

The external communication of the European Central Bank

Communication with the general public and with the financial markets has played a very important role in the ECB's policy-making and activities from the very beginning of its existence. Within the framework of the European Monetary Institute, the precursor of the ECB, strategies were developed to tackle the communication policy challenges with which the new central bank would be faced in a multilingual, multicultural environment. As a result, the ECB communicates with the public more actively than almost any other central bank in the world. The ECB's external communication goes beyond its legal requirements. Effective communication and a high degree of transparency are two means of gaining the confidence of both the financial markets and the general public. They enable observers in the media and democratic institutions to evaluate the ECB's actions in the light of its mandate, namely the maintenance of price stability in the euro area. The national central banks of the Eurosystem are essential players in these external communication efforts, particularly in view of the close contacts maintained with regional and national target groups.

I Introduction

Communication with the general public and with the financial markets is crucial for any central bank, for two reasons. First, effective communication can contribute to the efficiency of a central bank's policies and help it attain its objectives. Second, communication can be regarded as part of a general requirement to be accountable to the public. Policy-making institutions in democratic societies – and independent central banks in particular – need to explain their decisions and to take responsibility for the outcome of these decisions vis-à-vis the public and its elected representatives.

In the field of monetary policy, in particular, it is essential that the public has a good understanding of the objectives of and the framework guiding monetary policy. Genuine public understanding and lasting credibility are most likely to be achieved if there is consistency between external communication and the internal framework guiding policy actions. In other words, a central bank should say what it does and do what it says.

Effective communication should foster the central bank's credibility, which in turn should help to reduce uncertainty about the maintenance of price stability. This will limit risk premia embedded in bond yields and promote economic growth and welfare. If a

central bank has credibility, this will also favourably influence the behaviour of economic agents in other areas. For example, if the wage negotiators of trade unions and employers are convinced that price stability can be maintained, the resulting wage settlements are likely to facilitate the central bank's task of maintaining price stability. All parties of society are better off when economic decisions are based on a credible stability-oriented monetary policy.

The decision of the Governing Council of the ECB in October 1998 to adopt a quantitative definition of price stability and a two-pillar strategy to guide its monetary policy decisions provided the basis for effective and consistent communication. The monetary policy strategy serves both as a framework for the policy discussion conducted in the decision-making bodies and, at the same time, as a vehicle for explaining monetary policy to the public.

The monetary policy strategy itself has been discussed in several articles contained in the ECB Monthly Bulletin (see the January 1999 and the November 2000 issues). This article will focus on the general objectives of the ECB's communication policy and on the means used to attain these objectives.

2 The objectives of the ECB's communication policy

Establishing an effective communication policy is particularly important for a young institution like the ECB. While the ECB has been able to draw on the expertise and credibility of the euro area national central banks (NCBs), it does not – unlike the latter – have a long track record of its own, and it operates in a multilingual and multicultural environment.

The need for transparency and communication was recognised in the Statute of the European System of Central Banks and of the European Central Bank, which imposes certain legal obligations on the ECB in respect of communication. The ECB is required to publish a report on the activities of the European System of Central Banks (ESCB) at least once every quarter and to deliver an annual report on these activities and on the monetary policy of the ECB. Furthermore, the ECB is obliged to publish a consolidated weekly financial statement of the Eurosystem.

At an early stage in the preparations for Stage Three of Economic and Monetary Union (EMU) it was concluded that the ECB's external communication should go beyond these legal requirements. It was recognised that many other means would have to be used in order for the ECB to attain its ultimate communication objectives. This recognition led to, inter alia, the decisions to publish a Monthly Bulletin (and not just a quarterly report) and to hold press conferences at regular intervals.

The ECB also attaches great importance to enhancing the transparency of the regulatory framework of the ESCB. In line with this approach, legal acts and instruments adopted by the ECB's decision-making bodies are made available to the general public even in the absence of a statutory or Treaty-based obligation to do so.

Within the framework of the European Monetary Institute, the precursor of the ECB, a working group developed strategies for

tackling the communication policy challenges that would face the ECB in the new environment. Since September 1998 this work has been continued in the External Communications Committee, which brings together communication experts from both the ECB and the NCBs. In line with the decentralised structure of the ESCB and of the Eurosystem, the NCBs play an important role in achieving the Eurosystem's communication policy objectives.

The general objectives of the Eurosystem's communication policy are:

- to contribute to the effectiveness and efficiency of monetary policy; and
- to enhance public acceptance of the Eurosystem and its policies in the participating countries and beyond.

Some guiding principles for achieving these goals have been adopted:

- “single voice” communication on the single monetary policy for the euro area is considered to be desirable; and
- the transparency of the Eurosystem's policy objectives, tasks and actions should be fostered; and confidence in and knowledge of the way in which the Eurosystem functions should be promoted, thereby contributing to the Eurosystem's accountability.

For the communication strategy to be effective, the ECB, in conjunction with the NCBs, strives to ensure that the external communication is consistent throughout the euro area, that there is an equal and non-discriminatory treatment both of countries and of the media, and that information is made available in a timely manner.

These general principles are applied in the various fields of activity of the Eurosystem, comprising, inter alia, the shaping and

implementation of monetary policy, the issuance of banknotes, the collection of statistical information, the review of developments in the financial sector, the promotion of the smooth operations of payment systems, etc. On the basis of the objectives and guiding principles the Eurosystem makes use of a wide range of different communication tools. The members of the Executive Board of the ECB, the

governors of the NCBs and the staff of the Eurosystem devote a significant amount of time and resources to communication. The progress made in fulfilling the general objectives of the Eurosystem's communication policy is reviewed by the Governing Council, the Executive Board and the External Communications Committee on a continuous basis. The remainder of this article focuses on the communication activities of the ECB.

3 The communication activities of the European Central Bank

Target groups

The ECB's communication strategy needs to take into account the diversity of the target groups involved. For example, the expectations of financial market participants and economic analysts with regard to the quantity and nature of central bank communication are different from those of the general public. Moreover, the ECB endeavours to keep political bodies and organisations, especially at the European Union level, well-informed about the ECB's monetary policy strategy and the reasoning behind specific policy actions. Apart from direct communication by the ECB, intermediaries, most importantly the media, play a very important role in the process of disseminating information.

An additional challenge is the necessity to communicate in the 11 official Community languages. This brings with it not only technical constraints – owing to the time and resources required for translation – but also the difficulty of expressing exactly the same message in different languages and cultural environments. This presents a particular challenge from the point of view of compliance with the principle of “single voice” communication. To meet this challenge, the ECB works closely with the NCBs.

Communication tools

The ECB uses the following communication tools to inform the general public and various specific target groups about its policies and activities and to provide them with the necessary background explanations:

Press conferences are held by the President and the Vice-President of the ECB on a regular basis. They normally take place immediately after the first Governing Council meeting in each month. The press conferences are used to explain the decisions taken by the Governing Council. In a question-and-answer session representatives of the media have direct access to the President and Vice-President and the opportunity to ask questions. The President's Introductory Statement to the press conference is immediately published on the ECB's website and is followed, within a few hours, by the transcript of the question-and-answer session. The press conferences are broadcast live by a number of private television stations to their audiences of financial analysts and other specialists, in addition to which they are given broad coverage throughout the euro area and internationally in both the printed and the electronic media.

Apart from the regular press conferences, the President of the ECB and/or the other members of the Executive Board also hold press conferences on special occasions. In the past this has been the case in the context

of seminars relating to the EU enlargement process and after certain meetings of the Group of Seven countries' finance ministers and central bank governors.

The *regular press releases* issued by the ECB relate to the monetary policy decisions, the consolidated weekly financial statements of the Eurosystem, the euro area securities issues statistics, the monthly developments in the euro area balance of payments and monetary developments in the euro area. According to their nature, they are issued weekly, fortnightly or monthly and are sent directly by the ECB to representatives of around 200 different media. *Ad hoc press releases* contain information on specific issues relating to the ECB's activities, e.g. announcements of new publications, information on important new projects or messages directed at the general public.

The *ECB Monthly Bulletin* is generally published one week after the first Governing Council meeting in each month. It contains further details of the Governing Council's assessment of the economic situation and of the outlook for price stability in the euro area, as well as a detailed description of euro area economic developments. In order to contribute to the transparency of monetary policy, the Monthly Bulletin contains twice-yearly Eurosystem staff economic projections as from December 2000.

In addition, the Monthly Bulletin contains articles on special issues relating to the activities of the ECB and a statistical supplement with a wide range of data on euro area economic and financial developments. The Monthly Bulletin is aimed at a broad spectrum of target groups throughout the euro area: financial analysts, academics, media representatives, other policy-makers and economic policy-makers. It is drafted in English and then translated into other official Community languages. These language versions have a circulation of some 80,000 printed copies in total. In addition, the Monthly Bulletin can be accessed electronically via the ECB's website.

The *Annual Report of the ECB* is a means of providing an account of the monetary policy of the ECB in the previous and current years. It also deals with other activities of both the Eurosystem and the ESCB. As required by the Treaty establishing the European Community (Treaty), it is addressed to the European Parliament, the EU Council, the European Commission and the European Council. It is published in the 11 official Community languages.

On a quarterly basis, the President of the ECB *appears before the European Parliament's Committee on Economic and Monetary Affairs*. These public hearings are part of the statutory reporting obligations imposed on the ECB by the Treaty. They can be considered one of the cornerstones of the process by which the ECB is held accountable. The proceedings of these hearings are widely reported in the media across Europe, with the result that they function as a communication tool in a wider sense. The transcript of each hearing – like the transcript of ECB press conferences – is published on the ECB's website.

Public speeches given by the members of the Executive Board constitute an important way of directly addressing important audiences within the euro area and beyond. The frequency of such speeches has been particularly high in the first two years since the start of Stage Three of EMU. One of the desired effects of this form of communication is to raise awareness of the ECB and its policies in local and regional environments. This results from the "multiplier effect" of addressing leaders of public opinion and from the coverage given to the public appearances of members of the Executive Board by the regional media, as well as the national and international media. Many of the speeches are made available to the general public via the ECB's website and the texts of the speeches are often also sent directly to the media.

The purpose of *interviews* given by members of the Executive Board to newspapers,

magazines and electronic media is similar to that of public speeches. They allow the ECB to speak to the general public in the language or languages of the respective national media. Giving interviews is one of the ways in which the ECB's decision-makers can ensure the dissemination of policy messages to a wide audience located in many different countries. In the past year the six members of the Executive Board have given almost 200 interviews to different media, which were published or broadcast in all EU countries and in many countries beyond the EU.

The *printed publications* other than the Monthly Bulletin and the Annual Report fall into several different sub-categories. The ECB has issued a number of specialised reports, working papers and brochures, which are targeted at groups ranging from specialists in various fields to the general public. The general brochure entitled "The European Central Bank" gives a broad overview of the ECB's structure, strategy and policies. Other brochures deal with the TARGET system, the euro banknotes and coins or the ECB payment mechanism. The specialised reports address issues such as developments in the banking system, payment systems, securities settlement systems or other issues relating to the ECB's fields of activities. A Working Paper series presents the results of the ECB's economic research, targeting mainly an academic audience. A series of Occasional Papers presents policy-relevant topics to a wide audience, including other policy-makers, academics, the media and the general public. All of the ECB's publicly available legal acts and instruments are published in the Official Journal of the European Communities. In addition, a first edition of the "Compendium" of published ECB legal instruments was published in 1999 and is in the process of being updated. All brochures and reports can be obtained free of charge from the ECB or from the NCBs. Moreover, they can be downloaded in electronic form from the ECB's website. A comprehensive list of the ECB's publications can be found at the end of the Monthly Bulletin.

Disseminating information through wire services is an important means of real-time communication with financial market participants. Through the networks of three news agencies the ECB announces tender operations, the allotment decisions on tenders, foreign exchange reference rates and other essential messages to the financial markets.

Groups of visitors are received at the ECB on practically every working day of the year. Approximately 10,000 people from a large number of countries visited the ECB last year and were given first-hand information about the work carried out by the ECB. Here, too, it is assumed that there will be a strong "multiplier effect", as the groups often consist of teachers, bankers, members of special interest groups and others who influence public opinion.

The ECB is also active in the field of *academic conferences*. Three such conferences have been organised since the establishment of the ECB. The ECB's flagship in this field is a series of central banking conferences which began in November 2000 and will be organised every second year. The conferences are the ECB's contribution to fostering interaction and communication among economists interested in central banking issues. The programmes and proceedings of the conferences are available on the ECB's website.

The ECB's website (www.ecb.int) is the common ground for practically all of these different tools of communication. All documents published by the ECB can be viewed and downloaded from the ECB's website. One part of the website is devoted specifically to the needs of financial institutions and another provides access to statistical information on economic, financial and monetary developments in the euro area. The ECB attributes enormous importance to the worldwide web as a means of disseminating information and communicating with third parties. By this means, a growing part of the demand for information can be satisfied electronically. Moreover, e-mail

hotlines have been set up to deal with a wide range of different queries. This dialogue with internet users is gaining increasing importance. The ECB's website provides links to the websites of all 15 EU NCBs.

There is a particular need for thorough and effective communication in the run-up to the introduction of the euro banknotes and coins on 1 January 2002. To meet this challenge, an *information campaign* targeted at the general public in the 12 countries of the euro area is under preparation (see Box).

Box

Euro 2002 Information Campaign

On 1 January 2002 the euro banknotes and coins will become part of everyday life for the citizens of the 12 euro area countries. Familiarisation with the euro banknotes and coins is a precondition for the success of this profound change. In particular, in order to ensure confidence in the new currency, it will be crucial for all its users to be able to recognise genuine euro banknotes and coins as well as to know their denominations and value.

As part of the preparations for the introduction of the euro banknotes and coins, the ECB (together with the national central banks (NCBs) of the Eurosystem) is conducting a specially targeted "Euro 2002 Information Campaign", which has a budget of €80 million. Following a public tender, the communication agency Publicis was chosen to assist the ECB in running the campaign. The campaign activities will be carried out by the NCBs on a decentralised basis and undertaken in close co-ordination with the European Commission and the euro area Member States.

The campaign will focus on four main messages:

- the appearance of the euro banknotes, including their colour and dimensions;
- the security features;
- the denominations; and
- the overall changeover modalities.

The Euro 2002 Information Campaign includes a "Partnership Programme" that will run throughout 2001 and which is designed:

- to promote co-operation in information-providing activities with other bodies which have an important role to play in informing the public about the changeover;
- to maximise the "multiplier" effect of these bodies;
- to ensure the efficient distribution of information material describing the final appearance of banknotes and coins; and
- to contribute to the accuracy of the information which is produced by such bodies.

Public interest in the euro banknotes and coins will increase significantly as the moment of their introduction – 1 January 2002 – approaches. The campaign will endeavour to maximise this interest and ensure that the general public is provided with comprehensive and accurate information about the banknotes and coins via public relations and press activities. These activities will also raise awareness of the changeover and help to make the public more receptive to the new currency. A programme of public relations events is planned for 2001. This will include a "Euro Showcase", consisting of a series of conferences in the euro area countries, and a "Countdown to the euro", highlighting significant dates in the run-up to the introduction of the banknotes and coins, and will involve the distribution of "information kits" to the press and media representatives to underpin the programme of events.

Beginning in late 2001 and running through to early January 2002, the Mass Media Campaign will support the introduction of the euro banknotes and coins by presenting their appearance and information about their

security features to the general public. This part of the campaign will involve television and radio broadcasts and information published in newspapers in all euro area countries. The design and details of the media plan will be co-ordinated at the national level in order to both maximise use of the local media landscape and ensure co-ordination with other campaigns related to the cash changeover, particularly those of the respective national authorities.

The months preceding and the weeks following the introduction of the euro banknotes and coins will obviously constitute the most intensive phase of the campaign. However, throughout 2001 a series of activities will take place in order to generate momentum in the pace of the Euro 2002 Information Campaign. In this respect, the “unveiling” of the security features in September will be a milestone event.

4 Concluding remarks

The ECB's communication policy has a crucial role to play in supporting its monetary policy. A variety of communication tools have been developed in order to tackle the challenges faced by a young central bank in a multilingual, multicultural environment. As a result, the ECB communicates with the public more actively than almost any other central bank in the world. The euro area NCBs are essential players in these external communication efforts, particularly in view of

the close contact maintained with regional and national target groups.

Effective communication and a high degree of transparency are two means of gaining the confidence of both the financial markets and the general public. They enable observers in the media and democratic institutions to evaluate the ECB's actions in the light of its mandate, namely to maintain price stability in the euro area.