



BANK OF JAMAICA MONETARY POLICY AND FINANCIAL STABILITY COMMUNICATION STRATEGY

"Sometimes, the explanation is the policy"
- Janet Yellen, Chair of the US Federal Reserve Board, 2014-2018.

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1. INTRODUCTION

1.1 Mandate of Bank of Jamaica

In October 2018, the Government tabled in Parliament a Bill for proposed amendments to the Bank of Jamaica Act and related legislation which include revisions to the Bank's mandate to identify the maintenance of price stability and financial system stability as the Bank's principal objectives with price stability as the primary objective.

1.2 Bank of Jamaica Reforms

The proposed reforms also include:

- revisions to the Bank's governance structure to support the Bank's mandate, including the establishment of a monetary policy committee with responsibility for the formulation of the Bank's monetary policy;
- the adoption of inflation targeting and maintenance of price stability through medium-term inflation targets set by the Minister after consultation with the Governor of the Bank;
- provisions for the independence of the central bank coupled with enhanced accountability and transparency; and
- for full transparency, requirements for publication of inflation targets and communication of monetary policy decisions, including advice if inflation targets are missed, reasons for the missed targets and measures to remedy this.

In preparation for the anticipated changes to the legislative framework which are pending, the Bank has started operating under the inflation targeting framework and this communication strategy has been developed in this context. The strategy addresses the transition period and will be reviewed and updated once the legislative changes are finalised and effected.

1.3 Objectives of the Communication Strategy

The underlying objectives of the communication strategy are to raise understanding among the Bank's internal and external stakeholders and encourage stakeholder confidence in the Bank's policy initiatives and objectives. Successful implementation of this strategy will justify and validate the image of the Bank as an instrument of public good that plays a critical role in maintaining price stability (low and stable inflation) and financial system stability.

Objective 1

Low and stable inflation, which is currently reflected in the target range of 4 to 6 per cent over the medium term.

Objective 2

A stable and thriving financial system that has low levels of systemic risk and is resilient to shocks.

1.4 Principles of Communication

Effective communication allows for greater transparency of the central bank, which (i) enhances its independence, (ii) directly enhances its macroeconomic performance by eliminating distractions arising from unclear messages and (iii) directly enhances macroeconomic performance by strengthening the credibility of monetary policy.

The following principles guide the Bank's communications.

Transparent communication encompasses clarity, openness and timeliness. The Bank's communications will be clear, accurate and unambiguous and will be in formats that are easily understandable by the respective audiences. They will be open, making all relevant information available to the public for a clear understanding of past and expected future developments and the direction of policy. The communications will also be timely so that the public and other stakeholders are able to process and benefit from the information while it is of greatest relevance.

2. MONETARY POLICY

2.1 Role of Communication in Monetary Policy

Central bank credibility plays a critical role in the conduct of monetary policy. The greater the credibility of the central bank the greater is its ability to anchor expectations and achieve its mandate. There is a strong relationship between this credibility and the effectiveness of the Bank's communication and it is therefore important that the Bank has an effective communication strategy and function. This is even more so as the Bank faces the challenge of the transition to a full-fledged inflation targeting regime. Monetary policy is forward looking, so having an impact on perceptions and expectations is as important as direct policy action.

Effective communication strategies not only depend on **what** type of information central banks publish but also on **how** this information is communicated to the general public.

The Bank is of the view that efficient communication on monetary and financial stability issues is central to the achievement of its mandate. This document therefore sets out the manner in which the Bank communicates its policies, actions and events to stakeholders. The document describes the Bank's commitment to provide the public with clear,

accurate and timely information, communicated in a professional manner and in accordance with the laws regarding public information and data practices.

2.2 The Price Stability Mandate

2.2.1 Bank of Jamaica's monetary policy mandate is the maintenance of price stability, or low and stable inflation.

2.2.2 This mandate will be achieved through inflation targeting. The Bank's monetary policy is focused on achieving the medium-term inflation target established by the Minister of Finance and the Public Service after consultation with the Governor. The current target, set by the Minister in September 2017 after consultation with the Governor, is 4.0 to 6.0 per cent. The country's long-term ambition is to have an inflation target even closer to that of its major trading partners. The current target range is more prudent as it is consistent with Jamaica's drive to encourage faster economic growth while maintaining the stable and competitive macroeconomic environment to make that growth sustainable.

2.2.3 The inflation target is set as a band or range and not as a point due, in part, to Jamaica's susceptibility to exogenous shocks. Additionally, a band allows the central bank to promote economic growth by accommodating inflation variability without losing credibility.

2.2.4 For the central bank to formally adopt price stability as its primary objective and use the interest rate lever as the Bank's main policy tool, there are several prerequisites. Since high public debt and fiscal dominance undermine the effectiveness of any central bank, fiscal sustainability is critical to give monetary policy the flexibility required for it to be effective. Another prerequisite is a flexible exchange rate, which facilitates the establishment of consumer price inflation as the nominal anchor for monetary policy and enables the central bank to manage internal and external shocks better.

Jamaica has made significant progress on both fronts in the short space of a few years under the economic reform programme. Going forward, fiscal discipline will be further entrenched by the Fiscal Responsibility Law, which targets a debt-to-GDP ratio of 60 percent by the end of 2025/26, enabling the country to embrace full-fledged inflation targeting with confidence. Meanwhile, the Government has maintained a consistent public commitment to a flexible exchange rate and, with the recent reforms to the market such as the introduction of the Bank of Jamaica Foreign Exchange Intervention and Trading Tool (B-FXITT), the exchange rate has displayed a significantly greater degree of flexibility.

2.2.5 With more independence will come greater accountability, which will require that the Bank frequently provides information on how inflation performs relative to target in order to ensure that the public fully understands and trusts the Bank's policies so they can anchor their expectations on the inflation target. A comprehensive public education campaign in this regard will be executed.

2.3 The Monetary Policy Decision-Making Process

2.3.1 Who makes monetary policy decisions?

Monetary policy decisions are presently made by the Governor. Under the proposed reforms that establish the independence of the central bank with a collegial decision-making structure, monetary policy decisions will be made by a Monetary Policy Committee chaired by the Governor with membership comprising senior staff of the Bank and independent non-executive appointees.

2.3.2 When are monetary policy decisions made?

Monetary policy decisions are made eight times per year, that is, twice per quarter. The annual calendar of monetary policy decision announcement dates is published in advance for full transparency.

2.3.3 Forecasting and Policy Assessment System

For four of the monetary policy decisions (once each quarter), when the most data on the key macro-economic variables are available, the Bank prepares a comprehensive macroeconomic forecast, covering the international economy, the fiscal accounts, the balance of payments, money, credit, interest rates, output and prices. The process undertaken in developing this comprehensive macroeconomic forecast is referred to as the Forecasting and Policy Assessment System (FPAS).

FPAS involves a five-week cycle of meetings and consultations between sector experts in the Research and Economic Programming Division (REPD), the Market Operations and Analysis Department and the Financial Stability Department that begins with an initial assessment of current conditions. This includes an assessment of, among other things, monetary conditions, domestic demand conditions, labour market developments and the fiscal policy stance. These deliberations inform the projections and forecasts and the examination of alternative scenarios and risks to the forecasts.

2.3.4 Monetary Policy Assessments

By the fourth week of the FPAS, recommendations based on all the above assessments are documented in a comprehensive Monetary Policy Assessment (MPA) report. This report provides a thorough assessment and forecast of various economic blocks such as real sector, inflation, the exchange rate and monetary and fiscal developments. It also analyses key economic indicators in the international economy, including developments

in key trading partners, and the balance of payments. An inflation risk profile is included for each block and recommendations are made for policy action.

The Governor is given the MPA report a week ahead of when the next monetary policy decision announcement is due. On the day before the announcement date, the Governor meets with the Bank's senior economic staff to discuss the recommendations and then makes the decision, which is announced in a press release on the announcement date.

3. COMMUNICATION PROCESS AND OPERATIONS

3.1 Monetary Policy Spokespersons

The following is the hierarchy of spokespersons for monetary policy communications:

1. Governor
2. Senior Deputy Governor
3. Deputy Governor in charge of Research
4. Research Division Chief

3.2 Preparation of communications documents and press releases

Monetary policy communications, speeches, articles and press releases are generally prepared by REPD with input from the Communications Department. Public communications on behalf of the Bank are governed by the Bank's communication policy and are undertaken with the coordination and assistance of the Communications Department and with the prior approval of the Governor or the Senior Deputy Governor.

3.3 General Monetary Policy Communication

The Communications Department regularly facilitates media queries and requests for interviews and the Governor and other spokespersons make themselves available for media appearances and speaking engagements on a regular basis. Only the authorized spokespersons, or others as may be approved by the Governor, may communicate with the media or issue any public communication with respect to monetary policy.

3.4 Monetary Policy Communication Practices

3.4.1 Monetary policy operations revolve around a schedule of monetary policy decisions and announcements with respect to those decisions. Monetary policy communication accommodates and facilitates that process.

3.4.2 The **calendar** of decisions and announcements is updated semi-annually (at the end of March and September) for the 12 subsequent months. The calendar is available on the Bank's website.

3.4.3 A **press release** on each monetary policy decision describes the decision and the rationale for the decision, including the Bank's inflation forecast relative to the inflation target. The press release also describes the Bank's view of the risks around its central inflation forecast. On the occasions when the Bank does not release a medium-term inflation forecast, the press release is expanded to provide additional information on relevant recent economic developments. The press release is sent to the media and selected stakeholders on the monetary policy decision announcement day and is also posted to the Bank's website.

3.4.4 A **press conference** is also held quarterly following four of the eight occasions that the Bank publishes its monetary policy decisions via its press release. At these press conferences, the Bank, in addition to explaining its most recent monetary policy decision, reports on its updated macroeconomic forecast covering the international and the domestic economy. The press conferences also launch the publication of the Bank's quarterly monetary policy report (QMPR).

3.4.5 **Quarterly monetary policy reports** (QMPRs) discuss, in a relatively non-technical manner, economic developments for the review quarter and provide forecasts of key macroeconomic variables. The document includes sections on inflation, the international environment, the domestic economy (which discusses real sector, money market and financial market developments) and a final section which discusses the implications of these developments for monetary policy. The QMPR is presented to the public in a press conference, where the Governor delivers a statement that places the most recent monetary policy decisions in context. The report is also made available on the Bank's website. An electronic summary page with hyperlinks to key sections of the report is provided to the press and relevant stakeholders.

3.4.6 In addition to the QMPR, the Bank communicates **regularly with the public and other stakeholders** on monetary policy decisions and initiatives and broader economic policy issues. These include decisions relating to the setting of inflation targets, updates on performance of inflation against target, developments in the financial markets and broader economic developments and outlook.

3.4.7 Monetary policy communication interventions may be initiated by the Governor or the Senior Deputy Governor and may be based on the recommendations of REPD or the Communications Department. REPD and the Communications Department keep abreast of newspaper articles and other public communications which may require some response or other action to be taken by the Bank. The approval of the Governor, or in his absence the Senior Deputy Governor, is to be obtained with respect to all monetary policy communications and responses proposed.

3.5 Communications Campaign to Support the Transition Period

During the reform transition, in addition to the regular schedule of monetary policy communication activities, there will also be focus on a comprehensive communication campaign to pave the way for the introduction of full-fledged inflation targeting, the subject of a separate document.

The main issues addressed by the campaign are:

- 1) What is inflation; why is high inflation bad and low, stable and predictable inflation good?
- 2) What is the CPI (inflation) basket, how is it constructed, how is inflation calculated, how much does the inflation basket relate to me or not and why should I trust the numbers?
- 3) How does monetary policy work and what is the central bank process for implementing it?
- 4) What is Jamaica's history with inflation, where are we now and why, where do we want to go and why and why is focusing on inflation a better strategy than targeting the exchange rate?
- 5) What is inflation targeting, how does it work and why do we want to use it?
- 6) Where and how does inflation targeting fit into the bigger picture of Bank of Jamaica institutional reforms?

3.6 Strengthening Bank of Jamaica's Communications Function

3.6.1 The major problem facing Bank of Jamaica's communications function is capacity and, as the Bank proceeds with plans for benchmarking international best practice, focus will be on the people, structure, processes, resources, rewards and decisions that must be in place for an effective and successful communications function.

3.6.2 Focus will also be given to educating the public on the role and functions of the central bank and the basics of the economics behind the Bank's monetary policy. This will be a necessary part of the Bank's efforts to engage a largely uninformed public about higher-level concepts such as foreign exchange market reform and inflation targeting. As part of this endeavour, the Bank will reintroduce a rebranded version of the former Central Banking Monthly, an educational page published in the financial section of one of the daily newspapers.

3.6.3 The Bank will also establish a social media presence with defined protocols. This will commence with an active Twitter account, which will become an additional forum for communicating with the public, including announcements and key issues in press releases. This will be followed by a Facebook presence as soon as resources allow.

3.6.4 The design and usability of the Bank's website will be upgraded with user-friendly access to a wide array of information, including policies, reports, explanatory content such as BOJ Survey stories, factsheets and multimedia content.

3.6.5 With regard to 3.4.4 above, in time the Bank intends to hold a press conference after every monetary policy decision.

3.6.6 Regular press conferences on topical issues concerning the Bank's operations will be implemented. The briefings will be done by the Governor or other spokespersons and will give the public the opportunity to interface with a wider group of authorized spokespersons. This will be separate from and will be timed to bear in mind the monetary policy press conferences scheduled throughout the year.

3.6.7 Other initiatives identified include two weekly radio programmes and a TV show, more frequent communications with staff, speaking tours, town hall meetings and a schedule of seminars.

4. FINANCIAL STABILITY COMMUNICATION

4.1 Financial Stability Mandate

The financial stability mandate of Bank of Jamaica covers (1) prudential supervision of deposit-taking institutions licensed under the Banking Services Act and (2) oversight of overall financial system stability, or macroprudential oversight. This communication strategy addresses the Bank's mandate for overall financial system stability oversight. The terms "financial stability" and "financial system stability" are used synonymously in this document to describe this mandate.

4.2 Financial System Stability Committee

As it relates to the Bank's mandate for overall financial system stability oversight, the Financial System Stability Committee (FSSC) was established in 2016 pursuant to amendments made to the Bank of Jamaica Act in 2015. The FSSC is tasked largely with providing oversight to Bank of Jamaica's financial system stability risk assessments, recommending policy measures and communicating with the public to safeguard the

stability of the financial system. A plan is also in place for more communication in this area.

4.3 Objectives

Effective communication on financial system stability and macroprudential policy will be aimed at helping the general public and financial market participants to understand and appreciate financial system stability matters covered under the 2015 amendments to the Bank of Jamaica Act. In addition, communication on potential emerging systemic issues will be used to help curb risky behaviour by regulated entities, households, non-financial corporates and the public sector. The main objectives of the Bank's communication on financial system stability are to:

1. Publicise Bank of Jamaica's financial system stability assessments.
2. Make clear the link between the Bank's assessments and any policy action taken.
3. Provide relevant and reliable information on matters related to financial system stability.

4.4 Spokespersons on Financial Stability

The following is the hierarchy of spokespersons for financial system stability communications:

1. Governor
2. Senior Deputy Governor
3. Deputy Governor in charge of Financial Stability

4.5 Strengthening Communications on Financial Stability and Macroprudential Policy

In addition to the publication of the Bank's Annual Financial Stability Report and press release on it by the FSSC, initiatives will be implemented to expand communication on financial stability matters.

Annual press conference on financial system stability – A press conference will be held upon publication of Bank of Jamaica's Annual Financial Stability Report. The press conference will be used to convey the Bank's assessment of financial stability, its views on emerging systemic risks and the impact of any policy decisions made during the assessment period.

Semi-annual statement issued by the Financial System Stability Committee – A semi-annual statement from the FSSC will contribute to transparency in the Committee's reviews and recommendations to the Bank and other regulators. This will help stakeholders to link the assessment of financial market developments and financial

stability risks to potential policy decisions. This information can assist stakeholders in formulating their expectations.

Quarterly publication of Bank of Jamaica's Macprudential Report and data – After completion of the Bank's Macprudential Report and review by the FSSC, the report, and a database of core indicators associated with the macroprudential surveillance framework, will be published on the Bank's website. The composition and presentation of the database will be reviewed quarterly.

Production of Pamphlet on Financial Stability - As a public education tool, the Bank will continue to produce a series of pamphlets relating to its policies, responsibilities and operations. A pamphlet on financial stability will provide information on the financial system, the importance of financial stability, risks to financial stability, the role of the Bank and its macroprudential policy approach.

Lectures, articles and interviews – The Bank will seek to engage with stakeholders via various other mechanisms. These will be conducted on an ongoing basis to help support the widening of awareness of the Bank's actions related to financial stability. These materials will be published on the Bank's website.

5. KEY AUDIENCES AND METHODS OF ENGAGEMENT

Bank of Jamaica staff – Good internal communications will necessitate informing and engaging with staff on monetary policy, listening to their different points of view and building internal understanding and cohesion around the Bank's role and key institutional issues and messages. In addition to the general internal communication initiatives to be undertaken, a special education campaign on inflation targeting and Bank of Jamaica reforms is a significant part of the communication strategy for the transition to the inflation targeting regime and for staff to become ambassadors.

The media – a significant target group who has reach and influence over other target groups and the general public. Special efforts are made to keep them informed on monetary policy issues. The strategy will aim at enhancing their understanding of the issues and gaining their support. The strategy will include an annual seminar series for journalists.

The general public - through the media and outreach initiatives such as town hall meetings and speaking engagements.

The financial sector – through the media, meetings, special forums and under the umbrella of various committees.

The business sector – through the media, directly through networking and under the umbrella of various stakeholder committee meetings created and chaired by the Bank.

Government, Parliament, municipalities – Through the Minister of Finance and the Public Service, the engagement of specific bi-partisan groups of politicians, for example, the Economy and Production Committee of the House of Representatives. In these forums, presentations may be made on relevant economic topics.

Academia – Forums to engage academia, particularly economists, in a discussion of monetary policy issues which could result in their effectively being proxy spokespersons for the Bank's messages. Possible engagement through a local economists' association supported by the bank.

Teenagers and Children – expanding the Bank's communication outreach among the youth to introduce monetary policy concepts via a variety of vehicles and strategies, including games on the Bank's website, a cartoon series featuring the Bank of Jamaica crocodile and the traditional school tours of the Bank.

Bank of Jamaica aims to make communications clear and unambiguous and written in language that is non-complex and easily understood. Communications should only be as long as they need to be to communicate the issue effectively. Where concepts are complex these are to be broken down so that they can be appreciated and related to by the public at large and, where necessary, tailored to the specific target group or groups of interest.

6. MEASUREMENT AND EVALUATION

The Communications Department will collaborate with REPD and the Financial Stability Department in the development and implementation of periodic surveys, conducted at least biannually, to measure the success of the communication initiatives for the respective areas. Measures and indicators will be identified and agreed by the Communications Department and the respective units. The outcome of the surveys will be taken into account in the development of future initiatives and strategies.

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