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Monetary policy communication: Evidence from Survey Data

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Working Paper No. 7/2017

Monetary policy communication: Evidence from Survey Data

Neda Popovska-Kamnar¹

Abstract

This paper summarizes the results of a Survey on Monetary policy Communication conducted among central banks in Central Eastern and South-Eastern Europe and the euro area. The main objective of this Survey was to draw evidence on the level of transparency and communication strategies of the central banks. The results of the Survey reveal that today the central banks pay much attention to the proper transparency and provide significant information about their decisions and policy making process. The overall conclusion of the Monetary policy communication Survey is that the communication and the transparency of the 15 central banks included in the Survey is on satisfactory level. Still, there is always a room for improvement, especially in the area of introducing forward guidance by the central banks and more “proactive ways” of communication with the public.

Key words: survey data, central banks, monetary policy, communication, transparency

JEL classification: E52, E58, E66, GO1

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1. Introduction

In the past decade, there has been a dramatic change in the central banks views on the role of transparency and communication in conducting their monetary policy. The switch to flexible exchange rate in the 90s, the introduction of inflation targeting in the early 2000s and the global financial crisis 2007-2009 were the main drivers of the change in the way how the central banks communicate. Especially the last global financial crisis, highlighted the use of central bank communication as a distinct policy tool under unconventional monetary policies (Vayid, 2013).

Central bank communication can be defined as providing information by the central bank to the public regarding matters such as the objectives of monetary policy, the monetary policy strategy, the economic outlook, and the outlook for future policy decisions (Blinder et al, 2008). Very often, central banks communicate at least four different aspects of monetary policy: objectives and strategies, the reasons behind their decisions, economic outlook and future decisions. This information provided to the market participants helps them to anticipate the future economic developments, which is one of the crucial points of good central bank communication. Still, the degree of central bank openness depends on the monetary policy strategy, institutional setup and the economic developments of the country.

The importance of the central bank communication was also highlighted by the heads of the central banks. In one of his speeches, the ex-chairman of the Federal Reserve, Ben Bernanke pointed the meaning of good central bank communications: "in the short run central communication helps to increase the near-term predictability of the central bank decision, which reduce risk and volatility in financial markets and allows for smoother adjustment of the economy to rate changes. In the long run, communicating the central bank's objectives and policy strategies can help to anchor the public's". He pointed that clear communication is an instrument to make monetary policy itself more powerful. "Communication about the strategy helps explain the way monetary policy behaves outside the steady state, how it responds to shocks and frictions to facilitate the economic convergence back to steady state. Communicating about the principles that govern the strategy makes the process of adjustment more rapid and less painful." – was pointed by Bernanke, in his speech (2004).

This paper summarizes the results of a representative survey on Monetary Policy Communication conducted among the central banks in Central, Eastern and South-Eastern Europe. The main objective of this Survey was to draw evidence on the level of transparency and communication strategies of the central banks. The Survey was divided in four sections: Objectives and strategies, Policy decisions, Economic outlook and Forward guidance and General communication questions. The analysis of the survey results is based on the answers from the 14 central banks on one side, and the survey answers from the European Central Bank (ECB) on the other.

The Survey shows that central banks pay much attention on their transparency, and publicly disclose information about their decisions and policymaking process. They are fully transparent about their primary goal-price stability, which is published as numerical or non-numerical target. From the aspect of monetary policy, according to the Survey, all central banks published their monetary policy decisions, however in different timespan. The changes in policy settings are first announced on the central bank website or in the form of a press release, while the statements are usually half page to two pages long. Consequently, almost all the central banks disclose the numerical value for a change in the monetary policy instrument, the direction of the change in the monetary policy instrument and the reasons behind the decision

One of the main activities of the Central bank is the economic forecast, which offers information for the future path of the economy, sending signals to the market participants and public. The Survey results show that central banks are also highly transparent from the aspect of their forecasts activities, publishing them on quarterly or semi-annual base. Inflation rate and the economic growth, are the main economic indicators for which the central banks publish their forecasts. The way how the forecast information is disclosed vary among the central banks, from numerical to non-numerical.

In order for the central bank to achieve high transparency through clear and open communication with the public, good organization structure is essential. Almost all central banks have an office for public relations or a press spokesmen. Mainly, the work of the central banks is published in the working papers, regular reports and presented on special economic conferences. Also, some central banks offer "alternative" ways of communication with the public, through presentation of their work, distribution of brochures and visits to the institutions.

The financial crisis 2007-2009 also had an impact on the way the central banks communicate. It highlighted the need for better communication among the banks, markets and central banks. According to the Survey, some central banks introduced certain changes in the communication of monetary policy with a purpose to become more active. One of the tools was forward guidance, which is a term used for likely future course of the monetary policy.

The remaining part of the paper is structured in the following way. The literature review in Section 2 gives an overview of the consulted research papers that have dealt with the communication and transparency of the central banks. Section 3 describes the survey design, providing information on the questionnaire, the sample of the survey and the way the survey was conducted, as well as the main characteristics of the surveyed central banks. Section 4 provides an overview of the survey results on the different aspects of communication strategy of the central banks. The closing section provide concluding remarks of the paper.

2. Literature review

For much of 20th century, central banks maintained strict secrecy, basing their actions on a mystique derived from a somewhat metaphysical approach to monetary policy (Cordemans, 2015). One of the best proofs of the view on the transparency of the central banks in that period is the comment that the chairman of the Federal Reserve, Alan Greenspan in 1988 gave on his speech, which was quoted in The New York Times (October 28, 2005): "I guess I should warn you, if I turn out to be particularly clear, you've probably misunderstood what I said" (Norrs, 2005).

From the middle of 90s, there was a move toward transparency, and one of the main reasons was the switch to floating exchange rate, which gave countries more flexibility to conduct independent monetary policy. Still the main driver toward transparency, happened in the early 2000 when inflation targeting was introduced by most central banks. The inflation targeting requires transparency, in order to make a successful link between the inflation expectations of the central bank and the market developments.

Many central banks have become more transparent over the past 15 years and have paid more attention on their communication. A few decades ago, a conventional wisdom in

central banking circles held that monetary policymakers should say as little as possible, and say it cryptically (Blinder et al, 2008). Over the recent past, it became increasingly clear that managing expectations is of crucial importance for the monetary policy, thus communication policy has risen in stature from a nuisance to a key instrument in the central banker's toolkit. The improvement in the central bank communication is also highlighted by Jeanneau (2009) in the survey conducted in 2007 on the communication practices of 32 members of the Central Bank Governance Network (CBGN). The main reasons cited by central banks for improving communication were: to ensure better accountability; to enhance the public's understanding of the objectives of policy and the decision-making process; and to guide market expectations. The direction and magnitude of policy decisions are seen by central banks as largely anticipated by market participants; this should help reduce the overall economic costs of adjusting to changes in policy settings.

The central banks provide a considerable amount of policy-relevant information, though there is diversity in what central banks disclose. According to the Survey of communication practices in the Asian-Pacific region in the mid-2007 (Filardo and Guinigundo, 2008) it was concluded that those that have adopted inflation targeting frameworks tend to be more open in terms of the provision of information. Also, the central banks rely on a mix of ways to communicate with financial markets and the general public. The results of the Survey showed that there is a difference in the degree of transparency of the central banks, depending on the region they belong. Regarding managing expectation, it was concluded that the central banks have been putting considerable emphasis on not surprising markets but rather on guiding the markets in a more predictable way.

One crucial breaking point in the way the Central banks communicate is also the last Global financial crisis, which highlighted the need for more transparent monetary policy. From one side, the crisis made the decision process of the Central banks more complicated and on the other side, many unconventional measures were adopted by the central banks, which highlighted the need for more explicit communication. Before the crisis, major central banks, said little publicly to explain what they were up to and why (Vayid, 2013). The view among central banks was that it was best not to talk about policy actions—let alone future policy intentions—and let these actions speak for themselves. Since the global financial crisis, the

central bank communication was introduced as a distinct policy tool under unconventional monetary policies. Also, according to this research many central banks are now playing a role in promoting financial stability. This paper, once again, highlighted the importance of Inflation targeting regime (IT) in the communication efforts of the central bank. The fundamental changes in the implementation of monetary policy under an IT regime in the past decade introduced the broad trend among central banks toward greater openness, transparency and accountability, all of which require proactive, well-planned communications. Although the move to transparency was more pronounced among IT central banks, other central banks, including in emerging-market economies, increasingly came to recognize the value of openness and communication in the conduct of monetary policy.

The information deduced from Dincer and Eichengreen (2013) dataset (Geraats, 2013) can be used to analyze information disclosure practices and trends. The Table 1 shows to what extent various types of information relevant to monetary policymaking were disclosed in 1998, 2004 and 2010, listed by transparency aspect. Most of the central banks around the world in 2010 were adopting explicit monetary policy strategy, while half of the central banks publish the projections. The largest improvements in the transparency can be seen in the macroeconomic forecast and policy adjustments and explanations (Table 1):

Table 1
Developments in central bank transparency

In % of the surveyed central banks	1998	2004	2010	1998-2010 change (p.p)
Political transparency				
Monetary policy objectives	90.8	95	96.6	5.8
with prioritization	36.7	45.8	46.6	9.9
Quantified objective	44.2	60.8	66.4	22.2
Explicit instrument independence	34.2	49.2	53.4	19.2
Economic transparency				
Numerical macroeconomic forecasts	14.2	46.7	54.3	40.1
quarterly medium term for inflation and output	3.3	11.7	19.8	16.5
Macroeconomic policy model	5	15	24.1	19.1
Procedural transparency				
Monetary policy strategy	50	65	73.3	23.3
Minutes	5	9.2	16.4	11.4
Voting records	4.2	6.7	10.3	6.1
Policy transparency				
Policy adjustment	15	40	46.6	31.6
Policy explanation	12.5	32.5	43.1	30.6
Policy inclination	0	2.5	4.3	4.3
Operational transparency				
Openness about control errors in the operating target	9.2	20.8	22.4	13.2
Transmission disturbances	15.8	42.5	47.4	31.6
Evaluation monetary policy outcomes	33.3	61.7	61.2	27.9
Sample size	120	120	116	-4

Source: Geraats, 2013

Along with tendency for improving the communication between the central bank and the public, ECB introduced Guiding principles for external communications by members of the Executive Board. The Guiding principles for external communication attach great importance to clear, effective and timely communication of the ECB's strategy and policy decisions as well as issues related to their implementation. According to Guiding principles, regular contacts and interaction with members of the public, representative associations and civil society provide relevant input and information that help Executive Board members understand the dynamics of the economy and financial markets and its broader societal context. This two-way communication is based on open, transparent and regular dialogues and debates between the Executive Board members and the public as well as specialized audiences (ECB, 2015).

3. Survey design

3.1 Survey questionnaire

The Survey on Monetary Policy Communication was conducted with the goal to draw evidence on the level of transparency and communication strategies of the central banks in Central, Eastern and South-Eastern Europe. One of the goals of the Survey was to include countries with similar economic history but different transition pattern as well as different EU integration status. The Survey was conducted in July-September 2015 and answers on the survey questions were received from 15 central banks² from the region and EU. The analysis of survey results is based on the answers from all the central banks on one side, and the survey answers from the European Central Bank (ECB) on the other.

The Survey on Monetary Policy Communication was based on the Asian Central banks Survey for Transparency and Communication in Monetary Policy from 2007 (Filardo and Guinigundo, 2008). The Survey questions can be found in the Appendix 1. The questions included in the Survey are divided in following sections:

- Objectives and strategies (1-9 question)
- Policy decisions (10-25 question)
- Economic outlook and forward guidance (26-38 question)

² Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, European Central Bank, Kosovo, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Turkey.

- General communication questions (39-44 question)

The first section of the Survey (objectives and strategies) is focused on information about the monetary policy regime of the surveyed central banks and the objectives of their monetary policy, both primary and intermediate objectives. Also, it highlights the financial stability as one of the objectives of the monetary policy. The second section (policy decisions) will address the procedures behind the public disclosure of the central bank decisions, the type of statements and information which are communicated with the public and also the organization of the press conferences. One of the main tasks of the central bank is the forecast of the country's economic conditions. In this way, the central banks send signals to the market participants and investors for the future path of the main economic indicators of the country. Regarding the importance of the central banks forecast, the third section of the survey (economic outlook and forward guidance) focuses on the disclosure of information from the forecast of the economic conditions and the procedure behind the forecasting process. Also, it highlights which information from the forecast need to be communicated with the public. The last section of the Survey addresses the general information on the communication policy of the central banks.

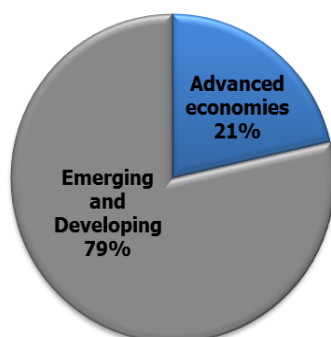
3.2 Economic and geographical breakdown of the surveyed central banks

Economic development and geographical location of the central banks can influence their monetary policy framework and the way the central banks communicate their monetary decisions. According to Dincer and Eichengreen (2014) central banks in the advanced countries are more transparent than central banks in emerging and developing markets. They conducted an empirical study on economic determinants of transparency for over 100 central banks over the 1998-2010 period. Their research showed that countries with higher per capita incomes, deeper financial markets, more open economies, and stronger political institutions have more transparent central banks. Also, countries with more flexible exchange rate regimes tend to have more transparent central banks.

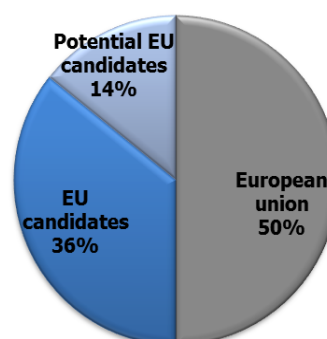
In the Survey on Monetary Policy Communication 79% of the central banks are emerging and developing economies, and the others are advanced economies³. From the aspect of geographical point of view, around half of the surveyed central banks are members of European Union⁴, one-third are EU candidates, and the others are potential EU candidates. European Central Bank is also included in the Survey of communication.

Graph 1:

By economic point of view...



By geographical point of view...



Source: WEO, Statistical appendix, October 2016; European Union

Recent research also highlights the importance of the exchange rate regimes in determining central bank transparency. According to Crowe and Meade (2008) greater transparency is associated with more independent central banks, better governance and more flexible de facto exchange rate regime. The central banks that participated in the Survey analyzed in continuation are almost equally divided between those with Pegged (hard and soft) and Floating exchange regime (IMF, 2016).

³ The IMF country classification that is used in this paper divide the world into two major groups: advanced economies and emerging market and developing economies (WEO, 2016). The IMF classification is not based on strict criteria and it has evolved over time. The advanced economies are classified according to some key indicators of their relative size (GDP valued by purchasing power parity, total exports of goods and services, and population). Emerging market and developing economies are also classified according to analytical criteria like the composition of export earnings and a distinction between net creditor and net debtor economies.

⁴ Latvia entered the euro area from January 2014 and Lithuania from January 2015

Table 2

Exchange rate arrangement of the surveyed central banks

Hard pegs No separate legal tender (euro)	Hard pegs Currency board	Soft pegs Stabilized arrangement	Soft pegs Crawl-like arrangement	Floating regimes Floating	Floating regimes Free floating
<ul style="list-style-type: none"> • Montenegro • Kosovo 	<ul style="list-style-type: none"> • Bosnia and Herzegovina • Bulgaria 	<ul style="list-style-type: none"> • Macedonia • Czech Republic 	<ul style="list-style-type: none"> • Croatia 	<ul style="list-style-type: none"> • Albania • Serbia • Romania • Turkey 	<ul style="list-style-type: none"> • Poland • Latvia • Lithuania

Source: Annual Report on Exchange Arrangements and Exchange Restrictions, IMF, 2016

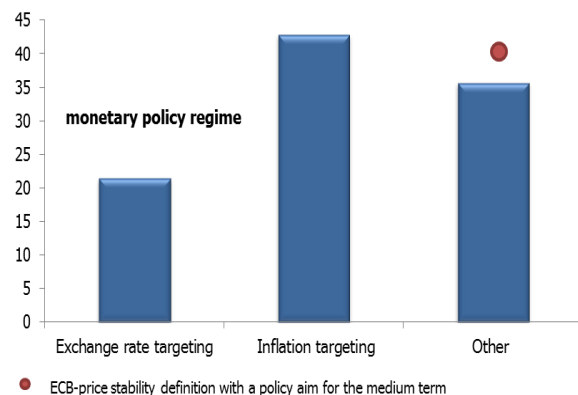
4. The Survey results

In the following part, we present the results of the Survey on monetary policy communication. The analysis is based on the answers from the central banks on the questions from the Survey, divided in four main sections of the Survey. The data are presented as % of the total number of responded central banks (14 central banks). The answers from the European Central Bank are analyzed separately as a kind of benchmark. The answer option "Other" in the certain questions, includes the answers of the central banks on this option, and also the number of central banks that didn't answer this question.

4.1 Monetary objectives and strategies

Each central bank implements its own monetary regime/strategy and proper monetary policy. According to the results most of the central banks from the Survey are conducting inflation targeting regime (around 43%) and exchange rate targeting (21.4% of the banks). Inflation targeting is a monetary policy regime in which a central bank has an explicit target-inflation rate for the medium term and announces this inflation target to the public. One of the benefits of inflation targeting is the larger transparency of the central banks. The central banks publish the "Inflation Report" which gives the banks

Graph 2



the "Inflation Report" which gives the banks

view about the future and past performance of inflation and monetary policy. From the surveyed central banks, the central banks from Czech Republic, Albania, Serbia, Romania, Turkey and Poland are conducting inflation targeting. On the other hand, under the exchange rate targeting regime, the central bank provides nominal exchange rate stability vis-à-vis the currency of a so-called anchor country via interest rate changes and direct foreign exchange interventions, thereby "importing" price stability from the anchor country⁵. From the surveyed central banks, the central banks from Macedonia, Croatia, Latvia and Lithuania are conducting exchange rate targeting. One third of the surveyed central banks, have different types of exchange rate regimes. The Central bank of Bosnia and Herzegovina and Bulgaria have monetary policy regimes based on Currency Board arrangement, Central bank of Montenegro and Kosovo implemented unilateral euroization⁶ and Central bank of Croatia is using exchange rate targeting/managed floating ER regime. The monetary policy regime of the European Central Bank is based on price stability definition with a policy aim for the medium term.

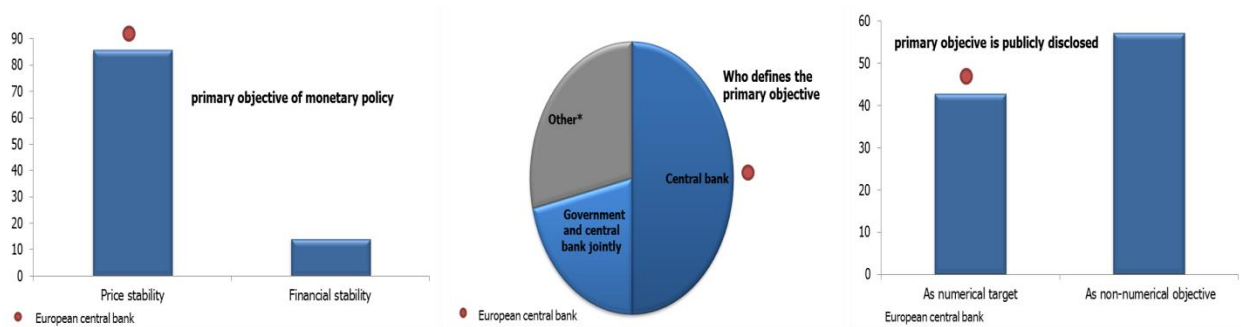
Price stability is the primary objective of the monetary policy by almost all central banks included in the survey. This is also the case with European Central Bank. The objective of price stability refers to the general level of prices in the economy. It implies avoiding both prolonged inflation and deflation. Also, price stability contributes to achieving high levels of economic activity and employment by improving the transparency of the price mechanism. Under price stability people can recognize changes in relative prices (i.e. prices between different goods), without being confused by changes in the overall price level. This allows them to make well-informed consumption and investment decisions and allocate resources more efficiently⁷. Except the price stability, there are also other types of primary objectives of the monetary policy selected by the central banks. According to the survey results, financial stability is the primary objective by the Central banks of Montenegro and Kosovo.

⁵ https://www.cnb.cz/en/faq/what_are_the_regimes_of_monetary_policy.html

⁶ Exchange rate regime under which the euro acts as a legal tender

⁷ <https://www.ecb.europa.eu/mopo/intro/benefits/html/index.en.html>

Graph 3

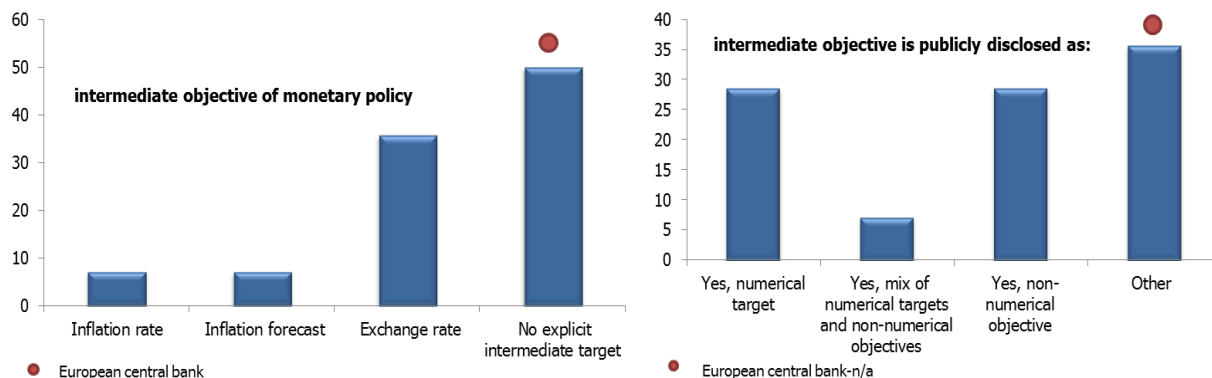


*According to Central Bank of Montenegro there are no quantitative objectives in monetary policy of CBM. The primary objective is also not specified by the Bank of Lithuania. According to this central bank intermediate objective (fixed exchange rate) had been defined by the joint resolutions of Government and central bank.

From the aspect which defines the primary objective of the monetary policy, half of the central banks answered that they define the primary quantitative objective, and around 21% of the central banks are doing that jointly with the government. The primary objective of the monetary policy can be communicated by central banks as numerical or non-numerical. Around 57% of the central banks are publishing primary objective as non-numerical, while the other central banks as numerical target. From the aspect of ECB, the central bank is responsible in defining the primary objective which is published as a numerical target to the public.

In order to achieve its primary objective, the central bank establishes intermediate objective of monetary policy. An intermediate target is an economic variable that the central bank can control with a reasonable time lag and with a relative degree of precision, and which is in a relatively stable or at least predictable relationship with the final target of monetary policy, which makes the intermediate target a kind of a leading indicator (Bindseil, 2004). Half of the surveyed central banks reported that they do not have explicit intermediate target (also the case with ECB) while around 36% of the central banks point the exchange rate as an intermediate target. Bank of Albania points the inflation forecast, while National Bank of Poland point the inflation rate as intermediate targets. The central banks that are using intermediate targets are equally divided in the way how they communicate these targets: numerical and non-numerical. Only Bank of Albania uses a mix of numerical targets and non-numerical objectives.

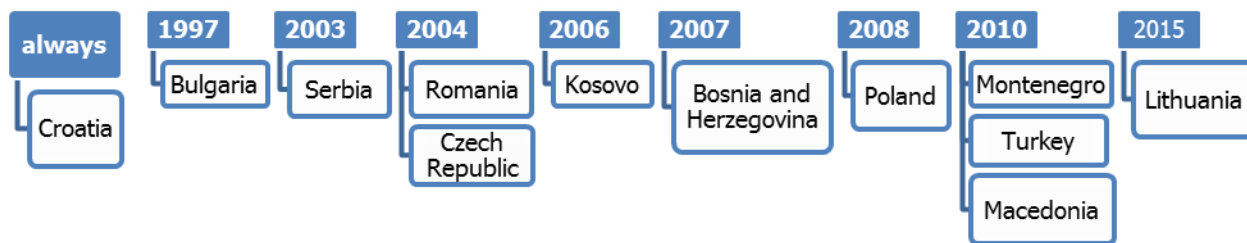
Graph 4



Except the monetary objectives, the central banks have other objectives which are subordinated to the primary one. The central banks support well-functioning of the banking system, and help to improve the monetary and financial conditions in support of the economic growth. They encourage stable and efficient operation of payment and securities settlement systems. Also, one of the objectives of the central banks is to maintain financial stability. According to the European Central Bank publication⁸, financial stability can be defined as a condition in which the financial system – intermediaries, markets and market infrastructures – can withstand shocks without major disruption in financial intermediation and in the effective allocation of savings to productive investment.

Graph 5

The central banks* define financial stability as one of their objectives from:



*three central banks didn't answer to this question

Successfully maintaining the financial stability contributes to efficient allocation of capital and financial resources from savers to investors and successful management of risks and

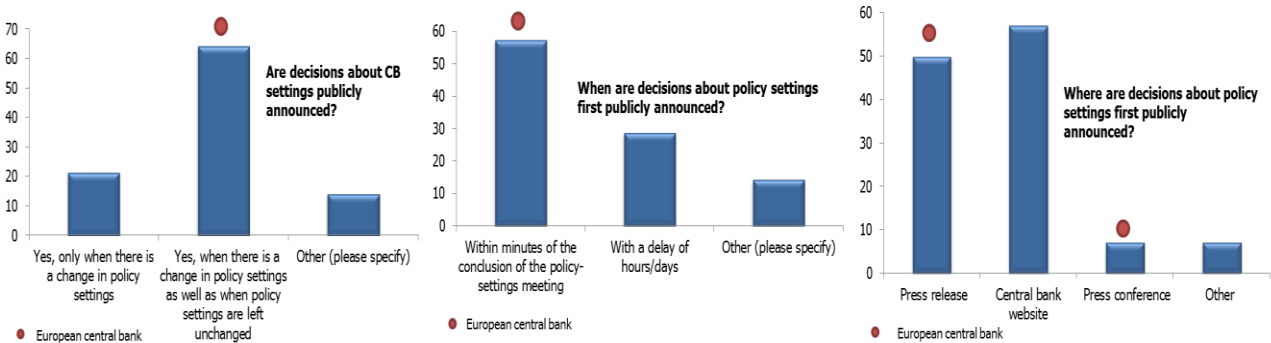
⁸ ECB (2015) "Financial Stability Review", page 4

vulnerabilities. Around 71% of the surveyed central banks define financial stability as one of the objectives of the central bank’s monetary policy. The Croatian National Bank responded that financial stability is from always defined as one of the objectives, while Bulgaria started from 1997, Macedonia from 2010, and Lithuania is latest from 2015. The need for more extensive communications on financial stability was especially highlighted after the last global financial crisis. An important role in that regard has been assigned to central banks, many of which have explicit financial stability mandates. A large number of central banks have communicated extensively on financial stability-related matters, e.g. publication of Financial Stability Reports and financial stability-related speeches and interviews (Born et al. 2011).

4.2 Monetary policy decisions

One of the biggest challenges of the central banks is to decide which information to share with the public. A more effective communication policy would reduce information asymmetries between central banks and the public (Jeanneau, 2009). In the recent years, central banks pay greater attention to their transparency, and provide significantly more information about their decisions and policymaking process. The results of the Survey confirm this conclusion. Almost all the central banks answered that they publicly announce their monetary policy decisions. Around 64% of the central banks said that they publicly announce their decisions in both cases - when there is a change in policy settings as well as when policy settings are left unchanged. This is also the case with ECB. On the other hand, 21.4% of the central banks publicly announce their monetary policy decisions only when there is a change in policy settings.

Graph 6

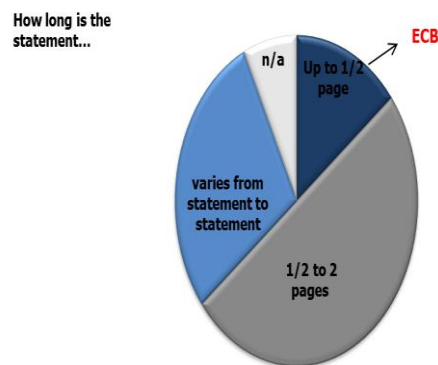


In both ways, the changes in the policy settings are being announced fairly quickly. More than half of the central banks announce their decision within minutes of the conclusion of the policy-settings meeting, while around 29% of the central banks with a delay of hours or days. Certain central banks have specific time for publishing their decisions. Bank of Albania, has fixed time for publishing the decisions and it's usually within a short time after the meeting. The National Bank of Poland announces the decision just after it is taken. After 2-3 hours of the conclusion of the policy-setting meeting (at 4 p.m.) the press release is published on the central bank website with justification of the decision and the press conference of the Governor takes place. National Bank of Serbia is announcing their decisions at 12 noon on the day when the policy-settings meeting is held. This central bank held its policy-settings meeting on the first Thursday after 5th of the every month. However, if necessary, the meetings can be held more frequently. European Central Bank is publishing their decisions within minutes of the conclusions of the policy-settings meeting. The Governing Council takes its monetary policy decision every six weeks. Immediately after the meeting, the President and the Vice President of the ECB explain the decision at the press conference and answer questions from journalists⁹.

Changes in policy settings tend to be announced first on central bank websites and press release. Half of the central banks announce the policy settings on statements which are half page to two pages long. On the other hand, around

Graph 7

29% of the central banks said that the length of the statements varies. ECB shares press release which is half page long. Except the policy settings, the statements of the central banks also include other different issues which are important for the current period. More than half of the central banks said that except the policy settings changes, the remaining content of the statement usually varies in each statement. One fifth of the central banks said that they change most of the remaining content of the statement, while around 14% of the central banks change only little.



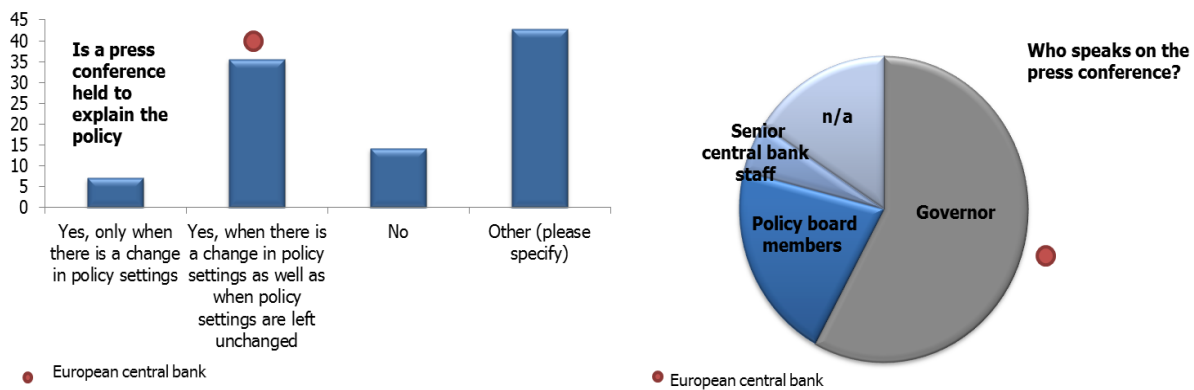
⁹ <http://www.ecb.europa.eu/press/pressconf/2015/html/index.en.html>

One of the objectives of the central banks in the implementation of proper communication process and transparency is to include all necessary information in their statement in order to explain their decision and policy measures. The main purpose of the statement is to make the public more familiar with the policy of the central bank, in order to understand the bank decisions. Almost all the central banks in their policy statement always disclose the precise value for a change in the monetary policy instrument (for example, 25 basis point increase in the policy rate), the direction of the change in the monetary policy instrument and the reasons behind the decision. Also, most central banks, in their statement add the assessment of current economic conditions and short term outlook for the economy and the possible risks to the outlook for the economy. Usually, central banks in their statements put information about the numerical forecast of the key economic variables. For example, Bank of Albania publishes the range of inflation forecast one year ahead. Almost all the central banks said that they never disclose the number of policy board members who voted in favor of the decision in their statement. The European Central Bank in their statement always disclose the numerical value and direction of change in the monetary policy instrument, the reason behind this change, assessment of current economic conditions; short-term outlook for the economy and the possible risks to the outlook for the economy.

How the statement is presented is with the same importance as the choice of the information which is disclosed in the statement. Almost all the central banks use the press conference as a primary communication tool for direct contact with the public. The empirical research carried on ECB communications network (Ehrmann and Fratzscher, 2007) has shown that the press conferences have a stronger impact on the level of financial variables than policy announcements, indicating that they are an efficient means of transmitting new information. According to the Survey, the reasons for press conference vary. Around one third of the central banks said that the press conference is held when there is change in policy settings as well when the policy setting are left unchanged. Around 14% of the central banks said that they do not hold the press conference to explain the policy decision. On the other hand, 43% of the central banks give different reasons for organizing press conference. The Central Bank of Montenegro is organizing press conference only if there is important policy change, while Croatian National Bank holds the press occasionally. Bank of Lithuania holds a press conferences in cases of extra-ordinary policy decisions, e.g. the change of anchor currency. The National Bank of Serbia is having regular quarterly press conferences: first Wednesday after the

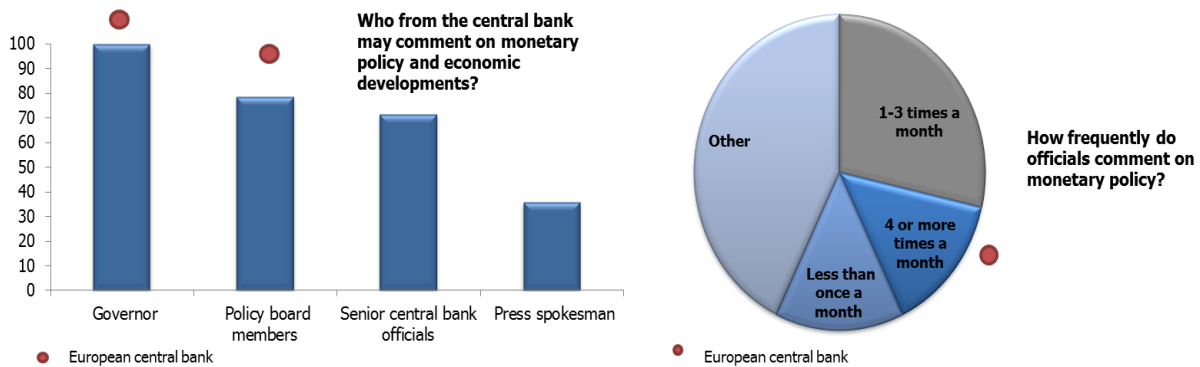
Executive Board adopts the Inflation Report at its policy meeting. Also, the Governor holds press conferences if needed to clarify the reasons behind the policy decisions, as well as reply to any question of the public. National Bank of Romania holds press conferences after the board meeting in which the Inflation Report is approved. Almost in all cases, the governor speaks on the press conferences, but also in some central banks, policy board members can also make a statement (one third of the central banks). European Central Bank holds a press conference when there is a change in policy settings as well as when policy settings are left unchanged, while the main speaker is the governor.

Graph 8



As we conclude from the Survey, the governor and the policy board member usually speak on the press conferences. Except on this official event the central bank officials, in certain circumstances, also give additional public comments or opinions. Usually governors, policy board members or senior central bank officials are allowed to give comments on monetary policy and economic developments.

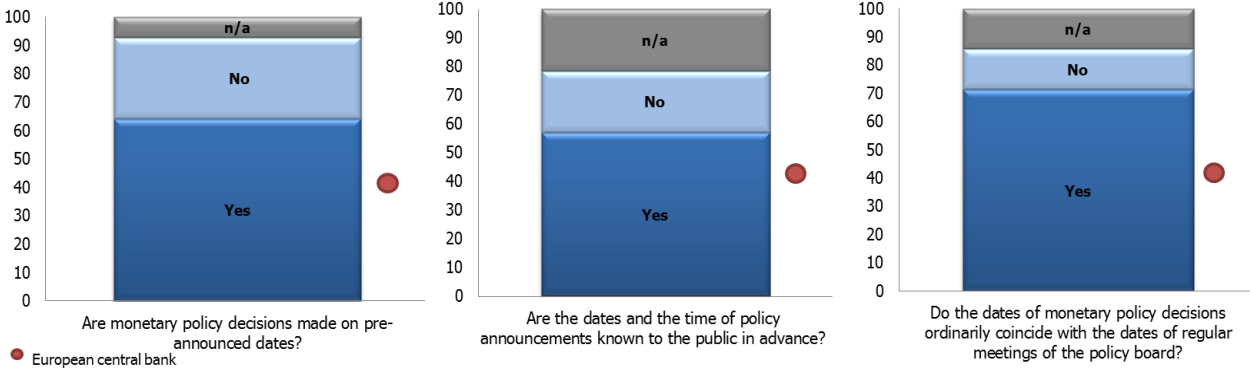
Graph 9



Still, the way the central banks comment on certain developments vary and depends on the arrangements that central banks have. In the case of the currency board in Bulgaria, commenting on monetary policy by the BNB is not as frequent as with the central banks that have an independent monetary policy. On the other hand, in the case of National Bank of Poland it depends on individual member of Monetary Policy Council (MPC). In the Central Bank of the Republic of Turkey, selected members of MPC and senior central bank officials meet economists in prescheduled meetings once a month.

Regarding the schedule of adoption of the monetary policy decisions, most of the central banks (around 64%) said that the decisions are made on pre-announced dates. In most cases, the dates of monetary policy decisions coincide with the dates of regular meetings of the policy board (around 71%). More than half of the central banks, report the dates and time of policy announcements to the public in advance. The ECB decisions are made on pre-announced date, which is known to the public in advance. The minutes of the policy boards discussions are published by four central banks: Czech Republic, Poland, Montenegro and European Central Bank. Almost all central banks do not identify the views and votes of the individual policy members, and more than half of the central banks don't reveal their names to the public. The Czech National Bank is the only central bank from the survey which identifies the views and votes of individual policy members and reveals their names to the public. Still, the identification of individual votes in the policy board depends on the institutional setup of the central bank.

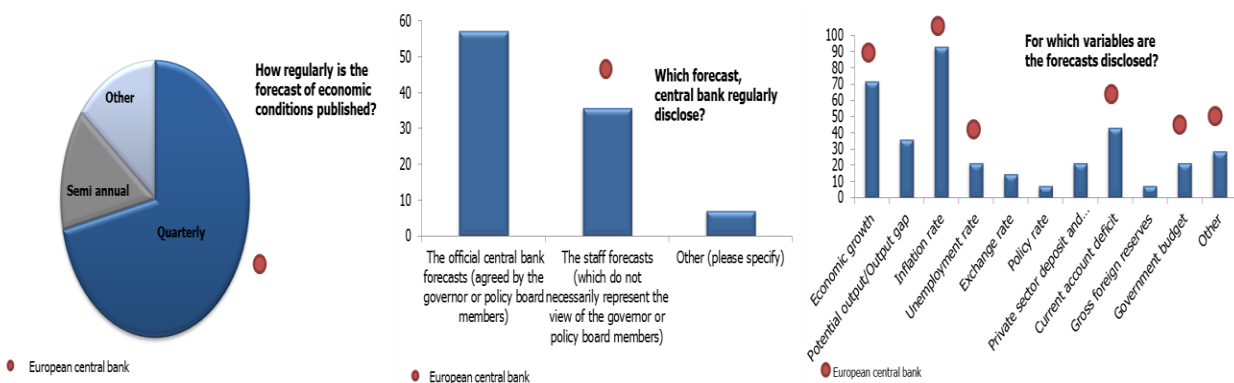
Graph 10



4.3 Economic outlook and forward guidance

The economic forecast is one of the main activities of the central banks which offers information for the future path of the economy, send signals to the market and their participants. According to ECB, macroeconomic projections play an important role as a tool for aggregating and organizing existing information on current and future economic developments¹⁰. The methods and assumptions behind those forecasts vary considerably across central banks. Around 71% of central banks publish their forecast on quarterly base, while the Croatian National Bank and the National Bank of the Republic of Macedonia on semi-annual base. On the other hand, the National Bank of Poland, published its forecast three times a year in their Inflation Report. The forecast of the European Central Bank is published quarterly. More than half of the central banks regularly disclose the official central bank forecast, agreed by the governor or policy board members. Around 36% of the central banks¹¹ are disclosing the staff forecast, which does not necessarily represent the view of the governor or policy board members. This is also the case with the European Central Bank.

Graph 11



Most central banks disclose the forecast for inflation rate and economic growth. Also, around 43% of the central banks publish the forecast for current account deficit and one third of the central banks publish the potential output. Other variables for which the central banks disclose their forecast are: unemployment rate, exchange rate, private sector deposit and credit growth rate and government budget. The Croatian National Bank is also disclosing gross external debt, change in employment and banks total liquid assets. Central Bank of the Republic

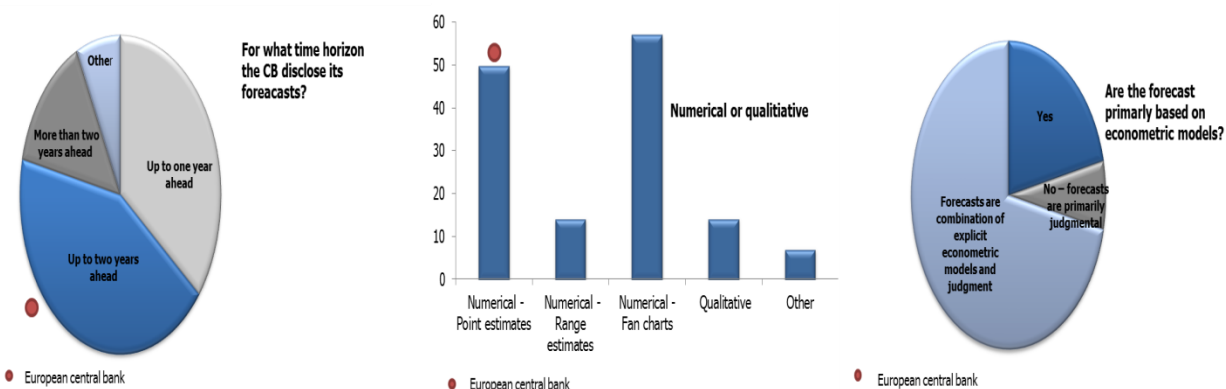
¹⁰European Central Bank (2001), "A guide to euro system staff macroeconomic projection exercises"

¹¹ In this group are the central banks of Bulgaria, Czech Republic, Kosovo, Latvia and Lithuania.

of Kosovo adds to the list the remittances, while National Bank of Serbia is also disclosing the trend of the real exchange rate, real interest rate trend and administrative prices. European Central Bank is also disclosing the forecast of the GDP components, employment, productivity growth, unit labor cost, compensation per employee, inflation components, structural government balance and government debt for the euro area.

The forecasts of the key economic variables are usually disclosed up to two years ahead (around 43%) and up to one year ahead (around 36%). Only small number of central banks (Poland and Turkey) disclosed its forecast more than two years ahead. Most of the central banks disclosed their forecast numerical as point estimate and also as fan charts. ECB discloses its forecasts up to two years ahead, numerically as point estimates. The forecasts are primarily a combination of explicit econometric models and judgment, (around 71% of the central banks), which is also the case with ECB, while one fifth of the central banks said that is primarily on econometric models. Around 36% of the central banks model the monetary policy in their forecast as exogenous (for example constant interest rate path) while around one third of the central banks model as endogenous variable (for example monetary policy reaction function). The ECB uses the market expectation of 3 month interest rate.

Graph 12



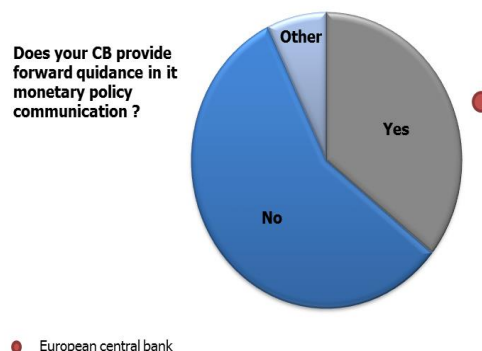
The forecast models are one crucial part in the process of conducting the central bank policy and determining the future path of the monetary policy. The information about the forecasting model in most cases is publicly available, in extensive details like equations and parameters or as broad framework (also in the case of ECB). In order to see the validity of the forecast, around 71% of the central banks perform internal evaluations of their forecast

performance, which usually is for internal use only. Around one third of the central banks publish these evaluations. ECB occasionally perform internal evaluations of their forecast. Bank of Albania publishes the inflation and some short run model forecast performance as evaluations every two years. Czech National Bank and the National Bank of Serbia are publishing the evaluations in their Inflation Report. The National Bank of Serbia is publishing the comparison of last year’s projections and their outcomes in their Inflation Report. The accounting for forecast revisions made during the year and the end-year forecast error is published in a box in the first Inflation Report of the following year by the Central Bank of the Republic of Turkey.

The recent financial crisis highlights the need for better communications among banks, markets and central banks. Some of the central banks introduced changes in the monetary policy communication in order to improve this channel of transmission of information. According to the Survey, around one third of the central banks introduced certain changes in the communication of monetary policy with a purpose to become more proactive. ECB took more explicit communication in terms of the crisis and the unprecedented measures, to ensure a

continued understanding of their monetary policy reaction function. One of the tools that most central banks adopted to deal with macroeconomic consequences of the global financial crisis was forward guidance. It is a term used by central banks to communicate about the likely future course of monetary policy¹². According to the Survey, around 36% of central banks use forward guidance in their monetary policy communication. The forward guidance helps to clarify the central banks’ assessment of macroeconomic situations and their reaction function. In July 2013, ECB for the first time gave an explicit indication regarding its monetary policy stance by the ECB Governing Council announcement. Since then, the Council continually addresses its forward guidance on the ECB key interest rates¹³.

Graph 13

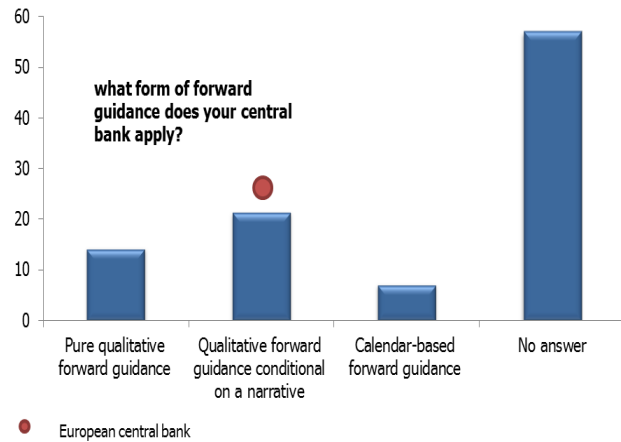


¹² <http://www.federalreserve.gov/faqs/what-is-forward-guidance-how-is-it-used-in-the-federal-reserve-monetary-policy.htm>

¹³ Also, ECB introduced forward guidance in their asset purchase program.

There are different types of forward guidance like pure qualitative forward guidance, qualitative forward guidance conditional on a narrative, calendar-based forward guidance or outcome-based forward guidance. From those central banks that use forward guidance, two of them use pure qualitative forward guidance which means that it has no explicit end-date or numerical thresholds that provide information about the likely evolution of policy interest rates in the future and no explicit reference to a configuration of underlying conditions, regarding the objectives of policy, which would justify this evolution. On the other hand, three central banks use qualitative forward guidance conditional on a narrative, which provides qualitative statements about the likely evolution of policy interest rates complemented by a description of a combination of macroeconomic conditions under which the monetary policy orientation is expected to prevail. This type of forward guidance is also used by the ECB. The central bank of Poland was the only bank from the Survey that had experience with the calendar based forward guidance, which entails making a conditional commitment based on the explicit date after which the stance of monetary policy is expected to change. The central bank used forward guidance as monetary policy instrument from September 2013 to June 2014.

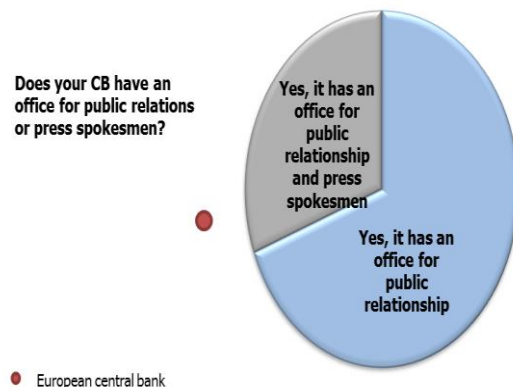
Graph 14



4.4 General communication questions

In order to have successful communication with the public, Central banks have a special department which is responsible for communicating with the public, media, and market participants. This department is responsible to transfer the information and decisions of the central bank to the public in a more friendly and understandable manner, in

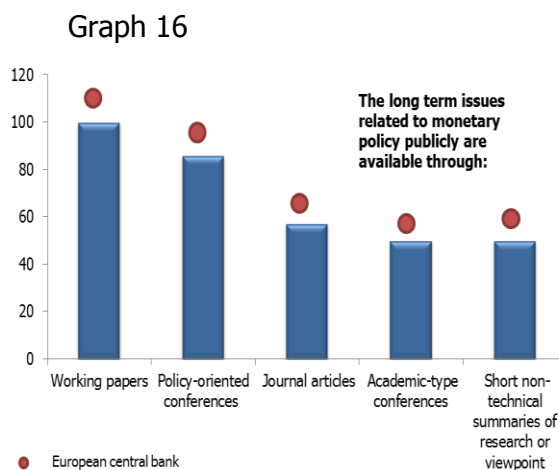
Graph 15



order to understand the reasons behind these decisions. According to the Survey, around 64% of the Central banks have an office for public relations, while around 29% of the Central banks have an office for public relations and a press spokesman. The National Bank of the Republic of Macedonia has persons¹⁴ within the governor’s office responsible for public relations¹⁵.

Although this is the era of technology and internet, certain people still have limited access to the internet or TV. For that purpose, central banks offer alternative ways of introducing their work and process. Bank of Albania, is publishing educational brochures which are distributed in all branches of commercial banks as well as to private and public high schools. Also, Bank of Albania is opened for public visits and organizes seminars and trainings for journalists, high-school teachers and social workers. The Central Bank of the Republic of Turkey distributes booklets and bulletins to universities, civil society organizations and public institutions. Central Bank of Bosnia and Herzegovina offers lectures for pupils and students. National Bank of Serbia uses educational programs, lectures, discussions and creative workshops in order to communicate with the public. The National Bank of the Republic of Macedonia organizes lectures for students, workshops for journalists and publishes educative brochures.

Central banks regularly publish their research, information or reports. All central banks publish working papers on issues related to monetary policy and most of them are also discussed on policy oriented conferences. Half of the surveyed central banks published their research in journal articles, academic-type conference or as short summaries of research. Most of these publications can be found on the web pages of the central banks.



One crucial thing in communication is to define the “reasons behind the words”. That means, to define the purpose and the effect of the information that is decided to be

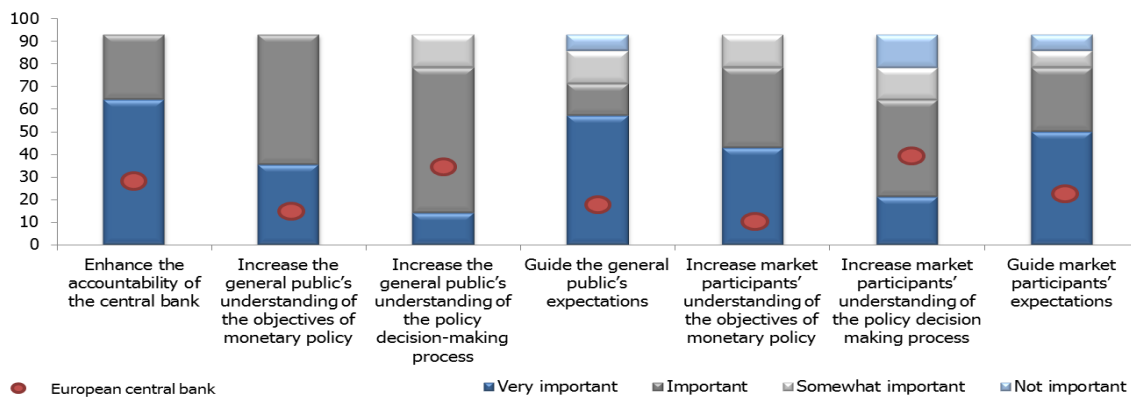
¹⁴ In 2017, a change was made in the organizational setup, where a special segment for public relations was established within the Cabinet of the Governor of the NBRM.

¹⁵ The answer of National Bank of the Republic of Macedonia is not included in Graph 14

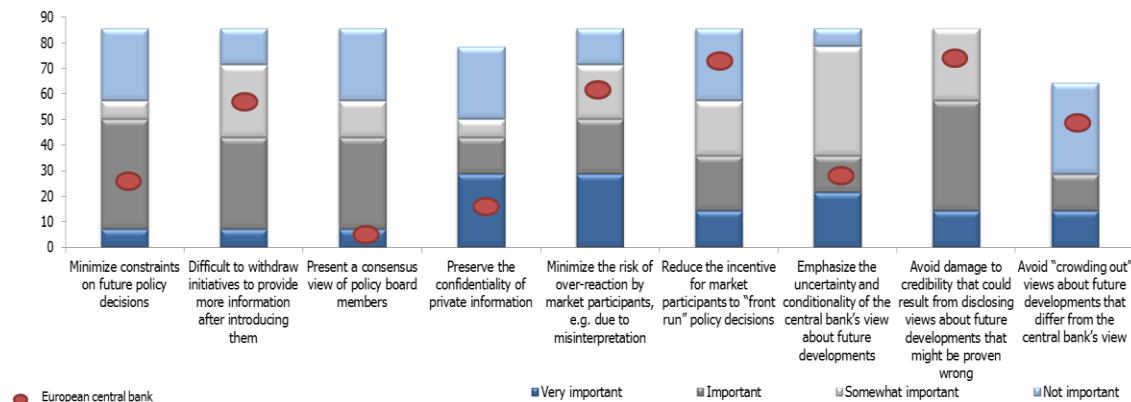
communicated with the public. Most often, the main purpose of the central bank public information is to send a clear signal for its actions and decisions to the market. The increase of accountability of the central bank and the guidance of the general public's and market expectations are the most important factors (more than half of the surveyed banks) in determining what kind and how much information about monetary policy is to be publicly announced. The increase of market and general public understanding of the monetary policy objectives are also factors that are taken into consideration.

Graph 17

Reasons for increasing disclosure



Reasons for limiting disclosure



On the other hand, central banks need to be very careful about what type of information they are disclosing and how it can influence the market. Higher transparency can also be a risk for the central bank credibility, in a way that central bank promises something that is not later delivered. Also, there is the danger that market participants might take excessive risks based on

some central bank information. That is why, the central banks sometimes decides to limit their disclosure of information aiming to minimize negative circumstances from announcing certain information. Around one third of the central banks said that the need for preserving the confidentiality of private information, minimize the risk of over-reaction by market participants or emphasize the uncertainty and conditionality of the central banks views about future developments are the most important reasons for limiting their disclosure. Also, as important factors that influence the restrictions from the central banks are the difficulties to withdraw initiatives to provide more information after introducing them, to present a consensus view of policy board members and to avoid damage to credibility that could result from disclosing views about future developments that might be proven wrong.

5. Concluding remarks

Just two decades ago, central banks maintained strict secrecy. Central banks were seen as institutions which were distinguished from the public and media. Slowly, driven by the switch to floating exchange rate, introduction of inflation targeting regime and the global financial crisis 2007-2009, central banks started to admit the importance of transparency and communication of the monetary policy. They opened their doors to the public, giving information about their work, their decisions and the reasons for undertaking certain activities. The policy actions would become more effective if the market understood them. The greater transparency of the central bank contributes to reduce the surprise factor and makes the market participant more ready for the outcomes from the central bank decisions. With the proper central bank communication the market can anticipate, rather than just to react on the central bank decisions.

The results of the Survey on Monetary policy communication presented in this paper reveals that today, central banks pay special attention on their transparency and provide important information about their decisions and policy making process. The Survey showed that all central banks publicly announce their primary goals and their monetary policy decisions. They try to be more open to the public, through announcing their meetings in advance and at the same time quickly announcing their decisions to the public. Central banks pay great attention for their statements to be clear and include the necessary information which will help the public better understand the reasons behind their decisions. Through regular communication of the economic

forecast, central banks send signals to the market for expectations of the future economic developments. The results showed that the most common communicated forecast is for inflation rates and economic growth, which are crucial indicators for the markets. The Survey shows that central banks are putting a lot of effort in establishing a proper link with the media and public, by organizing regular press conferences and meetings. Also, all central banks are publishing their work in the working papers and participate on different conferences. One of the positive developments towards greater transparency, is the fact that the central banks started to give more attention on proactive communication with the public, which is very important for people who have limited access to TV or internet. The central banks publish brochures which are distributed to the schools, banks, organizes visits of central banks and lectures on the universities.

The Global financial crisis showed the weakness of the communication of central banks, and necessity of establishing a strong link between the central banks and market participants. Some central banks said that they introduced the forward guidance, which is used in order to communicate the future course of monetary policy. Still, this number is small, one-third of central banks. Namely, it would be useful for the central banks to adopt the forward guidance, having in mind that this way they are more transparent for the future path of the monetary policy. Except there also is a weakness in adopting the forward guidance approach, the survey also showed that there is a need for improvement in terms of identifying individual votes in the policy board. The Survey showed that most central banks are not sharing information about the names or the views of the individual policy members, which is not in line with the tendency of more opened and transparent central bank.

The overall conclusion of the Monetary policy communication Survey is that the communication and the transparency of the 15 central banks is on satisfactory level. We must take in account that in the last two decades, central banks made a great transition from completely closed to open and transparent institutions, passing a long way of changes and adjustments. Still, there is always a room for improvements, especially in turbulent times like these, when the job of the central bank in preserving the price and financial stability in the economy is becoming more complicated and demanding.

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Annex:

Survey on Monetary Policy Communication

Name of the central bank:

Note: If your central bank is a member of the euro area, please answer the survey providing your practice prior euro area entrance.

PART 1: OBJECTIVES AND STRATEGIES

1. Within which monetary policy regime does your central bank conduct its monetary policy?
- Exchange rate targeting
 - Monetary targeting
 - Inflation targeting
 - Monetary policy with an implicit but not an explicit nominal anchor
 - Other (please specify)

2. What is the primary objective of monetary policy?
- Price stability
 - Exchange rate
 - Full employment and economic growth
 - Other (please specify)

3. How is the primary objective of monetary policy publicly disclosed?
- As numerical target
 - As mix of numerical targets and non-numerical objectives
 - As non-numerical objective
 - Other (please specify)

4. What is the intermediate objective or target of monetary policy? Please tick all that apply.

- Inflation rate
- Inflation forecast
- Exchange rate
- Growth of a monetary aggregate
- No explicit intermediate target
- Other (please specify)

5. Is the intermediate objective or target of monetary policy publicly disclosed?
- Yes, numerical target
 - Yes, mix of numerical targets and non-numerical objectives
 - Yes, non-numerical objective
 - Other (please specify)

6. Who defines the primary quantitative objectives?
- Central bank
 - Government
 - Government and central bank jointly
 - Other (please specify)

7. Are there any other CB objectives besides the primary one?
- No
 - Yes, there are other objectives but subordinated to the primary one (please specify)

- Yes there are other objectives which are equally important as the primary one (please specify)

8. Is the financial stability explicitly defined as one of the objectives of your CB policy? (If the answer to Q8 is no, please go to Q10).
- No

- Yes

9. When did your central bank decide to define the financial stability as one of its objectives?

Year:

PART 2: POLICY DECISIONS

10. Are decisions about CB settings publicly announced?

(If the answer to Q10 is no, please go to Q18).

- Yes, only when there is a change in policy settings
- Yes, when there is a change in policy settings as well as when policy settings are left unchanged
- No
- Other (please specify)

11. When are decisions about policy settings first publicly announced?

- Within minutes of the conclusion of the policy-settings meeting
- With a delay of hours/days
- Within minutes of the implementation of the decision
- Other (please specify)

12. Where are decisions about policy settings first publicly announced?

- Press release
- Central bank website
- Press conference
- Other (please specify)

13. How long is the statement announcing the policy setting?

- Up to 1/2 page

- 1/2 to 2 pages
- More than two pages
- Length varies from statement to statement

14. Apart from the change to the policy setting, how much of the remaining content of the policy statement ordinarily changes from statement to statement?

- Very little, e.g. 1 to 2 sentences
- Most of the statement
- Parts of the statement, e.g. 1 to 2 paragraphs
- Extent of the changes varies from statement to statement

15. Information disclosed in the policy statement

Please indicate what information does the central bank disclose at or around the same time that decisions about policy settings are announced and whether this information accompanies every policy decision or only some decisions

	Always disclosed	Sometimes disclosed	Never disclosed	Not applicable
Numerical, e.g. precise value for a change in the monetary policy instrument (for example, 25 basis point increase in the policy rate)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Qualitative, e.g. direction of change in the monetary policy instrument	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reason for the decision	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Number of policy board members who voted in favor of the decision	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Likely direction of future changes in policy settings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Assessment of current economic conditions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Short-term outlook for the economy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Possible risks to the outlook for the economy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Numerical forecasts of the key economic variables

-
-
-
-

Other

16. Is a press conference held to explain the policy decision?

- Yes, only when there is a change in policy settings
- Yes, when there is a change in policy settings as well as when policy settings are left unchanged
- No
- Other (please specify)

17. Who speaks on behalf of the central bank on the press conference?

- Governor
- Policy board members
- Press officer (spokesperson)
- Senior central bank staff
- Other (please specify)

18. Are monetary policy decisions made on pre-announced dates?

- Yes
- No

19. Are the dates and the time of policy announcements known to the public in advance?

- Yes

- Other (please specify)
-

20. Do the dates of monetary policy decisions ordinarily coincide with the dates of regular meetings of the policy board?

- Yes
- No

21. Are the minutes of the policy board's discussions published?

- Yes
- No

22. Are the views and votes of individual policy board members identified?

- Neither views nor votes are identified
- Both views and votes are identified
- Only views are identified
- Only votes are identified

23. Are the views and votes of the individual policy board members anonymous or public?

- The names of the individual policy board members are not revealed
- The names of the individual policy board members are revealed
- Other

24. Who from the central bank may comment on monetary policy and economic developments? Please tick all that apply.

- Governor
- Policy board members
- Senior central bank officials
- Press spokesman
- Other (please specify)

25. How frequently do officials comment (press-statements and interviews) on monetary policy?

- 1-3 times a month
- 4 or more times a month
- Less than once a month
- Other (please specify)

PART 3: ECONOMIC OUTLOOK AND FORWARD GUIDANCE

26. How regularly is the forecast of economic conditions published? Please tick all that apply and also indicate the name of the report(s).

- Quarterly
- Semi-annual
- Monthly
- Annual
- Other (please specify)

27. Which forecasts of economic conditions does the central bank regularly disclose?

- The official central bank forecasts (agreed by the governor or policy board members)
- The staff forecasts (which do not necessarily represent the view of the governor or policy board members)
- No, forecasts are not disclosed
- Other (please specify)

28. For which variables are the forecasts disclosed? Please tick all that apply.

- Economic growth
- Potential output/Output gap
- Inflation rate
- Unemployment rate
- Exchange rate
- Policy rate
- Private sector deposit and credit growth rate
- Current account deficit
- Gross foreign reserves
- Government budget
- Other (please specify)

29. For what time horizon does the central bank disclose its forecasts of key economic variables?

- Up to one year ahead
- Up to two years ahead
- More than two years ahead

30. Are the central bank forecasts of key economic variables disclosed in a numerical or qualitative manner?

- Numerical - Point estimates
- Numerical - Range estimates
- Numerical - Fan charts
- Qualitative

31. Are the disclosed forecasts primarily based on econometric models?

- Yes
- No – forecasts are primarily judgmental

- Forecasts are combination of explicit econometric models and judgment

32. How is monetary policy modeled in the central bank's forecasts?

- Monetary policy is exogenous (e.g., constant interest rate path)
- Monetary policy is endogenous (e.g., monetary policy reaction function)
- Other (please explain)

33. Are judgmental or ad hoc adjustments to the forecasting model's estimates disclosed?

- Yes – policy board members' judgments are usually disclosed
- No – judgment is applied but the nature of the adjustment is usually not disclosed
- Yes – staff's judgments are usually disclosed
- No – judgment is not applied

34. Is information about the forecasting model made publicly available?

- Yes – extensive details, e.g. equations and parameters
- No
- Yes – broad framework
- Other (please explain)

35. Does your central bank perform internal evaluations of its forecasting performance?
(If the answer to Q35 is yes, please specify whether the evaluations are regular with predetermined dynamics (quarterly, semi-annual, annual, etc. or occasional)

- No
- Yes it does, but the analysis is for internal use only

- Yes it does, and the analysis is published

36. Has the central bank published, within the past five years, an external review of its forecasting model?

- Yes
- No – commissioned an external review but did not publish it
- No – but planning to publish an external review in the near future
- No – never commissioned an external review

37. Does your central bank provide forward guidance in its monetary policy communication? (If the answer to Q37 is yes, please specify when this practice was firstly introduced. If the answer to Q37 is no, please go to Q39).

- Yes

- No

38. What form of forward guidance does your central bank apply? Please tick all that apply.

- Pure qualitative forward guidance**
Has no explicit end-date or numerical thresholds that provide information about the likely evolution of policy interest rates in the future and no explicit reference to a configuration of underlying conditions, including the policy objectives, which would justify this evolution (e.g., "policy accommodation can be maintained for a considerable period")
- Qualitative forward guidance conditional on a narrative**
Provides qualitative statements about the likely evolution of policy interest rates complemented by a description of a combination of macroeconomic conditions under which the monetary policy orientation is expected to prevail (e.g., "central bank is ready to stay committed to a near-zero interest rate policy until deflationary concerns would be dispelled")
- Calendar-based forward guidance**
Entails making a conditional commitment based on the explicit date after which the monetary policy stance is expected to change (e.g., "conditional on the outlook for inflation, the target overnight rate can be expected to remain at its current level until the end of the second quarter of 2014")
- Outcome-based forward guidance**
Explicit numerical conditions or thresholds that link central bank actions to a selected set of observed or projected economic variables (e.g., "no increase in the policy rate should be anticipated so long as unemployment remained above 6-1/2 percent and inflation and inflation expectations remained stable and near target")
- Other (please explain)**

PART 4: GENERAL COMMUNICATION QUESTIONS

39. Does your central bank have an office for public relations or press spokesman?

- Yes, it has an office for public relations
- Yes, it has a press spokesman
- Yes, it has an office for public relations and a press spokesman
- No, it doesn't have an office for public relations or a press spokesman

40. Does the central bank have any special initiatives for communicating about monetary policy with people who have limited access to the internet, TV and other media?

- Yes (please explain)

- No

41. Have there been any revisions to the central bank law within the past three years, which have resulted in changes in the central bank communication about monetary policy?

- Yes (please explain)

- No

42. Have you introduced any changes in your communication policy due to the global economic crisis 2007-2009?

- No
- Yes (please explain)

43. Which channels does the central bank use to make its research on longer term issues related to monetary policy publicly available?

- Working papers

- Policy-oriented conferences
- Journal articles
- Academic-type conferences
- Short non-technical summaries of research or viewpoint

44. Please indicate how important each listed considerations is in deciding what and how much information about monetary policy to publicly announce

44.1. Reasons for increasing disclosure:

	Very important	Important	Somewhat important	Not important
Enhance central Bank accountability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increase general public's understanding of the monetary policy objectives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increase general public's understanding of the policy decision- making process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Guide general public's expectations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increase market participants' understanding of the monetary policy objectives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increase market participants' understanding of the policy decision- making process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Guide market participants' expectations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

44.2. Reasons for limiting disclosure:

	Very important	Important	Somewhat important	Not important
Minimize constraints on future policy decisions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Difficult to withdraw initiatives to provide more information after introducing them	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Present a consensus view of policy board members	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Preserve the confidentiality of private information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Minimize the risk of over-reaction by market participants, e.g. due to misinterpretation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reduce the incentive for market participants to "front run" policy decisions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Emphasize the uncertainty and conditionality of the central bank's view about future developments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Avoid damage to credibility that could result from disclosing views about future developments that might be proven wrong	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Avoid "crowding out" views about future developments that differ from the central bank's view	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

