European Central Bank ECB. Report 2000

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PURPOSE : to present the European Central Bank's 2000 Annual Report. CONTENT : this Annual Report summarises the activities of the European System of Central Banks (ESCB) and the Eurosystem in 2000. It also reports on monetary policy last year and this year. The report highlights the many issues, sometimes of a technical nature, that have been resolved and are being resolved in establishing the Eurosystem as the central bank of the euro area. Although many are directly or indirectly related to monetary policy, the report also deals with the other activities of the Eurosystem. Firstly, with regard to the euro, the report states that in 1999 price increases were very low in the euro area. In 2000, inflation slightly exceeded the ceiling of 2% considered by the European Central Bank (ECB) to be compatible with price stability in the medium term. The increase in inflation last year was mainly due to external influences. Oil prices rose rapidly, while the euro depreciated against major currencies. The Governing Council of the ECB raised the key interest rates six times in the course of 2000 in order to maintain the prospects for stable prices in the medium term. Moreover, the introduction of the euro has added impetus to the process of change in the financial sector and the euro area economy as a whole. Indeed, the euro area as a single economic entity has started to become a more familiar notion. This is crucial to an understanding of the ECB's monetary policy, which always has to be directed at maintaining price stability in the whole of the euro area. In 2000, Greece was welcomed as the twelfth country of the euro area. This was decided on the basis of the convergence it has achieved with the euro area. As required, the ECB published a convergence report in 2000, and a number of technical preparations for Greece's entry had to be made in the course of the year. It should also be noted that, after a referendum, Denmark decided not to apply for adoption of the euro. Also in 2000, the Eurosystem continued to build up its role in international cooperation. This had many dimensions which include: continuing to maintain and develop relations with the institutions and bodies of the European Community, in international organisations, continuing to deepen its working relations with many banks outside the EU, intensified its dialogue with the central banks of the accession countries and countries not in the accession process. In June 2000, the ECB published a statement in which it clarified the role of the Eurosystem in the field of the payment systems oversight. Promoting the smooth functioning of payment systems is a core function of a central bank. The eurosystem is continuing to follow developments in electronic money and their implications for central banks. In 2000, it actively cooperated with the European authorities on a new regulatory framework for electronic money institutions. The increasing integration of banking and financial activities in the euro area and the EU led the EU authorities in the course of 2000 to review the institutional arrangements and the regulatory framework designed to safeguard financial stability. As part of the preparations for the introduction if the euro banknotes and coins, the ECB and the 12 NCBs of the Eurosystem are conducting the Euro 2002 Information Campaign. Lastly, at the end of 2000 the number of staff employed by the ECB from all 15 Member States stood at 941. This compares with 732 staff at the end of 1999. The ECB's budget for 2001 envisages increasing the number to slightly over 1,100 in the course of the year.