

# **Impact of the Central Bank of Bolivia communication on monetary policy effectiveness**

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## **Abstract**

The purpose of this paper is to evaluate the effectiveness of Central Bank of Bolivia communication as a monetary policy tool, analyzing the impact on expected inflation and monetary regulation interest rate. Using information collected by the Survey of Economic Expectations to measure expected inflation, this paper finds that the announcement of projected inflation made in the Monetary Policy Report for each end of year, has reduced expected inflation under the level that would have been forecasted just observing its determinants. Additionally, evidence is presented that monetary policy inclination index, created on the basis of the executive summary and outlook chapter of semi-annual Monetary Policy Reports, does contain relevant information to forecast the monetary regulation interest rate. This significance remained even after including control variables, which imply that by improving the predictability of monetary policy, this signaling contributes to improve its effectiveness.

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