

Politics Watch

LDP presidential election: Pro-Abenomics, anti-Abenomics showdown?

- Focus now on runoff outcome; still unclear, but Ishiba/Takaichi showdown possible
- Outcome unclear even if runoff between Ishiba/Takaichi; still, Ishiba has slight advantage as “face” for general election.
- Ishiba/Takaichi runoff would be closely watched as battle over Abenomics; policies may not differ as much as images suggests

FICC Research Dept

Koji Hamada
81-3-5555-8791
kouji.hamada@daiwa.co.jp
Kento Minami
81-3-5555-8789
kento.minami@daiwa.co.jp

Daiwa Securities Co. Ltd

In the race for the presidency of the ruling Liberal Democratic Party (LDP), there is the strong possibility that two of the three leading candidates (Shigeru Ishiba, Sanae Takaichi, and Shinjiro Koizumi) will advance to a runoff. It is still unclear which of the two candidates will advance to a runoff, but if we had to make a prediction, it would be a showdown between Ishiba and Takaichi.

Even if there is a runoff between Ishiba and Takaichi, it would be a close contest, so predicting a winner at this juncture is difficult. If we were to venture a prediction, it would be that Ishiba has a slight advantage as the “face” of the LDP in the general election.

The current focus is on which two of the three leading candidates will make it to the runoff. However, the outcome of the runoff will come down to who captures the most votes held by the other candidates who did not reach the runoff. We may be unable to predict the outcome until the very end. Any media reports that vote-allocation decisions have been made within the party ahead of the runoff would attract considerable attention.

If the election goes to a runoff between Ishiba and Takaichi, that could be seen as a showdown between pro-Abenomics (Takaichi) and anti-Abenomics (Ishiba). However, looking at the campaign promises and other details, their policies are not 180 degrees apart from each other. We do not think that actual policy will differ as much as their images might suggest.

Focus of presidential election on runoff developments

According to a 16 September *Yomiuri Shimbun* report, as well as other media reports, Ishiba, Takaichi, and Koizumi are currently the three leading LDP presidential candidates and there is the strong possibility of a runoff between two of these three candidates (see [our 18 September Politics Watch](#)). The focus for now will turn to who will advance to the runoff and who will win that final vote. Still, various media outlets have not been able to identify a likely outcome.

We are certain that there are already fierce negotiations within the LDP over who to vote for in the event of a runoff. If there are reports that the situation has been settled before a runoff, that would provide the market with new catalysts.

Showdown between Ishiba and Takaichi?

There are no firm predictions as to which of the three leading candidates will advance to the runoff. However, if we were compelled to provide an opinion, it would be that Koizumi has been criticized for his lack of experience, as well as his lack of preparation for debates and other events. Even though he is ahead in terms of votes from LDP Diet members, there is the view that his momentum in terms of votes from party members is waning.

There are media reports that Yoshihiko Noda is leading the race to become the head of the Constitutional Democratic Party of Japan. For the LDP, the ability to go up against skilled debaters like Noda on the Diet floor has become increasingly important. In particular, Upper House party members want a party president and prime minister who can maintain a high approval rating until the election in July 2025.

Runoff between Ishiba, Takaichi could be close contest

If the election goes to a runoff between Ishiba and Takaichi, predicting a winner could be difficult as it seems that neither has made much progress in terms of gaining votes from Diet members.

If Takaichi wins, she will become Japan's first female prime minister. Some people think that she has been articulate in her debates during the campaign and that her views on the nation are coherent and logical.

However, some issues for Takaichi have apparently been pointed out (see below), such as Ishiba probably having a slight advantage as the "face" of the LDP in the general election.

- Popularity among general public: Takaichi and Ishiba are evenly matched in terms of support from LDP members. However, Ishiba enjoys overwhelming support from the general public.
- Political funds scandal: Many of the recommenders are former Abe faction members that were involved in the political funds scandal. Takaichi's policy is that further investigations of the scandal will not be carried out unless new facts come to light.
- Visits to controversial Yasukuni Shrine: Takaichi said she would visit Yasukuni Shrine as prime minister. In addition to concerns about potentially deteriorating relations with South Korea and China by visiting the shrine, there are also concerns about hurting ties with the US.

Support within party for Ishiba, Takaichi in runoff as another point of interest

All factions other than the Aso faction have already decided to disband. Still, one key point is whether members of each former faction will all vote for the same candidate. And if they do, which candidate would garner their votes?

- Aso Faction: Aso and Ishiba are not close. There have been reports that faction members will all vote for the same candidate.
- Veteran members of former Abe faction: Many of those long-term members of the former Abe faction were involved in the political funds scandal. They are likely to support Takaichi, who was close to Abe.
- Former Suga group: Suga is not close to Aso, but he is close to the Koizumi / Ishiba / Kono (digital transformation minister) alliance.
- Former Kishida faction: This faction has traditionally been strongly liberal. There have been reports that members of this former faction will all vote for the same candidate.
- Former Motegi faction: Motegi is not close to Takaichi.

Possible pro-/anti-Abenomics showdown if Ishiba, Takaichi reach runoff

Ishiba had been a harsh critic of Abenomics, while Takaichi has stated that she will continue with Abenomics. A runoff between the two could become a decisive showdown between pro- and anti-Abenomics. However, there is also the possibility that the policies of these two candidates will not differ that much in actual practice.

Ishiba's current economic and fiscal policies are based on the idea that "the economy is the foundation for public finance." He has pledged to carry out necessary fiscal stimulus measures, such as investing in growth areas, while keeping an eye on fiscal soundness. As for monetary policy, he apparently believes that after ending its negative interest rate policy, the BOJ can take its time and base its rate hike decisions on economic conditions.

Takaichi's economic and fiscal policy entails aggressive fiscal spending. This time she has also proposed crisis management investment and growth investment. She thinks growth investment should be centered on the private sector. Looking at the content of the crisis management investment, she probably envisions spending on roughly the same scale as the GX (green transformation) investment pursued by the Kishida administration. She did not offer any new major new tax cuts or policies to use government spending to close the output gap. As for monetary policy, even though she has said that the BOJ's interest rate hike was too early, she has not commented on the loss of market function during the period of unprecedented monetary easing.

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