

## Introduction

Summary of Opinions at July MPM suggested the substantial enhancement of concerns about the risks in overseas economy and the shift of attitudes toward additional stimulus.

## Assessment of economy

First three lines of comments noticed the deceleration of overseas economic activities, but maintained the constructive views of domestic economy. They are in line with the main scenario explained by Governor Kuroda at the press conference just after July MPM.

Other three lines of comments, however, expressed stronger vigilance against the recent developments overseas. One of these comments referred to the possible delay of its recovery which had been expected in 2H of this year.

Moreover, other two line of comments raised the risk of downward spillover effects to domestic economy. Interestingly, one of these comments coupled with the comment above the impacts of consumption tax hike. According to their views, its implications could be different under changing profiles of risks of our economy.

## Assessment of Prices

First three lines of comments again appeared to indicate the views by the executive members. They maintained the constructive views of inflation, thanks to the positive GDP gap and the gradual improvement of inflation expectation.

In contrast, other five lines of comments effectively expressed more cautious opinions on the prospects of inflation. It is also interesting to note that such views seemed to be shared by “structural” and “reflationary” schools of thoughts.

Lines of comments seemingly reflecting “structural” viewpoints focused the implications of the efforts by firms to improve productivity. It is the rational reaction to overcome severe shortages of labor and to maintain the sustainability of business. In the long run, it could rather stimulate inflation by improving real income. Nevertheless, it could have downward pressure on prices in the near term.

Other lines of comments seemingly reflecting “reflationary” viewpoints claimed the weakness of aggregate demand would be the core reason for underperformance of inflation, and raised the voice of concerns about the risk of negative rate of inflation again. Readers may like to see their views on the prospects of inflation expectation, which would be an important element to think about the dynamics of inflation.

## Policy conducts

In light of the assessment of economy and prices, discussions of monetary policy conduct consist of two parts: the policy decision at July MPM and the policy strategy for coming MPMs.

With regard to the policy decision, first four comments reiterated the central view that the BOJ should maintain the current accommodative policy persistently. This is consistent with the relatively constructive views of economy and inflation as reviewed above.

It should be noted, however, two lines of comments among the four referred to the side-effects on financial system, suggesting cautiousness about potential additional stimulus.

In contrast, a line of comment insisted the needs to enhance monetary stimulus as a preventive and pre-emptive measure against downside risks of prices. As for the policy tool, the comment proposed both the adjustment of target yields of the YCC and the modification of forward guidance.

In the meantime, other line of comment downplayed the significance of policy conducts by other central banks. The comment claimed that their impacts could change according to the developments of economy and financial markets, and insisted the importance of making policy decision from longer term viewpoints.

With regard to the policy strategy, three lines of comments emphasized the readiness to conduct additional stimulus without hesitation when there is greater possibility to lose momentum toward achieving the inflation target. Readers would remember that this is the most important point of modification of the policy statement. In fact, two lines of comments among the three insisted its communication.

In contrast again, a line of comments claimed the idea of pre-emptive action. The comment noted the vulnerability of our economy against US-China trade disputes and the long distance of actual inflation toward its target. Accordingly, the comment raised the risk of “behind-the-curve” policy action against potential negative impacts of consumption tax hike and/or abrupt change of market developments.

Interestingly, following three lines of comments raised the issue of potential policy tools. One line of comments claimed the importance of comparative studies of potential options from the viewpoints of quantity, quality and interest rate. The comment also reiterated the importance of focusing their benefits and costs.

Two of the comments among the three, however, expressed the cautious views. Both of them effectively highlighted the risk of stronger side-effects of potential additional stimulus. One of the comment explicitly discussed the potential impacts on financial system. Specifically, the comments raised the risks of promoting excessive risk-taking in financial market and of damaging financial intermediation by banks, especially in light of extended period of monetary easing by the BOJ.

If and when the risks of economy and prices will likely materialize, the BOJ would conduct additional stimulus according to the new commitment as above. If this is the case, the issue would rather be how they could minimize the side-effects with potential compensating measures.

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