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DRAFT REPORT

on the ECB Annual Report 2017
(2018/2101(INI))

Committee on Economic and Monetary Affairs

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the ECB Annual Report 2017
(2018/2101(INI))

The European Parliament,

– having regard to the 2017 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 speech by the President of the ECB, Mario Draghi, in Sintra on 19 June 2018,

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

– having regard to the report of the Committee on Economic and Monetary Affairs (A8-0000/2018),

A. whereas according to the Commission’s Summer 2018 forecast, the GDP of the EU and the euro area grew by 2.4 % in 2017, outperforming the USA; whereas according to the same forecast, GDP should increase in 2018 and 2019 by 2.1 and 2.0 % respectively;

B. whereas the latest economic figures in 2018 reflect a certain moderation in growth from the high levels of 2017, owing to a weaker impetus from external trade and higher oil prices;

C. whereas according to Eurostat figures from May 2018, unemployment in the EU and the euro area has now all but returned to pre-crisis levels, standing at 7.0 % and 8.4 % respectively; whereas the number of employed people and labour force participation in the euro area were at their highest levels since the start of the Economic and Monetary Union in 1999;

D. whereas the current broad-based economic expansion is mainly being driven by exports and domestic consumption; whereas last year, investment grew at the fastest pace since 2007, backed by the global upswing and the Investment Plan for Europe;

E. whereas according to the Eurosystem staff macroeconomic projections from June 2018, annual inflation in the Harmonised Index of Consumer Prices (HICP) for the euro area looks set to reach 1.7 % in 2018, 2019 and 2020, and thus converge towards the medium-term objective of just shy of 2 %;

F. whereas according to the Commission’s Spring 2018 forecast, the aggregated government deficit in the euro area is expected to fall from 0.9 % to 0.7 % of GDP in 2018, with a further decrease to 0.6 % anticipated for 2019, which compares to expected deficits of 5.9 % of GDP in the US and 2.7 % in Japan;

G. whereas the ECB expects inflation to gradually pick up over the medium term, supported by the impact of the current monetary policy stance, continuing economic expansion, rising wages and the absorption of economic slack;

H. whereas the euro area banks have accelerated their reduction in the number of non-performing loans (NPLs), from 8 % of total loans in 2014 to 4.9 % in the fourth quarter of 2017; whereas there are significant differences between Member States in the numbers of NPLs;

I. whereas at its October 2017 meeting, the ECB Governing Council decided to continue its net purchases under the Asset Purchase Programme (APP) at the monthly pace of EUR 30 billion until September 2018; whereas at its June 2018 meeting, the ECB Governing Council decided to prolong the monthly purchase for a reduced amount of EUR 15 billion until the end of 2018 and then to end purchases altogether, subject to incoming data confirming its medium-term inflation outlook;

J. whereas the ECB Governing Council confirmed its expectations to keep the key interest rates unchanged until at least the end of summer 2019, and in any event until there has been a sustained adjustment in the path of inflation consistent with its medium-term objective;

K. whereas at the end of 2017 the size of the Eurosystem balance sheet had reached an all-time high of EUR 4.5 trillion, growing by 0.8 trillion compared to the end of 2016;

L. whereas in 2017 the ECB's net profit amounted to EUR 1.275 billion, compared to EUR 1.193 billion in 2016; whereas this increase can mainly be attributed to the increase in net interest income;

General overview

1. Highlights that the statute of independence of the ECB, as laid down in the treaties, is crucial for fulfilling its mandate of price stability and protecting the institution as a whole from political interference;

2. Notes that the EU economy grew at its fastest rate in 10 years in 2017 and that all Member States saw their economies expand; welcomes the role of the ECB and the structural reforms undertaken in some Member States as part of the ongoing recovery;

3. Warns, however, of the rise of uncertainties, which stem from the threat of increased protectionism, the Brexit negotiations and rising divergences between Member States on the future of European integration, among other causes;

4. Emphasises the great importance, at this juncture, of maintaining a favourable environment for public and private investment, which is still lagging behind pre-crisis levels; encourages the ECB to take the necessary measures, in line with its mandate, to help realise this objective;

5. Notes the ECB's positive view on the establishment of a European deposit insurance scheme (EDIS) as the third pillar of the banking union; recognises that risk sharing is, as ECB President Draghi has stated, an effective risk reduction method and that the two should go hand in hand;

Asset purchase programme

6. Stresses that the ECB’s non-standard monetary policy measures have proven successful in forestalling the risks of deflation that were still present at the beginning of 2016 and in initiating a recovery in credit to the private sector, whose annual growth was around 3 % in mid-2018 compared to 0 % in 2015;

7. Calls for vigilance against the risk of a resurgence in real estate bubbles and excessive household and private sector indebtedness in some Member States;

8. Agrees with the ECB’s decision to end the APP, subject to incoming data confirming its medium-term inflation outlook, and considers that this instrument should only be used on a temporary basis, as it creates new risks for financial stability and reduces incentives to consolidate public finances;

9. Notes that with holdings of EUR 1.9 trillion at the end of 2017, the public sector purchase programme (PSPP) accounted for the largest part of the APP; emphasises the importance of following the issuer limit of 33 % in public sector purchases;

10. Takes note that of all private sector purchase programmes, the corporate sector programme (CSPP) contributed the most to the APP in 2017, with EUR 82 billion in net purchases; welcomes the fact that since 2017 the ECB has been publishing the full list of all CSPP holdings, including the names of issuers, together with aggregated data on those holdings by country, risk, rating and sector; calls, however, for further measures in order to disclose the operational procedures used in the choice of securities purchased by national central banks (NCBs);

11. Welcomes the transparency provided by the ECB through its forward guidance; deems it appropriate to keep interest rates low, in the light of uncertainties in the global environment at present;

12. Is concerned by the impact of the negative deposit facility rate imposed on banks since June 2014; considers that this measure, were it still to be pursued, may affect the profitability of the banking sector and should be phased out in the course of normalising monetary policy in line with the current recovery;

13. Calls for the continuation of the targeted longer-term refinancing operations (TLTRO), which provide banks with medium-term financing at attractive conditions and in accordance with their efforts to grant new credit to the real economy;

14. Reiterates its concern about the increase in TARGET2 balances and calls on the ECB to clarify the underlying factors and the potential risks relating to the imbalances that this could cause;

Other aspects

15. Welcome the adoption of the agreement on emergency liquidity assistance (ELA), which clarifies the allocation of responsibilities, costs and risks; notes that this agreement is to be reviewed in 2019 at the latest;

16. Calls on the ECB to continue its efforts to ensure that banks are well prepared for all possible contingencies relating to Brexit; calls on the ECB, moreover, to undertake all necessary preparations to ensure the stability of EU financial markets, including in the case of a no-deal Brexit;

17. Urges an acceleration of the Capital Markets Union (CMU) project in order to deepen financial integration, with a view to helping build resilience to shocks and render the transmission of monetary policy across the monetary union more effective;

18. Calls on the ECB to increase its monitoring vis-à-vis the development of crypto-currencies and the increased cyber-security risks;

19. Stresses the importance of the ECB being accountable towards Parliament; welcomes, in this respect, the permanent dialogue between the ECB and Parliament, and the regular appearances of the President of the ECB and, where applicable, other Members of the Executive Board, before the ECON committee and Plenary; encourages the ECB to continue this dialogue and, when necessary, to better explain its decisions and policies;

20. Recalls that the coming months will see important changes in the Governing Council of the ECB, with several Board members, including the President; concluding their terms; considers that these changes should be prepared carefully and in full transparency with Parliament, in line with the treaties;

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21. Instructs its President to forward this resolution to the Council and the Commission.