



YOUR WEEKLY RECAP OF POLITICAL DEVELOPMENTS IN JAPAN!

The Weekly Observer

December 22-26

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
24th out of OECD countries
Fell 2 ranks from 2023

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

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