European Central Bank – annual report 2023

2023/2064(INI) - 27/02/2024 - Text adopted by Parliament, single reading

The European Parliament adopted by 418 votes to 157, with 42 abstentions, a resolution on the European Central Bank - annual report 2023.

According to the June 2023 Eurosystem staff macroeconomic projections, the growth of the euro area economy is expected to slow from 3.5 % in 2022 to 0.9 % in 2023, before rebounding to 1.5 % in 2024. Headline inflation is expected to average 5.6 % in 2023, 3.2 % in 2024 and 2.1 % in 2025.

According to the Commission's 2023 economic forecast, government deficits are projected to decline to 3.1 % of gross domestic product (GDP) in 2023 and 2.4 % in 2024. The government debt to GDP ratio decreased in the euro area from 95 % to 91.2 % and in the EU-27 from 87.4 % to 83.7 % in 2022 and 2023 respectively. These figures are still above the Treaty reference values.

General overview

Members are deeply worried about **persistently high inflation rates** and 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.

Parliament took note of the different levels of debt, government deficits and public investment levels within the Member States and the potential risks and problems that this entails for economic stability, investor confidence, economic growth and long-term prosperity.

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 resolution echoed President Lagarde's warning that **fiscal support should be temporary, targeted and tailored** and should not counteract the task of monetary policy. Member States should align their respective fiscal policies with the overall objective of the ECB's monetary policy.

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 noted that high inflation levels disproportionally affect lower-income households, which spend a higher proportion of their budget on necessities. They regretted, however, that the ECB only started to tackle inflation in June 2022, even though the COVID-19 crisis proved that it is able to act in a timely manner.

The resolution 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.

Secondary mandate

Parliament expressed grave concern at recent media reports of political bias within the ECB regarding the so-called **greening of policies**. It recalled that an undeterred focus on the ECB's mandate of price stability is of paramount importance for the integrity and public support of the institution.

The ECB is encouraged to continue to assess the extent to which **climate change** potentially affects its ability to maintain price stability and to continue its work on the climate risk stress tests developed to assess the resilience of banks and corporates to climate transition risk.

Other aspects

The resolution 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 resolution 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.

Parliament 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.