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ČESKÁ NÁRODNÍ BANKA

In this issue

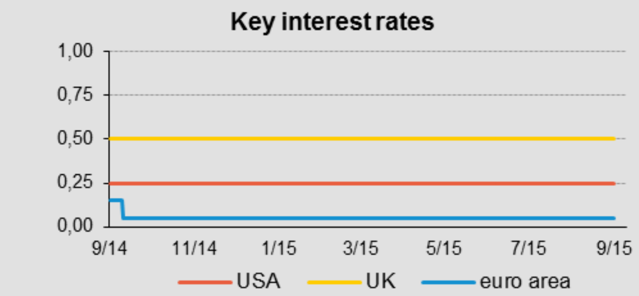
Both the Federal Reserve and the BoE left their key interest rates at historical lows in the past quarter, although probably for the last time, as rates in the two economies are expected to be increased gradually in the coming months. The ECB, on the other hand, is not raising its rates. In Sweden, monetary policy is on a completely different course – the Riksbank cut interest rates further into negative territory in July and stepped up its government bond purchases. The Norwegian central bank also lowered its policy rate. The NBP did not ease its monetary conditions, while the MNB lowered its policy rates two times, thereby probably ending the easing cycle. The current Spotlight *discusses central banks' inflation reports, a key element of their communication with the public. In our* Selected Speech*, ECB Vice-President Vítor Constâncio discusses the benefits and risks of the ECB's current unconventional policy.*

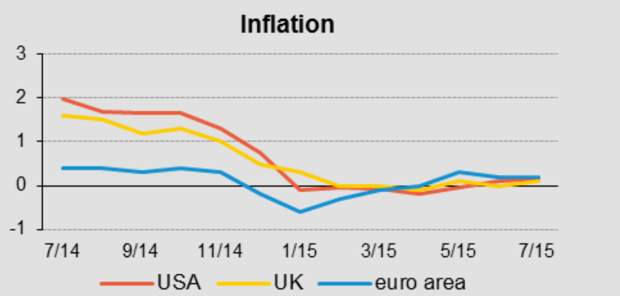
1. LATEST MONETARY POLICY DEVELOPMENTS AT SELECTED CENTRAL BANKS

Key central banks of the Euro-Atlantic area

	Euro area (ECB)	USA (Fed)	United Kingdom (BoE)
Inflation target	< 2%[1]	2%[2]	2%
MP meetings (rate changes)	2 Jul (0.00) 6 Aug (0.00) 3 Sep (0.00)	16–17 Jun (0.00) 28–29 Jul (0.00)	8-9 Jul (0.00) 5–6 Aug (0.00)
Current basic rate	0.05%	0–0.25%	0.50%
Latest inflation	0.2% (Aug 2015)[3]	0.2% (Jul 2015)	0.1% (Jul 2015)
Expected MP meetings	8 Oct 5 Nov 3 Dec	16–17 Sep[5] 27–28 Oct 15–16 Dec	9–10 Sep
Other expected events	3 Sep: publication of forecast	Feb 2016: publication of Monetary Policy Report	6 Aug: publication of Inflation Report
Expected rate movements[4]	→	↑	→

[1] ECB definition of price stability "below, but close to 2%"; [2] January 2012 definition of inflation target; [3] flash estimate; [4] direction of expected change in rates in coming quarter taken from Consensus Forecast survey; [5] meeting associated with summary of FOMC economic forecasts and press conference given by FOMC Chairman.





The **ECB** kept its rates unchanged. The ECB says its asset purchase programme is proceeding smoothly; no exit was discussed. According to previous ECB statements, the programme will run until at least the end of September 2016. At its press conference, the ECB emphasised it was willing to use all the instruments available to ease monetary policy and regards the asset purchase programme as sufficiently flexible in terms of adjusting the size, composition and duration of the programme. According to the flash estimate, quarterly GDP growth was 1.2% in Q2. The September forecast expects slightly lower economic activity compared to June, foreseeing real GDP growth of 1.4% in 2015, 1.7% in 2016 and 1.8% in 2017. The forecast continues to expect low inflation and postpones the pick-up in inflation rates to 2016–2017. The inflation forecast was revised down to 0.1% in 2015, 1.1% in 2016 and 1.7% in 2017.

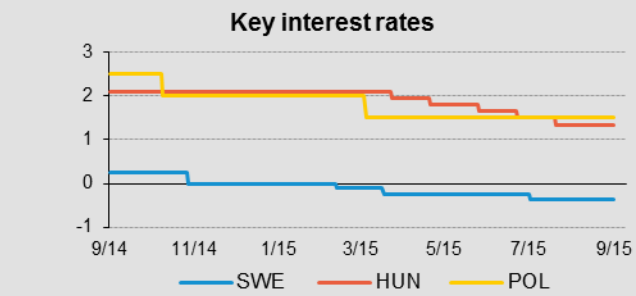
The **Fed** is continuing to keep interest rates in the range of 0.0% and 0.25% and to reinvest principal payments from its holdings of agency debt and agency mortgage-backed securities. Maturing Treasury securities are being rolled over. An increase in interest rates is expected in the second half of 2015. According to some speculation it may occur in September, but external factors are tending to postpone this move. The labour market saw solid growth in the number of jobs. The unemployment rate was unchanged at 5.3% and the participation rate at 62.6% in July. Growth in household consumption was moderate and the residential property sector continued to rise.

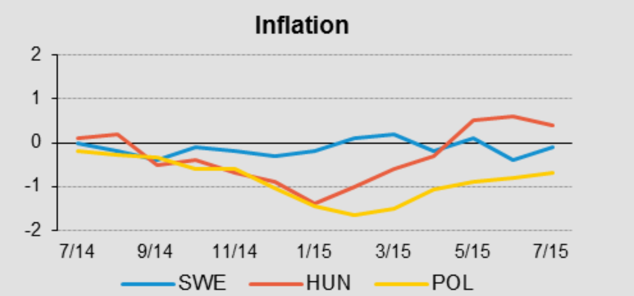
The **BoE** left its key interest rate at 0.50% and also maintained the size of its securities holdings (GBP 375 billion). According to the flash estimate, annual GDP growth was 2.6% in Q2. This was fostered by both household and government consumption along with gross capital formation (fixed investment in particular). In line with the BoE's expectations, inflation returned above zero from the slightly negative levels seen since April.

Selected central banks of inflation-targeting EU countries

	Sweden (Riksbank)	Hungary (MNB)	Poland (NBP)
Inflation target	2%	3%	2.5%
MP meetings (rate changes)	1 Jul (-0.10) 2 Sep	23 Jun (-0.15) 21 Jul (-0.15) 25 Aug (0.00)	7–8 Jul (0.00) 18 Aug (0.00) 1–2 Sep
Current basic rate	-0.35%	1.35%	1.50%
Latest inflation	-0.1% (Jul 2015)	0.4% (Jul 2015)	-0.7% (Jul 2015)
Expected MP meetings	27 Oct 14 Dec	22 Sep 20 Oct 14 Nov	5–6 Oct 3–4 Nov 1–2 Dec
Other expected events	28 Oct: publication of Monetary Policy Report	24 Sep: publication of Quarterly Report on Inflation	mid-Nov: publication of Inflation Report
Expected rate movements[1]	→	→	→

[1] Direction of expected change in rates in coming quarter taken from Consensus Forecast survey.





At its July meeting, the **Riksbank** lowered its policy rate by 0.1 pp to -0.35% and extended its bond purchase programme by a further SEK 45 billion with effect from September to December 2015 (following SEK 30 billion from April to September 2015). In its statement, the bank justified this move by the situation in Greece, which had increased uncertainty. Both interest rates and bond purchases were held unchanged at the meeting in September. Consumer prices as expressed by the CPIF (used to measure inflation under the assumption of a fixed mortgage rate) have been rising gradually in annual terms – CPIF inflation was 0.9% in July. Standard CPI inflation was slightly negative at -0.1%. The Riksbank expects CPIF inflation to be close to 2% in 2016 and remains ready to ease monetary policy further if the inflation outlook deteriorates. The Swedish economy grew by 3% in Q2.

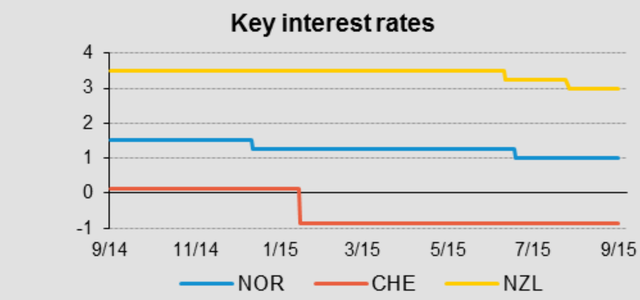
The **MNB** lowered its monetary policy rate by 0.15 pp two times in the last quarter, to 1.35%. The rate was not cut any further at the August meeting and the bank seems to have ended the easing cycle. The dynamic economic growth in 2015 Q1 indicated by preliminary data was confirmed, with annual GDP growth reaching 3.5%, driven by net exports and private consumption. The flash estimate indicated a slight slowdown to 2.7% in Q2. The MNB still expects low inflation. According to its forecast, inflation will be close to the 3% target at the end of 2016. The MNB announced details of the conversion of foreign-currency consumer credit into forints (see *News* for more details).

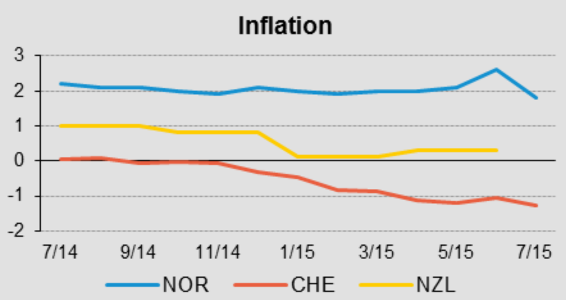
The **NBP** kept its interest rate unchanged at 1.50%. GDP grew at a pace of 3.3% in Q2, despite slowing slightly. The growth was driven primarily by consumption (supported by a favourable labour market situation) and investment (fuelled by the good financial situation of enterprises). Low commodity prices and moderate nominal wage growth are limiting the risk of rising cost pressures. Inflation remains negative (-0.7% in July). Producer price inflation is also negative and inflation expectations are still very low. The NBP expects steady price growth in the next few quarters and negative inflation in the coming months.

Other selected inflation-targeting countries

	Norway (NB)	Switzerland (SNB)	New Zealand (RBNZ)
Inflation target	2.5%	0–2%	2%
MP meetings (rate changes)	18 Jun (-0.25)	18 Jun (0.00)	11 Jun (-0.25) 23 Jul (-0.25)
Current basic rate	1.00%	from -1.25 to -0.25%[1]	3.00%
Latest inflation	1.8% (Jul 2015)	-1.3% (Jul 2015)	0.3% (2015 Q2)
Expected MP meetings	24 Sep 5 Nov 17 Dec	17 Sep 10 Dec	10 Sep 29 Oct 10 Dec
Other expected events	24 Sep and 17 Dec: publication of Monetary Policy Report	23 Sep: publication of Monetary Policy Report	10 Sep: publication of Monetary Policy Statement
Expected rate movements[2]	→	→	→

[1] Chart displays centre of band; [2] direction of expected change in rates in coming quarter taken from Consensus Forecast survey or, in the case of New Zealand, from RBNZ survey.





The **NB** cut its interest rate by 0.25 pp to 1.25%. According to Governor Olsen, the rate may be reduced further in the autumn. Economic growth was slightly weaker than foreseen by the central bank. Unemployment increased and wage growth in 2015 is set to be lower than projected by the NB in March. House prices rose at a slower pace than expected and household debt continued to rise. The Ministry of Finance decided on 18 June to increase the countercyclical capital buffer from 1% to 1.5%. The new rate will take effect on 30 June 2016. Interest rates in Norway are thus currently dec reasing amid a preventive moderation of credit growth using macroprudential policy tools.

At its June meeting, the **SNB** left the target range for the key monetary policy rate (3M LIBOR) at between -1.25% and -0.25%. The interest rate on sight deposit account balances remained at -0.75% and the threshold was also left unchanged at CHF 10 million (a negative interest rate applies to financial institutions' balances with the SNB if they exceed this threshold). The SNB intervened in the foreign exchange market at the end of June. However, no details about this intervention are available. There was no major change in the inflation outlook compared to the March forecast: price declines of 1.0% and 0.4% are expected in 2015 and 2016 respectively. According to the SNB, inflation will move into positive territory in 2017. Quarterly GDP returned to slight growth (0.2%) in Q2 after temporary fall by -0.2% in Q1.

The **RBNZ** lowered its key policy rate by 0.25 pp two times to 3%. The economy is growing at a rate of around 3%, supported by construction in particular. Inflation is low due to falling import prices. Wage inflation and inflation expectations are subdued. House prices in Auckland are continuing to increase. In response to these threats to financial stability, macroprudential policy has been tightened in the area of loans flowing into New Zealand's property market (for more see the June CBM) and the Ministry of Finance is planning administrative measures to improve tax compliance for property transactions as from October 2015 in order to ease the pressures in the housing market (see here for more details).

2. NEWS

MNB introduces new facility to encourage banks to purchase government securities

After consultations with banks, the MNB is introducing an interest rate swap (IRS) facility with ten-year maturity in addition to the three and five-year maturities already in effect. The main goal of offering a broader range of IRS facilities is to encourage banks to purchase and hold government securities. This move follows the MNB's decision to change its monetary policy rate at the beginning of June (see the June CBM). According to the MNB, the new longer-maturity IRS facility will provide support to banks in increasing and stabilising their holdings of long-term government securities.

Hungary and Poland plan to convert household foreign currency loans

The Hungarian government decided on 19 August to convert the remaining household foreign currency loans (held mostly in Swiss francs) into forints. The conversion of almost 250,000 contracts, totalling HUF 300 billion, is intended to protect households against exposure to appreciation of the Swiss franc and also to limit the losses of creditors. The MNB decided on 9 June to provide banks with all the foreign currency necessary for the conversion from its foreign exchange reserves, and on 19 August it confirmed that it will provide all financial institutions with access to its Swiss franc sale tenders. The conversion process should be concluded by the end of the year. Last year, banks suffered big losses from having to convert household foreign currency mortgage loans into forints.

Legislation on the conversion of household foreign currency loans (again held mostly in Swiss francs) into the domestic currency is also currently being debated in the upper house of parliament in **Poland**. The bill is opposed by the banks operating in the country and has also been criticised by the ECB.

More central banks improve design and functionality of their websites

The **ECB** changed both the design and some functions of its website at the beginning of July. The new design is more suitable for smartphone and tablet users and is notable for its use of graphics (photos, graphs, statistics) and sparing use of text on the homepage. More emphasis is put on explaining the role and activities of the ECB: a new section named "explainers" has been included on the website; the homepage also provides access to speeches, interviews and press releases. The template for the new website is the same as that of the Single Supervisory Mechanism website launched in November.

The **Bank of England** launched a new blog called Bank Underground (with a different design from its official website) in June. The blog is part of the central bank's effort to improve its communication with the public by making it less formal and more frequent. At the beginning of August, the **Hungarian central bank (MNB)** also slightly changed the design and structure of its website. At the end of August, the **Swiss National Bank (SNB)** launched a new "data portal", an interactive online database offering access to SNB statistics, including monetary and financial data and statistics on other sectors.

Bank of England changes its communication schedule

This August, the Bank of England started to publish the minutes (with voting breakdown) of its latest Monetary Policy Committee (MPC) meeting alongside the MPC summary, together with the bank's quarterly Inflation Report and accompanying press conference. The text of the MPC summary has been expanded and is included as the first chapter of the Inflation Report. These changes were decided in December 2014 (see the March CBM) together with a reduction in the number of MPC meetings from the current twelve to eight meetings a year. This reduction should come into effect from 2016.

Bank of Israel launches press briefings regarding monetary policy decision

This June, the Bank of Israel began holding regular press briefings regarding monetary policy with the aim of improving its transparency and providing the public with more information about its monetary policy decision process. The briefings will take place at the end of each quarter following the publication of the interest rate decision. Until June, the BoI had published its interest rate decision only in the form of a press release.

Turkish central bank plans to simplify monetary policy framework

According to the summary of its latest monetary policy meeting, the Turkish central bank (CBRT) is planning to simplify its current monetary policy framework in connection with the global monetary policy normalisation. The CBRT currently uses an asymmetric interest rate corridor (formed by the overnight deposit and lending rates) around the supposed "true" policy rate (the one-week repo rate). In the past, this corridor was actively used to combat excessive capital flows. According to the CBRT governor, given the relative calm in the financial markets it is time for a more normal monetary policy primarily using the main policy rate, i.e. the one-week repo rate.

RBNZ cuts number of monetary policy meetings as from 2016

The RBNZ on 26 August announced changes to its monetary policy meetings, lowering the number of meetings from eight to seven a year. The change comes into effect in mid-2016, and meetings will not take place for three months between November 2016 and February 2017, New Zealand's summer period. The Monetary Policy Statement, accompanied by press conferences, will still be published four times a year, but its release will be moved one month forward (to the second Thursday in February, May, August and November).

3. SPOTLIGHT: CENTRAL BANK COMMUNICATION – INFLATION REPORTS

Communication by central banks with the public, which is crucial to central bank transparency and credibility, these days consists of a combination of many communication tools. Besides press releases, presentations and speeches given by senior officers, the publication of regular reports still has a central position among the traditional channels. In the monetary policy area, these publications include regular inflation reports (or monetary policy reports), through which the central bank informs the public about the foundations underlying its monetary policy decisions. Although the explanatory and informational role of these reports is essentially the same across inflation-targeting central banks, each central bank has its own take on what such reports should contain and how they should be structured. In general, however, all the reports contain an analysis of current economic developments, a forecast for inflation and other macroeconomic variables based on that analysis, and the central bank's monetary policy considerations and decisions.

Effective communication with the public is crucial to the transparency and credibility of central banks. Communication that clearly explains monetary policy (MP) decisions helps other economic agents to understand monetary policy. Moreover, if the logic of the central bank's actions is consistent over time, market participants can predict the future course of monetary policy to some extent. Effective communication also reduces financial market volatility and helps anchor long-term inflation expectations, which are essential to monetary policy transmission and fulfilment of the central bank's objectives.

Credibility won through effective and transparent communication is of key importance to inflation-targeting central banks. This is because a credible inflation-targeting central bank can influence long-term inflation expectations by the "mere" setting of its inflation target. Central bank communication in the inflation-targeting regime must therefore include not only a public declaration of the inflation target and the regular publication of inflation forecasts, but also regular and transparent explanations of the decision-making process leading to an appropriate MP stance in terms of hitting the target and identifying potential risks to future developments.

Inflation-targeting central banks regularly communicate with the public and publish their MP decisions. They issue information about current and future economic developments, including forecasts for inflation and other key economic indicators. The majority also disclose the course of the decision-making process by publishing minutes of meetings. Any central bank communication can be described as a communication mix. Press releases, presentations and speeches given by senior officers play an important role, as do regular and occasional official publications. Blogs, social networks and other forms of internet presentation are becoming increasingly popular. For most central banks, however, regular inflation reports, monetary policy reports and economic bulletins are still the main documents for describing monetary policy in full. For brevity, we refer to these publications collectively as "reports" in the rest of this article.

The current *Spotlight* focuses on the regular reports published by the inflation-targeting central banks we cover in Central Bank Monitoring (CBM). It is a sequel to the June 2011 CBM *Spotlight*, which provided an introduction to the topic of central bank communication. One of the upcoming *Spotlight* articles will discuss the other components of the communication mix.

The five main areas covered in the reports

CBM regularly monitors the key central banks of the Euro-Atlantic area, i.e. the European Central Bank (ECB), the Federal Reserve (Fed) and the Bank of England (BoE), as well as selected central banks of inflation-targeting countries: Sweden's Riksbank, Hungary's MNB, Poland's NBP, Norway's Norges Bank, Switzerland's SNB and New Zealand's RBNZ. Five main areas can usually be identified in the reports published by these central banks:

1. introductory sections, containing the definition of the inflation target, the mission of the central bank and the report's position in the context of MP implementation;
2. a summary of the latest MP meeting or a summary of the report;
3. an analysis of current economic developments;
4. forecasts for inflation and other variables, risks to the forecast, and changes compared to the previous forecast;
5. a description of the MP strategy and MP considerations in relation to the current and expected future economic situation, and the decision taken at the latest meeting.

However, the reports attach different weights to these five areas (as expressed by the number of pages and the level of technical detail) and present them in a different order. In some reports (especially the shorter ones), the individual sections are not strictly separated.

Introductory sections

The reports of the large majority of central banks open with a summary of monetary policy in their country and the report's position in the context of MP implementation. The definition of the inflation target and a description of the central bank's role are also sometimes included. One exception is the ECB, which does not publish this information in its report, but – like the other banks – makes it available on its website.

In the first section, most reports include a summary of the latest MP meeting, often in the form of a copy of the press release published on the website following the meeting. This summary/press release contains an overview of current economic developments, forecasts for inflation and other variables, and comments on monetary policy. In the overwhelming majority of cases (the MNB being the exception), the opening section also contains the latest MP decision. Instead of a press release, some central banks (ECB, Fed, NBP) publish a summary of the entire report, in which the decision taken at the latest MP meeting is included. The Riksbank includes its overview of economic developments and its forecast in the section on MP considerations, which also contains the most recent MP decision. In the case of the Fed, which submits its report to Congress twice a year, a summary of all the MP decisions taken since the last report are included.

Analysis of current developments

The analysis of current economic developments is the longest section of the report for almost all the central banks under review (except the Riksbank, which devotes the largest part of its report to the forecast). In some cases, it accounts for more than one-half of the overall length of the report. The structure and amount of information differs considerably from bank to bank. Some central banks only present key information affecting the policy decision in relatively brief form (Riksbank). Others adopt the opposite approach and comment on almost all available data on the economy (MNB). However, this involves a risk of information overload and suppression of information about which data are truly relevant to MP decisions.

The description of current developments is usually divided into the domestic and external environment and further broken down by economic sector (e.g. Fed, RBNZ, MNB). The opposite approach is to first classify by economic area and then comment on external and domestic developments in each area (e.g. BoE, Riksbank). The description of current developments and the emphasis placed on individual sectors logically differ across central banks. This is due to the different degrees of openness of the economies and hence different degrees of importance of the external environment for domestic economic developments (and, in turn, for MP decisions). Another reason is the different structures of the economies concerned (foe instance, there is an emphasis on the oil extraction sector in Norway).

Central banks also include other information in the analysis of current economic developments. In the case of Norway, for example, a section on the financial market as a factor underlying decisions on macroprudential measures (the countercyclical capital buffer) has been included since 2013.[1]

The forecast

Information on the forecast is a core element of the central bank's communication in the inflation-targeting regime. In this part of the report, the bank's task is not only to present a credible forecast for inflation and other macroeconomic variables (prepared using its analytical and forecasting system), but also to explain any deviations of the forecasted inflation rate from the inflation target and to pave the way for proposed MP actions.

However, the banks differ in the emphasis they put on describing and explaining the forecast. Switzerland's SNB only gives the inflation forecast in a table and a chart in the opening part of the report and devotes one page in the following text to the GDP outlook. The other banks cover the forecast for inflation, GDP and other variables on around ten pages (15%–20% of the report), the exceptions being Poland's NBP (26 pages, i.e. almost one-third of the report) and Sweden's Riksbank (almost 40% of the report). The ECB does not include its forecast in the report, but issues it four times a year in a separate document around ten pages long.[2]

In addition to inflation and GDP forecasts, most central banks publish predictions of labour market indicators (all except the SNB), the exchange rate or the effective exchange rate index (ECB, Norges Bank, Riksbank, RBNZ), interest rates (ECB, Norges Bank, Riksbank, NBP, RBNZ) and other variables (e.g. the ECB's fiscal prediction). The forecast is presented in the form of charts and often also tables and accompanying text. The forecast horizon is mostly two years. Only in the case of the RBNZ and Norges Bank are some indicators forecasted until t+3.

All banks except the SNB comment on the risks and uncertainties of the forecast. The uncertainty surrounding future developments is expressed by fan charts, which are used in the reports of all banks except the SNB, the Fed and the RBNZ. Furthermore, all banks include a comparison with the previous forecast, usually with comments. In addition, the ECB and the MNB include a comparison of their forecasts with those of other institutions (e.g. IMF, Consensus Forecasts, OECD).

Monetary policy considerations and decisions

Monetary policy considerations can be found in most reports (the sole exceptions being the ECB, Hungary's MNB and Poland's NBP). They are mostly presented in a separate section, but the space devoted to them differs from bank to bank, ranging from one page (BoE) to seven (Riksbank) and nine pages (Norges Bank). The MP decision resulting from these considerations is cited in all reports except that of the MNB (and the ECB, which lacks a monetary policy part). The monetary policy part (see the table) logically also includes commentaries on previous MP decisions (Fed) as well as the minutes of previous MP meetings, which contain

[1] In Norway, the publication schedule was altered at the same time as the financial market section was added to the Monetary Policy Report: the report is issued four times a year (compared to three times until 2012) and the Financial Stability Report is published only once a year (compared to twice a year until 2012).
[2] Its macroeconomic projections are published in March, June, September and December.

discussions about recent monetary policy (NBP). On average, the monetary policy part accounts for almost 15% of the length of the report.

As a rule, the banks do not publish reports after every MP meeting; only the ECB, the SNB and the Riksbank do so (see the table). Therefore, some central banks state in their reports all the MP decisions taken since the publication of the previous report (BoE, NBP) or provide summary comments on the last few decisions (Fed). In addition to reprinting the minutes of the previous policy meetings, the NBP recapitulates the votes cast at those meetings.

	Number of MP meetings a year	Number of reports a year	Name of report	Total length of report	Monetary policy information	Summary/press release	MP part	Forecast	Current economic developments
				(approx. number of pages; total length also includes boxes, cover, etc.)					
ECB	8	8	Economic Bulletin	60–120	0	0	0	0	33
Fed	8	2	Monetary Policy Report	58–66	1	2	8	11	28
BoE	12*	4	Inflation Report	56–58	1	2	1	11	30
Riksbank	6	6	Monetary Policy Report	38–40	2	0	7	14	10
MNB	12	4	Inflation Report	80–90	1	2	0	14	45
NBP	11	3	Inflation Report	80–100	1	2	19	26	29
Norges Bank	6	4	Monetary Policy Report with financial stability assessment	50–65	2	2	9	9	26
SNB	4	4	Quarterly Bulletin	40–60	2	2	4	2	20
RBNZ	8*	4	Monetary Policy Statement	34–42	1	1	5	6	15

Note: The length of the report is based on the last four/five issues (except for the Riksbank, whose report has been shortened this year and its future length will be as given here). * The number of BoE and RBNZ meetings will be reduced from 12 to 8 and from 8 to 7 respectively as from 2016 (see *News* for more details).

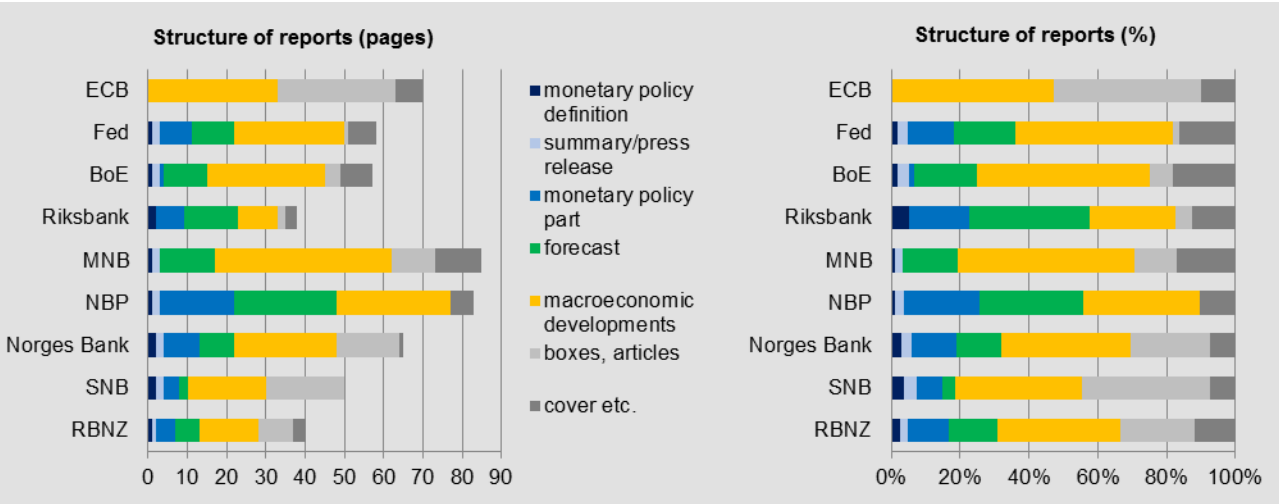
The minutes of the most recent MP meeting describing the decision-making process are not published as part of the reports. Full or abridged minutes are usually published separately on the central bank's website on a specified date following the meeting, in some cases accompanied by a statement about the votes cast by the individual decision makers.

Special topics

In addition to the above five parts, most reports contain sections on special topics, usually in the form of boxes one or more pages long (mostly placed at the end of the relevant sub-sections or at the end of the report) or in the form of specialised articles (SNB, ECB). In most reports, these boxes and articles are merely complementary, but in the case of the SNB and the ECB they account for a large proportion of the report (over 40%). Such reports are thus not only concise summaries of monetary policy and current economic developments, but also highly specialised publications analysing topical economic issues. Other banks (e.g. BoE) publish articles in separate regular publications (the Quarterly Report in the case of the BoE).

Total length

The reports also differ quite widely in total length. Their length is not related to their publication frequency or to the number of policy meetings that take place between reports. The longest reports include those of the MNB and NBP, whose main text excluding additional materials runs to more than 60 pages (their reports are around 80 pages long in total). Among the shortest is the Riksbank report, which was shortened in April from a maximum of 80 pages to less than 40 pages (see the June 2015 CBM for details). The Riksbank report is thus now shorter than those of the SNB and Norges Bank as well the previously shortest report of the RBNZ. The other reports are around 60 pages long.



Note: Length and structure of the reports according to the latest issue.

Graphic design of the reports

As regards format, the RBNZ report catches the eye, as it has been published in landscape format since June 2015; all the other banks use the standard portrait format.

Turning to design, most of the reports use a two-column format for the main text, differing only in which column (left or right) they dedicate to text and which to graphics (charts and tables). If graphics are absent, the other column is left empty. The SNB report has the freest design, as the text may be in either column and the charts and tables may cover both columns. The only report not to use two columns is the ECB's, where the main text is in a single column covering two-thirds of the page width and the charts are in the text. Boxes and any additional texts are clearly identified and separated from the rest of the text in all reports; texts covering entire pages may have either a one- or two-column format.

Conclusion

The reports under comparison show how the individual inflation-targeting central banks view the role of regular reports in communicating with the public. One approach is that used by the Riksbank and the RBNZ, which attempt to make the content of their reports as accessible to the general public as possible in terms of both design and content, either through overall brevity (RBNZ) or through efforts to explain the impacts of monetary policy on firms and households (Riksbank). In this case, however, the report may not contain enough information for specialised readers, who must look such information up on the bank's website. The SNB's report is also among the shorter ones. Despite being designed for more "demanding" readers both visually and in terms of content, it offers very little as regards describing the forecast.

Hungary's MNB and Poland's NBP lie at the other end of the spectrum. They endeavour to provide as much information as possible, although it is not always clear what weights the various pieces of information have in the forecast and the MP decision. In this case there is a risk of information overload, with the reader choosing only relevant information (e.g. about a particular sector of the economy). However, the report as a whole does not provide a picture focused on the monetary policy decision-making process within the central bank and above all about sources of information.

The BoE's report is one of the best in terms of both design and content. The BoE works incessantly to improve its communication. It overhauled its Financial Stability Report this year, and in August it changed the timing of publication of the results of the MP meeting and slightly altered its Inflation Report (see *News* for details).

Given the boom in tablets and smartphones, many central banks are modifying their websites to make them easier to read on such devices. At the same time, banks are trying to present themselves to the public through blogs and other web applications. This trend can probably be expected to feed through to the regular reports, for example in the form of interactive versions published on central bank websites.

4. SELECTED SPEECH: THE ECB'S CURRENT UNCONVENTIONAL MONETARY POLICY

Vítor Constâncio, Vice-President of the ECB, discussed the benefits and risks of the ECB's current unconventional monetary policy in panel remarks made at the Annual Congress of the European Economic Association in Mannheim in late August.

In June 2014, the ECB, alongside a negative deposit facility rate, introduced a set of credit easing measures in the form of targeted longer-term refinancing operations (TLTROs), offering medium-term credit to banks at fixed rates. In autumn 2014, the ECB initiated a programme of outright purchases of private sector assets. In January 2015, it expanded this to include a public sector purchase programme (PSPP), in other words, quantitative easing. The ECB committed to purchasing a total amount of EUR 60 billion every month from March 2015 until at least September 2016. The programme will be kept in place until the ECB assesses inflation as heading sustainably towards its medium-term inflation objective. The assets are being purchased across the whole maturity spectrum between two and 30 years. The purchases are allocated across all the Eurosystem central banks according to the ECB's capital key. Any losses emanating from the programmes would be shared between the national central banks and the ECB in an 80%/20% ratio.

According to Constâncio, the ECB's unconventional monetary policy must be viewed in the context of the specific economic situation in the euro area. After the recession abated in the second half of 2013, the economy recorded fragile growth. The situation improved over the course of 2014, but the growth remained weak, fluctuating around 1% only. The economic outlook deteriorated again during the autumn, with inflation turning negative. The ECB's forecast at the start of 2015 had a significant bearing on the decision to launch the PSPP. The main risk in this forecast was a further decline in the outlook for long-term inflation expectations accompanied by still relatively tight credit supply conditions.

In Constâncio's opinion, the introduction of the PSPP indicates a more active approach to steering the ECB's balance sheet in order to avoid the risks of too prolonged a period of low inflation in a situation where policy rates have reached their effective lower bound.

New transmission channels are expected to help avert this risk and stimulate aggregate demand. The first is a signalling channel, which will indicate the likely path of future rates via the ECB's commitment to purchase assets. The second channel results in part from the first, and relates directly to the formation of medium-term inflation expectations. The third channel works through a reduction in the effective cost of credit, increasing its availability to the non-financial private sector. The original TLTROs operate on the same principle, but data show that the PSPP is truly effective in further easing credit standards and improving the condition of commercial banks' balance sheets. The fourth channel works in the same way, with the PSPP enabling banks to exchange longer-term and less liquid assets for very short-term and highly liquid central bank money. This mitigates liquidity and duration risks, encourages portfolio rebalancing and supports asset prices. Better financing conditions improve growth prospects, increase profitability and mitigate default probabilities in the non-financial sector, which, in turn, further improves the condition of bank balance sheets.

However, Constâncio does not deny that there are risks associated with the ECB's new unconventional policy, and he refers to several of them. He assesses the medium-term inflation risks as very low and sees the possibility of losses associated with the exit strategy, although he rates these as negligible compared to the significant boost to economic growth provided by the PSPP. Constâncio sees real financial stability risks stemming from search for yield and higher leverage. Those risks must be addressed by macroprudential policies of central banks, whose policy toolkit should be suitably enlarged.