

## Introduction

Summary of Opinions suggests that the lines of discussion at June MPM seemed to be more balanced than the messages by Governor Kuroda at the press conference. In light of such impression, the lines of argument at the press conference might have been deliberately organized as communication policy by the BOJ.

## Assessment of economy

Several lines of comments confirmed that the gradual expansion of our economy in later this year remained the main scenario. Nevertheless, they admitted that the downside risks were growing in the overseas economy.

They are consistent with the lines of discussion by Governor Kuroda at the press conference. Nevertheless, there are some notable points.

First, a couple of comments claimed the resiliency of our economy, with the reference to the increase in business investment in 1Q. They might be encouraged by the good performance of real GDP in the same quarter.

Second, none of the comments explicitly raised the issue of recent appreciation of JPY, while a couple of comments referred to the “nervousness” of financial market and monetary easing bias by the FRB and the ECB.

Third, among the members with dovish views, potential negative impacts by consumption tax hike appeared to emerge again as one of the concerns. It could be reasonable when the MPM noticed stronger downside risks.

## Assessment of prices

Regarding the prices, major points of discussion at June MPM seemed to remain the same.

Central views reiterated the idea that maintenance of positive GDP gap coupled with gradual improvement of inflation expectation would pave the way to achieving the target. In contrast, members with dovish views would not identify such positive developments.

A few additional points should be noted, however.

A couple of comments suspected that the recent improvement of productivity could have functioned as downward pressures on prices. One of them referred to the recent debate about potential abandonment of 24 hours operation by convenience stores, due to the sharp rise in night time workers.

As one of these comments suggested, improvement of productivity could be beneficial to our economy. It is needless to say that the prospects of higher real earnings of households could promote the increase in their expenditure.

Other comment raised the issue of higher food prices. While it might be due to rising wage costs, it would also be the results of temporary phenomenon like unusual weather conditions.

In my view, however, its implications could be non-negligible. Higher food prices would reduce the real purchasing power of households. And its timing is not so favorable, even if it would be temporary in the end.

## Monetary policy decision

Summary of opinion implied that maintenance of the current accommodative policy in a persistent manner was the broad consensus among the board members. This appeared to be also the case with members with dovish views.

According the lines of comments, potential triggers would be losing momentum of inflation toward the target, due to slowdown and uncertainty of the global economic expansion.

With this regard, it is interesting to note that one comment raised the increasing prospects of monetary easing in the US and Europe as potential motivation for additional stimulus. It would be an implicit reference to the foreign exchange rates.

More interestingly, central views by the executive members appeared to be closer to those by dovish members, as both of them emphasized that the BOJ should be prepared and ready to act when necessary. Readers may agree that, in light of its terminology, the seventh line of comment in this part may be submitted by Governor Kuroda.

It should noted that a couple of comments raised the potential side-effects of additional stimulus. Their focus of attention again was the potential negative impacts of lower policy rates on financial intermediation, which is an important mechanism of transmission in our financial system.

Moreover, one of these comments expressed skepticism about the idea of the BOJ's fund provision to financial institutions with negative yields. According the view, it could lead further requests for lowering rates by borrowers of bank loans.

In light of other comment included in summary of opinion and Governor Kuroda's reply to reporters at the press conference, however, gyration of the discussion on side-effects may have shifted.

Specifically, in earlier months, these issues were the sources of motivation for “policy normalization” in the long run. In contrast, current major views among MPM members seems that potential benefit of additional stimulus could be more significant than further side-effects, in light of growing uncertainties about economy and prices.

Ironically, however, it would not mean that MPM should not pay attention to side-effects. Unlike the case of the global financial crisis, downward pressures on global economy could continue for the time being, although it might not be so serious.

If this is the case, one important requirement for the design of additional stimulus would be sustainability, which would lead us to the issues of side-effects again.

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