The Weekly Observer

July 20-24

YOUR WEEKLY RECAP OF POLITICAL DEVELOPMENTS IN JAPAN!

Honebuto and Growth Strategy Shifts Japan Toward Proactive Spending

On Tuesday, the GOJ adopted the **Basic Policy on Economic and Fiscal Management and Reform (*Honebuto*) and Growth Strategy.** The GOJ will designate FY 2027 as the **"first year of proactive responsible fiscal policy"** and, through subsidies, provide state-led support to help companies in growth sectors expand production capacity. The phrase **"fiscal consolidation" disappeared,** signaling a transition point in policy.

The **GOJ will provide subsidies aimed at expanding supply capacity** rather than providing relief. It will provide support to companies over **multiple fiscal years**, rather than limiting it to a single year, to create an environment that facilitates corporate capital investment. A new, effectively unlimited **"Investment Framework for a 'Strong and Prosperous Japan'"** will be established. Instead of focusing on single-year primary balance targets, the **GOJ will put an emphasis on steadily reducing the debt-to-GDP ratio,** expanding the economy while enhancing fiscal sustainability.

The **Growth Strategy** lays out specific numerical targets, such as reaching public-private investment of **over ¥370 trillion in the seventeen strategic sectors by FY 2040** to achieve a "strong economy."

The strategy identifies **AI, semiconductors, quantum technology, space, and next-generation energy** as the foundations that will support future growth. It aims for a growth rate of **over 3 percent** in nominal terms and **over 1 percent** in real terms.

The GOJ also adopted the **Regional Future Strategy** the same day, which outlines a plan to **create industrial clusters** across the nation around the seventeen strategic sectors. The GOJ plans to formulate a **"Strategic Industrial Cluster Plan"** based on large-scale investments by companies related to the seventeen strategic sectors.

THIS WEEK IN NUMBERS

Cabinet Approval

53% (-7 pts.)

35% (+8 pts.)

Asahi Shimbun (July 19)

State of the Economy

Trade Balance (June):
¥406.9 billion deficit
2nd consecutive month in deficit

Exports increased 19.3% to ¥10.93 trillion (10th consecutive month on the rise)

Imports increased 25.4% to ¥11.34 trillion (5th consecutive month on the rise)

Crude oil imports fell by 13.7% to 8.81 million kiloliters

Imports from the United States increased 459.5% to 2.72 million kiloliters (record high)