

## Introduction

Summary of Opinions at July MPM implied that constructive view of our economy was widely shared among the members. While many of them expressed supports to the introduction of "Green operation", they also pointed out the challenges of central bank from broader perspectives.

## Assessment of economy

First three lines of comments confirmed the view of gradual recovery of our economy, in spite of the infections of variants of Covid-19 and the diversified recoveries across the overseas economies. As usual, these comments seem to be made by the executive members.

Moreover, two other lines of comments pointed out some positive signs of economic recovery. One of them expected the increase in business investments, and the other referred to the increases in the judgment of labor shortages among manufacturing firms at July TANKAN survey.

In contrast, three line of comments maintained somewhat cautious views due to recent increase in the number of infections and potential measures to contain them. The other comment pointed out the need to pay attention to the policy discussion of fiscal consolidation in coming months.

Other couple of comments raised the issues in financial markets. One of them expected that the households could enjoy the fruits of global recovery by increasing investments in equity markets with proper management of risks. The other cautioned the risk of changing transmission of low yields through foreign exchange rates, with reference to evolution of export prices and surge in demand of USD in last spring.

## Assessment of prices

First three lines of comments confirmed the central view of the MPM. They maintained the gradual recovery outlook, by pointing out the increase in underlying rate of inflation and the little cases of firms attracting demands by reduction in the prices of their goods or services.

Interestingly, other couple of comments discussed the implications of rising international commodity prices. One of them claimed that the MPM should pay attention to its impacts on wholesale prices and pricing behavior of domestic firms as well as acceptance of rising costs by households.

Meanwhile, the other argued that the impacts on potential improvement of inflation expectation would not be sufficient to achieve the inflation target.

## Policy decision

First three lines reconfirmed the current strategy to continue accommodative policy in order to support flow of credits to firms and to maintain stability of financial markets. One of them expressed cautious view of funding conditions of firms, and the other warned against normalization of monetary policy too early when there remains some distance to the 2% target.

Moreover two lines of comments reiterated the importance of maintenance of strongly accommodative policy. One of them interestingly suggested the feasibility of achieving the inflation target by pointing out the recent overseas cases. The other insisted the importance to enhance monetary easing to improve the GDP gap and the inflation expectations.

## Policy decision of measures against climate change

July MPM decided the framework of "Green operation", and the BOJ released its stance and strategy toward addressing climate change.

Regarding the idea of "green operation", several lines of comments expressed supportive views, by reiterating the importance of consideration of market neutrality and flexibility of measure.

Many of them appreciated the design to support funding of financial institutions for their eligible loans and investment based on their own judgments. According to their views, it would prevent potential distortions in financial system due to direct interventions by central bank.

In contrast, a line of comment expressed somewhat skeptic view regarding the introduction of the measure. It insisted the need for careful consideration in relation to the mandates of central bank and argued for stringent condition of eligibility of loans and investments.

Meanwhile, two lines of comments insisted the need to enhance disclosures by financial institutions. They pointed out the importance of requiring disciplines for utilizing the policy measure, fulfilling the policy accountability, and collecting the relevant data.

From broader perspectives, a line of comment insisted the importance of enhancing understandings of the stance and strategy of the BOJ toward addressing climate change by general public as well as market participants. The line of comment claimed that such efforts are all the more important, because climate change requires long-term policy actions.

The other line of comments reiterated the significance of building a new "eco-system" to sustain continuous large investment to align social-economy with climate change. With this regard, this line of comment suggested the contributions of the BOJ to study developments of carbon tax and of green bonds in overseas economies.

Interestingly, last set of comments insisted the role of the BOJ to conduct research and analysis from macro-economic perspectives. One of them suggested that relation between economic growth and climate change is an important topic, as the former needs to sustain R&D and investment to address the issues of the latter.

Other couple of comments reiterated the priority of research and study of potential impacts of climate change on the evolution of economy and prices, which have closer relationships to the policy mandates.

**Author:** Tetsuya Inoue  
**Chief Researcher**  
**Financial Markets and Digital Business Research Department**  
**Nomura Research Institute**

This note is intended solely for informational purposes and should not be construed as investment advice. The author does not guarantee the accuracy or completeness of the information contained. Opinions in this note are those of the author and do not represent the views of Nomura Research Institute or Financial Technology and Market Research Department. This note is exclusively for the personal use of those receiving it directly from the author.