The Weekly Observer

September 14-18

YOUR WEEKLY RECAP OF POLITICAL DEVELOPMENTS IN JAPAN!

Takaichi Reshuffles Her Cabinet

On Thursday, **Prime Minister Takaichi Sanae reshuffled her Cabinet** and formed the second Takaichi reshuffled Cabinet. **Ten new ministers have come in**, with seven who are taking up a ministerial role for the first time, including **one from the Japan Innovation Party.** Despite this, there is a lack of "surprise" in the reshuffle as many major roles stayed with the incumbents.

On Wednesday, Takaichi also launched the **reshuffled Liberal Democratic Party leadership** team, which maintained the core structure around **Vice President Aso Taro and Secretary General Suzuki Shunichi.**

Takaichi aims to **maintain the Cabinet's core structure** while bringing in **new faces with expertise in their respective fields,** serving the dual purpose of **preparing for the execution phase** of the GOJ's core policy initiatives and **appeasing lawmakers waiting in line to become ministers** ahead of next year's LDP presidential election.

BOJ Hikes Interest Rate to 1.25 Percent

On Friday, the **Bank of Japan (BOJ) decided to raise the policy interest rate by 0.25 points to 1.25 percent.** This marks the **first additional rate hike in three months** since the June monetary policy meeting, **accelerating the pace of rate hikes,** which generally had been once every six months since March 2024.

Governor Ueda Kazuo explained during the post-meeting press conference that **"the policy stance has shifted"** toward containing the risk of inflation rising above target and stabilizing it near the 2 percent target. He added that, depending on the risk of inflation exceeding expectations, the **possibility of consecutive rate hikes or larger hike increments "cannot be ruled out."**

The BOJ's move comes as the **central banks in the United States and Europe also raised their policy interest rates.** This is a **historic phenomenon**, the first of its kind in roughly half a century since the Second Oil Crisis.

THIS WEEK IN NUMBERS

Cabinet Approval

53% (+/- 0 pt.)

31% (-2 pts.)

NHK (September 14)

State of the Economy

Trade Balance (Aug.):
¥1.11 trillion deficit
4^{th} consecutive month in deficit

Crude oil imports increased 3.6% to 11.59 kiloliters (7x from United States, -30.9% from Middle East)

Consumer Price Index (Aug.)
102 (+1.7%)
Remained below 2% for 8^{th} consecutive month

GDP Gap (April-June 2026):
+0.7%
Annualized excess demand of ¥4 trillion
7^{th} consecutive quarter of positive growth