

# Central banks should be boring – or should they?

## Communicating central bank statistics to the general public

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*DRAFT (please do not quote)*

*“...our ambition at the  
Bank of England is to be boring.”  
(Mervin King, 2000)*

### 1. Introduction<sup>1</sup>

The last years have been very turbulent and challenging for central banks, to a degree that may be unprecedented in the history of modern central banking. Most central banks had to resort to unconventional policy measures to deal with the symptoms of the current financial and economic crisis. We have been experiencing the deepest and most global economic and financial crisis since the 1930s, especially since the collapse of Lehman Brothers in September 2008.

This financial turmoil has also highlighted the urgent need for more transparency in financial markets. Central banks have been confronted with an – unexpected – exponential increase in the demand for information about financial markets and the risks in those markets, especially for information with a focus on financial stability. Uncertainty and fear generate a thirst for (reliable) information. In uncertain times like these, trust in numbers stemming from trust in the institution behind those numbers is at a premium. This demand for information originates not only with the institutions responsible for supervision and financial stability but also with market participants, researchers, as well as the general public. Given the speed at which developments unfold, now more than ever people are –impatient to receive new data and new information not only on the state of the economy but also on the state of the financial sector and its components. Effective communication becomes even more necessary in periods of heightened uncertainty when the general public is confronted with a loss of confidence and when the functioning of markets is severely impaired.<sup>2</sup>

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<sup>1</sup> The authors thank Patrick Thienel and Rena Mühldorf for valuable input.

<sup>2</sup> European Central Bank, 2009, p.71.

## 2. The role of central banks in statistics

Central banks are both users of statistics and producers of statistics – mainly about financial markets, financial institutions and the financial infrastructure. They produce the data first and foremost for their own decision-making processes and bodies. But stopping there would be a mistake. Statistics can – and should – play an important role in the communication activities of every modern central bank. Revealing the statistical basis for decisions fosters not only an understanding of the decisions made, but also contributes strongly to the credibility and predictability of the institution. It helps to steer expectations in the direction toward which the central bank wants them to move. If the public – be it the general public or specialized subgroups of the public – understands the reasoning of the central bank on the basis of observable facts, it will trust the institution.<sup>3</sup> Therefore, for a modern central bank, good communications based on or using statistics is not a matter of “maybe”; it is a must. It is not just “nice to have”; it is indispensable.

Statistics are not just an integral part of explaining the decisions of the central bank; much rather, they are a core product of a central bank in their own right, and independently of their use by the decision-making bodies. Statistics are a public good – and as such, a responsibility that central banks have to society. To live up to this responsibility, central banks have to devise adequate means of disseminating and communicating information to precisely those people who might need or want it. Central banks have to “speak the language of the public.” The possibilities created by the Internet play an important role in this respect, making it much easier for central banks to live up to this responsibility than 20 years ago or more.

Communication comes from the Latin word “communicare.” According to Wikipedia, communication “... is a process of transferring information from one entity to another ... or [the] interchange of thoughts, opinions, or information by speech, writing, or signs.” And further, “[c]ommunication is a process whereby information is enclosed in a package and is channeled and imparted by a sender to a receiver via some medium” (end of quote). This implies that the addressee understands the message or that the contents and presentation of the message are correctly geared to the interests and the prior knowledge of the addressees. Communication has to be “fit for the respective audience.” While the traditional direct

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<sup>3</sup> As Alexandre Lamfalussy put it so aptly, “Statistical information is necessary to decide what policy actions to take, to explain them publicly, and to assess their effects after the event. Unless policy can be justified and explained, it will not be understood and the institution carrying it out will lack credibility” (European Monetary Institute 1996, p.1).

audience of central banks might comprise policymakers, analysts, market participants or journalists, the ultimate audience will – increasingly – be the general public. Some of the current structural developments in finance strongly support this tendency. For instance, individuals increasingly have to deal with financial issues for their private pensions.

An important distinction needs to be made between regular or routine communication and ad-hoc communication in special situations like a financial crisis. Central bank statisticians have to be flexible enough to react quickly to new information demands in situations of financial distress or crises, as new questions and concerns might arise that require new communication approaches. Those new approaches might simply involve repackaging existing information or changing the frequency of communication, but they might also require completely new communication contents. In such situations, it becomes especially important to distinguish between the central bank's role as a monopoly producer of statistics that are a public good and its role as a supplier of financial analyses, which are a product that other institutions can provide just as well.

If such new developments, special events, or crises occur, fast ad-hoc communication of statistical facts can be necessary and are important to establish clarity, to alleviate uncertainty, and to stop rumors. Central banks need to get the facts out before others start to outguess them or to create their own reality. Therefore, in such situations central bank statisticians might have to leave the usual paths of communication and might have to be proactive. If others publish or disseminate incorrect information, central banks need to react and communicate the correct facts.

Based on their policy functions, their closeness to financial markets, their long-standing expertise and their credibility and – last but not least – the public-good nature of such information. Central banks are best placed to serve as the providers of such information (including statistics) about the financial economy.

Monetary as well as financial stability require good policies; good policies require good analyses; and good analyses require good statistics. Statistics are a core input into all policy decisions by central banks and are essential for successful central banking. Thus, reliable and up-to-date central banks statistics form the basis for Eurosystem's monetary policy decisions as well as financial stability analyses.

The monthly Introductory Statements of the President of the ECB on the outcome of the (first monthly) Governing Council Meeting and the ensuing Q&A session are good examples of the extensive use of statistics – quantitative information – to support the decisions on interest rates. Thus, one can find between 12 and 16 explicit references to statistics – not all produced by central banks – in the press conferences of January and February 2010.

### **3. Independence and credibility – the basis for trust**

Central banks are well placed to provide statistical information because they are independent, which includes independence in producing and disseminating reliable statistics.

A recent example was the discussion prevailing in 2009 concerning the existence of a “credit crunch.” Banks were accused by some of restricting the supply of credit beyond the degree justified or necessary in light of the worsening credit ratings of their debtors. In this way – it was claimed – they would worsen the economic situation unilaterally and unnecessarily. It took some effort and new statistics (new surveys) by central banks – like the Oesterreichische Nationalbank – to set the record straight. Within just a few weeks, such a new survey was implemented and the results were communicated to the public – replacing fiction with facts. The myth of the credit crunch was replaced by convincing evidence to the contrary. This shows how important the independence of the central banks is in providing the public with objective information – especially in such times of turbulence and political maneuvering. Central bank independence is not just a privilege, but a strong obligation to the general public. The issues of transparency and accountability are directly linked to the question of independence.

As a public institution, a central bank must be fully accountable for all its actions. As ECB President Jean-Claude Trichet highlighted in a speech two years ago, in a democracy, the independence of a central bank must be accompanied by both transparency and accountability to the general public. In other words, it is the duty of independent central banks to be transparent and to communicate not only with specialized audiences, such as financial market participants, but also with the public at large.

Hence, the production and communication of statistics are important elements of the public accountability of central banks as well as a solid base for the type of evidence-based policymaking that the public increasingly expects. People should be able to follow,

understand and even to anticipate decisions as a precondition for building up credibility. Transparency will also enhance central banks' accountability for the decisions they take.

#### **4. Who is the general public?**

Central banks communicate with at least five different groups:

- financial market participants,
- other institutional actors, like governments and parliaments,
- other economic actors,
- journalists and the media, and
- the public at large.

But the general public itself is a heterogeneous group, and its interests and concerns are heterogeneous as well. In order to make targeted communication possible, the public needs to be grouped into more homogeneous groups (based e.g. on education, age, attitudes towards risk, stage of the life cycle) and thus needs to be addressed using different communication approaches. Most people are not professional users and therefore do not have clearly defined needs or demands relating to central banks. Moreover, often central banks' messages are communicated not directly but via transmitters, mainly the media. Therefore, the media must have a special place in central banks' communication strategy toward the general public.

The Internet has given central banks new possibilities to address the public directly – at least Internet users. This allows central banks to control – to a certain degree – what messages are transmitted to the general public, and when. The Internet also provides a channel through which the public may address the central bank directly, e.g. via e-mail or a statistics hotline, and allows for an “interchange of thoughts, opinions and information,” which is one of the characteristics of communication. Addressing the general public effectively requires very wide-ranging solutions in communication – “smart communication.”

#### **5. How can central banks reach the general public?**

Central banks face the challenge of communicating statistical content in a user-friendly, understandable and accessible manner, of bringing statistics closer to the people. The legibility of numerical tables is an example. It does not make sense to present a rather confusing collection of numbers in many columns. Central banks have to present results in an

organized and legible fashion. Good graphics and “tasty snippets of data” increase the likelihood that users see a relevant link between the data and their personal lives and needs. This requires customized information or – for more advanced users – the flexibility for them to organize the information just the way they need it.

Statistics also need to be adequately explained. It is more effective to tell an interesting story (“storytelling”) than to present a dry, formal data analysis. But it is a big challenge to present data in a way which makes them more understandable for users without changing the basic facts.

When addressed directly, people must have the skills and the means to understand the information they receive. Therefore, the information has to be supported by good, easily understandable metadata as well as descriptions. In addition, central banks might have to invest in the basic statistical literacy of the target groups. Moreover, the general public’s ability to read and interpret statistics, i.e. statistical literacy, must be fostered. But the major challenge is not how to educate users in a way a *central bank* thinks will make them understand statistics, but how to match the presentation of specific statistics with the *users’* need to understand. Understanding statistics and being able to assess their quality and their significance can be regarded as a basic requirement for participation in public life.

## **6. What are the right channels of communication?**

Central banks already use a wide variety of communication channels that enable them to reach many different audiences and inform them about a multitude of issues. The communication tools and measures include issuing press releases, holding press conferences, giving interviews, speeches and background briefings. Furthermore, central banks operate hotlines and publish statistical articles as well as booklets. Running a stall at an economics fair or similar event is one option to establish direct contact with interested individuals. Organizing statistical seminars is another one. As television is still the most popular medium, a very large audience can potentially be reached this way – but TV is usually not suited for relaying more sophisticated information.

And of course, all central banks now have websites with rich statistical content. The Internet has become the main channel for the dissemination of statistics. It is the “Age of statistical websites,” as this modern flexible technology offers so many possibilities for presenting

material in a structured way at different levels or on different platforms. And for the user, websites are the quickest way to obtain up-to-date information that can be downloaded very easily. Furthermore, new technological developments like statistical visualization enable new ways of communicating statistics.<sup>4</sup> However, the diversity of the different central bank websites is still a challenge for the nonspecialized general public. A good example of how to overcome this heterogeneity and present comparable data in a comprehensive, user-friendly way is the Joint Dissemination Framework of euro area statistics and national contributions. This framework is available on all Eurosystem websites and offers harmonized national information presented with the familiar look and feel of the national central banks.

The recently launched Principal Global Indicators (PGI) of the G-20 are also a good example of the effort to present comparable national data on a global level and in a user-friendly way.<sup>5</sup>

The crucial role of effective communications for achieving central banks' goals is increasingly evident. Therefore, external communications measures must be steadily improved by more closely aligning the information provided, the instruments used and the audiences targeted.

Central banks have to be transmitters and translators themselves, as the media might not always do this job properly, especially because the topics might get too sophisticated. Thus, "going the extra mile" may well be worth the effort.

If large audiences or target groups are to be reached, the information provided must be reduced to basics. We have to avoid the danger of overburdening nonexpert addressees. Reducing complexity can increase understanding and thus serve the ultimate purpose of central bank communications. Being too complex might be counterproductive.

Again, one needs to distinguish between regular statistical releases with a preannounced release calendar and ad-hoc releases that need to be well timed in order to calm a fragile situation and not to make it worse. In "normal times," synchronizing data dissemination

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<sup>4</sup> The ECB's Statistical Data Warehouse (SDW) is a good example.

<sup>5</sup> The PGI website presents data for the Group of 20 (G-20) to facilitate the monitoring of economic and financial developments for these systemically important economies. Launched in response to the ongoing financial and economic crisis, it is hosted by the IMF, and is a joint undertaking of the Inter-Agency Group on Economic and Financial Statistics: Bank for International Settlements (BIS), European Central Bank (ECB), Eurostat, the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the United Nations (UN), and the World Bank (WB).

across countries and regions might greatly enhance the data's usefulness for international comparisons.

Building alliances with universities and research institutions might be an effective way to address expert users and to build up a future constituency for statistics, empirical research and evidence-based policymaking.

## **8. What does the average citizen care about?**

The next question is: What does the general public want – and need – from central bank statistics, in normal times as well as in times of crises? What interests and concerns can central bank statisticians address?

The interests of the general public are as diverse as the public itself. But central banks have to be aware that many of the data they produce are of interest only for policymakers or a very small and specialized stratum of the general public.

As the ultimate goal of monetary policy is to maintain price stability, the public is first and foremost interested in the rate of price inflation. However, this information is usually not produced by central banks, but by the national statistical institutes. By using the information of national statistical institutes, the independent central bank might enhance the credibility of inflation figures, something that may well prove important.<sup>6</sup> Inflation affects personal incomes and wealth and is therefore of tantamount importance for people's well-being. Interest rate levels are also contingent on inflation, and people are keenly interested in interest rates: "How much interest can I get for my savings, and how much interest do I have to pay for my loan?" Moreover, when people travel abroad, they want to know what the exchange rate is. Their most fundamental concern of all is in the safety and soundness of their savings and other financial investments.

As a consequence of the current troubled times, we have also seen that a crisis requires central banks to emphasize selected aspects of their data. In times of financial crisis, the man in the street people as well as professionals demand data on the stability of the banking system as a whole and about individual banks where they hold deposits. This means that they wish to

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<sup>6</sup> The divergence between measured inflation and perceived inflation following the introduction of the euro is a case in point.

have data about individual banks' exposure, equity capital, securities and deposits. In times of currency crises, that is, balance-of-payments problems, people want to hear about exchange rates as well as balance of payments and related developments.

Sometimes, the data the public are most interested in are data about individual institutions, data that are confidential and cannot be disseminated by central banks. Explaining the need (and the obligation) for confidentiality might be a communication challenge, especially to investigative journalists.

The conclusion is that central banks have to be prepared to respond quickly and flexibly to changing needs for data. Obsolete data that are no longer needed should no longer be actively published.

## **9. The Quality Aspect**

Credibility is crucial for any statistics producer, especially so for central banks. An important aspect of ensuring this credibility is to comply with international quality standards in data production and to make these standards transparent. Quality approaches like that of the ECB Statistics Quality Framework (SQF) or the IMF Data Quality Assessment Framework set ambitious standards for the production as well as communication of statistics. According to the ECB Statistics Quality Framework, statistical output is deemed to be fit for use if it is relevant and complete, accurate and reliable, consistent, timely and accessible. And of course the SQF outlines that statistics must meet stated or implied user needs. These needs may – as stated earlier – alter over time as a result of changes in the economic environment.

The quality dimension “clarity” also covers accompanying material. In this context, clarity means that up-to-date and pertinent information on data and metadata must be presented in a clear and understandable manner and must be easily and freely accessible to all users.

Also, it is indispensable to provide assistance to users. Prompt and knowledgeable support services should be available to help users access and understand data. Assistance also means the availability of unpublished details upon request.

There should be no doubt that communication of statistics represents an important aspect of statistical activity and should be considered an integral part of high-quality data production and dissemination.

#### **10. Communicating statistics to the general public by the Oesterreichische Nationalbank**

The channels and forms of communicating statistics by the Oesterreichische Nationalbank have evolved with the needs of the users and the advances in information technology. The Internet, via the OeNB's website, is the prime distribution channel for OeNB statistics. Data are presented not only in standard tables, but a dynamic query tool allows users to compile tables tailored to their information needs.

The "good old" paper publication of tables and graphs in the form of a statistical bulletin still has its place, but it has taken on a new form. Given the vast amount of data already available on the Internet, paper can only focus on a small subset of the most recent data. It is a good conduit for explaining (new) statistical concepts and results and for placing them in a broader context. In this way, paper complements the database on the OeNB's website and is by no means redundant. It is a special service by statisticians for the general public, a service consisting in preselecting relevant information. This might be especially important for the nonexpert public, which might otherwise "not see the forest for the trees." It goes without saying that it this publication is also (mainly) made available electronically.

Moreover, the OeNB publishes more than 50 statistical press releases per year, including releases on monetary statistics, interest rates statistics, securities, financial accounts and balance of payments statistics as well as supervisory data on the banking sector or on the use of credit cards in Austria.

About six statistical press conferences a year represent a suitable avenue for explaining statistical results and the underlying concepts in more detail to journalists and via journalists to the general public. It is an avenue for entering into discussions or for putting a special focus on the data. These press events usually receive a lot of media attention – not just the next day but often again later, whenever the context fits a story. By making all the presentations and press statements available to the general public via the OeNB's website, the public can be reached directly.

More detailed statistics are also made available on the OeNB's website, and are provided more frequently than press information. To make its statistics more accessible, the OeNB launched a dynamic data query, the Dynamic Statistical Database, in 2008. One out of three visitors to the OeNB's website surfs the Statistics section.<sup>7</sup> In 2009, the OeNB counted 2.6 million visits and 12.1 million page views.

Feedback is also important to see how the target audience responds to statistical information and messages. The OeNB observes the media response to statistics releases through permanent media monitoring and monitors page views of its website. It uses this regular feedback to adjust its communication strategy if required.

A special product of the OeNB statistics communication is called "Die aktuelle Zahl," which is available to German-speaking users. Twice a month, the OeNB's statisticians highlight one (recent) figure out of the thousands the OeNB produces and explains it to the public in few simple sentences. The idea behind this initiative is to create interest in OeNB statistics and to attract people to the information material on the OeNB's website.

The OeNB's Statistics Hotline takes around 1,700 calls or e-mail requests a year. A growing number of journalists also use this avenue to procure information. Whenever a question arises in the international press, the hotline team soon gets calls asking for information about the situation in Austria and requesting data.

Most citizens receive their information from nonspecialized media, while expert groups read media which are specialized in financial affairs. Therefore, the OeNB organizes seminars to inform journalists who work for the nonspecialized media about what statistics are available on economic issues.

As a strategic goal, central banks, the Eurosystem and the European System of Central Banks (ESCB) should strive to be the leading providers of financial statistics for their countries, the euro area and ultimately the European Union. Statisticians may also pursue the goal of contributing to the creation of a "European Union identity" by establishing quantitative knowledge about different aspects of the EU in close cooperation with the national statistical

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<sup>7</sup> One out of five visitors to the IMF website is searching for statistics.

institutes and Eurostat. This would make European facts and figures “countable” and “tangible” and would represent Europe’s diversity and unity through the lens of statistics.

Giving specific target groups customized feedback may be a challenge for central banks, but it has the potential to improve the willingness to report.

## **11. Conclusions**

The communications strategy of central banks is a work in progress. It has been evolving in line with new trends in financial markets and has availed itself of new tools in communication technology. But we can – and should – do more. Many people are “hungry for statistics,” reflecting the fast development of capital markets and the speed and force with which they respond to economic developments.

Especially in the turbulent times we live in, the general public insists on reliable information. Their concerns oscillate between fear of inflation and deflation, between governments defaulting and the lure of gold, between the fear of a financial meltdown and the temptation of new, lucrative investment opportunities. Although (most) central banks are not in charge of consumer protection, they are ideally placed to provide the public with relevant, reliable statistics. Central banks have to live up to that challenge.

Additional steps are necessary to ensure a wider distribution of central bank statistics. We also need statisticians with the skills of a good storyteller. There is a need for more user-friendly, understandable and accessible means of communicating statistics. We have to contribute to improving financial literacy to help people understand our statistics better. And we have to react more flexibly to the changing demands for information. The upcoming first “World Statistics Day” on October 20, 2010, might be a good occasion to raise the visibility of central banks’ statistics and to make the general public more aware of its usefulness. If successful, this initiative should become a regular feature of the communication work of official statisticians, including central bankers.

Central banks can indeed go further in enhancing their communication strategy, and doing so has the potential to improve economic performance and democratic accountability. This important task must not be crowded out by other seemingly more urgent tasks.

Communication is not just an appendage of the core business of data production; much rather, it is a core task of modern central banks. Central bank communication with the general public does not have to be boring: Actually, it can and should be very dynamic and modern.

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