
“SUGABE-NOMICS”

It does not seem that there are enough differences between Abenomics and the proposed economic policies of likely new Prime Minister Suga to justify the completely new portmanteau “Suganomics,” as a few analysts have suggested. Suga and Abe have been close allies for eight years, and while they might not agree on every policy, Suga has always supported the concept of Abenomics and was clearly involved in the implementation of such, particularly within the bureaucratic and corporate systems. Indeed, he has openly stated that he will continue the policies of Abenomics, which should relieve any market concerns, and although he would never say such publicly, he is likely hoping to exceed Abenomics’ third arrow efforts regarding economic and regulatory reforms, if given enough time.

Thus, I suggest “SugAbe-nomics,” best suits what lies ahead, if not a great deal of the past. It only refers to economic matters, although political policies will play an indirect role. In my estimation, Abe was always hesitant to act too boldly for reforms because he wished to remain extremely popular among voters and politicians in order to achieve the Diet super-majority necessary to revise the constitution. Under Suga, this does not apply, as he places less urgency on this matter, and it is highly likely that unless everything goes perfectly, the LDP will likely lose a few seats in the next election anyway. Thus, the next election, not required until a month or two after the Tokyo Olympics and Paralympics, is of less consequence because the LDP will retain a significant majority (partly due to the comparatively low support of the opposition), especially if events, like the path of the virus, proceed reasonably well.

Suga can, thus, afford to push a bit harder for some of his core reforms than Abe could, although not overly intensely or broadly because he needs to retain the overall support of the LDP, including those negatively impacted by these reforms. It is important to know that Suga has led the effort to promote reform-minded bureaucrats, and the politicians who oversee them, so his chance of achieving some reforms without major upheaval are enhanced. Certainly he knows which reforms are easiest to achieve and we will have to wait to see which ones he chooses, but increased price competition in telecom services, promotion of digitalization of the economy and regional bank rationalization certainly seem to be among them.

On a side note, talk of a snap election in the coming months seems implausible as voters would not approve of such during the virus crisis. Rather, such is likely just publicly displayed pressure on Suga from his factions to retain their influence in his cabinet. Importantly, a major reason why Suga’s selection was so rapid was his experience in dealing with the virus crisis, so he will be certain to prioritize it until supporting any elections, thus continuing Japan’s strong political stability.

In sum, it seems clear is that Suga will need to be somewhat careful, but that being free from super-majority constraints, coupled with his experience and power of corralling politicians, bureaucrats, labour unions and business leaders into a common goal, he will likely supplement Abenomics with progress on some key reforms. Investors should not expect miracles, but be confident of Japan’s improvement via SugAbe-nomics.

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