

Introduction

Rotation of views among the MPM members may have shifted toward dovish side, according to Summary of Opinion of September MPM. Nevertheless, views on the forthcoming review appeared to be diversified, which is consistent with the comments by Governor Kuroda at the press conference.

Assessment of economy

As usual, first three lines of comments appear to reflect the central views of executive members. They maintained the constructive outlook of our economy with some cautiousness about overseas economies.

It should be noted, however, other four lines of comments expressed voices of concerns about the recent developments of overseas economy and their impacts on domestic economy.

In fact, they emphasized either the recover of overseas economy have been delayed, or its downside risks have increased. Moreover, one comment highlighted the clear contrast between manufacturing and non-manufacturing both in Japan and abroad.

Interestingly, a couple of comments referred to the issue of consumption tax hike. While they avoided the pre-judgment of its potential impacts, they suggested some uncertainties in spite of policy measures by the Government.

Last two lines of comments discussed the implications of low yield environment. One of them claimed the needs to monitor carefully about excess in expectation and potential impacts of volatility to economic activities. But the other expressed skeptic view about the impacts of low interest rate on stock prices and foreign exchange rate.

Assessment of prices

First three lines of comments again seem to convey the central view that the mechanism to increase in the rate of inflation in gradual but secure manner have been preserved.

Nevertheless, none of them pointed out its the momentum. Moreover, one of the comments expressed complaint about the persistent lack of signs of acceleration of wage and prices.

Other couple of comments pointed out the risk of reduction in positive GDP gap due to the negative spillover effects from overseas economy. And the last line of comments suggested stronger concerns about recent deceleration of inflation indicators and reducing GDP gap.

All in all, the tone of debate about prices has become more cautious, which is consistent with the evolution of economic assessment as reviewed above.

Policy decision

It should be noted that there seemed to a broad consensus that the BOJ should maintain the current accommodative policy, in spite of the growing concerns about the outlook of economy and prices.

Interestingly, however, a couple of comments insisted the importance of the communication policy. One of them referred to the lessons from unconventional policy in Japan and abroad, and claimed the importance of consistency between the hard actions and their communication.

And the other emphasized the significance of the MPM to claim that ample rooms remain for additional stimulus in every aspect including levels of policy rates, quantity of fund injection and impacts on credit spreads.

Regarding the implications of the forthcoming review, however, the views seemed to be diversified. Readers would like to remember that the MPM in September inserted a new set of sentence to its policy statement, suggesting the detailed review of economy and prices at its October meeting.

On the one hand, a couple of comments effectively proposed the additional stimulus based on such review. They referred to the risk of losing momentum of inflation toward the target, and this would be the reason why the BOJ should conduct the pre-emptive action.

Interestingly, however, the proposed actions seemed to be different with each other. One of the comments argued for utilizing all the existing tools including the reduction in policy rates (O/N and 10Y yield), the increase in the scale of asset purchase and the acceleration in the pace of growth of monetary base.

In contrast, the other comment proposed the reduction in O/N policy rate when taking account of flattening yield curve. Moreover, the comment recommended stronger collaboration with the fiscal stimulus.

On the other hand, three lines of comments expressed more cautious views with regard to the review. All of them agreed with its significance in light of growing uncertainties about the momentum of inflation toward the target. They also appeared to agree that October MPM would be optimal time when new set of information would be available by October Tankan survey and the branch managers meeting.

It should be noted that two of these comments effectively expressed their preference that the MPM should not have any pre-judgment about the result of such review. The other comment suggested the needs to review the monetary policy, but in more calmer tone of voice.

Lastly, the other two comments discussed the side-effects on financial intermediation from different view points. One comment claimed the MPM should evaluate the NIRP from broader perspective and insisted the bank lending remained functioning. The other comment expressed concerns about the side-effects of low yield on banks which could lead to increasing cost of funding by their customers.

Implication for October MPM

As explained by Governor Kuroda at the press conference, any policy action would depend on the implications of incoming data for “momentum” of inflation.

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