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How Bank Indonesia Communicate its Monetary Policy During COVID- 19 Period

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*The views expressed here are those of the authors and do not necessarily reflect
the views of Bank Indonesia*

Outline/Content



01

Background

02

Research Question

03

Methods

04

Results

05

Conclusion

Background- Central Bank Communication During Covid-19 Pandemic



After the global financial crisis (GFC) and its aftermath, **central bank communication**, particularly forward guidance, **became even more critical**. As a result, many central banks are now focusing more on their communication policy.

Central Banks' communication

To create the accountability, transparency and managing private sector expectations, the central bank communicates its economic outlook and policy stances more transparently (Pescatori, 2018) & (Blinder and others, 2008).

Challenges in Central Bank

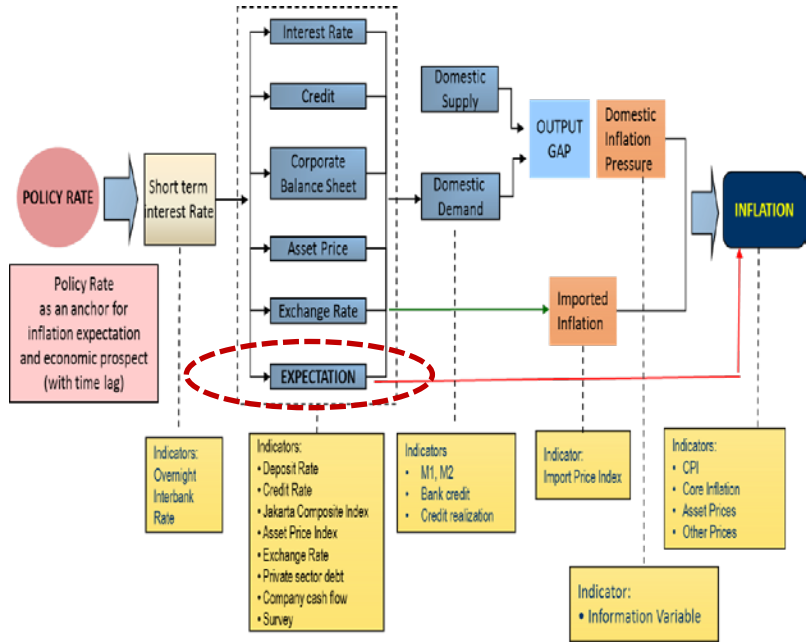
Communication challenges significantly vary across countries, reflecting different economic and institutional environments. Those, greater attention has been devoted to understanding what, to whom, and how to communicate.

Measuring the Effectiveness of Central Bank Communication

- **Text Mining** - The central bank can use this information to assess the effectiveness of a press release delivery as well as learn about the media's opinions.
- **NOISE Analysis** - allows decision makers to analyze current situation and how to create improvement to their strategy

Background - Communication as One of Monetary Policy Toolkit

The aggressive communication by the central bank provides important instrument to anchor inflation expectation as well as broader macroeconomic outlooks (Perry Warjiyo, 2016)



To achieve this goal, Bank Indonesia adopted ITF in 2005

Bank Indonesia's Mandate

↓

Stability of the rupiah

↓

1. formulate and implement a policy mix of interest rate policy, combined with exchange rate policy, capital flow management
2. **Strong coordination and communication.**

The objectives of communication : (i) enhance the effectiveness of monetary policy by strengthening public understanding; (ii) help shape expectations, both of market participants and the broader public; and (iii) reduce uncertainty about the course of policy.

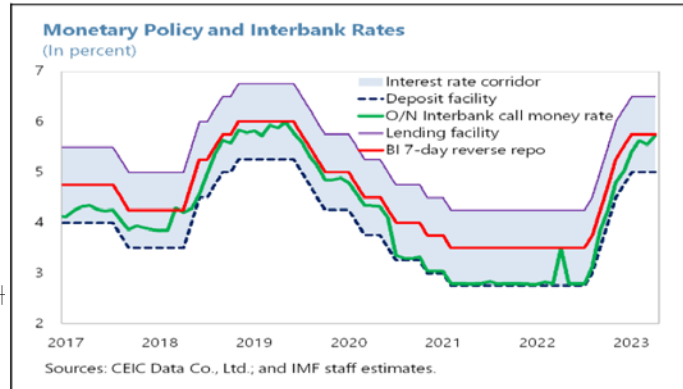
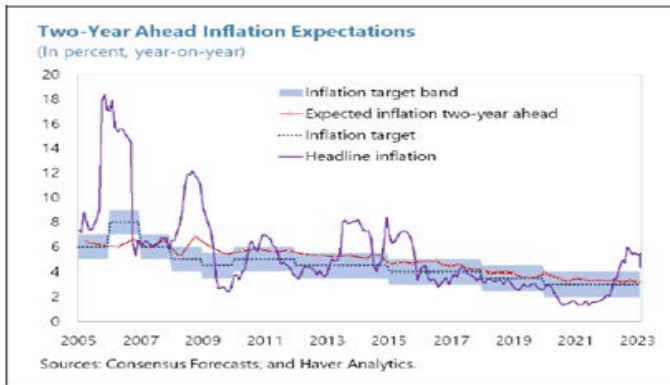
Background - Indonesia Economy Overview



The Indonesian economy has emerged from the pandemic, performing strongly but confronts an increasingly uncertain global economic environment.

Indicators	2019	2020	2021	2022
GDP (% ,yoy)	5.02	-2.07	3.69	5.31
CPI (% ,yoy)	2.58	1.68	1.87	5.51
Rp/\$ (EOP)	13,866	14,050	14,253	15,568
Loan (% , yoy)	6.08	-2.41	5.24	11.35

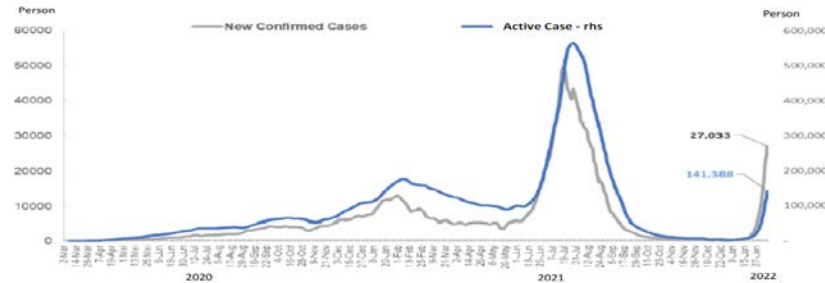
Source: GDP and CPI (Statistics Indonesia); Rp/\$ and Loan (Bank Indonesia and MoF)



Background- Covid-19 Pandemic and Household Consumption



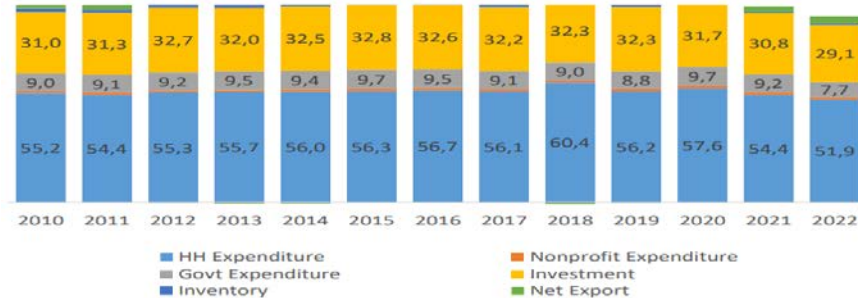
Covid-19 Cases in Indonesia (2020 – 2022)



Source: Covid-19 Task Force, Ministry of Health

Indonesia Gross Domestic Product by Expenditure

The performance of Indonesia's Gross Domestic Product (GDP) is strongly influenced by household consumption with a portion of $\pm 50\%$.



Household Consumption Indicators

In order to capture a picture of household consumption and to have a prompt indicator, **Bank Indonesia** conducted each of **Consumer Survey** and **Retail Sales Survey**.

Covid-19 Cases in Indonesia (2020 – 2022) & Central Bank Communication

- The restrictions on mobility led to a sharp decline in community economic activity.
- The significant impact of COVID-19 on the Indonesian economy can be mitigated by strengthening policy synergies between the Government, Bank Indonesia and other related institutions.

Research Questions

1. How Central Bank of Indonesia communicates its monetary policy during the Covid-19 pandemic in a way to keep its stakeholders' optimism on spending?
2. To determine how effective Bank Indonesia communicates its policies to the public and market ?

Limitation

1. This research is limited to the result of each consumer survey and retail sales survey.
2. Measuring media sentiment by using net sentiment method.

3.1 Data

The textual data: **the retail sales and consumer surveys' press release published by several Indonesian online news.**

3.2 Sentiments Analysis

According to Miner et al. (2012), **sentiment analysis can be used to identify the opinions and emotional states of individuals represented in textual data. Some studies employ such an approach to examine the evolution of monetary policy attitudes as reflected in the policy communique. In this study, we use the methodology in Binette and Tchebotarev (2019) calculated as follows:**

$$MPSS = \frac{N_{positive} - N_{negative}}{N_{total}} \times 100$$

The equation above implies that a value of monetary policy net sentiment score (MPSS)

- **MPSS > 0 denotes the positive sentiments**
- **MPSS < 0 denotes the negative sentiments.**

Instead of using the term MPSS, this study uses the net score sentiment. **The net score sentiments enable us to derive valuable insights regarding the media's perception of the press releases by Bank Indonesia.**

Method

3.3 NOISE Analysis

NOISE analysis is an alternative to SWOT analysis. NOISE analysis allows decision-makers to analyze the current situation and how to improve their strategy. Following are the details of the NOISE analysis:

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Source: <https://fourweekmba.com/noise-analysis/> and Mike Cardus

4.1 Bank Indonesia Communication Policy During COVID-19 Period



Weekly and biweekly virtual Media Briefings held by the Governor of Bank Indonesia (GBI) during the panic caused by rapid COVID-19 transmission, with 11 Media Briefings held between 26th March 2020 and 5th June 2020.



Strengthening the message when disseminating publications and press releases concerning new policies/economic indicators/statistical data, including consumer and retail sales surveys, through all communication channels.



Expanding Bank Indonesia's social media presence to strengthen message delivery by guiding expectations and building optimism

4.1 Bank Indonesia Communication Policy During COVID-19 Period

Retail Sales' Survey

Consumer Confidence' Survey



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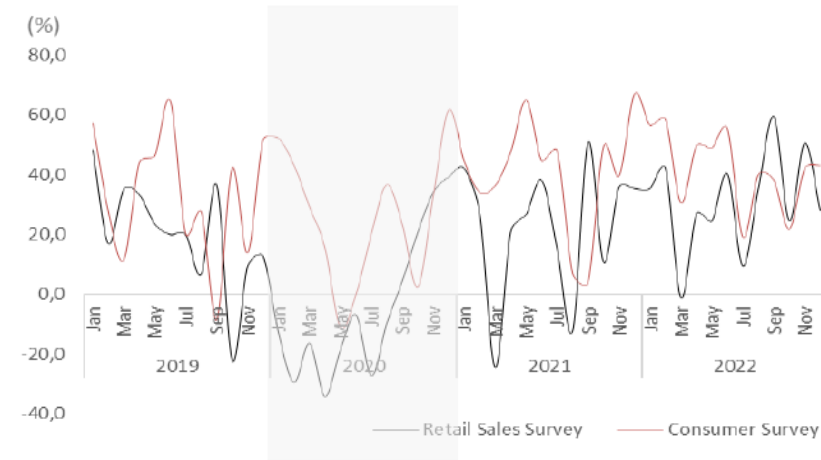
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Results

- In 2020, Bank Indonesia's stakeholders appreciated all the various communication strategies as reflected by a **Communication Efficacy Index of 5.10 on a scale of 1-6**. Bank Indonesia issued 372 press releases and 3,785 social media posts across various social media channels, **which made 27,605 news headlines in the mass media, with 1,249,286 social media engagements**.
- Over 2020–2022, during the COVID-19 outbreak's, **the sentiment analysis shows the modest sentiment ratings, particularly for retail sales and consumer surveys**.

4.2 Sentiment Analysis



%: Net Sentiment Score

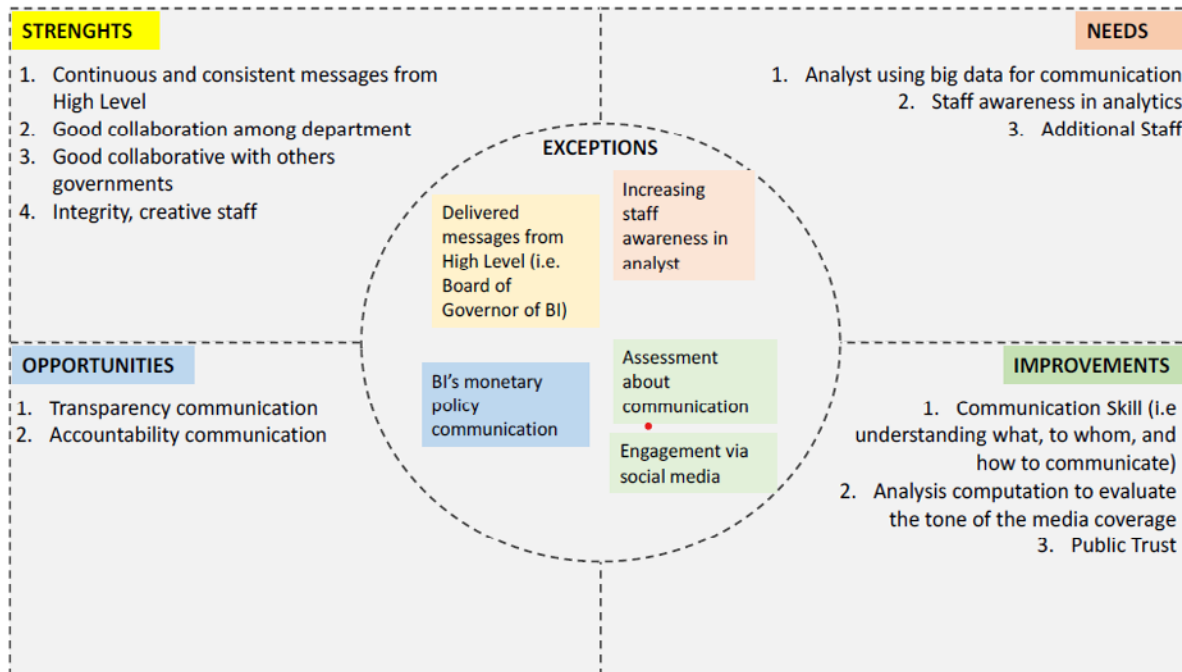
- The average net sentiment score for both surveys in the 2020 period was **-4.7% and 20%, respectively**, implying that the stakeholder's sentiment was less inundated by policy uncertainties generated by various global and domestic economic shocks during the COVID-19 period.
- The sentiment analysis confirmed **the success of Bank Indonesia in building and maintaining stakeholders' optimism toward economic conditions**. The figures show that even if the COVID-19 outbreak seems to have exacerbated economic conditions, Bank Indonesia's press releases are generally well received by its stakeholders.

Results



The NOISE analysis shows that Bank Indonesia communicates the monetary policy and the background information supporting the reasoning of the policy decision transparently while maintaining its accountability and credibility. However, Bank Indonesia's communication strategy could be strengthened to reach wider stakeholders by continuing to develop a communication framework and approach.

4.3 NOISE ANALYSIS



Conclusions



This research shows some Bank Indonesia Communication Policy During the COVID-19 Period:

1. **Bank Indonesia communicates through various channels** such as its official website (i.e. press releases, infographics, reports), social media platforms (i.e. Twitter, Facebook, Instagram, YouTube), and interviews (television).
2. The **sentiment analysis**, in particular for consumer and retail sales surveys, **suggested the success of Bank Indonesia in building and maintaining stakeholders' optimism toward economic conditions**. Even if the COVID-19 outbreak seems to have exacerbated economic conditions, Bank Indonesia's press releases are generally well-received by its stakeholders. This implies that Bank Indonesia successfully shapes stakeholders' expectations while maintaining its credibility.
3. The **number of positive sentiments dominates the negative ones during 2019 - 2022**. This shows that Bank Indonesia **delivered optimism toward its stakeholders during the COVID-19 and economic recovery**.
4. Based on NOISE analysis, **Bank Indonesia's communication strategy could be strengthened to reach wider stakeholders by continuing to develop communication framework and approach**.



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THANK YOU.

