healthcare Vision”	¥10.0bn (for medical care) ¥10.0bn (for long-term care)	¥6.7bn ¥6.7bn
<input type="radio"/> <b>Establishment of the “Fund for promoting medical ICT”</b> (assumed name) for building the efficient medical care provision system by standardization of electronic health record and introduction of online qualification check, etc.	¥30.0bn	¥30.0bn
<input type="radio"/> <b>Promotion of social child-rearing</b> such as compacting, regional decentralization and sophistication of foster homes	¥5.8bn	¥2.9bn

\*1,2 These amounts include temporary grants for children and child-rearing (assumed name) amount to **¥234.9bn** along with making the whole expenses for the first year of free early childhood education and childcare to be national spending. The amount of increase in social security expenditure for enhancement of social security system excluding these grants is **+¥480.8bn** for public spending, **+¥153.2bn** for national government spending.

(Note) Besides above, regarding consumption tax hike, revising the special measure to reduce insurance premiums (per capita) under the medical insurance system for the elderly aged 75 or over and subsidizing local governments’ operational and system renovation costs for free early childhood education and childcare in FY2019.

# Measures for the consumption tax hike

## 《Temporal and Special Measures》 (National government spending: ¥2,028.0bn)

### Point Reward to Consumers via Small and Medium-sized Retail Businesses, etc. (¥279.8bn)

For limited **9 months** from October 2019 to June 2020 before the Tokyo 2020 Olympic and Paralympic Games, supporting by rewarding **5% (or 2%)** if consumers do cashless payment at small and medium-sized retail businesses, etc.

### Vouchers with premiums for the Low-income and Child-rearing Households (¥172.3bn)

Issuing and selling vouchers with premiums valid for **six months after October 2019** to **low-income people** (excluding public assistance recipients) and **the households raising children at the age of 0-2 (5,000 yen fiscal support per capita)**

### Budgetary Measures for Housing Purchasers, etc.

#### 【Benefits for Housing Purchase “Sumai Kyu-fu kin”】 (¥78.5bn)

Regarding “Sumai Kyu-fu kin”, which targets the income group that housing loan tax deduction is less effective, **expanding the targeted income range** and **increasing** the maximum amount of benefit from 300,000 to **500,000 yen** after October 2019

#### 【Promoting Innovative Housing】 (¥130.0bn)

**Rewarding points** for a limited period to **constructing** and **restoring** houses with a **certificated performance of energy-saving, earthquake-resistance, barrier-free and easing burdens of housekeeping and nursing** (Rewarding points worth 300,000 yen basically for newly built houses)

### Measures for Disaster Prevention, Disaster Mitigation and Building National Resilience (¥1,347.5bn\*)

Implementing measures on “**Three-year Emergency Response Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience**”, reflecting “Emergency Inspection of Critical Infrastructure”, intensively for 3 years from FY2018.

\* **National Government Spending. The whole spending**, including the Second Supplementary Budget for FY2018, amounts to **¥2.4tn**. By contrast, **the size of the projects for 3 years** until FY2020 amounts to **approx. ¥7.0tn**.

, etc.

\* Beside above, following tax measures will be implemented: (1) Implementation of reduced tax rate (Revenue decrease: -¥1.1tn (Note: fiscal resources amount to approx. ¥0.6tn is secured by the revision of tobacco and income tax last year, etc.)), (2) Support for purchaser of durable consumer goods (car, housing) (Revenue decrease: approx. -¥0.3tn) (each amount is national and local government based)

# Disaster prevention, disaster mitigation, building national resilience

Based on “**Three-year Emergency Response Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience**” (Cabinet Decision in December 14, 2018), reflecting “Emergency Inspection of Critical Infrastructure”, implement 160 urgent measures intensively for 3 years until FY2020

⇒ Utilize the Second Supplementary Budget for FY2018 as well as FY2019/FY2020 Temporal and Special Measures (**FY2019 “Temporal and Special Measures” : ¥1,347.5bn\***)

\* **National Government Spending. The whole spending**, including the Second Supplementary Budget for FY2018, amounts to **¥2.4tn**.  
By contrast, **the size of the projects for 3 years** until FY2020 amounts to **approx. ¥7.0tn**.

## 《Concrete Measures》

### Disaster prevention/mitigation of infrastructure such as river and erosion-control facilities and roads, etc. [D][L] (¥715.3bn)[¥618.3bn]

Implement tree removal, excavation and levee enhancement along rivers as well as development of erosion-control dam, slope protection in roads and fill dirt construction for preventing landslide disasters. Beside, create hazard maps for flood and landslide disasters

### Disaster prevention/mitigation for reservoirs, ground-reinforcement equipment, forests and fishery ports, etc. [D][L](¥120.7bn)[¥93.8bn]

Implement improvement/repair and integration/abolition of disaster prevention reservoirs, establishment of ground-reinforcement equipment, forest thinning and shoring up facilities in fishery ports. In addition, create simulation maps of flood areas with reservoirs collapsing

### Measures for water supply facilities to be earthquake-resistant [L](¥25.9bn)[¥6.6bn]

Support for making water supply facilities earthquake-resistant that are in danger of water suspension or cutoff in earthquake hitting

### Emergency measures to improve police facilities [D][L](¥12.4bn)[¥54.5bn]

Implement spare-battery replacement of traffic signals for preventing vanished light and reconstruction/earthquake-resistance of police facilities

### Emergency measures for disaster-related equipment for Self-Defense Forces [D](¥50.8bn)[¥13.1bn]

Prepare disaster-related equipment needed for disaster relief operation

### Emergency infrastructure measures for disaster prevention/mitigation of school facilities and improvement of observation networks of earthquakes and tidal waves [D](¥151.8bn)[¥69.8bn]

Promote earthquake-resistance of school facilities, which are places for children/students to learn. Improve observation networks of submarine earthquakes and tidal waves for quick evacuation from tidal waves

### Emergency measures for Electric infrastructures [L](¥32.9bn)[¥12.5bn]

Support bases of regenerated energy suppliers and convenience stores that will be places for supporting lives in case of disaster by introducing private power generator, storage batteries and power saving equipment which will be active at the midst of it

### Emergency measures for refineries/oil terminals [L](¥13.4bn)[¥8.4bn]

Support development and enhancement of emergency equipment for power generation. Improve earthquake-resistance and resilience

### Measures disaster base hospitals to be earthquake-resistant [D](¥7.5bn)[¥4.3bn]

Support for improving earthquake-resistance in disaster base hospitals without it and ones with especially low performance of it and their extension of private power generator for emergency

\*1 ( ) shows FY2019 budget, [ ] shows the 2<sup>nd</sup> supplementary budget for FY2018

\*2 [D] corresponds for “Maintenance of the Critical Infrastructures for Disaster Prevention” and [L] corresponds for “Maintenance of the Critical Infrastructures for supporting Economy and the People’s lives” in “Emergency Response Plan” **13**

# Prioritization and streamlining of policies in FY2019 budget

## 《Policy extension by ensuring permanent fiscal resources》

### 〔Extension of tourism policies for utilizing the revenues generated from the International Tourist Tax〕

- To achieve the target of 40 mil tourists from abroad to Japan in 2020, while utilizing **the increased revenues generated from the International Tourist Tax (+¥44.0bn)**, accelerate **the sophistication of migration procedures** adopting **face authentication gate**, the development of **the system** for international visitors such as **free Wi-Fi** and **multilingual guidance** and the **enhancement of sightseeing attractions** using **cultural assets** and **national parks**. (FY2019 : ¥50.0bn) 【MLIT, etc.】

### 〔Reforms of Radio spectrum system utilizing fiscal resources from revision of its usage fees〕

- To address the increased needs for Society 5.0 on radio spectrum use, including **realizing 5G in 2020**, raise its usage fees (+¥13.0bn), develop **the radio-use infrastructure** supporting sophisticated wireless system, **investigate the use condition** and **establish the technology of radio frequency sharing** for its efficient utilization (FY2019 : ¥74.7bn) 【MIC】

## 《Prioritization and streamlining through system revision, etc.》

### 〔Streamlining and Optimization of improvement of defense capability〕

- Realize ¥415.9bn cost-suppression effect by optimizing the overall procurement for defense equipment, such as **long-term contracts**, **utilizing consumer products** and **reviewing its face cost**, etc. 【MoD】

### 〔Individualization of fiscal support for public works in the field of disaster prevention and mitigation〕

- To promote prioritized projects for disaster prevention and mitigation, convert supporting method for local governments of subsidy distribution to **the systematic and intensive support to each project** (¥150.0bn) 【MLIT】

### 〔Promotion of farmland consolidation〕

- Regarding the cooperation fund for farmland consolidation, prioritize the objective of **supporting borrowers to improve productivity** over the one of gathering farmlands from lenders (¥16.8bn) 【MAFF】

### 〔Revision of the teacher allocation system〕

- To realize higher-quality English education, introduce **the system allocating English-dedicated teachers** as reference to **the ratio of certain-skilled English teachers** to the new-hired. 【MEXT】

## Overview of the second supplementary budget for FY2018

Expenditures		Revenues	
1 . Disaster prevention, disaster mitigation and building national resilience	¥1,072.3bn	1 . Tax Revenue	¥849.0bn
2 . Measures to strengthen agricultural, forestry and fishery industries to address with early enactment of TPP agreement, etc.	¥325.6bn	2 . Non-tax Revenue	¥139.3bn
3 . Support for small and medium-sized enterprises (SMEs)	¥206.8bn		
4 . Countermeasures for other urgent challenges	¥1,430.4bn		
(1) Ensuring security and safety in the people's living	751.2bn		
(2) Recovery from disasters, etc.	213.6bn		
(3) Others	465.6bn		
Sub-total	¥3,035.1bn	3 . Surplus from the previous fiscal year	¥713.1bn
5 . Transfer of funds to the special account for the Government Bonds Consolidation Fund	¥454.7bn		
6 . Local Allocation Tax Grants, etc.	¥510.8bn	4 . Government Bond Issues	¥1,008.2bn
7 . Reduction in previously approved expenses	-¥1,290.9bn	(1) Increase in Construction Bonds	¥1,308 .2bn
(1) National Debt Service	-¥1,015.4bn	(2) Decrease in Special Deficit-Financing Bonds	-¥300.0bn
(2) Others	-¥275.6bn		
Total	¥2,709.7bn	Total	¥2,709.7bn



# Overview of Expenditure of the second supplementary budget for FY2018 (1/2)

## **1 Disaster prevention, disaster mitigation and building national resilience ¥1,072.3bn**

(Measures to take into action quickly in the “Three-year Emergency Response Plan”)

- Emergency response plan for disaster prevention and mitigation of infrastructure such as river and erosion-control facilities and roads, etc. [¥618.3bn]
- Promoting earthquake-resistance of school facilities [¥61.1bn]
- Improvement in police’s equipment and communication infrastructure at the time of disasters [¥54.5bn]
- Improvement in fire authorities’ truck and equipment at the time of disasters [¥4.4bn]
- Building resilience of refineries and oil terminals [¥8.4bn]
- Earthquake-resistance measures for the Self-Defense Forces’ facilities, etc. [¥13.1bn]
- Support for introduction of power-regeneration and storage equipment to shelters, etc. [¥21.0bn] , etc.

## **2 Measures to strengthen agricultural, forestry and fishery industries to address with early enactment of TPP agreement, etc. ¥325.6bn**

- Further enlargement of farmland blocks [¥90.2bn]
- Assistance for capital investment for improving productivity in agriculture [¥40.0bn]
- Support for capital investment for strengthening profitability in livestock-raising and dairy-farming [¥56.0bn]
- Enhancement of processing facilities for accelerating competitiveness in timbers [¥39.2bn]
- Support for introduction of fishing vessels valuable for productivity improvement of fishery industries [¥20.1bn] , etc.

## **3 Support for small and medium-sized enterprises (SMEs) ¥206.8bn**

- Subsidies for manufacturing, ICT introduction and sustainability support [¥110.0bn]
- Support for business succession [¥5.0bn]
- Support for introduction of cashiers applicable to reduced tax rate [¥56.1bn] , etc.

## 4 Countermeasures for other urgent challenges ¥1,430.4bn

### (1) Ensuring security and safety in the people's living ¥751.2bn

- Ensuring operational condition and improving environment by enhancing barracks of Self-Defense Forces [¥386.7bn]
- Improvement of nursery centers, etc. [¥42.0bn]
- Support for start-up expenses for free early childhood education and childcare [¥31.6bn]
- Establishment of strategic coast guard system [¥28.2bn]
- Development of information-gathering satellites [¥16.7bn] , etc.

### (2) Recovery from disasters, etc. ¥213.6bn

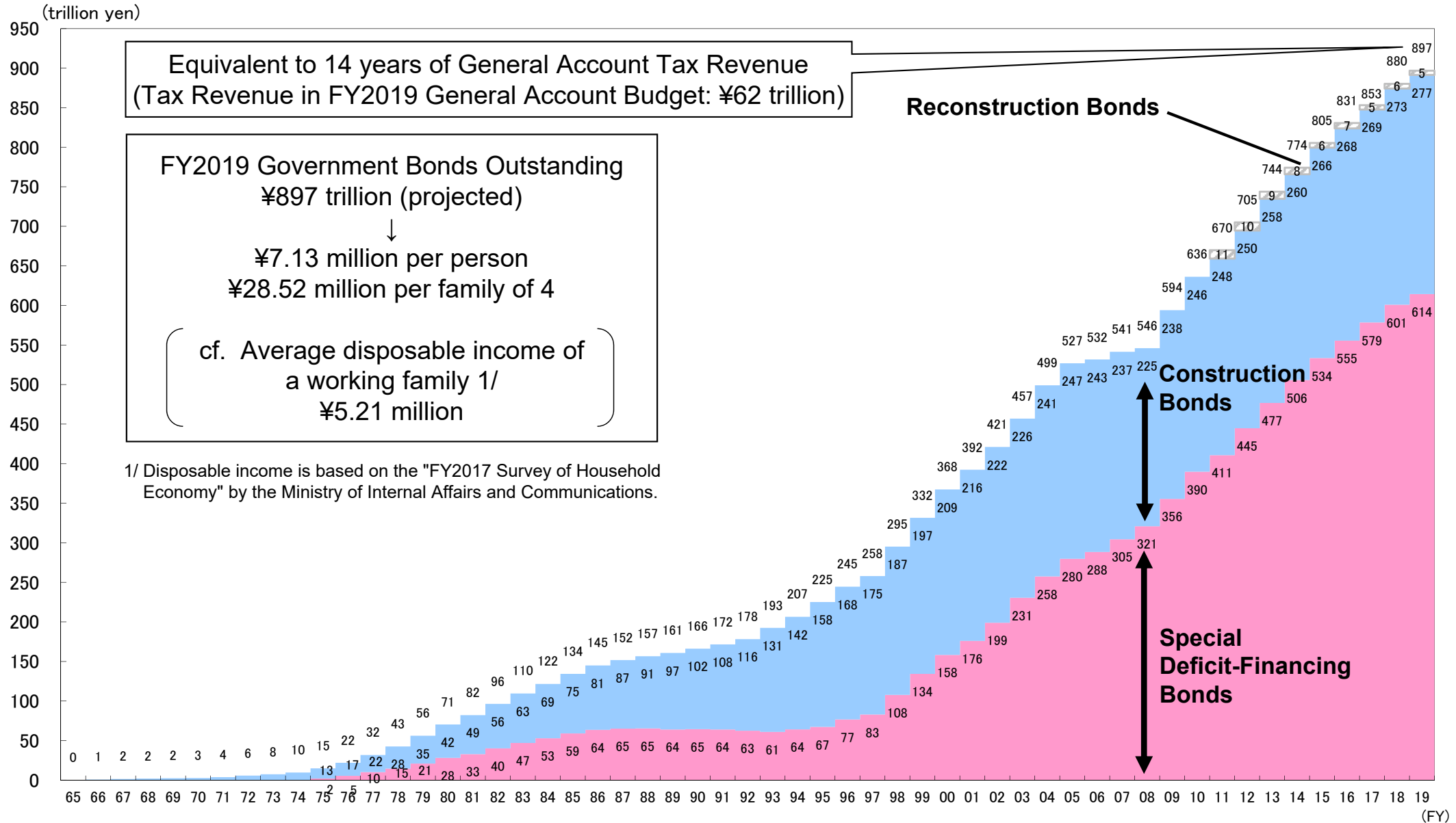
- Disaster recovery projects for public civil engineering facilities, etc. [¥137.4bn]
- Reconstruction of agricultural Greenhouses, machines and facilities [¥21.6bn]
- Disaster restoration of school facilities, etc. [¥13.3bn]
- Construction of disaster public housings [¥4.1bn] , etc.

### (3) Others ¥465.6bn

- International financial contributions and donations [¥131.9bn]
- Impulsing PARadigm Change through disruptive Technologies program (ImPACT) [¥100.0bn]
- Establishment of bases for vitalizing local economies [¥60.0bn]
- Research and Development of medicines, etc. [¥25.0bn]
- Transition to the production phase toward post-"K computer" [¥20.9bn] , etc.

## ■ Additional Expenditure ¥3,035.1bn

# Accumulated Government Bonds Outstanding



(Note1) FY1975 - FY2017: Settled Figures; FY2018: Estimated Figures, FY2019: Based on Draft Budget

(Note2) Special Deficit-Financing Bonds Outstanding includes refunding bonds for long-term debts transferred from JNR Settlement Corporation, the National Forest Service, etc., Ad-hoc Special Deficit-Financing Bonds, Tax reduction-related Special Deficit-Financing Bonds and Pension-related Special Deficit-Financing Bonds.

(Note3) Government Bonds Outstanding includes Reconstruction Bonds issued (FY2011: in General Account, after FY2012: in Special Account for Reconstruction from the Great East Japan Earthquake) as a source of funds to implement the measures for the reconstruction from the Great East Japan Earthquake in FY2011- FY2019 (FY2011: 10.7 trillion yen, FY2012: 10.3 trillion yen, FY2013: 9.0 trillion yen, FY2014: 8.3 trillion yen, FY2015: 5.9 trillion yen, FY2016: 6.7 trillion yen, FY2017: 5.5 trillion yen, FY2018: 6.0 trillion yen, FY2019: 5.4 trillion yen)

(Note4) The estimate of FY2019 excluding front-loading issuance of refunding bonds is approximately 844 trillion yen.

# Long-Term Debt Outstanding of Central and Local Governments

(Unit: trillion yen)

	FY1998	FY2003	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
	<Actual>	<Actual>	<Actual>	<Actual>	<Actual>	<Actual>	<Actual>	<Actual>	<Actual>	<Actual>	<Actual>	<Estimated>	<Draft Budget>
Central Government	390 ( 387 )	493 ( 484 )	621 ( 613 )	662 ( 645 )	694 ( 685 )	731 ( 720 )	770 ( 747 )	800 ( 772 )	834 ( 792 )	859 ( 815 )	881 ( 832 )	909 ( 854 )	928 ( 875 )
General Bonds	295 ( 293 )	457 ( 448 )	594 ( 586 )	636 ( 619 )	670 ( 660 )	705 ( 694 )	744 ( 721 )	774 ( 746 )	805 ( 764 )	831 ( 786 )	853 ( 805 )	880 ( 825 )	897 ( 844 )
Percentage of GDP	56% ( 56% )	88% ( 87% )	121% ( 119% )	127% ( 124% )	136% ( 134% )	143% ( 140% )	147% ( 142% )	149% ( 144% )	151% ( 143% )	155% ( 147% )	156% ( 147% )	159% ( 149% )	158% ( 149% )
Local Governments	163	198	199	200	200	201	201	201	199	197	196	196	194
Percentage of GDP	31%	38%	40%	40%	41%	41%	40%	39%	37%	37%	36%	35%	34%
Total	553 ( 550 )	692 ( 683 )	820 ( 812 )	862 ( 845 )	895 ( 885 )	932 ( 921 )	972 ( 949 )	1001 ( 972 )	1,033 ( 991 )	1,056 ( 1012 )	1,077 ( 1028 )	1,105 ( 1050 )	1,122 ( 1069 )
Percentage of GDP	105% ( 105% )	134% ( 132% )	167% ( 165% )	173% ( 169% )	181% ( 179% )	189% ( 186% )	192% ( 187% )	193% ( 188% )	194% ( 186% )	197% ( 189% )	197% ( 188% )	200% ( 190% )	198% ( 189% )

(Note1) GDP: FY1990 - FY2017: Actual Figures, FY2018 and FY2019: Based on the Government Economic Outlook.

Central Government debt: FY1990 - FY2017: Actual Figures, FY2018: based on the Second Supplementary Budget, FY2019: draft budget.

Local Government debt: FY1990 - FY2017: Actual Figures, FY2018 and FY2019: based on Local Government Debt Plan, etc.

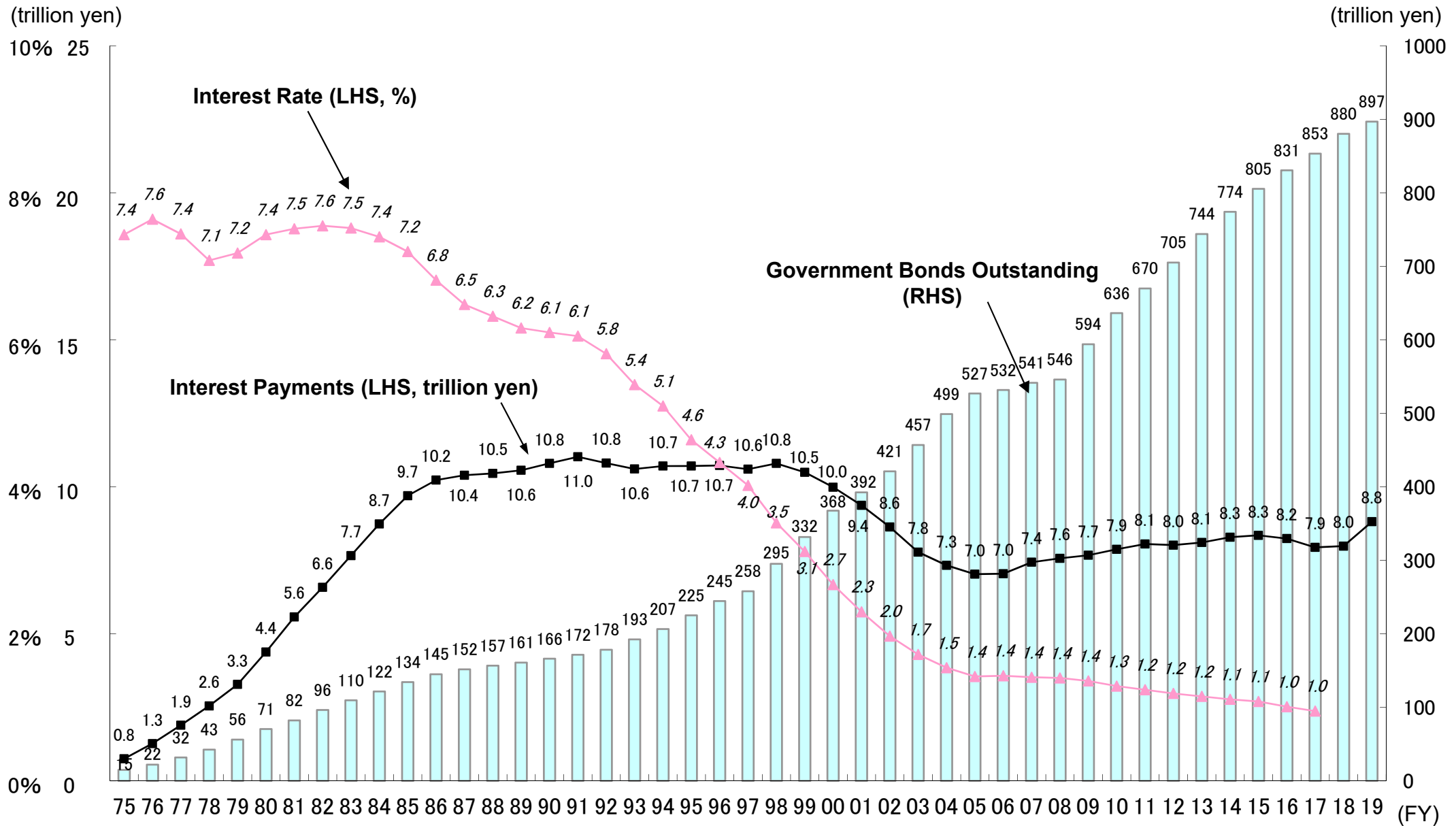
(Note2) Government Bonds Outstanding includes Reconstruction Bonds as a source of funds to implement the measures for the reconstruction from the Great East Japan Earthquake in FY2011- FY2019 (FY2011: 10.7 trillion yen, FY2012: 10.3 trillion yen, FY2013: 9.0 trillion yen, FY2014: 8.3 trillion yen, FY2015: 5.9 trillion yen, FY2016: 6.7 trillion yen, FY2017: 5.5 trillion yen, FY2018: 6.0 trillion yen, FY2019: 5.4 trillion yen) and Pension-related Special Deficit-Financing Bonds as a source of funds to achieve the targeted national contribution to one-half basic pension (FY2012: 2.6 trillion yen, FY2013: 5.2 trillion yen, FY2014: 4.9 trillion yen, FY2015: 4.6 trillion yen, FY2016: 4.4 trillion yen, FY2017: 4.1 trillion yen, FY2018: 3.9 trillion yen, FY2019: 3.6 trillion yen).

(Note3) Figures in parentheses (to FY2017) do not include front-loading issuance for refunding. Figures in parentheses (from FY2018) do not include front-loading limit of issuance for refunding.

(Note4) The borrowings in the Special Account for Local Allocation and Local Transfer Tax are shared by the central government and local governments in accordance with their shares of redemption. The amount of the borrowings outstanding incurred by the central government was transferred to the General Account at the beginning of FY2007, so that the borrowings outstanding in the Special Account since the end of FY2007 are the debt of the local governments (approx. 31 trillion yen in FY2019).

(Note5) Government Bonds Outstanding in the Special Account for Fiscal Investment and Loan Program are at approximately 92 trillion yen as of end-FY2019.

# Trends in Interest Payments and Interest Rate



(Note1) Interest Payments for FY1975 - FY2017: Settled Figures; FY2018: Based on the Second Supplementary Budget; FY2019: Based on Draft Budget.

(Note2) Government Bonds Outstanding for FY1975 - FY2017: Settled Figures, FY2018: Estimated Figures, FY2019: Based on Draft Budget.

Government Bonds Outstanding includes Reconstruction Bonds as a source of funds to implement the measures for the reconstruction from the Great East Japan Earthquake in FY2011 - FY2019 (FY2011: 10.7 trillion yen, FY2012: 10.3 trillion yen, FY2013: 9.0 trillion yen, FY2014: 8.3 trillion yen, FY2015: 5.9 trillion yen, FY2016: 6.7 trillion yen, FY2017: 5.5 trillion yen, FY2018: 6.0 trillion yen, FY2019: 5.4 trillion yen), and Pension-related Special Deficit-Financing Bonds as a source of funds to achieve the targeted national contribution to one-half basic pension (FY2012: 2.6 trillion yen, FY2013: 5.2 trillion yen, FY2014: 4.9 trillion yen, FY2015: 4.6 trillion yen, FY2016: 4.4 trillion yen, FY2017: 4.1 trillion yen, FY2018: 3.9 trillion yen, FY2019: 3.6 trillion yen).

# International Comparison of General Government Gross Debt

	(%)								
CY	2004	2005	2006	2007	2008	2009	2010	2011	
Japan	171.7	176.8	176.4	175.4	183.4	201.0	207.9	222.1	
U.S.	66.2	65.6	64.3	64.8	73.8	86.9	95.5	99.9	
U.K.	38.6	39.8	40.7	41.7	49.7	63.7	75.2	80.8	
Germany	64.8	67.0	66.5	63.7	65.2	72.6	80.9	78.6	
France	65.9	67.4	64.6	64.5	68.8	83.0	85.3	87.8	
Italy	100.1	101.9	102.6	99.8	102.4	112.5	115.4	116.5	
Canada	72.1	70.9	70.1	66.8	67.8	79.3	81.1	81.5	

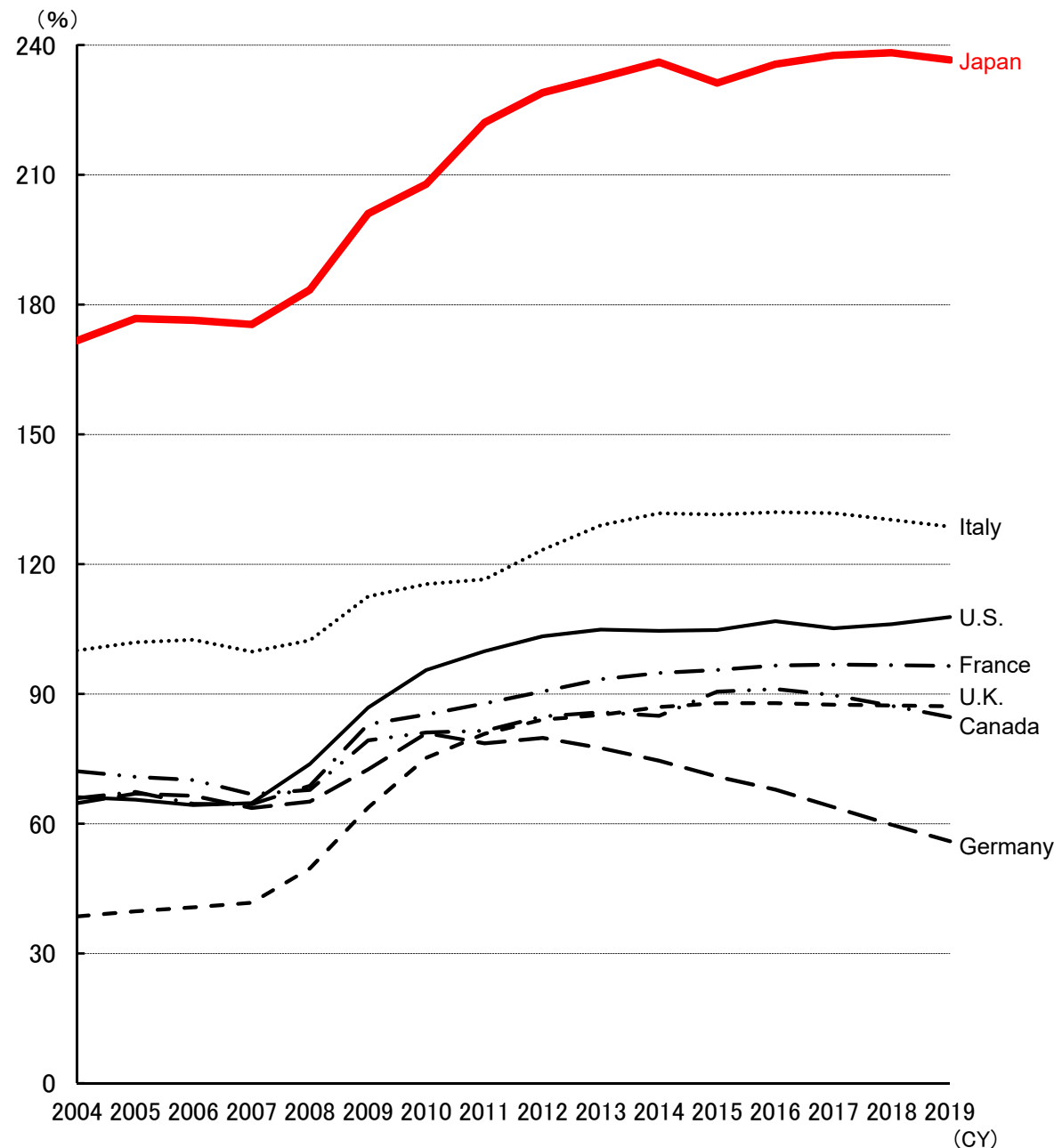
CY	2012	2013	2014	2015	2016	2017	2018	2019
Japan	229.0	232.5	236.1	231.3	235.6	237.6	238.2	236.6
U.S.	103.3	104.9	104.6	104.8	106.8	105.2	106.1	107.8
U.K.	84.1	85.2	87.0	87.9	87.9	87.5	87.4	87.2
Germany	79.8	77.5	74.6	70.9	67.9	63.9	59.8	56.0
France	90.6	93.4	94.9	95.6	96.6	96.8	96.7	96.5
Italy	123.4	129.0	131.8	131.5	132.0	131.8	130.3	128.7
Canada	84.8	85.8	85.0	90.5	91.1	89.7	87.3	84.7

(Source) IMF "World Economic Outlook Database" (October 2018).

(Note1) Figures represent the general government-based data.

(Note2) FY2019 draft budget data is not reflected.

(Note3) Figures for Japan: FY2004-2016 are Settled Figures; and FY2017-2019 are Estimated Figures. Figures for other countries: FY2004-2017 are Settled Figures; and FY2018-2019 are Estimated Figures.



# International Comparison of General Government Net Debt

	(%)								
CY	2004	2005	2006	2007	2008	2009	2010	2011	
Japan	95.2	96.4	95.4	97.6	108.5	122.7	131.1	142.4	
U.S.	47.8	46.5	45.0	44.9	51.7	62.7	70.0	76.5	
U.K.	34.7	35.8	36.3	36.6	43.9	57.0	68.1	72.5	
Germany	54.5	56.9	55.8	52.9	52.6	59.4	60.9	59.2	
France	56.8	59.0	58.1	58.1	59.8	69.7	73.6	76.4	
Italy	92.6	93.4	94.2	92.1	94.1	102.8	104.7	106.8	
Canada	32.4	28.4	25.5	22.1	18.4	24.4	26.8	27.1	

CY	2012	2013	2014	2015	2016	2017	2018	2019
Japan	146.7	146.4	148.5	147.6	152.8	154.9	155.7	154.8
U.S.	80.3	80.8	80.4	80.1	81.2	78.8	77.7	77.9
U.K.	75.5	76.8	78.8	79.3	78.8	77.9	78.0	77.6
Germany	58.4	57.6	54.1	51.1	48.2	44.9	41.5	38.3
France	80.0	83.0	85.5	86.4	87.5	87.5	87.4	87.2
Italy	111.6	116.7	118.9	119.5	119.5	119.5	118.3	117.0
Canada	28.3	29.3	28.0	27.7	28.5	27.7	27.7	27.2

(Source) IMF "World Economic Outlook Database" (October 2018).

(Note1) Figures represent the general government-based data.

(Note2) FY2019 draft budget data is not reflected.

(Note3) Figures for Japan: FY2004-2016 are Settled Figures; and FY2017-2019 are Estimated Figures. Figures for other countries: FY2004-2017 are Settled Figures; and FY2018-2019 are Estimated Figures.

