

# European Central Bank – annual report 2024

2024/2054(INI) - 11/02/2025 - Text adopted by Parliament, single reading

The European Parliament adopted 378 votes to 233, with 26 abstentions, a resolution on the European Central Bank – annual report 2024.

According to the Eurosystem staff macroeconomic projections for the euro area, harmonised index of consumer prices (HICP) inflation reached a level of 2.4 % in the euro area in December 2024 – should decline to 2.1 % in 2025, 1.9 % in 2026, and to increase to 2.1 % in 2027. The ECB's primary objective is to maintain price stability, which it has defined as a level of inflation of 2 % over the medium term.

## *General overview*

While welcoming the role played by the ECB in safeguarding monetary and financial stability and in maintaining price stability in the euro area, Members stressed that the ECB's **independence** is vital for fulfilling its mandate, contributing to economic growth, competitiveness, and job creation while refraining from taking political action. The report invited the ECB and the European Parliament to make full use of the accountability and transparency arrangements while preserving the ECB's independence. The resolution invited the ECB and the European Parliament to make full use of the accountability and transparency arrangements while preserving the ECB's independence.

Inflation triggered a 'cost of living crisis' for EU citizens. Members emphasised therefore the imperative of **reducing inflation to its target rate of 2 %**. High inflation levels disproportionately affect lower-income households that spend a higher proportion of their budget on necessities. Bringing headline inflation back down to their target levels is therefore also important to maintaining social cohesion.

While keeping interest rates too high could harm economic growth, Parliament called on the ECB not to lower interest rates too quickly and assess the impact of interest rate changes on different economic sectors, among them capital-intensive sectors.

Members acknowledged that monetary policy measures since the inflation crisis, driven by rising energy costs, have helped control inflation while preventing severe economic downturns. They stressed the need for adequate implementation of the new fiscal framework to ensure the credibility of fiscal policies at the level of the economic and monetary union.

Prudent fiscal policies by the Member States can complement the ECB's efforts to keep inflation low and thereby protect incomes. Addressing **excessive public deficit** and debt levels is crucial to maintaining a stable economy, sustainable growth and to having the policy space available for governments to respond to adverse shocks.

## *Monetary policy*

Members welcomed that headline inflation has reduced from a peak of 10.6% in October 2022 to 2.2% in November 2024, and core inflation from 7.6% in March 2023 to 2.7% in November 2024. However, concerns remain about **persistently high core inflation** and its potential impact on overall inflation.

Members stressed that supply shocks, primarily originating from external sources, were among the key drivers of the inflation surges. They recognised that monetary policy has a more direct effect on inflation levels when it stems primarily from demand factors rather than supply factors. Moreover, they invited the ECB to continue reviewing and improving its models and their role in its policymaking in light of the

subpar performance of the models in recent years, in order to learn from previous crises, particularly to better distinguish between demand-driven and supply-side sources of inflation.

The resolution highlighted that economic supply shocks can arise from many sources, among others geopolitical events, climate-related or natural disasters and cyberattacks. It stressed that the inclusion of owner-occupied housing (OOH) in the HICP is desirable for reasons of both representativeness and comparability across countries in the euro area.

The ECB has been reducing its asset purchase programmes to balance market liquidity and levels of inflation. The report underlined that interest on commercial banks' holdings of bank reserves resulted in the Eurosystem paying more than EUR 120 billion interest to credit institutions in 2023, amounting to at least 0.8 % of euro area GDP. It asked the ECB to mitigate this issue.

Moreover, the resolution stressed that diverging interest rates in the euro area are – in the absence of any serious financial disturbances – generally the result of different risk premiums on government bonds reflecting, among other factors, different approaches to fiscal policy. Member States are called on to conduct responsible fiscal policies and ensure sustainable debt levels, thereby ensuring their resilience against current and future shocks.

### *Digital euro*

Noting that the ECB's progress, Parliament underscored that any digital euro should deliver clear added value to European citizens. This initiative has clear benefits, including increased strategic autonomy in payments, increased competition in the retail payments market and improved financial inclusion. However, Members reiterated that cash should remain widely available and accessible at all times in order to ensure a plurality of means of payment.

### *Secondary objectives*

Members underlined that a strengthened **international role of the euro** would lead to lower interest rates in the euro area, increased status for the EU on the international stage and enhanced macroeconomic stability. They called on the ECB to look into strengthening the international role of the euro with a view to enhancing its attractiveness as a reserve currency and support market-driven shifts in this direction.

Parliament recalled that, without prejudice to the ECB's primary mandate, the Treaties require it to support the general economic policies of the Union. It called on the ECB to adhere to its mandate when interpreting or acting upon its secondary objectives. It considered that maintaining price stability and stable macroeconomic conditions is conducive to creating the right conditions for the implementation of the EU's general economic policy objectives.