

Change in “BOJ Policy Board Member”, Promoting Further Monetary Easing?

The “BOJ Policy Board Member” is a member who attends a Monetary Policy Meeting (MPM) of Bank of Japan to determine its monetary policy together with the governor and two deputy governors. The final decision will be made by their voting of total 9 board members including the governor and two deputy governors. The BOJ policy board member’s term of office is five years and the assignment is subject to Diet approval.

Point 1

Mr. Harada, a reflationist was proposed as a new member Assigned from a positivist of monetary easing to replace Mr. Miyao

- Such an unexpected additional monetary easing on 31 October last year was passed by a narrow margin, 5 to 4, on the MPM. As Mr. Miyao was a key member of them who voted for the additional easing other than the governor and the deputy governors at that time, and his term is scheduled to expire on March 25 as the member, the market has paid much attention to who is appointed as a new member replacing him.
- The government proposed in Diet to nominate Yutaka Harada, professor of Waseda University to replace Ryuzo Miyao. Mr. Harada is a well-known reflationist, a school of economics supporting quantitative monetary easing aggressively. Reflation is defined as a moderate inflation between deflation and inflation and targets mild increase in prices of goods and services. The reflationist believes that the economy will be able to realize sustainable growth by this approach. There would be many similarities between this idea and BOJ’s unprecedented monetary easing policy as both of them aim to exit Japan from deflation and achieve the central bank’s 2% inflation target rate within 2 years.

Point 2

Negativists concern over the future cost and side effect of massive quantitative easing

Difficult to evaluate the unprecedented easing at this moment

- To summarize the opinions against the massive quantitative easing, the concern includes the future economic cost of easing and supposed side effects. In concrete terms, the BOJ’s aggressive monetary easing would results in delaying restructuring and growth of industries as some less competitive companies are likely to remain to survive due to massive easing, and encouraging excessive JPY depreciation. However, it is difficult to assess the quantitative monetary easing at this moment as it is not long enough since central banks employed such a new drastic approach.



Likely ready for implementing additional easing with the new reflationist as the BOJ policy member

■ More members promoting further monetary easing to be assigned

The assignment term of five existing members of the BOJ policy board other than Mr. Miyao will expire from coming June to next year at first and that of two of them expires next year and that of another two does in July 2017. A view is rising as such that the replacing members are likely assigned from those who will probably vote for quantitative easing under the Abe's government as the final approval of the member assignment needs consent by Diet that is currently dominated by the coalition ruling.

■ Heightening expectation for stepping into additional monetary easing

Due to plunge in oil price, prices of goods and services are unlikely going up for the time being. The BOJ that committed to achieve inflation target of 2% by setting a deadline, seems to keep the next additional easing as a last resort measure. Therefore, investors are now paying close attention to the timing of when the central bank uses the precious card.

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