European Central Bank – annual report 2023

2023/2064(INI) - 11/12/2023 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted the report by Johan VAN OVERTVELDT (ECR, BE) on the European Central Bank – annual report 2023.

General overview

Members are deeply worried about **persistently high inflation rates**, especially core inflation rates, and their detrimental impact on competitiveness, investments, job creation and consumers' purchasing power, affecting those who have fixed or limited incomes in particular. They fear that, if the ECB fails to bring inflation to the target level in a timely manner, while increasing the financing costs in the euro area, particularly for citizens and companies, the ECB risks losing its credibility. The ECB is called on to take all necessary measures to **reduce the inflation rate** in accordance with its mandate.

The report regretted that insufficient steps to reform competitiveness and public investment were taken while interest rates were low. Members are also concerned over **rising debt financing costs, especially in the case of sovereign debt**, due to rising interest rates. They recalled that responsibly addressing public deficit and debt levels is crucial to avoid the risks associated with the current inflation in order to maintain a stable economy and sustainable growth.

The report stressed that threats to European competitiveness also arise from the institutional architecture of the euro area, the increasingly burdensome costs of regulation, the increasing fragmentation in global trade, and an impending subsidy race of protectionist policies between states. The ECB is called on to look into **strengthening the international role of the euro** with a view of enhancing its attractiveness as a reserve currency.

Members recalled that the Economic and Monetary Union requires **solid fiscal policies** in Member States in order to be able to respond to external shocks. They called for fiscal efforts to **focus on productive investments and reforms** by focusing on growth-enhancing and socially balanced reforms as well as public and private investment in infrastructure.

Concerned about the effect that the COVID-19 pandemic and the Russian war of aggression in Ukraine are having on **SMEs**, Members reiterated the need to remove bureaucratic barriers to cross-border investments in the EU, alleviate the tax burden on SMEs compared to large corporations, simplify legal frameworks to attract capital and encourage SMEs' entry into financial markets.

Monetary policy

Noting that inflation remains above the target level of 2 %, Members are concerned about second-round effects, about inflation expectations of businesses and households becoming de-anchored, and the possibility of a wage-price development when inflation expectations and therefore wages are increasing across the board, and the need to take into account its implications for growth and employment.

The report fully supports President Lagarde's statement on fighting inflation for as long as necessary, while emphasising that monetary policy normalisation can be achieved by a **combination of fiscal, monetary and structural policies**. It called on the ECB to fundamentally review and improve its models and their role in its policymaking in light of the subpar performance of the models in recent years, in order to adjust them to new economic trends and trends in EU and global financial markets.

Secondary mandate

Members recalled that Article 127 TFEU requires the ECB to support the general economic policies of the Union, which falls within its mandate, to the extent that it does not prejudice the objective of price stability. The ECB should devote a specific chapter in its annual report to explaining how it has interpreted and acted upon its secondary objectives.

As the ECB is bound by the EU's commitments under the Paris Agreement, the ECB is encouraged to continue to assess the extent to which **climate change** may affect its ability to maintain price stability. The report takes note of the ECB's action plan and its detailed roadmap of climate change actions aimed at further integrating climate change issues into its monetary policy framework and models. It also stressed the importance of the European set of social rights for socio-economic convergence.

Other aspects

The report encouraged the ECB to maintain its vigilance to the **risk of cyberattacks**. It called for the ECB not to relax its monitoring of the development of new types of digital assets, such as crypto-assets, namely cryptocurrencies and the related risks in terms of cybersecurity, money laundering, tax fraud, terrorist financing and other criminal activities.

Taking note of the ECB’s progress on the **digital euro project**, Members recalled a digital euro must respect competition in the banking and digital payments landscape and that it must not replace cash as means of payment and must respect the privacy of citizens and businesses and must not endanger financial stability.

The report also stressed the need for adequate regulation of non-bank financial intermediaries, which allow the sector to compete on an equal footing with the banking sector.

Accountability

Members welcomed the formalisation, in writing, of the current accountability practices between the ECB and Parliament. Acknowledging the ECB’s openness and availability to Parliament, they invited the ECB and Parliament to make full use of the accountability and transparency arrangements and, where possible, further enhance these arrangements, without prejudice to the ECB’s independence.

The report welcomed the **ECB’s new communication policy**, which includes more accessible ways of explaining and presenting ECB policy decisions to citizens and stakeholders and invites the ECB to further enhance its communication about central bank policy objectives and crisis responses. It called on the ECB to bring its internal whistleblowing framework into line with the EU Whistleblower Directive.