

BoJ meeting: new member Kataoka dissents

Japan's central bank has a new dissenter. And we think he's probably right



Source: istock

Goushi Kataoka has just joined the Bank of Japan's rate-setting board, but that did not stop him from dissenting from the no-change policy decision which he believes is insufficient to pull CPI inflation to 2.0%.

It takes nerves to join a central bank and then dissent from the otherwise consensus view. But that is exactly what Goushi Katoaoka has just done.

Having just lost two longstanding dissenting members from the board, Governor Kuroda might have been looking forward to a bit more unanimity. But he doesn't look as if he is going to get it. Kataoka, formerly with Mitsubishi UFJ, thinks the BoJ's JPY80tr a year asset purchasing will be

insufficient to bring CPI inflation to 2.0%, and he's probably right.

The question is, should they try harder?

We think not. Indeed, with the unemployment rate at only 2.8%, and growth averaging (1.7% annualised) over the last six quarters, Japan's economy is looking quite good. And if negative rates (-0.1%) on policy rate balances and JPY80tr is not enough to generate a higher inflation rate, we are sceptical that cutting rates further, or expanding QQE more, will achieve anything other than distort financial asset prices even more.

2% may simply be the wrong number for the BoJ to target. But, whatever the truth here, we don't see the BoJ altering policy in either direction anytime soon.

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