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The BoC's "new" communication process: Same old same old?

In a November 15 speech in New York, titled "Embracing Uncertainty in the Conduct of Monetary Policy," Bank of Canada senior deputy governor Carolyn Wilkins said the Bank had decided, "starting next year, to advance the timing of speeches providing economic updates to align them more closely with the fixed announcement dates between MPRs."

Like many others, we thought that meant the Bank was planning to communicate its concerns about the policy outlook sometime in advance of non-MPR fixed announcement dates, feeding into the market's judgment about the likelihood of a coming change in the Bank's monetary policy stance. By allowing the market to factor in the BoC's current concerns, such communication could limit unnecessary market volatility around policy decisions.

But it turns out the Bank plans to communicate its thinking after, not before, non-MPR fixed announcement dates (FADs). In a BoC staff discussion paper released November 15 ("Communicating Uncertainty in Monetary Policy," Paper 2017-14), we read: "Beginning in 2018, to enhance transparency around the interest rate decision, non-MPR FADs will be supplemented by public speeches that provide more details on the Bank's updated view of the economy, as well as insights into the key issues that figured in Governing Council's deliberations. To accomplish this, existing 'update' or 'progress report' speeches will be scheduled to occur very shortly after each non-MPR FAD."

On inquiry, the BoC confirms that the staff discussion paper was correct and the Bank's intention is to explain after the fact what drove its decision (while noting to us that the Bank always has an option, but not a commitment, to comment on the economic outlook in the weeks leading up to FADs).

Bottom line: The BoC's updated communication process is disappointing. In our view, "very shortly after each non-MPR FAD" is too vague a commitment. Why not simply schedule a press conference after each FAD (as the ECB does)?

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