

Daiwa's Economic View

Analyzing early situation for Lower House election

- Various early-stage reports
- This Lower House election entails some uncertainties

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Various media outlets are now reporting on the early-stage situation ahead of the February Lower House election. Multiple polls are indicating that the Liberal Democratic Party (LDP) will capture an outright majority of seats. That could further heighten market concerns about expansionary fiscal policy.

That said, this election has become exceptionally difficult to predict due to the intertwining of various factors. The situation could change dramatically. So, it is important to note that the outcome will remain uncertain until all votes are counted.

Early polls also suggest LDP likely to secure outright majority

From the evening of 28 January to the following morning, several media outlets released their early-stage views of the Lower House election. Both the *Nikkei* and *Yomiuri Shimbun* projected that the LDP will likely secure an outright majority of seats. Kyodo News reported that the LDP, together with coalition partner Japan Innovation Party (JIP), is poised to secure a majority. The LDP appears to be holding an early lead.

The *Nikkei* reported that the LDP is in a position to surpass the 233 seats needed for a majority. Its analysis concluded that, combined with JIP, an absolute stable majority is possible. The *Yomiuri* survey also suggested that the LDP is on track to secure an outright majority. Combined with JIP, the LDP is projected to exceed an absolute stable majority.

Kyodo News took a slightly different view than the *Nikkei* and *Yomiuri* reports, suggesting that the LDP “appears poised to secure an outright majority.” Combined with JIP, the LDP is projected to secure a majority.

If the LDP captures an outright majority, that would strengthen Prime Minister Sanae Takaichi's position within her party. That could heighten JGB market concerns about expansionary fiscal policy.

Won't know results until votes counted; exceptionally difficult to predict outcome

That said, this election is said to be one of the most difficult to predict in Japan's history, due to complex intertwining of various factors. Indeed, the survey results also indicate that close races are expected in many districts around Japan. We should note that the outcome cannot be determined until a significant portion of the votes have been counted. So, we need to be careful as definitive conclusions cannot be made right away.

The main factors contributing to the LDP's advantage are provided below. Certain aspects seem strongly apparent in the various surveys this time.

- The rise in popularity of PM Takaichi has prompted conservative voters to again support the LDP.
- Takaichi positioning this election to choose the administration, clearly defining the LDP vs non-LDP frameworks.
Opposition parties have fielded numerous candidates, making it easier for anti-LDP votes to split.
- The new Centrist Reform Alliance party has yet to gain traction in terms of its naming and political positioning.
- The Japanese Communist Party has begun fielding candidates even in districts where Centrist Reform Alliance candidates are running.

Meanwhile, the LDP is also seen as having the following weaknesses. Conditions could change dramatically in a single day, so we will continue to closely monitor analyses of the election situation.

- Support for Takaichi has a solid core base, but this time it also includes significant backing from independent voters.
Support beyond this core base is extensive, but thin and prone to movement.
Some voters are simply riding Takaichi's popularity.
As such, just a single news report can easily change voting behavior.
Also, severe cold waves and heavy snowfall during winter could deter independent voters from casting ballots, which would be disadvantageous for the LDP.
- As Komeito's supporters shift from supporting the LDP to supporting the Centrist Reform Alliance, the LDP's base vote vs the Centrist Reform Alliance could decrease significantly compared to the era when the LDP competed against the Constitutional Democratic Party of Japan (which is now part of Centrist Reform Alliance).
The LDP's longstanding dominance is crumbling.
- With numerous candidates running, many districts are closely contested, particularly in urban areas.
There is the risk that some factors could result in narrow defeats for LDP candidates.

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