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Mastering Central Bank Communication Challenges via Twitter

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1. Introduction

- Twitter is a **powerful tool** for **direct messaging** to **mass audiences**.
- It has been adopted by many **politicians** and **other public figures**.
- Our analysis here seeks to determine if the same features make it an attractive communications tool for central bankers and whether **central banks exploit these features**.
- Twitter may be considered a **'short-run'** form of **communication**, but it also **allows users** to **send links** and **retweet content**, as well as **distribute comprehensive information**.
- In particular, we are interested in **exploring whether** the relative weight of communications on **financial-stability-related issues has increased** since central banks established **active Twitter accounts**.

2. Literature review

Communicating monetary policy and financial stability

- Blinder (1996, 2008) notes that **communication enhances the effectiveness of monetary policy** by **influencing expectations** and the **behaviour** of **economic agents** through increased predictability of central bank policies.
- Blinder et al. (2008) and Haldane and McMahon (2018) provide thorough summaries of the literature on the importance of **transparent communication** in **building central bank credibility**.
- In particular, if the central bank's interest rate policy is **constrained** by the **zero lower bound**, it can still **influence output** and **prices** by **communicating effectively** and **credibly**.
- **Communicating monetary policy** with this **expanded non-standard toolkit** is **challenging**, especially given the **complexity** and **multidimensionality** of **financial systems**.
- Central bank **financial-stability-related communication** has **increased rapidly**.
- Bornet al. (2011) show that **communication** is **efficient** in that it **reaches market participants** and causes them to **modify their behaviour**.

2. Literature review (cont'd)

Central bank communication with the general public

- Haldane and McMahon (2018) argue that central banks have **not made** their main communications **accessible** to 'a **sufficiently wide audience**.'
- A number of studies highlight the measures central banks should consider when adapting their communication strategies to **lay audiences**.
- Reading **lengthy technical** material is **time-consuming** and demands **cognitive effort** to process. **Pithy texts** are **easier** to remember.
- Transformation of the **social media** means that central banks are able to **send messages directly** to **the public**.
- Twitter is particularly popular among **journalists**, and they can **amplify** central bank messages through traditional media or **retweet** to dedicated audiences.

3. Twitter use and policies at European central banks

Central banks should note the following **features of Twitter** when seeking to add value to their communication efforts.

- Twitter users constitute a **diverse audience** that is **demographically distinct** from the general public.
- Specifically, Twitter users are **younger** and **more interested in the current affairs** than the population on average, and may be **hard to reach** with **traditional media**.
- Twitter is a **network** for **finding, sharing and discussing** news and topical issues.
- Twitter potentially places a bullhorn in every user's hand.
- Everybody has a voice, so **public campaigns are easy to launch**, including **disinformation** and **fake news campaigns**.
- **Unlike Facebook**, however, the **Twitter platform's design** makes it **harder for users** to become trapped in **echo chambers**.

Eurosystem central banks and financial supervisory authorities with Twitter accounts

Euro area		
Country	Central bank	Financial supervisory authority
AT	Oesterreichische Nationalbank (@oenb)	
BE	Banque nationale de Belgique, Nationale Bank van België (@NBB_BNB_FR)	Financial Services and Markets Authority Belgium (@FSMA_info)
DE	Deutsche Bundesbank (@bundesbank)	
ECB	European Central Bank (@ecb)	
EE	Eesti Pank (@EestiPank)	Finantsinspektsioon Eesti (@FI_uudised)
ES	Banco de España (@BancoDeEspana)	
FI	Suomen Pankki (@SuomenPankki)	Finanssivalvonta (@FIN_FSA)
FR	Banque de France (@banquedefrance)	
IE	Central Bank of Ireland (@centralbank_ie)	
IT	Banca d'Italia (@bancaditalia)	
LT	Lietuvos Bankas (@Lietuvosbankas)	
LU		The Commission de Surveillance du Secteur Financier Luxembourg (@cssflux)
LV	Latvijas Banka (@LatvijasBanka)	Finansu un kapitāla tirgus komisija Latvija (@FKTK_lv)
MT	Central Bank of Malta (@centralbankmt)	Malta Financial Services Authority (@MFSAComm)
NL	De Nederlandsche Bank (@DNB_NL)	Netherlands Authority for the Financial Markets (@AutoriteitFM)
PT	Banco de Portugal (@bancodeportugal)	
SI	Banka Slovenije (@BankaSlovenije)	
SK	Nárdoná banka Slovenska (@NBS_sk)	

Other EU central banks and financial supervisory authorities belonging to the ESCB with Twitter accounts

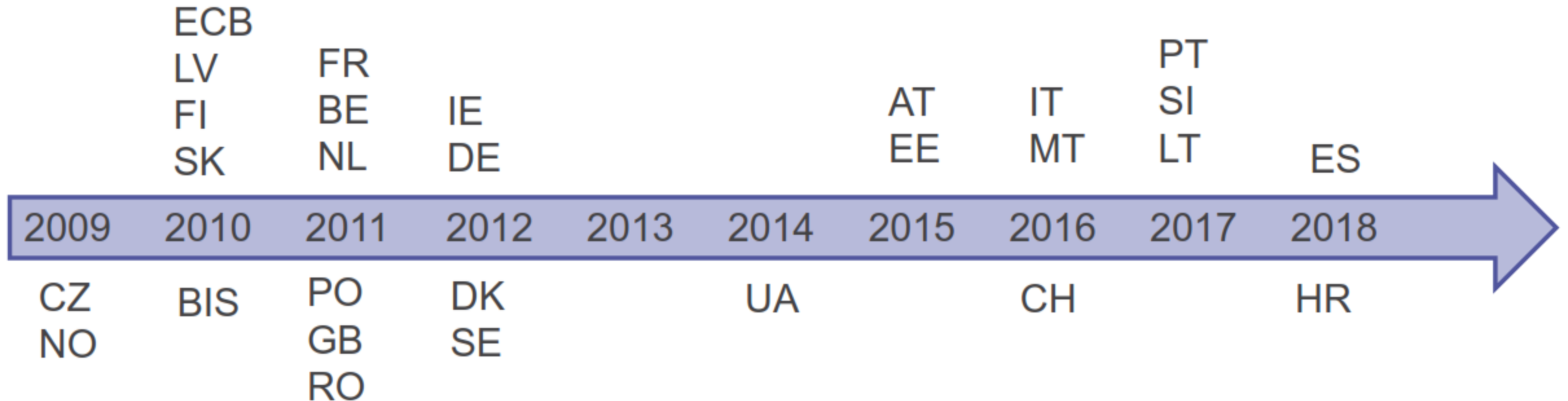
Other EU		
Country	Central bank	FSA
CZ	Česká národní banka (@CNB_cz)	
DK	Danmarks Nationalbank (@nationalbanken)	
HR	Hrvatska narodna banka (@HNB_HR)	
PL	Narodowy Bank Polski (@nbppol)	
RO	Banca Națională a României (@bnr_ro)	
SE	Sveriges riksbank (@riksbanken)	Finansinspektionen Sverige (@finansinsp)
UK	Bank of England (@bankofengland), Bank of England Research	Financial Conduct Authority UK (@theFCA)

Other European central banks and financial supervisory authorities with Twitter accounts

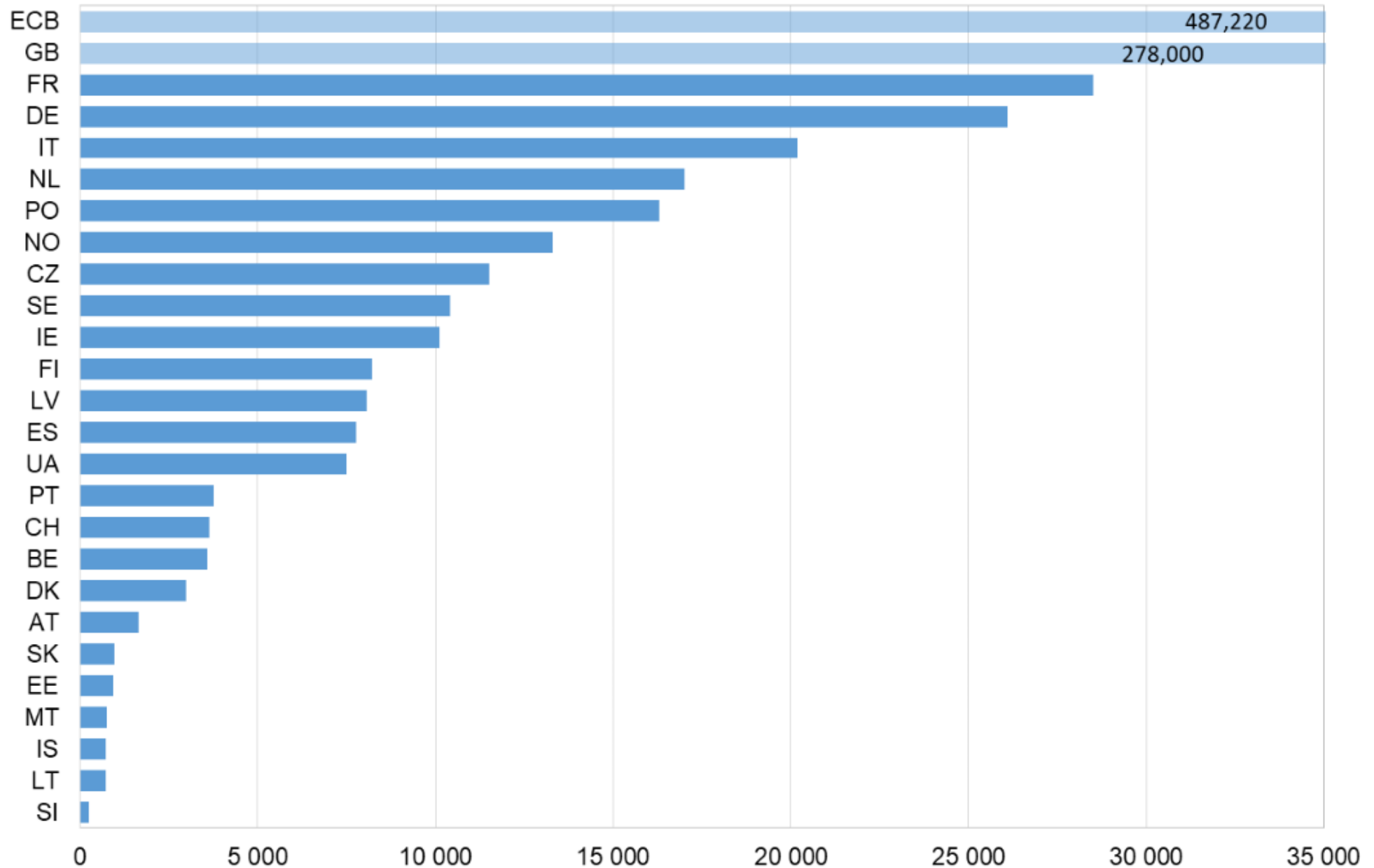
Other European		
Country	Central bank	FSA
BIS	BIS (@BIS_org)	
CH	Swiss National Bank (@SNB_BNS_en)	Eidgenössische Finanzmarktaufsicht FINMA Switzerland (@FINMA_media)
IS	Seðlabanki Íslands (@sedlabanki_is)	
NO	Norges Bank (@NorgesBank)	Finanstilsynet Norge (@Finanstilsynet)
UA	National Bank Ukraine (@NBUkraine)	

Timeline of when various European central banks and BIS joined Twitter

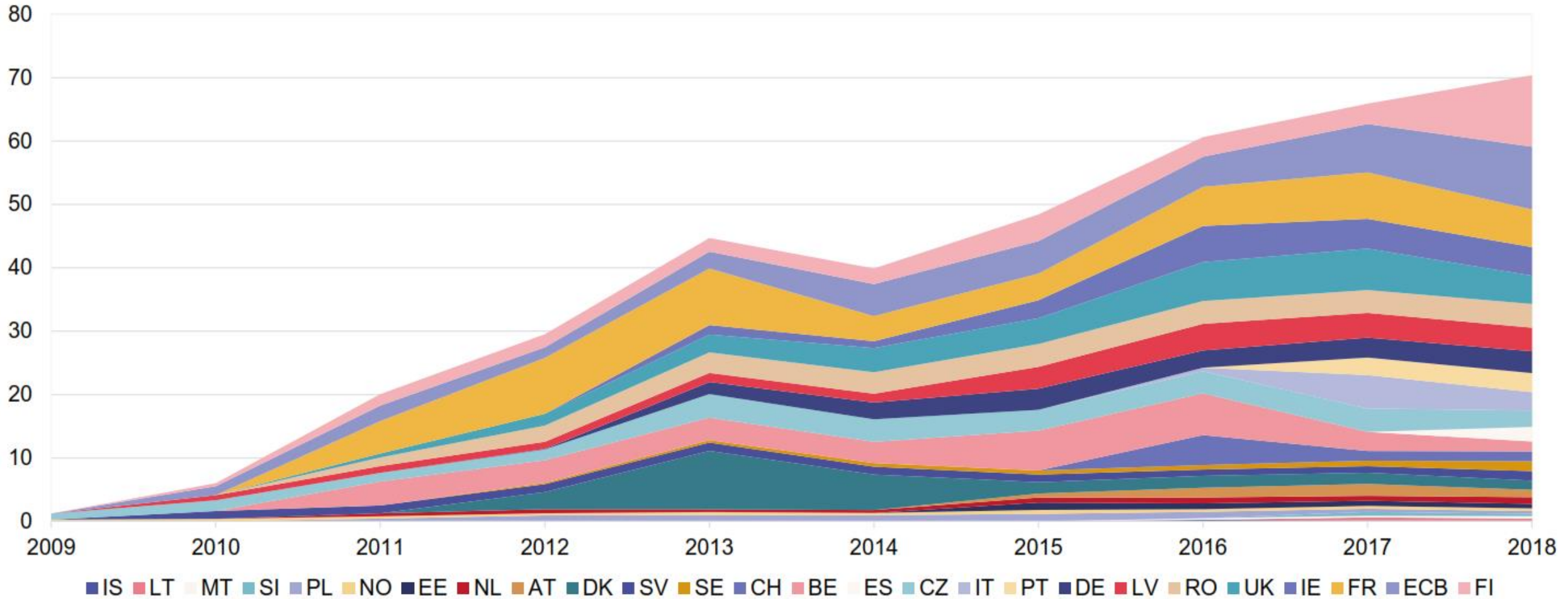
Eurosystem



Number of followers of European central banks as of 23 July 2019



Average daily tweets by Eurosystem central banks



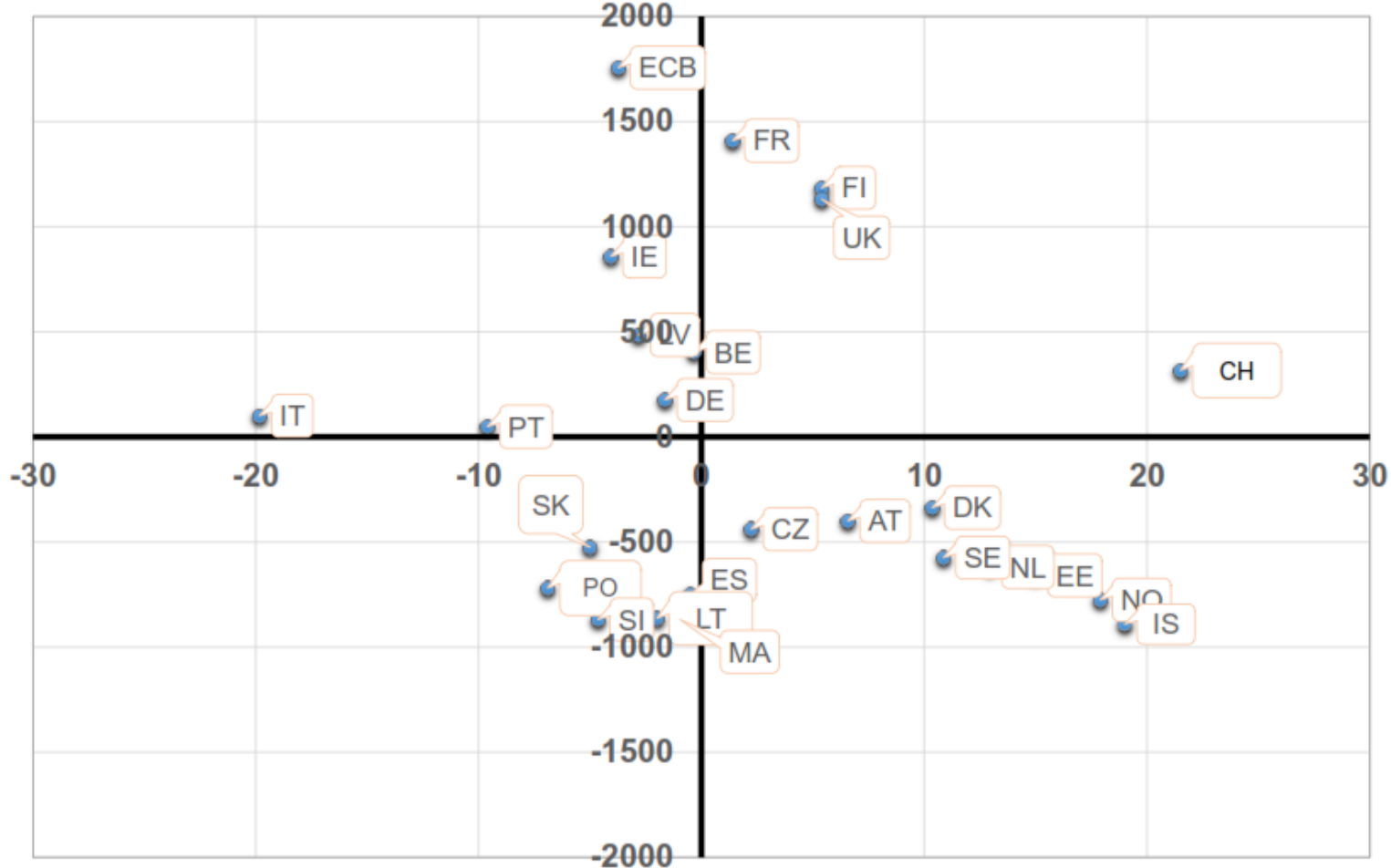
Source: https://helda.helsinki.fi/bof/bitstream/handle/123456789/16534/BoFER_7_2019.pdf?sequence=1&isAllowed=y

Plot of central banks using averages of daily tweets and citizen online participation

More active than average
CB tweeting

All figures based on annual
averages from 2016 to 2018

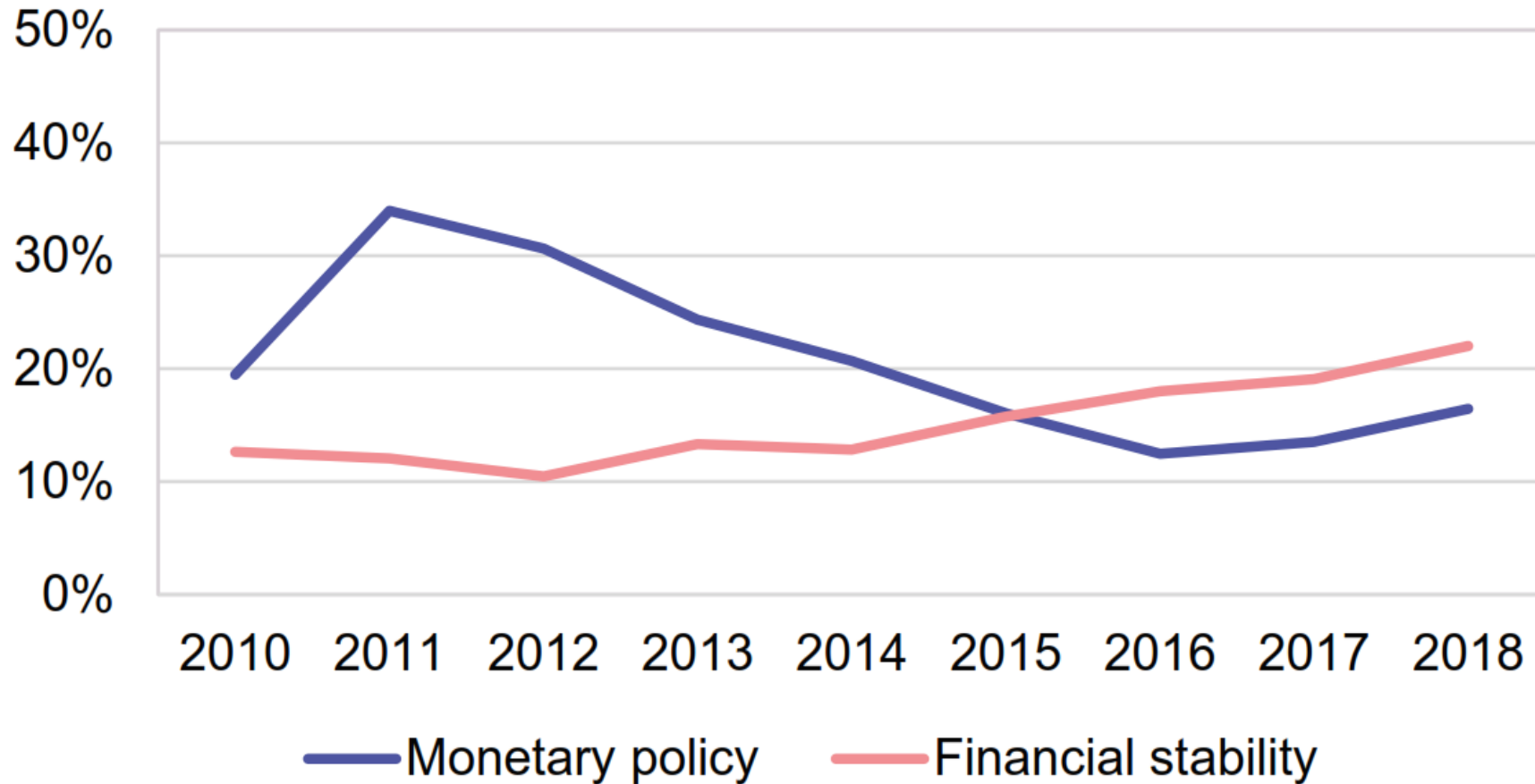
Less active
than average
citizens' online
participation



- Internet usage
- Social media
- eGov

- Internet usage
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The Eurosystem National Central Banks



6. Conclusions

- The number of **central banks on Twitter**, as one would expect, **has increased over time**.
- The **Twitter activity of central banks** (defined as average number of tweets per day) has **fluctuated over time**.
- Factors influencing variations in Twitter use of other groups such as politicians, have no bearing on central bank Twitter activity.
- It is most likely that the **central bank's Twitter policies**, and even the activity of individual staff members, **influence observed activity**, and not factors such as the country's general level of digitalisation.
- Individual central banks can choose **how active they want to be** on Twitter.
- The **reach of central banks on Twitter depends** on such factors as **number of followers**.
- Predictably, **large central banks attract more followers**, but central bank time and activity on Twitter also seems to bear on the issue.
- The same reasoning applies to the number of **economists following central bank tweet**.
- The importance of **tweets related to financial stability has increased over time**, which again, is as expected.
- National central banks in the euro area currently **tweet more about financial stability than monetary policy**, while the opposite holds true for central banks that pursue their own independent monetary policies.