



The Weekly Observer

May 12-16

YOUR WEEKLY RECAP OF POLITICAL DEVELOPMENTS IN JAPAN!

THIS WEEK IN NUMBERS

Consumption Tax Cut Fight Continues Ahead of Election

Asahi reported Wednesday that the Liberal Democratic Party (LDP) does not plan to include a consumption tax cut as part of its campaign manifesto for the Upper House election. The ruling parties have thus far **agreed on the need for a supplementary budget** in the fall but not on what the funding would be used for.

Prime Minister Ishiba Shigeru and LDP Secretary General Moriyama Hiroshi both pointed out on the dangers of populism, indicating opposition to a tax cut. The LDP Tax Research Commission also came to a majority view on Friday that **lowering the consumption tax was unrealistic** from a fiscal and administrative point of view.

Meanwhile, **Komeito and opposition parties** are pushing for a range of tax cuts, including a **temporary cut to taxes on food items and a cut across the board**. The debate continues as parties prepare for the summer election.

GOJ Approves Hollowed Out Pension Reform Bill

On Friday, the GOJ approved the pension system reform related legislation two months after the initially planned date. There are **no guarantees the bill will pass** with less than a month and a half to go until the end of the Diet session on June 22.

Most importantly, the bill scraps the **wage condition of over ¥1.06 million annual salary to enroll in the welfare pension system** and **raises the threshold for receiving full pension** from the old-age pension for active employees.

The bill does not include a base raise in pension amounts, as cutting into welfare pensions to offset reduced pensions was viewed as an **unpopular policy measure** ahead of the Upper House election.

The opposition are **demanding revisions to the bill** to include the base raise, even hinting at the **possibility of a no-confidence motion**.

Cabinet Approval



33% (-2 pts.)

48% (+3 pts.)

[NHK](#) (May 12)

State of the Economy

GDP Stats (FY 2024):

Real GDP: +0.8% (4th straight year)
Nominal GDP exceeded ¥600 trillion for the first time

Current Account Balance (2024):

¥30.38 trillion surplus (+16.1%)
Largest surplus since comparable stats became available in 1985

Economy Watchers Survey (April):

42.6 (-2.5 pts.)
4th consecutive month in decline
Assessment lowered to "rebound is weak"

Corporate Goods Price Index (April):

126.3 (+4%)
5th month index has reached 4%