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on the European Central Bank Annual Report for 2015
(2016/2063(INI))

Committee on Economic and Monetary Affairs

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CONTENTS

Page

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the European Central Bank Annual Report for 2015
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The European Parliament,

– having regard to the European Central Bank Annual Report for 2015,

– having regard to Article 284(3) of the Treaty on the Functioning of the European Union,

– having regard to the Statute of the European System of Central Banks and of the European Central Bank, in particular Article 15 thereof,

– having regard to Rule 132(1) of its Rules of Procedure,

– having regard to the report of the Committee on Economic and Monetary Affairs (A8-0000/2016),

A. whereas, according to the Commission's latest spring forecast, euro area real growth is expected to be modest – 1.6 % in 2016 and 1.8 % in 2017, following 1.7 % in 2015;

B. whereas, according to the same forecast, unemployment in the euro area is expected to record a slow decrease, from 10.9 % at the end of 2015 to 9.9 % at the end of 2017; whereas disparities between the unemployment rates of the Member States continued to widen in 2015, with figures ranging from 4.6 % in Germany to 24.9 % in Greece;

C. whereas, again according to the same forecast, the government deficit in the euro area will gradually decline from 2.1 % in 2015 to 1.9 % in 2016 and 1.6 % in 2017 and the debt-to-GDP ratio is also forecast to decline for the first time since the beginning of the crisis, even though there are still four countries involved in the Commission's excessive deficit procedure: France, Spain, Greece and Portugal;

D. whereas, according to the same forecast, the euro area will continue to exhibit an external surplus, of around 3 % of GDP;

E. whereas, according to the ECB projection of March 2016, the average inflation rate in the euro area, after being nil in 2015, will remain close to this level in 2016 (0.2 %) and reach 1.2 % in 2017;

F. whereas the inflation target is getting harder to reach owing to consolidation of demographic trends and the full impact of trade globalisation on a high-unemployment European society;

G. whereas in 2015 the ECB launched an expanded Asset Purchase Programme (APP) amounting to EUR 1.1 trillion and initially scheduled to run until September 2016;

H. whereas this programme has since been upgraded, with the asset purchase scheduled to run until March 2017 for a total amount which should be close to EUR 1.7 trillion, and the list of eligible assets has been enlarged to include corporate bonds;

I. whereas the ECB has bought just EUR 19 094 million of asset-backed securities (ABS) since the beginning of its purchase programme;

J. whereas the ECB further eased its monetary stance by lowering its key intervention rates to unprecedented levels, with the main refinancing operations (MRO) and the facility deposit down to 0 and – 0.40 % respectively by March 2016;

1. Stresses that the euro area continues to suffer from a high level of unemployment and excessive low inflation and that, in addition, the euro area is facing a very low level of productivity growth, which is the result of the lack of investment since the beginning of the crisis; notes that the high level of public debt and the huge number of non-performing loans in the banking sector in some Member States are still fragmenting the euro area financial market, thus reducing room for manoeuvre to support the most fragile economies;

2. Acknowledges that, confronted with this very complex environment and the risks of a prolonged period of low inflation, the ECB was within the terms of its mandate in adopting extraordinary measures to lift inflation back up to the medium-term objective of 2 %; notes that, since the launching of the APP in March 2015, and owing to targeted long-term refinancing operation (TLTRO) programmes targeted at the real economy, financial conditions have improved, which has promoted a recovery in lending to firms and households in the euro area;

3. Believes that the APP would have an even higher impact on the European economy if it had a higher share of EIB bond buying, particularly related to the TEN-T and TEN-E (projects with proven added European value in social and economic terms), and SME securitised loans, or if the ECB were able to buy Member States' public debt directly linked to investment and research expenditure on the secondary markets; believes that in order to choose the eligibility of public debt assets for the APP, the Eurosystem should assign a complementary credit rating in addition to those assigned by private agencies;

4. Agrees with ECB President Mario Draghi that the single monetary policy cannot stimulate aggregate demand unless it is complemented by sound fiscal policies and ambitious structural reform programmes at Member State level; recalls that the main benefit of monetary policy is to safeguard price stability in order to guarantee a stable environment for investment; considers that monetary policy is not the appropriate tool to solve the structural problems of the European economy;

5. Underlines that structural reforms in the economy and the labour market should also fully take into account the demographic trends in Europe, in order to create incentives for a more balanced demographic structure that would make it easier to maintain an inflation target of around 2 %;

6. Notes, however, that even though the impact of unconventional measures has been significant, inflation is not expected to converge to the 2 % medium-term objective at the 2017 horizon; notes that the current recovery in bank and market lending has not wholly produced the expected effect on the existing investment gap in the euro area so far;

7. Deplores the existing, albeit gradually decreasing, gaps between the financing rates granted to SMEs and those granted to bigger companies, between lending rates on small and large loans, and between credit conditions for SMEs located in different euro area countries, but recognises the limits of what monetary policy can achieve in this respect;

8. Underlines that a prolonged period of ultra-low (negative) interest rate policy creates potential risks for financial stability and ultimately the whole economy; warns that a decline in the profitability of banks will dampen their willingness to develop lending activity; points particularly to the effect of such an interest rate policy on local and regional banks and savings banks with little funding from financial markets, and to risks in the insurance sector;

9. Understands the reason why negative rates have been implemented, but remains concerned about the potential consequences of negative interest rate policy for individual savers and the financial equilibrium of pension schemes; believes that owing to demographic trends and cultural preferences for saving, these negative effects on income may lead to an increase in the household saving rate, which could be detrimental to domestic demand in the euro area;

10. Asks the ECB to study how the transmission of monetary policy differs in those Member States with centralised and concentrated banking sectors and those with a more diverse network of local and regional banks;

11. Calls on the ECB to carefully assess the risks of a future resurgence of housing bubbles owing to its ultra-low (negative) interest rate policy, particularly in big cities, and to design specific macroprudential recommendations in this regard;

12. Recognises the existence of distributional consequences of the ECB policies, which can be perceived as increasing inequalities, but believes that the ECB policies are the right ones to lower the costs of credit for citizens and SMEs and enhance employment in the euro area;

13. Notes that the ECB's APP has lowered bond yields in most Member States to unprecedented levels; warns against the risk of too-high valuations on the bond markets, which would be difficult to handle if interest rates start to rise again, particularly for the countries involved in the excessive deficit procedure or with high levels of debt;

14. Deplores the fact that some Member States are using the ultra-low (negative) interest rate policy as a pretext to defer the necessary consolidation of their primary public deficits, particularly at central government level;

15. Welcomes the publication of the minutes of the Council meeting and the decision to disclose the agreements on net financial assets (ANFA) between the ECB and the national central banks; encourages the ECB to pursue its transparency effort; hopes that in the near future the minutes will incorporate information on who made each statement;

16. Recalls that the independence of the ECB for the conduct of monetary policy, as enshrined in the Treaties, is crucial to the objective of safeguarding price stability; asks all governments to avoid statements questioning the role played by the institution within its mandate;

17. Instructs its President to forward this resolution to the Council, the Commission and the European Central Bank.