

European Central Bank annual report for 2014

2015/2115(INI) - 25/02/2016 - Text adopted by Parliament, single reading

The European Parliament adopted by 400 votes to 169, with 59 abstentions, a resolution on the European Central Bank Annual Report for 2014.

Parliament recalled that according to the Commission's latest forecast, economic recovery in the euro area is expected to expand but that the foundations for growth are fragile, unemployment in the euro area is expected to record a slow decrease and that the fiscal outlook in the euro area should exhibit an improvement. According to the ECB projections, 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.

In 2014, **the ECB lowered its key refinancing rates to the effective lower bound** and reduced its deposit facility rate to -0.20 %. However lower real rates have not significantly translated into credit for either households or businesses, especially SMEs, and this has contributed to setting the ECB on the path to **unconventional monetary policy measures**. The ECB implemented a series of targeted longer-term refinancing operations and **purchase programmes for selected private-sector assets** aiming at supporting lending to the real economy.

In this regard, Parliament made the following recommendations:

Stimulate growth and employment by investment: Parliament 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**. Members 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 recognised 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.

Role of the ECB: Parliament stressed that the ECB's contribution includes efforts aimed at increasing low-cost lending to the real economy and facilitating economic recovery in the direction of jobs, growth and stability. It is concerned at the possible unintended consequences and long-term effects of the ECB's non-conventional monetary policy instruments and is aware that exiting from these measures will be a complex matter which will have to be carefully planned. It also insisted that **monetary policy cannot resolve the fiscal and economic problems** that exist in many Member States, and cannot be a substitute for the necessary sustainable and socially balanced structural reforms, fiscal consolidation and targeted investment.

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 resolution 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.

The resolution also 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: Parliament 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)**. It 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. Recalling that the quarterly monetary dialogue is important to ensure the transparency of monetary policy, vis-à-vis Parliament and the wider public, Parliament stressed the need for **democratic accountability** in view of the new responsibilities conferred on the ECB regarding supervisory tasks.