Box Article 2:

The Value of Silence in Central Bank Communications: Adopting a Quiet Period in the BSP[1]

As an inflation-targeting central bank, the Bangko Sentral ng Pilipinas (BSP) recognizes the importance of coherence and transparency in its monetary policy communications. Many central banks support the view that markets' clear understanding of monetary policy objectives and strategies contributes to the effectiveness of monetary policy transmission through asset prices, credit, and expectations.

While greater central bank transparency can minimize uncertainty, inconsistent policy messages and information overload may contribute to unnecessary noise, especially ahead of monetary policy meetings. Clarity in central bank communication, therefore, is just as important as the magnitude of transparency (Jitmaneeroj et al., 2019).

The quiet period policy bolsters the BSP's forward guidance

The BSP uses forward guidance to provide information on the likely future path of monetary policy. While forward guidance is not intended to be a pre-commitment to a particular course of action, it lends future monetary policy decisions some measure of predictability. Hence, forward guidance, when executed effectively, can be a potent instrument in influencing market expectations and aligning them with the central bank's policy intentions and objectives.

In its own experience, the BSP has found that effective forward guidance requires transparency, consistency in messaging, and a unified voice in conveying the intention and direction of monetary policy.

To enhance forward guidance as a monetary policy tool, the BSP formally adopted a quiet period policy. For a predetermined period before each scheduled monetary policy meeting of the Monetary Board (MB), the BSP will refrain from communicating matters related to prospective monetary policy issues and decisions until the official announcement of the MB's assessment of the monetary policy stance.

Quiet periods are not new to central banking. Over the years, monetary authorities, especially in advanced economies, have adopted this practice to prevent excessive market volatility stemming from unnecessary speculation.

Quiet Period Practices of Selected Central Banks

Central bank	Length of quiet period[2]
European Central Bank	starts seven days before the scheduled policy meeting
United States Federal Reserve	starts at 12:00 a.m. (Eastern Time) on the second Saturday before the first day of the meeting, and ends at 11:59 p.m. (Eastern Time) the day after the meeting
Bank of England	starts from the Monetary Policy Committee meeting, and ends at midnight on the day of the policy announcement
Bank of Japan	starts two days before the monetary policy meetings, and ends at the end of the day on which the meetings conclude
Bank of Canada	starts about one week before the publication of the monetary policy decision
Reserve Bank of Australia	starts at the beginning of the Policy Discussion Group meeting, usually at 2:30 p.m. (Australian Eastern Time) on the Wednesday prior to the Board meeting, and ends after the policy announcement

Sources: Official websites of central banks

Salient points of the BSP's quiet period guidelines

The BSP's quiet period will begin seven calendar days before the scheduled monetary policy meeting and continue until the announcement of the monetary policy decision to the public. During this period, BSP officials and technical staff are expected to refrain from discussing the direction and intention of monetary policy.

Type of information that may be communicated during the quiet period. Only information cleared for publication by appropriate authorities and released to the public before the quiet period, without reference to prospective monetary policy decisions, may be shared. Senior BSP officials may still disseminate regularly published reports by providing factual background information and answering technical questions specific to scheduled media or data releases.

Speaking engagements during the quiet period. The Governor may discuss current or future monetary policy issues during the quiet period, but only with the concurrence of the majority of the MB members. The Governor may have greater flexibility during extraordinary circumstances, such as when there is an urgency to minimize market volatility due to false information or during crises like the COVID-19 pandemic, when communication about extraordinary liquidity-enhancing measures and forward guidance was necessary to reduce uncertainty.

Unless approved by the Governor, MB members, deputy governors, and senior BSP officials[3] shall not accept any engagements, disclose confidential information, or express their views on macroeconomic developments, prevailing monetary policy issues, or upcoming monetary policy decisions to the public and other parties[4] during the quiet period, whether on or off the record. The technical staff of the Advisory Committee[5] are subject to the same restrictions.

Quiet period rules balance transparency and policy flexibility

Quiet period policies do not undermine transparency in monetary policy communications. While such rules limit the information the BSP may share during the period, unrestricted central bank communication leading up to policy meetings may contribute to market confusion and increase uncertainty. For instance, diverging policy narratives may result in higher forecast errors in academic and private-sector institutions (Gnan & Rieder, 2023). On balance, quiet period rules help offset the potential adverse impact of having "too many voices" or providing "too much information." A quiet period minimizes noise to ensure the clarity of signals from monetary authorities.

Observing a quiet period also provides some degree of policy flexibility for monetary authorities during the policymaking process. Key economic indicators, such as gross domestic product and inflation, may be released days before the BSP's monetary policy meeting. The quiet period allows monetary authorities to incorporate this incoming information into their analyses and views without having to change their messaging prior to the announcement of the monetary policy stance.

The current BSP guidelines on the quiet period for monetary policy meetings take into consideration past monetary policy communication experiences and best practices from other central banks. Moving forward, the BSP will continue to explore possible enhancements to its communication practices, in line with its commitment to a high level of transparency and accountability.

ENDNOTES

1/ The authors of this box article are Eugenio Alfredo E. Gloria and Charday V. Batac.

2/ In some central banks, the quiet period is referred to as "blackout period" or "*purdah*."

3/ This refers to senior assistant governors, assistant governors, managing directors, and heads of BSP departments and offices.

4/ This may refer to BSP personnel who are not involved in the formulation of the prospective monetary policy decision.

5/ The Advisory Committee supports the MB on issues relating to the formulation and implementation of monetary policy. It is composed of technical staff from the Monetary Policy Sub-Sector, Financial Supervision Sector, Financial Markets, and Office of Systemic Risk Management.

REFERENCES

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Jitmaneeroj, B., Lamla, M. J., & Wood, A. (2019). The implications of central bank transparency for uncertainty and disagreement. *Journal of International Money and Finance, 90*, 222–240. https://doi.org/10.1016/j.jimonfin.2018.10.002