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Nation makes pivot to pre-COVID budget

Appetite for fiscal spending put to the test

◎Analysis

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KYODO

Japan has taken a baby step toward reducing its bloated budget to a pre-pandemic level, but fiscal spending pressures on the government may not ease any time soon.

A projected expansion of nominal gross domestic product beyond ¥600 trillion (\$4 trillion) for the first time may bring about the Bank of Japan's gradual shift toward policy normalization and higher debt-servicing costs.

It is a make-or-break moment for Prime Minister Fumio Kishida because he believes Japan is about to seize a chance to finally break with deflation. He has vowed to extend government support to ensure wage growth, a critical determinant in achieving that goal, and to strengthen key sectors that will be essential for Japan's longer-term growth.

The recent expulsion from key Cabinet and ruling party posts of close aides to former Prime Minister Shinzo Abe, the architect of the Abenomics policy mix designed to beat deflation with fiscal stimulus and monetary easing, also appears to be an opportunity for Kishida to depart from old policies and chart a new course.

But faltering public support for his Cabinet — and uncertainty over the economy, especially as recession concerns persist in the United States — will likely prevent him from reducing stimulus, analysts say.

“Ordinary people have just got used to the massive economic support from the height of the COVID era, a time when the government gave more than what the public would have asked for,” said Yuichi Kodama, chief economist at Meiji Yasuda Research Institute.

“Mr. Kishida was considered a fiscal hawk before he became prime minister,

but he is now the opposite. And there aren't people (around him) who drive home the need for fiscal discipline now,” Kodama said.

The Cabinet approved a ¥112.07 trillion draft budget for fiscal 2024, marking the first time in 12 years that spending has dropped from the year prior, though it is still the second-largest on record.

Debt-servicing costs are set to surge to a record ¥27.01 trillion despite the smaller budget, as the government now expects 10-year Japanese government bond yields to be at 1.9%, sharply higher than 1.1% this year.

The upward revision follows the BOJ's recent policy tweak over the benchmark yield, paving the way for it to reflect more fundamentals, such as accelerating inflation and economic growth.

Some analysts see 1.9% as “unrealistic,” because 10-year yields are expected to stay at around 1.0% at best by market players, even as they speculate that the BOJ will end its negative rate policy next year.

Higher yields would mean more costs for Japan to meet debt obligations, a critical factor when the nation's debt is already twice the size of the economy and the BOJ owns about half of the total after massive buying under its stimulus policy over the past decade or so.

“If the actual rate stays at lower levels than assumed, then the government can keep the surplus money for future use, in a supplementary budget or in defense spending,” said Takuya Hoshino, a senior economist at Dai-ichi Life Research Institute.

Hoshino argues that the government needs to detail how it plans to secure funding over the longer term, adding that it is “inevitable that the government will have to review the fiscal rehabilitation goal.”

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📷 SPREADING CHRISTMAS CHEER



Hundreds of people in Santa Claus outfits participate in an event to clean up litter and hand out gifts, in Tokyo on Friday. REUTERS

Amid scandal, largest LDP faction suspected of misusing funds for polls

KYODO

The largest faction of the ruling Liberal Democratic Party is suspected of having misappropriated revenue from fundraising parties to support Upper House election campaigns for years, a source familiar with the matter said Saturday.

The faction had allegedly returned to lawmakers running for House of Councilors elections all revenue from sales of fundraising tickets they sold for the group without declaring the income in political funds reports, intending to use them as secret funds, according to the source.

Prosecutors are looking into the matter as possible violations of the political funds control law, which requires an accountant to submit a report on income and expenditures.

Prime Minister Fumio Kishida's government has been roiled by the recent political funds scandal involving his party. According to allegations, LDP factions had traditionally set quotas for lawmakers on the sale of party tickets, and, in some groups, the extra funds were

passed back to them as a type of commission if they surpassed their targets.

The LDP's largest faction, previously led by former Prime Minister Shinzo Abe, allegedly failed to report the extra funds as income in the group's political funding reports and did not indicate that those funds were passed back to lawmakers as expenditures. Its lawmakers also did not report receiving the money.

It returned not only the extra funds but all ticket revenue to Upper House members in their election years, which come every three years for half of the seats of the chamber of Japan's bicameral legislature, the source said.

The measure was not applied to House of Representatives lawmakers whose elections are not held at fixed intervals, as the prime minister has the authority to dissolve the Lower House at any time to call a snap election.

The 99-member faction, which accounts for more than a quarter of the LDP's lawmakers, informed its members around the spring of 2022 that the faction would end the kickbacks, in line with Abe's intentions, according to the source.

But following Abe's assassination in July that year, the plan was withdrawn amid a backlash over the sudden policy change and in light of an upcoming Upper House election that month.

The most recent Upper House elections were in 2019 and 2022. Former trade minister Yasutoshi Nishimura served as faction secretary-general until August 2022 and was succeeded by former Diet affairs chief Tsuyoshi Takagi.

Slush funds at the faction are believed to have reached ¥500 million (\$3.5 million) over the five years to 2022, and any crimes of failure to declare items or make false statements in political funds reports during this period are still punishable, as the statute of limitations has not expired.

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The Japan Times, Ltd.

Only Tokyo expected to see growth in population

KYODO, Jiji

The population in all 47 prefectures — with the exception of Tokyo — is projected to fall from 2020 levels by the year 2050, a government estimate showed Friday.

Eleven prefectures will each see their population shrink by over 30%, while the number of residents in some 20% of all municipalities is expected to more than halve, according to the National Institute of Population and Social Security Research.

Japan's population is expected to fall 17% during the same period to 104.69 million, the research body of the health ministry added.

With some regions experiencing significant population decline likely to face difficulties in maintaining infrastructure and local governments due to reduced tax revenue and economic contraction, addressing the declining birthrate and concentration of people in Tokyo has become a matter of urgency.

Prefectures in northeastern Japan are projected to see the sharpest population declines, with Akita expected to experience a 41.6% drop to 560,000. Aomori and Iwate are projected to shrink 39% and 35.3%, respectively.

Meanwhile, Okinawa is expected to see the slowest pace of decline at 5.2%, followed by three prefectures bordering Tokyo — Kanagawa, Chiba and Saitama — at 7.7%, 9.5% and 9.7%, respectively.

Tokyo is the only prefecture whose population is projected to grow from 2020, increasing 2.5% to 14.40 million.

Those age 14 and under are expected to fall 30.8% nationwide, while 25 prefectures are forecast to have people age 65 and above account for over 40% of their population by 2050.

Akita Prefecture is also projected to have the highest proportion of elderly individuals nationwide, reaching 49.9%.

Tokyo is projected to have the lowest share at 29.6%.

Additionally, in 2050, the proportion of individuals age 75 or older is seen surpassing 20% in all prefectures except Tokyo.

The estimates, based on the 2020 census, track changes in Japan's population in five-year intervals for 30 years through 2050, categorized by prefecture, city, major city ward, town and village.

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Ukrainians defy Moscow with first Dec. 25 Christmas

KYIV
AFP-Jiji

Many Ukrainians will on Monday celebrate Christmas Day on Dec. 25 for the first time, after Kyiv changed the date from the Orthodox Church observance of Jan. 7 in a snub to Russia.

Ukraine passed a law in July moving the celebration to the day when most of the Christian world marks Christmas.

The law signed by President Volodymyr Zelenskyy noted that Ukrainians wanted to “live their own life with their own traditions and holidays.”

It allows them to “abandon the Russian heritage of imposing Christmas celebrations on Jan. 7,” it added.

Christianity is the largest religion in Ukraine, with the Russian Orthodox Church dominating religious life until recently.

Like the Russian Church, most eastern Christian churches use the Julian calendar, which dates back to Roman times, rather than the Gregorian calendar used in every-

day life in most parts of the world.

The date change is part of hastened moves since the invasion to remove traces of the Russian and Soviet empires, such as renaming streets and removing monuments.

The Orthodox Church of Ukraine, a newly created independent church that held its first service in 2019, has also changed its Christmas date to Dec. 25.

It formally broke away from the Russian Orthodox Church over Moscow's annexation of Crimea in 2014 and its support for separatists in eastern Ukraine.

The political rift has seen priests and even entire parishes swap from one church to another, with the new Orthodox Church of Ukraine growing fast and taking over several Russia-linked church buildings in moves supported by the Ukrainian government.

The historically Russia-linked Ukrainian Orthodox Church, meanwhile, is keeping the Jan. 7 Christmas date. This church claims to have cut ties with Russia because of the war but many Ukrainians view this with skepticism.

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