

Anita Angelovska Bezoska: Journalists are one of the main transmitters of monetary policy messages

Address by Ms Anita Angelovska Bezoska, Governor of the National Bank of the Republic of Macedonia, at the Journalist Workshop - 2018, organized by the National Bank of the Republic of Macedonia, Skopje, 25 December 2018.

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Distinguished media representatives,

Welcome to the fourth Journalist Workshop hosted by the NBRM. I am glad to see you in greater numbers this year, which is confirmation of your interest in the topics that will be the focus of today's event.

Allow me to take a brief look at several basic, yet important aspects of central bank communication:

1. Why is central bank transparency and communication important and needed?
2. How has central bank communication evolved over the years? What were the challenges in the period after the outbreak of the global crisis and how were they addressed globally?
3. Challenges in central bank communication in the Republic of Macedonia.

A comparison between the current and the past transparency level and central bank communication shows an exceptional transformation in this segment. The need for strengthening central bank transparency was brought to the fore for the first time in the 1990s, implying enhanced communication with the public, including the media. This change is associated with the **concept of central bank independence**, or the independence of the monetary policy from fiscal policy. Namely, high inflation in the 1970s, feed by the inflationary bias of the discretionary fiscal policy, drew a clear distinction between monetary and fiscal policy objectives and instruments by granting a high level of central bank independence, on the one hand, and setting fiscal rules, on the other. The aim was to eliminate any monetary financing of governments and their excessive borrowing, which, as witnessed in the past, could lead to high price volatility.

Alongside the concept of enhanced independence, greater central bank responsibility was required, which is also achieved with greater transparency. This required introduction of different communication and information on the policy conduct, and on central bank data and positions, assessments and expectations for the economic variables. At the end of the last century, the central bank community realized that besides performing its function effectively, it can also fully achieve its independence, only if it applies higher level of transparency and developed communication within its mandate.

Yet another factor that emphasizes the need for greater central bank transparency is the financial market liberalization in the 1990s. The perception and theory that the monetary policy is more effective if the central bank systematically surprises the markets has long been left to oblivion, as it became clear that bringing policies through surprises and isolated steps cannot have a lasting effect on the economy. The financial market liberalization made the monetary policy effectiveness increasingly dependent on market expectations for the interest rate policy, which additionally raised the need for developed central bank communication with the public to the degree of necessity. As an illustration of the central bank communication in the past, and what it is today, I would remind you that the world's largest central bank – the FED, publicly announced the decision on interest rates for the first time in 1994. Today, it seems unreasonable

for a central bank not to announce its decision on the interest rate.

The recent global economic crisis has once again affirmed the necessity of developed communication and transparency and has been an incentive for many central banks to ensure proactive approach in promoting their transparency. Today, as the ECB President, Mario Draghi, emphasized, “the central bank communication is actually a monetary policy tool in itself”. Besides the numerous monetary instrument innovations aimed to stabilize the financial markets and encourage the economy, central banks have begun to struggle to improve the quality and quantity of communication of their measures, including their future measures. Namely, the central banks not only tried to better explain the measures they took and the reasons for doing this, but also reported on the future measures (monetary policy set-up), which is an important novelty in the central banking operations.

Why is all this necessary? Effective communication will enable all economic agents to better understand the reasons and the goal, and thus encourage their proper behavior for achieving the goals. Unclear or poor communication, in turn, may jeopardize the achievement of the underlying goals, since central banks do not directly influence the goals, but should influence the behavior of economic agents to achieve the goal. For example, the central bank cannot directly influence inflation, but through its measures – reducing the interest rate, or increasing liquidity in the economy – can stimulate banks to improve the financing terms, but also borrowers to increase demand, which will move the demand for goods and services in the desired direction and achieve the inflation target. **Empirical research** in the central banking community does confirm that, globally, the central bank communication is key to maintaining a low level or reducing inflation and in many cases even reducing instability in the real economy.

Communication is an ongoing challenge for central banks. It is undisputed that effective central bank communication will always be marked by certain flexibility and adaptability, depending not only on the economic environment, but also on the public interest and trends in the communication and information networks and media, which, due to the development of technology and digitization, are changing, advancing and improving on a daily basis.

The constant strengthening of transparency, that is, the promotion and development of communication with the public, including media, is a challenge for the National Bank of the Republic of Macedonia. We work diligently to respond to the challenge, while paying attention to the two points of communication – immediate communication with the public and communication with the media. **We do our best to follow the best practices of the European central banking union, which is largely confirmed with the assessments of our transparency.** In doing so, we not only struggle to increase intensity, but also quality of our communication. **Here I would mention** the practice of constantly improving the quality of information and analyses we publish, improving the methodological explanations for the statistics that we publish, timely informing of all novelties in statistical surveys, improving the structure of our website, concurrent publishing of statistics and statistical press releases for their explanation, providing international comparability of our data through continuous implementation of international standards. In this regard, we are in the final stage of creating an analytical tool for easier access and search of statistics by all external users. We hope that our commitment is noticeable for you as media representatives, who analyze our work on a daily basis, by following the press releases, data and positions that arise from the central banking operations in the country.

For us, you, the journalists, are one of the main conveyors of monetary policy messages to the public. Not as our spokespersons, but as individuals and professionals respected by the public, who daily follow our work, which is very often presented in tables, graphs, reviews and data series that almost always require focused reading and analysis before being commented. The same focus is required for our reports, where even footnotes contain important data that

ensure analytical and studious rather than only informative reporting. Accurately and precisely communicated or analyzed data is crucial for timely and professional information to the public. Unfortunately, even unintentionally inaccurate or incomplete communication or analysis of central bank data and views, especially in times when the information/news are transmitted at the speed of light, can create undesired environment for the economy, especially if it creates an unreasonable panic among the public. Comprehensive and thorough communication requires understanding of many methodological aspects, information and data that the NBRM uses, and which we feel obliged to supply you with through our communication.

Among other things, guided by our firm commitment to social responsibility, for several years now we have hosted this workshop, which becomes a tradition. This year's workshop has a different format, which is the result of our attempt to follow your interest, as well as your recommendations expressed during the successful cooperation so far. It will be focused on two very important, but so far insufficiently covered topics – the Lending Survey and the profitability of the banking sector.

I am sure that in the period ahead, we will raise the level of transparency, by promoting the way, the form and the channels of communication, and we will always make sure that we are socially responsible institution whose communication with the media representatives will be at the highest professional level and will be an example for others. I believe that we will succeed in this by mutual correctness, respect and professionalism.

I wish you a pleasant, successful and fruitful workshop.