

Public Finance Watch

FICC Research Dept.

Outlook for budget compilation if new Ishiba Cabinet calls for snap election

- Following election of new PM Ishiba, press speculating Lower House to be dissolved on 14 Oct for snap election on 27 Oct
- Schedule almost same as that after PM Kishida was elected three years ago; if instructions to formulate economic stimulus package issued before dissolving Lower House, Cabinet could approve supplementary budget proposal for FY24 in late Nov
- Cabinet to determine initial FY25 budget proposal after 20 Dec, as usual

Koji Hamada

81-3-5555-8791

kouji.hamada@daiwa.co.jp



Daiwa Securities Co. Ltd.

Shigeru Ishiba was elected as the new president of the ruling Liberal Democratic Party on 27 September. He is scheduled to be appointed as Japan's new prime minister at an extraordinary Diet session to be convened on 1 October. Today (30 Sep) there were various media reports speculating that the Lower House will be dissolved on 14 October and a snap general election will be held on 27 October.

In that case, **the schedule will be almost the same as when former Prime Minister Fumio Kishida was elected three years ago (Chart 1). The Cabinet is expected to approve a supplementary budget proposal for FY24 as early as late November. Meanwhile, the initial budget proposal for FY25 is likely to be approved after 20 December, as usual.**

First, as for the supplementary budget, only about Y1.0bn remains from the Y1.0tn reserve fund in the FY24 budget earmarked for promoting higher wages and offsetting surging prices for crude oil and many goods. Of note, the regular reserve fund of Y1.0tn has a remaining balance of just over Y600bn. In particular, budgetary measures within the supplementary budget are urgently needed to offset surging prices for energy and some goods.

Chart 1: Schedule for Snap General Election, Compilation of Supplementary Budget and Next FY Budget (2021 vs 2024)

	2021	2024
	Kishida cabinet	Ishiba cabinet
Casting and counting votes for LDP presidential election	29-Sep	27-Sep
Convening of extraordinary Diet session, nominating leader, formation of Cabinet	4-Oct	1-Oct
PM instructs government to formulate new economic measures	8-Oct	?
Lower House dissolution	14-Oct	9 Oct ? (media reports)
Date of public announcement for Lower House election	19-Oct	15 Oct ? (media reports)
Voting for Lower House election	31-Oct	27 Oct ? (media reports)
Convening of special Diet session, nominating leader, formation of Cabinet	10-Nov	
Announcement of economic measures	19-Nov	
Cabinet decision on supplemental budget proposal	26-Nov	
Convening of extraordinary Diet session, submission of supplementary budget proposal to Diet	6-Dec	
Approval of supplementary budget	20-Dec	
Cabinet decision on initial budget proposal for following FY	24-Dec	

Source: House of Representatives, MOF; compiled by Daiwa.

In 2021, Prime Minister Kishida instructed the government to formulate a new economic stimulus package before dissolving the Lower House for a snap general election, so that an such a package could be prepared during the election period. As such, economic measures were announced on 19 November, not long after the Lower House election held on 31 October. **On 26 November, the Cabinet approved the supplementary budget proposal for FY21. As in previous years, the initial budget proposal for FY22 was approved by the Cabinet on 24 December. The JGB issuance plan was formulated and revised on the same day as the Cabinet's budget decision.**

If the Lower House is dissolved to make way for a snap general election after new Prime Minister Ishiba instructs the government to formulate new economic measures, a schedule very similar to that seen in 2021 could be followed. If such instructions are not issued, the government will have to wait until after the election to prepare its economic stimulus package with that package announced at the start of December. A Cabinet decision on the FY24 supplementary budget proposal and the FY25 initial budget proposal could be made on the same day after 20 December.

In any event, the case of an early snap general election would allow more time for compiling budgets. We think there will be enough time for the Cabinet to determine its FY25 budget proposal after 20 December, as usual.

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