

## Introduction

The MPM of the BOJ maintained its accommodative policy unchanged. Governor Kuroda claimed that the QQE was successful to normalize our economy by modifying the mindsets of firms and households of price dynamics.

## Assessment of economy

Governor Kuroda confirmed the constructive view of the economy. He explained export and production remained resilient due to easing supply constraints despite signs of deceleration of overseas economies. He also showed confidence in recovery of domestic demands supported by diminishing impacts of Covid-19.

Governor Kuroda also maintained moderately positive outlook. Economic activities would be supported by the same factors above for the time being, followed by stronger momentum of income and expenditure.

Interestingly, none of the reporters asked about the economy at the press conference.

## Assessment of prices

Governor Kuroda confirmed the broad-based upward movement of prices and the rises in inflation expectation. Nevertheless, he maintained the cautious outlook of inflation, confirming the view that the rate of inflation would decelerate toward the middle of FY2023. He raised 1) diminishing impacts of transfer of input costs and 2) effects of policy measure to reduce energy costs would be the drivers.

From longer-term perspectives, Governor Kuroda reiterated the constructive view of prices. He suggested that factors including improving GDP gap, growing inflation expectation and rising nominal wages would support the rate on inflation in more sustainable manners.

None of the reporters asked about the prices, either.

## Review of QQE

Readers may like to note that it was the last press conference by Governor Kuroda on the MPM. In fact, both houses of the parliament formerly approved the appointment of new Governor and Deputy Governors. Accordingly, large number of reporters asked about achievements and challenges of the QQE.

Governor Kuroda strongly claimed that the QQE was successful in stimulating economic activities and prices, and as a result, our economy exited from deflationary situation. He further insisted that the QQE provided the favorable conditions for labor markets, leading to 4 million increase in employment with substantial rises in labor participation.

From longer-term perspectives, Governor Kuroda recalled that our economy had suffered from chronic deflation for 15 years before 2013 when the QQE was introduced. While he admitted that monetary policy could not affect macro-economic productivity, he argued that the QQE functioned as the basis for its improvement.

Moreover, Governor Kuroda expressed the view that respective “arrows of Abenomics” functioned well, although it would take longer period of time for structural reforms to have

impacts on our economy.

Regarding challenges of the QQE, Governor Kuroda pointed out that the substantial fall in crude oil prices toward 2016 prevented the upward momentum of prices.

From the viewpoint of economic fundamentals, he claimed that the mindset of firms and households that were skeptic about rise in prices and wages prevented the improvement of inflation expectations for lengthy period of time. He also claimed that impacts of Covid-19 on consumption and production suspended virtuous circle between income and expenditure.

In reply to some critical comments by the reporters on some side-effects, Governor Kuroda reiterated the view that positive effects of the QQE has been much more significant. He also explained that a series of reviews of the QQE, including those in 2016 and 2021, were successful in minimizing the side-effects, especially those on the functions of financial markets.

On the issues of dialogue with the markets, Mr. Kuroda admitted that it has become a common issue for major central banks. Nevertheless, he explained that proper share of understanding of goals and intensions of monetary policy would be effective.

## Normalization of monetary policy

Governor Kuroda denied to make specific comments on prospective course of monetary policy, as the MPM including new Governor and Deputy Governors should discuss and make decisions.

Nevertheless, he expressed some interesting views from general viewpoints. First, he insisted that pursuing price stability is the mandate of the BOJ, while prices would be affected by broad-range of drivers including those have little relations with monetary policy. The idea seems to be shared among major central banks.

Second, he claimed that expectation of economic agents would be an important factor for effects of monetary policy. Readers may like to remember that Governor Kuroda initially emphasized the impacts of expectation as transmission mechanism of the QQE. Interestingly, he recalled his attendance to the lecture of Professor Hicks on this issue when he studied abroad several decades ago.

Finally, Governor Kuroda confirmed the idea that specific actions for policy normalization would be decided when the conditions are satisfied, and it would not be desirable to communicate them in advance. This line of argument seems to be shared with Mr. Ueda who explained that the choice of specific options should be depended on the features of economic conditions at the time of policy normalization.

**Author: Tetsuya Inoue**  
**Senior 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.