










Procedure file

Basic information		
INI - Own-initiative procedure	2023/2064(INI)	Procedure completed
European Central Bank ? annual report 2023		
Subject 5.20.03 European Central Bank (ECB), ESCB		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Economic and Monetary Affairs		28/03/2023
		 VAN OVERTVELDT Johan	
		Shadow rapporteur	
		 SIMON Sven	
		 SILVA PEREIRA Pedro	
		 EROGLU Engin	
European Commission		 EICKHOUT Bas	
		 GUSMÃO José	
	Commission DG Economic and Financial Affairs	Commissioner GENTILONI Paolo	

Key events			
11/05/2023	Committee referral announced in Parliament		
28/11/2023	Vote in committee		
11/12/2023	Committee report tabled for plenary	A9-0412/2023	Summary
26/02/2024	Debate in Parliament		
27/02/2024	Results of vote in Parliament		
27/02/2024	Decision by Parliament	T9-0094/2024	Summary

Technical information	
Procedure reference	2023/2064(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/9/11761

Documentation gateway					
Committee draft report		PE752.845	08/09/2023	EP	
Amendments tabled in committee		PE753.792	06/10/2023	EP	
Committee report tabled for plenary, single reading		A9-0412/2023	11/12/2023	EP	Summary
Text adopted by Parliament, single reading		T9-0094/2024	27/02/2024	EP	Summary

European Central Bank ? annual report 2023

The Committee on Economic and Monetary Affairs adopted the report by Johan VAN OVERTVELDT (ECR, BE) on the European Central Bank annual report 2023.

General overview

Members are deeply worried about persistently high inflation rates, especially core inflation rates, and their detrimental impact on competitiveness, investments, job creation and consumers purchasing power, affecting those who have fixed or limited incomes in particular. They fear that, if the ECB fails to bring inflation to the target level in a timely manner, while increasing the financing costs in the euro area, particularly for citizens and companies, the ECB risks losing its credibility. The ECB is called on to take all necessary measures to reduce the inflation rate in accordance with its mandate.

The report regretted that insufficient steps to reform competitiveness and public investment were taken while interest rates were low. Members are also concerned over rising debt financing costs, especially in the case of sovereign debt, due to rising interest rates. They recalled that responsibly addressing public deficit and debt levels is crucial to avoid the risks associated with the current inflation in order to maintain a stable economy and sustainable growth.

The report stressed that threats to European competitiveness also arise from the institutional architecture of the euro area, the increasingly burdensome costs of regulation, the increasing fragmentation in global trade, and an impending subsidy race of protectionist policies between states. The ECB is called on to look into strengthening the international role of the euro with a view of enhancing its attractiveness as a reserve currency.

Members recalled that the Economic and Monetary Union requires solid fiscal policies in Member States in order to be able to respond to external shocks. They called for fiscal efforts to focus on productive investments and reforms by focusing on growth-enhancing and socially balanced reforms as well as public and private investment in infrastructure.

Concerned about the effect that the COVID-19 pandemic and the Russian war of aggression in Ukraine are having on SMEs, Members reiterated the need to remove bureaucratic barriers to cross-border investments in the EU, alleviate the tax burden on SMEs compared to large corporations, simplify legal frameworks to attract capital and encourage SMEs entry into financial markets.

Monetary policy

Noting that inflation remains above the target level of 2 %, Members are concerned about second-round effects, about inflation expectations of businesses and households becoming de-anchored, and the possibility of a wage-price development when inflation expectations and therefore wages are increasing across the board, and the need to take into account its implications for growth and employment.

The report fully supports President Lagardes statement on fighting inflation for as long as necessary, while emphasising that monetary policy normalisation can be achieved by a combination of fiscal, monetary and structural policies. It called on the ECB to fundamentally review and improve its models and their role in its policymaking in light of the subpar performance of the models in recent years, in order to adjust them to new economic trends and trends in EU and global financial markets.

Secondary mandate

Members recalled that Article 127 TFEU requires the ECB to support the general economic policies of the Union, which falls within its mandate, to the extent that it does not prejudice the objective of price stability. The ECB should devote a specific chapter in its annual report to explaining how it has interpreted and acted upon its secondary objectives.

As the ECB is bound by the EU's commitments under the Paris Agreement, the ECB is encouraged to continue to assess the extent to which climate change may affect its ability to maintain price stability. The report takes note of the ECB's action plan and its detailed roadmap of climate change actions aimed at further integrating climate change issues into its monetary policy framework and models. It also stressed the

importance of the European set of social rights for socio-economic convergence.

Other aspects

The report encouraged the ECB to maintain its vigilance to the risk of cyberattacks. It called for the ECB not to relax its monitoring of the development of new types of digital assets, such as crypto-assets, namely cryptocurrencies and the related risks in terms of cybersecurity, money laundering, tax fraud, terrorist financing and other criminal activities.

Taking note of the ECBs progress on the digital euro project, Members recalled a digital euro must respect competition in the banking and digital payments landscape and that it must not replace cash as means of payment and must respect the privacy of citizens and businesses and must not endanger financial stability.

The report also stressed the need for adequate regulation of non-bank financial intermediaries, which allow the sector to compete on an equal footing with the banking sector.

Accountability

Members welcomed the formalisation, in writing, of the current accountability practices between the ECB and Parliament. Acknowledging the ECBs openness and availability to Parliament, they invited the ECB and Parliament to make full use of the accountability and transparency arrangements and, where possible, further enhance these arrangements, without prejudice to the ECBs independence.

The report welcomed the ECBs new communication policy, which includes more accessible ways of explaining and presenting ECB policy decisions to citizens and stakeholders and invites the ECB to further enhance its communication about central bank policy objectives and crisis responses. It called on the ECB to bring its internal whistleblowing framework into line with the EU Whistleblower Directive.

European Central Bank ? annual report 2023

The European Parliament adopted by 418 votes to 157, with 42 abstentions, a resolution on the European Central Bank - annual report 2023.

According to the June 2023 Eurosystem staff macroeconomic projections, the growth of the euro area economy is expected to slow from 3.5 % in 2022 to 0.9 % in 2023, before rebounding to 1.5 % in 2024. Headline inflation is expected to average 5.6 % in 2023, 3.2 % in 2024 and 2.1 % in 2025.

According to the Commissions 2023 economic forecast, government deficits are projected to decline to 3.1 % of gross domestic product (GDP) in 2023 and 2.4 % in 2024. The government debt to GDP ratio decreased in the euro area from 95 % to 91.2 % and in the EU-27 from 87.4 % to 83.7 % in 2022 and 2023 respectively. These figures are still above the Treaty reference values.

General overview

Members are deeply worried about persistently high inflation rates and fear that, if the ECB fails to bring inflation to the target level in a timely manner, while increasing the financing costs in the euro area, particularly for citizens and companies, the ECB risks losing its credibility. The ECB is called on to take all necessary measures to reduce the inflation rate in accordance with its mandate.

Parliament took note of the different levels of debt, government deficits and public investment levels within the Member States and the potential risks and problems that this entails for economic stability, investor confidence, economic growth and long-term prosperity.

Members are also concerned over rising debt financing costs, especially in the case of sovereign debt, due to rising interest rates. They recalled that responsibly addressing public deficit and debt levels is crucial to avoid the risks associated with the current inflation in order to maintain a stable economy and sustainable growth.

The resolution echoed President Lagardes warning that fiscal support should be temporary, targeted and tailored and should not counteract the task of monetary policy. Member States should align their respective fiscal policies with the overall objective of the ECBs monetary policy.

Members recalled that the Economic and Monetary Union requires solid fiscal policies in Member States in order to be able to respond to external shocks. They called for fiscal efforts to focus on productive investments and reforms by focusing on growth-enhancing and socially balanced reforms as well as public and private investment in infrastructure.

Concerned about the effect that the COVID-19 pandemic and the Russian war of aggression in Ukraine are having on SMEs, Members reiterated the need to remove bureaucratic barriers to cross-border investments in the EU, alleviate the tax burden on SMEs compared to large corporations, simplify legal frameworks to attract capital and encourage SMEs entry into financial markets.

Monetary policy

Noting that inflation remains above the target level of 2 %, Members noted that high inflation levels disproportionately affect lower-income households, which spend a higher proportion of their budget on necessities. They regretted, however, that the ECB only started to tackle inflation in June 2022, even though the COVID-19 crisis proved that it is able to act in a timely manner.

The resolution fully supports President Lagardes statement on fighting inflation for as long as necessary, while emphasising that monetary policy normalisation can be achieved by a combination of fiscal, monetary and structural policies. It called on the ECB to fundamentally review and improve its models and their role in its policymaking in light of the subpar performance of the models in recent years.

Secondary mandate

Parliament expressed grave concern at recent media reports of political bias within the ECB regarding the so-called greening of policies. It recalled that an undeterred focus on the ECBs mandate of price stability is of paramount importance for the integrity and public support of the institution.

The ECB is encouraged to continue to assess the extent to which climate change potentially affects its ability to maintain price stability and to continue its work on the climate risk stress tests developed to assess the resilience of banks and corporates to climate transition risk.

Other aspects

The resolution encouraged the ECB to maintain its vigilance to the risk of cyberattacks. It called for the ECB not to relax its monitoring of the development of new types of digital assets, such as crypto-assets, namely cryptocurrencies and the related risks in terms of cybersecurity, money laundering, tax fraud, terrorist financing and other criminal activities.

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Transparency				
GUSMÃO José	Shadow rapporteur	ECON	27/09/2023	Positive Money Europe