The Weekly Observer

August 31-Sept. 4

YOUR WEEKLY RECAP OF POLITICAL DEVELOPMENTS IN JAPAN!

FY 2027 Budget Hits Record High

On Friday, the Ministry of Finance (MOF) announced that the **total estimated budget request for the general account in FY 2027 was ¥143.07 trillion,** an **increase of ¥20.6 trillion** and exceeding the record high for the fourth consecutive year.

The budget increased due to the **integration of the initial and supplementary budgets**, as well as the **removal of spending caps for growth investments.**

The investment frame with no spending cap amounted to **¥12.1 trillion**. Requests for "item-based requests" without specific funding amounts **almost guarantees a further increase in spending.**

Three issues with the spending targets include the **item-based requests**, **interest payments** on JGBs, and the **transition from forming supplementary budgets**, which are designed to allocate funds during emergencies or disasters.

Bessent Puts Pressure on Japan to Address the Weak Yen

On Tuesday, the *New York Times* reported that **U.S. Secretary of the Treasury Scott Bessent** spent more than two hours during a dinner in May with **Minister of Finance Katayama Satsuki venting his dissatisfaction with the Takaichi Administration's economic policies.**

He reportedly felt that the **yen has depreciated too far,** questioning why the **Bank of Japan (BOJ) has not been given the autonomy to raise interest rates.**

Bessent said at a press conference the same day in North Carolina that he informed the Japanese side that **Japan should abandon its reflationary policies (fiscal expansion and monetary easing).**

He informed **BOJ Governor Ueda Kazuo** in a meeting on Monday that, **"We strongly support Japan taking resolute market and monetary policy measures to address the significant undervaluation of the yen."**

THIS WEEK IN NUMBERS

Cabinet Approval

53% (+/-0 pt.)

33% (-2 pts.)

Asahi Shimbun (August 30)

State of the Economy

Real Consumer Spending (July):
¥301,245 (-3.6%)
8th consecutive month in negative
Nominal spending fell 1.5%

Capital Investment (April-June):
¥13.03 trillion (+1.6% annually)
6th consecutive month in positive
Capital expenditure up 1.5% on quarterly basis (1st increase in 2Qs)

Monthly Wages (2025):
Foreign workers received ¥292,400, a 6.4% increase from 2024, driven by an overall increase regardless of nationality

Number of foreign workers increased 11.7% to 2.04 million