RESERVE BANK
OF NEW ZEALAND
TE PŪTEA MATUA

Communication, understanding, and credibility

A speech delivered to Admirals Breakfast Club in Auckland

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Address to the Admirals Breakfast Club
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Communication, understanding, and credibility

I'm just a soul whose intentions are good
Oh Lord, please don't let me be misunderstood
The Animals

Central bank communication is again a renewed topic of interest. Internationally, the expanded use of and debate about the efficacy of 'forward guidance' – i.e. words that foreshadow the future timing of monetary policy actions -- has attracted much attention. Locally, the introduction of restrictions on low equity housing loans and the prospect of rising interest rates have been widely featured.

Central banks' communication strategies and their ability to communicate effectively have been challenged enormously by the events and consequences of the Global Financial Crisis and by the emergence of new technology and social media. Complexity increased, audiences expanded, and the immediacy and saturation of news coverage has turned the volume control on full. But as any parent of growing children knows, greater volume doesn't always mean greater clarity!

While arcane in some respects (some will recall United States Federal Reserve Governor Alan Greenspan terming his communication approach as "constructive ambiguity"[1]), central bank communication is not an abstract topic. Central bank pronouncements, their absence, and their tone, have economic and social impact.

The Reserve Bank is extending its communication with the various groups that our activities impact. "Communicating on a broader front" is one of our strategic priorities[2] – both in imparting our messages and engaging with and listening to our many stakeholders. This is because communication is critical to the Reserve Bank's success, with its actions and its communications symbiotic.

In my speech today I will outline why clear communication of our policy thinking is so important, and the forces that shape the way we communicate. I will also discuss how our approach to communication has evolved, and the tools we use to reach our audiences. And finally, I will proffer some thoughts on where to from here.

Why, when and how should the Reserve Bank communicate?

Broadly speaking, the Reserve Bank seeks to achieve price and financial stability and protect the value of your money. Our communications are ultimately geared to this purpose. These are important and sensitive matters, so understanding of, and confidence in our actions and messages – and indeed in the institution itself – is essential. This requires that our communication is seen as objective and credible.

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[1] Greenspan's communication was also often termed "Fedspeak" and "Greenspeak" in which ambiguous statements were made to purposefully obscure the statement.
[2] See *Statement of Intent* 2013-2016, p14.

The why of monetary policy communication

Much of the literature regarding central bank communication pertains to the operation of monetary policy. Three principal rationales exist for the transparency of monetary policy communication. First, is the need for **accountability**, with accountability supported by transparency. With central banks often having significant autonomy or independence in how they pursue their objectives, Parliament, its agents (e.g. the Minister of Finance and the board of the central bank) and the public must be able to assess whether they are fulfilling their responsibilities.

The public debate sometimes appears to confuse independence of objectives with independence of operation. In New Zealand, the overriding objectives are set by the legislature; the autonomy extends only to the operational decision-making necessary to achieve the democratically set objective.

There are multiple accountability mechanisms, including Reserve Bank Board monitoring of the Bank's and Governor's performance, public reporting via quarterly *Monetary Policy Statements*, six-monthly *Financial Stability Reports* and the *Annual Report*, appearances before the Finance and Expenditure Select Committee, media, financial market, and public scrutiny. A recent study by Dincer and Eichengreen (2013) reported the RBNZ as the second most transparent central bank in the world, just behind Sweden.

The second rationale is promoting **understanding**. The credibility and effectiveness of economic policy is enhanced by public and financial market understanding of how an economy is performing, and how the central bank's operations and policy settings are likely to affect it. All economic decisions, such as investment, spending, savings, employment, and price-setting decisions are affected by uncertainty and expectations of the path ahead.

The Bank does not claim more accurate foresight than other analysts, but it can educate, inform, and explain its own decision-making approach, and thereby minimise one potential source of uncertainty. It can help make more predictable what would otherwise be less so.

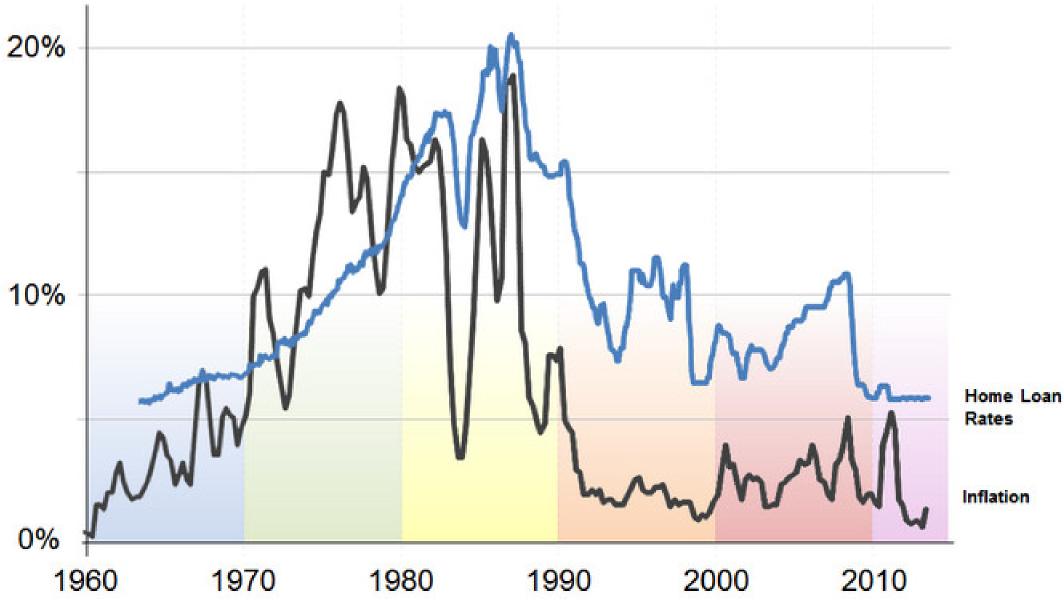
Doing so also provides important benefits for the Bank. Widespread understanding of the goal and operation of monetary policy makes it easier for the Bank to achieve its objective of price stability[3], by better anchoring low inflation expectations. This means that wage and price setters are more confident that the focus of the Bank will be on achieving and maintaining low and stable rates of inflation. This, in turn, means that the Bank is able to respond to economic shocks by adjusting interest rates less than would otherwise be the case.

Several studies find benefits from transparency in terms of reduced volatility of interest rates and smaller movements in market rates for a given change in central bank actions (e.g. see Blinder, 2008). Along similar lines, Drew and Karagedikli (2008) demonstrated that New Zealand's short-term interest rates move more

[3] Thornton (2002) argues this is the most critical reason for, and form of, transparency.

predictably and long-term interest rates and inflation expectations are more stable in association with greater transparency.

Inflation and rates by decade



2014 marks 25 years since our inflation targeting regime was introduced – and over 20 years since low inflation was accomplished. Pretty much a whole generation of New Zealanders has not had to experience the distortions and inequities of high inflation that characterised the 1970s and 1980s.

When seeking to build understanding of monetary policy goals and its operation, we also need to communicate the costs and benefits of proposals to change the framework around monetary policy. An example is the debate around the exchange rate and its relationship to monetary policy. The Bank has conducted research, published analysis and, together with the Treasury, convened a conference towards understanding of monetary policy and the exchange rate. Assistant Governor John McDermott recently gave a speech summarising the findings of this work (McDermott, 2013).

The third and most potent rationale for transparency is to use communication as a fundamental tool for signalling a **monetary policy action**. In this context, statements and analysis by the Bank are designed to inform and shape expectations about future monetary policy settings. Indeed, when used in this instrumental manner, the words of the central bank are themselves monetary policy actions (see Holmes, 2009).

Achieving this impact requires considerable central bank credibility. The institution needs to be perceived as a responsible and credible manager of its designated policy goals in order to successfully influence economic behaviour. As Janet Yellen, President Obama's nominee as next Chair of the US Federal Reserve Board of

Governors said: if the Fed's communication is "to have its maximum effect, it must be understood and believed" (Yellen, 2012, p.7; my emphasis).

One test in this respect is whether our statements yield the market responses we seek. The potency of words is also their danger. Market sensitivity to language is acute, and it is important to avoid misinterpretation[4]. Prior to the final sign-off of the *Monetary Policy Statement* or Official Cash Rate (OCR) statement, the draft communication is assessed by the Financial Markets Department of the Bank for expected market impact, and we subsequently monitor and evaluate its "success" in achieving the desired response.

Reaching one audience effectively does not guarantee we have reached another. A recent foray into the "public audience" via an opinion article explaining the LVR policy, that repeated our monetary policy expectations, appeared to reveal substantial public surprise about our interest rate projections. While unintentional, it therefore possibly enhanced the projection's impact. Achieving both accessibility and credibility, while simultaneously communicating with both the general public and financial markets, can sometimes create tensions[5].

The why of financial stability communication

The arguments around transparency of central bank operations with respect to financial stability are less well traversed in the literature, although studies are increasing. Accountability is again a key reason for transparency about the regulator's conduct, along with economic benefits from reducing asymmetry of information, improving the operation of financial markets, and helping people to understand financial risk (e.g. Born et al, 2012)[6].

The primary communication instrument for accountability and transparency around the Bank's financial soundness responsibilities is the Financial Stability Report. Published every six months, this report sets out our assessment of trends in system risks, lending growth and standards, and policy changes. The report enables the Reserve Bank Board, Parliament and other commentators to evaluate our system-wide responsibilities and policy approach to financial soundness.

Transparency around financial stability is achieved both by the central bank's own reporting and perhaps more importantly by the disclosure requirements it imposes on financial market participants, enabling investors and depositors to assess lending risks.

A number of authors have argued that the Asian banking crisis of the late 1990s was exacerbated "by the lack of transparency and disclosure in the banking system,

[4] Historically, it was recognition of this sensitivity that led central bankers to limit their communication. Before Greenspan, Montague Norman (Governor of the Bank of England from 1921 to 1944) reputedly took as his personal motto: "Never explain, never excuse". (http://www.federalreserve.gov/newsevents/speech/bernanke20071114a.htm).

[5] See Jackman (2002). Blinder (2008 p941) observes that studying central bank communications with the general public – in contrast to financial markets – is so far largely unexplored territory.

[6] However, perhaps reflecting the newness of this literature and of FSRs, Oosterloo et al (2007, p94) states that there is little evidence of the impact of financial stability reports on financial sector soundness.

making it difficult to gauge the severity of the situation or propose timely solutions" (Rosengren, 1998, p2).

Since then there have been moves by central banks to impose greater disclosure on commercial banks and to ensure standardisation and definitional clarity around disclosed information. The Reserve Bank has required all banks to publish quarterly disclosure statements since 1 January 1996. Markets function better with transparency of information (e.g. Mehran and Mollineux, 2012), causing the cost of funds to financial institutions to better reflect their underlying financial strength.

Transparency is especially important when financial stability risks may be building, as "communications can serve to align agents' incentives, to coordinate their expectations, and to steer their behaviour in a way that helps to prevent crises" (Born et al (2012, p252).

There may be occasions where complete transparency may work against the interests of financial stability, for example if a problem at a bank precipitated a run before the bank and the authorities had a chance to correct or at least clarify the problem.

There are strong grounds, therefore, for seeing financial stability communication in normal times as different from that applying during times of crisis. In the event of an institutional failure or rescue, our decisions can of course be reviewed after the event. No rescue operation would be undertaken without wider public sector involvement, since taxpayer funds are at stake. Normal public sector accountability mechanisms (annual or ex-post reporting, audit, select committee examination, etc) operate in such a case.

Transparency of the Bank's financial stability activity is also limited by the requirement on us as a supervisor to maintain confidentiality of information that institutions provide to us[7]. This means that, generally speaking, we cannot reveal the nature of discussions or correspondence with a supervised entity, both to protect commercial confidentiality and to ensure entities feel safe in talking with us.

The financial stability policy development process is more open and consultative than the operational, supervisory process. Public engagement in prudential policy development is a cornerstone of our approach – we consult regularly with the public and financial sector on major policy innovations before finalising our intended policy approach, which we publish. For example, we have consulted in recent years on the prudential liquidity framework, Basel III, the macro-prudential policy framework, insurance solvency standards and payments oversight proposals.

Our Act requires us to consult with the banks before we impose Conditions of Registration, and also requires us to publish Regulatory Impact Assessments of proposed (financial) policy changes. The Act identifies these as accountability statements.

[7] However, we require substantial disclosure of information by the institutions themselves.

The public (and financial sector) are engaged in decisions about our policy framework before they are made, and we can and do modify our approach in response to feedback.

How do we compare?

The Bank puts considerable communication effort into promoting understanding, and accepting the ensuing challenge and debate.

This year we have given 17 on-the-record speeches (including this one), up from eight last year; 90 off-the-record addresses (c.f. 93 in 2012); on top of many other forms of communication, from our formal quarterly *Monetary Policy Statements* and six-weekly Official Cash Rate (OCR) announcements to research reports, webcasts, videos, newspaper articles, parliamentary committees, academic engagement, business talks and regional presentations.

We make analysis and research accessible to wider audiences through such vehicles as the Reserve Bank Bulletin, and publish specific analytical pieces of work underpinning our decision-making via analytical notes.

Quarterly monetary policy statements set out our analysis and understanding of the economy and its expected future path, as well as the risks of variation from that path. Other commentators may make different judgements and come to different views about likely economic behaviours, but we would be disappointed if they were not able to understand the reasoning behind our own monetary policy decisions.

We have been communicating with increasingly wide audiences via expanding channels; yet demand for more engagement continues to grow. The news media and political appetite are extensive[8].

Table 1 compares New Zealand against a number of other countries on a range of measures of (monetary policy) information disclosure. There is much similarity in practice, with a few notable differences.

New Zealand, along with Sweden and Norway, is in the small minority of central banks that publishes an interest rate projection. Many other central bank economic forecasts are reported under unchanged monetary policy settings, on the assumption that if achievement of the policy target demanded a change in settings within the forecast horizon it would have been declared.

Reflecting our institutional regime, which is essentially the same as Canada's, there is no voting result or publication of policy committee minutes[9]. Minutes are also withheld by the ECB, Switzerland, Norway and Singapore. The ECB has been very explicit that it would regard their release as reducing the effectiveness of monetary

[8] While we have no long-term time series for comparison, media references to the Reserve Bank have been running at over 1000 per month during the introduction of LVRs, compared with 500-700 earlier in the year when the Open Bank Resolution initiative was being discussed.

[9] Minutes and papers of the Reserve Bank Board reviewing the Governor's prior *Monetary Policy Statements* and OCR decisions are commonly released under the Official Information Act, although sensitive material may be withheld.

policy by potentially reducing consensus decision-making and placing pressure on voting members to be seen to reflect the interests of their own country interests. It would be akin to having individual Cabinet members' votes identified in a Cabinet minute.

The UK and the USA both publish minutes and votes and are notable – especially the USA recently – for multiple individual expressions of view about the appropriateness of monetary policy, notwithstanding considerable arguments against the noise this generates.

Table 1: Provision of information by central banks in selected countries

	Australia	Canada	Euro area	Japan	NZ	Norway	Singapore	Sweden	Switzerland	UK	USA
Accountability											
Quantitative inflation objectives	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
Reports to legislature	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy decisions											
Decisions announced immediately	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Press conferences	No	Yes	Yes	Yes	Yes	No +	No	Yes	Yes	Yes ^	Yes
Press releases	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Minutes published	Yes	No	No	Yes	No	No	No	Yes	No	Yes	Yes
Voting result published	No	N/A	No	Yes	N/A	No	No	Yes	No	Yes	Yes
Economic assessments											
Reports on monetary policy	Q	Q	M	M	Q	Q	H	Q	Q	Q	H
Forecasts released	Q	Q	Q	H	Q	Q	H	Q	Q*	Q	Q
Quantitative risk assessments	No	Yes	No	No	No	Yes	No	Yes	No	Yes	No
Forward track published	No	No	No	No	Yes	Yes	No #	Yes	No	No	No ~

Notes: M = monthly; Q = quarterly; H = half-yearly Source: Individual central bank websites

*CPI inflation forecast assuming a constant policy rate is published. +Day after meeting at 10am. ^On YouTube channel. #MAS' intermediate target is the nominal effective exchange rate (objective is still price stability). ~Although FOMC members FFR expectations are.

Australia publishes anonymised and summary minutes that they point out are not verbatim or transcript but rather a record of decision and the key contributing factors (Stevens, 2007). There the minutes largely serve the purpose of explaining the rationale for the monthly interest rate decision.

Worldwide, financial stability reporting has increased considerably over the past 15 years or so. According to Oosterloo (2007, p94), 40 countries produced an FSR in 2005, up from only one country in 1996. New Zealand commenced its FSR in 2004. While less complete than IMF reporting recommendations, New Zealand's FSR is in the top half of countries' measured by comprehensiveness of indicators.

The banking prudential regime, including its review processes and its transparency, was assessed by Treasury in 2010 as very good practice against OECD best practice guidelines[10].

What has changed?

The arguments for open communication are now well-established. What is new, one might ask? I would point to four factors.

i. Unconventional monetary policies affect New Zealand

First, post-GFC, we are operating in a world where many advanced economies have deployed unconventional monetary policy. With policy interest rates near zero, quantitative easing and forward guidance have become instruments of choice. These policies and their communication lessons have important spillovers for New Zealand.

Forward guidance seeks to create greater certainty for households and firms in respect of future policy actions by the central bank. It does this by more explicitly linking future policy changes to either (or both) economic conditions (state contingent policy) or a specific time period (time contingent policy)[11].

In both the USA and the United Kingdom, central banks have foreshadowed policy interest rates remaining extremely low through 2015. Determining and communicating New Zealand's monetary policy conditions requires us also to understand and communicate the impact of international economic and policy settings. With New Zealand further advanced in the economic and financial cycle, our short-term interest rate differentials are likely to widen. In coming months, the future path of the exchange rate will also be influenced by the Federal Reserve's decisions on tapering of their quantitative monetary expansion.

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[10] http://www.treasury.govt.nz/economy/regulation/bestpractice/bpregmodel-jul12.pdf.

[11] E.g. The Federal Reserve Open Market Committee (FOMC) adopted the most recent ('threshold' or state contingent) incarnation of its forward guidance policy in September 2012 (with the Bank of England following suit in August 2013). See http://www.newyorkfed.org/research/staff_reports/sr652.pdf http://www.bankofengland.co.uk/monetarypolicy/Pages/forwardguidanceexplained.aspx, http://www.bankofengland.co.uk/publications/Documents/inflationreport/2013/ir13augforwardguidance.pdf

The Reserve Bank Act of 1989 required us to provide (a type of) forward guidance by publishing policy statements that set out how the Bank intends to achieve its explicit policy target. Since June 1997, we have published interest rate projections that are conditional on various assumptions e.g. about the paths for output, employment and prices.

The communication challenge with forward guidance – which equally applies to publishing interest rate projections – is how to reduce uncertainty about the likely path of policy while at the same time conveying its conditionality and the possibility of change in policy settings. Achieving this depends crucially on the private sector believing the Bank's unwavering commitment to the inflation target.

Forward guidance, therefore, has not transformed the fundamental requirements of effective communication. Recent experience has demonstrated this vividly. Having established an expectation of tapering in September 2013, the Federal Open Market Committee then confounded expectations by not doing so. Interest rate volatility, particularly in longer-term bonds, was exaggerated, along with spillover in exchange rate movements for a number of countries.

In the words of Michael Woodford (2013, p 5), "The use of forward guidance is not some kind of magical tool where the mere fact that the central bank says something means that people will then think exactly that. A central bank needs to give people a reason to think something new or different about what it is going to do".

Words can lose potency and indeed result in confusion if overwhelmed by their own frequency and noise (see Buiter, 2013).

Clarity is crucial. We have to take particular care to avoid any financial market confusion caused by muddled or partial communications. Speaking with a single voice is essential. We take considerable care to ensure the Bank's policy communications are consistent, are what the Bank wishes to say, and avoid any sense of the Bank saying different things through different channels or personnel.

ii. The introduction of macro prudential policies

Secondly, many central banks have adopted new macro-prudential policies in response to lessons from the financial cycles preceding and succeeding the GFC. We have recently introduced new capital requirements against high loan-to-value ratio (LVR) lending and also limits on the share of new high LVR lending. These new moves required a fresh understanding and enhanced communication[12].

New policy frameworks pose special challenges to build understanding of their efficacy, conditionality, and operation. Faced with rising house price inflation on top of seemingly already over-valued house prices, the Bank moved quickly to institute new policy measures.

[12] Born et al (2012, p249) state that macro-prudential policy is resulting in financial stability communications moving closer to the approach taken for monetary policy communications. He comments on the communications of LVRs in Israel, which triggered very similar debates to those in New Zealand.

We set the scene for these measures in a number of on-the-record speeches in advance, as well as remarks at press conferences, and in *Monetary Policy Statements* and OCR statements about our concerns with easier lending standards and house price inflation. We published analyses of their potential impact, as well as comparisons with regimes in other countries. Following their introduction, we have carried out sustained communications about their operation, rationale and objectives in further speeches, media interviews, and the November Financial Stability Report.

The introduction of LVR restrictions has attracted significant commentary from many different quarters. Some analysts feel there has been a blurring of financial stability and monetary policy objectives. Others have questioned the Bank's operational policy design, its distributional impacts, and the legitimacy or autonomy of its decision-making. Some have credited the Bank with policy innovation and the willingness to act before a crisis eventuates.

We have reiterated that LVRs are targeted at the primary objective of financial stability, but that there is also a potential benefit for monetary policy if they reduce the spillover of house price inflation into stronger consumer demand and higher price inflation for goods and services.

Explaining important inter-dependencies with other policies – our own or wider government ones – is vital. It is well-known that monetary policy "needs friends", as the saying goes, particularly supportive fiscal policies. Macro-financial (or macro-prudential) policies can also benefit from supportive micro-economic policies (e.g. productivity, housing, tax, regulation, etc) whereby these reduce risks and enhance the economy's growth capacity and performance. In these circumstances, we endeavoured to support policies that promoted housing supply, as a goal, without commenting on specific policy proposals (Spencer, 2013).

iii The expansion in regulatory responsibilities

Thirdly, we have acquired new, expanded regulatory responsibilities, in particular regulating nonbank financial deposit takers (NBDTs) and licensing and supervising insurance companies[13]. The Bank's stakeholder engagement has changed significantly, whilst expectations upon it and its public persona as a guardian of financial soundness and efficiency have been magnified considerably.

In terms of expanded regulatory responsibilities, the communication challenges to date have been more stakeholder management related (understanding the regimes' operation and building trust in our regulatory relationship) rather than widespread public discourse.

Taking on additional regulatory responsibility for insurers and non-bank-deposit takers means we are dealing with everyone from bank chief executives to building societies to small mutual insurers.

[13] Additional regulatory responsibilities have also been assumed for anti-money laundering.

These regulatory responsibilities were assigned to the Bank out of a concern to avoid financial failings, such as we saw with finance companies and in the insurance sector. The challenge here is that public expectations may well be at odds with regulatory and supervisory responsibilities and realities.

We have communicated that we do not operate a no-failure regime (see Fiennes 2013), as well as explaining our responsibilities vis a vis the Minister of Finance and other institutions such as the Financial Markets Authority.

I suspect we have many communication challenges ahead to reach public understanding that the Reserve Bank's regulatory and supervisory oversight does not represent a 'no failure' regime, and that there are no guarantees that insolvencies and other forms of business failure will not occur. This extension in regulatory and supervisory responsibilities will demand new channels, new audiences and new messages.

iv Taking advantage of new technologies

Fourthly, generational change, media technology and the scale and immediacy of communication require new approaches too.

Living in a hyper-connected world, with increasing access to computers, smartphones and tablets means that anyone around the world can learn what we do, connect with us, ask questions, challenge us or offer critique.

Mobile users make up about 10 percent of all visitors to our website. We've developed a responsively designed site so it functions on any device, no matter how small, and where users are. The 24-hour news cycle means there is increasing demand for new and easily accessible information at all hours of the day.

Where to from here?

We are implementing changes to our communication strategy. We are lifting our speaking engagements and our business connections[14]. Our speeches convey our messages, while we have a strong focus on listening to the business community. For example, the Reserve Bank Board will meet outside Wellington five times this coming year in Auckland, Christchurch, Dunedin, Rotorua and Palmerston North, holding business functions in each of the five centres and conducting question/answer sessions. We are continuing our regular business visits where we meet with about 50-70 businesses each quarter to understand current business dynamics. Our supervisory staff have extensive interactions with banks and insurers.

We are developing a broader business engagement programme to liaise better with business people and leaders. We have expanded the number of on-the-record speeches, and are extending the 80-100 annual off-the-record briefings to achieve greater geographic representation and diversity of audience.

[14] This is not a new approach, but an extended one. As far back as 2001, Professor Lars Svensson commended the Bank's extensive efforts to interface and communicate with the business sector.

We maintain a strong programme of engagement with the economics community through academic and public policy links. For example, the biennial monetary policy conference will be held in Wellington in two weeks with Professor Barry Eichengreen the distinguished visitor.

Perhaps where we have most to do is in respect of the public audience. Here we are seeking to deploy new media channels, with greater use of videos (e.g. on our website and via YouTube) explaining what we do and why, and telling stories in pictures (e.g. infographics). We use Twitter as a messaging system but have not adopted the new Bank of England experiment of interactive discussion.

We developed with Young Enterprise Trust a board game ("Skint to Mint"), which we rolled out across secondary schools in New Zealand to educate the next generation about sensible financial planning, and we sponsor other financial literacy initiatives through Young Enterprise Trust.

Addressing the public directly requires us to use plain English more effectively in our communications. Generally the Bank has relied on business journalists to convey messages to their audiences from the Bank's business sector speeches, and the press conferences following the *Monetary Policy Statement* and *Financial Stability Report* and the subsequent discussions in the Finance and Expenditure Committee of Parliament. However, we are also using the opportunities posed by media interviews. Generally, the interview channel has been used sparingly when sensitive policies have been under development.

One of the key steps in our communications strategy will be the introduction of a regular stakeholder survey. The Swedish central bank (Riksbank) has a long history of conducting a two-yearly stakeholder survey and we can benefit from following their practice. The survey will help us understand whether we are sufficiently clear in our communications, and the level of credibility attached to them. It will also help us assess whether we prioritise the right communication channels. A key benefit will be the constructive broadening of our audiences, as stakeholder analysis will require us to gear our communications to a multiplicity of stakeholders.

Conclusion

Our communications approach is informed by theory, experience and best practice around the world. There is much that works well, but we are continually seeking ways to improve.

The refresh of our communications strategy recognises significant questions confronting the Bank, in terms of policy settings, policy objectives, tools, and governance. We are expanding our regulatory reach into insurance and the wider finance sector, and have introduced a new macro-prudential policy regime.

With these changes afoot, our communication strategy is more than old wine in new wineskins. Longstanding policy frameworks are being scrutinised more closely by political and economic commentators. The policy landscape is changing and so is the communications domain. We will maintain our credibility and interaction with the academic and policy communities, continue to lift our business sector engagement, and become more engaged with general public audiences, using a range of channels.

The Reserve Bank is deeply committed to transparency – of policy objectives, policy proposals, economic reasoning, and of our understanding of the economy, and of course of our policy actions and intent. Clear communication and strong public understanding make our policy actions more effective.

We are working to enhance the openness and effectiveness of our communications. I hope that this contribution will be seen in that spirit.

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