



EUROPEAN CENTRAL BANK

EUROSYSTEM

Challenges of central bank communication with the general public

BIS-CCA Research Network on
“Monetary policy frameworks and
Communication”

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The views expressed here are my own and do not necessarily reflect those of the ECB or the Eurosystem.



“Central banks have to be understood by the people whom they ultimately serve.”

Christine Lagarde, 2019

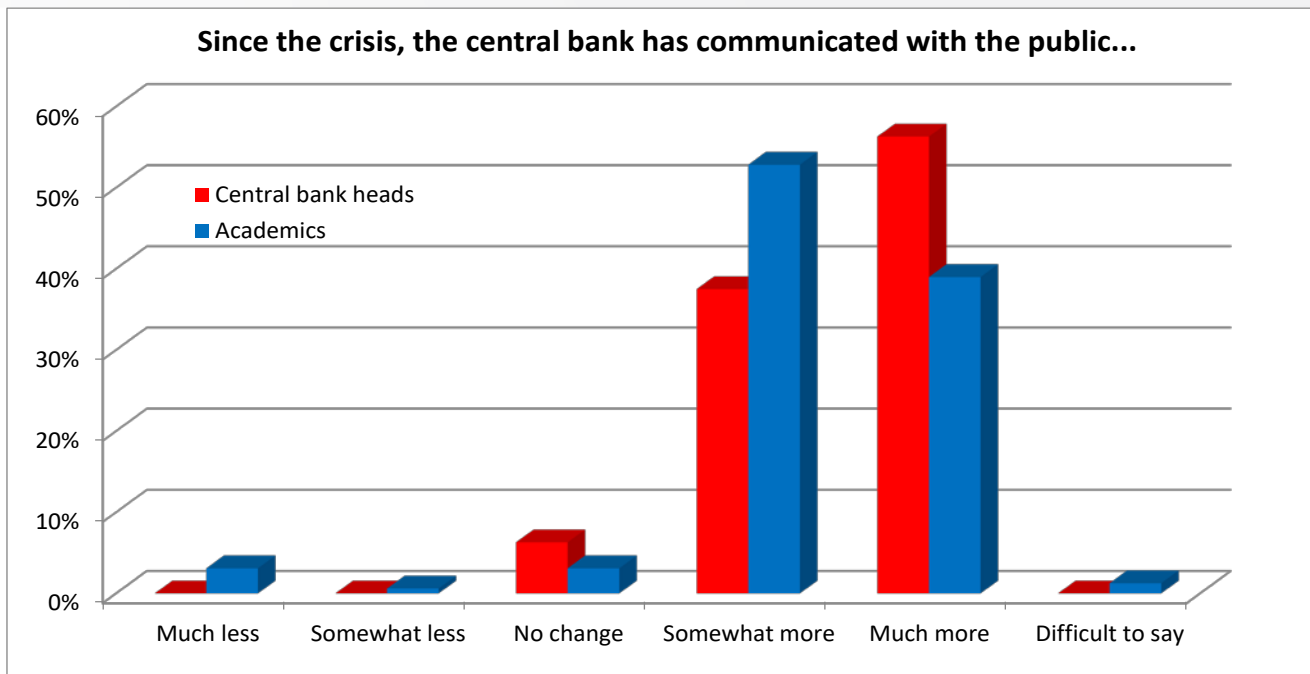
“Central banks will keep trying to communicate with the general public, as they should. But for the most part, they will fail.”

Alan Blinder, 2018

Why so gloomy?

- Harder target compared to traditional (expert) audiences
 - Not necessarily in reach
 - Generally inattentive, plus successful monetary policy breeds inattention (Coibion et al 2020)
 - Less prior knowledge about economics, finance, central banks
 - Response (if at all) slower, harder to monitor
 - Central banks have much less experience
- “Explanation, engagement and education” (Haldane et al. 2020)

Increased emphasis by practitioners



Source: Blinder et al. (2017) survey among central bank governors (55 responses) and academic economists (159 responses).

Governors: "In your view, did the crisis induce the central bank to communicate with the public more or less than it did prior to the crisis?"

Academics: "In your view, did your country's central bank communicate with the public more or less during and after the crisis than it had before?"

Increased emphasis by practitioners

- Social media presence
- Multi-layered communication
- Educational resources
- Listening events



Our explainers translate complex topics into plain language

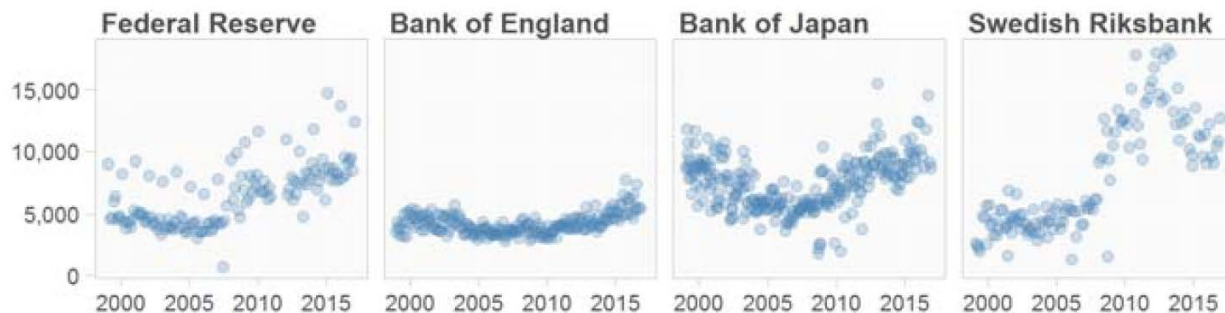
November 2020

At a glance

Vulnerable asset prices 	Balance sheet vulnerabilities 	Lower bank profits 	Higher risk-taking 
Strength of some asset prices and possible market corrections	Growing fragilities in non-financial sectors	Weaker bank profitability amid expected higher credit losses	Renewed risk-taking by non-banks
More	More	More	More

Increased emphasis by practitioners

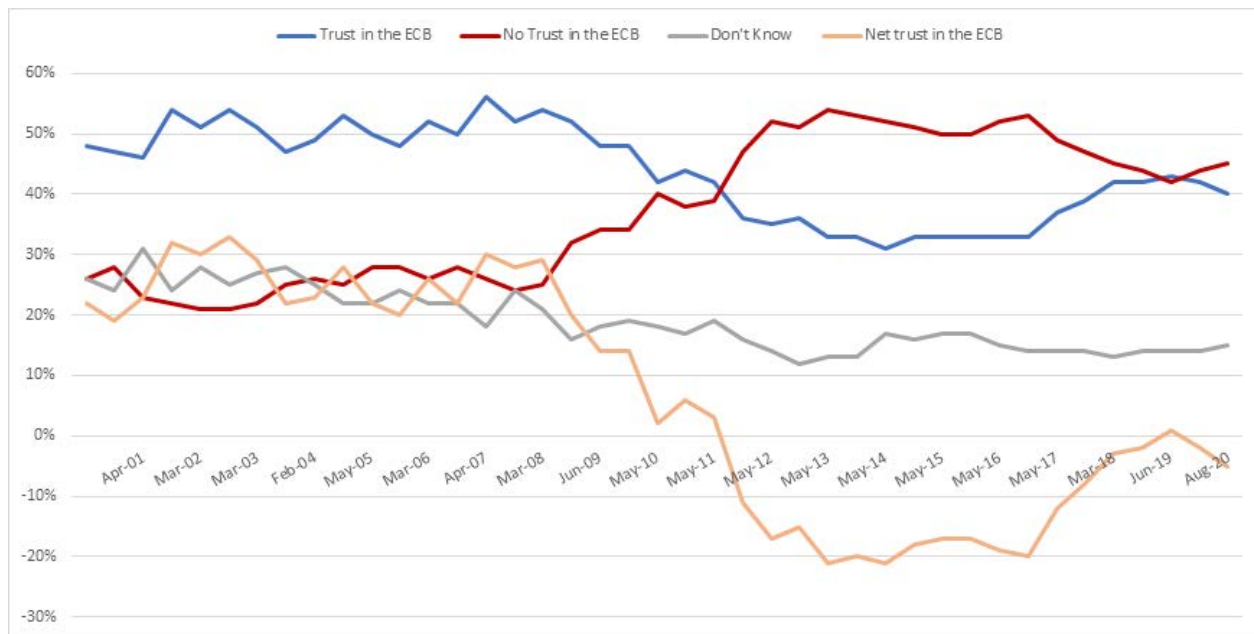
- More explanation required in light of
 - New and broader mandates
 - New tools
 - Increased complexity of monetary policy, increased disagreement among policy makers
 - Monetary policy more the focus of a public debate



Source: Coenen et al. (2017). The figure shows the length of the minutes of the meetings of the monetary policy committees of different central banks, measured by the number of words.

Increased emphasis by practitioners

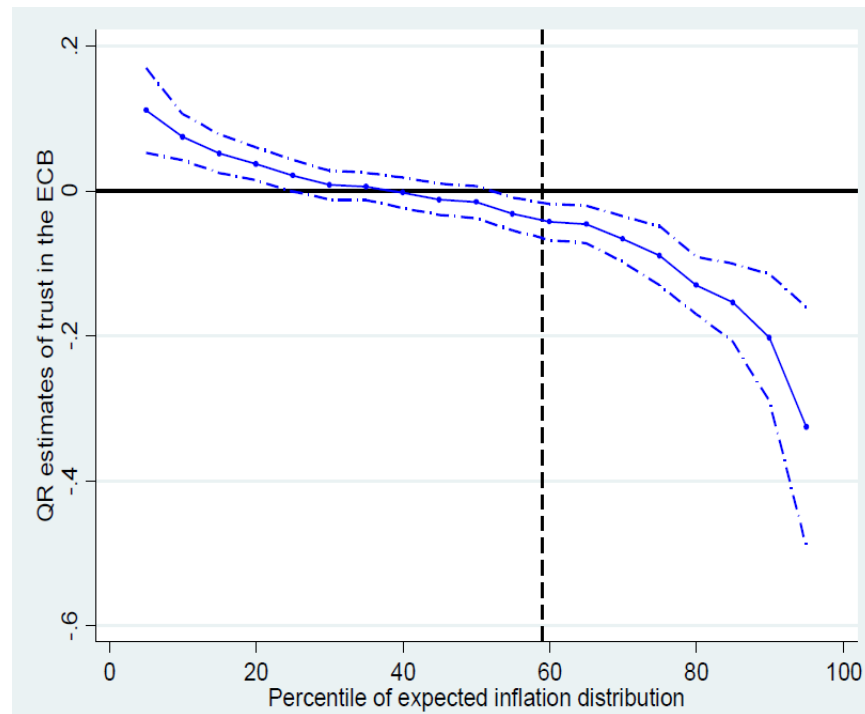
- More explanation required in light of
 - Loss in trust



Source: Eurobarometer data. Net trust is defined as %Trust - %No Trust.

Increased emphasis by practitioners

- Trust matters, as it
 - Affects likelihood that politicians comment on the ECB's policy against their national growth performance (Ehrmann and Fratzscher 2011)
 - Decreases consumers' inflation uncertainty and helps anchoring their inflation expectations (Christelis et al. 2020)



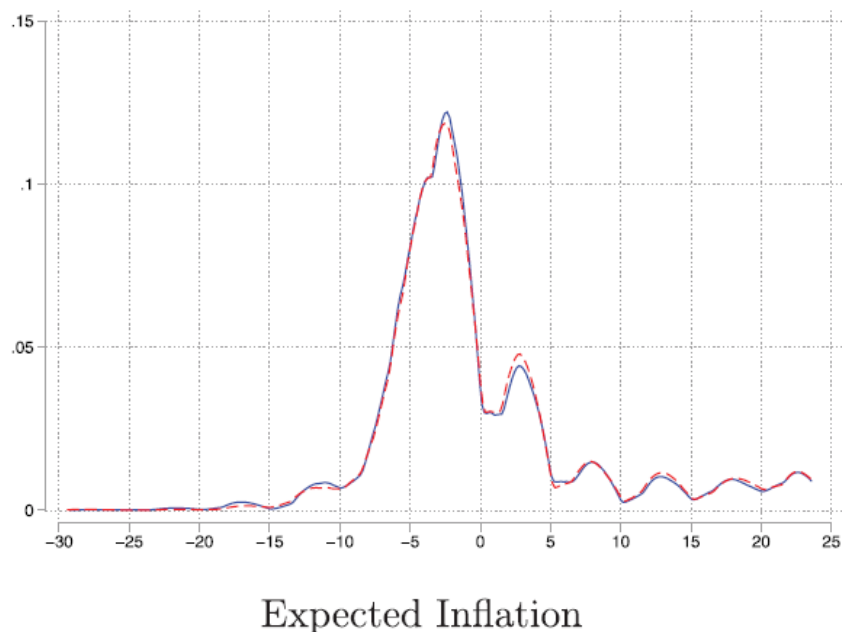
Source: Christelis et al. (2020). Coefficient estimates (and associated 95% confidence intervals) of trust in the ECB from a series of Quantile Regressions (QR). The vertical line is drawn at the percentile of the expected inflation distribution that corresponds to a 2 percent inflation.

Increased emphasis by researchers

- Blinder et al. 2008: “Virtually all the research to date has focused on central bank communication with the financial markets. It may be time to pay some attention to communication with the general public.”
- Are CBs understood?
 - Simplicity of language (Candia et al. 2020, Kryvtsov and Petersen 2021)
 - Relatability (Bholat et al. 2019, Binder 2017)
 - Financial literacy (Mellina and Schmidt 2018)
- Communication about objectives or instruments?
 - Objectives (D’Acunto et al. 2020)
 - Instruments (Brouwer and de Haan 2021)

Increased emphasis by researchers

- Are people in reach?
 - Twitter activity by non-experts responsive to ECB communication (Ehrmann and Wabitsch 2020)
 - U.S. consumer confidence responds to monetary policy shocks (Lewis et al. 2011)
 - Likelihood to have heard about the Fed increases after FOMC announcements, expectations unaffected (Lamla and Vinogradov 2019)



Source: Lamla and Vinogradov (2019). Blue (red) line: 1–2 days before (after) the FOMC announcement

Conclusions

- General public is important target group that might be hard to reach
- Targeted communication (w.r.t. channels, content and complexity)
- Scope for future research
 - Availability of new tools, e.g. big data, RCTs in consumer surveys
 - Does CB communication reach the general public?
 - Is it understood?
 - Do consumers change their behaviour?
 - What are relevant determinants: financial literacy, trust, topics, relatability,...

Thank you!

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