

Introduction

Summary of Opinion at September MPM suggests that the members raised several policy issues from different and longer viewpoints. This is all the more interesting, because the MPM had introduced the forward guidance at the previous meeting to maintain the current target rates for extended period of time.

Assessment of economy and prices

According to the comments, there seemed to be a broad consensus that our economy has performed fairly well. Nevertheless, some comments referred to the growing uncertainties about its prospects due to trade disputes. Moreover, a comment paid attention to a potential negative impacts by a series of earthquakes and typhoons.

Interestingly, a couple of comments reiterated the low growth of labor productivity. Among them, one suspected that its actual growth rate could be faster, in light of growing participation of senior and female workers who tend to be less skilled. The other raised its implication for natural rate of interest, and insisted the importance of innovation to prevent the further deceleration of labor productivity.

With regard to our inflation, several comments (probably by the central view of the MPM) confirmed the positive prospects from longer-term perspectives. They suspected that the slack of labor force would be nearly exhausted and the rooms for further improvement of labor efficiency would be limited. Moreover, as a couple of comments highlighted, the momentum of increase in earnings income recovered, thanks to the increase in summer bonus payment.

On the other hand, some comments affirmed the uncertainties about rising inflation. Specifically, a couple of comments raised the issue of high sensitivity by household to price rises and cautioned their time lags potentially due to their delay in identifying the changes in prices. Moreover, another comment suspected the downward pressure on wages by growing participation of senior and female workers who seem to be more elastic to the wages.

Readers may remember that these lines of thoughts were the major backgrounds for the modification of the Quantitative and Qualitative Easing (QQE) at July MPM. And this is all the more ironic, if these comments in Summary of Opinion at September MPM were presented by those members who argue for additional monetary stimulus to achieve the inflation target as soon as possible.

Policy conducts

First several comments seemed to be made by those with the central view in the MPM, reiterating the significance of maintaining accommodative policy stance in a persistent manner in order to achieve the inflation target in the end. As in previous cases, they were followed by the comments highlighting the side-effects.

Summary of Opinion at September MPM suggests, however, some members presented different views on the flexibility of monetary policy conducts under the current framework. One comment confirmed the importance of maintaining the current stance in light of growing uncertainties over prices, while

taking note of the rooms of flexibility of policy conducts with a view to maintaining market functioning.

The other comment claimed that it would be ambiguous whether the strategy of maintaining short- and long-term rates at certain levels for a long period is effective or not. Based on such discussion, the comment proposed two actions by the MPM. One is to conduct the additional stimulus to support positive changes in behavior among firms and households. And the other is to discuss the time-frame of the QQE, in light of a limit to continue with large-scale monetary easing due to the side-effects.

Readers might be confused by the reference to the additional stimulus by the latter comment above, because the fundamental idea of the comment is the growing concerns about the side-effects. The author would not have a clear-cut answer to this question, even after looking at the Japanese text of this Summary.

Nevertheless, a possible understanding would be that the comment referred to the modification of the QQE at July MPM as additional stimulus. It may be because of focusing on the new forward guidance. If this would be the case, the comment argued for the importance to discuss the remaining time frame of the QQE, just after the MPM secured some space of time of policy conducts.

Other couple of comments raised the issue of communication of the policy idea. In fact, there have been some diversified views in the markets with regard to the intension of the policy decision at July MPM. Some like to understand it as the additional stimulus, and others welcomed it as the initial step toward policy normalization.

In response, the BOJ made efforts to enhance its policy message. Both Governor Kuroda and Deputy Governor Amamiya made speeches respectively, in order to confirm that the policy decision was intended to enhance the commitment in achieving the inflation target, and to reinforce the sustainability of monetary stimulus.

While we could agree with the comment by a member of the MPM that it is necessary to improve the measures to influence inflation expectations by households and firms, taking balance with the sustainability of monetary stimulus is apparently a challenging task.

Time frame

We may like to note that larger part of the discussion at September MPM seemed to be from longer-term perspectives. It would be one of the most important benefits of the policy decision at July MPM.

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