

## Introduction

Summary of Opinions at September MPM of the BOJ suggests that its members maintained the constructive views of our economy. Nevertheless, they reiterated the idea that its strongly accommodative policy should be maintained.

## Assessment of economy

First three lines of comments confirmed the constructive view with reference to the expansion of exports and production. One of them pointed out the virtuous cycle from improving profits to recovering investments, while the other expressed concerns about impacts of shortage of semi-conductors and suspension of production in south eastern Asian economies.

In contrast, a couple of comments expressed somewhat cautious views.

On domestic front, a line of comment confirmed the weak recovery of services for individuals under the containment measures of Covid-19 and pointed out the need to watch carefully their future courses. On overseas front, another line of comment paid attention to the sign of deceleration of Chinese economy, and expressed concern about the potential negative impacts of tightening various regulations.

Regarding the outlook, four lines of comments maintained the cautiously optimistic views. They pointed out that the underlying trend of recovery would remain intact, while its recent momentum has been lackluster due to laggard improvement of services demands and to adjustment of manufacturing production under supply constraints.

Moreover, a couple of comments expressed the hope that it would be easier to take appropriate balance between containment measures of Covid-19 and recovery of service activities under further progress of vaccination and potential utilization of its certificates.

Meanwhile, another couple of comments raised potential negative factors. One of them claimed the need to pay attention to the risk of prolonged supply constraint due to shortages of parts and disruption of logistics. The other raised concerns about sustainability of recovery of consumption, and pointed out that the future developments of earnings income would be crucial.

## Assessment of prices

First three lines of comments confirmed the view that rate of CPI inflation would become modestly positive in coming months. Moreover, a couple of them explained that current negative rate of inflation is largely because of the regular revision of consumption basket of CPI which magnified the negative impact of reduction in cell phone service prices.

In contrast, the other line of comment expressed the skeptic view about secure improvement of inflation. While it identified the upward pressures by temporary factors, it claimed that achieving inflation target would remain difficult in light of future trajectory of GDP gap and inflation expectation.

Meanwhile, other three lines of comments expressed concerns about the implications of rising prices. One of them claimed that MPM should pay attention to the impacts on household expenditures by rising energy and food prices.

Other couple of comments pointed out the risk that rising resource prices would squeeze profit margins of firms, unless they could transfer the increasing costs to output prices. One of them claimed that reallocation of labor forces, promotion of entry and exit of firms, and revitalization of innovation is necessary for regaining pricing powers of firms.

## Policy decision

First couple of comments reiterated the idea that the BOJ should maintain a set of crisis measures to sustain the flow of credits and maintain the stability of financial markets.

Other couple of comments confirmed the needs to preserve accommodative financial condition to achieve inflation target. One of them expressed the view that it would take time. The other implied that our economic recovery lagged behind overseas economies where economic measures are being completed, and claimed that it is important to utilize the pent-up demand as driver for achieving the target.

Moreover, a line of comment suggested the need to enhance monetary easing to achieve earlier economic recovery and inflation target by way of improving GDP gap and inflation expectation. The other line of comment paid attention to potential implications of recent developments of real estate sector in China for international financial markets.

Regarding the future course of monetary policy, three lines of comments discussed the policy mix.

One of them confirmed the idea that coordination of monetary and fiscal policies would remain important in post-Covid phase. The other line of comment argued that the BOJ and the government should share the common strategy for prevention of climate change, promotion of economic growth and reform of economic structure. Another line of comment pointed out the need of proper division of roles for long-term strategies for green and digital.

## Green operation

Couple of comments reiterated the significance of the initiative with reference to overseas policy actions and to risk of undermining domestic production activities due to slower transformation to green economies.

The other line of comment explained the idea that the introduction of green operation could stimulate initiatives by private sector leading to gradual increase in utilization of the operations by banks.

Meanwhile, another couple of comments claimed that the BOJ should explain to the public about the potential impacts of climate change on prices, and should conduct review of the effectiveness of green operation from the viewpoint of accountability of monetary policy.

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