

## European Central Bank annual report – 2020

The Parliament will discuss the European Central Bank (ECB) annual report for 2019 during its February plenary session, in the presence of the ECB President, Christine Lagarde. The debate will be based on the own-initiative report of the Economic and Monetary Affairs Committee (ECON), which focuses notably on ECB monetary policy in the context of the coronavirus crisis, on financial stability measures, and on actions against climate change.

### European Central Bank annual report for 2019

As outlined in the ECB [annual report for 2019](#), economic expansion in the euro area continued in 2019, but growth decelerated from 1.8 % in 2018 to 1.2 % in 2019. That was mainly due to slowdown in the global economy driven by a decline in manufacturing sector output and investment, in a context of trade-related uncertainty. Nonetheless, the labour market continued to improve, with the unemployment rate falling to 7.6 % in 2019. Annual average inflation declined to 1.2 % in 2019, from 1.7 % in 2018, mainly due to lower energy and food inflation. Against this macroeconomic background, the ECB provided monetary policy accommodation over the course of 2019. In [September 2019](#), the ECB Governing Council reduced the [deposit facility rate](#) from - 0.40 % to - 0.50 %, and decided to restart net purchases under the asset purchase programme (APP) in November of the same year, at a monthly pace of €20 billion.

### Spotlight on 2020

The outbreak of the coronavirus pandemic in early 2020 was a major shock to the economy. The ECB [projects](#) for 2020 a decrease of 7.3 % in real GDP for the euro area, and an increase in the unemployment rate to 8.0 %. The ECB has taken [extraordinary measures](#) to mitigate the impact, including monetary stimulus, non-standard monetary policy measures, and temporary [capital and operational reliefs to banks](#) to increase their lending capacity. In March, the ECB Governing Council increased the size of existing asset purchase programmes through a temporary envelope of [additional net asset purchases](#) of €120 billion until the end of 2020 and launched a temporary, separate and additional [pandemic emergency purchase programme](#) (PEPP) with an envelope of €750 billion, later increased to a total of €1 850 billion.

### European Parliament position

On 10 December 2020, Parliament's Economic and Monetary Affairs Committee (ECON) adopted an [own-initiative report](#) on the ECB annual report for 2019, which also covers the ECB's role in addressing the Covid-19 crisis. The report acknowledges President Lagarde's call for [full alignment of fiscal and monetary policies](#), and the ECB commitment to support the euro area's economic recovery. It welcomes the quick and substantial ECB monetary policy response to the coronavirus crisis in a context of emergency, and expects the ECB will maintain its support as long as needed. It stresses that, as monetary policy alone is not sufficient to achieve [sustainable economic recovery](#), it must be accompanied by reforms strengthening competitiveness and social cohesion. It warns Member States against taking the low interest rate environment for granted, and stresses the spill-over effects of a very accommodative monetary policy, such as the impact on savers or the risk of asset price inflation. It takes note of President Lagarde's commitment on [climate change](#), and calls on the ECB to align its collateral framework with climate change-related risks and to disclose its level of alignment with the Paris Agreement, as well as examining such alignment in the banking sector. It welcomes the ECB's analysis and preparatory work towards the introduction of a [digital euro](#); it calls on the ECB to explore ways of strengthening the [international role of the euro](#). Lastly, it addresses accountability issues, and recalls in particular Parliament's strong concern regarding the [gender balance](#) on the ECB Governing Council.

Own-initiative report: [2020/2123\(INI\)](#); Committee responsible: ECON; Rapporteur: Sven Simon (EPP, Germany).

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