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# **DRAFT REPORT**

on the European Central Bank Annual Report for 2018  
(2019/2129(INI))

Committee on Economic and Monetary Affairs

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## CONTENTS

	<b>Page</b>
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION.....	3

## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on the European Central Bank Annual Report for 2018 (2019/2129(INI))

*The European Parliament,*

- having regard to the 2018 Annual Report of the European Central Bank (ECB),
  - having regard to the Statute of the European System of Central Banks (ESCB) and of the ECB, in particular Article 15 thereof,
  - having regard to Article 284(3) of the Treaty on the Functioning of the European Union,
  - having regard to the hearing with the candidate for President of the European Central Bank, Christine Lagarde, of 4 September 2019,
  - having regard to Mario Draghi's last Monetary Dialogue with the European Parliament as President of the European Central Bank, of 22 September 2019,
  - having regard to Rule 142(1) of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs (A9-0000/2019),
- A. whereas according to the Commission's Summer 2019 Economic Forecast, the latest figures of 2019 reflect a slowdown from the higher levels of GDP growth in the euro area in 2018, from 1.9 % to 1.2 % in 2019, and in the EU-27, from 2.1 % in 2018 to 1.4 % in 2019, owing to a weaker impetus from external trade uncertainties;
- B. whereas according to Eurostat figures, the unemployment rate in August 2019 stood at 6.2 % in the EU and 7.4 % in the euro area, the lowest rates since July 2008;
- C. whereas according to the Eurosystem staff macroeconomic projections of September 2019, annual inflation for the euro area in the Harmonised Index of Consumer Prices (HICP) looks set to reach 1.2 %, 1.0 % and 1.5 % in 2019, 2020 and 2021, thus still falling short of the medium-term objective of 2 %;
- D. whereas at the end of 2018 the size of the Eurosystem balance sheet had reached an all-time high of EUR 4.7 trillion, an increase of 0.2 trillion compared with the end of 2017;
- E. whereas in 2018 the ECB's net profit amounted to EUR 1.575 billion, compared with EUR 1.275 billion in 2017; whereas this increase can mainly be attributed to the increase in net interest income on the US dollar portfolio and on the asset purchase programme (APP) portfolio;
- F. whereas a stronger role of the euro, and its increased use as a reserve currency, would increase the EU's ability to frame its policy stance independently vis-à-vis the US and the Federal Reserve and would ultimately provide protection from the risk of an

uncooperative US approach;

- G. whereas the global issuance of green bonds has risen from less than EUR 1 billion in 2008 to more than EUR 120 billion in 2017 and euro-denominated net green bond issuance has increased ten-fold since 2013; whereas the gap between spreads of green bonds and those of the overall industrial sector have gradually closed;
- H. whereas despite this positive trend, green bonds still account for only 1 % of the overall supply of euro-denominated bonds;

### *General overview*

1. Welcomes the role of the ECB in safeguarding euro stability and stresses that the ECB's independence is a requisite for fulfilling its mandate;
2. Is concerned that after a short economic recovery, euro area growth momentum has slowed markedly to 1.2 % of GDP in the euro area and to 1.4 % of GDP for the EU-27; underlines, therefore, the need for monetary policy to remain accommodative for the foreseeable future;
3. Stresses that fiscal policy is a necessary component for enhancing the impact of monetary policy and reducing possible side effects;
4. Underlines the findings of the ESCB expert group on low wage growth<sup>1</sup>, which analysed the disconnect between wage growth and labour market recovery, namely that low wage growth over recent years can be explained mainly by technology and wage bargaining shocks, the latter being impacted by changes in wage bargaining structure – reducing the bargaining power of employees – and labour market regulations – mainly in countries most affected by the global economic and financial crisis and the combination of labour underutilisation, low inflation readings and subdued productivity growth;
5. Underlines that strengthening the role of the euro requires the right structural conditions, among which:
  - The deepening of the European Monetary Union, including a fiscal capacity for the euro area able to providing a counter-cyclical stabilisation function;
  - The completion of the banking union, including a fully mutualised European deposit insurance scheme that would reduce risks, promote fair competition, facilitate the expansion of pan-European banking and reinforce the stability of the euro area as a whole;
  - The completion of the capital markets union;
  - The creation of a safe asset guaranteed by euro-area Member States to foster the integration of bond markets;

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<sup>1</sup> ECB Occasional Paper Series No 232 / September 2019: Understanding low wage growth in the euro area and European countries. <https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op232~4b89088255.en.pdf>

## *Monetary policy*

6. Underlines that the asset purchase programme (APP) has provided a substantial contribution to economic recovery and the formation of households' inflation expectations, has led to a substantial improvement in financing conditions via several transmission channels, and has compressed yields across a wide range of asset classes; stresses, in particular, that the APP has directly improved credit conditions for the private non-financial sector with the asset-backed securities purchase programme (ABSPP) and the third covered bond purchase programme (CBPP3);
7. Notes that on 12 September 2019 the ECB announced a broad stimulus package including an open-ended quantitative easing programme that will run at a monthly pace of EUR 20 billion per month, a cut of 10 basis points in the deposit rate, a two-tier system for reserve remuneration, and easier terms for targeted longer-term refinancing operations (TLTRO-III);
8. Notes that the negative effects on banks' net interest income have been counterbalanced so far by the benefits from more bank lending and lower costs for provisions and losses;
9. Underlines that very low or negative interest rates offer opportunities to consumers, workers and borrowers, who can benefit from stronger economic momentum, lower unemployment and lower borrowing costs;
10. Supports the intention of the Governing Council of the ECB to continue reinvesting the principal payments from maturing securities for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation;

## *Other aspects*

11. Recalls that, as an EU institution, the ECB is bound by the Paris Agreement on climate change and that this should be reflected in its policies, with full respect for its mandate and its independence;
12. Takes good note of Christine Lagarde's declaration of 4 September, in which she welcomed the ECB's collaboration in the Network for Greening the Financial System (NGFS) and commitment to contribute to facing the challenges which climate change poses by implementing the NGFS's recommendations and acting on them substantively wherever possible without undermining the ECB's price stability mandate and other objectives;
13. Calls on the ECB to continue its preparatory efforts to ensure the stability of EU financial markets for all possible contingencies relating to Brexit;
14. Is extremely worried about the risks due to the delay in setting up the banking union, and calls for the swift completion of the banking union with a fully mutualised European deposit guarantee scheme;
15. Calls for the capital markets union (CMU) project to be accelerated in order to deepen financial integration, with a view to improving resilience to shocks and making the transmission of monetary policy across the monetary union more effective;

16. Calls on the ECB to increase its monitoring of the development of crypto-currencies and the increased risks in cyber-security;
17. Calls on the ECB to ensure an appropriate balance between allowing regulatory financial innovation in Fintech and ensuring financial stability;
18. Agrees with Christine Lagarde that a review of the ECB's monetary policy framework is timely and warranted in order to ensure that the ECB has the right tools to deliver on its price stability mandate in the future; calls on the ECB to organise a public consultation as part of this process in order to ensure that the review is open to input and feedback from a broad range of diverse civil society stakeholders;

### *Accountability*

19. Welcomes the increase in accountability under the Presidency of Mario Draghi, and looks forward to even greater accountability, dialogue and openness with the incoming President;
20. Recalls that the nominations of Executive Board members should be prepared carefully, with full transparency and together with Parliament in line with the Treaties; calls on the Council to draw up a gender-balanced shortlist for all current and upcoming vacancies and to share it with Parliament, thus allowing it to play a more meaningful advisory role in the appointment process; regrets that to date no satisfactory progress has been made;
21. Welcomes the substantial, detailed, section-by-section feedback provided by the ECB on Parliament's resolution on the 2017 ECB Annual Report; calls on the ECB to continue this commitment to accountability and to continue publishing its written feedback on Parliament's resolution on the ECB annual report each year;
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22. Instructs its President to forward this resolution to the Council, the Commission and the European Central Bank.