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Kishida gets a boost from markets, data – and Asō

Key takeaways

- Prime Minister Kishida Fumio's reelection bid got a boost as real wages rose in June for the first time since 2022, though the data is not unambiguous.
- But Kishida also received a vote of confidence from Asō Tarō, which could enhance his position as the LDP campaign intensifies.

One day after Japan's equities [experienced](#) their worst one-day drop in history, senior financial policymakers – Mimura Atsushi, Vice Minister of Finance for International Affairs; Itō Hideki, commissioner of the Financial Services Agency (FSA); and Katō Takeshi, Bank of Japan (BOJ) executive director whose portfolio includes financial markets – met on Tuesday, 6 August to deliver a unified message about Japan's economy. In the first such tripartite meeting since March, they sought to deliver a unified message that the government's and BOJ's view of Japan's economy as gradually recovering has not changed and suggested that factors other than the BOJ's decision to raise interest rates are driving global market volatility.

While Japan's equities bounced back on Tuesday – the Nikkei 225 rose 10%, its largest single-day percentage gain ever – the Kishida government may have been more encouraged by the Ministry of Health, Labor, and Welfare's (MHLW) release of June wage data. The ministry reported that real wages rose 1.1% year-over-year, the first real wage increase in twenty-seven months. Both Prime Minister Kishida Fumio and Chief Cabinet Secretary Hayashi Yoshimasa were quick to tout the wage data as evidence that the Kishida government's pursuit of a virtuous cycle of rising incomes, prices, and investment is taking root, an argument BOJ Governor Ueda Kazuo also stressed last week.

Whether the June wage data is truly a turning point – and whether Kishida can use it as evidence of his government’s successful stewardship of the economy – remains to be seen, since the June data includes semi-annual bonuses paid by employers, which rose 7.6% year-over-year. It was not immediately apparent why bonuses rose so sharply. Base pay rose only 2.3%, lagging inflation. However, real incomes will get a boost going forward as the MHLW’s recommendation of a JPY 50 increase in the minimum wage is approved and implemented. Perhaps a bigger source of concern is the Ministry of Internal Affairs and Communications (MIC) household survey, also released on Tuesday, which showed that real household consumption fell for the second straight month, dropping 1.4% year-over-year in June. In other words, real consumption fell even as disposable income grew due to higher pay (and the tax cut that was implemented in June).

To be sure, any good economic news will help Kishida make the case that he deserves another term as leader of the Liberal Democratic Party (LDP) and prime minister. A poll by national broadcaster NHK, for example, found that economic policy is the issue most voters want to see debated in the LDP leadership election, with 27% of respondents citing it. (Interestingly, the same poll found that 54% of respondents greatly [11%] or somewhat [43%] approved of the BOJ’s interest rate hike.) However, being able to point to favorable economic data is likely a necessary but insufficient condition for Kishida’s reelection. After all, in the same NHK poll, 26% of respondents said that political reform and the “money and politics” question are what they want to see debated in the leadership campaign.

Ultimately, though, what Kishida needs most at this point are votes of confidence from the LDP’s key power brokers. In that sense, the most important news Kishida received on Tuesday was not economic data but rather a report that Asō Tarō, the last faction boss, approves of what Kishida has done in office. At a meeting with Moriyama Hiroshi, head of the LDP’s general council, Asō reportedly said, “The prime minister is working on what needs to be done and has not made mistakes. He is carrying forward the Abe administration’s unfinished business.” If Asō throws his weight behind Kishida, it will make it more difficult for any of the challengers to unseat him.

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