

Introduction

At March meeting of the MPM, there appeared to be the consensus the BOJ should maintain its accommodative policy to support positive momentum of the economy.

Assessment of economy

First three lines of comments confirmed the constructive view of our economy. While a couple of such comments expressed some concerns about overseas economy including China, they appreciated positive appetite for business investments based on improved outlook of long-term growth.

In contrast, other couple of comments raised the cautious view of household consumption. One of them suspected that its recovery was largely driven by economic policy measures, and the other insisted that improvement of real wage would be necessary for household consumption to be sustainable.

Interestingly, some members made comments on wages from the viewpoint of economy, rather than that of inflation. A couple of such comments expressed its positive prospect in light of the current developments of wage negotiation. The other insisted that further reform of labor market and of human resource management would be necessary for sustainable rise in wages.

Assessment of prices

First three lines of comments reiterated the central view of prices. Specifically, they expected deceleration of inflation rate toward the middle of FY2023 due to diminishing impacts of transfer of increased import prices. One of such comments insisted that faster rises in service prices would be necessary to achieve the inflation target.

Regarding the direction of risks, members expressed different opinions.

On the one hand, a couple of comments claimed the upside risks of inflation, referring to continuous transfer of costs by firms, gradual acceleration of service prices and potential changes of price/wage formation due to large price shock from overseas.

On the other hand, a line of comment warned the downside risks of inflation due to delayed improvement of GDP gap or lack of momentum of wage rises, while the comment admitted some signs of changing “norm” of households and firms toward inflation.

Policy decision

First couple of comments reiterated the policy stance that the BOJ should maintain the current accommodative policy until they are confident in achieving the 2% inflation target.

Regarding the side-effects of the YCC, members expressed slightly different opinions.

On the one hand, three lines of comments expressed the optimistic views, while they admitted the need to monitor the situations.

One of such comments suggested that positive effects of the YCC remained significance. The other couple of comments expressed hope that side-effects would diminish either because of 1) diminishing speculation about policy

Normalization due to prospective deceleration in inflation rate, or 2) effects of modification of the management of the YCC.

On the other hand, a couple of comments expressed concerns about the continuous side-effects on market functions, while they suggested some signs of improvements.

One of such comments claimed the need to make further efforts for improvements of functions, including those of corporate bond and swap markets. The other comment raised the remaining impacts on corporate bond markets as spillover effects from JGB market.

Normalization of monetary policy

In contrast to somewhat divergence of views on the side-effects of the YCC, there appeared to be the consensus that the BOJ should be patient to maintain the current accommodative policy.

First three lines of comments insisted the significance of achieving the 2% inflation target.

One of them confirmed the need to re-anchor the inflation expectation at the level consistent with the target. Another line of comment argued that it would be more important to avoid the risk of missing the opportunity to achieve the target by modification of monetary easing too early rather than the risk of adjusting the policy too late.

Interestingly, the other comment claimed that it would not be necessary to modify the policy communique between the BOJ and the government announced in early 2013, in order to avoid speculation about policy normalization.

Readers may like to remember that the communique was effectively the initial announcement of “three arrows” of Abenomics. Some of the private experts of monetary policy suggested the potential modification.

Moreover, the other three lines of comments claimed the needs for monetary policy to support the virtuous circle emerging in our economy.

One of them warned the risk of modification of monetary easing at this stage, because it took long years to have apparent impact on wages. According to the opinion, it could suspend the reforms of wage setting by firms, which would be indispensable to realize harmonized growth of economic activity and wages.

Other couple of comments confirmed the idea that the BOJ should be patient to modify the accommodative policy.

One of them claimed that it could have broad-based impacts on our economy and financial market. The other suggested that the maintenance of monetary easing further could pave the way for promotion of supply-side reforms and of stronger confidence in virtuous circle of price and wage.

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