

Introduction

Summary of opinions suggest that some concerns about domestic economy were expressed at October MPM, in spite of the constructive views by Governor Kuroda at the press conference. In the meantime, only a few comments referred to the modification of their forward guidance.

Assessment of economy

First three lines of comments seem to be the views by the executive members, confirming the resiliencies of domestic economy against the slowdown of overseas economy. It is consistent with the confidence in domestic business investments discussed in the quarterly economic outlook.

In contrast, a couple of lines of comments expressed the cautious view about the potential negative spillover from abroad, with the reference to delayed recovery of the global economic activities.

Interestingly, other three comments raised the issue of domestic consumption. While one of them pointed out the negative impacts by unusual weather from shorter-term perspectives, the other two discussed the implication of lackluster developments of labor earnings.

In fact, as one of them pointed out, the growth rate of nominal wage has decelerated, and that of nominal earnings has been slower than previous year. And the other expressed concerns about the potential negative impacts of a range of factors including the leads and lags of expenditure due to consumption tax hike and considerable deterioration of households sentiment.

Assessment of prices

First line of comment expressed the official view of prices, in line with the policy statement. It confirmed the confidence in gradual acceleration of inflation rate under the maintenance of positive GDP gap and improvement of long-term expectation of inflation.

Moreover, other comment claimed that the structure of our inflation along with that of our economy has evolved to be less affected by external factors, while it admitted that it would take time before the acceleration of inflation, due to improvements of productivity by resilient business investment.

In contrast, other five lines of comments expressed the cautious views. In fact, four of them explicitly confirmed the needs to pay attention to the risk of losing momentum of inflation toward its target. They effectively confirmed that the condition of their new forward guidance was satisfied.

Specifically, one of them raised the risk of negative spillover from the overseas economy if its slowdown would continue further. Other implied the vulnerability of domestic economy with the reference of shrinking gap of GDP. Another comment pointed out the deteriorating sentiments both by manufacturing sector and households.

And the last comment, seemingly by a member with the reflationary view, expressed the critical opinion against the maintenance of gradual acceleration of inflation rate, while it confirmed that there is less risk of returning to deflation under the framework of the YCC.

Policy decision

First couple of comments confirmed the current stance of monetary policy, because they understood that the momentum of inflation toward its target was maintained. It should be noted that one of them also confirmed the importance of continuous and careful review of the overseas economy and of paying attention to the side-effects on financial system.

Next three comments discussed the communication policy. First one insisted the importance of sending an enhanced message of maintenance of strong monetary easing policy, as it would take more time to achieve the inflation target.

Other two comments discussed the desirable conditions of the new forward guidance. One of them argued that it should be linked to the momentum of inflation in light of the communication policy in the past. In addition, it expressed the idea of introducing the possibility of further reduction of policy rate in the future.

The other comment proposed three conditions of the new forward guidance: 1) making clear the stance not to accept any deceleration of inflation rate, 2) making the substance concrete, and 3) making the commitment to act on the concrete condition. Readers may like to confirm that any reactions to this discussion was not included in the Summary.

Next couple of comments appear to reflect the cautious views of our economy and prices, emphasizing the readiness to conduct additional stimulus.

In fact, one of them claimed that pre-emptive easing of monetary policy would be most relevant to Japan, where the economy would be vulnerable to external shocks, inflation expectation would not be firmly anchored, and actual rate of inflation is distant from the target. It is also interesting to note that the comment emphasized the importance of collaboration with the government in terms of fiscal policy.

Last couple of comments discussed the side-effects of accommodative policy. On the one hand, one comment reiterated the principle that monetary policy should be conducted according to economy not to banking business. It further confirmed that the net profits of banks benefited from the QQE for several years since its introduction, in terms of the increase in capital gains from securities holding and reduction of credit costs.

On the other hand, the other comment expressed the concerns about low long-term yield for extended period of time. It claimed that life insurance industry could not play the important role for our society and costs of lower returns from pension and investment trust would effectively be borne by the households.

Author: Tetsuya Inoue
Chief Researcher
Financial Market and Innovation Research Department
Nomura Research Institute

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