



The Weekly Observer

December 15-19

YOUR WEEKLY RECAP OF POLITICAL DEVELOPMENTS IN JAPAN!

THIS WEEK IN NUMBERS

Takaichi's First Diet Session Comes to a Close

On Wednesday, this year's **extraordinary Diet session** came to a close. **Prime Minister Takaichi Sanae** explained that she was able to fulfill her promise with the people by **enacting the FY 2025 supplementary budget**. She stated that she has **not thought about dissolving the Lower House** as there are "many issues to tackle in front of me."

The GOJ successfully enacted **eleven of its submitted bills**, narrowing down its list to ensure passage as a minority government requiring compromise with other political parties. **Diet member-submitted bills** like one on setting lawmaker bonuses were also enacted during the shortened session.

Bills related to **political funding and electoral reform** were **postponed** until next year, as no conclusion was reached during the shorter fifty-eight-day extraordinary session. The ruling and opposition parties have a battle ahead in the coming year.

Bank of Japan Hikes Interest Rate to 0.75 Percent

On Friday, the **Bank of Japan (BOJ)** raised policy interest rates from **0.5 percent to 0.75 percent**, the **first time since 1995** that the rate has hit such levels. The new policy interest rate takes effect on **December 22**.

All nine board members decided that the hike was appropriate. The BOJ determined that the **2 percent inflation target can be achieved** with a lower-than-expected impact of **U.S. tariffs** on the economy and with **wage hikes** expected to continue in the upcoming spring 2026 wage negotiations.

BOJ Governor Ueda Kazuo said that the underlying inflation rate is rising gradually, and it is highly likely that the mechanism of both wages and prices rising moderately will continue to be maintained going forward. He added that the sense of uncertainty from U.S. tariffs is gradually fading. He said that **it is "entirely possible" that another rate hike happens** if wages increase as projected and feed through to prices.

Cabinet Approval



63% (-5 pts.)

19% (+4 pts.)

[ANN](#) (December 14)

State of the Economy

Monthly Economic Report (Dec.):

Economy is recovering at a moderate pace, while the effects caused from U.S. trade policies seen mainly in the automotive industry (4th month)

TANKAN (Dec.):

DI, large manufacturers: 15 (+1 pt.)
Hit a 4-year high
DI, large non-manufacturers: 34 (-)

Consumer Price Index (Nov.):

112.5 (+3%)
2nd consecutive month above 3%

Machinery Orders (Oct.):

¥992.9 billion (+7%)
2nd consecutive month orders increased