European Central Bank annual report for 2014

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The Committee on Economic and Monetary Affairs adopted the own-initiative report by Notis MARIAS (ECR, EL) on the European Central Bank Annual Report for 2014.

According to latest forecasts, economic recovery in the euro area is expected to expand, unemployment is expected to record a slow decrease and the fiscal outlook in the euro area should exhibit an improvement.

Low energy prices, while having a negative impact on inflation expectations, could potentially help the economic recovery. The average inflation rate in the euro area, after remaining close to zero in the first half of 2015, is expected to pick up, rising to 1.1% in 2016 and 1.7% in 2017.

Improving employment and SMEs: Members stressed the need to improve the conditions for both public and private investment aimed at boosting growth and job creation. Further efforts are needed to ensure the financing of the real economy. They deplored the **existing 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 recognises the limits of what monetary policy can achieve in this respect.

Despite the ECB pursuing its actions in order to maintain favourable financing conditions, private and public investment in the euro area remains significantly below the levels prior to the current crisis. In this respect, Members welcomed the setting-up of the **European Fund for Strategic Investments** (EFSI), as well as the Commission's plan to establish a genuine **Capital Markets Union** (CMU), which should diversify sources of financing in the EU economy, boost cross-border investment and increase access to financing for businesses, particularly SMEs.

Financial stability: Members stated that they are cautious of the **potential risks to financial stability posed by protracted low interest rates** in certain Member States, which might have an adverse effect on life insurance and pension plans. The report stressed that the **high and divergent levels of public and private indebtedness** in some Member States are obstacles to the correct transmission of monetary policy, and that the non-conventional monetary policy implemented by the ECB is not, by itself alone, capable of changing this situation. Members urged those euro area Member States which are subject to a macroeconomic adjustment programme to carry out a **comprehensive audit of their public finances** so as, inter alia, to assess the reasons that led to the build-up of excessive levels of debt, as well as to track any possible irregularities.

Members welcomed the ECB's attempt to **boost inflation** to under but close to 2 %, since this can also contribute to the success of other EU policies and enhance competitiveness, economic growth and jobs in Europe.

Enhanced transparency: Members welcomed the step forward taken by the ECB in publishing the summary minutes of its meetings, and look forward to the announcement of further steps to improve the transparency of its communication channels. Further progress could still be made especially with regard to the Single Supervisory Mechanism (SSM). They further welcomed the publication of clearer and more transparent emergency liquidity assistance (ELA) procedures for solvent financial institutions (mostly national banks) facing temporary liquidity problems. Members reiterated their call for the annual ECB report to include feedback on the inputs provided in the annual report of Parliament. The report also stressed the need for **democratic accountability** in view of the new responsibilities conferred on the ECB regarding supervisory tasks.