

Introduction

Summary of opinions at January MPM of the BOJ suggested that enhancing flexibility of target yield under the YCC would be the focus of discussion at the review of policy strategy.

Assessment of economy

There seemed to be diversified views of the current economic condition among the members of MPM.

On the one hand, a couple of comments confirmed the constructive view of gradual recovery, but on the other hand, three lines of comments referred to the weakness of economic activities both on households and firms fronts. In any case, as the other comment suggested, considerable unevenness across regions, expenditure components and industries would be the notable characteristics.

It appeared to be the case with near-term economic outlook. A couple of comments suggested that the gradual recovery scenario remained intact, while other couple of comments warned the downside risks due to longer time period to contain Covid-19 and its negative impacts on the sentiment of households and firms.

Moreover, other couple of comments expressed the risk of longer-lasting impacts on expansion of income gap and deterioration of long-term growth rate due to uneven recovery of economic activities as well as labor earnings.

Assessment of prices

Only three lines of comments referred to this topic, probably due to the significance of the policy review.

A line of comment confirmed that the inflation rate would gradually accelerate from medium-term perspectives, while another line of comment warned the risk that low inflation environment would remain longer. Interestingly, the other line of comment suggested that Covid-19 could cause risks in the both directions and they should be taken into consideration at the review.

Monetary policy conducts

In contrast to the diversified views of economy and prices, the opinions of conduct of monetary policy for the time being seemed to be broadly agreed.

A couple of comments reiterated the view that the policy package have been effective, and confirmed the idea that it should be maintained for the time being. In addition, another comment insisted the importance of cautiousness about the risk of financial instability including that of deterioration of financial intermediation.

Meanwhile, the other line of comment reiterated the significance of collaboration between the BOJ and the government in conducting crisis measures. According to the comment, it would be required to avoid long-lasting impacts of Covid-19 on such areas as growth expectation, saving rate, inflation expectation and financial system.

Lastly, a line of comment explicitly warned the increasing risk of deflation, and suggested that further enhancement of the YCC and the over-shoot commitment of policy rate would be appropriate.

Review of policy strategy

According to the comment by Governor Kuroda at the regular press conference, staff explained the outline and prospective issues of the review to the members at January MPM.

First set of comments discussed the backgrounds and ideas.

A couple of comments insisted the importance of taking balance between the assessment of effectiveness of the current policy framework and that of side-effects on financial intermediation and market function. In any case, the other line of comment reiterated the significance of 2% inflation target.

Moreover, other couple of comments emphasized the importance of reinforcement of flexibility and sustainability of policy conducts according to changes in circumstances. One of these comment also claimed that focus of the review would not be countermeasures for side-effects.

Second set of comments discussed the prospective issues.

A line of comment reiterated the importance of enhancing sustainability and effectiveness as viewpoints of the review, and expressed the view that flexibility of managing the YCC and asset purchase including ETFs would be important.

Other couple of comments referred to enhancing flexibility of target yield of 10Y JGB. One of them pointed out that fluctuation of 10Y JGB yield in both directions would contribute to financial stability through satisfying the needs of fund management by financial institutions. The other of them suggested that impacts of increased movement of long-term yield on economic activities would be limited.

Meanwhile, another line of comment insisted the importance of policy strategy to achieve the inflation target as far as the framework of 2% inflation target is maintained.

Third set of comments raised the issues from broader perspectives.

A line of comment reiterated the importance of collaboration between the BOJ and the government as well as overseas major central banks in order to maintain stability of financial markets. The other line of comment suggested the needs to conduct innovation of policy practices as well as that of monetary policy theory.

Moreover, the other line of comment raised the importance of promotion of activities of firms in such areas as R&D, modification of business models, digitalization and decarbonization. According to this comment, the BOJ should show determination to never allow to return to deflation and enhancing predictability for business managers as well as improving growth expectation.

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