

Introduction

At the MPM in April, majority of the members supported the idea that BOJ should take risk of higher inflation rather than risk of failure to achieve the inflation target.

Assessment of economy

First several lines of comments largely confirmed the constructive view of current economic conditions. It should be noted, however, they expressed mixed views about its sustainability.

On the one hand, a couple of such comments suggested confidence in further expansion of consumption expenditure as prospective relief of labor shortages and normalization of savings rate. On the other hand, other couple of comments insisted the needs for watching sustainability of domestic economic recovery and developments of US economy.

Moreover, other three lines of comments confirmed the cautious view of future course of wage/price formation.

Interestingly, a couple of such comments argued that efforts to enhance productivities by firms as well as modification of job markets would be required to lead to virtuous circle between prices and wages. Only one other comment expressed confidence in sustainable rises in wages due to structural shortage of labor.

Assessment of prices

In contrast to earlier meetings of the MPM, near-term outlook of prices apparently diversified among the members.

First three lines of comments confirmed the cautious view. Specifically, a line of comment expected that inflation rate would decelerate as transfer of costs would diminish. The other couple of comments either pointed out the uncertainties about achieving the target, or the risk of failure to achieve the target in the end.

In contrast, other five lines of comments implied the prospective acceleration of inflation for the time being. Three lines of such comments pointed out that upward pressures of prices have become broader, especially taking account of rising costs of human resources.

Moreover, a couple of such comments raised the structural factors. A line of comment argued that increase in base pay could have long lasting impacts on prices due to its impacts on permanent income. The other line of comment suggested the potential modification of “norm” of firms against prices and wages due to price shocks.

Policy decision

First couple of comments reiterated the policy stance that the BOJ should maintain the current accommodative policy. They pointed out several reasons, including 1) outlook of deceleration of inflation rate, 2) uncertainties about overseas economies, and 3) need to support rise in wages.

Moreover, other three lines of comments expressed preference of taking risks of higher rate of inflation rather than risks of failure to achieve the target. Readers may like to notice the fact that this line of argument was expressed in despite growing views of higher rate of inflation as above.

Next five lines of comments discussed the implications of modification of the forward guidance.

Readers may like to remember that the MPM dropped the existing forward guidance of policy rate as it had been linked to the downside risks of economy due to Covid-19. Nevertheless, the MPM in April confirmed the idea that the BOJ would patiently maintain monetary easing and would not hesitate to take additional easing measures if necessary.

Three lines of comments reiterated the importance of maintenance of commitment in monetary easing as there remained high uncertainties about economy and prices. Moreover, a line of such comment raised the risk of miscommunication due to modification of forward guidance.

In contrast, other couple of comments suggested somewhat neutral stance. They insisted the importance of appropriate assessment of economy and prices in order to adjust monetary policy in timely manners.

Last set of comments of monetary policy raised the issue of the YCC from different viewpoint. One line of comment pointed out the recent relief of distortions of the yield curve, suggesting less need for the modification of the YCC.

The other line of comment, however, expressed the concerns about lack of substantial improvement of market functions and the need to watch the ongoing results of market survey.

Long-term review of monetary policy

At the MPM in April, the members decided to launch the review of instruments of unconventional monetary policy by the BOJ over the last 25 years. Readers may like to note that 1998 (25 years ago) was the pivotal year of our financial crisis and we experienced chronic low inflation since then.

It should also be noted that the focus of the review would be effectiveness of respective instruments as well as their reasons. Accordingly, inflation target would be taken as given like the policy reviews by the FRB and the ECB. Interestingly, the attendant of the cabinet office referred to the fact that Governor Ueda mentioned to Prime Minister Kishida that there is no imminent need to modify the policy communique.

Four lines of comments expressed the respective views of the review.

Three lines of such comments insisted the significance of the review for monetary policy conducts in the future. Accordingly, these comments suggested that the BOJ should conduct the review comprehensively from the broad viewpoint. In addition, a line of such comment implied the structural factors as reasons for chronic low inflation.

Other line of such comment expressed the caveat that the BOJ should not intend to lead specific action as the result.

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