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JOINT VIENNA MACROECONOMICS SEMINAR

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International Monetary Fund:

“Inflation Targeting and Communication: It Pays Off to Read Inflation Reports”

Inflation-targeting central banks have a respectable track record at explaining their policy actions and corresponding inflation outturns. Using a simple forward-looking policy rule and an assessment of inflation reports, we provide a new methodology for the empirical evaluation of consistency in central bank communication. We find that the three communication tools - inflation targets, inflation forecasts, and verbal assessments of inflation factors contained in quarterly inflation reports- provided a consistent message in five out of six observations in our 2000–05 sample of Chile, the Czech Republic, Hungary, Poland, Thailand, and Sweden.

with Kateřina Šmídková (Czech National Bank), Viktor Kotlán (Czech National Bank) and David Navrátil (Czech National Bank).