

European Central Bank annual report - 2021

The European Parliament will discuss the European Central Bank (ECB) annual report for 2021 during its February plenary session, in the presence of the Banks' President, Christine Lagarde. The ECB's annual report describes the tasks and activities of the European System of Central Banks (ESCB), reports on its monetary policy and thus provides an important pillar of the ECB's accountability to the European Parliament. Following the debate, Parliament will vote a resolution on the basis of an own-initiative report.

European Central Bank annual report for 2021

The [ECB annual report 2021](#) describes a strongly rebounding economy, with real GDP growing by 5.3 %. The strong economic recovery led to a sharp increase in inflation to 2.6 % on average in 2021, compared with just 0.3 % in 2020. Furthermore, the ECB concluded its monetary policy strategy review in 2021; re-calibrated its inflation target to a symmetric 2 %; announced a roadmap to include the costs related to owner-occupied housing in the inflation measure; and tabled a climate-related action plan to incorporate climate factors in the ECB's monetary policy assessments.

Monetary policy in 2022

A rapidly shifting inflation environment marked the year 2022. While inflation in the EU averaged slightly below 1 % between 2014 and 2020, [average annual inflation](#) in the EU in 2022 reached 9.2 %. To bring down inflation rates, the ECB has increased [policy rates](#), countered fragmentation concerns by creating a new policy tool – the transmission protection instrument (TPI) – and applied [flexibility](#) in reinvesting redemptions that are due under the [pandemic emergency purchase programme](#). With fading pressures from energy prices and due to monetary policy measures taken by the ECB, overall inflation is [expected to fall](#) significantly in 2023. However, it will then [remain above](#) the 2 % target, as projections assume that wages will pick up and fiscal measures, which curb energy prices now, will be withdrawn later on, pushing inflation up. Meanwhile, on 1 January 2023, Croatia adopted the euro. Two separate [assessments](#) from the [European Commission](#) and the [ECB](#) had concluded that Croatia [fulfils](#) the requirements that allowed its accession to the common currency area.

European Parliament position

On 31 January 2023, Parliament's Economic and Monetary Affairs Committee (ECON) adopted an own-initiative [report](#) on the ECB annual report for 2021, which raised concern about the historically high levels of [inflation](#). Thus, the report welcomes the ECB's determination to take action and notes President Lagarde's statement that the ECB intends 'to raise interest rates further over the next several meetings'. However, it invites reflection on a more balanced and gradual adjustment of policy, given the high level of uncertainty, and calls for more justification of any future policy rate decisions. Furthermore, the report welcomes the ECB President's message that the current geopolitical crisis requires progress on EU fiscal integration, stressing the need for closer coordination of fiscal and monetary policy, and that fiscal support needs to be temporary and targeted to limit the risk of fuelling inflationary pressures. Based on the ECB's [climate action plan](#) to further incorporate climate change into its monetary policy operations, the resolution welcomes the ECB climate risk stress test, developed to assess the resilience of banks and corporations to climate transition risk, and, in particular, the ECB's engagement with rating agencies to increase transparency about how they incorporate climate risks into their ratings.

Own-initiative report: [2022/2037\(INI\)](#); Committee responsible: ECON; Rapporteur: Rasmus Andresen (Greens/EFA, Germany).

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