BOJ SLASHES ANNUAL INFLATION FORECASTS

TOKYO: The Bank of Japan yesterday slashed its annual inflation forecast and once again delayed its timetable for hitting a two percent target as the economy struggles to rebound despite eight years of stimulus. Central bankers also decided to maintain the BoJ’s ultra-loose monetary policy at a time when their counterparts in other major economies from the Americas to Europe consider ending the era of cheap cash.

The bank said it now expects the core consumer price index to rise 1.1 percent in the year to March, down from its April estimate of 1.5 percent. The March 2019 prediction was cut to 1.5 percent from 1.7 percent. In a statement after the policy meeting, the bank also said it now expects to achieve the two percent objective sometime in the year to March 2020.

Officials had originally set in 2013 a two-year timeline when unveling the bank’s massive monetary easing program in the wake of Prime Minister Shinzo Abe’s push to kickstart growth in the world’s number-three economy. “The BoJ has already pushed out the timeline several times. Now four years have passed, and there is no sign the inflation rate is rising,” Masaaki Kanno, chief economist at Société Générale in Tokyo and a former BoJ official, told Bloomberg TV.

However, the bank did lift its economic growth forecast from 1.1 percent for the current fiscal year from its previous estimate of 1.6 percent. It also hiked its fiscal 2018 outlook by 0.1 percentage point to 1.4 percent. Tokyo’s years-long effort to kickstart growth is a blend of massive monetary easing, a liberal government spending and red-tape slashing-stoked stock market rally, weakened the yen and fattened corporate profits. But growth in the wider economy remains fragile.

While Japan’s job market is tight, individual spending—which accounts for more than half of the country’s domestic product—remains in the deep freeze. Bank governor Haruhiko Kuroda called the further delay in hitting the target “unfortunate” at a news conference after the meeting, saying other central banks have also missed their intended marks. The BoJ will do what is necessary but sees no need at present to add more stimulus, he said, stressing: “The momentum toward achieving the two-percent goal remains intact.”

Yen weakens

But analysts expressed skepticism.

“Even after today’s downward adjustment, the bank’s inflation forecasts for the current fiscal year remain too high and there is little chance of hitting the two percent target next year either,” said Marcel Thieliant, economist at Capital Economics, in a commentary. “The upshot is that we expect the bank to leave policy settings unchanged for the foreseeable future.”

The dollar was up at 112.38 yen in the afternoon from lows of around 112.70 touched earlier in the trading session, but the Nikkei 225 ended up 0.62 percent. “Yen-selling accelerated following the announcement as the delay in (achieving) the inflation target generally means the BoJ would have to continue its easing in sharp contrast to other major central banks moving to tightening,” Tomohiro Nishida, a dealer at Sumitomo Mitsui Trust Bank, told AFP. Expectations the BoJ will stick to its loose policy path for some time has dragged the yen down against other major currencies, with the euro up more than 10 percent this year and the pound around seven percent higher.

Government and central bank officials have blamed external factors, such as falling energy prices and uncertainty related to emerging economies, for failure to achieve the target.

Falling prices can discourage spending by consumers, who might postpone purchases until prices drop more or they might save money instead. That puts pressure on businesses, creating a cycle in which firms then cut back on expanding production, hiring new workers or boosting wages. —AFP

US BUDGET PLAN FACES UNCERTAIN FATE AFTER CLEARING HOUSE PANEL

WASHINGTON: A Republican budget blueprint that would begin to clear a path for a GOP effort to overhaul the tax code this fall is headed to an uncertain fate after winning a key committee vote Wednesday.

The Budget Committee plan faces opposition from both hard-core conservatives and more moderate Republicans even as it advanced through the GOP-controlled panel on a party-line 22-14 vote. It remains short of the votes required to pass through the House and advance to the Senate, where further complications await.

The plan proposes deep cuts to safety net programs like Medicaid and food stamps and reprises a controversial Medicare plan strongly opposed by President Donald Trump — though Republicans are expected to only try to deliver on a small fraction of the cuts.

Instead, to most Republicans on Capitol Hill, the most important element of the plan is the procedural pathway it would clear to allow Republicans to pass their top priority — an overhaul of the tax code — this year without fear of a blockade by Senate Democrats. Republicans argue that growing deficits and debt are so pressing a reason for slow economic growth and that big benefit plans like Medicare and Medicaid need changes now to keep them from going broke for future generations.

Simple principle

“Both parties in Washington have failed to abide by a simple principle that all American families and small businesses do — that we must live within our means,” said Budget Chairman Diane Black, R-Tenn. “Balancing the budget requires us to make tough choices, but unlike the GOP’s health care repeal and replace efforts and its moribund hopes to boost infrastructure, the GOP budget outline faces opposition from both wings of the party. Republican conservatives want more of its proposed cuts to actually take effect in follow-up legislation, while moderates want to focus on tax reform instead of cuts to food stamps or federal employee pensions.

The nonbinding GOP plan promises to cut more than $5 trillion from the budget over the coming decade, though Republicans only appear serious about enacting a relatively modest 10-year, $203 billion deficit cut over the same period through flierbust-style legislation.

But Democrats blasted the sweeping cuts in the plan. “This is exactly what the American people don’t want or expect out of their government — that we would provide tax cuts for the wealthiest Americans and corporations and pay for it on the backs of people who are struggling to make their lives better,” said top panel Democrat John Yarmuth of Kentucky.

The measure also revises a provocative proposal to turn Medicare into a voucher-like program for future retirees. Experts say that change would likely increase costs for beneficiaries and deny them the coverage guarantees of Medicare.

Republicans easily rejected Democratic attempts to protect the Obama health law, restore Medicaid, and increase spending for domestic programs renewed by Congress each year. While exempting Social Security, veterans and defense, the plan proposes cuts across the rest of the budget to turn this year’s projected $700 billion-or-so deficit into a tiny $9 billion surplus by 2027.

It would do so by slashing $5.4 trillion over the coming decade, including almost $500 billion from Medicare and $1.5 trillion from Medicaid and the Obama-era health law.

It also contains its share of gimmicks, including $1.8 trillion in deficit cuts over the coming decade from rosy projections of economic growth averaging 2.6 percent over 10 years. Another $700 billion in savings would come from a crackdown on “improper payments” such as tax credits and Social Security and Medicare benefits going to people who don’t qualify for them. Many of its cuts are unspecified.

But in the immediate future the GOP measure is a budget buster. It would add almost $30 billion to Trump’s $668 billion request for national defense next year and rejects most of Trump’s proposed cuts to domestic agencies — only to promise deeper, nonbinding cuts in the future. —AP