



Current Fiscal Development in Japan

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1. Recession and Fiscal Deterioration

(% , % of GDP)

Indicators	Source of estimates	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2018
Real GDP Growth	OECD/E. Outlook Dec2008	2.4	2.1	0.5	-0.1	0.6		
	Cabinet Office Estimate Jan2008	2.3	1.3	2.0	(2.5)	(2.5)	(2.6)	
	Cabinet Office Estimate Jan2009	2.3	1.9	-0.8	0.0	(1.4)	(2.1)	(1.0)
GG Fiscal Balance	OECD/E. Outlook Dec2008	-1.4	-2.4	-1.4	-3.3	-3.8		
	Cabinet Office Estimate Jan2008	-1.0 [-3.3]	-2.8	-1.1 [-3.0]	(-2.8)	(-2.6)	(-2.6)	
	Cabinet Office Estimate Jan2009	-1.0 [-3.3]	-3.0	-3.6 [-5.8]	-6.1 [-6.9]	(-5.5) [-6.2]	(-5.7)	(-5.3)
GG Primary Balance (ex.SS)	Cabinet Office Estimate Jan2008	0.7 [-1.7]	-0.7	1.4 [-0.5]	(-0.8)	(-0.7)	(-0.5)	
	Cabinet Office Estimate Jan2009	0.5 [-1.8]	-1.3	-1.2 [-3.4]	-3.4 [-4.2]	(-3.3) [-4.0]	(-3.5)	(-2.5)

1. OECD figures: not fiscal year but calendar year.

2. []:balance excluding one-off measures from the above(This is transfer from outside GG sector)

3. ():estimates based on a scenario which includes some policy changes such as expenditure cuts and increase in subsidy for Basic Pension.

2. General Account Budget for FY2008 & 09

(Trillion yen)

	FY2008 released in Dec2007	FY2008 Supplementary passed in Oct2008 and Jan2009 (twice)	FY2009 released in Dec2008
Total expenditure	83.1	+5.9 (+ 7.1%)	-0.4
Revenue - Tax	53.6	-7.1 (- 13.3%)	-0.3
Debt	25.3	+7.8 (+ 30.9%)	+0.1
Others	4.2	+5.2 (+123.9%)	-0.2

1. Fiscal year 2009 starts from April 2009.
2. Figures for FY2008: initial budget, nominal value
(1 trillion yen = US\$11 billion)
Figures for FY2008 Sup.: change in value from FY2008 initial
Figures for FY2009: change in value from FY2008 Sup.
3. Others: mainly from special accounts' reserve (which is classified as "public corporations", outside GG sector)



3. Economic Stimulus and Financing

FY2008 Supplementary Budgets

1. Cash benefit for everyone : 2.0 trillion yen
(64,000 yen (US\$700) for a family with two kids)
2. Additional spending for social welfare services: 0.9 t.yen
Small enterprises: 1.0 t.yen, Housing & development: 1.7 t.yen
3. Financing by transfer from special account's reserve : 4.2 t. yen

FY2009 Budget

1. Almost no substantial change in the total resource, but with reallocation and change of financing
2. Additional subsidy 2.3 t.yen for Basic Pension, finance by transfer from special account's reserve (subsidy ratio:1/3 to 1/2)
3. Spending cuts by efficiency gains
4. Special measures for financial institutions (capital injections)
: the total available resources 30 trillion yen

4. Fiscal Consolidation and Future Prospect

Current fiscal consolidation plan

1. Set out in 2006
2. Achieve primary surplus in terms of general government excluding social security by FY2011
3. Assume 3% nominal economic growth, expenditure cuts (11.4 – 14.3 trillion yen) and revenue increase (2.2 – 5.1 t. yen)

Prospect and issues

1. Affected by the current economic shock, primary balance is expected to be into surplus in FY2018 at earliest assuming favorable recovery of world economy with many efforts including tax increases and expenditure cuts
2. Face with conventional problem of fiscal rules and targets, namely, how to cope with economic cycles and to strike a balance between flexibility and credibility