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MNB Bulletin

The latest regular publication of the Hungarian central bank addresses the wider public

For the National Bank of Hungary (NBH, in Hungarian: Magyar Nemzeti Bank), just as for most modern central banks, to achieve and maintain price stability is the ultimate goal; the NBH implements monetary policy in order to achieve this objective. The rate of inflation, however, is influenced by not only monetary policy but by several other factors of the economy and economic policy as well; consequently, modern central banks need credibility and wide social support in order to fulfil their primary function. A central bank enjoys support and is deemed to be credible when the advantages of low inflation become widely known to, and accepted by, the general public. Another criterion of credibility is the transparency of a central bank. Transparency means that professionals and the wider public have an opportunity to become acquainted with and to understand (at least in terms of major conclusions) those research outcomes and expert analyses which serve as a basis for monetary policy decisions. Thus, credibility and enjoying support have various levels, including professionals with an academic knowledge of monetary policy and the public opinion alike. Accordingly, the central bank must establish a structure of publications that enables it to address people of as many levels of professional knowledge as possible.

Year by year, the National Bank of Hungary

carries out intensive, high-standard research and analysis activities on the recent processes of, and risks related to, the Hungarian economy, as well as on topical issues of monetary policy and financial stability. Some of the analyses, however, are intended for internal use only and serve the purpose of decision making, while open publications are, as a rule, meant to provide information to the professional public with a comprehensive knowledge of economics. Consequently, in terms of communication, the methodology and professional terminology used to pose problems, which, in turn, made it difficult to convey the message deemed important by NBH experts, to a wider public of those interested. The principal aim of the NBH, on publishing the Bulletin, is to represent the standpoint of NBH experts on current monetary policy issues of public interest, so as to offer an insight for the wider public into the central bank's research and analysis activity.

The MNB published the first issue of the Bulletin in June 2006. Since then, four issues have been published, one in every half year. Each issue contains 4–6 articles of 7–15 pages. The issues are accessible in Hungarian and English under the heading *Publications* on the home page of the National Bank of Hungary [Magyar Nemzeti Bank (www.mnb.hu)]; the Hungarian version is published in print as well.

THE MISSION AND IDEA OF THE MNB BULLETIN

The MNB has always used various communication tools and channels to publish the results of its research and analysis activities (e.g. NBH studies and the NBH series *Working Papers*). However, these publications, basically intended to address a narrow target group of professionals, gave information that required a comprehensive knowledge of economics on the part of the reader. At the end of 2005, having surveyed the structure of the best international central bank publications, NBH leaders recognised a need for a regular central bank publication that addresses a wider public and gives general information on current issues of the economy to those who are interested in economic processes and correlations yet have no comprehensive, professional knowledge.

Thus, the NBH Bulletin does have its inter-

national predecessors: several central banks issue similar publications (*See Table 1*).

As the table shows, the majority of regular central bank publications on research and analysis results contain several short analyses basically intended for a wider public; in most cases, they also include articles written for educational purposes. Some of the above mentioned publications, on the other hand, target a distinctly narrow, professional public and offer articles focussed on a specific topic (e.g. *Bank of Finland Bulletin*, *CNB Economic Research Bulletin*). In conformity with the objective set by the National Bank of Hungary, the creation of the NBH Bulletin followed the model of those international central bank publications that address a wider public and are of educational nature.

Having studied the publications that served as a basis for the Bulletin and having taken into consideration the objectives set, we formulat-

Table 1

REGULAR CENTRAL BANK PUBLICATIONS ON RESEARCH AND ANALYSIS RESULTS

Country, region	Name of central bank publication	Declared contents	Number and length of articles
Euro zone	Research Bulletin	An easy-to-understand presentation of the results of the research and analysis activity at the European Central Bank	3-4 articles, 3-5 pages/article
United States	Federal Reserve Bulletin	STAB analysis that merit general attention	1-5 articles, 3-50 pages/article
United Kingdom	Quarterly Bulletin	Wide-range monetary and fiscal analyses with national and international focus	3-5 articles, 10-20 pages/article
Australia	Reserve Bank Bulletin	Analysis of current economic processes, speeches delivered by top managers, statistical data	1-5 articles, 5-15 pages/article
Canada	Bank of Canada Review	Analysis of issues related to the Canadian economy and monetary policy	3-5 articles, 10-15 pages/article
Finland	Bank of Finland Bulletin	Current information and prognosis on the Finnish economy for foreign professionals	2-4 articles, 7-10 pages/article
Norway	Economic Bulletin	Analysis of comprehensive issues related to the activity of the Norwegian central bank	4-5 articles, 7-12 pages/article
Sweden	Economic Review	Analysis and statistical data related to the activity of the Swedish central bank	3-5 articles, 10-20 pages/article
Czech Republic	CNB Economic Research Bulletin	Summaries of research papers on specific issues	2-3 articles, 3-6pages/article

ed the aim of the NBH Bulletin as follows: *The aim of the National Bank of Hungary with this publication is to inform professionals and the wider public in an easy-to-understand form about basic processes taking place in the Hungarian economy and the effect of these developments on economic players and households.* Primarily, the publication offers articles written by experts on three special fields of the central bank's activity: (1) economic analysis and research, (2) financial analyses and (3) financial stability; however, it is open towards publishing analyses of public interest in other fields, as well. The target group was defined as a wider professional public, including Hungarian and foreign economic journalists, business sector players, economic politicians, analysts who work for other central banks and international institutions, university lecturers and students.

Before launching the Bulletin, we categorized the articles to be published into the following five groups in terms of genre:

- ① brief and easy-to-understand presentations of the results of those NBH studies that merit public attention,
- ② brief educational writings on current issues (previously published in the inflation reports and stability reports),
- ③ clear presentation of the public results of background documents used for internal decision making,
- ④ presentation of changes in legislation, as relevant for the central bank,
- ⑤ analyses of the structure and current issues of financial markets.

The mission and idea of the MNB Bulletin requires the published articles to be topical and, at the same time, catering for the interest of the wider public, and to serve as an easily intelligible and readable introduction to the results. In addition, the articles published are required not only to meet the triple condition of topicality, interest and clarity, but also – just as all central

bank publications – to be a novelty and of high professional standard. “Novelty” means that a lengthier NBH study which is published or is to be published individually will be issued by the National Bank of Hungary in an NBH Bulletin only if its publication in the Bulletin carries an added value as compared to the individual publication. For instance, there is such added value when the fundamental message of a highly professional *Working Paper* which makes a difficult reading is rendered in a more comprehensible, readable way and is thus made accessible to a much wider public. A similar objective is met when the major conclusions and messages of a monolingual study are published in two languages in the Bulletin (e.g. in the case of the *Working Papers* series, published exclusively in English) or when the readers have access to the key results of a study whose detailed version is to be published later. The aspect of professional standard means that the articles published in the Bulletin are selected and approved of by an Editorial Board, and, as in the case of the NBH studies and the *Working Papers* series, the publication is preceded by technical debates.

WHICH AIMS HAVE BEEN REALISED IN THE FIRST TWO YEARS?

The four issues published so far contain 21 articles. In the years 2006 and 2007 those interested could read about those economic issues that play a crucial role in monetary policy, such as the strategy and implementation of monetary policy, issues of macroeconomic and fiscal policy, current topics of financial stability and regulation, as well as about the functioning of various financial markets and about the analysis of information related to the money market.

The National Bank of Hungary assigns great importance to sharing as much information as possible with the wider public on the advan-

tages and the functioning of the monetary policy strategy and the inflation targeting system employed by the NBH. Accordingly, NBH experts in their articles on monetary policy published in the NBH Bulletin pointed out, among other comments, that efforts made by the central bank to achieve a lower inflation rate are not an objective in itself but ultimately serve social welfare and that inflation targeting has proved to be a proper strategy framework to reach this goal. Furthermore, readers had access to articles on the considerations for setting the medium-term inflation target (introduced in 2005), the theoretical and practical aspects of monetary policy implemented via interest rate cycles, the change in the relationship of central bank money and money supply in recent monetary policy regimes and the role of monetary market information in the monetary policy based on inflation targeting.

As for articles on macroeconomy, our aim is to present the background of those processes which are significant in terms of the inflation process, since the primary and key objective of the NBH is to achieve and maintain price stability. The readers got information on the opinion of the NBH experts on the inflatory effect of changes in the VAT rate, on unfavourable investments as a risk to economic growth, on the macroeconomic effects of various forms of fiscal adjustment, and on the possible consequences of global imbalance corrections for Hungary.

A basic duty of the NBH is to support the stability of the monetary system and, as a part of this duty, to produce analyses on monetary stability and to inform the general public on the processes that influence the stability of Hungary's financial system. Accordingly, the majority of the analyses on financial stability published in the NBH Bulletin deal with current issues related to the stability of the system of financial mediation in Hungary, such as an assessment of the degree of the exposure of Hungarian small and medium enterprises to

fluctuations in the exchange rate, an assessment of the risks related to the credit boom and household indebtedness, a survey of the resilience of Hungarian banks to liquidity shocks, and an analysis of banking system efficiency in the European Union as a whole. A proper regulation of the financial system is an essential prerequisite of financial stability; in this field, the Bulletin offered information on the reform of the Hungarian corporate insolvency regulation and on the impacts of the recent Basel financial regulation on the cyclicality of banks' capital requirements and on financial stability.

Within the framework of the inflation targeting system, a successful implementation of monetary policy requires experts to interpret financial market information (primarily, data on exchange rates and yields) as exactly as possible. To be able to do so, the central bank needs to have a thorough knowledge of the functioning of financial markets, including the motives and trading strategies of financial market players. Nevertheless, to understand certain monetary policy decisions, the wider professional public need to find their way in the information about the issue, which, in turn – due to the complex nature and constant development of financial markets and products – requires the acquisition of further knowledge. The NBH experts, having recognised this demand, disseminated information in the NBH Bulletins of the last two years on the following topics: the main characteristics of non-residents' trading on the foreign exchange and government bond markets, the central bank methodology of the analysis of the information content of the yield curve and analysts' expectations, the major characteristics of interbank forint/euro trading, on how macroeconomic announcements and FX market transactions affect the forint/euro exchange rates.

Obviously, in terms of scale, the four issues published so far have not been sufficient to

represent the NBH experts' opinion on every major and current issue. However, taking into consideration the articles published, we can say that the principal aspects of the idea have been realised and that content-wise the issues of the first two years have been suitable for reaching the goals defined in our declared mission.

THE NUMBER OF READERS, AND THEIR FEEDBACK

As far as the success of the first four issues is concerned, the major criteria are whether the articles published in the Bulletin reached the declared target group and to what extent the representatives of this target group regarded the publication as useful. The National Bank of Hungary promotes the publication of each issue with a major press campaign. The Editorial Board presents the published issues to economic journalists at a press breakfast, where authors participate, too; *Portfolio.hu* and the macroeconomic supplement of the Hungarian daily paper *Világgazdaság* publishes the abstracts of the articles.

The related press campaign plays a more decisive role in the case of the Bulletin than in the case of other central bank publications. Due to the educational nature of the Bulletin, it is highly important for the articles published to achieve as comprehensive media coverage as possible in order to disseminate the key results and conclusions of the NBH's analysis and research activities to as many readers as possible. Press coverage is guaranteed, on the one hand, by the topicality and clarity of the published articles and, on the other hand, by an efficient press campaign. The article "Household indebtedness and financial stability: Reasons to be afraid?", published in the November 2007 Bulletin, is a vivid example of this fact. Soon after the article was published, it was quoted by several online newspapers, three printed daily papers and two radio interviews;

consequently, its key message reached a wider group of those who are interested in the topic yet do not read the Bulletin.

After the publication of the Bulletin, those interested have the opportunity to ask the authors questions directly – that is, the most competent experts of the respective issues – on the forum of *Portfolio.hu*. The direct contact between authors and readers is a key element of the idea of the NBH Bulletin: for lack of such relationship, educational aims are impossible to achieve. It is partly due to the comprehensive media campaign that during the last two years the number of NBH Bulletin downloads has gradually been rising; the download rate of the Bulletin (in Hungarian and in English alike) has approached the download rate of other regular NBH publications. The increase in the number of readers is also evidenced by the fact that after the publication of each new issue, more and more questions are addressed to the authors on the forum of *Portfolio.hu*.

The Editorial Board conducted questionnaire-based surveys at the end of the first and second years; along with the download statistics, these surveys gave an opportunity to get a better understanding of the readers' opinion and demands. Those participating in the survey (including economic analysts, journalists, university lecturers and students) assessed the articles as of high quality in terms of topicality, interest and clarity. As far as the chosen nature and aims of the publication are concerned, it is highly favourable that those asked considered clarity as the greatest merit of the Bulletin. Readers were satisfied with the topics of the first four Bulletins; they qualified the topics as attention-grabbing and diversified.

THE FUTURE OF THE NBH BULLETIN

On the basis of feedback from readers, and data on the size of the Bulletin's reader base, it can

be concluded that the first four issues represent a promising beginning. However, the objectives defined in the mission of the new central bank publication can be achieved only when the Bulletin will be known and appreciated by as large number of readers as other central bank publications, and, at the same time, the growth rate of access by representatives of all layers of the target group will remain the same as in the previous two years. This necessitates not only an efficient press campaign but also a proper choice of topics and articles that are of high professional quality and, at the same time, an easy reading. Therefore, our intention is to continue with the professional work launched

in 2006–2007 while using recent experience constructively. In this respect, we pay special attention to readers' feedback and we do encourage our readers to formulate their opinion. Questions and comments are to be sent to the electronic mailbox of the NBH Bulletin Editorial Board (*bulletin@mb.hu*).

For NBH experts, publishing an article in the NBH Bulletin is becoming highly valued; therefore, we may hope that in the future readers will continue to be offered issues that come up with high-quality, diversified and current topics. The authors of the articles and the members of the Editorial Board wish a pleasant reading to all readers.

APPENDIX

THE ARTICLES PUBLISHED IN THE MNB BULLETINS

Author	Title
June 2006	
Katalin Bodnár	Survey evidence on the exchange rate exposure of Hungarian SMEs
Csaba Csávás – Lóránt Varga	Main characteristics of non-residents' trading on the foreign exchange and government bond markets
Dániel Holló – Márton Nagy	Analysis of banking system efficiency in the European Union
Gergely Kiss	Credit boom: equilibrium convergence or risky indebtedness?
Balázs Párkányi	Myths and Maths: Macroeconomic Effects of Fiscal Adjustments in Hungary
December 2006	
Péter Gábrriel – Klára Pintér	Whom should we believe? Information content of the yield curve and analysts' expectations
Péter Gábrriel – Ádám Reiff	The effect of the change in VAT rates on the consumer price index
Áron Gereben – Norbert Kiss M.	A brief overview of the characteristics of interbank forint/euro trading
Zoltán M. Jakab	Consequences of global imbalance corrections for Hungary
András Rezessy	Considerations for setting the medium-term inflation target
Dr. Valéria Széplaki	Reform of the Hungarian corporate insolvency regulation and its financial stability aspects
June 2007	
Tamás Balás – Csaba Móri	How resilient are Hungarian banks to liquidity shocks?
Péter Gál	Unfavourable investment data – risks to economic growth?
Norbert Kiss M. – Klára Pintér	How do macroeconomic announcements and FX market transactions affect exchange rates?
András Komáromi	The effect of the monetary base on money supply – Does the quantity of central bank money carry any information?
November 2007	
Ágnes Csermely – András Rezessy	The theory and practice of interest rate smoothing
Anna Delikát	Role of financial markets in monetary policy
Dániel Holló	Household indebtedness and financial stability: Reasons to be afraid?
Livia Sánta	The role of central banks in crisis management – how do financial crisis simulation exercises help?
Máté Barnabás Tóth	Monetary policy rules and a normative approach to the central bank's objective function
Balázs Zsámboki	Impacts of financial regulation on the cyclicity of banks' capital requirements and on financial stability