



# **An overview of Central Banks communication and transparency**

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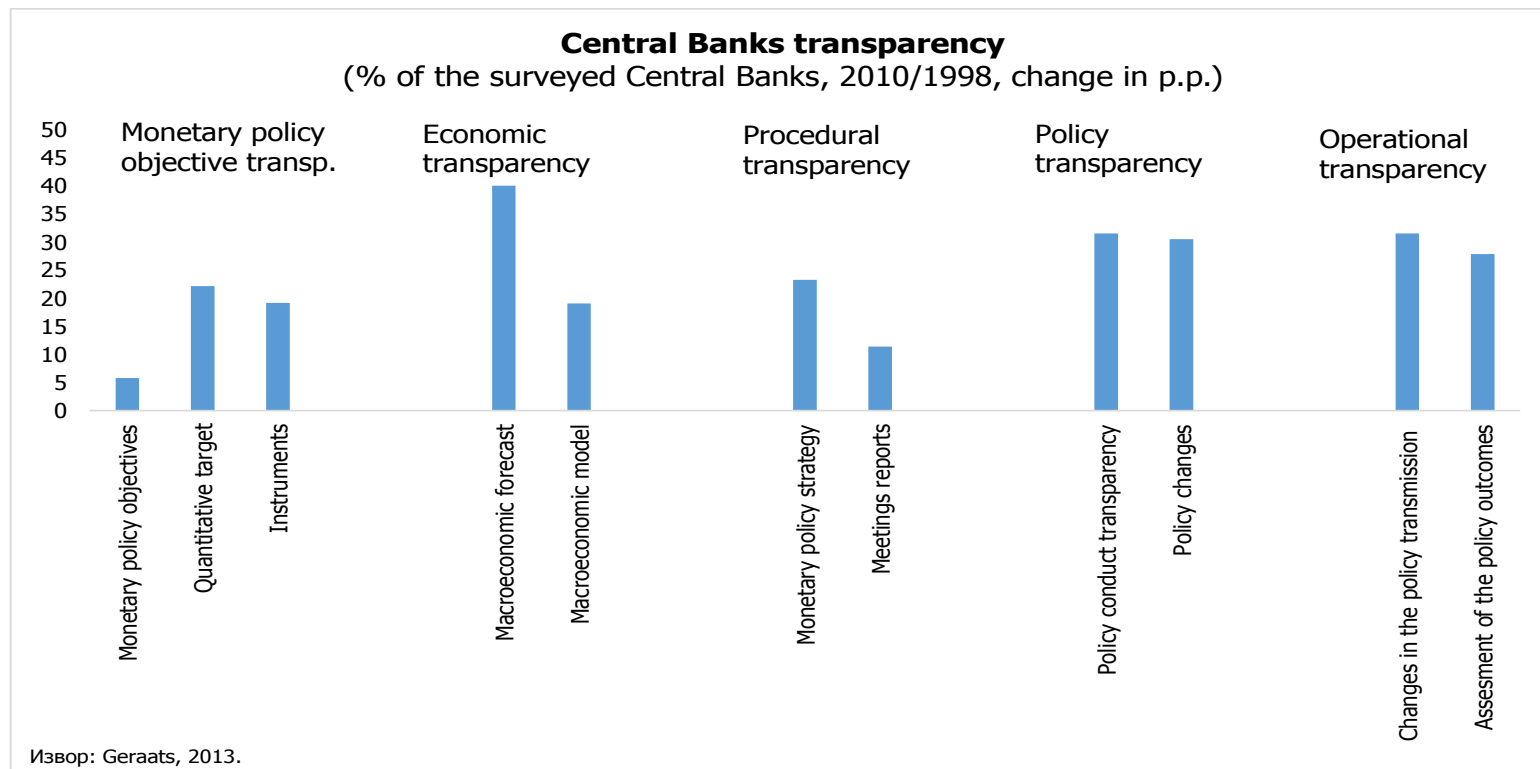


## Content:

- Monetary policy communication – survey results
- Central Banks transparency index
- Communication with the media



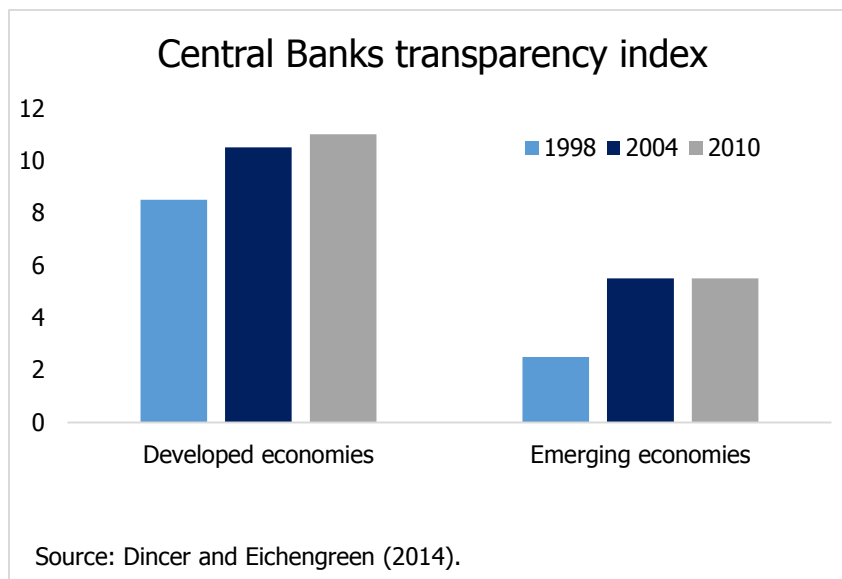
# Increase in Central Banks transparency after global crisis



- Significant increase of Central Banks transparency after global crisis, especially regarding: macroeconomic forecast, policy conduct and policy changes, policy transmission and assessment of the policy outcomes.



## Higher Central Banks transparency in the developed economies



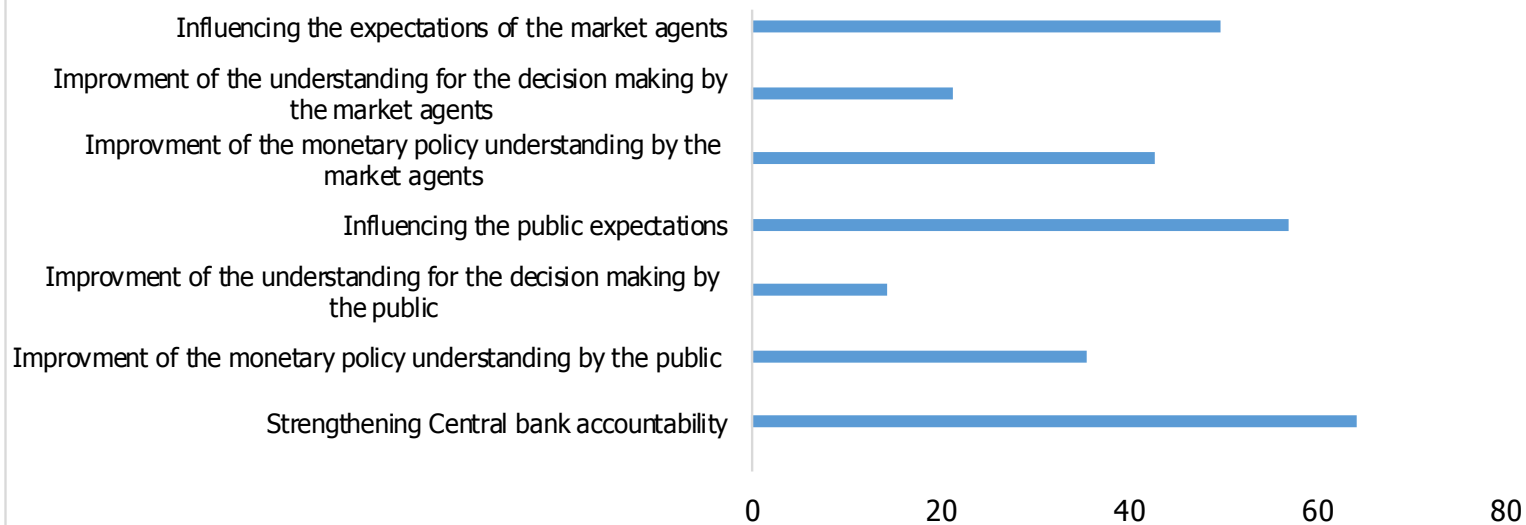
- General improvement, however higher transparency level in the advanced economies;
- According to Dincer and Eichengreen (2014), the higher level of transparency in the advanced compared to emerging economies is related to the higher income p.c., deeper financial markets, more open economies, stronger institutions. Additionally, countries with more flexible exchange rate and lower average level of inflation tend to have more transparent Central Banks.



# NBRM Survey on Central Banks communication

## Factors for transparency improvement

(% of Central banks which answered very important)

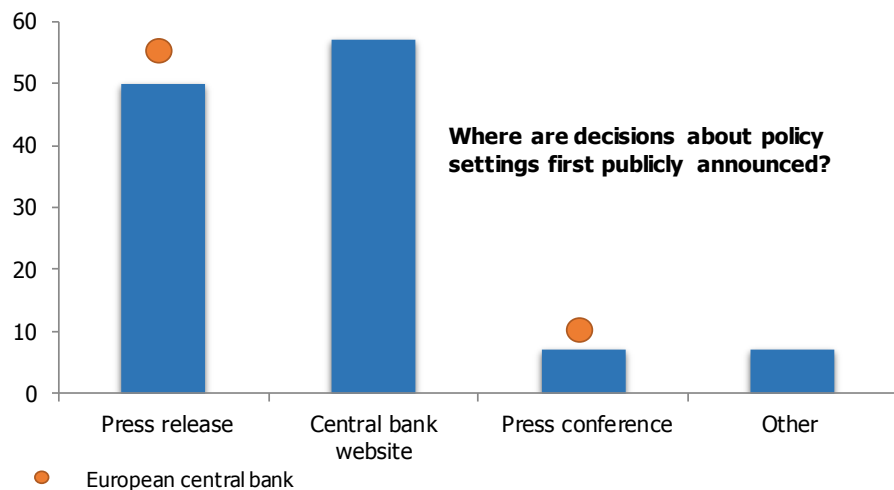
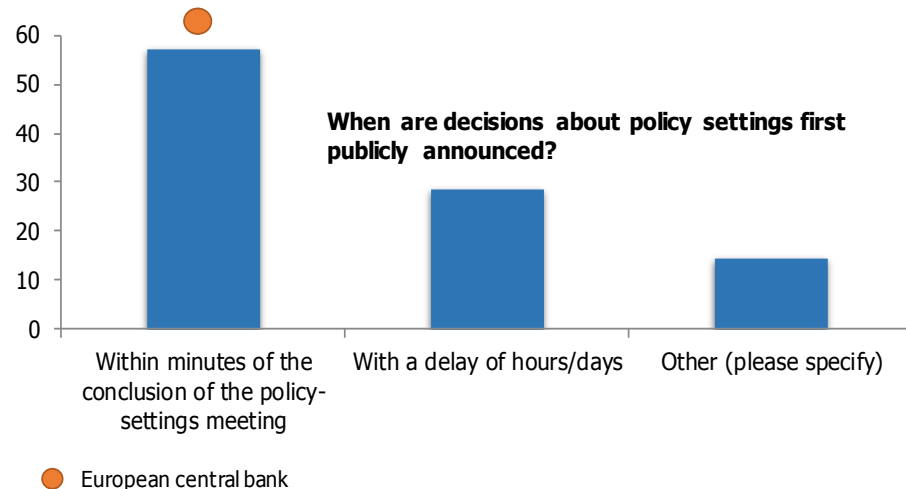
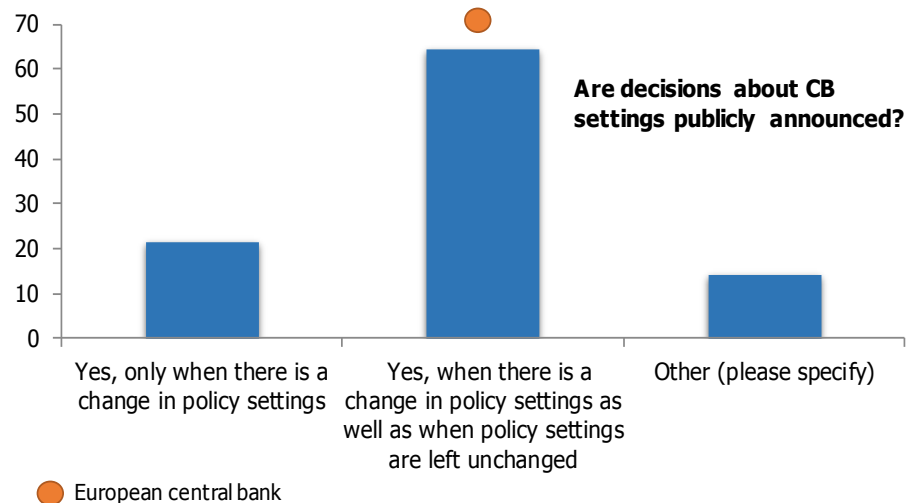


Source: Monetary Policy Communication: Evidence from survey data, N.Popovska Kamnar, NBRM Working Paper, 2017.

- The Survey was done in 2015, on the group of 14 Central Banks from Central and Southeast Europe and ECB;
- Factors that mostly contributed into increased transparency: improving CB accountability, influencing expectations by the market agents and generally, by the public.



# Monetary policy communication- survey results

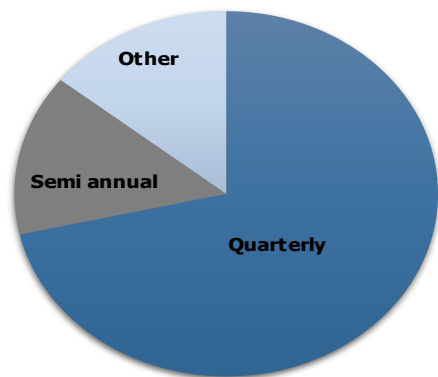


➤ Most of the CB announce monetary policy decision when there is a change and no change, mainly without long delay, in the press release and/or on the web site.



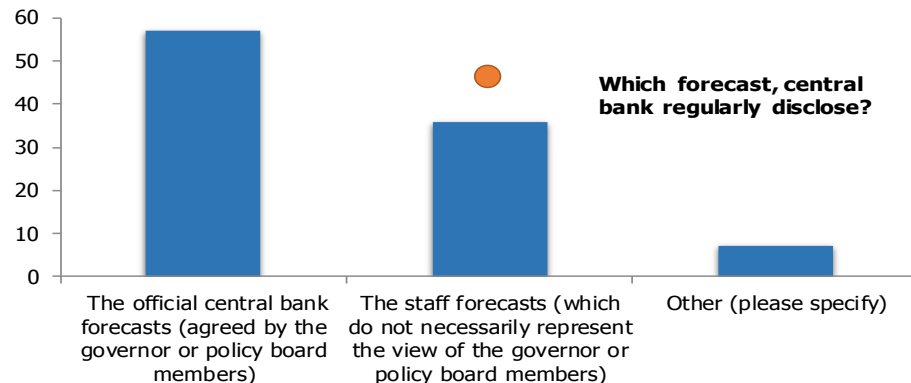


# Macroeconomic forecast – survey results



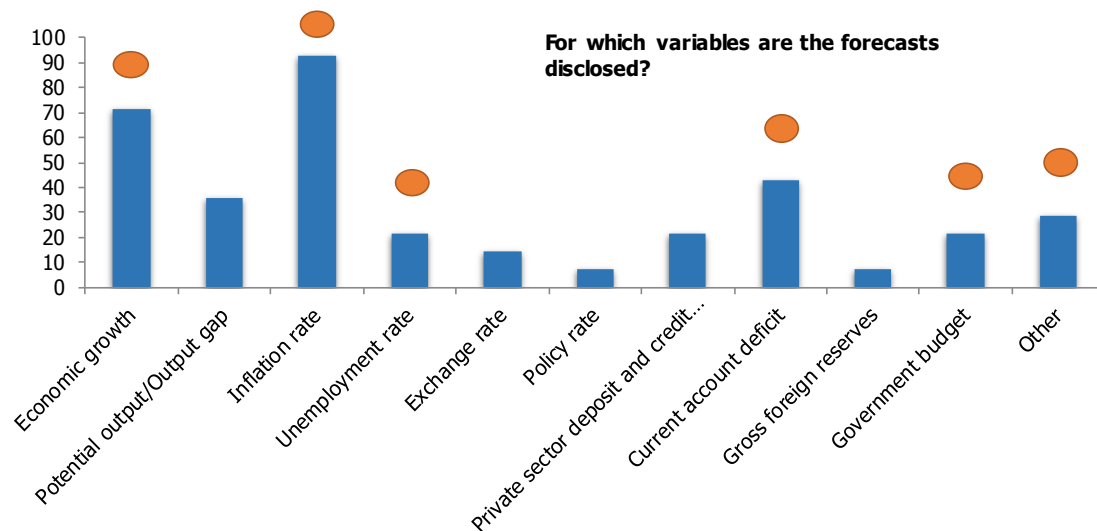
How regularly is the forecast of economic conditions published

European central bank



Which forecast, central bank regularly disclose?

European central bank



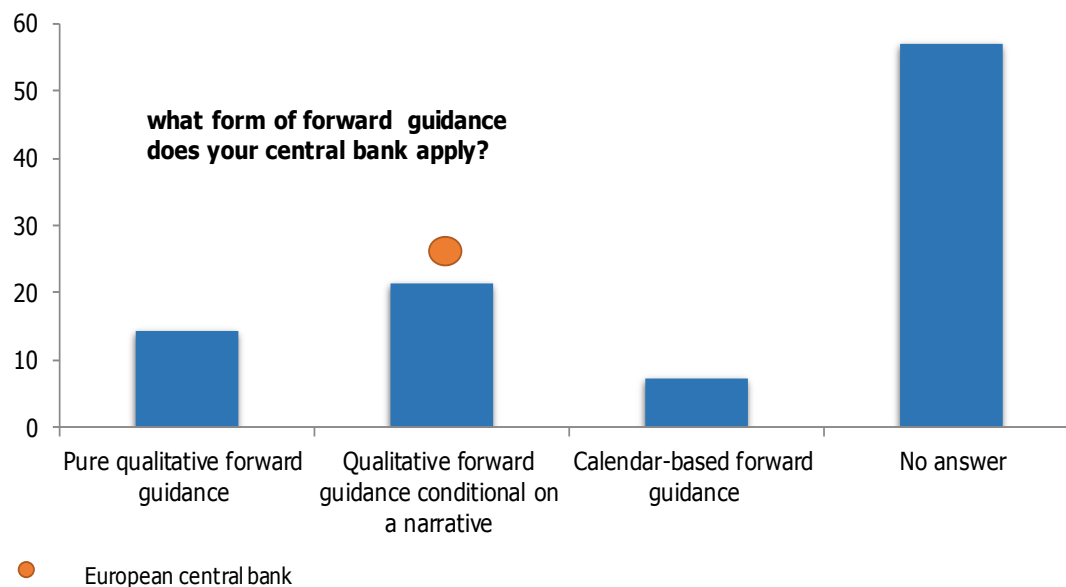
For which variables are the forecasts disclosed?

European central bank

➤ Macroeconomic forecast is usually quarterly and mainly it is the official CB forecast. It usually includes: inflation, GDP, CAB, output gap forecast (for 1-2 years ahead).



## Forward guidance – survey results

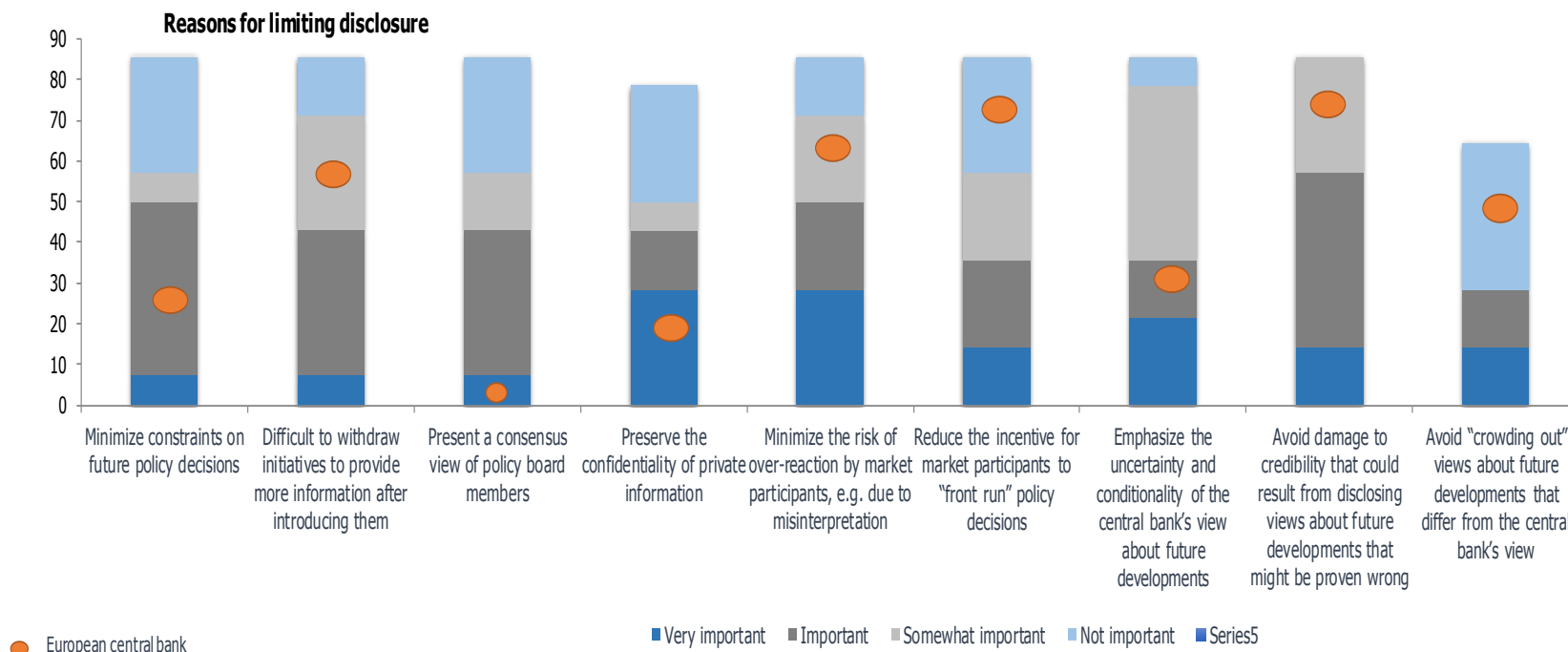


- Forward guidance as a new CB practice from the period of the last global economic crisis not much used by the CB in the CESEE region;
- Some of the CB of the region used pure qualitative forward guidance or qualitative forward guidance conditional on narrative.





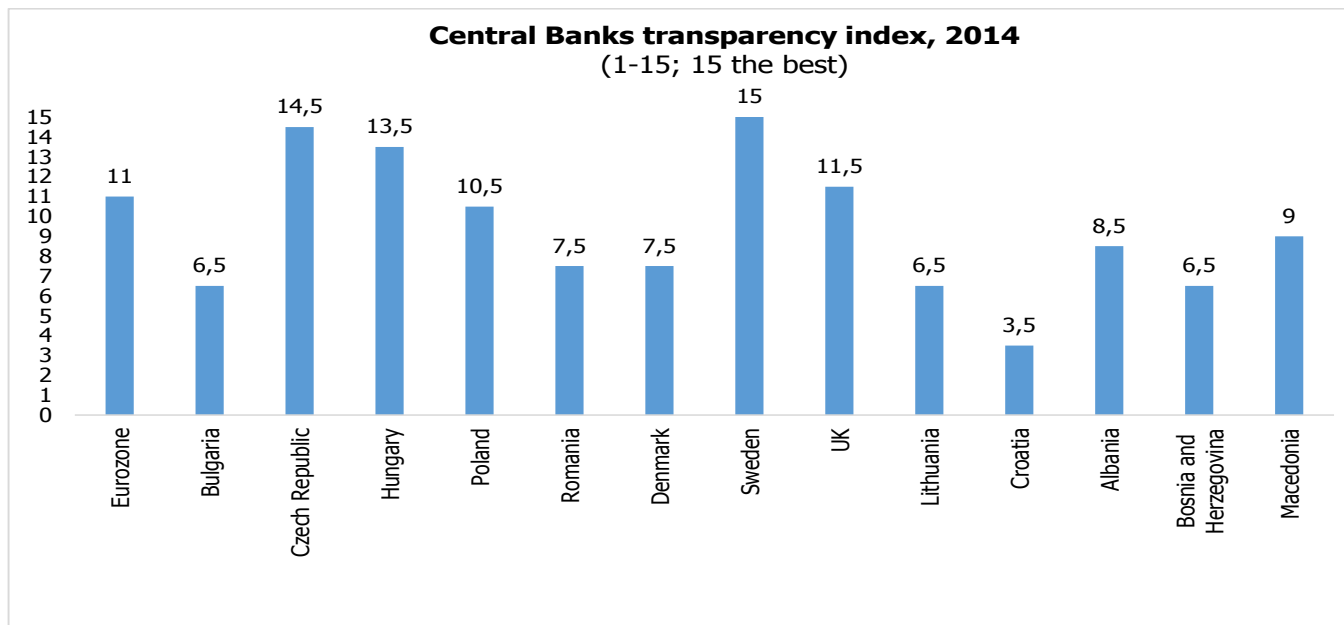
## Reasons limiting transparency – survey results



➤ Factors that very important or important for limiting CB disclosure: preserve confidentiality of private information, minimize risk of market over-reaction, minimize constraints on future policy decision, difficult to withdraw something after introducing it, present a consensus view of the policy board members, avoid damage to credibility when there is uncertainty.



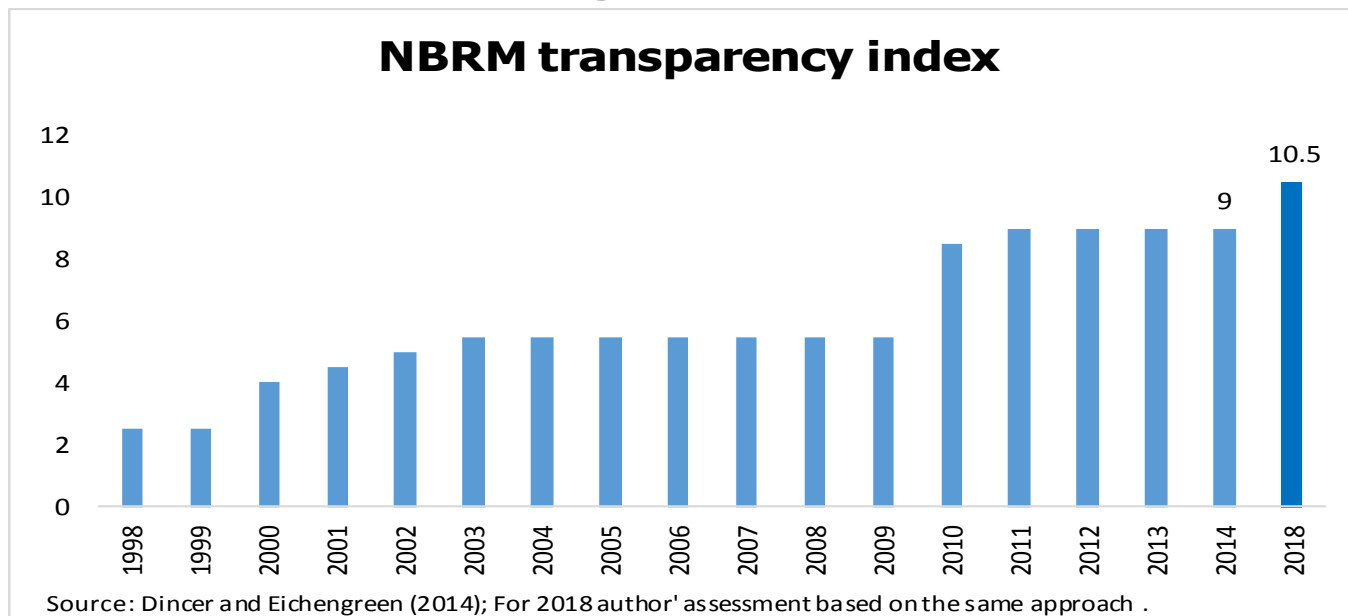
## Central banks transparency index



- According to Dincer and Eichengreen (2014), the transparency is assessed based on a list of questions regarding the information provided to the public about monetary policy;
- Anyway, IMF WP (Al-Mashat et al., 2018) argues that the approach does not fully take care of monetary policy regimes (the re-assessment for Czech IT regime based on the broader list of questions provides lower transparency compared to the first approach).



## Assessing transparency

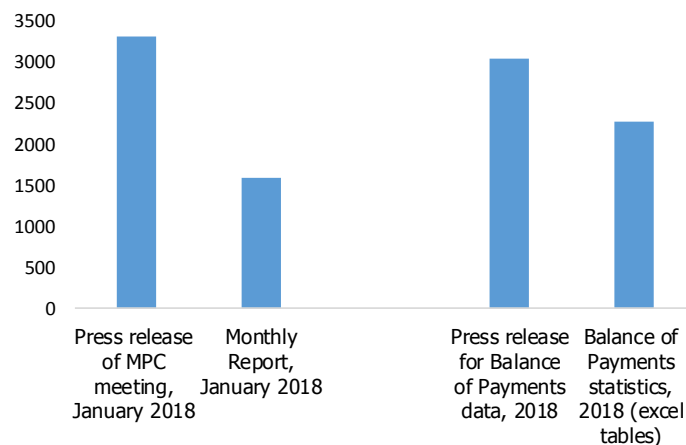


- According to Dincer and Eichengreen (2014), gradual improvement in the transparency index of NBRM;
- The assessment for 2018, based on the same approach, points out further transparency improvement;
- If this approach is modified by taking care for the monetary policy regime, the max index score should be set on a lower basis, referring to even higher transparency for NBRM (from 70% of the total score in the original to at least 75% in the accommodated approach).



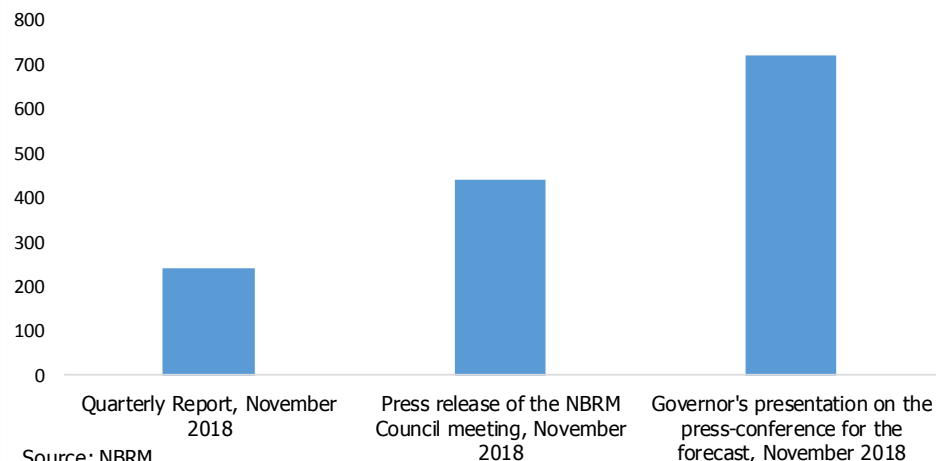
## NBRM communication to the media

**Number of visits to the NBRM web site  
(1.1.-18.12.2018)**



Source: NBRM.

**Number of visits to the NBRM web site - the latest  
forecast (1.11.-18.12.2018)**



Source: NBRM.

- Short and well summarized press releases from the meetings and for statistical data proved to be more suitable for the media;
- NBRM presence on the social media;
- Regular workshops for the journalists.



## **Concluding remarks:**

- **Gradual improvement in Central Banks communication and transparency after the last global crisis;**
- **However, communication and transparency differ across Central Banks conditioned mainly on development of the countries and monetary policy regime;**
- **Credibility, market over-reaction and dealing with uncertainty are considered as main challenges for further improvement of communication;**
- **Regular assessment of the information channels and information perception by the agents as well as financial education of the public should further support improvement of the communication.**