

European Central Bank: annual report

2006/2206(INI) - 10/10/2006

The committee adopted the own-initiative report drawn up by Pervenche BERÈS (PES, FR) in response to the 2005 annual report of the European Central Bank.

The committee praised the ECB's policy of "concentrating on its most important objective, preserving price stability," and said that it was correct to increase rates in 2005. The report stressed that the Bank must be aware of the risks to growth of continuous rate rises, and must continue to anchor inflationary expectations at levels consistent with price stability.

On appointments to the ECB Executive Board, MEPs emphasised that nationality should be irrelevant. While stressing the treaty requirement for candidates with experience of monetary and banking matters, they also argued that it is important for a variety of backgrounds to be represented on the Board.

The committee emphasised that the credibility of the ECB is also dependent on a high degree of transparency in its decision-making process and called once again for the publication of summary minutes of meetings of the ECB Governing Council, with clear statements of the arguments in favour and against decisions taken and the reasons why these decisions were taken. However, it warned that this should not replace the current press conferences by the ECB President after such meetings, which provide "an invaluable and timely insight for observers and market participants".

The report called on the ECB to take action with regard to the "persistently high values of the M3 money supply" and to investigate developments in the mortgage and mergers and acquisitions markets. It also wanted the ECB to examine the reasons for the substantial increase (nearly 21%) in the number of 500 euro banknotes in circulation and to analyse the types of transaction carried out with these notes and the breakdown in demand by country.

The committee emphasised the risks inherent in rapid adjustments to international disequilibria, and noted that the Council has responsibility for exchange rate policy under the Treaty, which does not however set out how that power should be exercised. It invited the Eurogroup, the ECB and the Council to use their powers to the full, and step up coordination of their action in exchange rate policy.

Lastly, the report said that the EU should "take the initiative in the debate which is getting underway globally – especially in the light of developments in the US – about the need to better control the activities of hedge funds", and called for the ECB to carry out further analyses of the issue.

Although many points in the report resulted from a compromise between the political groups, some contentious issues remained, which led MEPs from the Socialist group to abstain in the final vote at committee stage. A number of amendments are likely to be tabled to the plenary.