Procedure file

Basic information

INI - Own-initiative procedure 2016/2063(INI)	Procedure completed
European Central Bank annual report for 2015 Subject 5.20.03 European Central Bank (ECB), ESCB	

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		04/02/2016
		TREMOSA I BALCELLS Ramon	
		Shadow rapporteur	
		MANN Thomas	
		FERNÁNDEZ Jonás	
		LUCKE Bernd	
		URTASUN Ernest	
		VALLI Marco	
		ANNEMANS Gerolf	
	Committee for opinion	Rapporteur for opinion	Appointed
	EMPL Employment and Social Affairs	The committee decided not to give an opinion.	
European Commission	Commission DG	Commissioner	
	Economic and Financial Affairs	KATAINEN Jyrki	

Key events

28/04/2016	Committee referral announced in Parliament		
11/10/2016	Vote in committee		
18/10/2016	Committee report tabled for plenary	A8-0302/2016	Summary
21/11/2016	Debate in Parliament		

22/11/2016	Results of vote in Parliament		
22/11/2016	Decision by Parliament	T8-0433/2016	Summary
22/11/2016	End of procedure in Parliament		

Technical information

Procedure reference	2016/2063(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Annual report
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/05938

Documentation gateway

Committee draft report		PE584.196	09/06/2016	EP	
Amendments tabled in committee		PE587.445	22/08/2016	EP	
Committee report tabled for plenary, single reading		A8-0302/2016	18/10/2016	EP	Summary
Text adopted by Parliament, single reading		T8-0433/2016	22/11/2016	EP	Summary
Commission response to text adopted in plenary		SP(2017)148	22/03/2017	EC	

European Central Bank annual report for 2015

The Committee on Economic and Monetary Affairs adopted an own-initiative report by Ramon TREMOSA i BALCELLS (ADLE, ES) on the European Central Bank Annual Report for 2015.

Members made the following observations as regards the current context:

- the euro area continues to suffer from a high level of unemployment, excessive low inflation and large macroeconomic imbalances, including current account imbalances;
- the euro area is facing a very low level of productivity growth, which is the result of the lack of investment 10 percentage points below its level before the crisis , a failure to carry out structural reforms and the weakness of internal demand;
- the high level of public debt, and particularly the huge number of non-performing loans and a still undercapitalised banking sector in some Member States, are still fragmenting the euro area financial market, thus reducing room for manoeuvre to support the most fragile economies.

Members acknowledged that, confronted with this very complex environment and the risks of a prolonged period of low inflation, the extraordinary measures adopted by the ECB to lift inflation back up to the medium-term objective of 2 % were consistent with the terms of its mandate and therefore not illegal.

Need for a sound budgetary policy and structural reforms: Members recalled that monetary policy alone is not the appropriate tool to solve the structural problems of the European economy. They emphasised that sound fiscal policies and socially balanced structural reforms oriented towards increasing productivity are the only way of bringing about sustainable economic improvements in these Member States.

The report insisted on the need to:

- implement fully the banking union, as well as the building of a capital market union, as this would be a decisive step towards improving the effectiveness of the single monetary policy and mitigating the risks arising from a shock in the financial sector;
- solve the issue of non-performing loans for the worst-affected national banking sectors in order to restore a smooth transmission of monetary policy for the whole area;
- ensure that structural and socially balanced reforms take full account of the demographic deficit in Europe, in order to tackle deflationary pressures and create incentives for a more balanced demographic structure that would make it easier to maintain an inflation target of around 2 %.

Unconventional measures: Members noted even though the impact risks and spillovers of unconventional measures has been significant, particularly as regards funding conditions for banks in the periphery, inflation is not expected to converge to the 2 % medium-term objective at the 2017 horizon.

The current recovery in bank and market lending is geographically unevenly distributed among the Member States and has not so far wholly produced the expected effect on the existing investment gap in the euro area.

Members deplored the existing, albeit gradually decreasing, gaps between the financing rates granted to SMEs and those granted to bigger companies, between lending rates on small and large loans, and between credit conditions for SMEs located in different euro area countries, but recognised the limits of what monetary policy can achieve in this respect.

The report emphasised that national economic policies should be coordinated, particularly within the euro area. It underlined that the unavoidable process of exiting from unconventional monetary policy will be a very complex one which will have to be carefully planned in order to avoid negative shocks on the capital markets.

Negative interest rate policy: Members underlined the fact that a prolonged period of flat yield curve could lessen the profitability of banks, especially if they do not adjust their business models, and could create potential risks, in particular for private savings and pension and insurance funds. A decline in the profitability of banks could dampen their willingness to develop lending activity.

The report called therefore for specific and continued monitoring of the negative interest rate tool, its implementation and its effects.

The report called on the ECB to carefully assess the risks of a future resurgence of asset and housing bubbles owing to its ultra-low (negative) interest rate policy.

Non-marketable assets: Members remain concerned by the still significant levels of non-marketable assets and asset-backed securities put forward as collateral to the eurosystem in the framework of its refinancing operations. They reiterated their request to the ECB to provide information on which central banks have accepted such securities and to disclose valuation methods regarding such assets. Such disclosure would be beneficial for the purpose of parliamentary scrutiny of the supervisory tasks conferred on the ECB.

The report noted that the ECBs Asset Purchase Programme (APP) has lowered bond yields in most Member States to unprecedented levels; warns against the risk of excessively high valuations on the bond markets, which would be difficult to handle if interest rates start to rise again in the absence of a sufficiently robust recovery, particularly for the countries involved in the excessive deficit procedure or with high levels of debt.

The Commission is called upon to:

- come forward with proposals to improve macroprudential oversight and the policy tools available for mitigating the risks in shadow banking;
- examine the need for legislative proposals enabling the current Capital Requirements Directive and Regulation (CRR/CRD IV) to be equipped with certain measures which could effectively address specific types of systemic risk.

Lastly, on a possible withdrawal of the UK from the EU, Members recalled that President Draghi correctly stated that the extent to which the economic outlook will be affected depends on the timing, development and final outcome of the upcoming negotiations and that regardless of the type of relationship that emerges between the European Union and the United Kingdom, it is of utmost importance that the integrity of the single market is respected. Any outcome should ensure that all participants are subject to the same rules.

European Central Bank annual report for 2015

The European Parliament adopted by 437 votes to 131, with 140 abstentions, a resolution on the European Central Bank Annual Report for 2015.

Current context: Parliament focused on the following issues:

- the euro area continues to suffer from a high level of unemployment, excessive low inflation and large macroeconomic imbalances, including current account imbalances;
- the euro area is facing a very low level of productivity growth, which is the result of the lack of investment 10 percentage points below its level before the crisis , a failure to carry out structural reforms and the weakness of internal demand;
- the high level of public debt, and particularly the huge number of non-performing loans and a still undercapitalised banking sector in some Member States, are still fragmenting the euro area financial market, thus reducing room for manoeuvre to support the most fragile economies.

Members acknowledged that in light of the current context, the extraordinary measures adopted by the ECB to lift inflation back up to the medium-term objective of 2 % were consistent with the terms of its mandate and therefore not illegal.

Since the launching of the Asset Purchase Programme (APP) in March 2015, and owing to targeted long-term refinancing operation (TLTRO) programmes targeted at the real economy, financial conditions have improved slightly, which has promoted a recovery in lending to firms and households in the euro area. Moreover, Parliament welcomed the European Central Banks categorical pledge of July 2012 to do whatever it takes to defend the euro, which has been instrumental in ensuring the financial stability of the euro area.

Need for a sound budgetary policy and structural reforms: Parliament agreed that the single monetary policy alone cannot stimulate aggregate demand unless it is complemented by sound fiscal policies and ambitious and socially balanced structural reform programmes at Member State level. It stated that monetary policy alone is not the appropriate tool to solve the structural problems of the European economy.

Members insisted on the need to:

- implement fully the banking union, as well as the building of a capital market union;
- solve the issue of non-performing loans for the worst-affected national banking sectors in order to restore a smooth transmission of monetary policy for the whole area;
- ensure that structural reforms take full account of the demographic deficit in Europe, in order to tackle deflationary pressures.

Unconventional measures: Members noted even though the impact risks and spillovers of unconventional measures has been significant, particularly as regards funding conditions for banks in the periphery, inflation is not expected to converge to the 2 % medium-term objective at the 2017 horizon.

Banks have been able to access funding at virtually no, or very low, cost, which has directly subsidised their balance sheets. Members deplored the fact that the size of this subsidy, despite representing a clear fiscal spillover effect of monetary policy, is not monitored and published, and that it is free from strict conditionality.

The current recovery in bank and market lending is geographically unevenly distributed among the Member States and has not so far wholly produced the expected effect on the existing investment gap in the euro area.

Members deplored the existing, albeit gradually decreasing, gaps between the financing rates granted to SMEs and those granted to bigger companies, between lending rates on small and large loans, and between credit conditions for SMEs located in different euro area countries.

The resolution emphasised that national economic policies should be coordinated, particularly within the euro area. It underlined that the unavoidable process of exiting from unconventional monetary policy will be a very complex one which will have to be carefully planned in order to avoid negative shocks on the capital markets.

Negative interest rate policy: Parliament underlined the fact that a prolonged period of flat yield curve could lessen the profitability of banks, especially if they do not adjust their business models, and could create potential risks, in particular for private savings and pension and insurance funds. A decline in the profitability of banks could dampen their willingness to develop lending activity.

The resolution called therefore for specific and continued monitoring of the negative interest rate tool, its implementation and its effects. It called on the ECB to carefully assess the risks of a future resurgence of asset and housing bubbles owing to its ultra-low (negative) interest rate policy.

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