

# 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



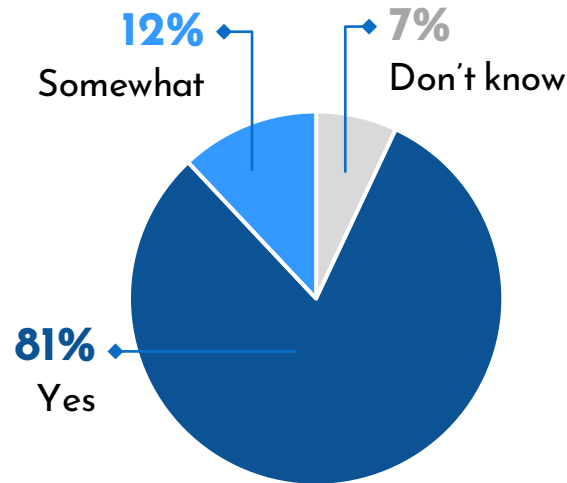
# The importance of transparency

- 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

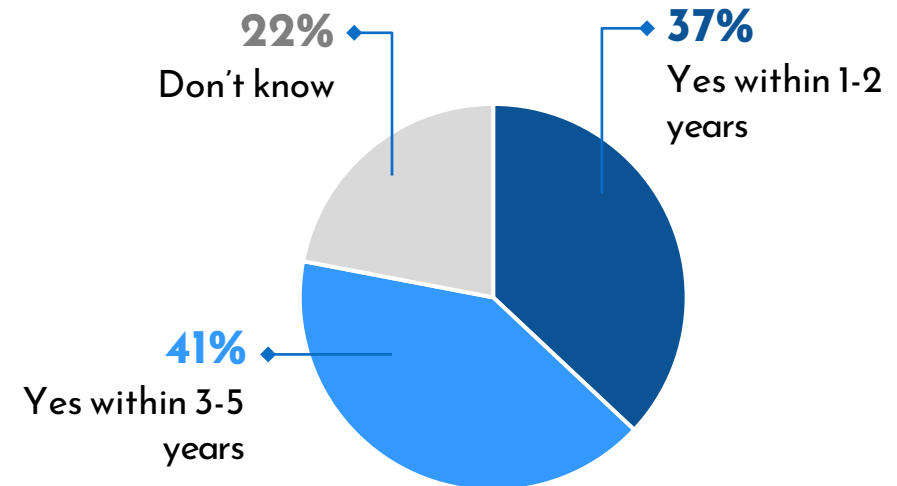
Central banks that embrace timely transparency foster public trust, which in turn reinforces the effectiveness of their policies.

# 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





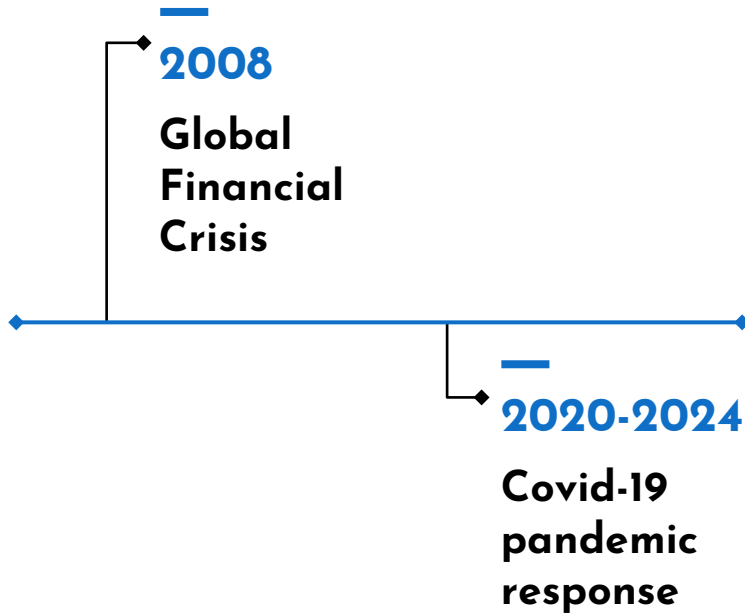
# 04

## 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





**“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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