



# The Weekly Observer

January 19-23

YOUR WEEKLY RECAP OF POLITICAL DEVELOPMENTS IN JAPAN!

THIS WEEK IN NUMBERS

## Lower House Election Scheduled for February 8

On Friday, the **Lower House** was dissolved for an election on **February 8**. The campaign period will be sixteen days, the shortest in post-war history.

On Monday, **Prime Minister Takaichi Sanae** explained that she would be calling the election as a **de facto referendum on her government**, which has not faced the polls since taking office in October 2025. She called the election **one for each voter to determine their future**.

The ruling **Liberal Democratic Party (LDP)** and **Japan Innovation Party (Nippon Ishin no Kai)** have set a **majority (233 seats)** as the threshold for victory. **The parties need three seats** to hit that threshold (196 LDP, 34 *Ishin*).

In the four instances that a prime minister has dissolved the Lower House at the beginning of the Diet session, **three have resulted in a singular majority for the LDP**.

## BOJ Maintains Interest Rates as Yen Exchange Rate Fluctuates

On Friday, the **Bank of Japan (BOJ)** decided to maintain policy interest rates at **0.75 percent**. The BOJ has revised upward its projections for the FY 2026 growth and inflation rate, taking into account the GOJ's economic measures and wage hikes.

Meanwhile, **Minister of Finance Katayama Satsuki** declined to comment on whether the GOJ/BOJ intervened in the foreign exchange market, as the **yen surged against the dollar from ¥159 to ¥157 in just ten minutes**.

**Vice Minister of Finance for International Affairs Mimura Atsushi** said that the GOJ will **"take appropriate action against excessive movement,"** while Katayama upped the ante by stating that **"we are taking firm measures, including all means necessary."**

**The BOJ is expected to continue exploring the next rate hike** based on economic and price outlook indicators.

## Cabinet Approval



**67%** (-1 pt.)

**23%** (+4 pts.)

[Asahi Shimbun](#) (Jan. 18)

## State of the Economy

**Monthly Economic Report (Jan.):** Economy is recovering at a moderate pace, while the effects caused from the U.S. trade policies are seen mainly in the automotive industry (5<sup>th</sup> consecutive month)

### **Trade Balance (2025):**

¥2.65 trillion deficit  
5<sup>th</sup> consecutive year in deficit  
Export hit record high of ¥110.45 trillion (+3.1%)

### **Consumer Price Index (Dec. 2025):**

112.2 (-2.4%)  
1<sup>st</sup> time in 3 months that rate of increase fell below 3%