

**Central Bank Communication in a Normalizing Monetary Policy Environment:
Rethinking the Bank of Japan's Communication Strategy**

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Panel Abstract

This panel discusses the role of central bank communication in a normalizing monetary policy environment, with a focus on the Bank of Japan. As monetary policy moves away from an accommodative phase, central banks face a difficult communication challenge. They need to explain the conditions under which policy decisions may change, while avoiding excessive pre-commitment to the timing or pace of future policy moves.

Recent international debates underscore this issue. The Bernanke Review of the Bank of England highlights the need for central banks to improve how they use forecasts, scenarios, and risk assessments in policy communication. Meanwhile, Federal Reserve Chair Kevin Warsh argues that forward guidance should play a limited role in normal times, distinguishing commitment to policy discipline from commitment to a specific future decision. These discussions imply that the central question is not whether central banks should communicate more or less, but what they should explain clearly and what they should avoid promising in advance.

This issue is especially relevant to Japan. The Bank of Japan is adjusting monetary accommodation as underlying inflation nears its 2 percent price stability target. In this environment, the policy significance of upside inflation risks changes. When inflation is well below 2 percent, such risks may support progress toward the target. As inflation nears 2 percent, however, they may impose greater policy costs if they materialize and persist. Communicating this shift is therefore essential.

The panel will address three questions. First, how should a central bank communicate its assessment of economic and price conditions? The challenge is not which individual indicators to monitor, but how to interpret them in terms of underlying inflation, persistence, spillovers, lags, and uncertainty. Second, how should it explain changes in its policy reaction? As underlying inflation nears the target, the same data or upside risks may call for a different response, depending on shifts in the reaction function, policy preferences, or assessment. Third, how should it clarify its policy reasoning visible to markets, firms, households, and the media? Effective communication requires more than disclosing information. It requires a clear *design* that reduces information and perception gaps while preserving policy flexibility.

This panel brings together academic, central banking, and private-sector perspectives to reconsider the Bank of Japan's communication strategy.

The panel will be conducted in Japanese.