

## BOJ's Policy Board Members and Monetary Policy Outlook (Part 1)

- The Policy Board, the ultimate decision making body, consists of the Governor, two Deputy Governors, and six other members.
- On monetary easing, 3 members seem positive, 3 neutral and 3 negative.
- Considering the improvements in private consumption and the level of the USD/JPY rate, there is less necessity for deciding on additional monetary easing at the October 30<sup>th</sup> Monetary Policy Meeting.

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In my past report, I made an analysis of the US FOMC members on their standpoints on monetary policy and policy rate forecast. This time I will turn my eyes to BOJ's Policy Board members and try to comment on their standpoints. I believe it is beneficial to outline the Policy Board's framework and their policy standpoints to forecast future monetary policy, as expectation on BOJ's additional monetary easing is rising in the market.

The Policy Board is the ultimate decision making body of BOJ, which consists of 9 members, the Governor, 2 Deputy Governors, and 6 other members. In addition to the monetary policy decision making, the Policy Board also decides on other important issues on BOJ's management strategies. The Bank of Japan Act defines board members as "those with excellent insights on economics and finance or those with knowledge and experience in other areas", actually, the board is comprised of a variety of experts with different backgrounds such as scholars, senior management of private enterprises and financial institutions and non-government economists (see Table 1).

(Table 1) "List of BOJ's Policy Board Members "

Title	Name	Former Job	Tenure
Governor	Haruhiko KURODA	V. Minister of Finance for Intn'l Affairs	Apr-18
Dep. Govn.	Kikuo IWATA	Prof., Gakushuin Univ.	Mar-18
Dep. Govn.	Hiroshi NAKASO	Director, BOJ	Mar-18
Member	Sayuri SHIRAI	Prof., Keio Univ.	Mar-16
Member	Koji ISHIDA	President, Sumitomo Mitsui F. & L.	Jun-16
Member	Takehiro SATO	Chief Economist, Morgan Stanley MUFJ Sec.	Jul-17
Member	Takahide KIUCHI	Chief Economist, Nomura Sec.	Jul-17
Member	Yutaka HARADA	Prof., Waseda Univ.	Mar-20
Member	Yukitoshi FUNO	Advisor, Toyota Motor	Jun-20

(Source) SMAM, based on BOJ's data.

(Table 2) "Standpoints on Monetary Easing"

Standpoint	Name	View on Timing of Inflation Target Achievement
Positive	Haruhiko KURODA	Around first half of FY2016.
	Kikuo IWATA	Around first half of FY2016.
	Hiroshi NAKASO	Around first half of FY2016.
Neutral	Sayuri SHIRAI	End of FY2016.
	Yutaka HARADA	No big issue if unachievable in 2 years due to oil price fall.
	Yukitoshi FUNO	Achieving 2% inflation target is important.
Negative	Koji ISHIDA	Not productive arguing timing of achieving inflation target.
	Takehiro SATO	Be flexible aiming to achieve target around 2 years or so.
	Takahide KIUCHI	2% "Inflation Target" must be a mid-to-long term target.

(Source) SMAM, based on publicly available data.

### **On Monetary Easing, there seems to be 3 positive, 3 neutral and 3 negative members.**

Table 2 illustrates standpoints of the 9 board members on monetary easing. BOJ's executive members, Governor Kuroda, Deputy Governor Iwata and Nakaso, who proposed additional easing in October 2014 can be grouped as 'Positive' on easing. Meanwhile, those board members who had opposed the additional easing, namely Ishida, Sato and Kiuchi can be grouped as 'Negative' on easing. At present, board member Kiuchi calls for a scale-down of monetary easing. He is considered to be the most negative amongst the 9 board members.

Board member Shirai initially supported additional easing in October 2014, however, expressed her view to postpone the period to achieve the inflation target from "at around the first half of 2016". While, board member Harada, who joined in March 2015, supports Governor Kuroda's policy, he maintains a flexible stance for the timing of achieving the inflation target. Board member Funo, who joined in July 2015, shows mixed stance on easing. These 3 members are considered the 'Neutral' group.

### **Considering the improvements in private consumption and the level of the USD/JPY rate, there is less necessity for deciding on additional monetary easing at the October 30<sup>th</sup> Monetary Policy Meeting.**

Governor Kuroda maintained his view that the underlying trend in inflation has been improving steadily and no change of monetary policy was decided at the Monetary Policy Meeting held on October 6<sup>th</sup> and 7<sup>th</sup>. According to one media report, BOJ seems to be discussing on the possibility to postpone the achievement of the inflation target and might revise their inflation outlook downwards in their Outlook Report scheduled to be released on October 30<sup>th</sup>. Based on this view, quite a few market participants are expecting an additional easing to be decided at the October 30<sup>th</sup> Monetary Policy Meeting.

In the past, BOJ revised their inflation forecast down in the Outlook Report of April 2015, also postponing the target period of achieving the inflation target; however, it did not implement additional monetary easing. Considering the volatility of the financial markets for the past few months, the expectations for an additional easing by BOJ seems reasonably higher, compared to this spring. However, domestic private consumption has started to show improvement, the USD/JPY rate has been stable around 120 JPY to the USD and considering the standpoints of the Policy Board members as explained in this report, even though there may be a downward revision in the Outlook Report of October 2015, there is little reason for additional monetary easing. In my next report, I

shall look into the next move BOJ may take and when.

**\* Please note that this report is a translation of Japanese report written on October 8<sup>th</sup>, 2015.**

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