# European Central Bank - annual report 2018

2019/2129(INI) - 12/02/2020 - Text adopted by Parliament, single reading

The European Parliament adopted by 452 votes to 142, with 53 abstentions, a resolution on the European Central Bank (ECB) annual report for 2018.

Parliament welcomed the role of the ECB in safeguarding euro stability, while stressing that its statutory independence was indispensable for the fulfilment of its mandate to maintain price stability. It also stressed the irreversible nature of the single currency.

Concerned about the decline in GDP growth from 1.9% to 1.1% between 2018 and 2019 in the euro area and the slowdown in growth in industrial production and world trade, Members stressed the need to maintain appropriate liquidity conditions and a certain degree of monetary accommodation.

Recalling that a monetary policy alone could not ensure sustainable growth and price stability, Parliament stressed the need for a supportive fiscal policy and socially balanced structural reforms aimed at increasing productivity. It stressed that the strengthening of the role of the euro requires appropriate structural conditions, including:

- the deepening of the European monetary union;

- the completion of banking union;

- the completion of the capital markets union.

***Monetary policy***

Parliament stressed that the open market operations and non-standard monetary policy measures put in place by the ECB contributed to economic recovery, improved financing conditions and compression yields across a wide range of asset classes. However, it called on the ECB to continue to monitor potential risks to its balance sheets, asset price inflation, potential misallocation of resources and disadvantages for savers. It invited the ECB to remain vigilant regarding the possible formation of an asset price bubble.

Moreover, while low or even negative interest rates enhance economic dynamism and reduce unemployment and the cost of credit, they can have adverse consequences for pension and insurance systems.

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***

Parliament recalled that the ECB was bound by the Paris agreement and that the fight against climate change should be reflected in its policies. It invited the ECB to implement the environmental, social and governance (ESG) principles in its policies, in full respect of its mandate and independence. It took note of Christine Lagarde's declaration of 4 September 2019 in which she advocated a gradual transition towards the elimination of carbon assets from the ECB's portfolio.

Members deplored the fact that 62.1% of the ECB's corporate bond purchases take place in sectors responsible for 58.5% of the euro area's greenhouse gas emissions. They called on the ECB to study the impact of the asset purchase portfolio on climate change, and in particular the impact of the corporate sector securities purchase programme with a view to strengthening its social and environmental character. In this respect, they proposed the establishment of a coordination framework between the ECB and the European Investment Bank, including InvestEU.

***Access to credit, stability of financial markets, union of capital markets***

Parliament called on the ECB to ensure that micro, small and medium-sized enterprises in the EU have access to credit, given the slow improvement in their financial situation. It stressed the need to encourage public and private investment in the Union and called for further efforts to ensure financing of the real economy.

Furthermore, the ECB should continue its preparatory efforts to ensure the stability of the EU's financial markets against any imbalances and negative consequences, in particular related to Brexit, taking into account that some regions and countries are more directly affected than others.

Members called for the proposed Capital Market Union (CMU) to be accelerated in order to deepen financial integration and enable the efficient mobilisation of capital in Europe to help promote sustainable growth and improve the Union's financial stability and resilience to shocks.

***Money laundering and e-money***

Parliament called on the ECB and all supervisory authorities to step up the monitoring of crypto-assets and the increased risks in terms of cyber-security and money laundering in order to prevent negative effects on the stability, integrity and security of the financial sector.

The ECB was called on to:

- assess, together with the Commission, the legal and regulatory framework on e-money, financial instruments and virtual assets in order to provide a comprehensive framework for the supervision of financial instruments, entities and infrastructures, to combat money laundering, to foster stability and to enhance cross-border cooperation and coordination;

- create a system to better monitoring large transactions with a view to combating money laundering, tax evasion and the financing of terrorism and organised crime.

***Transparency and accountability***

Members called on the ECB to improve its accountability, especially to the European Parliament, as its tasks have expanded since the onset of the global financial crisis. The ECB should continue its efforts to make its decisions and actions aimed at maintaining price stability in the euro area and thus preserving the purchasing power of the common currency accessible and understandable to all citizens.