

## Introduction

The MPM of the BOJ confirmed the constructive view on domestic economy. While they also discussed the short-term upside risk of inflation, they agreed to maintain the accommodative policy until they are confident about sustainable achievement of inflation target.

## Assessment of economy

First three lines of comments appreciated some signs of recovery of the domestic economy.

According to their comments, private consumption continued to recover in spite of another wave of infection of Covid-19 in the summer. Moreover, a couple of the comments pointed out the recovery of export and production as well as resilient growth of business investment partly supported by their pent-up demand.

Not surprisingly, a couple of other comments referred to depreciation of JPY.

One of them insisted the medium-term benefits for our economy against short-term costs including import price inflation. The other claimed that we should promote policy measures for expansion of incoming tourism, re-allocation of production facilities by firms, and reinforcement of competitiveness of SMEs in order to enhance the positive impacts of depreciation of JPY.

Following couple of comments discussed the implication of remaining impacts of Covid-19.

One of them expressed the cautious view of its potential negative impacts as substantial risk including those by zero-Covid-19 policy in China. The other emphasized the importance of initiatives by firms to modify their business models aligned with new economic circumstances.

Lastly, the other couple of comments pointed out the risks from overseas. One of them raised the risk of deceleration of our external demand, and the other referred to the risk of instability of financial market.

## Assessment of prices

First couple of comments confirmed the central view of prices.

Specifically, they expected somewhat further acceleration of inflation rate in coming months due to upward pressures on prices of energy, food and durable goods as firms will continue to transfer the rising cost of inputs. Nevertheless, they also expected that inflation rate would decelerate as upward pressures of inflation would diminish.

Against such benign view, only one line of comment raised the upside risk of inflation with reference to potential implication of foreign exchange rate.

Interestingly, four lines of comments discussed the developments of wages. Among them, a line of comment confirmed the importance of focusing wage dynamics as mechanism of underlying inflation when a range of inflation indicators have been affected by rising import prices.

The other three lines of comments expressed the different views of wages. On the one hand, one of such comments raised the possibility of higher rate of wage increase when

taking account of labor shortages at firms. On the other hand, a couple of such comments explained that we failed to identify the continuous upward pressure on wages and pointed out the difference of tightness of labor supply between Japan and the US and the UK.

## Policy decision

Readers may like to remember that the MPM decided to extend the conducts of the special operations for fund provision against Covid-19. Moreover, they decided to enhance the existing operations for fund provision by removing the ceiling of amounts of respective operations.

First five lines of comments discussed the funding conditions of firms and the needs for policy measures. All in all, these comments agreed that the conditions have improved but some signs of stress remained.

Moreover, a couple of such comments claimed that it was necessary to modify the focus of policy measure to new and broader funding needs including those against rising input costs. Another line of comment confirmed the readiness to provide support for corporate funding according to the development of Covid-19.

Readers would also like to remember that technical aspect of policy measures against Covid-19 was the management of forward guidance of policy rate, as it has been linked to risks of Covid-19 on our economy.

A couple of comments raised this issue and confirmed the need to maintain the current forward guidance. They respectively claimed that Covid-19 remained the source of downside risks, and rate of inflation would decelerate again.

Regarding the general stance of monetary policy, following four lines of comments confirmed the existing view.

One of such comments explained that our economy was still distant from sustainable achievement of inflation target, with reference to negative GDP gap, higher unemployment rate than those before covid-19 and negative terms of trade by rising prices of energy and commodity.

Other three lines of such comments reiterated the view that it would be uncertain to achieve virtuous circle between wage and price until we observe upward movement of underlying inflation. Therefore, they claimed that the BOJ should maintain its accommodative policy to achieve inflation target.

In terms of depreciation of JPY, a line of comment argued that foreign exchange rate should not be the direct policy target. The other line of comment explained the diversified impacts on our economy. All in all, both of them confirmed the importance of communication of needs for maintenance of accommodative monetary policy.

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