

MEPs call on ECB to prepare for looming economic difficulties

- ECB action needed alongside reform and fiscal measures by member states
- Deflation in the euro area may justify strong ECB intervention
- Low interest rates have not benefitted everyone equally



MEPs have told ECB President Christine Lagarde to do what it takes withing the ECB's mandate to stem the difficult times ahead.

MEPs urge the European Central Bank to consider different policy measures to those currently in place to stimulate the EU economy, which faces darkening prospects.

The resolution concludes Monday's [debate](#) with ECB President Christine Lagarde, and was adopted by 533 in favour, 94 against and 63 abstentions.

The draftsman of the resolution, Sven Simon (EPP,DE) said:

"The ECB's decisive action during the pandemic helped to stabilize the economic situation in Europe. Unlike in the last financial crisis, member states were not cut off from refinancing on the capital market. Monetary policy alone, however, will not be enough for a sustainable economic recovery. This requires structural reforms in the member states, some of which are apparently too comfortable with the ECB's accommodative monetary policy. The ECB's mandate is neither to balance national budgets nor to act as a climate protection investment bank. Its mandate for monetary stability must not become subordinated to political goals. I am grateful that President Lagarde has indicated that she will act on some of the report's recommendations, such as re-assessing the inflation rate basket regarding housing prices."

Dangers that need to be addressed

MEPs express concern at the impending economic downturn, which will require action from the ECB as well as reform and fiscal measures by member states. For its part, the ECB should assess if other policy measures could be used to stimulate the economy, within the confines of its mandate. Deflation in the euro area may also justify a "strong ECB intervention", MEPs add.

They also warn of the growing systemic risk in the financial sector, caused by loose monetary financing due to the pandemic, and say that an urgent re-evaluation of this risk should be carried out.

The low interest rates currently in place to facilitate lending and investment have primarily benefitted the wealthy and have often served only to prop up zombie companies, MEPs add. For this reason, they call on the ECB to evaluate the regional and sectoral impact of its policies, as well as their inter-generational fairness.

ECB operational review

MEPs say that the upcoming ECB 'strategy review' must properly account for the changes in the EU economy, which is now based more on services, and is increasingly digitalised.

They also call for a broader method to measure inflation as the current one does not sufficiently factor in the cost of housing, leading to underestimations of inflation in the euro area.

Climate change

The resolution pressures the ECB to better account for climate change in its operations, notably by aligning its collateral framework with risks related to climate change and the development of

a risk management policy which includes as a risk those activities that negatively impact climate change.

Monday's debate with Christine Lagarde

During the debate, MEPs differed as to how far the ECB should go in adopting new policies to help the EU's economies. Although they all cautioned against withdrawing ECB support too early and prematurely reapplying the Stability and Growth Pact rules, differences remained regarding the ECB's role and the possibility of cancelling part of member states' debt.

You can watch the debate again [here](#).

Further information

[Adopted text \(10.02.2021\)](#)

[Video recording of the debate \(08.02.2021\)](#)

[Procedure file](#)

[Research study by the European Parliament Research Service](#)

[Committee on Economic and Monetary Affairs](#)

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