Abstract

This thesis aims to examine the effect of European Central Bank’s (ECB) oral communication on the financial systemic stress in the euro area. It considers ad-hoc speeches and interviews by the members of the ECB Governing Council as well as official press conferences between July 2008 and January 2014. The empirical analysis tests the effects of communication intensity and sentiment and whether they differ in different stress regimes. Regression results of ARIMA based models and Threshold auto-regressive model suggest that occurrence of official press conference increases the systemic stress, sentiment of communication matters only in the case of the ad-hoc speeches and interviews, but mainly that both the official and unofficial oral communication have a considerably stronger effect in periods of heightened systemic stress. Although the estimated effects are rather small, this thesis provides support for the hypothesis that ECB communication can affect the systemic stress.