

## Strategic Communication in Modern Central Banking

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Hello everyone, I'm **Susanna Grigoryan**, an economist at the **Central Bank of Armenia** and a **Level One student at the Global Forecasting School**. In this session, we'll explore the role of strategic communication in modern central banking and how it has become a core component of the FPAS Mark II framework.

Strategic communication is no longer a supplementary activity—it is a central instrument of modern monetary policy. Clear, transparent, and timely communication enhances credibility, stabilizes expectations, and allows the public and financial markets to better understand the central bank's assessment of risks. Under FPAS Mark II, communication is treated as a policy tool in its own right—one that manages uncertainty, anchors expectations, and strengthens accountability.

In earlier monetary regimes, communication was often treated as an afterthought, primarily descriptive rather than analytical. FPAS Mark II elevates it to a full-fledged policy instrument. It requires that communication not only describe what the central bank has done but explain how it thinks. Policy statements, press briefings, executive summaries, attributed minutes, and scenario-based explanations all work together to guide markets' understanding of policy intentions. The goal is not to provide perfect predictions but to clarify how the Board views risks and how it responds to uncertainty.

Strategic communication also strengthens transparency, which is essential for maintaining credibility—particularly in a small open economy like Armenia. FPAS Mark II sets high transparency standards by requiring clear explanations of policy decisions, structured presentation of scenarios, timely publication of minutes, and clear attribution of votes and reasoning. This transparency helps the public understand not only what the Bank decided but why it made those decisions in the face of uncertainty. Accountability is enhanced when Board members explain the reasoning behind their votes and their interpretations of risk.



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Under FPAS Mark II, communication is structured around scenarios rather than deterministic forecasts. Instead of presenting a single baseline, the Bank explains multiple potential paths for inflation, growth, financial conditions, and external risks. This shifts communication from projecting certainty to presenting a distribution of risks. Scenario-based communication helps prevent misinterpretation by clarifying that it is risk—not a baseline—that drives policy. By explaining both upside and downside risks, the institution strengthens credibility and enables markets to form more informed expectations about future actions.

Monetary policy works largely through expectations—expectations of future interest rates, inflation, financial conditions, and global developments. FPAS Mark II recognizes that clear communication helps reduce uncertainty premiums and supports more efficient transmission of policy. When the public understands how the Bank interprets risks, how scenarios might evolve, and how credibility may influence inflation dynamics, expectations become more stable and better anchored. This reduces volatility and improves the effectiveness of policy interventions.

The Central Bank of Armenia uses a wide range of communication tools to reach different audiences. The Monetary Policy Report provides analytical depth. The Executive Statement offers a concise summary of decisions. Attributed minutes promote transparency. Press conferences and analyst briefings allow interactive clarification. Media interviews and public speeches extend outreach. And educational materials—such as those produced here at the CBA Learning Hub—help train future economists and increase public understanding of policy. Each communication vehicle serves a distinct but complementary role, reinforcing the Bank’s credibility through consistency and clarity.

FPAS Mark II also emphasizes open risk communication. Concealing uncertainty damages credibility; embracing uncertainty strengthens it. The Bank gains trust by explaining what it knows, what it does not know, and how it plans to respond under different scenarios. By framing decisions through a least-regrets mindset, communication conveys that policy is designed to minimize costly mistakes when the world behaves differently than expected. This approach reinforces long-term credibility and helps maintain stable expectations even in times of volatility.

Strategic communication under FPAS Mark II is therefore central to effective monetary policy. It aligns expectations, manages uncertainty, strengthens accountability, and enhances credibility. By providing structured, scenario-based communication, the Central Bank of Armenia ensures that markets, analysts, and the public understand both the rationale behind decisions and the risks shaping them. Communication is no longer

an accessory—it is a core component of modern monetary policy and one of the most powerful tools a central bank has to sustain trust.

Thank you for watching, and I would like to acknowledge **Douglas Laxton, Martin Galstyan, Vahe Avagyan, Jared Laxton, Asya Kostanyan, and Sophio Mkervalidze** at the **Global Forecasting School** and **The Better Policy Project** for their guidance and support in producing this video.

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