

## Introduction

Summary of opinions suggested that the majority of the MPM members have become confident in gradual expansion of our economy, in contrast to their earlier sense of concerns dominant at October MPM.

## Assessment of economy

It should be noted that first six lines of comments effectively confirmed the gradual expansion of our economy. Readers may like to remember that the number of such comments was larger than that of executive members.

While some of them referred to the domestic and the overseas risk factors, they seemed to be confident in resiliency of our economy, especially on corporate front.

Other three lines of comments expressed the cautious views. Interestingly, they paid more attention to the potential weakness of our economy on consumer front, rather than the downside risks of overseas economies.

Specifically, they raised the impacts of consumption tax hike which could be larger and longer due to the impacts of natural disasters in earlier months and persistent weakness of earnings.

It is also interesting to note that one other line of comments suggested the stabilization of USD/JPY rate in coming months, if their structural demands due to difference in the ratio of dollar denominated trades and FDIs remain larger.

## Assessment of prices

First three lines of comments 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.

In contrast, one other line of comments implied the cautious views by referring to the reduction in positive GDP gap. Nevertheless, even this line of comments agreed that the risk of losing momentum toward inflation target would not become larger.

The number of lines of comments on prices was only five, including one other line of comments on communication policy of GDP gap and longer-term inflation expectations. In line with the Q&A sessions of the press conference by Governor Kuroda last week, the conditions of prices appear to be on the sideline for the moment.

## Policy decision

The first three lines of comments confirmed the official stance of monetary policy, as expressed by the policy statement of December MPM.

Sustaining the longer-term expansion by persistent maintenance of accommodative policy is the key. With this respect, their policy strategy appears to be the same as that of the FRB, except for the inflation conditions.

Interestingly, other four lines of comments suggested that the maintenance of easing bias of monetary policy was necessary, in spite of their growing confidence in resiliency of our economy as discussed above.

As the reason, they insisted that risks and uncertainties of economy and prices still remained. Regardless of its intension, these lines of comments could have non-negligible implications for the domestic market.

Readers may like to note that the recent surveys for market economists suggested that there has been remarkable change of their views of monetary policy. Specifically, their majority now seemed to expect that the next policy move by the BOJ would be policy tightening.

In light of the series of political event in overseas economies and the signs of resiliencies of our corporate sector, it could be reasonable for the domestic markets to change their outlook of monetary policy.

Nevertheless, too early speculation of policy “normalization” would not be favorable to the MPM. As one other line of comments suggested, faster upward movement of long-term yield could become an issue in the maintenance of accommodative financial conditions.

Furthermore, the specification of forward guidance could become another issue as the other line of comments implied, if it could not prevent the market speculation of policy rate hike earlier than the time that the policy strategy requires.

## Discussion on side-effects

Last three lines of comments discussed the side-effects of accommodative policy again. One of these lines confirmed the idea that the MPM should pay attention to the side-effects on financial intermediation.

With this respect, another line of comments insisted the importance to pay attention to the developments in Germany. In its view, there have been some signs of transferring the cost of NIRP to large holder of deposits and of raising account maintenance fees in Germany.

This line of comments also expressed the concerns that the net impacts of lower yield could be negative from macro-economic viewpoint, because net savings of households and corporate sectors in combination remain positive. More over, it also suspected that the income disparity could widen as the developments of stock prices.

As in previous cases, the other line of comments tried to prevent the risk of over-valuation of such side-effects.

While this line of comments admitted that there would be some occasions to pay attention to a specific policy measure and its impacts on specific sectors, it argued that the review of monetary policy should be conducted from broader perspectives, taking into account of both economy and financial system.

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