

Emergency Economic Measures to Cope with COVID-19

Cabinet Decision on April 7, 2020

(Summary)

April 16, 2020

Cabinet Office

Emergency Economic Measures to cope with the Novel Coronavirus (COVID-19)

~Thoroughly secure people's lives and move toward economic revitalization~

Current Conjuncture of the Economy and Basic Concepts of the Economic Measures

1. Domestic and overseas economies have been hit ruinously

- The global economy is facing the worst crisis ever in the post WWII era. The Japanese economy is in severe situation, extremely depressed by the impacts of COVID-19.
- Severe situation is expected to continue. Full attention should be paid to further downside risks to the domestic and overseas economies.

2. The Government has decided to formulate a new emergency economic measures

- With the declaration of a state of emergency, the Govt compiled a new economic measures with huge fiscal size, employing all policy tools including fiscal, tax and regulatory measures, in an unprecedented manner.
- The Govt will swiftly implement those measures, on top of “Comprehensive Economic Measures to Create a Future with Security and Growth” (Cabinet Decision on Dec.5, 2019),

3. Two phases are set, considering time frame for strategic implementation of various measures

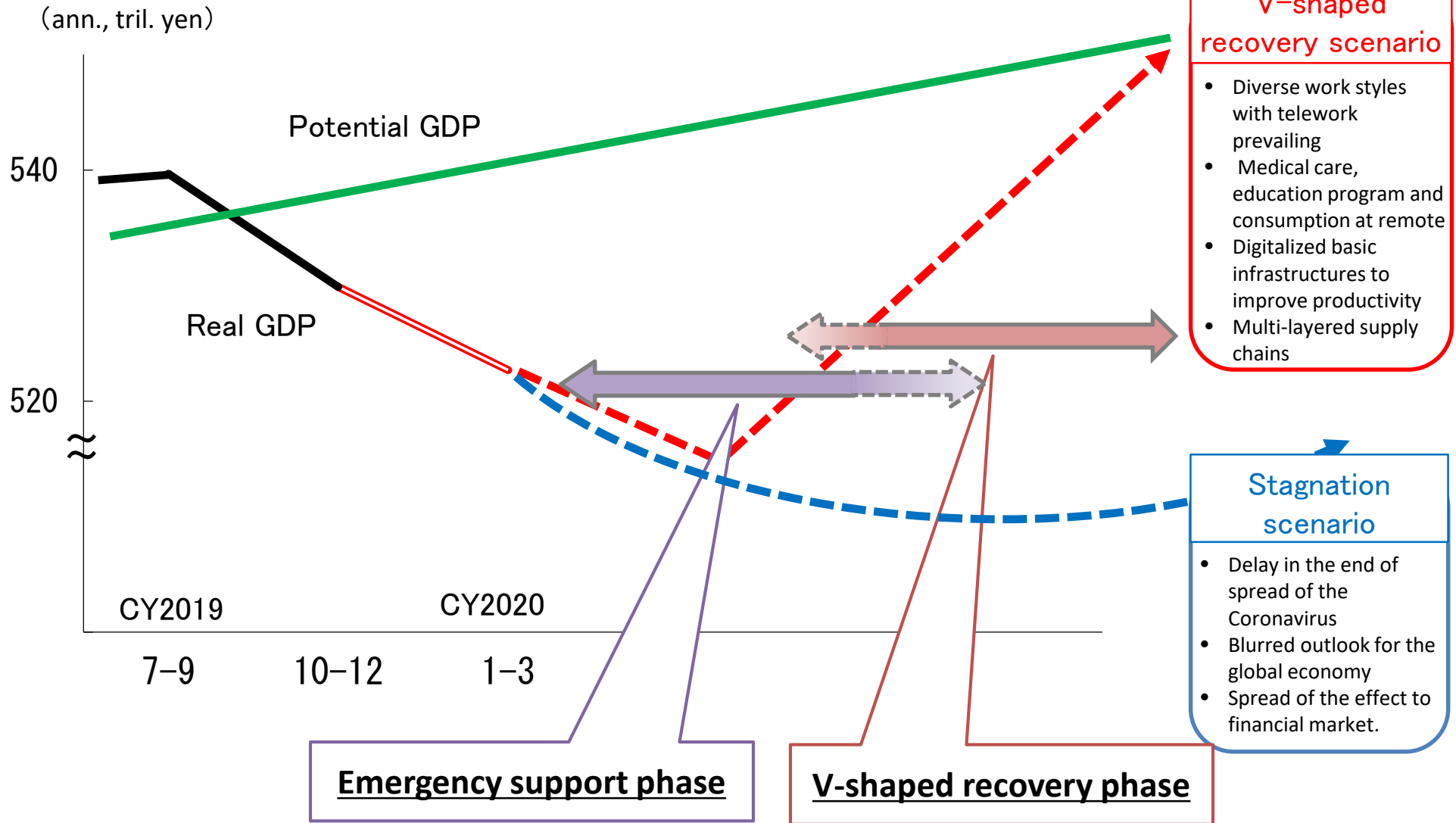
- The first phase, “Emergency Support Phase”, is the period until the end of the contagion in sight.
- The second phase, “V-shaped Recovery Phase”, refers to the period aiming at achieving strong recovery after the end of contagion by stimulating demands and advancing social structural changes.
- The Government strategically puts each measure into practice along with the two phases in order to return the Japanese economy to a solid growth trajectory.

4. The Government will take any additional action as needed

- The Government will take timely and decisive actions as needed, with closely monitoring the development of COVID-19 and its impact on the economies and daily life.

Reference: Policy Response to COVID-19 and Economic Recovery Path (Illustration)

Path of Real GDP



Emergency Support Phase

While containing the development of COVID-19, the Government thoroughly secures employments, businesses and daily lives, to maintain solid bases for economic recovery after the end of contagion.

I. Measures to prevent the spread of the infection, build medical treatment structures, and develop pharmaceuticals

1. Secure supply of masks and disinfectants
2. Enhance testing system and achieve early detection of the infection; *e.g. doubling the PCR capacity to 20K/day*
3. Strengthen medical care supply systems (concentrating on patients with severe symptoms)
; e.g. increase beds from 28K to 50K, secure 15K ventilators, enable remote medical examination at the first visit tentatively
4. Accelerate the development of therapeutic medication and vaccines; *e.g. prepare the stockpile of Avigan to 2M doses*
5. Increase capacity to cope with Japanese people returning from abroad (quarantine, etc.)
6. Strengthen public relations
7. International cooperation such as contributions to emergency assistance for infected countries
8. Support families with children amid tentative closure of schools

II. Protecting employment and keeping business viable

1. Secure employment; *e.g. enhance the subsidy for leave allowance in case of avoiding dismissals, etc.*
2. Financial measures (aka cash management support); *e.g. effective zero interest loan without collateral through government affiliated financial institutions, as well as private financial institutes (making use of the loan scheme of prefectures)*
3. Support enterprises (esp. SMEs) facing difficulties in keeping business; *e.g. new cash payment to SMEs and sole proprietors (incl. freelancer) with turnover decreasing more than 50%.*
4. Support individuals facing difficulties in daily lives; *e.g. new cash payment to households with either (i) revenue decreasing compared to before COVID-19 and below the level of residential tax exemption, or (ii) revenue decreasing by more than 50% and below twice the level of residential tax exemption*
5. Tax measures; *e.g. large scale deferment of tax and social security contribution, reduction or exemption of local property tax for SMEs' fixed assets*

Emergency Support for Households

❑ **New** Cash Payment to troubled households

- ✓ *Approx. 4 trillion yen, 300K yen per households*
- ✓ *Illustrative case (family of four, of which 3 dependents); in any month from Feb to Jun,*
 - (i) *revenue falls and annualized revenue (12 times of the particular month's rev) is below 3 mil yen*
 - (ii) *revenue falls by more than or equal to 50% and annualized revenue is below 6 mil yen*
- ✓ *This benefit is tax exempt*

❑ **Additional** child allowance of 10k per child

- ✓ *On top of (regular) monthly 10K per child allowance*

❑ Emergency microcredit to troubled households

- ✓ *Max 200K loan (no interest) to those who need temporary money, and additional loan (no interest) of 450K-600K for 3 months to those who rebuild their lives. Loans are forgivable in certain cases.*

❑ **Enhance** rent support for low income households to include those who are about to lose their dwelling due to decrease in revenue below certain thresholds.

❑ **Reduction or exemption** of social security contribution (healthcare, LTC insurance, etc.)

❑ Deferment of utility charges (request)

❑ **Enhancement** of the Subsidy for Leave Allowance (employment adjustment subsidy)

- ✓ *From April to June, subsidy rates are raised from 2/3 to 9/10 for SMEs and 1/2 to 3/4 for large enterprises (on condition of avoiding dismissals). Coverage enlarged to include non-regular workers (less than 20 hrs per week). 5*

Emergency Support for SMEs, etc.

❑ **New** Cash Payment to SMEs and Sole proprietors, etc.

- ✓ *Approx. 2.3 trillion yen. Cash payment to a variety of businesses (incl. NPO, healthcare corporations, etc.), which can be used in broad area.*
- ✓ *2 mil yen to corporations and 1 mil yen to sole proprietors, whose revenue falls by more than 50% in any month of 2020 from previous year.*

❑ Financial Measures (support for cash management)

- ✓ *No interest no collateral loan (w/ principal amortization deferred up to 5 years) **through private financial institutions**, besides government affiliated financial institutions (e.g. JFC).*
- ✓ *Refinancing of outstanding loans to defacto no interest loan.*

❑ Tax Measures

- ✓ ***Enhance** Tax and SS contributions deferment for business with rev falling by more than 20%, etc.*
- ✓ ***Reduction or exemption** of local property tax on machinery and building for affected SMEs, etc.*

❑ Request to landlords to consider rent deferment, etc. depending on tenant's situation, while requesting banks to reschedule the landlord's debt, etc.

V-shaped Recovery Phase

The phase to achieve strong recovery by stimulating consumptions in affected sectors, as well as investments for future such as digitalization and deployment of remote technologies

III. Recovery of economic activities through public and private cooperation as the next phase

1. Support affected sectors, such as tourism and transportation, food service, event and entertainment business; *e.g. providing incentives to consumption expenditure on related areas in form of price discount, voucher or point reward, etc.*
2. Revitalize regional economy; *e.g. supporting agriculture, forest and fisheries, revitalizing inbound tourism through strategic promotions, etc. and supporting recommencement of sports and art events*

IV. Making economic structure more resilient

1. Enhance resilience of supply chain; *e.g. subsidy for relocating production sites of those goods depending on a specific country and/or important for healthy daily lives (either domestically or through diversifying among ASEAN region, etc.)*
2. Facilitate overseas businesses, and strengthen export and domestic production capacities of agriculture, forestry and fisheries products and foods ; *e.g. supporting overseas business of Japanese enterprises in Asian economies through lending by JBIC and emergency yen loan to developing countries by JICA.*
3. Accelerate digital transformation by deploying remote technologies; *e.g. promoting telework among SMEs, accelerating dissemination of PC/tablet to every pupil in compulsory education, and tentative removal of regulation to promote online education.*
4. Front-load public investment; *swiftly implement public works included in FY2019 supplementary and FY2020 initial budget*

V. Preparing for the future

Create new contingency reserve funds for COVID-19 (amounting to 1.5 trillion yen)

On top of the above, the Government establishes “Special Allocation for Regional Revitalization to cope with COVID-19”, enabling local governments to implement detailed and necessary measures, corresponding to all measures listed in the Package.

Size of Measures

(Approx., trillion yen)

	Comprehensive Economic Measures ¹	Emergency Response Package (1 st and 2 nd) ²	Newly added measures	Total
Fiscal Expenses	9.8 out of 13.2	0.5	<u>29.2</u>	<u>39.5</u>
Total size	19.8 out of 26	2.1	<u>86.4</u>	<u>108.2</u>

Approx. 20% of GDP

(Note)

1. A part of measures listed in “Comprehensive Economic Measures to Create a Future with Security and Growth” (Cabinet Decision on Dec. 5, 2019), with its impacts expected to take effects from April.
2. Measures listed in “The First Novel Coronavirus Disease Emergency Response Package” (decided by the Meeting of the Novel Coronavirus Response Headquarters on Feb. 13, 2020), and “The Second Novel Coronavirus Disease Emergency Response Package” (decided by the Meeting of the Novel Coronavirus Response Headquarters on Mar.10, 2020)

Fiscal Expenses of 29.2 trillion yen on newly added measures

- 18.6 trillion yen: FY2020 supplementary budget (to be submitted to the Diet early next week) of which 16.7 from general account (financed by additional issuance of JGB)
 - First pillar: 1.8 tri (special allocation to local governments, etc.)
 - Second pillar: 10.6 tri (cash payments to enterprises and households, capital injection to JFC, etc.)
 - Third pillar: 1.8 tri (incentive for consumption expenditure on tourism, etc.)
 - Fourth pillar: 0.9 tri (subsidy for supply chain resilience, dissemination of PCs to pupils, etc.)
 - Fifth pillar: 1.5 tri (new contingency reserve fund)
- 0.5 trillion yen: Expenses by local governments and Tax measures (e.g. local property tax), etc.
- 10.1 trillion yen: Addition of FILP to FY2020 plan (mostly dedicated to the second pillar)

Total size of 86.4 trillion yen includes, in addition to above, (i) tax and SS contribution deferment of 26 trillion yen, (ii) nearly 45 trillion yen of financial measures (e.g. credit line), of which around 15 tril yen overlapped with fiscal expenses, (ii) other fiscal expenses and private sector expenses.

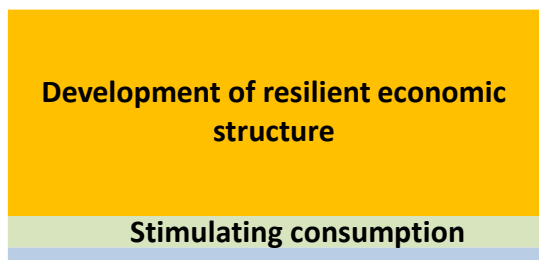
Economic Impact Estimated by the Cabinet Office

I. Measures that support and boost GDP

Impact of measures that directly affect GDP (sum of the remaining impact of the December 2019 policy package and the impact of new measures) is estimated to be a maximum of approximately 3.8% of real GDP.

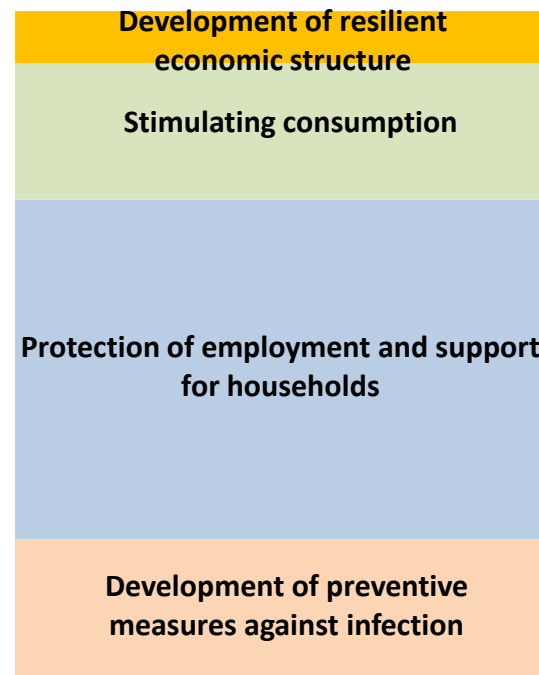
Maximum of approximately 3.8% of real GDP

Approximately 1.1%



Remaining impact of the December package

Maximum of approximately 2.7%



Impact of new measures

II. Measures that protect employment and support businesses

Financial support measures mainly for SMEs (loans and credit guarantee through government financial institutions), tax payment deferral and other measures.

Reference : Size of Measures (in detail)

(Approx., trillion yen)

	Fiscal Expenses	Central and local governments' Expenses	Total Size
		FILP loans	
I. Measures to prevent the spread of the infections build medical treatment 医療 structures, and develop pharmaceuticals	2.5	2.5	2.5
		n/a	
II. Protecting employment and keeping business viable	22.0	12.2	80.0
		9.7	
III. Recovery of economic activities as a next phase through public and private cooperation	3.3	2.8	8.5
		0.5	
IV. Making economic structure resilient	10.2	8.0	15.7
		2.3	
V. Preparing for the future (establishment of new contingency funds)	1.5	1.5	1.5
		n/a	
Total	<u>39.5</u>	<u>27.0*</u>	<u>108.2</u>
		<u>12.5**</u>	

(Note)

- 25.0 trillion yen is from the central government, and 18.6 trillion (out of 25.0 trillion) yen is included in supplementary budget for FY2020 (16.7 trillion yen for General Account and 1.9 trillion yen for Special Accounts)

** 10.1 trillion (out of 12.5 trillion) yen is added in supplementary budget for FY2020.