

Daiwa's Economic View

Koizumi has advantage over Takaichi in LDP presidential election

- NTV survey for LDP party members shows Koizumi in the lead, making difficulties for Takaichi who needs to secure a majority of party member votes to win
- Koizumi came through his press conference without any trouble, incl. Q&A
- While Koizumi aims to tackle inflation in consideration of fiscal policy discipline, he intends to accept BOJ's normalization in monetary policy
- Takaichi's fiscal policy cannot be considered extremely expansionary

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Regarding the LDP presidential election, Shinjiro Koizumi's advantage has become clearer following a Nippon Television Network (NTV) poll and his candidacy announcement. Koizumi plans to tackle inflation, while emphasizing fiscal discipline. He stated that monetary policy was the exclusive purview of the BOJ. Sanae Takaichi's fiscal policy has also become more moderate than anticipated, as shown by the withdrawal of her proposal for a consumption tax cut on food items. JGB market concerns about fiscal expansion are likely to diminish.

Takaichi faces challenges in achieving landslide victory in party member votes

In the LDP presidential election, Koizumi currently holds an overwhelming advantage in votes from Diet members, meaning that Takaichi needs to secure a majority of votes from rank-and-file members to win (See [our 18 September report, "Daiwa's Economic View: LDP presidential election: Signs of change in Koizumi-Takaichi battle"](#)). However, a survey of party members reported by NTV on 21 September suggests that Takaichi's landslide victory would be difficult.

The NTV poll asking LDP party members and associates about who they support showed Koizumi at 32%, Takaichi at 28%, and Hayashi at 15%. It appears that Takaichi's deficit to Koizumi now extends to the party members.

The survey revealed that party members who voted for Shigeru Ishiba in last year's leadership election are now mainly flowing to Koizumi and Hayashi. Koizumi's pledge to continue Ishiba's policy agenda is thought to be one reason for his advantage in the rank-and-file party member votes.

Koizumi's press conference was stable, eliminating concerns for now

One of the concerns surrounding Koizumi was his overly radical policies and unstable responses during press conferences and debates. However, at his candidacy announcement on 20 September, he came through both his policy explanations and the Q&A session without any trouble.

In last year's presidential election, his campaign lost momentum after he advocated for policies such as optional separate surnames for married couples and the abolition of rules on corporate dismissal. This time, he has removed both from his platform and cautiously and skillfully answered questions about reasons for the removal.

Regarding another concern—his lack of experience, he showed that he would counter this with "team strength." Finance Minister Katsunobu Kato is the head of Koizumi's election campaign committee. In addition, Taro Kono has also joined the Koizumi camp. Moreover, there is speculation that several policy experts from the former Kishida faction are supporting him. They may continue to support Koizumi if he becomes Prime Minister.

Koizumi emphasizes discipline of fiscal policy, accepting BOJ normalization in monetary policy

Both on fiscal and monetary policy front, Koizumi made statements aimed at avoiding turmoil and vigilance in the JGB market.

Regarding fiscal policy, he stated that he would tackle inflation while giving consideration to fiscal discipline. Specific measures are abolishing the additional provisional tax on gasoline and adjusting the basic income tax deduction (raising the annual income threshold). He did not propose a consumption tax cut. He cited increased tax revenue and spending reforms as funding sources. He has decided not to implement Y20,000 stimulus payments, stating that it would not gain public support.

He stated that the BOJ had exclusive authority regarding monetary policy, but he would continue the cooperation between the government and the BOJ that has been in place since Abenomics. It seems unlikely that he would object to the BOJ's ongoing normalization of monetary policy.

Takaichi's fiscal policy is not as expansionary as feared

Sanae Takaichi held her candidacy press conference on 19 September. While her fiscal policy is expansionary, its content was more moderate than the market had feared.

The market was most wary of a policy of consumption tax cut on food items to zero, but it was not included in her platform. The stated reasons were that it would take a year to prepare and would lack immediate effect. She also dropped the Y20,000 stimulus payments, citing a lack of public support. Regarding national defense spending, she avoided explicit commitment to a rise to a 3% of GDP target, stating she would not set it as a specific percentage.

Her stance of pursuing economic growth remains unchanged. However, she specified that her focus is on crisis management investment and growth investment. While the amounts are still unknown, she aims for "wise spending," emphasizing more investment via public-private partnerships, responsible and proactive fiscal policy, and strategic fiscal stimulus. She is not of the view that fiscal policy should be implemented at any cost, such as compilation of a supplementary budget equivalent to the output gap. Her near-term inflation measures are the abolition of the additional provisional tax on gasoline and provision of subsidies to local governments.

For reference, she made no specific mention of monetary policy in her press conference or platform, and no questions were asked by reporters on the topic.

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