



National Bank
of Ukraine

Crisis communication on monetary policy as the (new) normal

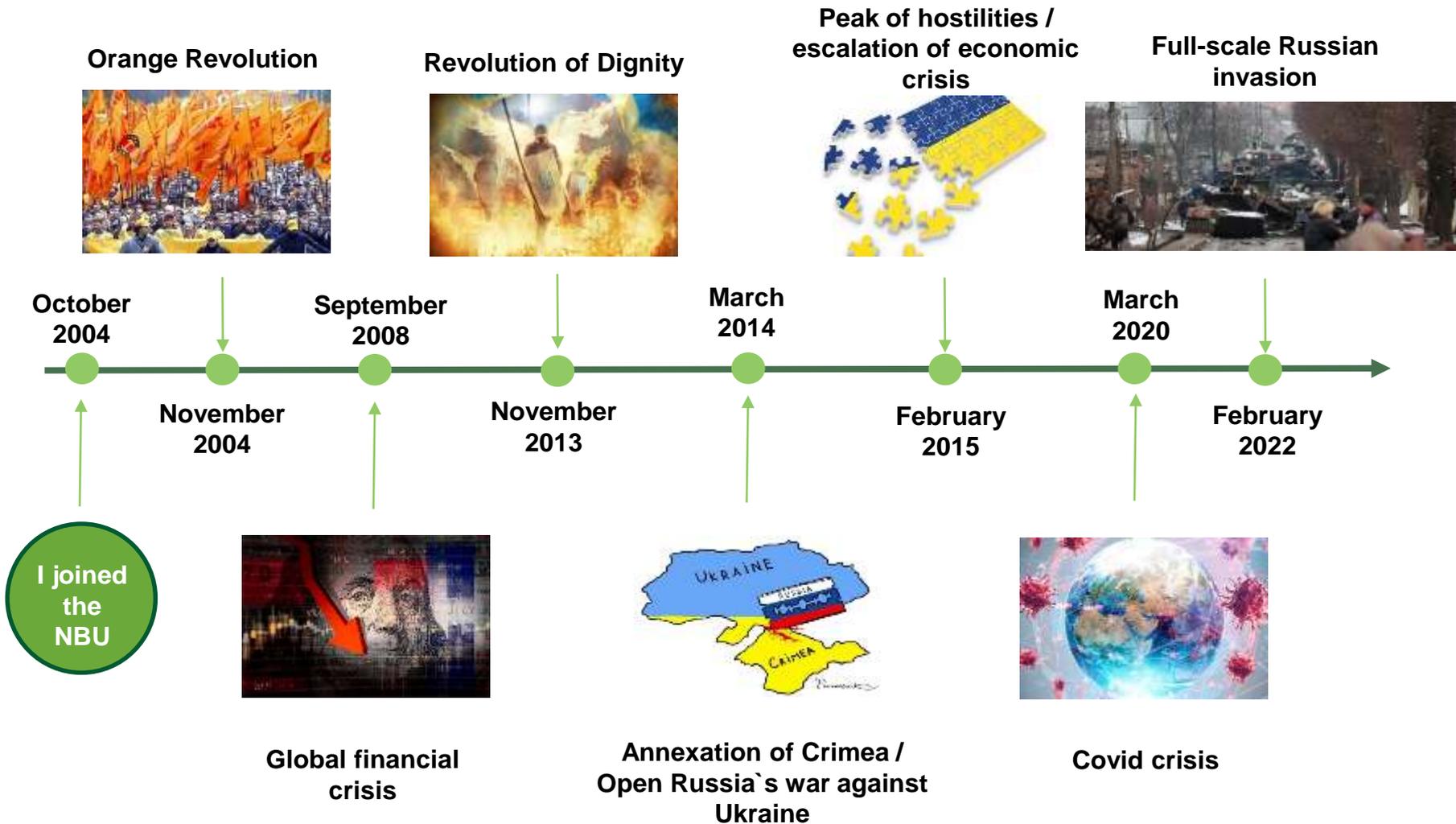
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Economic Analysis Department

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I guess about the reasons to be invited to cover the topic



Contents

- The integrity of the central bank and consistency of monetary policy as the preconditions to openness
- Increasing central bank openness on monetary policy during a highly challenging operating environment
- Example of “crisis communication” to the markets and the public
- Ingredients of successful strategies and steps to be avoided
- Spreading policy messages via social media: some advice



The integrity of the central bank and consistency of monetary policy as the preconditions to openness

The present: Clear Monetary Policy decision-making as key prerequisite for communication

MP Formulation

(focusing at the macroeconomic effects of monetary policy decisions)

Analysis of data, forecasts, policy analysis and proposals



Collection of data and information about lower frequency economic events

Board/MPC
Policy Decision about the operational targets

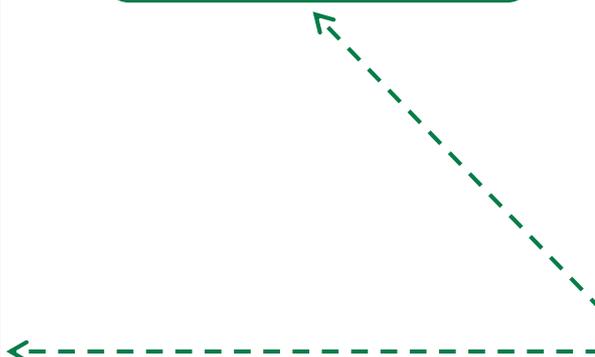
MP Implementation

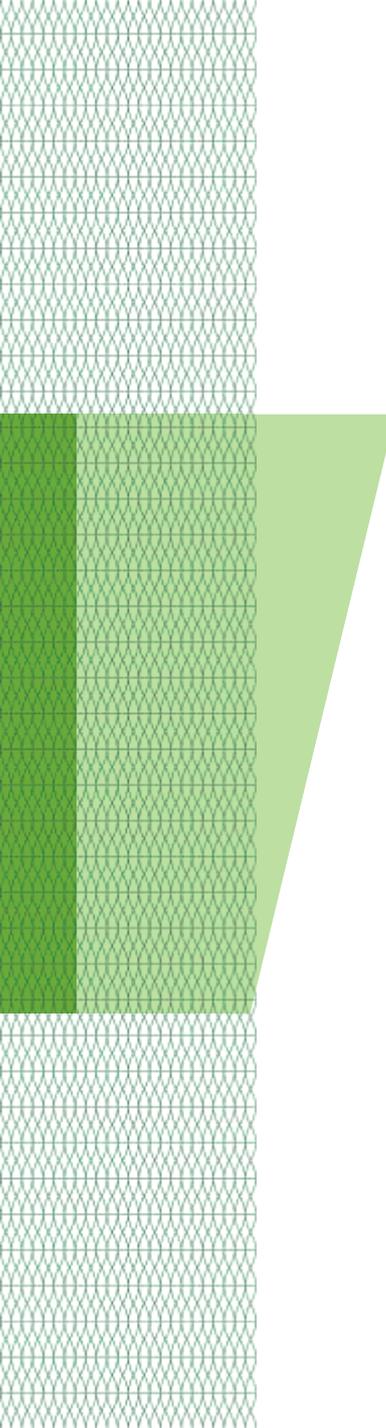
(focusing at the achievement of operation targets)

Decisions about the usage of individual instruments



Operations in the money and FX markets





**Increasing central bank openness on
monetary policy during a highly
challenging operating environment**

Implementation of best practice in communications is bringing central bank to another reality (case of the NBU)



**NO
TALKING!**

NBU in 2013

Increase in transparency goes in line with complex reform of the NBU

NBU in 2019



Strategy of monetary policy:
clear numerical targets



Established decision-making & operational design of MP



Regular & proactive monetary policy communications
(press release, press briefing, Inflation Report, Minutes,
key policy rate forecast)



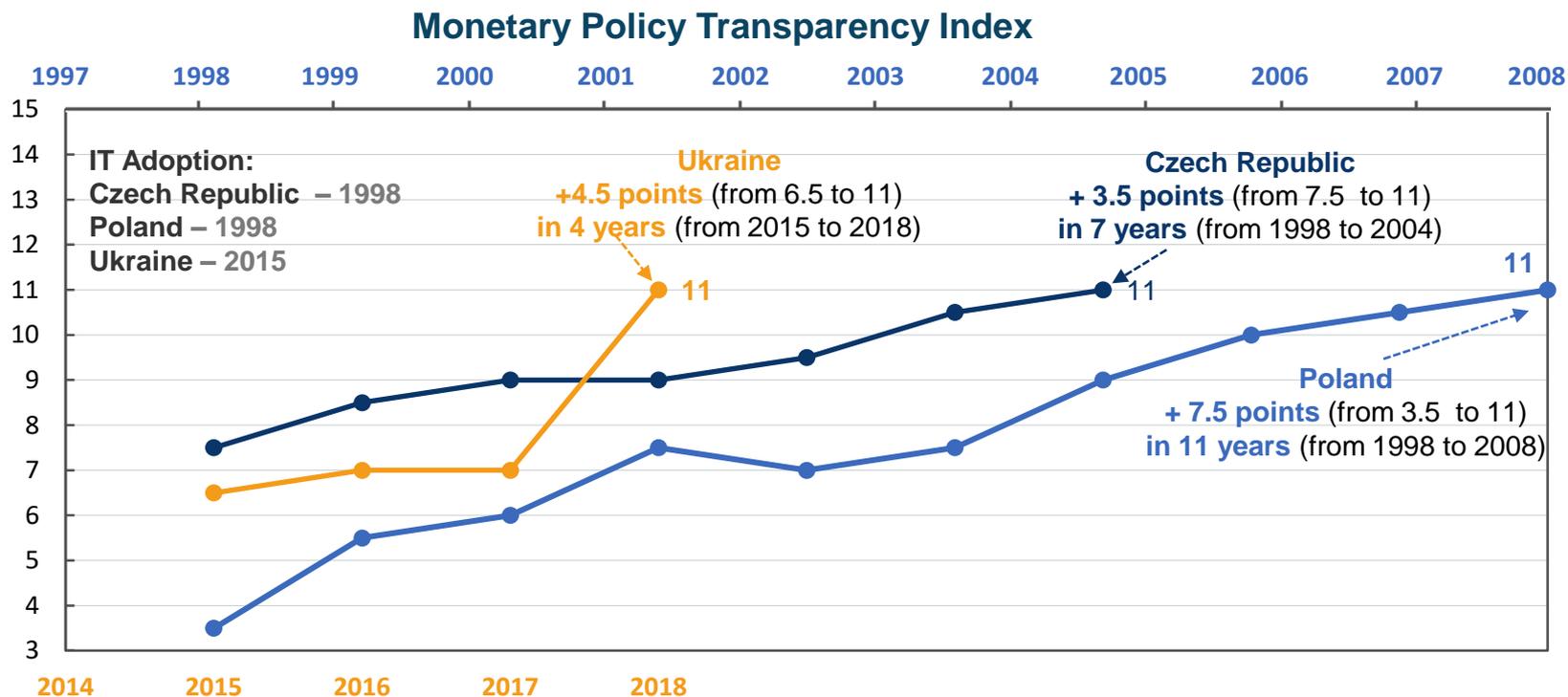
Broad public access to data



Expanding of communications in non-MP areas (financial stability, banking supervision, payment systems, etc.)



Central banks in emerging economies may use existing experience of past decades in order to achieve fast results

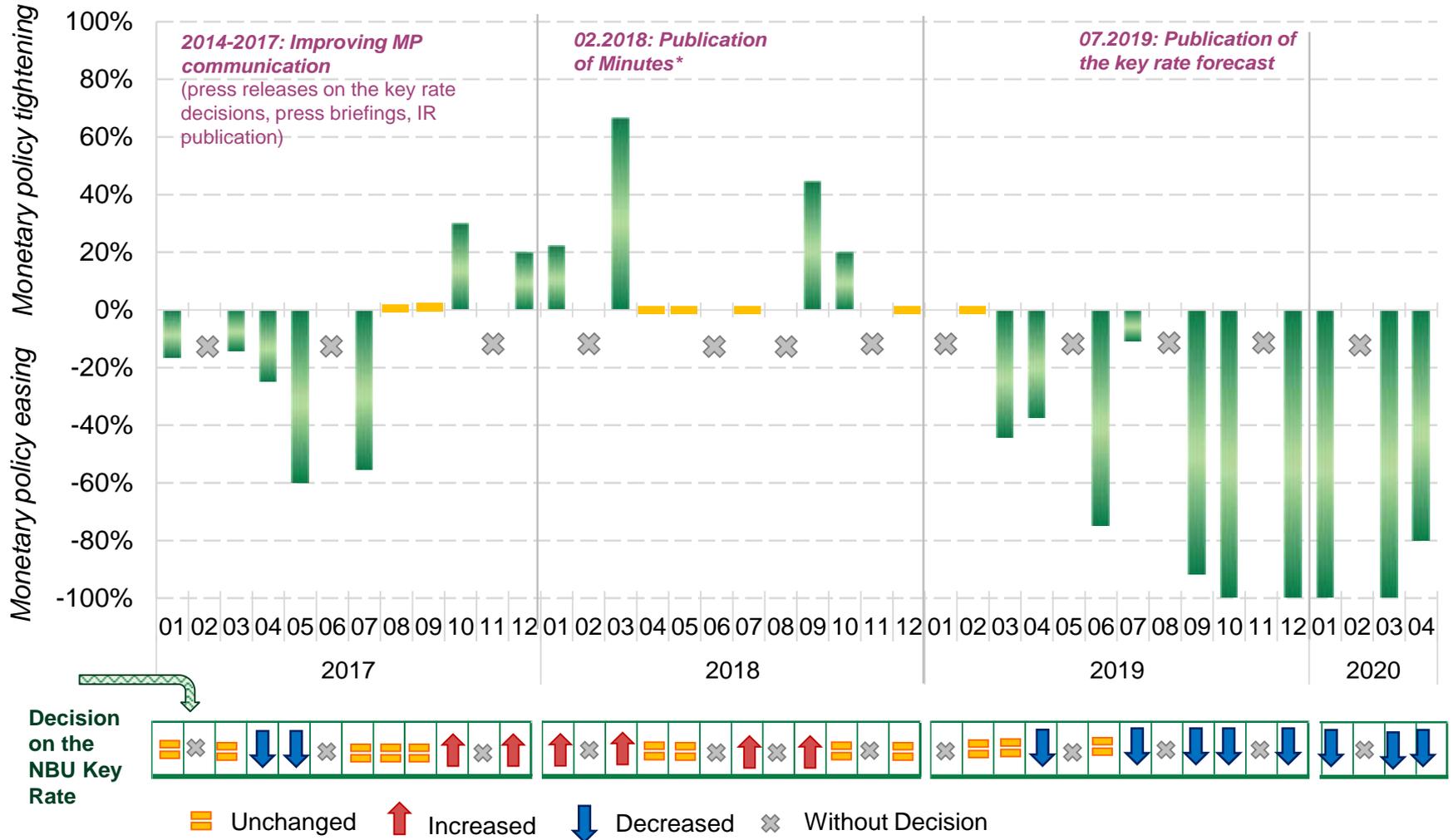


The NBU, following the examples of leading central banks on targeting inflation, has an opportunity to minimize the time lag between IT adoption and achieving a high level of monetary policy transparency

The more the NBU's monetary policy is transparent, the more predictable it is

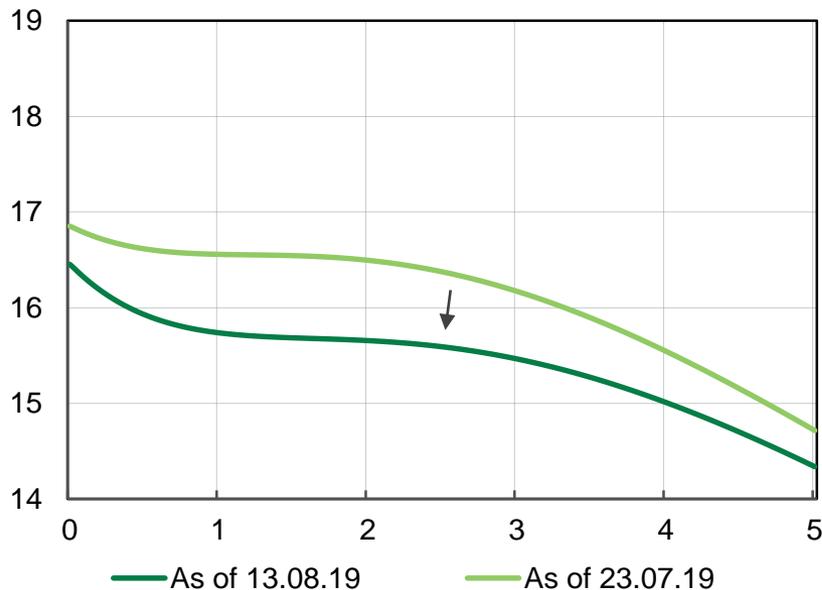
Survey of financial analysts:

What changes in monetary policy do you expect?



Communication can have material effects! Results of the NBU publication of key rate forecast in 2019

Zero Coupon Yield Curves for Hryvnia Bonds on the Secondary Market*, %



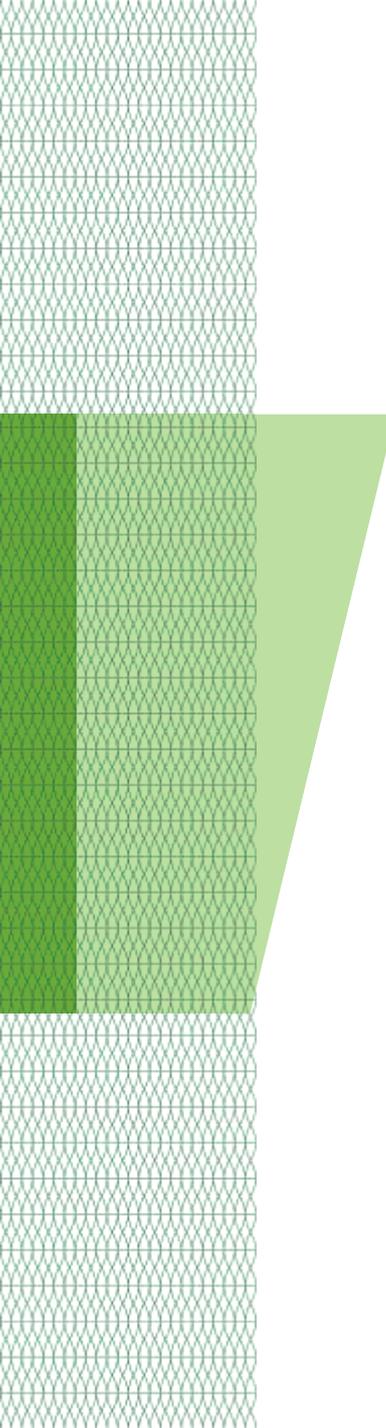
*Spot rates with continuously compounded interest plotted using Svensson parametric model.

Source: NBU.

Publication benefits:

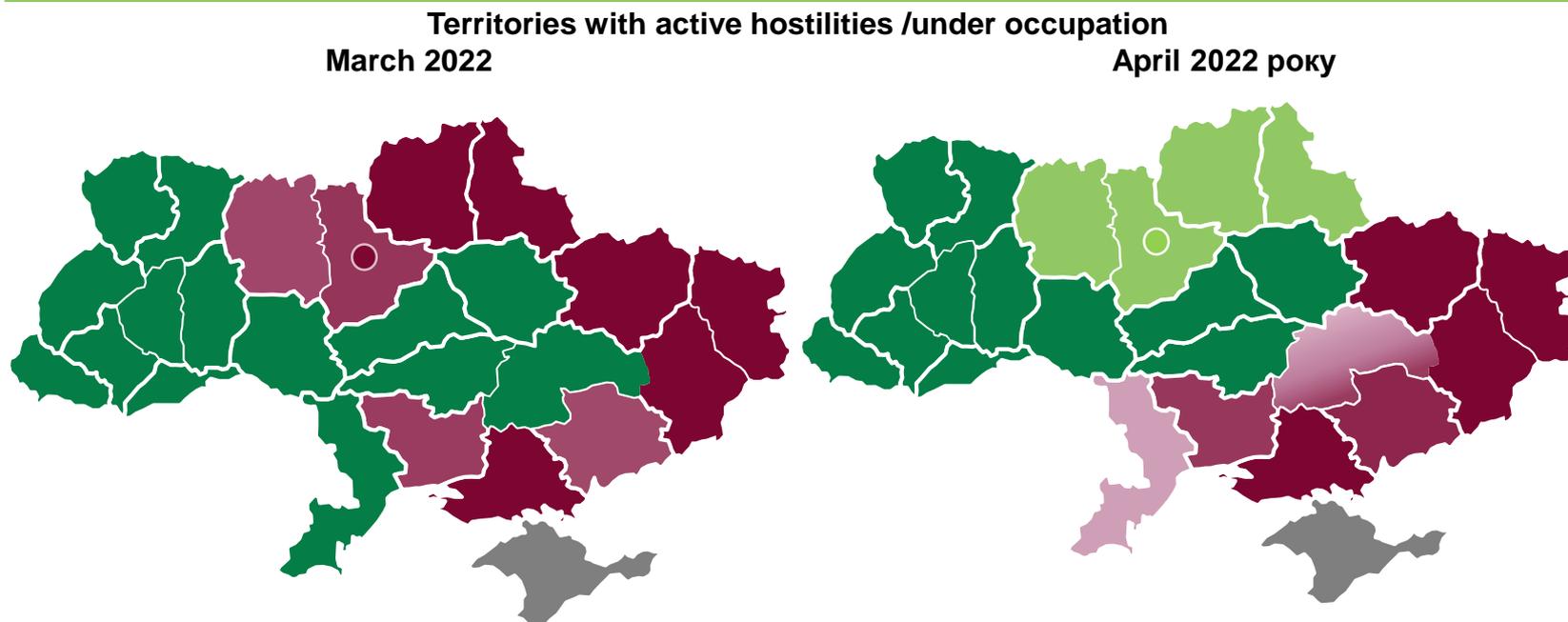
- Better understanding of future monetary policy
- Transmission channel strengthening due to wider information coverage
- Lower risk premium due to policy predictability
- Higher quality of decision making process

- Yield curve, particularly in its mid-term segment, has responded to both, key policy rate cut in July 2019 (-50 bp) and the publication of downward key rate forecast



**Example of “crisis communication”
to the markets and the public**

Pre-context of communication: shock of the first days of the invasion



Source: NBU.

Plan B needs to be prepared and updated

The bombardment of Ukraine started at 4:00

At the beginning of business day, **9:00**, the NBU published **the list of measures it introduced to sustain financial stability**

How Ukraine's Banking System and FX Market Will Work from 24 February 2022 Under Martial Law Throughout Ukraine



The National Bank of Ukraine has passed a Resolution outlining how Ukrainian banks will operate now that martial law has been imposed throughout the country. Martial law is a special regime under which:

- Banks ensure the uninterrupted operation of their branches unless doing so puts at risk the lives and health of the public.
- Banks continue to operate subject to the restrictions stipulated by this Resolution.
- Banks provide uninterrupted access to safe deposit boxes.
- It is ensured that all cashless payments go through without limitation.
- ATM cash replenishment is carried out without restrictions.
- The NBU provides unlimited cash support.
- The NBU grants unlimited unsecured refinancing loans to banks, with up to one-year maturity and an option to extend the loan by another year, so that banks can maintain their liquidity.
- Payments to and by the Ukrainian government are made without restrictions, in accordance with legislation governing this special period.

The Resolution also imposes temporary restrictions, effective 24 February 2022. Those include measures that:

- suspend the operation of Ukraine's FX market, except for FX sales by customers
- fix the official exchange rate for 24 February 2022
- limit cash withdrawals from client accounts to UAH 100,000 per day (excluding salaries and social benefits), except for businesses and institutions that ensure the implementation of the government's mobilization plans (objectives) and entities that have the NBU's special permission to operate without paying commissions
- prohibit the release of cash from client accounts in foreign currency, except for businesses and institutions that ensure the implementation of the government's mobilization plans (objectives) and entities that have the NBU's special permission

....

These measures aim to ensure the reliable and stable operation of Ukraine's financial system and facilitate the fullest support for activity of the Armed Forces of Ukraine, as well as the smooth operation of critical infrastructure.

We started communicating the risk of full-scale war long before invasion..

«**..other proinflationary risks** continue to loom large. Those include an escalation of Russian military aggression against Ukraine».

**Wording from monetary press-release,
October 2021**

«**Key risks** are posed by an escalation of the military conflict with Russia and a longer global price surge than expected earlier».

**Wording from monetary press-
release, December 2021**

«**The greatest risk** for the Ukrainian economy, and hence for the macroeconomic forecast, lies in a further rise in geopolitical tensions and the potential escalation of the military conflict in Ukraine».

**Wording from Inflation report,
January 2022**

Complete reshuffle of the monetary policy as the reaction to the invasion – simple solutions sometimes work the best

Maintaining price and financial stability

In peacetime

The **key policy rate** is the main monetary policy instrument

Forward-looking monetary policy decisions

Monetary policy operational design is for **the effectiveness of key policy rate**

Maintenance of the **floating exchange rate**

FX interventions in order to smooth out excessive exchange rate fluctuations

Focus on **winding down FX restrictions and currency liberalization**

Prohibition on monetary financing of the state budget

During the martial law regime

Postponing the key policy rate decision

Day-to-day business

Market-maker of last resort: ensuring a proper level of liquidity and banks' flexibility in its management

Fixed exchange rate as a nominal anchor for expectations and an anti-inflationary tool

FX interventions as **the main monetary operation**

Restrictions on FX transactions and capital flight to maintain fixed exchange rate

Monetary financing of the state budget

Stay transparent and honest

- ❖ The NBU decided to provide monetary financing to the Government. We realize all the risks connected with fiscal financing. That is why **we completely avoided such types of policies before the war**
- ❖ However, to ensure that Ukraine can firmly repel Russia's large-scale armed aggression, the NBU has been supporting Ukraine's state budget. This has also ensured the uninterrupted funding of the public finance system
- ❖ The NBU **has only provided limited amounts of funds**, so that the government can meet its critical expenditures. In so doing, the NBU has maintained **full transparency** by making every transaction public

The NBU will use monetary financing to meet only critical expenditures of the government. The central bank will seek to abandon this instrument as soon as possible.



NBU Purchases Higher Volumes of War Bonds in Ukraine in April, Calls for Ramping Up Market Borrowings



NBU Urgently Transfers Almost UAH 19 Billion to State Budget of Ukraine

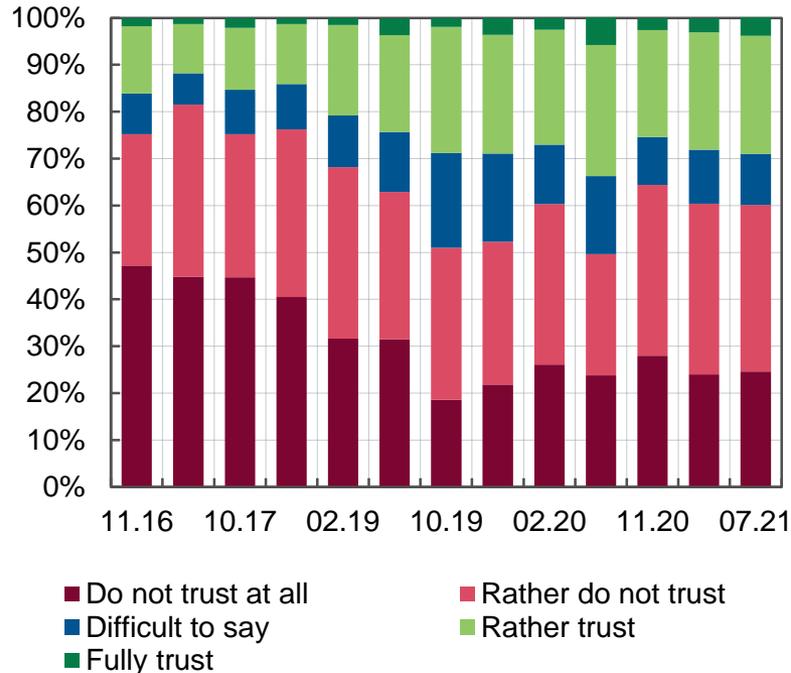
Stay committed

- The NBU has committed to resume the pursuit of its inflation targeting regime with a floating exchange rate as the Ukrainian economy and financial system return to their normal mode of operation
- The NBU will strive to completely abandon the financing of the state budget deficit as soon as it can



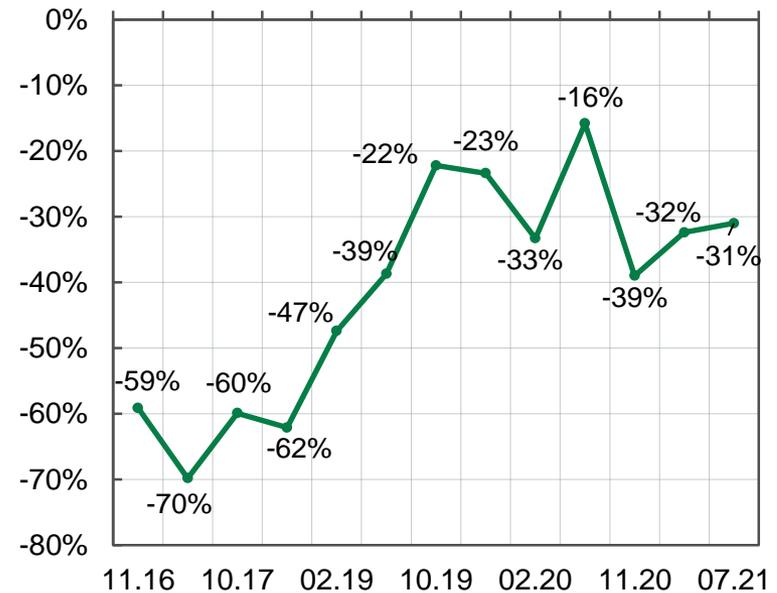
Trust is the most valuable resource for the central bank

The level of public confidence in the NBU



Source: [Razumkov Centre](#) sociological studies

Trust-mistrust balance*



*Difference between **share of those who trust** and **share of those who don't trust it**

Source: [Razumkov Centre](#) sociological studies

- For three years NBU's balance of trust increased **from -69.8% in November 2016 to -15.8% in April 2020**
- The level of trust in the NBU is sensitive to changes in social, political and economical environment in Ukraine: **drop in the level of trust** was happening in 2020 against the backdrop of the coronavirus crisis (i.e.: growth of inflation, fall in GDP, increase in unemployment, temporary Hryvnia devaluation)

React to feedback from banking and private sector

The NBU enhanced its internal communication (special chat for B-1) to resolve the complains and quickly reacted to requests and notifications about the problems



Operational headquarters



Solutions are communicated via all the channels to the public

Follow us:

National Bank of Ukraine



Financial literacy in Ukraine



Money Museum



Contact us in messengers:



Social media were the main channel to deliver information in the face of migration waves and fake news

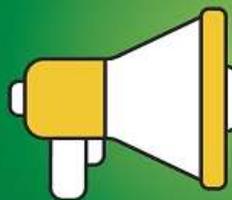
Національний банк України

Роз'яснення

Перекази в Україну та за кордон.
Що дозволено?



Національний банк України



фейк
фейк
фейк

Спростування

Національний банк України

Обережно!

Нові шахрайські схеми під час війни



Explainers were widely used to relieve anxiety

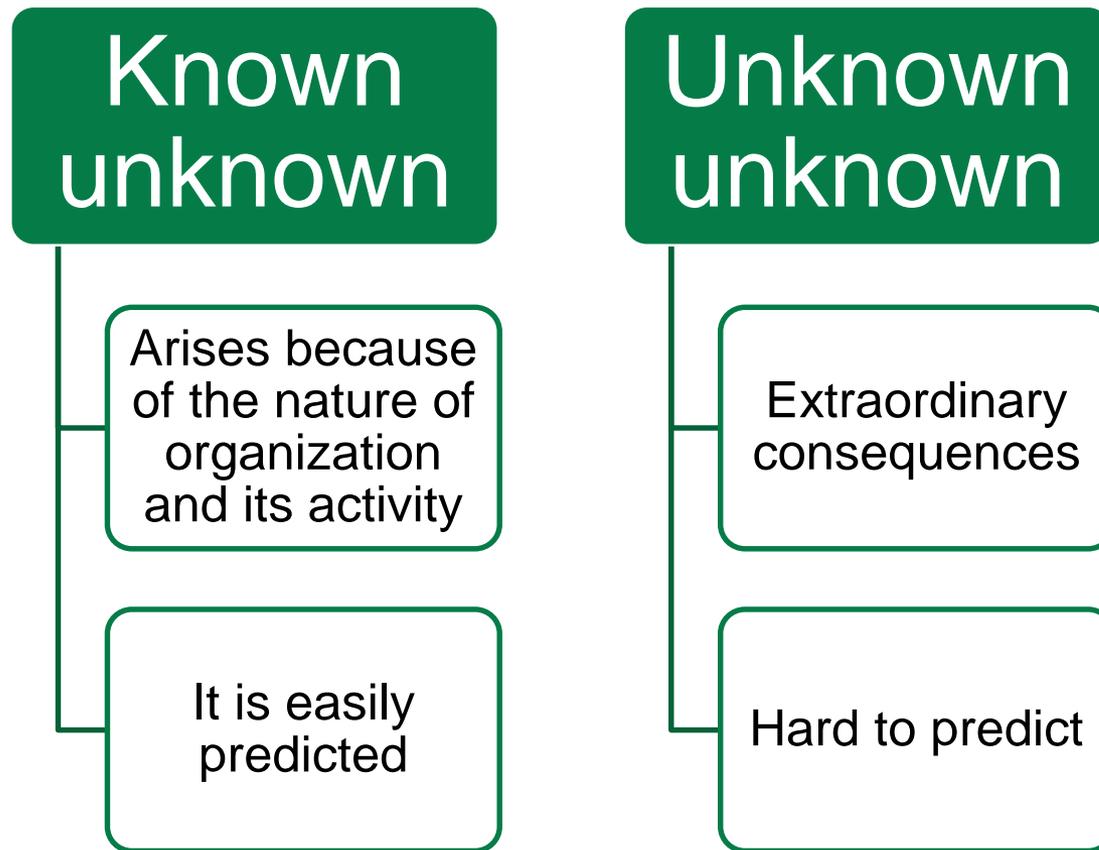


Also we made warnings about fraudulent schemes which began to spread



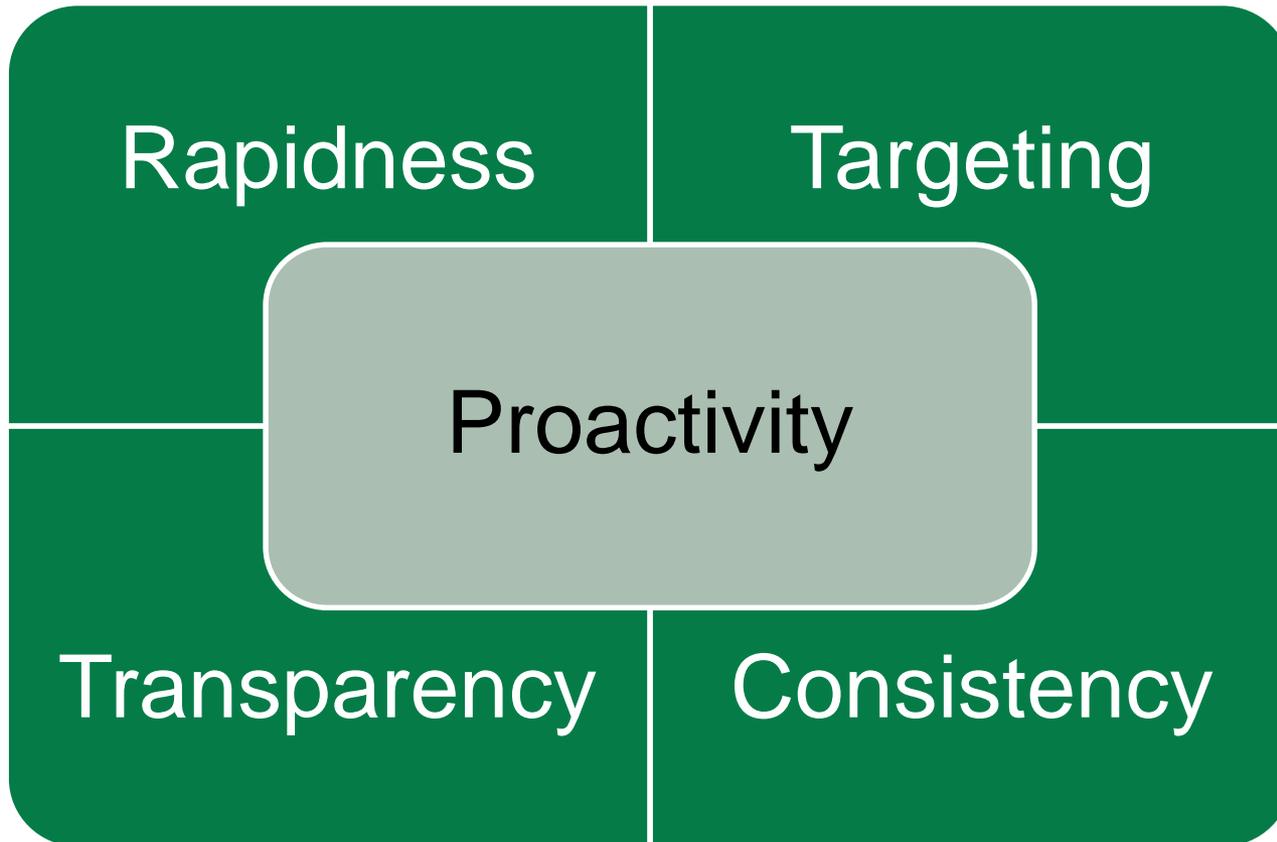
Ingredients of successful strategies and steps to be avoided

Crises are divided into two categories



So it leads to important conclusion: Many crises can be dealt proactively

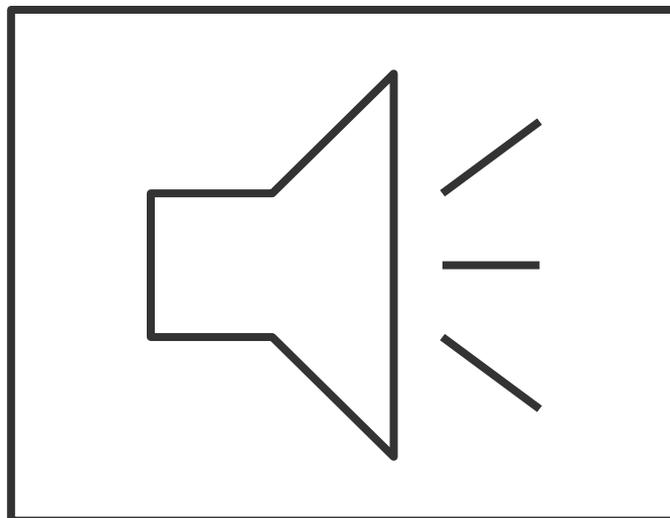
Main principles of crisis communication: the core is proactivity



Proactivity in crisis communication means...

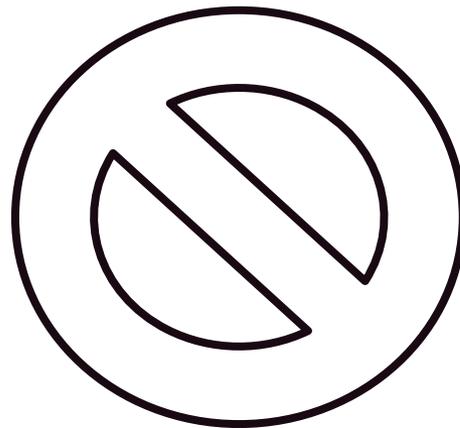
- ✓ You have a communication plan
- ✓ This plans envisage some potential crisis campaigns
- ✓ You monitor and assess information environment on everyday basis
- ✓ You regularly update message boxes on the main topics
- ✓ You have a pool of speakers who read message boxes
- ✓ Speakers follow one voice policy
- ✓ You have adopted internal procedures and good horizontal connections
- ✓ You support good relations with journalists
- ✓ You regularly meet and discuss with business, experts and government
- ✓ You are active in information environment during good times

Pre-crisis activity helps to strengthen megaphone effect for your messages during crisis



Market participants, think tanks, journalists, opinion leaders are more likely to share and support your view if you have been active before

Rapidness doesn't have to impede consistency



You should react in no more than 6 hours. But you don't change position from briefing to briefing. You only strengthen it. Otherwise you will lose trust

Transparency is essential but don't overdose

ENOUGH IS ENOUGH!



Effective transparency has its limits. People live in fast-changing and stressful environment. Overloading them with excessive or irrelevant information may complicate achievement of your goals – price and financial stability

Which communication tool to choose in crisis?



Don't choose one. Choose relevant combination



With regard to the targeted audience



And take into account the scale of the crisis



As a rule, you just need to intensify the usage of existing tools. More rarely, add new (alternative) ones

Audiences consume information through multiple channels but prefer certain formats of cooperation



Households:
social media
posts,
explainers



Business:
meetings,
forums,
seminars



Experts:
releases,
reports,
meetings



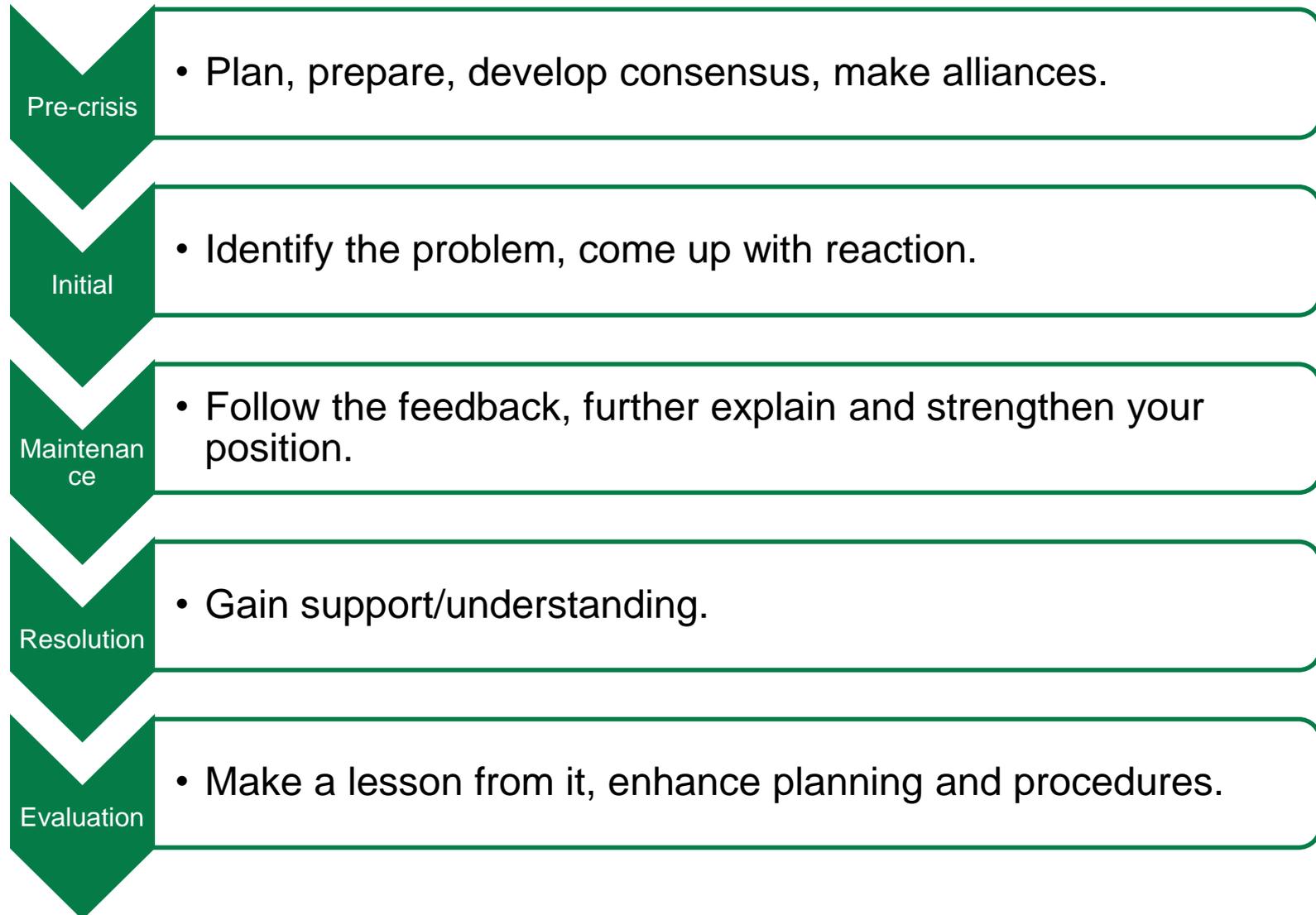
Institutions:
private
meetings,
reports



Journalists:
briefings,
interviews,
off-records



Crisis communication lifecycle



Before you start a communication ask yourself...



Why is a crucial question for decision-making. Don't start crisis campaign on any negative signal. Some of them may be false

As you enter the crisis be quick to react but gradual to exit

Step 1

Indicate the essence and source of the crisis. Collect all the necessary information (data, facts, figures) inside and outside the bank

Step 2

Monitor the media and public reaction. Prepare (update) main messages. Choose speakers, tools and channels of communication

Step 3

Voice the messages ASAP. First reaction is needed within 6 hours at maximum. But make sure all the facts and figures are correct

Step 4

Monitor the feedback. Keep in touch with journalists and promptly correct possible mistakes (misinterpretations) in the media (if any)

Step 5

Evaluate the scale of the crisis and make up a detailed action plan (draft of information campaign) if needed

Step 6

Support your public position with additional activities. Clarify it, give more details, answer additional questions

Step 7

Continue communication until it poses danger or complicates achievement of your goals. Repeat multiple times before you exit

Follow the rule of three ups for effective (crisis) communication

Open up

- Start talking
- State/interpret the problem (difficulty)
- Be honest and transparent

Give (a little) up

- Listen to others
- Show respect
- Make concessions over small things to gain agreement over major issues

Follow up

- Follow the public reaction
- Strengthen and repeat your position multiple times until you see better understanding

And never do this

Say no comments

Answer only yes or no

Speak unclear

Behave aggressively

Talk on behalf of others

Spreading policy messages via social media: some advice

- ✓ Use different social networks to target and widen audience
- ✓ Focus on 1-2 main messages in posts to keep attention
- ✓ Structure: newsworthy issues ahead, then details, then background info
- ✓ Answer not only what is done, but also what for it is done
- ✓ Simplify language, be more friendly (especially posts for wider audience)
- ✓ Shorten communication to less than 2000 symbols if possible
- ✓ Post regularly but don't spam. 2-3 posts/a day is better for coverage
- ✓ Better use unique tags and photos
- ✓ Remember that boring videos and reposts are waste of time
- ✓ Get feedback and follow up with supporting comments/posts if needed
- ✓ Analyze which formats of communication are more successful



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