EUROPEAN CENTRAL BANK

EUROSYSTEM

The practice and science of monetary policy communication: the ECB experience

Michael Chae Seminar on Macroeconomic Policy

Harvard Economics Department



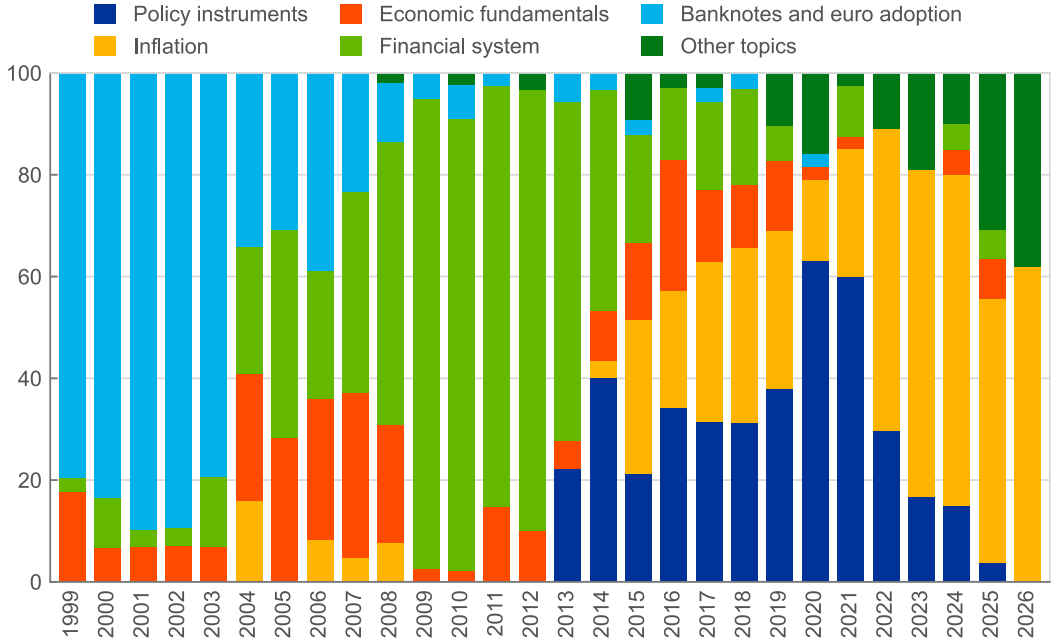
Cambridge, United States, 17 November 2026

Philip R. Lane
Member of the Executive Board

Evolution of ECB communication

Evolution of topics discussed in ECB communication

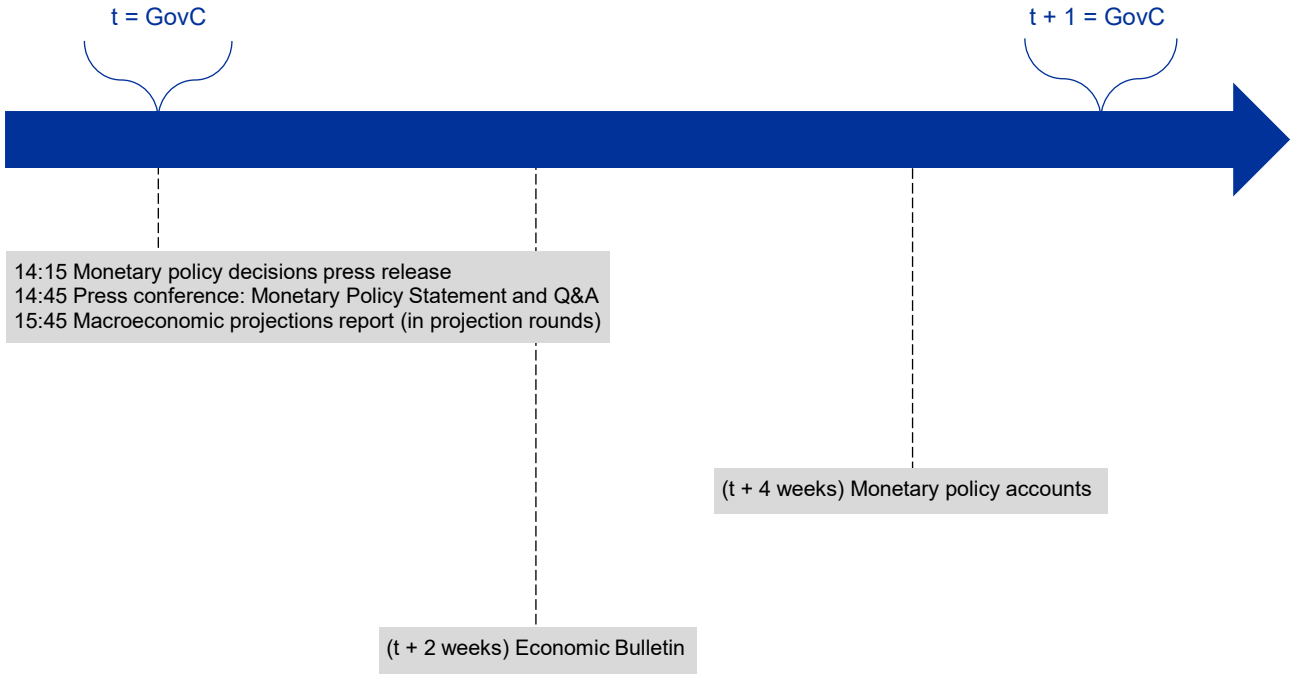
(percentage share of topic prevalence)



Source: Box 7, Chart A in Akkaya et al. (2025), “From press conferences to speeches: the impact of the ECB’s monetary policy communication”, Economic Bulletin, Issue 1, ECB.
Notes: The communication outlets considered in this chart include the press conferences following the Governing Council’s monetary policy meetings, related press releases, the accounts of the Governing Council’s monetary policy meetings and speeches given by the ECB’s President. The Monthly Bulletin and the Economic Bulletin publications are excluded, as the Monthly Bulletin is only available in PDF format, which makes it unsuitable for topical data filtering. The latest observation is for October 2026.

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Timeline of monetary policy communication



Source: ECB.
Notes: The figure shows official monetary policy releases between two Governing Council (GovC) monetary policy meetings (at t and t+1). It shows a typical cycle, from which small deviations may occur.

Structure of Monetary Policy Statement (MPS)

- Introduction: High-level explanation for monetary policy decision; guidebook to monetary policy decision framework
- Economic activity assessment
- Inflation assessment
- Risk assessment
- Monetary and financial conditions
- Conclusion

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Meeting accounts

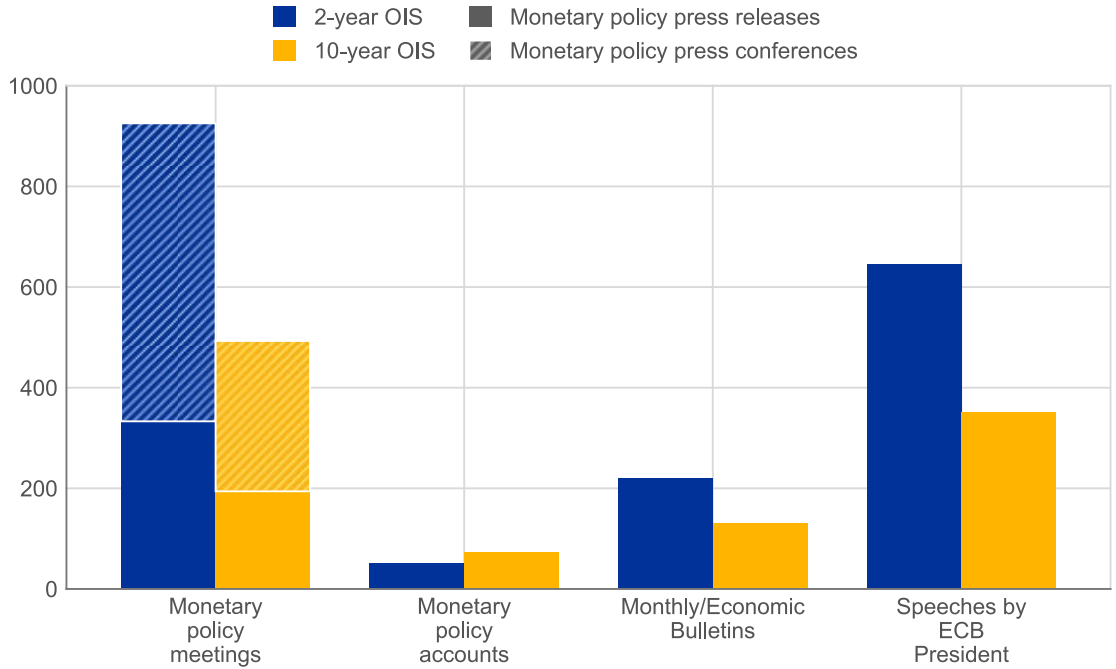
- Summary of presentations on financial market developments and economic, monetary and financial developments
- “Monetary policy considerations and policy options”
- Governing Council discussion

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Communication moves financial markets

Cumulated absolute high-frequency changes in risk-free rates by event type

(basis points)



Source: Akkaya, Y., Bitter, L., Grasso, A. and Amorim Cabaco, B. (2025), "From press conferences to speeches: the impact of the ECB's monetary policy communication", Economic Bulletin, Issue 1, ECB.
Notes: Cumulated absolute high-frequency changes (with mean absolute changes in brackets) for a range of risk free and sovereign yields across event types, computed using data from January 2004 to October 2023. The high frequency window around the different event types is as follows: -10 minutes to +20 minutes around publication of the monetary policy press release; -10 minutes to +75 minutes around the start of the Governing Council's press conference; -10 minutes to +50 minutes around the publication of the account of the Governing Council's monetary policy meeting; -10 minutes to +80 minutes around the publication of the Monthly/Economic Bulletin; -10 minutes to +60 minutes around the publication of speeches other than testimonies to the European Parliament; and -10 minutes to +10 minutes around the publication of Bloomberg headlines. "OIS" stands for overnight index swap.

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Communication on future rate path

- Staff projections based on market curve
- Conditional guidance on future rate path: logistics (27 members of GovC); risk of excessive reliance on conditional statements
- For each meeting, family of plausible future rate paths analysed by staff – valuable input into decision making
- But high sensitivity to projections; set of model assumptions, including vis-à-vis policymaker preferences
- Focus on the immediate decision in public communications
- [Directional forward guidance – formal versus informal]

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Framework Guidance

- Guidance on the criteria determining the reaction function
- Implementation of decision process agreed in 2021 monetary policy strategy review (updated in 2025)
- Since March 2023: inflation outlook; underlying inflation; strength of monetary transmission
- Context: uncertainty about inflation process; uncertainty about strength and speed of transmission
- 2025 update: “surrounding risks” added as an explicit criterion

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Sensitivity analysis; scenario analysis

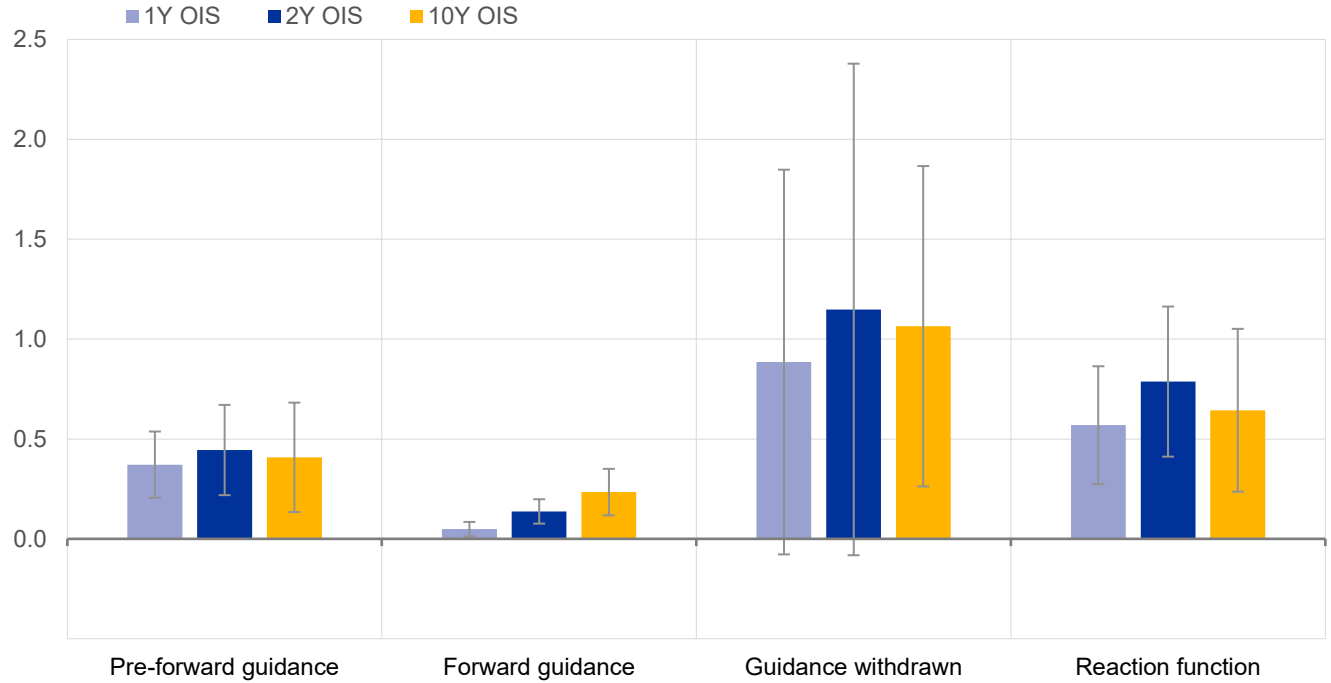
- Staff projections article: standard sensitivity analyses vis-à-vis energy prices and the exchange rate
- Many sensitivity analyses included in staff briefing for each meeting
- Growth-at-risk; inflation-at-risk
- Main focus of published scenarios: concrete risk events (pandemic; Russia's unjustified invasion of Ukraine; tariffs; Middle East conflict)
- Explain how current decision incorporated risk considerations
- Relation between risk factors and future decisions: explicit alternative rate paths; model-based optimal rate paths; rely on market understanding of framework guidance

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Rate sensitivity to macro news under different communication frameworks

Response of OIS rates to euro area macroeconomic surprises, by communication regime

(basis points per standard-deviation surprise)



Source: ECB staff calculations.

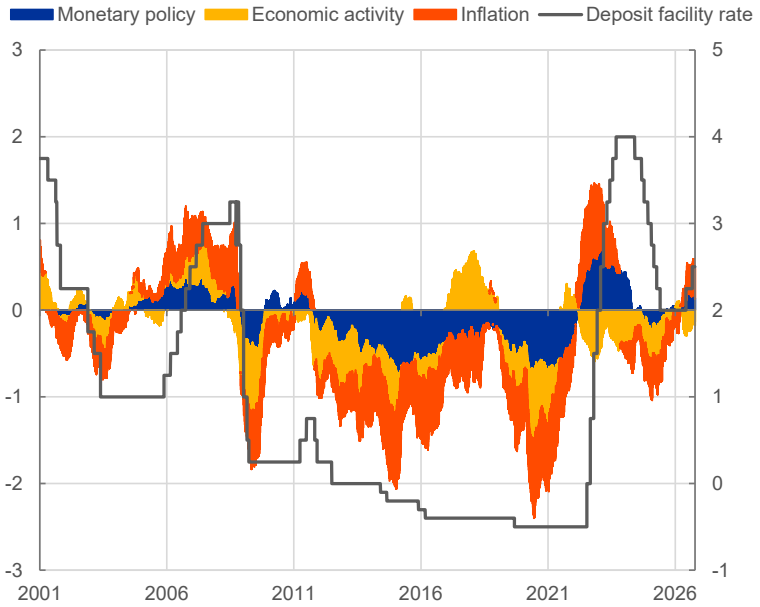
Notes: Estimated change in the OIS rate, in basis points, following a one-standard-deviation euro area macroeconomic surprise, at the one-year, two-year and ten-year maturities. Daily first differences in OIS rates regressed on the macroeconomic surprise series used in the ECB's Macroeconomic Surprise Indicator (MSI), with regime-specific intercepts and interaction terms, one lag of the dependent variable, and indicators controlling for the effective lower bound, Governing Council decision days and press conference days added as controls (results robust to the omission of controls and to estimating each regime separately, and to using an alternative definition of the lower bound period instead). The surprise series is built from Bloomberg data on consensus forecasts of 59 euro area indicators. For each indicator, the surprise is the released value less the Bloomberg median forecast, divided by the standard deviation of that indicator's own surprises. Each release is dated to the respective trading day. Indicators are weighted by Bloomberg relevance scores, measuring the share of Bloomberg terminal users that follow the series' release. The weights are therefore independent of any interest rate move. Releases of the same category on the same day are combined with a correction for their measured mutual correlation, so that several readings of one signal are not counted several times. Whiskers are 95% confidence intervals. Standard errors are robust to heteroskedasticity and serial correlation. Coefficients are scaled by the full-sample standard deviation of the macroeconomic surprise series. Estimation period: 2007-26.

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LLM-based ECB communication tone and “communication rules”

Evolution of ECB communication tone

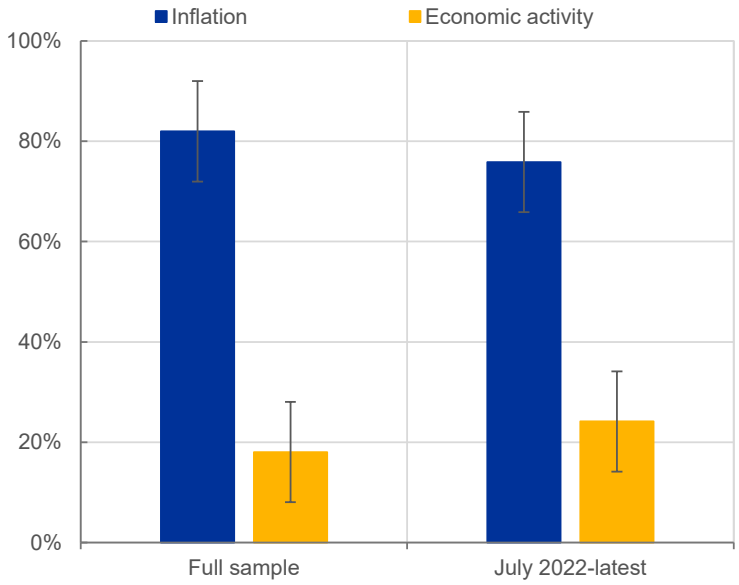
(left-hand side: scoring points (neutral scoring=0, hawkish scoring above 0, dovish scoring below 0); right-hand side: deposit facility rate (percent))



Source: ECB staff calculations.
Sentiment scores across three communication dimensions (left-hand scale) and the DFR (right-hand scale). “Monetary policy” captures the tone of communication surrounding policy decisions, “economic activity” reflects assessments of economic developments and “inflation” captures signals related to price developments. A score of zero indicates a neutral tone, while positive and negative values indicate hawkish and dovish tones, respectively. Sentiment scores are calculated as moving averages of the scores for the most recent 30 texts. The sample period is 14 January 2001 to 26 October 2026.

“Taylor-type” communication rule weights

(standardised regression coefficients)

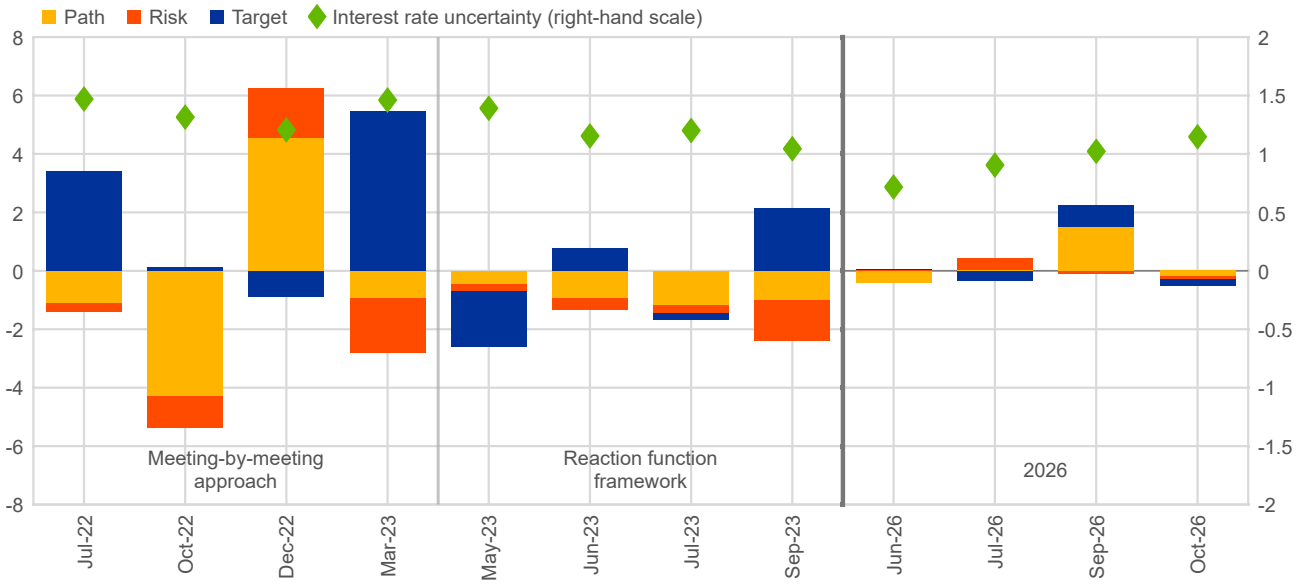


Source: ECB staff calculations.
Regression coefficients for a model regressing the demeaned values of the monetary policy tone on the demeaned inflation and economic activity tones, using the tone as measured at the ECB Governing Council meeting, with the inflation and economic weights constrained to sum to one. Whiskers show 95% heteroscedasticity and autocorrelation-consistent confidence intervals. The sample period is 1 January 2001 to 13 August 2026.

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Financial markets response to different monetary policy news

Monetary policy news from selected ECB Governing Council meetings
(standard deviations)



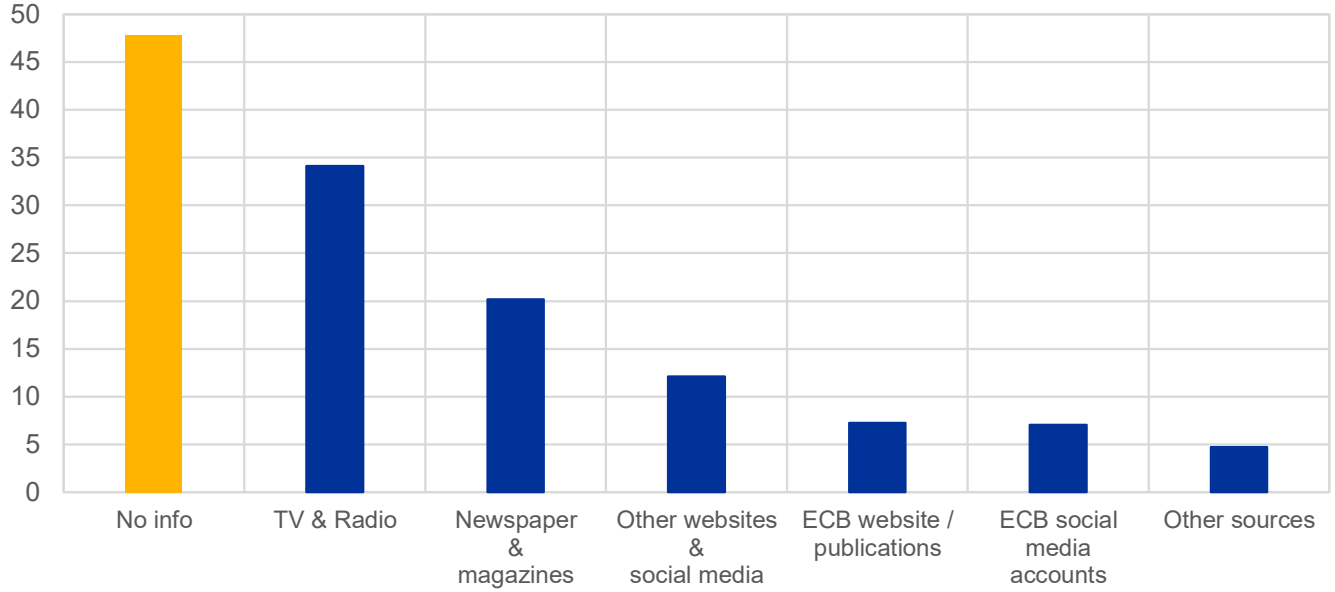
Sources: Bloomberg and ECB staff calculations.
Notes: The model decomposes movements in overnight index swaps (one, three and six months; one, two, five and ten years), ten-year sovereign yields (DE, FR, IT and ES), a set of risky assets (Eurostoxx 50, Eurostoxx Banks, Eurostoxx VSTOXX) and the EUR/USD exchange rate into three factors: interest rate target, path and risk. Average interest rate uncertainty is based on the option-implied standard deviation of the three-month Euribor one year ahead. The latest observations are for 29 October 2026.

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How ECB communication reaches households

Consumer Expectations Survey responses on channels for information about ECB

(percentage shares of all respondents)



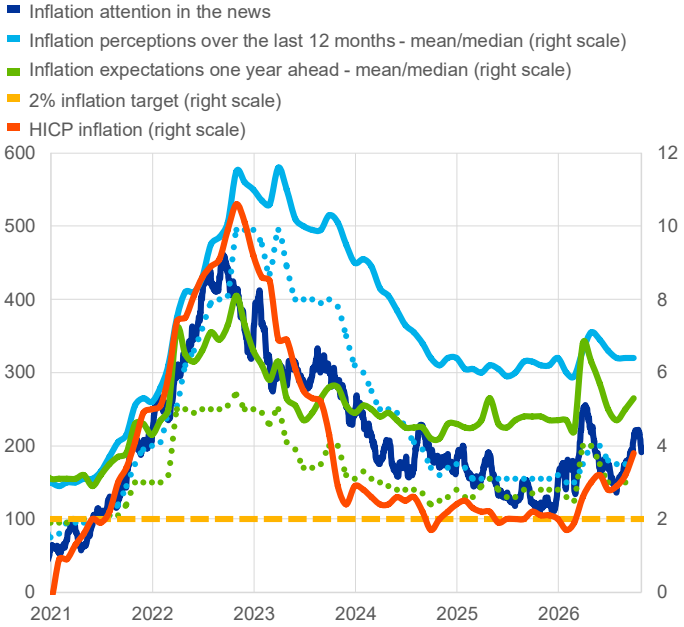
Source: Ehrmann, M., Georgarakos, D. and Kenny, G. (2025), "Credibility gains from central bank communication with the public", European Economic Review, Vol. 177, No 105069.
Notes: Responses to the question "In the past two months, have you seen or heard information about the European Central Bank (ECB) from any of the following sources?". The figure reports the percentage share of all respondents, by answer category. Apart from "No info", all other options are not mutually exclusive, leading to a total sum higher than 100% of the respondents. Weighted estimates. The last observation is for August 2026 (most recent Consumer Expectations Survey).

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Households' and firms' attention to inflation and expectations

Household inflation attention, perceptions and expectations

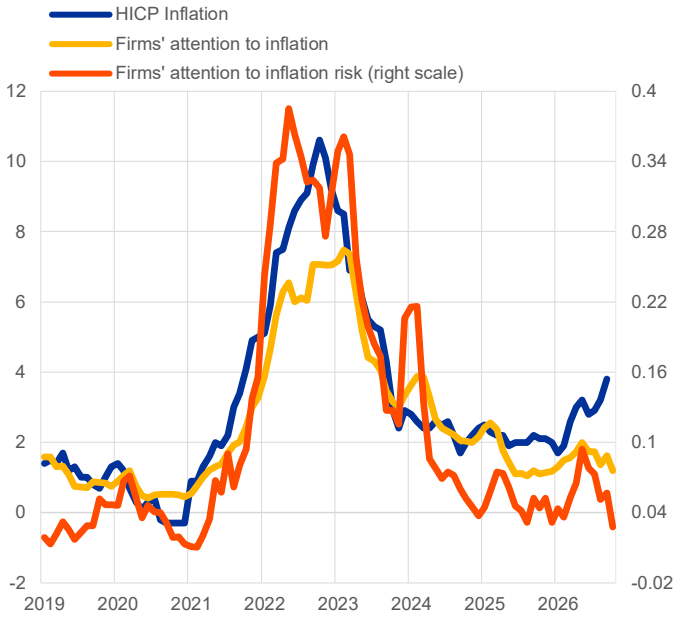
(index of relative number of articles (left-hand scale); annual percentage changes (right-hand scale))



Source: Aarab, I., Bańbura, M., Bobeica, E. and Leguay, E. (2025), "Monitoring attention to inflation in the news", Economic Bulletin, Issue 6, ECB.
Notes: Inflation attention in the news is calculated using the 28-day moving average of the daily index. Inflation perceptions and inflation expectations show the mean rate reported in the ECB Consumer Expectations Survey's responses with solid lines, and the median rate with dotted lines. The latest observations are September 2026 for inflation attention in the news and HICP inflation, and August 2026 for inflation perceptions over the last 12 months and inflation expectations one year ahead.

Firms' attention to inflation and inflation risks

(cross-sectional average of sentences mentioning inflation keywords, three-month moving average)



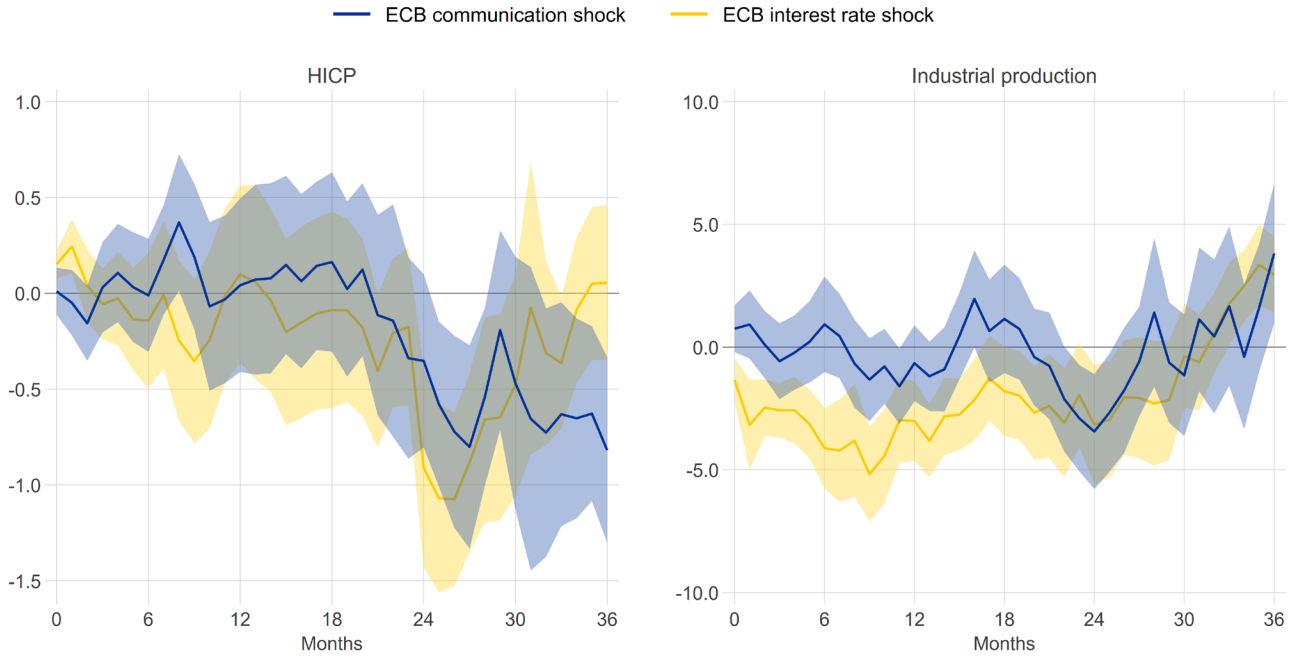
Source: Battistini, N. and Trebbi, G. (2026), "Demand or supply-driven? How firms view inflation right now", The ECB Blog, ECB, 29 July.
Notes: Firms' attention to inflation is the three-month moving average of the cross-sectional average number of NL Analytics earnings-call sentences mentioning inflation keywords. Firms' attention to inflation risk is the three-month moving average of the cross-sectional average number of NL Analytics earnings-call sentences mentioning inflation keywords as well as risk or uncertainty-related language.

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Euro area macroeconomic effects of ECB communication and interest rate shocks

Impulse responses to interest rate and large language model-based ECB communication shocks

(percentage)



Source: ECB staff calculations.

Notes: Impulse responses of industrial production and the HICP to both tightening policy rate and communication shocks, estimated using local projections (LP). ECB communication shocks derived from large language model (LLM)-based sentiment indicators using a two-step procedure following Gebauer, McGregor and Schumacher (2024). First, changes in the policy tone are regressed on activity and inflation tones measured during the same meeting by the LLM, and inter-meeting ECB communication derived from LLM-based assessments of speeches and interviews. Second, shocks are restricted to tone changes moving inversely with equity prices at high frequency during the policy announcement and press conference window, following Jarociński and Karadi (2020). The control variables in the LP taking up these shocks include three lags of the respective response variables, the euro area unemployment rate, the ECB's Composite Indicator of Systemic Stress (CISS) in financial markets, the commodity price index (all in log levels), the 3-month overnight index swap (OIS) rate, a 10-year GDP-weighted synthetic sovereign bond yield, and the USD/EUR exchange rate. Each model additionally controls for the "central bank information shocks" derived by Jarociński and Karadi (2020), as well as the communication (rate) shock in the regressions for the rate (communication) shocks. Three lags of the respective shock are also included. Forward dummies (entering at the t+h horizon) for the pandemic and the war in Ukraine are added (pandemic period: March 2020 to December 2021, Ukraine war period: since March 2022). Both communication and policy rate shocks are standardised so that each shock results in a 25 basis point increase in the 3-month OIS at peak. Shaded areas denote 68% confidence intervals. The estimation sample is from 2002-25.