GLOBAL ECONOMICS ANALYST

What Has the World Learned About Central Bank Communication?

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- Fed Chairman Kevin Warsh aims to revise the FOMC's communication strategy, with a goal of streamlining information and limiting forward guidance. In this *Global Economics Analyst*, we compare communications practices across major central banks and examine the effects of prior communication reforms.
- Global central banks have increased communication and transparency over the last 25 years. Nearly all central banks publish economic forecasts, hold press conferences after meetings, publish meeting minutes, and regularly use forward guidance as a policy tool. Relative to other central banks, the Fed is an outlier in publishing individual forecasts (particularly for interest rates) but is one of the few that does not publish a quarterly monetary policy report (it does so semi-annually). Recently, the Fed has provided more information on the policy outlook than other central banks via formal (e.g., minutes) and informal (e.g., public appearances) channels.
- The global shift to increased transparency has had clear benefits. Leveraging the cross-country evidence, we find that major central bank communication reforms that increased communication lowered year-ahead rates volatility by about 10%, with larger effects from the introduction of meeting minutes, press conferences, and forward guidance.
- More importantly, we find that better communication improves transmission of monetary policy. Using the average meeting-day policy surprises over the last 5 years as a proxy for communication effectiveness, we find that the transmission of policy surprises to our financial conditions indices (GS FCIs) is only 70% as effective for central banks at the median of the historical surprise distribution (vs. a no surprise benchmark).
- There are two frequently cited drawbacks to increased communication. First, central banks may be slower to adjust policy to incoming information that goes against guidance, but we find that guidance-providing central banks tend to (if anything) react more quickly to forecast surprises. Second, while too much communication could confuse markets and amplify volatility, we find little evidence that major central banks have reached a point where more information is counterproductive.

What Has the World Learned About Central Bank Communication?

Fed Chairman Kevin Warsh aims to revise the FOMC's communication strategy, with a goal of streamlining information and limiting forward guidance. Any changes will be deferred until after the Chairman's task force completes its review later this year. We expect that most of the debate around Fed communication practices will focus on changes to the Summary of Economic Projections (SEP), mostly because we think many Fed officials will be reluctant to take a major step away from policy transparency.

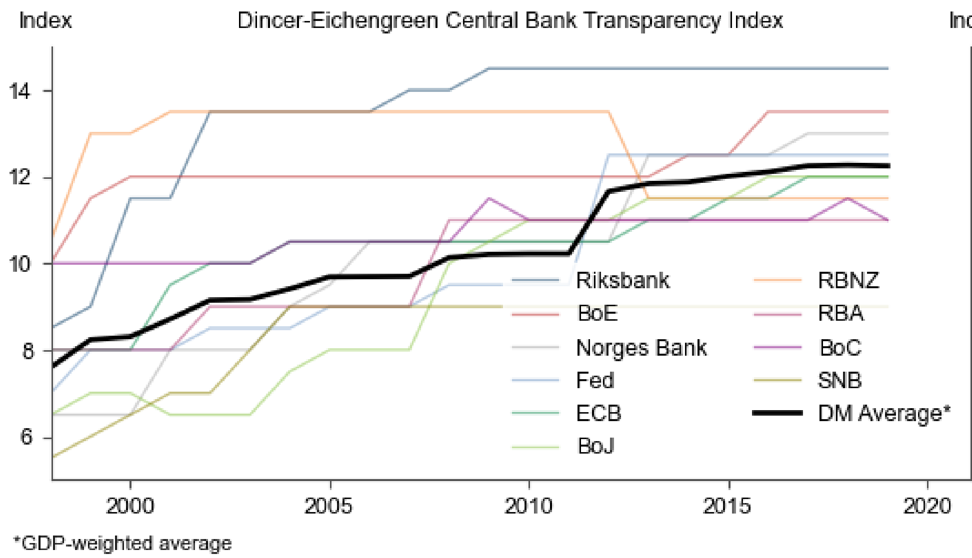
The outcome of the communications review is uncertain, however. The media reported that Warsh raised the possibility of reducing the number of rate-setting policy meetings to six per year (with two meetings devoted to broader economic topics) at the July FOMC meeting. Moreover, at the July press conference Warsh did not commit to holding post-meeting conferences beyond this year. As a result, changes to FOMC communications, and their potential impact on rates and FX markets, are top of mind.

In this *Global Economics Analyst*, we frame the current communications debate by 1) comparing current practices across major central banks and 2) examining how these changes have historically impacted monetary policy transmission.

Comparing Recent Trends in Central Bank Communication

The last 25 years have seen a consistent shift towards more transparent global central banking, with standard indices indicating increased communication, information provision, and transparency by nearly all major central banks (Exhibit 1). This shift was primarily driven by the recognition that managing market expectations is a key tool in managing the transmission of monetary policy, which led to increased use of post-meeting statements, regular press conferences, and other forms of communication to explain the rationale behind policy decisions. These changes are in notable contrast to historical practices where many central banks did not even announce changes in their policy rate targets.

Exhibit 1: Global Central Banks Have Shifted Towards More Transparency Over the Last 25 Years



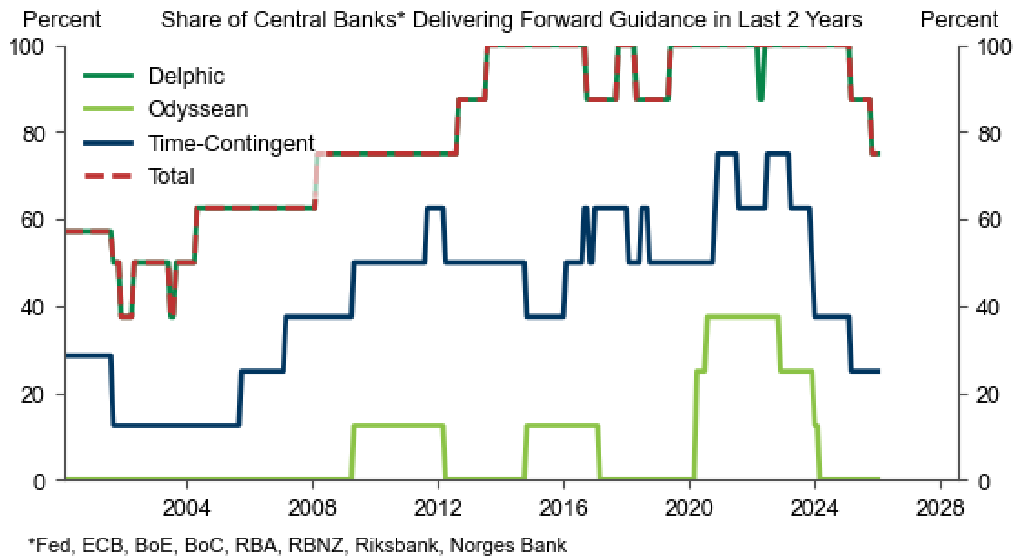
Source: Dincer et al. (2022), Goldman Sachs Global Investment Research

One example of the increase in transparency is the increased use of forward guidance. Using a dataset of forward guidance episodes compiled by Sutherland (2022) that takes a narrative approach to measure guidance usage (we extend the data through end-2025), Exhibit 2 shows that the share of central banks utilizing forward guidance increased from roughly 50% in the early-2000s to near 100% in the second half of last cycle and during the pandemic.[1]

The academic literature distinguishes between Delphic forward guidance (where central banks indicate a likely path for monetary policy without firmly committing to an explicit rate path) and Odyssean forward guidance (where policymakers make an explicit commitment to a future path of interest rates). Delphic guidance—which is often delivered via specific word choices that correspond to historical rate adjustments—accounts for the vast majority of our sample, with only four instances of Odyssean guidance (one each from the BoC, Riksbank, RBNZ, and RBA). These patterns suggest that central banks view firm commitments as an extraordinary policy tool when the zero-lower bound is binding. And while central banks have pulled back from providing guidance as inflation and economic uncertainty rose in the post-pandemic recovery, most central banks have continued to use some form of forward guidance over the last two years.

[1] Forward guidance in our dataset is defined as any statement that "provides direct information about the probable state of monetary policy in the future" (this definition includes the 'dot plot' in the Fed's SEP, even though Governor Warsh has refrained from providing guidance in the meeting statements or press conferences).

Exhibit 2: Central Banks Have Also Increased Use of Forward Guidance Since 2000



Source: Sutherland (2022), Goldman Sachs Global Investment Research

The increases in overall transparency and guidance highlighted in Exhibits 1 and 2 reflect changes in several communications policies. Exhibit 3 summarizes the current state of communication at major DM central banks, with the following key takeaways.

- **Decision process:** Most major central banks make policy decisions by vote after the RBA and RBNZ moved to this format in 2025 and 2026, respectively, but the BoC, Norges Bank and SNB make decisions by consensus (typically determined by the central bank head). Most central banks that determine policy by vote provide details of individual voting records (the outlier on this latter point is the ECB, which often reveals whether the vote was unanimous in its post-meeting press conference).
- **Meetings:** Most DM central banks hold 8 meetings per year, although the number has varied over time. For instance, the Riksbank reduced its number of meetings from 8 per year in the early 2000s to 5 in 2020 before returning to 8 in 2024, while the RBA cut back from 11 to 8 meetings per year in 2024. Most central banks hold press conferences after each meeting, although the BoE and Norges Bank only hold press conferences after every other meeting. All major central banks release meeting minutes in the intermeeting period.
- **Forecasts**: Most DM central banks (except for the Fed and ECB) publish a quarterly Monetary Policy Report with detailed economic forecasts. Economic forecasts generally reflect either staff or monetary policy committee (MPC) consensus, with only the Fed and BOJ publishing individual projections. Most central banks do not publish policy rate forecasts, and those that do (aside from the Fed) generally present a single modal rates path based on their economic projections.
- **Forward Guidance:** Nearly all DM central banks have provided some form of forward guidance in meetings over the last several years, although most central banks (besides those that publish rates forecasts) have not provided guidance at recent meetings.

We draw three conclusions for the Fed from the patterns highlighted in Exhibit 3. First, the Fed is an outlier in providing individual forecasts (even if unattributed to specific committee members) relative to other DM central banks, a pattern suggesting more transparency. Second, the Fed is one the few DM central banks that does not publish a centralized monetary policy report each quarter (the Fed shares its Humphrey-Hawkins report with Congress twice a year), a pattern suggesting somewhat less transparency. Third, the shift away from any form of forward guidance desired by Chairman Warsh would reflect a notable divergence from recent practice for most central banks (although several central bank leaders acknowledged that forward guidance is less useful in times of economic uncertainty at the ECB's recent Sintra conference), a pattern suggesting less transparency.

Exhibit 3: Relative to Other Central Banks, the FOMC Provides More Information About Individual Forecasts and Policy Expectations, but Is an Outlier in Not Publishing a Quarterly Monetary Policy Report

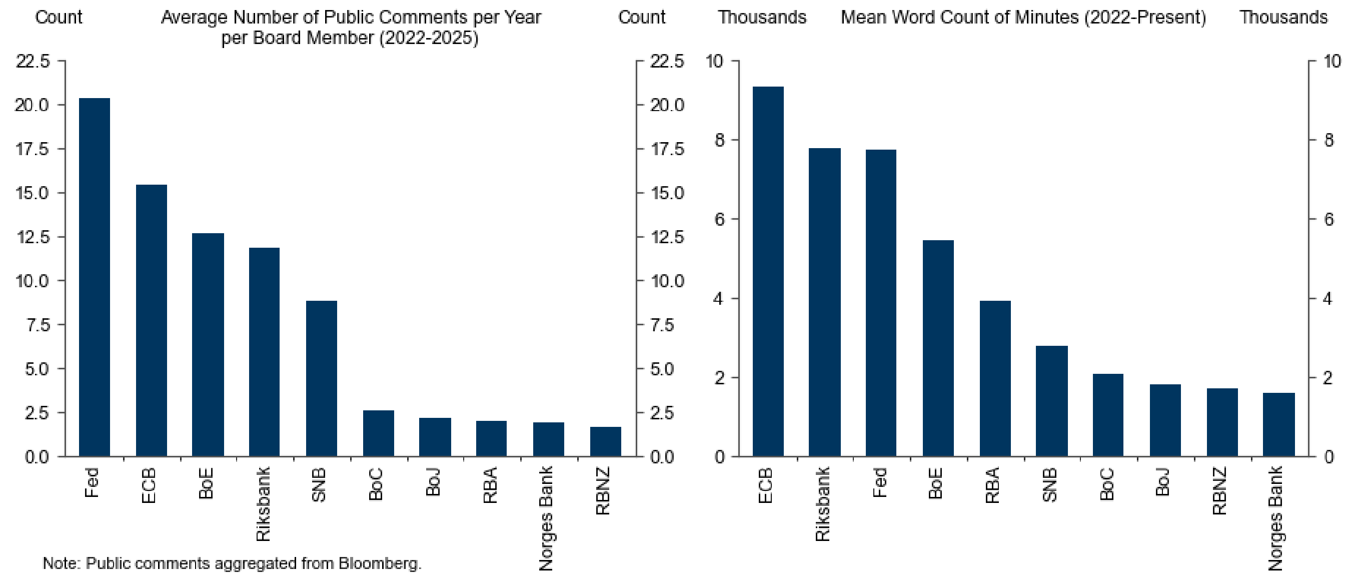
	Decision process		Meetings			Forecasts				Forward guidance	
	Decision process	Publishes voting records?	Meetings / year	Press conferences / year	Delay until publication of minutes	Publishes MPR?	Publishes scenarios?	Forecast ownership	Publishes rate forecast?	Forward guidance frequency / year (last 10 years)	Explicit forward guidance today?
Fed	By vote	Attributed	8	8	Three weeks	Semiannually	Never	Individual	Individual	8	Yes
ECB	By vote	No	8	8	Four weeks	No	Sometimes	Staff	No	6	No
BoJ	By vote	Attributed	8	8	One month	Quarterly	Never	Individual	No	7	Yes
BoE	By vote	Attributed	8	4	On meeting date	Quarterly	Sometimes	MPC	No	7	No
BoC	Consensus	N/A	8	8	Two weeks	Quarterly	Sometimes	MPC	No	5	No
RBA	By vote	Unattributed	8	8	Two weeks	Quarterly	Sometimes	Staff	No	5	No
RBNZ	By vote	Attributed	7*	7*	On meeting date	Quarterly	Sometimes	MPC	MPC	7	Yes
Riksbank	By vote	Attributed	8	8	Five days	Quarterly	Sometimes	MPC	MPC	8	Yes
Norges Bank	Consensus	N/A	8	4	On meeting date	Quarterly	Sometimes	MPC	MPC	8	Yes
SNB	Consensus	N/A	4	4	Four weeks	Quarterly	Sometimes	MPC	No	0	No

*8 from 2027 onwards

Source: Goldman Sachs Global Investment Research

The holistic takeaway from Exhibit 3, however, is that the Fed has recently been more transparent than other central banks, mainly because it provides more details on individual FOMC members' economic and rates forecasts. Other patterns generally support this overarching takeaway. As shown in Exhibit 4, the Fed generally has provided more information about its policy outlook through formal (e.g., detailed meeting minutes) and informal (e.g., public comments by committee members) channels over the last 4 years.

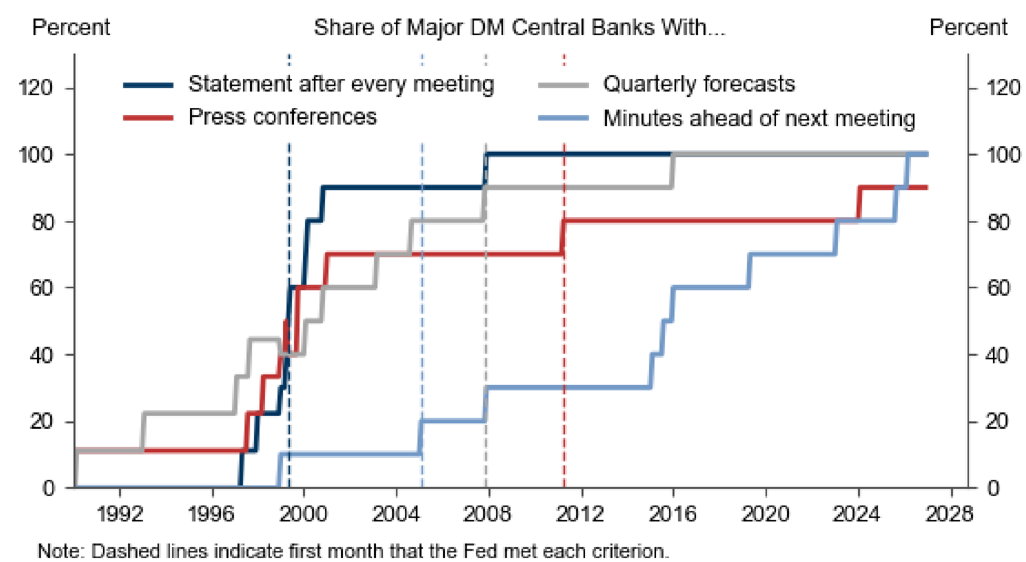
Exhibit 4: The FOMC Provides More Information than Other Central Banks via More Frequent Public Appearances and More Detailed Meeting Minutes



Source: Bloomberg, Federal Reserve, ECB, Bank of Japan, Bank of England, Bank of Canada, Reserve Bank of Australia, Reserve Bank of New Zealand, Sveriges Riksbank, Norges Bank, Swiss National Bank

Nevertheless, and even though economists and central banks have come to appreciate a more transparent Fed, the Fed has not always been a leader in providing information. Exhibit 5 shows that, while the Fed was early among central banks to regularly publish minutes summarizing meeting deliberations, it was relatively late to announce the outcome of policy meetings (and only began announcing market operations in 1994), adopt press conferences, regularly publish forecasts, and publish meeting statements.

Exhibit 5: The Fed Has Not Always Been a Leader in Implementing Communication Reforms



Source: Goldman Sachs Global Investment Research

Relative to its current status as one of the most communicative and transparent central banks, a moderate pullback in communication and information could reflect a return to cross-country and historical norms, particularly if communication policy changes lead to less information around individual economic and rates views.

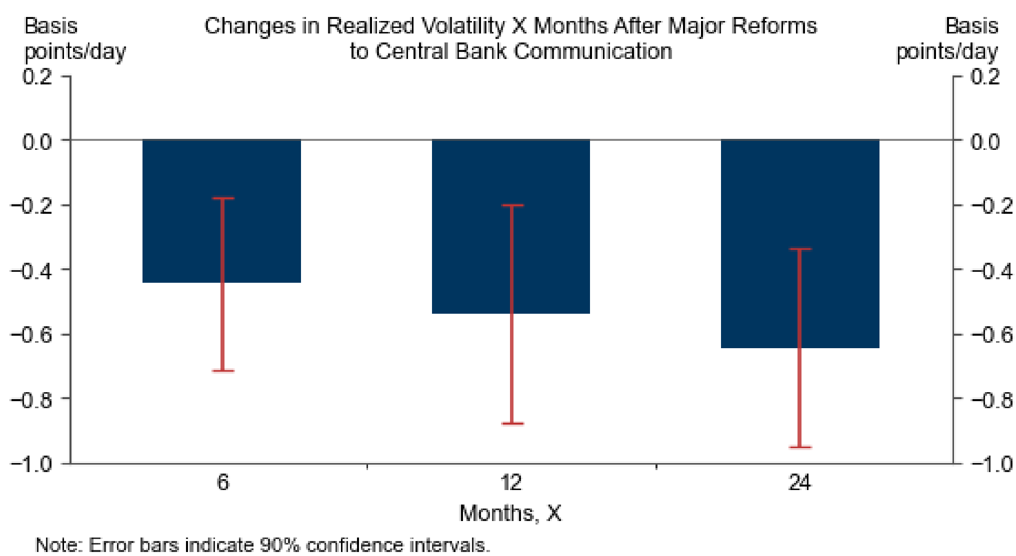
Benefits of Increased Communications

The global shift to more guidance and increased transparency over the last 25 years yielded benefits, mainly via a reduction in interest rate volatility—which supports the economy by stabilizing borrowing costs and boosting consumer and business confidence and supports long-term financial planning—and more effective transmission of policy via financial conditions.

To demonstrate that increased transparency reduces rates volatility, we compile data on DM central bank communications policy reforms which led to greater transparency since 2000 (e.g., introduction of minutes, introduction of press conferences, and publication of forecasts). We then regress year-ahead rates volatility (measured as the one-month standard deviation of daily changes in 1y forward 1y swap rates) on binary dummies for these communication policy changes while controlling for time and country/event fixed effects (we restrict our sample to exclude months when the zero lower bound is binding). Our empirical specification therefore identifies the relative change in volatility in the treated country by controlling for global economic conditions and the counterfactual rates volatility path via our time fixed effects and the evolution of rates volatility in economies where communication policy was not changed.

The results of this exercise are shown in Exhibit 6. We find that reforms favoring transparency led to a 0.5bp/day reduction in realized forward rates volatility after 6 months, with the effect rising to 0.6bp/day over two years as market participants become more familiar with the updated communication framework. These effects are modest (corresponding to a roughly 10% reduction in daily rates volatility) but nonetheless highlight that increased transparency and guidance have contributed to the long-run decline in policy rate uncertainty and volatility.

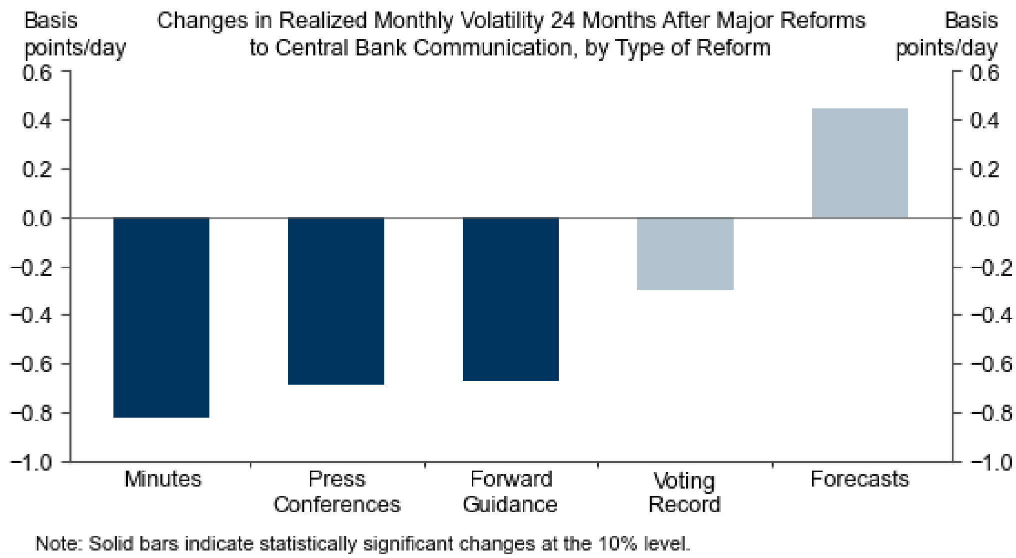
Exhibit 6: Reforms that Increase Information Have Generally Lowered Policy Volatility...



Source: Goldman Sachs FICC and Equities, Goldman Sachs Global Investment Research

We also exploit our data set to examine which specific communication policy changes drove the reduction in rates volatility. As shown in Exhibit 7, we find that effects from the introduction of minutes, press conferences, and forward guidance were slightly larger. In contrast, we find that the introduction of economic forecasts was followed by an increase in volatility, although the effect is insignificant.

Exhibit 7: ... With Larger Negative Effects from Press Conferences, Publishing Forecasts, and Utilizing Forward Guidance



Source: Goldman Sachs FICC and Equities, Goldman Sachs Global Investment Research

More importantly, we find that increased communication and transparency has led to more effective transmission of policy via financial conditions.

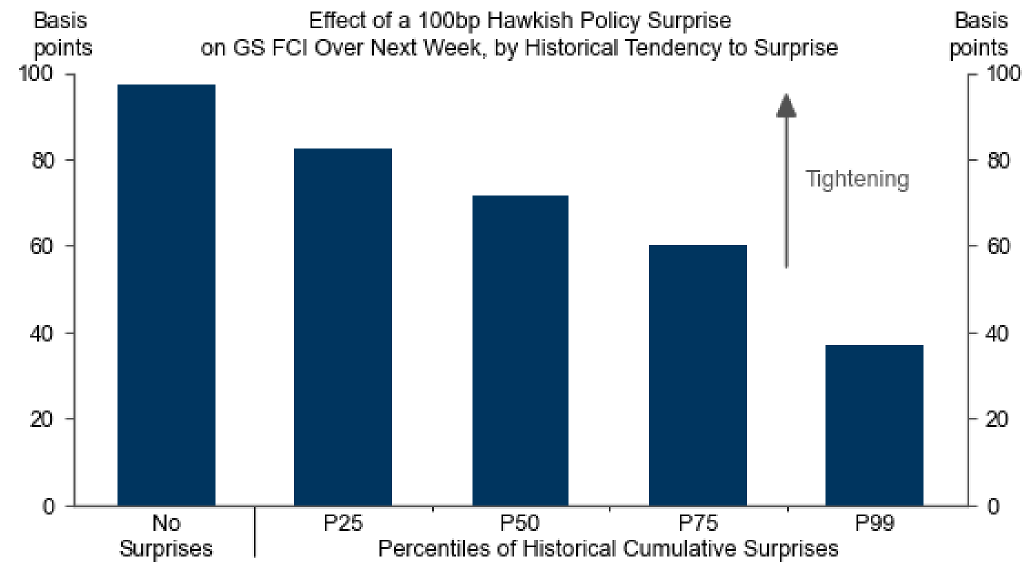
To demonstrate, in Exhibit 8 we estimate how policy surprises affect financial conditions—measured using our GS financial conditions indices—conditional on the average meeting day surprise over the last five years (we see this conditioning variable as a summary measure of communication effectiveness and use a longer lookback window to limit the extent to which cyclical surprise dynamics impact our results).

Specifically, we use a DM panel to regress changes in week-ahead financial conditions on central bank meeting day surprises while controlling for time and country-fixed effects. Our empirical specification therefore identifies the relative change in financial conditions induced by a policy surprise while controlling for aggregate macro/market conditions via our fixed effects and the evolution of financial conditions in other economies where central banks did not meet. We do not interpret our results as informing how upcoming communication policy changes could affect meeting day market dynamics going forward, but rather use meeting day surprises as a plausibly exogenous source of policy rate variation to help identify policy transmission.

Our estimates suggest that a 100bp hawkish policy surprise leads to 100bp FCI tightening if a central bank has not surprised recently, but only 70bp for central banks at the median of the historical surprise distribution, 60bp at the 75th percentile, and 40bp at the 99th percentile.

These patterns suggest that financial markets may be reluctant to fully incorporate policy signals if they view policy surprises as less credible or persistent or if they confuse the interpretation of the central bank's reaction function. If financial markets subsequently discover that the policy surprise is indeed followed by a more persistent policy shift that subsequently tightens (or loosens) financial conditions, then the impact on the real economy will arrive later, thereby undesirably extending the lag of the effect of policy on the real economy.

Exhibit 8: Transparency and Credibility (Proxied via Smaller Meeting Day Surprises) Have Contributed to More Effective Transmission of Policy through Financial Conditions



Source: Bloomberg, Goldman Sachs Global Investment Research

Are There Drawbacks to More Communication?

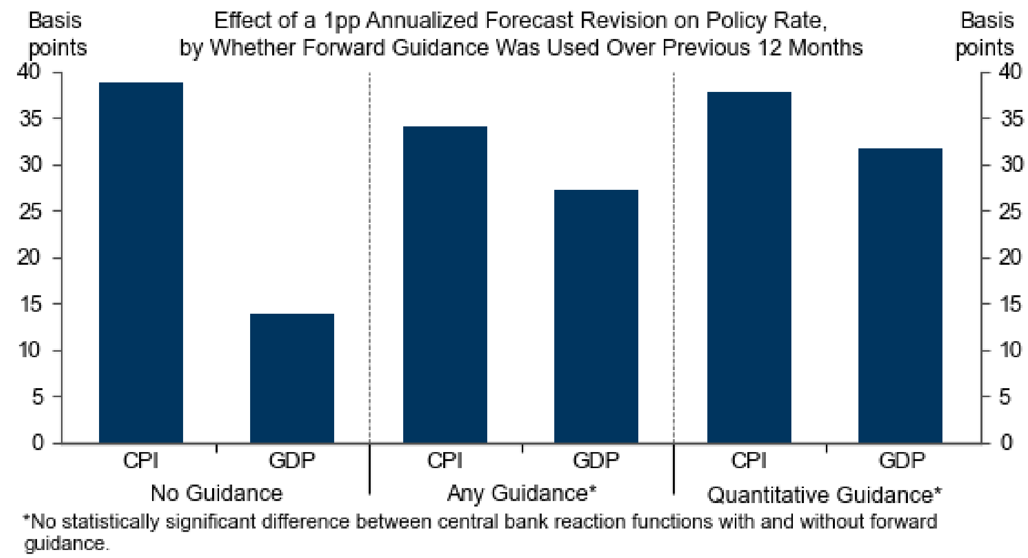
There are two frequently cited drawbacks to increased transparency and communication.

First, academic studies have argued that central banks that are worried about maintaining credibility around projections may be more reluctant and slower to respond to information that cuts against their forecasts. But we find that guidance-providing central banks tend to (if anything) react more quickly to forecast surprises.

To assess this question, we compile cumulative year-ahead forecast surprises, which we define as the sum of GDP and inflation realizations (vs. benchmark forecasts) and the 2-year ahead forecast revisions (vs. benchmark forecasts). We then regress year-ahead policy outcomes on these same variables while also controlling for lagged policy rates and country fixed effects. We interact our cumulative forecast surprise measures with a general and quantitative guidance indicator (based on the Sutherland (2022) forward guidance dataset shown in Exhibit 2) to estimate whether providing guidance leads to a more delayed reaction.

The results of this exercise are shown in Exhibit 9. Our estimates suggest that central banks that provide forward guidance react similarly to inflation surprises as those that do not and react more to GDP surprises. While we are hesitant to over-extrapolate these results—especially since the coefficients on our interaction terms are statistically insignificant, and anecdotally guidance seemed to contribute to major central banks' reluctance to pivot to hikes during the early days of the post-pandemic inflation surge—these estimates push back against the narrative that providing guidance significantly dampens policy responses.

Exhibit 9: Central Banks That Provide Guidance, if Anything, Have Been Quicker to Adjust Policy in Response to Surprises to their Forecasts

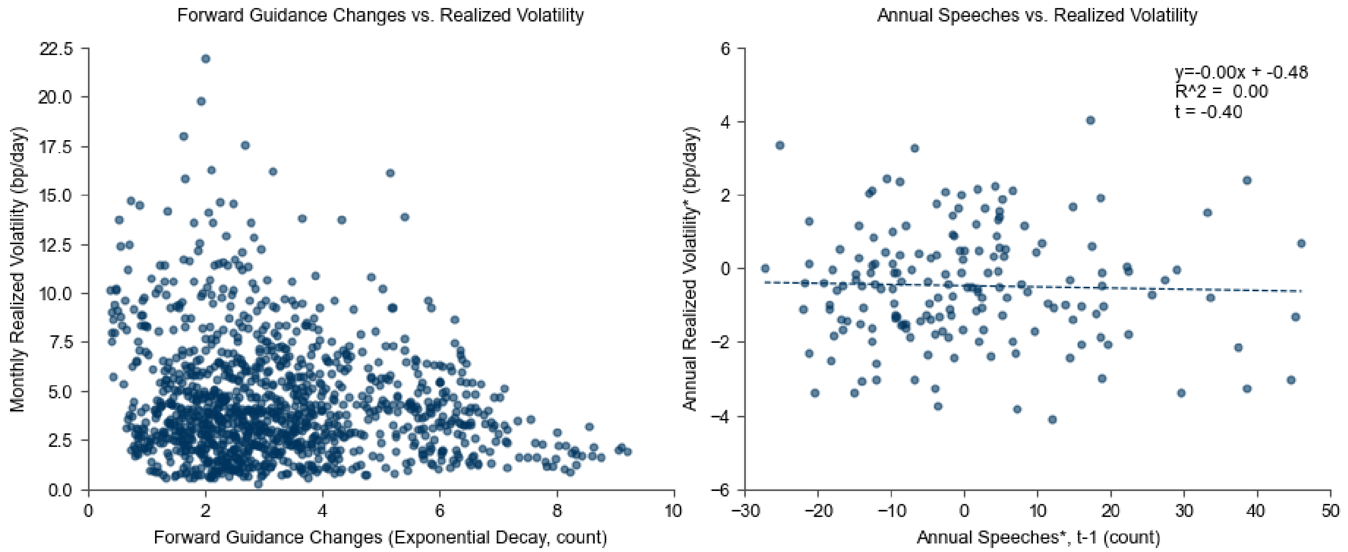


Source: Sutherland (2022), Haver Analytics, Goldman Sachs Global Investment Research

Second, we find little evidence that major central banks have reached a point where too much communication increases volatility, a channel flagged by recent academic studies.

The left chart of Exhibit 10 shows that the two-year total changes in forward guidance (again based on the extended Sutherland (2022) dataset) is associated with a decline in year-ahead policy-rate pricing volatility, although the marginal benefit of more frequent updates appears to diminish rapidly. The right chart of Exhibit 10 shows an essentially flat relationship between the (normalized) number of central banks speeches and rates volatility. The lack of any visible uptick at higher communication levels in either chart suggests that DM central banks are not at a point where further communication is counterproductive, although Exhibit 10 suggests that the marginal benefits of more communication may be limited.

Exhibit 10: The Marginal Benefit of More Information Diminishes Quickly, but So Far Central Banks Have Not Reached a Point Where Overcommunicating Leads to Market Confusion and Increased Volatility



*Controlling for country and time FEs.

Source: Goldman Sachs FICC and Equities, Bloomberg, Sutherland (2022), Goldman Sachs Global Investment Research

We draw two conclusions from our analysis that are relevant for the FOMC's communication task force and outlook. While the ultimate impact will depend on the details, a modest pullback in FOMC communication and transparency could bring it back in line with other major central banks without imposing significant costs. At the same time, a more significant shift away from current best practice may make monetary policy less effective.

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