

Public Finance Watch

FICC Research Dept.

JGB Issuance Plan: Major revisions from Apr 2025

- Supplementary budget for FY24 approved by Cabinet and JGB issuance plan was revised
- Reduced issuance of 40yr and 30yr JGBs from Jan 2025 postponed as expected (due to persistently high level of uncertainty about FY25 budget and JGB issuance plan?)
- Once overall image is set, breakdown of calendar-based market issuance amount will be significantly revised from Apr 2025



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The supplementary budget for FY24 was approved by the Cabinet and the JGB issuance plan was revised. The government decided to forgo any reduction in the issuance of super-long JGBs from next January, as expected. The increase in the total issuance amount was not as large as expected and the government could have decreased issuance if it wanted to. However, Japan's ruling parties failed to secure a majority in the recent Lower House election and there is still a high degree of uncertainty regarding the initial budget for FY25 and the JGB issuance plan. Once the overall image for FY25 is set, the breakdown of the calendar-based market issuance amount from April 2025 is likely to be significantly revised.

JGB issuance plan in supplementary budget largely unchanged, with major revisions likely from FY25

Forgoing reduced issuance of super-long JGBs from Jan 2025

On 29 November, the supplementary budget for FY24 was approved by the Cabinet and the JGB issuance plan was revised. Based on views from the Meeting of JGB Market Special Participants and the Meeting of JGB Investors in late November, reduced issuance of 40-year and 30-year JGBs from January 2025 was also postponed, as expected.

Government was apparently able to reduce issuance amount from Jan 2025

After looking at the figures in the supplementary budget and the JGB issuance plan, we were left with the impression that the government could have reduced the amount of issuance from January 2025 if it was inclined to do so (for details, refer to the reference materials provided on the next page).

- The increase in total JGB issuance in the supplementary budget was less than we had forecasted in our previous reports.
- In previous reports, we speculated that if the government used front-loaded JGBs and increased the issuance of medium- and long-term JGBs, it could reduce the super-long JGB issuance amounts. However, it seems as if there was actually room to reduce super-long JGBs without increasing medium- and long-term JGB issuance provided that front-loaded JGBs were utilized.
- Front-loaded JGBs were held in reserve in the supplementary budget, as was the case for the initial budget.

Forgoing super-long JGB issuance reduction due to FY25 budget uncertainties?

Still, reducing super-long JGB issuance was postponed because market demand was not particularly strong. Another factor is that uncertainties surrounding the initial budget for FY25 and the JGB issuance plan are probably still high.

- The ruling coalition failed to secure a majority in the recent Lower House election. If the three parties (LDP, Komeito, DPFP) cannot reach an agreement, the Diet will be unable to pass the initial budget for FY25.
- The DPFP has called on the ruling coalition to implement policies that require considerable financial resources, such as raising the so-called "Y1.03mn barrier" (income threshold above which people must pay income tax) and lower taxes for gasoline. The outcome of these talks remains unpredictable.

Attention-grabbing FY25 tax reforms (if finalized) to result in major revisions for JGB issuance plan from next Apr

Meanwhile, the Meeting of JGB Market Special Participants and the Meeting of JGB Investors in late November indicated the direction for the JGB bidding amounts and frequencies from April 2025 for each maturity. Once the overall image of the initial budget for FY25 is set, the calendar-based market issuance amount will be significantly revised and the amount of increase or decrease for each maturity will probably be set.

The FY25 tax reforms will have a significant impact on the initial budget for FY25. The degree to which policy proposals from the DFPF are incorporated will be a key factor. We will continue to monitor the three-party talks and the amount of funding required for their proposals.

Reference: JGB issuance plan revisions in FY24 supplementary budget left calendar-based market issuance amount largely unchanged

New JGB issuance amount in supplementary budget

The amount of new JGBs to be issued in the FY24 supplementary budget was expected to greatly exceed the Y8.9tn amount in the FY23 supplementary budget. However, in reality, it only came to Y6.7tn (⑤ of Chart 1).

- The scale of the economic stimulus package has increased slightly from the last fiscal year (① of Chart 1). The DFPF's emphasis was not on increasing the supplementary budget, as expected.
- The amount of savings on fixed expenditures was larger than the last fiscal year (② of Chart 1). The assumed interest payments on JGBs rose, but probably because yields did not rise that much.
- Tax revenue was revised upwards by nearly Y4.0tn, differing from the previous year (③ of Chart 1).
- Secured Y1.9tn in non-tax revenue (④ of Chart 1). Y1.3tn of this was newly established in the government's Comprehensive Economic Measures in November. Funds for creating a framework for strengthening the foundations of Japan's AI and semiconductor industries will come from such sources as dividends on NTT shares held by government, existing funds returned to the National Treasury, and proceeds from the sale of Shoko Chukin Bank shares.

Chart 1: Year-end Supplementary Budget for General Account (Y bn)

	FY23	FY	
	1st	1st	
	Nov	Nov	
Expenditures	13,199.2	13,943.3	
Economic measures, etc.	13,127.2	13,931.0	①
Other expenses	1,485.1	176.8	
Transfers to Government Debt Consolidation Fund	1,314.7	425.9	
Local allocation tax grants	782.0	1,039.8	
Compensation for reduced local allocation tax grants			
Reduction in previously approved expenses	-1,009.8	-1,630.3	②
Contingency fund to cover coronavirus-related expenses and address high prices	-2,000.0	0.0	
Contingency fund for response to situation in Ukraine	-500.0	0.0	
Revenues	13,199.2	13,943.3	
Tax revenues	171.0	3,827.0	③
Non-tax revenues	762.1	1,866.8	④
Others			
Surplus from previous fiscal year	3,391.1	1,559.5	
Newly-issued bonds	8,875.0	6,690.0	⑤

Source: MOF; compiled by Daiwa.

JGB issuance amounts by legal grounds in issuance plan

Due to the fact that the increase in the issuance of new JGBs was less than expected (① of Chart 2), the increase in the total amount of JGBs issued also remained at Y5.5tn (② of Chart 2).

Chart 2: JGB Issuance Amounts by Legal Grounds in Issuance Plan (Y tn)

	FY23			FY24		
	Initial	Total of initial budget and extra budget	(b)-(a)	Initial	Total of initial budget and extra budget	(d)-(c)
	(a)	(b)		(change in Dec)	(c)	
Newly-issued bonds	35.6	44.5	8.9	35.4	42.1	6.7
GX economy transition bonds	0.1	0.0	-0.1	0.1	0.0	-0.1
Reconstruction bonds	0.5	1.5	1.0	0.7	1.4	0.7
Children special bonds	0.0	0.0	0.0	0.2	0.2	0.0
FILP bonds	12.0	5.0	-7.0	10.0	9.5	-0.5
Refunding bonds	157.6	155.1	-2.5	135.5	134.2	-1.3
Total	205.8	206.1	0.3	182.0	187.5	5.5

Source: MOF; compiled by Daiwa.

JGB issuance amounts by financing methods in issuance plan

Calendar-based market issuance amount was Y2.4tn (① of Chart 3).

- Larger-than-expected portions for Non-Price Competitive Auction II (② of Chart 3) and sales to individual investors (④ of Chart 3)
- Adjustment amounts between fiscal years, which are recorded when using front-loaded JGBs, only came to Y0.3tn (③ of Chart 3). The total of the initial budget and the extra budget was only Y0.8tn.

Chart 3: JGB Issuance Amounts by Financing Methods in Issuance Plan (Y tn)

	FY23			FY24		
	Initial	Total of initial budget and extra budget	(a)-(b)	Initial	Total of initial budget and extra budget	(d)-(c)
	(a)	(b)		(change in Dec)	(c)	
Calendar-based market issuance	190.3	191.3	1.0	171.0	173.4	2.4
Non-price competitive auctions II	7.0	6.2	-0.2	5.3	7.1	1.9
Fiscal year adjustment	3.0	3.1	-0.8	0.5	0.8	0.3
Subtotal financed in market	200.3	200.6	0.0	176.8	181.3	4.5
Sales to individual investors	3.5	3.5	0.0	3.5	4.4	0.9
Public sector (BOJ rollovers)	2.0	2.0	0.0	1.7	1.7	0.0
Total	205.8	206.1	0.0	181.5	187.5	5.5

Source: MOF; compiled by Daiwa.

Breakdown of calendar-based market issuance by maturity

The only issuance amount change from January 2025 is for the 6-month T-bill (Chart 4). At the recent Meeting of JGB Market Special Participants and the Meeting of JGB Investors, many expressed the view that demand is strong, so there should be no concerns about absorbing such additional issuance.

Chart 4: Calendar-based Market Issuance Amounts in JGB Issuance Plan (Y tn)

	FY24: Initial				FY24: Total of initial budget and extra budget				(b)-(a)		
	(per auction)				(per auction)						
				(Annual issuance amount: a)				(Annual issuance amount: b)			
40-yr JGBs	0.7	x	6	times	4.2	0.7	x	6	times	4.2	0.0
30-yr JGBs	0.9	x	12	times	10.8	0.9	x	12	times	10.8	0.0
20-yr JGBs	1.0	x	12	times	12.0	1.0	x	12	times	12.0	0.0
10-yr JGBs	2.6	x	12	times	31.2	2.6	x	12	times	31.2	0.0
5-yr JGBs	2.3	x	12	times	27.6	2.3	x	12	times	27.6	0.0
2-yr JGBs	2.6	x	12	times	31.2	2.6	x	12	times	31.2	0.0
TBs					38.4					40.8	2.4
1yr	3.2	x	12	times	38.4	3.2	x	12	times	38.4	0.0
6 months						0.8	x	3	times	2.4	2.4
10-yr JGB linkers	0.25	x	4	times	1.0	0.25	x	4	times	1.0	0.0
Climate Transition JGBs					1.4					1.4	0.0
Liquidity enhancement auction					13.2					13.2	0.0
Total					171.0					173.4	2.4

Source: MOF; compiled by Daiwa.

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