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Discussion of

Lamla and Vinogradov

Central Bank Announcements: Big News for Little People?

Bundesbank – Banque de France

Joint Conference on Household Expectations

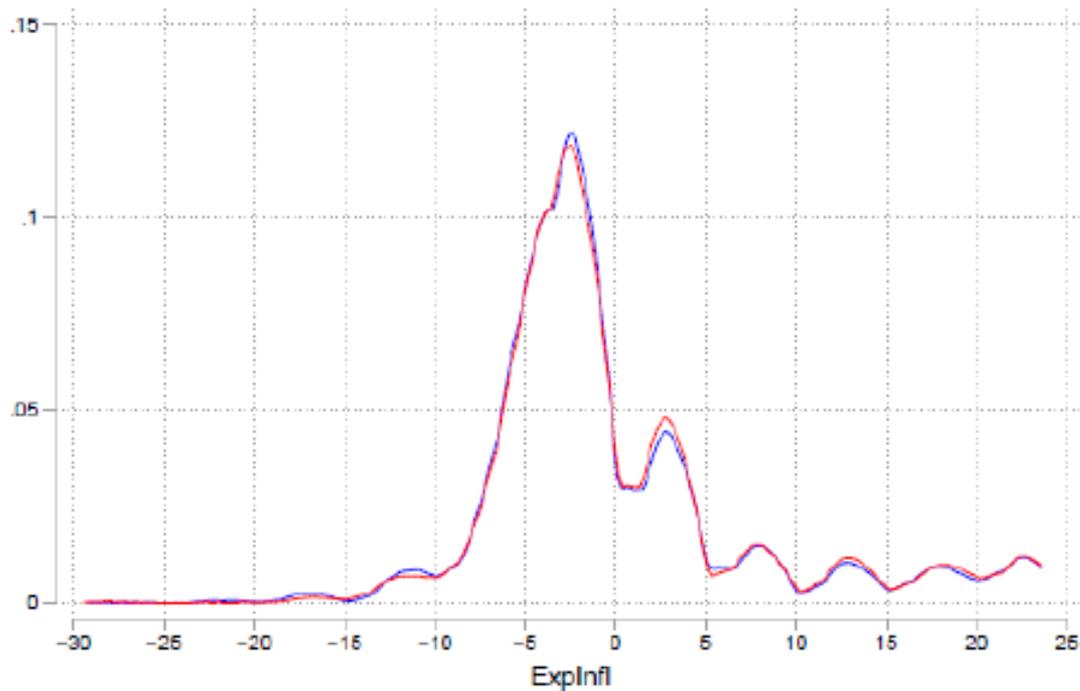
Frankfurt, 26-28 September 2019

Main conclusions

- (1) Irrelevance result – no impact of announcements on either beliefs or confidence of consumers
- (2) press-conferences trigger better outreach: more consumers receive information about the FED.

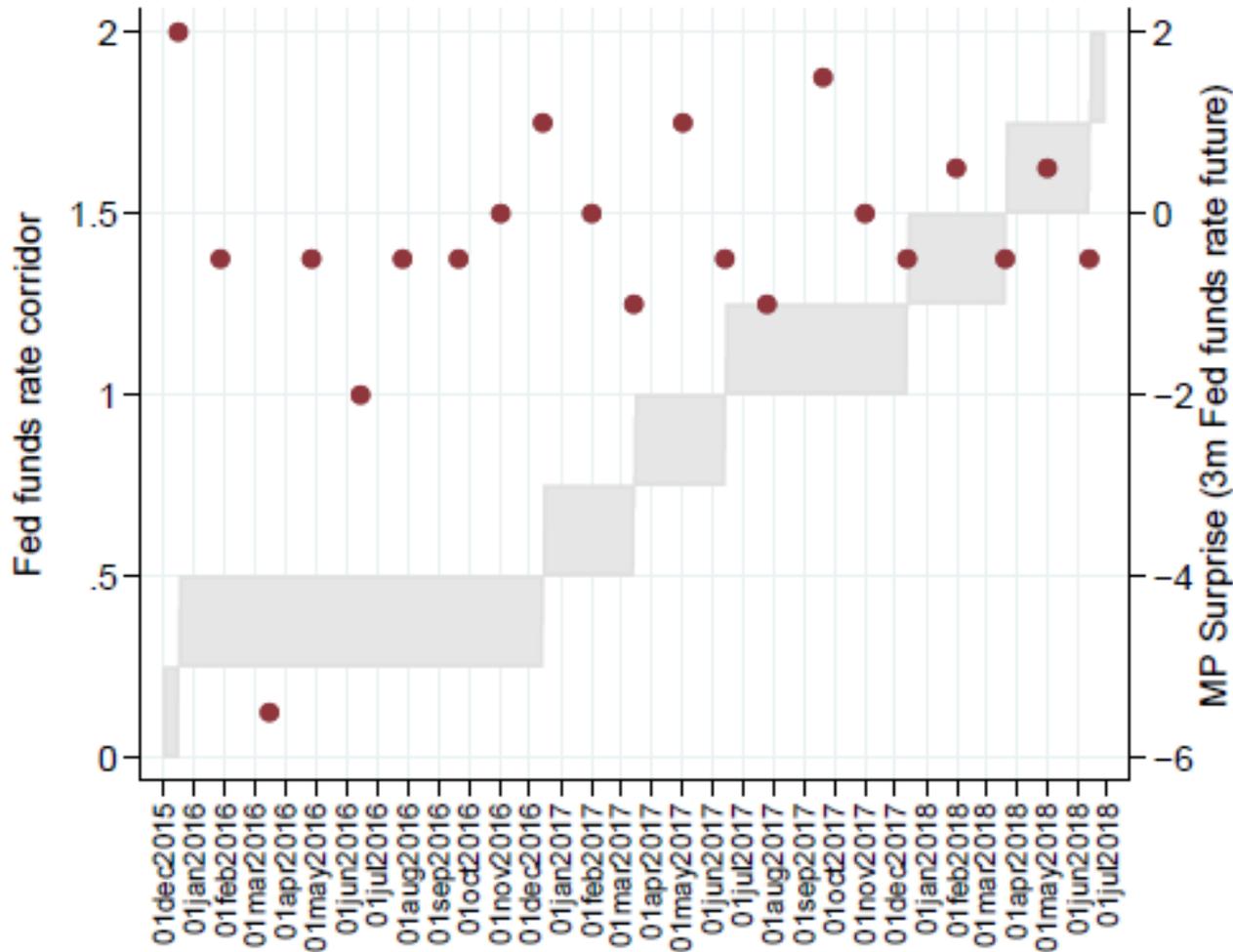
Conclusion (1)

Our main irrelevance result – no impact of announcements on either beliefs or confidence of consumers - indicates poor efficiency of the existing policy communication regime, in stark contrast with how markets and professionals react to announcements.



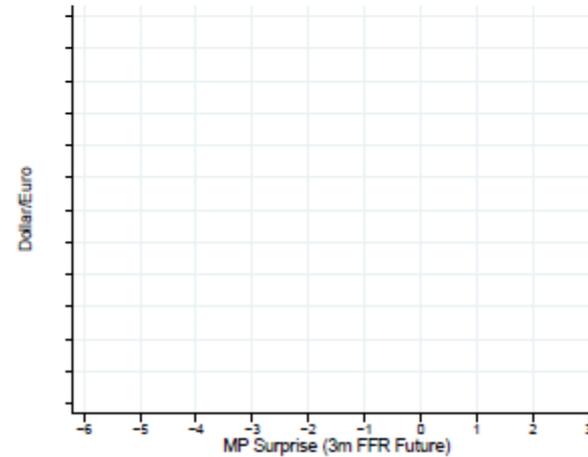
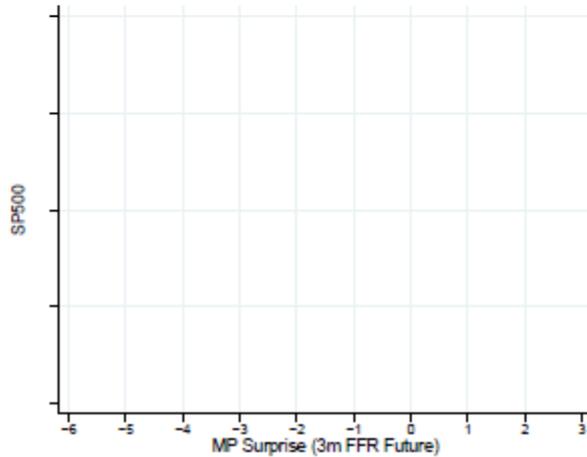
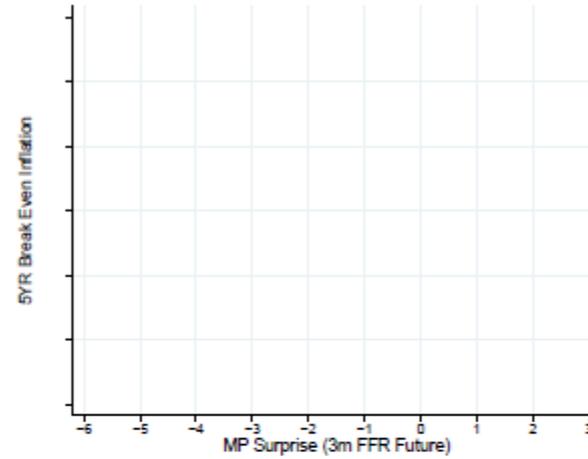
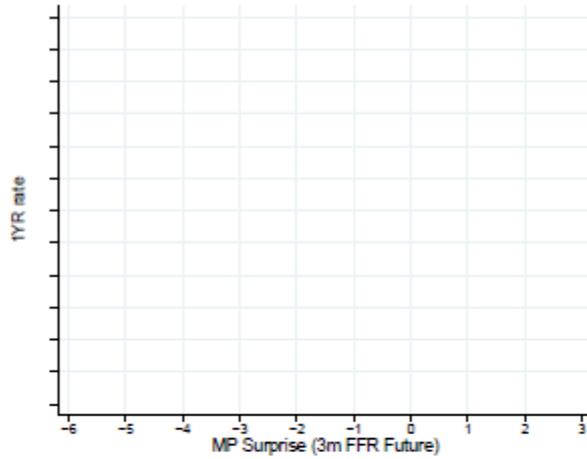
Conclusion (1)

Does anything at all happen with these announcements?



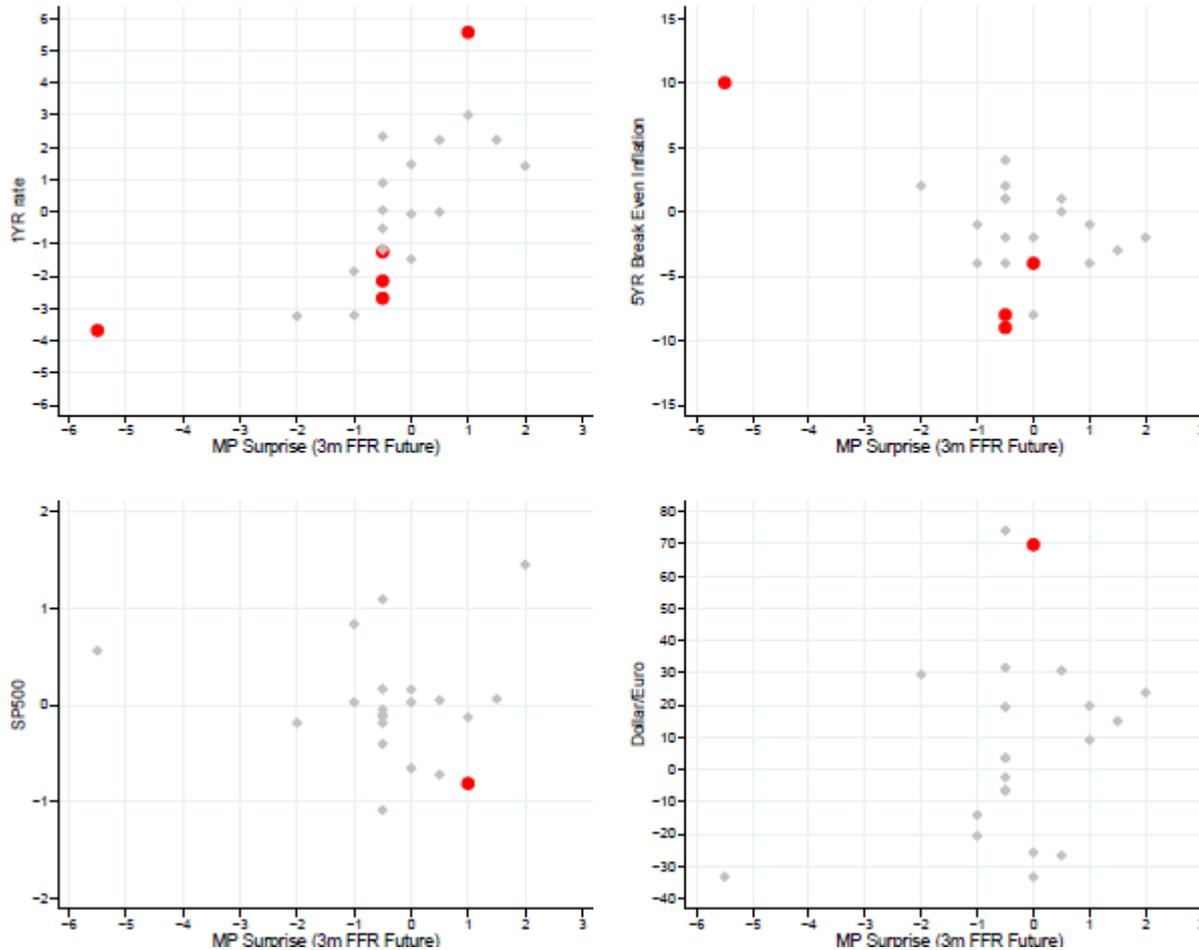
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Conclusion (1)

Not much seems to happen on FOMCs covered by the analysis. When something happens, it may require either upward or downward revisions of expectations.

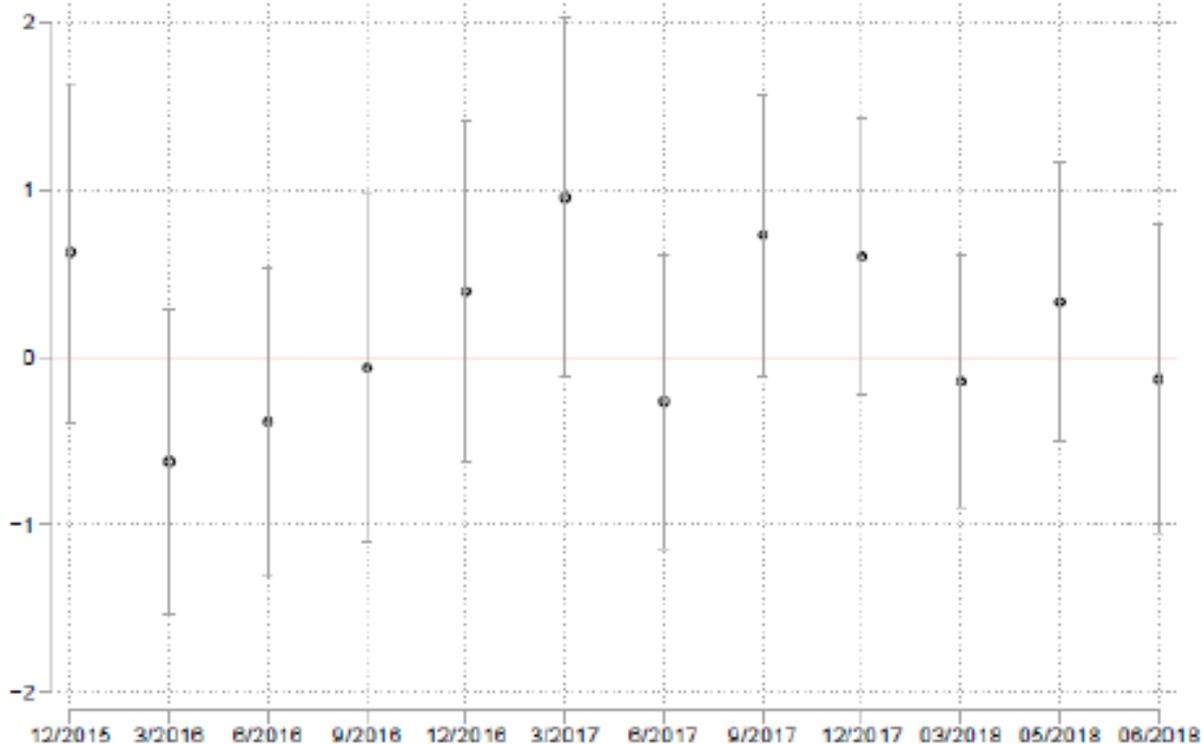
Main specification imposes instead strong restrictions.

$$\pi_j^e = \alpha + \beta_A A + \gamma \Delta i + \theta A \Delta i + \epsilon_j$$

Announcements have same effect irrespective of actual news content (sign and size).

Δi is change in FED funds rate, largely anticipated especially during long awaited tightening cycle.

Conclusion (1)



Surveyed consumers do respond differently at different FOMCs.

$\Delta\pi/S \rightarrow$ What if these differences are related to actual market based measures of MP surprises? Would we learn more?

Conclusion (1)

Our main irrelevance result – no impact of announcements on either beliefs or confidence of consumers - indicates poor efficiency of the existing policy communication regime, in stark contrast with how markets and professionals react to announcements.

Maybe too strong a statement given the evidence.

Absence of revisions as well as of major market responses to tightening cycle may actually signal the contrary: exit from the ZLB has been accompanied with effective communication that has allowed a smooth adjustment avoiding large sudden shocks.

Conclusion (2)

The good news is that press-conferences indeed trigger better outreach: more consumers receive information about the FED.

$$\text{NewsExp}_i = \alpha + \beta A_i + \varepsilon_i$$
$$\beta = 0.098(***)$$

$$\pi_i = \mu + \theta \text{NewsExp}_i + \nu_i$$
$$\theta = -0.234(***)$$

- a) News exposure increases after FOMCs
- b) Expectations differ if exposed to news

However, econometric specification not much informative

$$\pi_i^e = \alpha + \beta_A A + \gamma \text{News} + \theta A * \text{News} + \varepsilon_i$$

because once again, same effects across FOMCs and likely endogeneity of news exposure.

Suggestion

Yet, interesting setup to study *causal* effect of news exposure on individual assessments of current and expected π and r .

$$y_i = \mu + \theta_D \text{NewsExp}_i + \nu_i$$

$$\text{NewsExp}_i = \alpha + \beta_D A_i + \varepsilon_i$$

You can estimate FOMC-specific θ_D and relate them to features of relevant FOMC (MP surprise sign and size, market responses, broad uncertainty, etc) to learn how and when news exposure *causally affect* variables of interest.

Identifying hp: announcements per se do not directly affect y_i ; they do so only by increasing media coverage of FED decisions and economic matters.

Conclusion (2)

The good news is that press-conferences indeed trigger better outreach: more consumers receive information about the FED.

This actually is *better* news: your research design can be quite helpful at understanding the learning process, how consumers filter incoming information to form their assessments

My conclusions

Promising material to shed light on relevant issues.

Smooth out some strong statements on the effectiveness of FED communication policies.

Look at the data also from a slightly different angle.

Thank you