Bank of Nassau
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Weekly Economic Flash

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"Communication breakdown, it's always the same
Havin' a nervous breakdown, drive me insane"

Led Zeppelin

Reports suggest that Fed Chair Warsh has proposed holding fewer FOMC meetings in the future. Here, we show that this goes against what has become accepted central bank practices. While we are not a fan of less communication, however, we cannot yet say whether this is detrimental for monetary policy transmission and smooth market functioning.

Background

The WSJ reported that at Chair Warsh's second FOMC meeting, "The idea of fewer meetings was presented as a subject for discussion rather than a formal proposal, and a brief discussion centered on whether there would be benefits from meeting six times a year, these people said." Cue the outrage. However, it's not so clear-cut that this is bad.

Simply put, Fed practices have evolved over time. The Fed currently meets eight times a year. This schedule was set in 1981 by Chair Paul Volcker. Before then, the FOMC met more often, sometimes monthly. Of note, the Banking Act of 1935 only requires the FOMC to meet "at least four times each year." Interestingly, the Chair or any three members of the FOMC can call a meeting and so this shift to fewer meetings is not something that Warsh can do unilaterally.

It's not just the meeting schedule that's changed. For instance, the Fed started publishing updated macro forecasts in a quarterly Summary of Economic Projections (SEP) starting in 2007 alongside the March, June, September, and December FOMC meetings. Chair Greenspan never held press conferences during his tenure from 1987-2006. Chair Bernanke started the practice of holding quarterly press conferences in 2011 during the meetings with the SEP in part to explain any updates. Chair Powell started the practice of holding press conferences at every meeting in 2019.

While this latest news has fed into the ongoing concerns about market impact of less Fed communication, it's easy to forget that this wasn't always so readily available. For instance, it wasn't until 1994 that Chair Greenspan began announcing Fed policy. Before that, an army of Fed watchers had to figure out whether the Fed was adding or draining reserves from the system in order to glean any policy changes. This current meeting schedule set back in 1981 may or may not be optimal in 2026, but it will be up to the Fed and the markets to decide whether six is better.

Major Central Bank Schedules

Now, let’s see how the current Fed communication practices line up with its global peers.

The European Central Bank currently meets eight times a year. This schedule began in 2015. Before then, the ECB met monthly. ECB President Draghi explained the logic behind fewer meetings by noting that "With the need to avoid triggering short-term market noise, we should reflect on the frequency of our monetary policy meetings as well. It's pretty clear that our frequency of meetings leads the markets and the public to expect action.” In other words, holding too many meetings risks having too much noise. Besides decreasing the number of meetings to eight per year, the ECB also started publishing an account of each meeting, timed so that it comes before the next policy meeting is held. It issued macro forecasts twice a year until 2004, when it moved to quarterly forecasts at the March, June, September, and December meetings. The ECB has held a press conference after every meeting since its inception in 1999.

The Bank of Japan currently meets eight times a year. This schedule began in 2016 and was made mainly to bring it into line with the practices of the Fed and the ECB. Before then, the BOJ met fourteen times a year, gathering monthly along with two meetings each in April and October. Besides moving to fewer meetings, the BOJ also began publishing a summary of discussions a week after each meeting, followed by more detailed minutes later, and also began publishing updated macro forecasts in its quarterly Outlook Reports at the January, April, July, and October meetings. Before 2016, semiannual forecasts were released at the April and October meetings. The BOJ has held press conferences at every meeting since 1998.

The Bank of England currently meets eight times a year. This schedule began in 2016 and was in response to recommendations made by Kevin Warsh in an independent review conducted in 2014. Before then, the BOE met monthly. The bank started releasing minutes of the meeting when announcing the decision starting in August 2015. The bank issued quarterly macro forecasts in its Monetary Policy Report starting in 1993. The BOE only holds a press conference at a meetings where the MPR is released. The IMF recommended in 2024 that it hold press conferences at every meeting but so far, it remains quarterly. Incredibly, the Bank of England did not gain independence until 1997. Before that, the Chancellor of the Exchequer made final rate decisions after consulting with the BOE Governor.

The Swiss National Bank currently meets four times a year. This schedule began in 2000 following the start of its new policy framework in December 1999 that began inflation targeting along with medium-term inflation forecasts. Governor Schlegel noted that “Communication is at the center of this strategy.” and added that “Communication helps us to shape market expectations about interest rates so that they are conducive to price stability.” The bank added to its transparency by releasing the summary of its policy discussions four weeks after every decision beginning in 2025. However, Governor Schlegel stressed then that “More transparency is not always better. It is essential that the Governing Board can conduct open discussions during its monetary policy assessments. Reporting on these discussions must not discourage any participant from expressing their views freely.” Of note, the SNB was one of the first central banks to hold regular press conferences after its decisions, starting back in 1974.

The Bank of Canada currently meets eight times a year. This set schedule began in 2000. This replaced the previous approach of “announcing monetary policy actions under which the Bank can, in principle, adjust interest rates on any business day.” It added that this move should “increase the Bank's transparency, accountability, and ongoing dialogue with the public.” The bank began releasing macro forecasts in its quarterly Monetary Policy Report (MPR) at the January, April, July, and October meetings starting in 2009. Originally, the updates were semiannual in May and November starting in 1995 and interim updates in February and August were added in 2000. The bank started holding press conferences after every meeting starting in 2024. Before that, press conferences were held only for the meetings when the MPR was issued.

The Reserve Bank of Australia currently meets eight times a year. This schedule began in 2024. Before that, the RBA met monthly whilst skipping January. An independent review noted that "The monetary policy board should move to eight monetary policy meetings a year to allow more time to consider the issues and engage with RBA staff within each meeting cycle." Updated macro forecasts are published in a quarterly Statement on Monetary Policy released alongside the February, May, August, and November meetings. As per the independent review, press conferences are now held at every meeting starting in 2024. Before, there were none and policy was conveyed by a short statement.

The Reserve Bank of New Zealand meets seven times a year. This schedule was set in 2016 when the January meeting was eliminated. However, the bank announced this February that it was adding back the January meeting and will meet eight times a year starting in 2027. The bank explained that “From next year, CPI data is set to be published on a monthly basis, rather than quarterly. Due to this, the Committee believes it is appropriate to move to 8 scheduled decisions.” Updated macro forecasts are published in a quarterly Monetary Policy Statement (MPS) released alongside the February, May, August, and November meetings. Press conferences are held at every meeting starting this April. Before, they were only held at the meetings when the MPS was released.

Norges Bank currently meets eight times a year. This schedule began in 2018. Before that, the bank met six times a year. Governor Olsen noted that "With more frequent monetary policy meetings and the publication of the minutes, including voting records of the Executive Board, the Bank is seeking to increase monetary policy transparency." Updated macro forecasts are published in a quarterly Monetary Policy Report (MPR) released alongside the March, June, September, and December meetings. Press conferences are only held at the meetings when the MPR is released.

The Riksbank currently meets eight times a year. This schedule began in 2024. Before that, the bank met five times a year. Governor Thedéen noted that “More meetings makes it easier for the Riksbank to more rapidly adapt monetary policy to the prevailing situation and communicate a coherent view on economic developments more often.” Updated macro forecasts are published in a quarterly Monetary Policy Report released alongside the March, June, September, and December meetings. All decisions are followed by a press conference as well as meeting minutes in which board members present their individual positions.

Market Implications

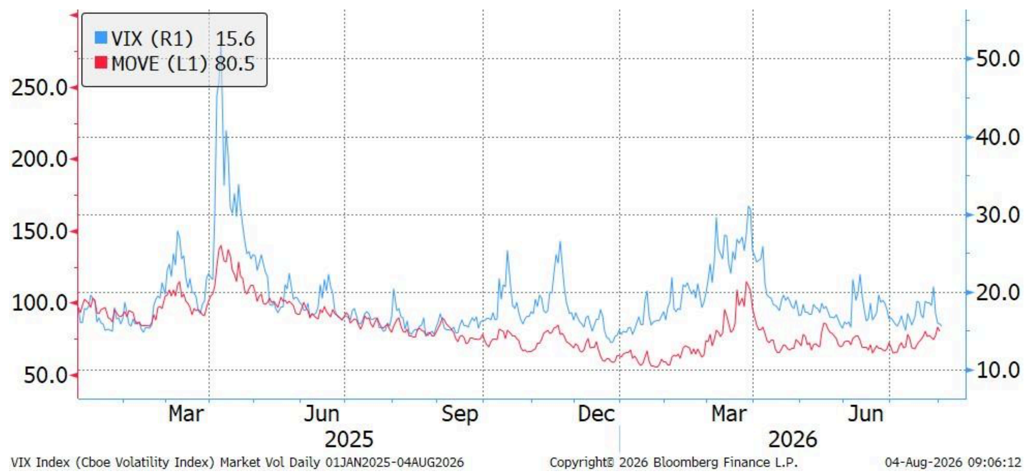
As one can see, virtually every major central bank has gravitated towards holding policy meetings eight times a year. The Swiss National Bank is the exception here but it has also taken other steps to improve its communication. For those central bank that have increased the number to eight, they have typically touted improved central bank transparency as the major reason. If so, then one can rightly surmise that decreasing the number of meetings would ***reduce*** central bank transparency.

Chair Warsh's proposal to reduce the number of meetings is just the latest in his efforts to limit Fed communication. The June and July FOMC statements were an exercise in brevity, while Warsh's press conferences so far are noteworthy for saying very little about Fed policy. Warsh has also hinted that the number of press conferences could also be reduced, though we are unsure whether this would be the direct result of fewer meetings or whether we would instead see some meetings without press conferences.

Reducing Fed communications across the board should not automatically be taken as a negative. As ECB President Draghi noted when moving from twelve to eight meetings a year, fewer meeting reduces the potential noise; one could perhaps say the same thing about moving from eight to six meetings a year. That said, reducing communication across the board likely means greater volatility across global financial markets. It's too early to discern any effects of Warsh's communication shift on volatility, especially since it's difficult to parse out the market impact of the Iran conflict. However, measures such as the VIX (equities) and the MOVE (US Treasuries) indices bear watching.

Chair Warsh believes that markets can do a better job reacting to the data without Fed forward guidance. We are not convinced, as greater surprises mean greater volatility, much of which may be undesirable and unnecessary. While we are firmly in the "more is better" camp for Fed communication, we cannot unequivocally say that "less is worse." Only time will tell.

Market Volatility Measures



Conclusion

The Fed's task force on communication is studying this issue and we should know more by year-end. As we noted before, markets are likely to have the last word on this issue and right now, it's just too early to tell.

Given the dollar's dominant role in global trade and finance, the Fed is basically the central banker to the world. This makes the Fed much more than just a referee, but rather a major player. As such, we believe that there are risks from getting too little information and guidance from the Fed. Leaving everything up to the markets could be a dangerous premise. Even former Chair Greenspan admitted in his 2008 Congressional testimony about the Great Financial Crisis that his assumptions about the role of the free market were wrong.