

Central banks learn to dance to a different tune

Some central banks are changing how they communicate with the public, drawing from behavioural science to simplify their message and reach more people. It is only a matter of time before others do the same



From Ukraine to the UK, there's a revolution underway in how central banks communicate with the public.

With disinformation and 'fake news' eroding trust in public institutions, and central banks still facing criticism for their unconventional response to the financial crisis, policymakers are realising that clear communication is more than just another instrument in their toolkit; it's essential for their very survival.

Nowhere has this change in tone been felt more than in the Caribbean island of Jamaica. A series of central bank videos on [Twitter and other social media](#) in recent months featured reggae singers and musicians telling viewers that if inflation is too high "the people have a cry" and "if it's too low the country nah grow".

"Low, stable, and predictable inflation is to the economy like what the baseline is to reggae music,"

sings artist Tarrus Riley. "Reggae music run the country, like low and stable inflation haffi run di economy."

Underneath the smooth tones was a serious mission: to communicate a transition to a new regime of targeting an inflation level of between 4% and 6%.

Medium is the message

A central challenge for economic policymakers in a post-truth world of 'alternative facts' is ensuring their message is heard, understood, and believed. In a working paper published by the [International Monetary Fund](#), the IMF's senior communications advisors laid out the many challenges.

Institutions that make themselves heard and understood are the only ones that get public trust... [and] can withstand the pressure of populism, fake news [and] manipulation. - Yakiv Smolii, Governor of the National Bank of Ukraine.

The first is that trust in institutions has fallen. A well-respected trust barometer by [Edelman](#), a public relations firm, found only 20% of people believe the system is working for them. The IMF puts this down to the effects of the global financial crisis, increasing inequality caused by globalisation, and technological advances, [which have exacerbated worries about job security](#).

Central banks must also ensure their messages are heard in an increasingly noisy media environment where there are many new suppliers of news thanks to the growth of the internet and use of mobile apps. The fragmentation of audiences into internet echo chambers poses a particular challenge while the proliferation of social media makes it possible for more people to express their views on public policies, making the central bank's message just one of many.

This is compounded by the fact that central bankers have tended to use technical language that a typical citizen may not understand. Stephen Poloz, Governor of the Bank of Canada, [noted](#) in 2018 that "transparency is only helpful if people can understand what we are saying".

Horses for courses

This cocktail of changes means that central banks must respond in kind. The Bank of England's (BoE) chief economist Andrew Haldane has [said](#) central banks are increasingly communicating beyond "markets, economists, and newswires."

The IMF says behavioural insights and cognitive science could help, with banks targeting different sections of the population by delivering their message at different technical levels.

Many central banks produce growth and inflation forecasts, often with a graph showing a range of options. The BoE issues what it calls "[fan charts](#)" in its Inflation Report, which can run to 45 pages and which few non-financial professionals read.

But the [bank](#) has designed shorter versions of two key publications: a [Monetary Policy Summary](#)

(MPS) and a [Visual Summary \(VS\)](#), which is broken up with headlines and cartoon graphics. The bank found that compared to the MPS, the Visual Summary improved the average comprehension score by 25%.

The bank's team also designed a Reduced Text Summary with more words but simpler language, and a Relatable Summary, couching the explanation in how it affects "you" rather than what "the Bank does." The Reduced Text Summary improved the average comprehension score by 30% (0.6 points) relative to the MPS while the Relatable Summary improved direct comprehension scores by 42%.

Some central bankers say the message can be communicated even more simply, and therefore more directly. Former BoE member Minouche Shafik, who now heads up the London School of Economics, told the Hay Festival two years ago that staff at the bank studied the writing style of [Dr Seuss](#) as part of a push to make its communications more easily understood.

Finessing the language

The idea that central bank communications can affect financial markets is not new. It used to be said the Governor of the Bank of England could change behaviour in the City of London with a discrete raise of his eyebrows.

Central bankers have become adept at using tiny changes in language to send signals to investors and financial markets. In [June 2019](#), ECB President Mario Draghi sent bond yields tumbling and triggered a furious response from President Trump with one sentence inside a 4,000-word speech that said: "further cuts in policy interest rates...remain part of our tools".

What is new, is the pivot towards less financially-literate consumers. And this is just the start. As populism threatens the established order and digital and social media expand their reach, it is only a matter of time before other central banks recognise the need for plain talking, as well.

As Ukraine's central bank governor said, "Gone are the days when central banks could afford to be closed technocratic institutions that spoke in numbers and vague terms. 'If you don't understand us, it's your problem' is the rhetoric that is outdated and obsolete. Today, if you - our clients - have difficulty understanding us, it's our problem."

Author

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma
Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Rico Luman
Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen
Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Suvi Platerink Kosonen
Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

Thijs Geijer
Senior Sector Economist, Food & Agri
thijs.geijer@ing.com

Maurice van Sante
Senior Economist Construction & Team Lead Sectors
maurice.van.sante@ing.com

Marcel Klok
Senior Economist, Netherlands
marcel.klok@ing.com

Piotr Poplawski
Senior Economist, Poland
piotr.poplawski@ing.pl

Paolo Pizzoli
Senior Economist, Italy, Greece
paolo.pizzoli@ing.com

Marieke Blom
Chief Economist and Global Head of Research
marieke.blom@ing.com

Raoul Leering
Senior Macro Economist
raoul.leering@ing.com

Maarten Leen
Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com