

20 yrs of Central Bank Communication - Lessons Learned

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The Last 20+ Years

- Over the past two decades, central bank communication has evolved significantly
- Key drivers: enhanced transparency and openness to support monetary policy goals
- Adoption of inflation-targeting regimes, which necessitated clearer communication to the public
- Move from clarity to comprehensibility to relatability
- All this helps build trust, credibility, and manage public expectations



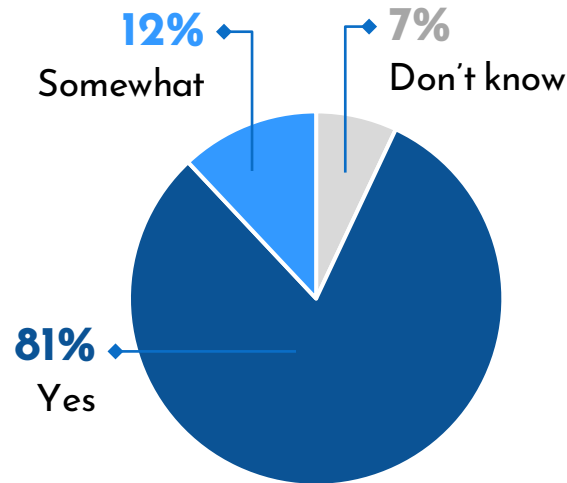
The importance of transparency

- Enhancing the credibility of policy decisions
- Anchoring inflation expectations
- Improving accountability through clear communication of policy goals and actions
- Promoting public legitimacy through enhanced understanding

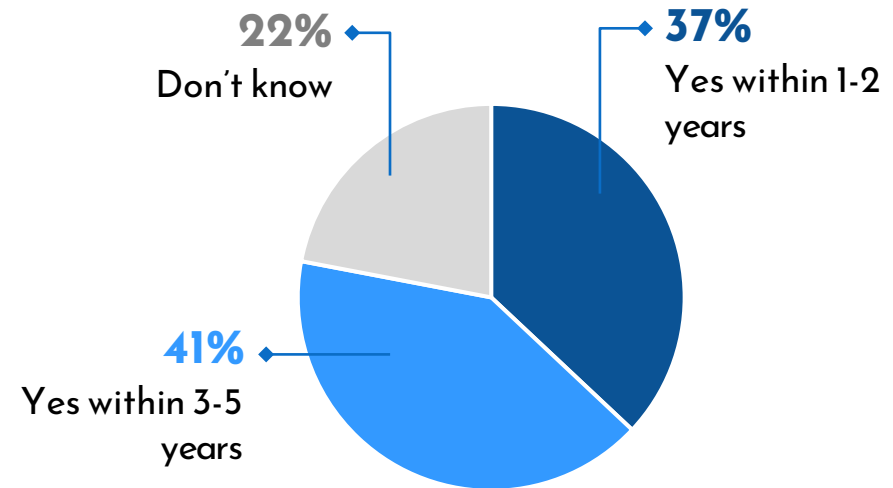
Central banks that embrace timely transparency foster public trust, which in turn reinforces the effectiveness of their policies.

Central bankers want to be transparent

Is an international standard useful for central bank transparency?



Do you think conducting a transparency review would be useful?



Source: IMF staff, based on survey of 375 central bankers from 94 economies during January 2021 IMF virtual outreach seminars.

8 lessons



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01

Public confidence is essential

- Public backing of inflation-targeting policies is critical for their success
- Clearly-articulated targets - and a track record of achieving them - anchors inflation expectations
- Clear communication helps the public and markets understand the rationale behind central bank decisions, fostering wider acceptance and support
- Without public trust, policies may be met with skepticism, reducing their effectiveness



02

Focused and achievable mandates

- Success breeds pressure to do more, assume broader mandates
- Central banks should focus on simple and clear mandates they can achieve
- Attempting to achieve too many objectives is confusing and reduces policy effectiveness
- Inflation control targets have proven effective and easy to communicate



03

Acknowledging uncertainty enhances credibility

- Heightened uncertainty during pandemic, aftermath
- Being open about uncertainties can strengthen credibility
- Communicating uncertainty means deploying new tools – central scenarios, confidence bands, risks
- Being clear about the challenges and limitations can enhance public trust
- But we can't be paralyzed by uncertainty



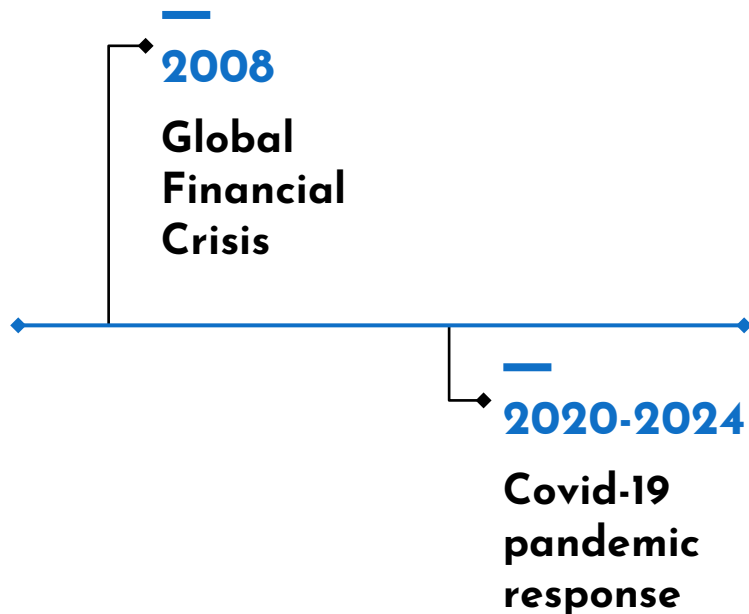
04

Crises demand different communication styles

- Communication during crises must adapt to be more responsive, direct, and empathetic.
- War-time vs peace-time communications
- Simple messages don't need to be simplistic
- Layering of messages to suit different audiences is effective



What we learned about forward guidance



- Outcomes-based FG with a time element gets read as a time-based commitment
- Nuanced messages are lost in headlines
- What will the market absorb and price in?



05

Rising public demand for information

- The public wants more detailed and timely information from central banks
- Communication channels have diversified, requiring central banks to use social media and other platforms to reach a broader audience
- Tailored communication is necessary to meet the needs of different segments of the population
- Audience-centric communication works best



06

Central banks must be relatable

- It is no longer sufficient to communicate solely with markets, economists and newspapers (MEN)
- Central banks should explain to people how monetary policies affect everyday life
- Plain-language communication increases accessibility and understanding
- “Humanizing” the central bank fosters public trust
- But we cannot sound like politicians



What do we do to be relatable?



Readability Targets

Main communication products accessible for grade 10-12



Writing & editing

Products created by COM professionals with editorial embedded



Adaptation

Adapting for French audience (vs pure translation)



Layering

Content created specifically for broad public (educational and social media content)



Visual

More visual communications including video and graphics

How do we know its working ?

- Analytics on our digital content
- Media coverage
- Social media engagement
- Surveys
- Participation (events)
- Qualitative feedback when it makes sense




07

Central banks must listen more

- Engagement with a wider range of stakeholders can make our policies more relevant and legitimate
- This bi-directional communication builds stronger, more transparent institutions
- Listening to public concerns allows central banks to tailor their communication and policy decisions to reflect societal needs



A photograph of Governor Tiff Macklem, wearing a suit and glasses, smiling and talking to a man in a light-colored shirt. They are in a meat processing facility, with a large pig lying on a metal table in the foreground and industrial equipment in the background. A blue vertical bar is on the left side of the image.

“If we want to have effective monetary policy, we need to make sure we understand the reality of the different regions in Canada.”

—Governor Tiff Macklem

08

Public trust cannot be taken for granted

- A prolonged period of high inflation undermines public trust in the central bank
- This happens at the same time as political support is being undermined
- This is a challenge, but also an opportunity: higher scrutiny means more attention to central bank messages



Transparency and trust

48% ... of Canadians say they are interested in economic news

48% ... of Canadians say they trust the Bank to be transparent

47% ... of Canadians say they trust the Bank to act in their best interests



Conclusion

Communication is a tool for legitimacy and trust

- Effective communication helps monetary policy work better by aligning public expectations with central bank goals.
- As central banks face new global challenges, clear, transparent, and empathetic communication will remain key to their legitimacy and success.
- Central banks will need to continue refining their communication strategies and tools to maintain public trust.
- We haven't reached the end of history...

Thank you

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