

Introduction

Summary of opinions suggests that MPM members had broadly positive view of the economy, while many of them remained cautious about the inflation. In addition, there was interesting discussion about the implication of international developments on the BOJ's policy.

Assessment of economy

First three lines of comments appear to represent the constructive view of the economy, highlighting the sign of pent-up demand by household and the resilient interests in business investment by firms. Moreover, another line of comment indicated the upside risk due to the advancement of vaccination and the rapid reduction in the number of infection.

In the meantime, a couple of comments emphasized the needs to pay attention to the impacts of supply constraints, while they agreed the overall constructive view. Two other line of comments suggested more cautious views, however, with reference to the risk of more severe supply chain constraints due to shortages of electricity in China.

Assessment of prices

Regarding the inflation, tone of voice among MPM members seems to be more diversified.

On the one hand, three lines of comments reiterated the constructive view. While they admitted current downward effects by infections and reduction in cell phone service prices, they pointed out short-term positive impacts by rising energy prices and longer-term positive implications of tightening GDP gap and improving inflation expectations.

Interestingly, one of them also suggested the possibility of further rise in energy prices due to global policy measures against climate change.

On the other hand, three other lines of comments presented the cautious views. One of them cautioned that upward cost pressures would rather undermine the pent-up demand, and the other expressed the view that upward price pressures due to rising wages or supply constraints remained subdued. As a result, another line of comments confirmed that it remained difficult to achieve the inflation target.

All in all, the other line of comment reiterated that it would be desirable to raise income and wages in order to improve service prices as well as activating expenditures by households utilizing their abundant cash holdings.

Corporate finance

There appears to be active discussion on corporate finance at October MPM, probably as the preliminary discussion about the exit policy of crisis measures for Covid-19.

In fact, during the part of assessment of economy, a line of comment insisted the resilience of financial intermediation even if the number of infection rebounds. Another line of comment insisted the importance of improvement of productivity at SMEs from longer-term perspectives.

Furthermore, during the part of monetary policy, a couple of comments pointed out that overall financial conditions have already become favorable, while the negative impacts remained for SMEs in some services sectors. It should also

be noted that other line of comment cautioned the potential side-effects of purchase operations of credit assets (corporate bonds) on market functions and performances of asset management by institutional investors when financing conditions of large firms continue to improve.

From longer-term perspectives, the other line of comment insisted the need to pay attention to the recent enhancement of functions of regional financial institutions to activate financing needs of their customers and to contribute to sustainable revitalization of regional economies.

Monetary policy

Three lines of comments again appear to represent the central view of the policy conducts, emphasizing the importance of persistent monetary easing to promote virtuous cycle from corporate profits to household earnings and consumption. In addition, one of the comments denied the possibility of deterioration of economic welfare by inflation pressures.

Interestingly, a number of comments raised the implications of international developments.

A couple of them claimed that it remained necessary to maintain monetary easing to improve economic conditions and inflation expectations as well as to tighten GDP gap, in order to reduce the negative impacts of deteriorating international terms of conditions.

Moreover, three other lines of comments discussed the implications of depreciation of JPY. One of them explained that differences of inflation rates and monetary policy stances have been the major drivers.

In terms of the impacts, a couple of them insisted the importance to pay attention to its transmission mechanism not only from macroeconomic perspectives but also from the viewpoints of specific sectors and/or sizes of firms. In the meantime, other line of comments reiterated the idea that foreign exchange rate is not a target variable, while it is a part of transmission of policy effects.

From broader viewpoints, one comment suggested that the BOJ should remain cautious about monetary policy by overseas central banks and their implications on international financial markets.

In contrast, a couple of comments insisted the importance of concentrating the attention to domestic conditions. Specifically, one of them claimed that the BOJ would have no reason to modify its accommodative policy until the inflation target is achieved. Another comment suggested that further enhancement of monetary easing would be desirable to accelerate the pace of economic recovery.

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