

Introduction

The BOJ started to release “Summary of Opinions at the MPM”, for the purpose of filling the gap of information caused by longer interval of the MPMs this year. Readers may like to note that the BOJ will reduce the number of MPMs to 8 times, which has become the global standard. It is also mandatory to seek approvals of the MPM members at the next meeting, in order to release the minutes.

“Summary” released today attracts attention in domestic markets, not only because it is the first issue, but also it covers the discussion and the decision on “Supplementary measures” on the QQE.

Economic and Financial Developments

“Summary” consists of three parts in line with the minutes. Within each section, there are short sentences that summarize the major part of opinions expressed at the MPM.

In “Opinions on Economic and Financial Developments” as the first part, a number of sentences imply the consensus view that Japan’s economy continues to grow at moderate pace. In the meantime, only a couple of sentences refer to downside risks in overseas economies and international financial markets. It might appear somewhat inconsistent with the tone of concerns included in the semi-annual outlook.

In terms of prices, many sentences suggest the majority view that underlying inflation estimated by aggregate demand gap and/or inflation expectation continues to improve. “Summary” also includes pessimistic views on inflation, however, due to cautious minds of business on increases in wage, and to prolonged decline of crude oil prices.

Monetary Policy

Large portion of “Opinions on Monetary Policy” as the second part covers the discussion and decision of “Supplementary measures” of the QQE at the MPM in December.

In terms of the intension of policy decision, several sentences refer to the aspects of communication policy as well as that of technical adjustments. Members of the policy board would like to claim to the markets that the BOJ maintains the additional tools for achieving the target and the commitment to do so. Another sentence points out, however, the risk of highlighting the boundary of the QQE. Retrospectively, the latter view proved to be true when remembering the initial reactions of the markets to “Supplementary measures”.

A few sentences imply the concerns that maintenance of “5% rule” would mechanically taper the J-REIT purchase, which would be misleading in light of the BOJ’s commitment in the QQE. Moreover, a couple of sentences express the support for introduction of new fund for additional purchase of ETF, because its eligibility conditions would effectively encourage efficient utilization of cash-flow at firms.

On the other hand, a sentence shows an opposing opinion against the expansion of credit assets purchase, because it would further violate the neutrality of economic activities and deteriorate the soundness of the BOJ’s asset. In addition, a sentence refers to a skeptic view about the increase in ETF purchase to offset the impacts of planned liquidation of stocks that the BOJ purchased during the years of financial crisis. According to the sentence, it could blur the boundary between monetary policy and prudence policy.

“Summary” suggests somewhat more diversified views on modification of JGB purchase. On the one hand, several sentences express the supporting view that the extension of average maturity of JGB holdings would facilitate smooth purchase to lower the whole range of JGB yield curve.

On the other hand, several other sentences claim that the BOJ could continue to purchase JGBs under the current framework, and the policy action could rather decrease stability of JGB purchase. Moreover, they imply the risk of further involvement in debt management policy by the MOF, and that of longer periods for normalizing monetary policy. Furthermore, a sentence warns that the BOJ should pay more attention to the market liquidity, because its inflection point would be hard to be identified a priori.

Author of this Notes finds the sentence interesting, which suggests tighter demand conditions of JGBs would rather be beneficial to the BOJ, because the elasticity of interest rates would be elevated and sustainability of JGB purchase would be enhanced. It should be noted, however, such conventional view of long-term rates could bring about a delicate issue against the fundamental idea of the QQE.

Contents of “Opinions from the Government Representatives” could largely be expected in normal times, in light of their views in the minutes. This time, however, there are two interesting sentences. First, a sentence requests the BOJ to explain the idea of “Supplementary measures” in detail. Second, a sentence proposes the BOJ to judge inflation conditions taking account of broader-based measures. It contrasts the last sentence of the second part, which insists the importance of communication by the BOJ in order to share the understanding that CPI is the sole indicator for the inflation target.

Framework of Summary

According to the footnote of “Summary”, respective members of the policy board and government representatives submit the main points of opinions expressed at the MPM, and the Chair (Governor of the BOJ) sorts and summarizes them to his/her responsibility. Risk of unfair treatment of opposing views is effectively negligible, in my view, because it could cause contradictory description of opinions when the minutes is released later with full consent of all members.

The idea to introduce “Summary” may be satisfied with this first issue, because it could effectively reveal with relatively short period of delay the diversified views on “Supplementary measures” expressed at the MPM.

From the viewpoint of a regular reader, it would be beneficial to know whether the order and/or the length of the sentences would have some significance and implications.

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