

Japan: riding the changing tide of global economic policy with an aggressive fiscal policy

- To expand private investment for growth, it is necessary to improve predictability. First of all, it is important for the government to commit to expanding the size of the economy in a sustainable manner.
- The trend in global economic policy is shifting from neoliberalism, which emphasises market principles, to a new approach that emphasises public-private partnerships for crisis management investment, growth investment and expanding demand to resolve economic and social issues.

Expanding private investment in growth requires greater predictability. First, a government commitment to sustainably expanding the economy is essential. Furthermore, the government must clarify the direction of multi-year budgetary measures and tax measures that promote investment, such as lump-sum depreciation of capital investment. Private investment in growth must not be stifled by tax increases or other measures. We expect the BoJ to implement appropriate monetary policy aimed at achieving both strong economic growth and price stability. In addition to economic security and defence, we also need to take an offensive approach by further strengthening profitable growth industries. It is problematic that the support budget for the content industry, a growth sector whose overseas sales exceed semiconductor exports, is currently around JPY20bn, less than the JPY120bn allocated by China and France. We must fully recognise the fierce competition for public-private partnerships in growth investment.

The global economic policy trend is shifting from neoliberalism, which emphasises market principles, to a new approach that emphasises public-private partnerships in crisis management investment, growth investment and demand expansion to address economic and social challenges. The government's economic policy would shift from quantitative growth driven by efficiency to value-added growth driven by the resolution of social and economic issues. The government is expected to ride this changing trend with aggressive fiscal policy. Preparing for future earthquakes and emergencies would be addressed by expanding future supply capacity, rather than securing funds through current austerity measures. If supply capacity expands through growth investment, the private sector would not be able to generate profits unless there is commensurate demand. The government would also provide support for households. Expanding investment driven by strong domestic demand would strengthen the international competitiveness of products, services and infrastructure that contribute to resolving shared global issues.



Takuji Aida

Chief Economist Japan

+81 3 4580 5360

takuji.aida@ca-cib.com



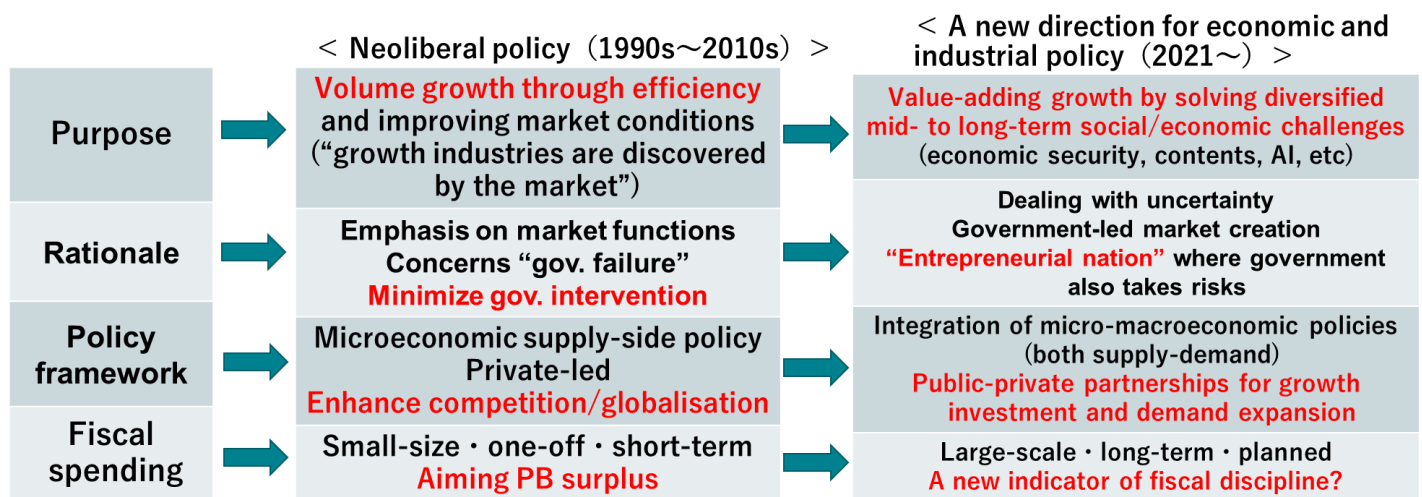
Ken Matsumoto

Macro Strategist Japan

+81 3 4580 5337

ken.matsumoto@ca-cib.com

Fig 1. A shift in economic policy based on global trends = “A new direction for economic and industrial policy” (Ministry of Economy, Trade and Industry)



Source: METI, Crédit Agricole CIB

Global Markets Research contact details

Jean-François Paren Head of Global Markets Research +33 1 41 89 33 95					
	Asia (Hong Kong, Singapore & Tokyo)		Europe (London & Paris)		Americas (New York)
Macro Strategy	Takuji Aida Chief Economist Japan +81 3 4580 5360	Ken Matsumoto Macro Strategist Japan +81 3 4580 5337	Louis Harreau Head of Developed Markets Macro & Strategy +33 1 41 89 98 95	Valentin Giust Global Macro Strategist +33 1 41 89 30 01	Nicholas Van Ness ** US Economist +1 212 261 7601
Interest Rates			Bert Lourenco Head of Rates Research +44 (0) 20 7214 6474 Guillaume Martin Interest Rates Strategist +33 1 41 89 37 66 Riccardo Lamia Interest Rates Strategist +33 1 41 89 63 83	Jean-François Perrin Senior Inflation Strategist +33 1 41 89 73 49 Matthias Loise Inflation Strategist +33 1 41 89 20 06	Alex Li ** Head of US Rates Strategy +1 212 261 3950
Emerging Markets	Xiaoqia Zhi Chief China Economist Head of Research, Asia ex-Japan +852 2826 5725 Eddie Cheung CFA Senior Emerging Market Strategist +852 2826 1553	Jeffrey Zhang Emerging Market Strategist +852 2826 5749 Yeon Jin Kim Emerging Market Analyst +852 2826 5756	Sébastien Barbé Head of Emerging Market Research & Strategy +33 1 41 89 15 97		Olga Yangol ** Head of Emerging Market Research & Strategy, Americas +1 212 261 3953
Foreign Exchange	David Forrester Senior FX Strategist +65 6439 9826		Valentin Marinov Head of G10 FX Research & Strategy +44 20 7214 5289	Alexandre Dolci FX Strategist +44 20 7214 5064	
Quant Research			Alexandre Borel Data Scientist +33 1 57 87 34 27		

** employee(s) of Crédit Agricole Securities (USA), Inc.

Certification

The views expressed in this report accurately reflect the personal views of the undersigned analyst(s). In addition, the undersigned analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report.

Takuji Aida, Ken Matsumoto

Important: Please note that in the United States, this fixed income research report is considered to be fixed income commentary and not fixed income research. Notwithstanding this, the Crédit Agricole CIB Research Disclaimer that can be found at the end of this report applies to this report in the United States as if references to research report were to fixed income commentary. Products and services are provided in the United States through Crédit Agricole Securities (USA), Inc.

Foreign exchange disclosure statement to clients of CACIB

https://www.ca-cib.com/sites/default/files/2017-02/2016-05-04-cacib-fx-disclosure-april-2016_0.pdf

Additional recommendation obligations – available from analyst(s) upon request:

- A list of all the recommendation changes on any financial instrument or issuer disseminated within the last 12 months.
- Where Crédit Agricole CIB is a market-maker or liquidity provider in the financial instruments of the issuer.

MiFID II contact details

Andrew Taylor MiFID II Research contact andrew.taylor@ca-cib.com	Please send your questions on MiFID II to: research.mifid2@ca-cib.com
--	---

Disclaimer

© 2025, CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK All rights reserved.

This research report or summary has been prepared by Crédit Agricole Corporate and Investment Bank or one of its affiliates (collectively "Crédit Agricole CIB") from information believed to be reliable. Such information has not been independently verified and no guarantee, representation or warranty, express or implied, is made as to its accuracy, completeness or correctness.

This report is provided for information purposes only. Nothing in this report should be considered to constitute investment, legal, accounting or taxation advice and you are advised to contact independent advisors in order to evaluate this report. It is not intended, and should not be considered, as an offer, invitation, solicitation or personal recommendation to buy, subscribe for or sell any of the financial instruments described herein, nor is it intended to form the basis for any credit, advice, personal recommendation or other evaluation with respect to such financial instruments and is intended for use only by those professional investors to whom it is made available by Crédit Agricole CIB. Crédit Agricole CIB does not act in a fiduciary capacity to you in respect of this report.

Crédit Agricole CIB may at any time stop producing or updating this report. Not all strategies are appropriate at all times. Past performance is not necessarily a guide to future performance. The price, value of and income from any of the financial instruments mentioned in this report can fall as well as rise and you may make losses if you invest in them. Independent advice should be sought. In any case, investors are invited to make their own independent decision as to whether a financial instrument or whether investment in the financial instruments described herein is proper, suitable or appropriate based on their own judgement and upon the advice of any relevant advisors they have consulted. Crédit Agricole CIB has not taken any steps to ensure that any financial instruments referred to in this report are suitable for any investor. Crédit Agricole CIB will not treat recipients of this report as its customers by virtue of their receiving this report.

Crédit Agricole CIB, its directors, officers and employees may effect transactions (whether long or short) in the financial instruments described herein for their own accounts or for the account of others, may have positions relating to other financial instruments of the issuer thereof, or any of its affiliates, or may perform or seek to perform securities, investment banking or other services for such issuer or its affiliates. Crédit Agricole CIB may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Crédit Agricole CIB is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report. Crédit Agricole CIB has established a "Policy for Managing Conflicts of Interest in relation to Investment Research" which is available upon request. A summary of this Policy is published on the Crédit Agricole CIB website. This Policy applies to its investment research activity.

None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party without the prior express written permission of Crédit Agricole CIB. To the extent permitted by applicable securities laws and regulations, Crédit Agricole CIB accepts no liability whatsoever for any direct or consequential loss arising from the use of this document or its contents.

France: Crédit Agricole Corporate and Investment Bank is authorised by the Autorité de Contrôle Prudentiel et de Résolution ("ACPR") and supervised by the European Central Bank ("ECB"), the ACPR and the Autorité des Marchés Financiers ("AMF"). Crédit Agricole Corporate and Investment Bank is incorporated in France with limited liability. Registered office: 12, Place des Etats-Unis, CS 70052, 92 547 Montrouge Cedex (France). Companies Register: SIREN 304 187 701 with Registre du Commerce et des Sociétés de Nanterre. **United Kingdom:** Crédit Agricole CIB is authorised and regulated by the Autorité de Contrôle Prudentiel et de Résolution (the "ACPR") and supervised by the European Central Bank (the "ECB"), the ACPR and the Autorité des Marchés Financiers (the "AMF") in France. Crédit Agricole CIB London is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the FCA and the PRA are available from Crédit Agricole CIB London on request. Crédit Agricole Corporate and Investment Bank is a public limited company ("société anonyme") under French law, incorporated in France under SIREN number 304187701 at the Nanterre Trade and Companies Registry, with limited liability and its head office address at 12, Place des États-Unis, CS 70052, 92547 Montrouge Cedex, France. It is registered in England and Wales as an overseas company at Companies House under company number FC008194, with a UK establishment at Broadwalk House, 5 Appold Street, London, EC2A 2DA, United Kingdom (UK establishment number BR001975). **United States of America:** This research report is distributed solely to persons who qualify as "Major U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934 and who deal with Crédit Agricole Corporate and Investment Bank. This report does not carry all of the independence and disclosure standards of a retail debt research report. Recipients of this research in the United States wishing to effect a transaction in any security mentioned herein should do so by contacting Crédit Agricole Securities (USA), Inc. (a broker-dealer registered with the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA")). The delivery of this research report to any person in the United States shall not be deemed a recommendation of Crédit Agricole Securities (USA), Inc. to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. This report shall not be re-distributed in the United States without the consent of Crédit Agricole Securities (USA), Inc. **Italy:** This research report can only be distributed to, and circulated among, professional investors (operatori qualificati), as defined by the relevant Italian securities legislation. **Spain:** Distributed by Crédit Agricole Corporate and Investment Bank, Madrid branch and may only be distributed to institutional investors (as defined in article 7.1 of Royal Decree 291/1992 on Issues and Public Offers of Securities) and cannot be distributed to other investors that do not fall within the category of institutional investors. **Hong Kong:** Distributed by Crédit Agricole Corporate and Investment Bank, Hong Kong branch. This research report can only be distributed to professional investors within the meaning of the Securities and Futures Ordinance (Cap.571) and any rule made there under. **Japan:** Distributed by Crédit Agricole Securities Asia B.V. which is registered for financial instruments business in Japan pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948), and is not intended, and should not be considered, as an offer, invitation, solicitation or recommendation to buy or sell any of the financial instruments described herein. This report is not intended, and should not be considered, as advice on investments in securities which is subject to the Financial Instruments and Exchange Act (Act No. 25 of 1948). **Luxembourg:** Distributed by Crédit Agricole Corporate and Investment Bank, Luxembourg branch. It is only intended for circulation and/or distribution to institutional investors and investments mentioned in this report will not be available to the public but only to institutional investors. **Singapore:** Distributed by Crédit Agricole Corporate and Investment Bank, Singapore branch. It is not intended for distribution to any persons other than accredited investors, as defined in the Securities and Futures Act (Chapter 289 of Singapore), and persons whose business involves the acquisition or disposal of, or the holding of capital markets products (as defined in the Securities and Futures Act (Chapter 289 of Singapore)). **Switzerland:** Distributed by Crédit Agricole (Suisse) S.A. This report is not subject to the SBA Directive of January 24, 2003 as they are produced by a non-Swiss entity. **Germany:** Distributed by Crédit Agricole Corporate and Investment Bank, Frankfurt branch and may only be distributed to institutional investors. **Australia:** Distributed to wholesale investors only. This research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act.

Benchmarks are the subject of recent and on-going reform, which include changes in methodology, discontinuation and/or replacement. Where implemented, reforms may cause benchmarks to perform differently than in the past or have other consequences which may have a material adverse effect on products and services provided by Crédit Agricole CIB currently and/or in the future. You should therefore consult your own independent advisers and make your own assessment about the potential risks imposed by benchmark reforms, when making any investment decision with respect to a product or service linked to or referencing a benchmark. Reforms include (i) the expectation that LIBOR will cease after year-end 2021 and be replaced by Alternative Reference Rates on each currency (e.g. USD/GBP), impacting LIBOR and other benchmarks which are pegged to it and (ii) EONIA will stop being published on 3 January 2022 and be replaced by €STR.

THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW, AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS. BY ACCEPTING THIS REPORT, YOU AGREE TO BE BOUND BY THE FOREGOING.