



# The Weekly Observer

July 29-August 2

YOUR WEEKLY RECAP OF POLITICAL DEVELOPMENTS IN JAPAN!

THIS WEEK IN NUMBERS

## Japan-U.S. "2+2" Meeting

On Sunday, Minister for Foreign Affairs Kamikawa Yoko and Minister of Defense Kihara Minoru met U.S. Secretary of State Antony Blinken and Secretary of Defense Lloyd Austin for the "2+2" meeting.

The four agreed in Tokyo to establish working groups and discuss counterpart relationships between the **JSDF Joint Operations Command and U.S. forces**, welcomed the establishment of the **WG for Future Fighter Training and Readiness**, and welcomed the co-development of **AMRAAM** and upgraded **PAC-3**.

The ministers also held the **first-ever extended deterrence ministerial** to discuss **U.S. nuclear posture** in the face of China, Russia, and North Korea-related threats.

Kihara and Austin also met **ROK Defense Minister Shin Won-sik** and **signed a memorandum** cementing cooperation and continuing senior-level consultations, real-time missile data sharing, and trilateral exercises.

## BOJ Hikes Interest Rate to 0.25%

On Wednesday, the **Bank of Japan (BOJ)** decided at its monthly monetary policy meeting to **raise its policy interest rate from 0.0-0.1 percent to 0.25 percent**, a clear indication that Japan is heading back to a "world with interest rates."

**Governor Ueda Kazuo** said that the BOJ made the decision with the understanding that a hike would "**not have a strong negative impact on the economy**" given low real rates. He added that it is better to gradually raise rates, saying 0.25 percent was appropriate to ensure inflation did not get out of hand.

The BOJ also **cut back** JGB purchases by around **¥400 billion** per quarter and then **halving purchases** to around **¥3 trillion** by the final quarter of FY 2025. This is expected to dilute the BOJ's share of JGBs from **nearly 54 percent** by **7-8 percent**.

The yen appreciated to **¥146** to the dollar, as investors expect another hike and a **narrowing gap** with the Fed as the U.S. economy slows.

## Cabinet Approval



**28%** (+3 pts.)

**64%** (-3 pts.)

[Nihon Keizai Shimbun](#) (July 29)

## State of the Economy

### **BOJ Core CPI Outlook (July):**

FY 2024: 2.5% (-0.3%)

FY 2025: 2.1% (+0.2%)

FY 2026: 1.9% (-)

### **Consumer Confidence Index (July):**

36.7 (+0.3 pt.)

Second consecutive month improved

### **Labor Market Statistics (June):**

Jobs-to-applicants: 1.23x (-0.01 pt.)  
Third consecutive month down

Unemployment: 2.5% (-0.1 pt.)

### **Industrial Production Index (June):**

100.6 (-3.6%)

First decrease in two months