

Growth-Enhancing Fiscal Policy In Japan

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MACROECONOMIC CONTEXT

From demand support
to supply-side strengthening.

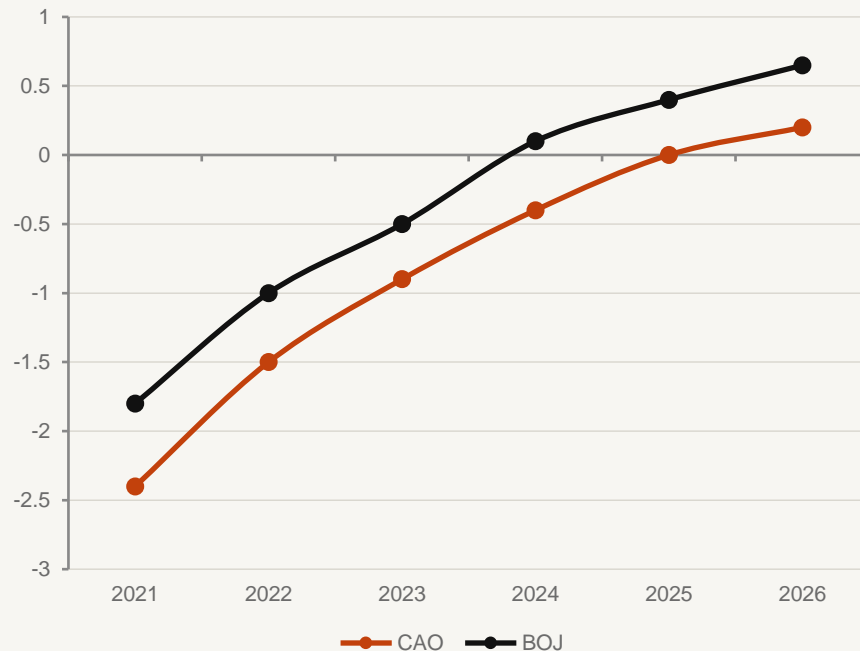
+0.2%

GDP gap — CAO estimate

+0.65%

GDP gap — BOJ estimate

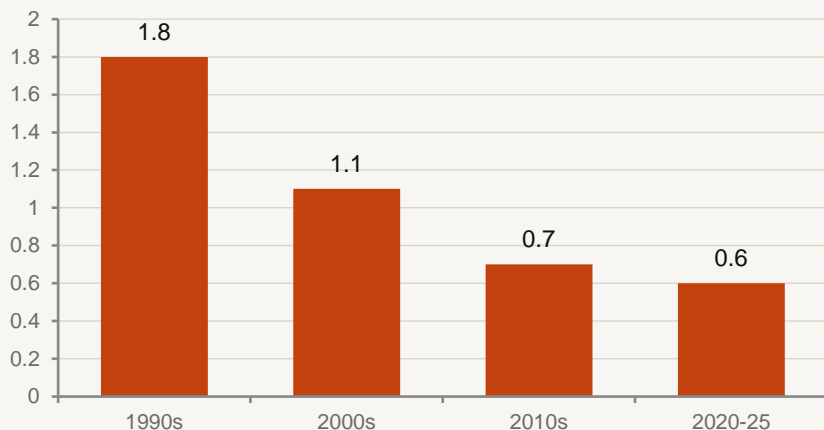
GDP GAP (%) — RECENT TREND



STRUCTURAL CHALLENGE

Potential growth remains below 1%.

POTENTIAL GROWTH RATE (%)



Raise potential growth through investment.

01

Declining labor input

Shrinking workforce; policy raises female and senior participation and skilled foreign inflows.

02

Weak capital accumulation

Weak capex since the 1990s; tax incentives and GX/AI co-financing aim to renew the capital stock.

03

Modest productivity growth

Slow TFP gains; DX subsidies, startup support, and regulatory reform target SME modernization.

MULTI-YEAR INVESTMENT FRAMEWORK

Blending fiscal and financial tools to crowd-in private capital.

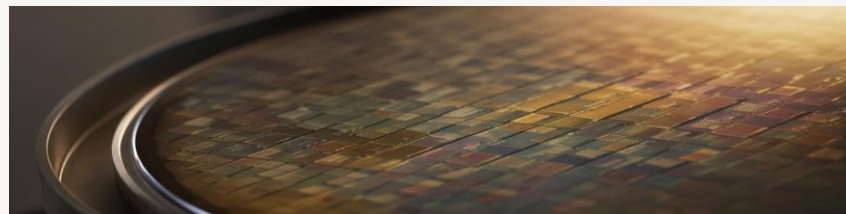


GX

Green Transformation

Anchored by GX Transition Bonds, with up to ¥20 trillion mobilized over ten years and repayment underwritten by carbon pricing and emissions trading revenues. The framework gives firms a credible, long-horizon price signal — enabling forward-looking investment in renewables, grids, hydrogen, and energy-efficient manufacturing while sharing transition risk between the public and private sectors.

GOAL Improve predictability and crowd-in private investment.



AI

AI & Semiconductors

More than ¥10 trillion in blended public support — combining grants, loan guarantees, and equity investment through JBIC, JIC, and policy-based financial institutions. Targeted at advanced-node fabrication, design ecosystems, and sovereign compute capacity, the framework treats semiconductors and AI as economic-security infrastructure and aims to anchor a resilient domestic technology supply chain.



EXPANDING STRATEGIC INVESTMENT

From two pillars to a broader strategic portfolio.

Initial focus

GX · AI

Now expanding

Crisis management · 17 strategic sectors

KEY INNOVATION

- Multi-year investment framework — locks in 5–10 year capital commitments for GX, AI, and economic-security sectors.
- Separate fiscal 'investment window' — ring-fences capital outlays from current spending and stabilises long-cycle funding.
- Linked to medium-term fiscal sustainability — aligned with primary-balance and debt-trajectory targets to preserve market credibility.

**CRISIS - MANAGEMENT INVESTMENT —
STRATEGIC SCOPE**

17 strategic sectors, 8 cross-cutting issues — one investment framework.

Selection criteria — economic, food, energy, and health-medical security plus national resilience; sectors where pre-emptive supply-side investment can secure strategic autonomy or extend Japan's strategic indispensability.

- Economic security & critical tech
- Defense & strategic industries
- Health, food & energy security
- Resilience & indispensability

17 STRATEGIC SECTORS

- | | |
|----------------------------|-----------------------------|
| 01 AI & Semiconductors | 10 Disaster Resilience |
| 02 Shipbuilding | 11 Drug Discovery & Medical |
| 03 Quantum | 12 Fusion Energy |
| 04 Synthetic Biology & Bio | 13 Critical Materials |
| 05 Aerospace | 14 Port Logistics |
| 06 Digital & Cybersecurity | 15 Defense Industry |
| 07 Content (Anime · Games) | 16 Telecom Infrastructure |
| 08 Food Tech | 17 Ocean (Marine Tech) |
| 09 Energy Security & GX | |

8 CROSS-CUTTING ISSUES

- | | |
|------------------------------|----------------------------|
| 01 Tech Sovereignty | 05 Labor Market Reform |
| 02 Human Capital | 06 Care & Childcare Burden |
| 03 Startups | 07 Wage-Growth Environment |
| 04 Finance & Capital Markets | 08 Cybersecurity |

GUIDING PHILOSOPHY

Pre-emptive supply-side investment against risks and social challenges — not reactive crisis response.

PRE-EMPTIVE

Strengthen supply capacity ahead of risks rather than reacting after a crisis hits.

MULTI-YEAR

Predictable, multi-year budget commitments to crowd-in private capex.

DUAL-SIDED

Supply-side support (subsidies, tax) plus demand-side levers (procurement, regulation).

RING-FENCED

Separate “investment window” within a declining debt-to-GDP trajectory.

CONCLUSION

From short-term stimulus to a structured, multi-year investment strategy.



FOCUS · 01

Strengthen supply capacity.

How to balance growth ambition with fiscal credibility?

FOCUS · 02

Build credible fiscal-investment frameworks.