European Central Bank - annual report 2018

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The Committee on Economic and Monetary Affairs adopted the own-initiative report by Costas MAVRIDES (S&D, CY) on the European Central Bank Annual Report for 2018.

Members noted that the latest figures of 2019 reflect a slowdown of GDP growth in the euro area in 2018, from 1.9 % to 1.1 % in 2019, and in the EU-27, from 2.1 % in 2018 to 1.4 % in 2019, owing to the recent escalation in trade tensions, the corresponding uncertainty and to Brexit.

They welcomed the role of the ECB in safeguarding euro stability as well as its statutory independence in maintaining price stability. However, Members expressed concern as regards the decrease in growth in industrial production and world trade. Mario Draghi, the ECB's President, stressed the need for maintaining both appropriate liquidity conditions and a degree of monetary accommodation in this context. The report underlined that that strengthening the role of the euro requires the right structural conditions, among which:

- the deepening of the European monetary union;

- the completion of the banking union;

- the completion of the capital markets union.

Monetary policy

Members underlined that the open market operations and the non-standard monetary policy measures put in place by the ECB contributed to economic recovery, to an improvement in financing conditions via several transmission channels and to compressing yields across a wide range of asset classes. They asked the ECB to keep monitoring potential risks to its balance sheets, asset price inflation, potential misallocation of resources and disadvantages to savers.

The report highlighted that very low or negative interest rates offer opportunities to consumers, companies, including SMEs, workers and borrowers, who can benefit from stronger economic momentum, lower unemployment and lower borrowing costs. However, there is concern in relation to the potential impact on pension and insurance systems as a result of low returns, economic inequalities and challenges for individual savers. Some Member States have not made use of the low interest rate environment to consolidate their budgets and make structural reforms.

Members stressed President Draghi's call for a better alignment between the ECB's monetary and Member States' fiscal policies, highlighting that a more balanced macroeconomic policy mix would allow low interest rates to deliver the same degree of stimulus as in the past, but with fewer side effects. They also underlined the importance of cooperation between central banks, both in the European Union and at a global level, for the achievement of the inflation targets in the medium term.

Actions against climate change

Members welcomed the emergence of a discussion about the role of central banks and supervisors in supporting the fight against climate change and called on the ECB to implement the environmental, social and governance principles (ESG principles) into its policies. The ECB President Christine Lagarde called for a gradual transition to eliminate carbon assets from the ECB's portfolio. Members expressed concern about the fact that 62.1 % of ECB corporate bond purchases take place in the sectors that are responsible for 58.5 % of euro area greenhouse gas emissions. A study investigating the impact of the asset purchase portfolio on climate change should be conducted and, in particular, the corporate sector purchase programme (CSPP) as a preliminary step towards redesigning the CSPP in a socially and environmentally sustainable manner.

Other aspects

While recognising the importance of micro, small and medium-sized businesses in the EU, Members invited the ECB to remain attentive to access to credit for these businesses, in particular in light of the slow improvement in their financial situation. Public and private investments should be encouraged in the EU. The ECB should continue its preparatory efforts to ensure the stability of EU financial markets for all possible contingencies and negative consequences, especially for those relating to the withdrawal of the United Kingdom from the European Union.

Members called for the capital markets union (CMU) project to be accelerated in order to deepen financial integration, improve the access of SMEs to finance, allow for the effective mobilisation of capital in Europe to help promote sustainable growth in the real economy to the benefit of all citizens and to improve financial stability and the Union’s resilience to shocks. They recognised the strong support of the ECB in establishing a real CMU.

Money laundering and tax evasion

The ECB is called on, in collaboration with the Commission, to assess the EU legal and regulatory framework on e-money, financial instruments and virtual currencies/assets in order to have a comprehensive framework for the supervision of financial instruments, entities or infrastructures, for anti-money laundering and stability purposes, as well as for cross-border cooperation and coordination.

Pointing out the importance of cash as a means of payment for EU citizens, the ECB is invited, without prejudice to the Member States’ prerogatives, to create a system for better monitoring large transactions with a view to combating money laundering, tax evasion and the financing of terrorism and organised crime.

Transparency

Members considered that the ECB should allow sufficient access to documents and information for European Court of Auditors (ECA) audits related to banking supervision. They recalled that the nominations of Executive Board members should be prepared carefully, with full transparency and together with Parliament in line with the Treaties. There is a call for greater ECB transparency and accountability to Parliament.

Lastly, the report stressed that although the ECB has improved its communication, it should continue its efforts to make its decisions available and understandable to all citizens, as well as its actions undertaken to maintain price stability in the euro area and therefore to preserve the purchasing power of the common currency.