

Introduction

Members of the MPM of the BOJ maintained constructive views of economic outlook in coming months. It is worth noting, however, some of them expressed concerns about returning to the low growth situations from longer-term perspectives.

Assessment of economy

A number of comments pointed out the underlying positive trend of economic developments, and expressed the hope of recovery once the Covid-19 is contained by wider vaccination.

Specifically, several lines of comments noted the signs of expansion of production activities by manufacturing sectors, while they admitted the recovery of services for individuals was delayed further. Further more, a couple of comments expected the surge of pent-up demand by households, with reference to substantial increase in personal saving.

Readers may like to note, however, that the government introduced another round of emergency measures for some specific regions (including Tokyo and Osaka), and most of them would remain until the end of May.

In light of such uncertainties about the infections of Covid-19 and the pace of vaccination, several other lines of comments insisted the downside risks. In fact, only one comment mentioned that the balance of risk had improved.

Interestingly, other set of comments raised the longer-term issues. One of them expressed concern about the risk of laggard recovery of our economy in the global context, due to the delay in vaccination. The other line of comment pointed out the risk of early suspension of stimulus measures as well as the geopolitical risk.

Moreover, author would like to agree the line of comment that warned the delay in initiatives by firms to enhance growth and to reform their business models would undermine the longer-term economic growth and price stability.

Assessment of prices

First couple of comments that were seemingly by executive members maintained the constructive views of prices from medium-term perspectives.

One of them explained that downward pressure by reduction in prices of cell phone services would be temporary. The other denied the motivation of firms to cut prices to promote demands (as the elasticity of demand would be small).

Nevertheless, another line of comment claimed that we should be careful about the risk of modification of pricing practices in coming months.

From longer-term perspectives, a line of comment raised the potential implication of adaptive formation of inflation expectation. According to the view, maintenance of negative rate of inflation for coming months could have non-negligible impacts on the underlying momentum of inflation.

Last line of comment in this section confirmed the importance of rising wages. It argued that if the wage rise would be maintained under the current economic conditions, it could sustain the expectation of rising wages, which would be crucial for prices stability.

Policy decision

The MPM in April decided to maintain its accommodative policy. In fact, several lines of comments confirmed the need to keep policy efforts to sustain flow of funds to firms.

Moreover, a line of comment suggested that possible extension of special operation of fund provision to banks against Covid-19. With this regard, a line of comment also noted the importance of collaboration with economic policy measures by the government.

Following several lines of comments evaluated the effects of “policy assessment” by the BOJ at March MPM. A couple of comments expressed the positive views of the reactions by the market. One of them mentioned that the intension of “assessment” was understood well, and the other explained the reactions by banks were within expectations.

Another comment confirmed the importance of financial stability as underlying condition for price stability. Moreover, it expressed the positive view of functions of financial intermediation, and appreciated the significance of regular reporting of financial conditions by the financial system and bank examination department.

Looking forward, other couple of comments raised the challenges for monetary policy after Covid-19. One of them confirmed the need to think seriously the potential trajectory of inflation toward 2% target. It further claimed that communication policy would be more important.

The other line of comment suggested that it would be desirable for the BOJ to utilize the momentum of economic recovery with enhanced monetary accommodation to pave the way of achieving the target. This line of discussion seems to be similar to that in an overseas economy.

From longer-term perspectives, a line of comment pointed out the importance of collaboration between monetary and fiscal policy to achieve economic growth in a stabilized manner, with reference to the overseas cases. While the context would not be so clear, it might refer to sustainability of policy mix.

Other line of comment raised the issue of identifying potential changes in effects of monetary policy, when digitalization of economic activities and shift of gyration from physical to intangible assets would accelerate as the reactions of economic agents to Covid-19.

Interestingly, last line of comment referred to climate change as important factor for economy and financial system. It suggested the needs to enhance discussion about potential policy measures in line with the mandate of central bank.

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