



The Weekly Observer

March 4-8

YOUR WEEKLY RECAP OF POLITICAL DEVELOPMENTS IN JAPAN!

THIS WEEK IN NUMBERS

LDP and Komeito Agree on Limited Relaxation of Defense Export Rule

On Friday, the **LDP and Komeito policy chiefs** convened discussions toward relaxing rules related to the **export of defense equipment to third countries**.

The LDP proposed **limiting the export of defense equipment to third countries to the GCAP** with the United Kingdom and Italy, and **narrowing the destination of exports to those that have signed defense equipment and technology transfer agreements with Japan and are not in active combat**. Japan has signed fifteen such agreements.

Komeito leaned toward accepting the compromise after **Prime Minister Kishida Fumio** explained to the Diet on Tuesday that the **GCAP export is necessary for Japan's national security**.

Nikkei 225 Reaches Historic High

On Monday, the **Nikkei Stock Average (Nikkei 225)** reached **¥40,109**, up ¥198 from last week and **topping the ¥40,000 for the first time in history**.

Historic heights were reached largely due to the fear of missing out on **exceptional chip-related stock performance induced by AI demand**.

Kishida said that it is **"reassuring"** that the market has responded positively to signs of economic revolution in the country. He indicated that **this year will be key** to ensuring that the change is permanent, not temporary.

Meanwhile, the **yen marked the first appreciation** in approximately a month, reaching **¥147.54 to the dollar** on Friday. This has been a result of **speculation that the Bank of Japan may raise interest rates in March**.

Cabinet Approval



-% (-)

-% (-)

State of the Economy

Current Account Balance (January):

¥438.2 billion surplus

GDP Gap (Oct.-Dec. 2023):

-0.7%, ¥4 trillion demand shortage

Preliminary Business Conditions Index (January):

110.2 (-5.8 pts.)

Downgraded to "weakening"

Consumption/Wages (January):

Consumption: ¥289,467 (-6.3%)

Real Wages: -0.6%

Capital Investments (Oct.-Dec. 2023):

¥14.48 trillion (+16.4%)