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No fiscal soundness without reforms

In addition to strengthening growth potential, various reforms are essential for achieving a PB surplus

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Summary

- Even under a high-growth scenario in which there is a real GDP growth rate of +1.5% annually through FY2040, it is estimated that the primary balance (PB) as a percentage of GDP will reach -3.6% in fiscal year 2040, and the public debt-to-GDP ratio will rise to 219%. In a decline scenario (real GDP down by -0.5% annually through FY2040), where the PB (as a percentage of GDP) deteriorates to -7.0% in the same fiscal year, there is a risk that the public debt-to-GDP ratio could exceed 300% due to rising interest rates. To enhance fiscal sustainability, achieving a PB surplus should be the first priority.

- This will require measures such as normalizing supplementary budgets, increasing revenue through integrated reforms of the tax and social security systems, and strengthening fiscal discipline. Additionally, improving administrative efficiency through digitalization and fostering public understanding through outreach efforts and transparency are essential. If the PB deficit is resolved, the public debt-to-GDP ratio in fiscal year 2040 could decrease to 194% even under the decline scenario, and if the PB (as a percentage of GDP) achieves a 2% surplus, it could further drop to 164%.