

Japan: Abe vows to prioritize education, childcare ^[1]

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EXCERPTS

Japan's prime minister Shinzo Abe has vowed to make education and childcare a priority over balancing the budget after winning a new mandate from voters yesterday, as a rapidly-aging population threatens to undermine his efforts to reflate the economy.

Abe's ruling coalition scored a landslide victory at the polls, boosted by his campaign promises to invest more heavily on education and childcare, aimed partly at encouraging more women to join the workforce.

Abe also made clear he would continue to press cautious Japanese firms to spend their record cash piles on boosting employees' wages to stoke a virtuous growth cycle.

Abe promised to offer free pre-school for all children aged three to five and for children aged two or below from low-income households.

"The key to Japan's sustainable growth is how we respond to aging of the population, which is the biggest challenge for Abenomics," Abe told a news conference.

"We aim to exit deflation by accelerating wage growth through innovation on productivity."

If free pre-school education is applied to all children now, it would cost 1.2 trillion yen (US\$10.5 billion), government estimates show.

SMBC Nikko Securities estimates that free pre-school education would relieve households of a financial burden of around 1 trillion yen. If half the reduced cost is spent on consumption, that would push up real gross domestic product by 0.1 percent, the brokerage said.

Furthermore, Abe has vowed to expand education benefits with the aim of offering free higher education for low-income households.

Abe said he would go ahead with a planned sales tax hike to 10 percent from 8 percent in 2019 and use some of the revenue to create a "social security system for all generations", by diverting the funds to education instead of paying down public debt.

While Abe's plan to spend more on education and childcare has helped buoy stocks of some related companies such as JP-Holdings Inc that operates nursery schools, the specter of bigger spending raises concerns about looser fiscal discipline.

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