



# The Weekly Observer

December 22-26

YOUR WEEKLY RECAP OF POLITICAL DEVELOPMENTS IN JAPAN!

THIS WEEK IN NUMBERS

## Takaichi Plans U.S. Visit in 2026

NHK reported Friday that **Prime Minister Takaichi Sanae plans to visit the United States to meet with U.S. President Donald Trump in March or April** before the latter visits China.

Takaichi said that **"I would like to meet with the president as soon as possible. I imagine it will be relatively early next year."**

On Wednesday, the Ministry of Economy, Trade and Industry (METI) announced that the GOJ and U.S. Government held an online discussion on Tuesday to **discuss the strategic investment initiative**. The Joint Committee aims to **select the first investment project soon for the \$550 billion deal**.

On Friday, the Ministry of Finance (MOF) announced its fiscal investment and loan program for FY 2026, which allocates **¥7.18 trillion** in low-interest loans and GOJ guarantees for the **Japan Bank for International Cooperation (JBIC)** as part of the investment deal.

## GOJ Adopts Record High FY 2026 Annual Budget Request

On Friday, the GOJ adopted the **FY 2026 annual budget proposal**, which amounted to a **record high ¥122.31 trillion**, approximately ¥7 trillion larger than last year's initial request.

The budget request includes ¥39.06 trillion for **social security**, up ¥762.1 billion from last year, ¥31.28 trillion for **JGBs**, ¥20.88 trillion for **local allocation tax grants**, ¥8.98 trillion for **defense spending**, and ¥1 trillion for the **reserve fund**.

While most of the opposition criticized what they see as "excessive spending," the **Democratic Party for the People (DPFP)** praised it as **"an extremely balanced (budget)."** The DPFP plans to vote in favor of the budget next year.

Meanwhile, the GOJ also adopted the **FY 2026 tax system reform outline**, which includes **raising the income tax exemption threshold** to ¥1.78 million and introducing a **new capital investment tax for all industries**.

## Cabinet Approval



**68%** (-1 pt.)

**19%** (+2 pts.)

[Asahi Shimbun](#) (December 21)

## State of the Economy

**GOJ Economic Outlook (FY 2026):**  
1.3% (+0.4% from August projection)

**Nominal GDP per Capita (2024):**  
\$33,785  
24<sup>th</sup> out of OECD countries  
Fell 2 ranks from 2023

**GDP Gap (July-Sept.):**  
-0.2% or ¥1 trillion demand shortage  
3<sup>rd</sup> consecutive quarter negative

**Job Statistics (Nov.):**  
Jobs-to-applicants: 1.18x  
(unchanged)  
Unemployment: 2.6% (unchanged)