European Central Bank ECB. 1st annual report 2001

2002/2092(COS) - 03/07/2002 - Text adopted by Parliament, single reading

The European Parliament adopted the resolution by Piia-Noora KAUPPI (EPP-ED, Finland) on the ECB's Annual Report. (Please refer to the summary dated 04/06/02.) Parliament praised the brilliant implementation of the euro cash changeover and the swift reaction of the ECB after September 11. The latter provided the financial system with ample flexibility and cut its main interest rate on September 17 by a significant amount. The reduction of 150 basis points was entirely appropriate. The ECB's behaves should defuse unfair criticism that the ECB is obsessed with short-term inflation monitoring. Parliament welcomes the fact that the ECB increasingly takes into account a wide array of business and economic indicators and has not reacted mechanically to one-off events like the acceleration in food and energy prices. Financial indicators show that market participants remain confident in the ECB's capability to keep inflation under the 2% limit in the medium term. Parliament reaffirmed the overriding importance of maintaining price stability, since this is a prerequisite for sustainable growth. With regard to the Stability and Growth Pact, Parliament recalls that this is an essential element of the euro area's credibility. A balanced fiscal position is a prerequisite for the full functioning of automatic stabilisers. The correct policy mix between monetary and fiscal policy presupposes sound public finances. Allowing national budgets to "breathe" in connection with the pace of economic activity is fully understandable so long as the budget is balanced over an entire economic cycle. Member States that have not yet reached a balanced fiscal position must avoid any dramatic shift in their current budgetary position. Parliament approves the ECB's open attitude in its monetary dialogue with the Parliament. It accepts that interest rate decisions will be taken only at its first meeting each month in order to defuse excessive tensions on financial markets. With regard to enlargement, for candidate countries some form of "hard peg" to the euro, such as currency board arrangements, presuppose a domestic political consensus on this type of measure and a very strong discipline in every other respect of economic policy. There needs also to be a total commitment to take structural measures to bring the country up to euro area standards.