

# ECB annual report for 2006

2007/2142(INI) - 12/07/2007 - Text adopted by Parliament, single reading

In their report on the European Central Bank, drawn up by Gay **Mitchell** (EPP-ED, IE) and adopted by 506 votes in favour to 64 against with 41 abstentions, in response to the ECB's annual report for 2006, MEPs note that the economic recovery in the euro zone has become self sustaining, but emphasise that any further raising of interest rates should be undertaken with caution so as not to endanger growth.

Parliament notes that that 2 million jobs were created in 2006 and that unemployment fell from 8,4 % to 7,6 %. However, it notes that structural impediments, in particular the paucity of public and private investment in certain key sectors such as research, education and training, continue to contribute to this unacceptably high level of unemployment and participation in the labour market is still low by international standards. It considers that it is still too early to distinguish the cyclical dimension from the structural one in this recovery. Such recovery should be taken as an incentive to pursue national reforms adapted to each country, notably in the domain of research, innovation and education, in order to increase the potential for growth of the eurozone.

MEPs note the low growth in labour productivity and consider that it is crucial that wages increase in line with developments in productivity in order to preserve competitiveness in Member States and to allow for job creation in a non-inflationary environment. They note that the ECB assesses wage development as an upside risk to price stability. They are also concerned that interest rates on loans to households for consumption purposes showed the highest level of dispersion. Interest rates on overdrafts vary considerably within the eurozone, from less than 7 % to 13,5 % or more, and recommends further ECB research on the reasons for this.

The Parliament notes that the ECB and its Executive Board are independent. It reiterates its support for the independence of the ECB and for sustaining the aim of maintaining price stability and protecting its anti-inflation credentials. It fully supports the ECB's efforts to foster financial integration in the eurozone, notably by acting as a catalyst for private sector initiatives such as the single European payments area (SEPA) and Short-Term European Paper (STEP). It considers that ECB services can foster European financial integration and notes in this respect that Target has been instrumental in achieving a high integration of the money markets and the repo market. It considers that the Target 2 Securities project might have the potential to foster the integration, the efficiency and the safety of the clearing and settlement infrastructure which currently offers an insufficient degree of integration and interoperability.

The Parliament is fully aware of the rapid rise of alternative investment vehicles (hedge funds and private equity). It recognises that they provide liquidity and diversification in the market and create an opportunity to improve efficiency of corporates, but shares also the concerns of some central banks and supervisors that they may give rise to systemic risk, and to high levels of exposure of other financial institutions. It urges the Commission to assess the quality of supervision in offshore locations and to step up cooperation with the supervisors in these jurisdictions.

The Parliament considers, regarding the procedure for appointing the members of the Executive Board of the ECB, that ex ante democratic accountability and transparency would improve if the Council evaluated several potential candidates and if the candidate proposed by the Council were then subject to a vote of approval by the Parliament. It emphasises that the credibility of the ECB is also dependent on a high degree of transparency in its decision-making process. It therefore reiterates its call that, shortly after meetings of the Governing Council of the ECB, summary minutes of these meetings be published containing a clear statement of the arguments in favour and against the decisions taken and whether or not these decisions were taken unanimously. Lastly, it asks the ECB to provide the European Parliament and

the public with an annual summary of measures taken to improve its performance in line with this resolution.