



TEXTS ADOPTED

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European Central Bank - annual report 2022

European Parliament resolution of 16 February 2023 on the European Central Bank - annual report 2022 (2022/2037(INI))

The European Parliament,

- having regard to the European Central Bank (ECB) Annual Report 2021,
- having regard to the ECB's feedback of 28 April 2022 on the input provided by the European Parliament as part of its resolution on the ECB Annual Report 2020,
- having regard to the ECB climate action plan of 4 July 2022 to further incorporate climate change into its monetary policy operations,
- having regard to the ECB staff macroeconomic projections of 8 September 2022 for the euro area,
- having regard to Eurostat's flash estimate of 30 September 2022,
- having regard to the results of the ECB climate risk stress test of 8 July 2022,
- having regard to the Commission's Summer 2022 economic forecast,
- having regard to the 2022 World Economic Outlook of the International Monetary Fund (IMF),
- having regard to the Eurobarometer survey of June-July 2022,
- having regard to its resolution of 14 March 2019 on gender balance in EU economic and monetary affairs nominations¹,
- having regard to the Paris Agreement adopted under the UN

¹ OJ C 23, 21.1.2021, p. 105.

Framework Convention on Climate Change,

- having regard to Articles 123(1), 125, 127(1) and (2), 130, 282(2) and 284(3) of the Treaty on the Functioning of the European Union (TFEU),
 - having regard to the monetary dialogues with the President of the ECB, Christine Lagarde, of 7 February, 20 June, 26 September and 28 November 2022,
 - having regard to the ECB Governing Council's approval of the Transmission Protection Instrument on 21 July 2022,
 - having regard to the ECB Governing Council's monetary policy decisions to raise ECB interest rates in July, September, November and December 2022,
 - having regard to the ECB report of 29 September 2022 on the progress made during the investigation phase of a digital euro,
 - having regard to the European Pillar of Social Rights,
 - having regard to its resolution of 19 May 2022 on the social and economic consequences for the EU of the Russian war in Ukraine - reinforcing the EU's capacity to act¹,
 - having regard to Articles 3 and 13 of the Treaty on European Union (TEU),
 - having regard to Rule 142(1) of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A9-0022/2023),
- A. whereas according to the ECB baseline projections of September 2022, economic growth will decline from 3,1 % in 2022 to 0,9 % in 2023, before recovering to 1,9 % in 2024 in the baseline scenario; whereas certain core assumptions of that forecast are already outdated; whereas the outlook for euro area activity is highly heterogeneous across countries and surrounded by a high degree of uncertainty, related to the development of the war in Ukraine and the energy crisis, with a number of independent forecasts predicting a recession;
- B. whereas Russia's unprovoked, immoral and unjustified war of aggression against Ukraine has severely hit confidence, caused energy and food prices to soar and, in conjunction with other supply-side disruptions in China, compounded existing supply chain pressures;

¹ OJ C 479, 16.12.2022, p. 75.

- C. whereas the primary objective of the ECB is to maintain price stability, which it has defined as 2 % inflation over the medium term;
- D. whereas according to the ECB projections of September 2022, headline inflation is expected to fall from 8,1 % in 2022 to 5,5 % in 2023 and 2,3 % in 2024; whereas 2,3 % is still slightly above the ECB target rate;
- E. whereas according to Eurostat the unemployment rate in July 2022 was 6 % in the EU and 6,6 % in the euro area, varying unevenly across the EU and within Member States and with unemployment rates among young people remaining much higher (14 % in the EU and 14,2 % in the euro area); whereas the high youth unemployment rate remains a serious issue to be tackled in the EU;
- F. whereas acting within its mandate, the ECB has committed to contributing to the objectives of the Paris Agreement; whereas climate change can hamper the effectiveness of monetary policy, affect growth and increase price and macroeconomic instability;
- G. whereas the functioning of the monetary policy transmission mechanism is a precondition for the ECB to be able to deliver on its price stability mandate;
- H. whereas the euro's external value in comparison to the US dollar has significantly deteriorated over the past couple of months; whereas energy and energy derivatives are traded in US dollars and the euro exchange rate's depreciation against the dollar further contributes to inflation;
- I. whereas according to the June-July 2022 Eurobarometer survey, public support for the European economic and monetary union with one single currency, the euro, is at its highest level ever, at 80 % in the euro area and 72 % in the EU as a whole;
- J. whereas the ECB is accountable to the European Parliament as the institution representing EU citizens;

General overview

1. Is deeply concerned by the unprovoked Russian war of aggression on Ukraine and by its serious, unpredictable and long-lasting repercussions for the European economy and society, especially for the most exposed and vulnerable groups such as small and medium-sized enterprises (SMEs) and lower income households;
2. Highlights that unprecedented crises demand unprecedented, innovative and bold decisions on monetary policy;
3. Understands the uncertainty and complex environment that drive monetary policy; expresses its deep concern about the historic high

levels of inflation; welcomes the determination of the ECB to be ready to take action when needed to safeguard financial stability;

4. Recalls that the ECB's primary mandate is to ensure price stability;
5. Recognises that the ECB could bring down prices by strongly reducing aggregate demand via its monetary policy tools, while acknowledging that this would increase the risk of a negative impact on growth and employment;
6. Notes that current inflation is mainly supply-driven, in particular by energy and food prices, which are now impacting core inflation;
7. Notes further that traditional monetary policy tools have limited influence in addressing inflation that is mainly supply-driven;
8. Highlights that the statutory independence of the ECB, as laid down in the Treaties, is a prerequisite for it to fulfil its mandate;
9. Welcomes the Republic of Croatia's accession to the euro area as the 20th member country as of January 2023;
10. Notes that fiscal and monetary policies have reinforced each other during the pandemic, with all EU institutions and Member States working together within their mandates, thereby preventing a repetition of the experience during the 2008 financial crisis and recalls the lessons learnt from its causes and the response to it; stresses that maintaining price stability today requires even closer coordination of fiscal and monetary policies, as addressing supply-side shocks requires greater supply-chain resilience and energy reforms, including a shift towards more renewables and a predictable investment framework; agrees with President Lagarde's warning that 'it is essential that fiscal support used to shield ... households from the impact of higher prices is temporary and targeted. This limits the risk of fuelling inflationary pressures, thereby also facilitating the task of monetary policy to ensure price stability, and contributing to preserving debt sustainability'¹;
11. Welcomes President Lagarde's statement that the current geopolitical crisis requires us to progress on EU fiscal integration; welcomes the ECB's long-standing support for the swift completion of the banking union and stresses the risks caused by serious delays; notes the ECB's support for the establishment of a fully-fledged European deposit insurance scheme; acknowledges that risk-sharing and risk-reduction are interlinked and that institutional protection schemes play a key role in protecting and stabilising member

¹ Introductory remarks to the monetary dialogue of 26 September 2022:
https://www.ecb.europa.eu/press/key/date/2022/html/ecb.sp220926_1~0bd6fcc86c.en.html.

institutions; welcomes the progress made so far in reducing non-performing loans;

12. Calls on the ECB to continue monitoring developments and publishing information on the international role of the euro on a regular basis; underlines that strengthening the role of the euro requires the deepening and completion of the European economic and monetary union in order to reduce the actual and perceived vulnerability of the euro area to macroeconomic shocks; notes that making the euro more attractive as a reserve currency will further enhance its international use and increase the EU's ability to frame its policy stance independently, which is a key element in safeguarding European economic sovereignty;

Monetary policy

13. Is alarmed that euro area inflation has reached record levels with average inflation for 2022 at 8,4 %; stresses that headline inflation rose to a record high of 10,6 % in October 2022 and fell to 9,2 % by December 2022; stresses that energy is by far the most significant driver of inflation (40,8 %), followed by food prices (11,8 %); notes that the ECB forecasts a headline inflation rate of 6,3 % in 2023, 3,4 % in 2024 and 2,3 % in 2025, with risks on the upside due mainly to disruptions in the supply of energy and food; notes that inflation is currently much higher than the ECB's target rate of 2 %; notes that core inflation is currently at 5,2 %; recalls that the ECB's primary mandate is to ensure price stability;
14. Recalls that the ECB strategy review reconfirmed the medium-term orientation of inflation targeting, setting a symmetric 2 % inflation target over the medium term; calls on the ECB to faithfully target inflation over this medium-term horizon, including during the current time of crisis; invites the ECB to define the concept of 'medium term';
15. Takes note of recent ECB monetary policy decisions to raise rates by 50 basis points in July, 75 basis points in September, 75 basis points in November, 50 basis points in December 2022 and 50 basis points in February 2023; notes that the current interest rate stands at 3,0 %; takes note of President Lagarde's statement that the ECB intends 'to raise interest rates further over the next several meetings until inflation has come down to its target level'; notes that nominal interest rates remain below the neutral rate;
16. Notes that the ECB has tools at its disposal with a view to reducing aggregate demand in order to reduce inflation to its target level over the medium term; is concerned about the implications of such policy decisions for growth and employment, to be addressed by the proportionality assessment; invites the ECB to reflect on a more balanced and gradual adjustment of policy, given the high level of

uncertainty; calls for more justification of any future policy rate decisions;

17. Recalls that the Russian aggression in Ukraine and dependence on imported fossil fuels are responsible for much of the recent substantial increase in prices, with headline inflation reflecting the sharp rise in oil and gas prices; notes that current inflation is mainly supply-driven; further notes that traditional monetary policy tools have limited influence in tackling inflation that is mainly driven by energy and food prices; notes the ECB's repeated acknowledgement that raising interest rates will not bring down energy prices or affect inflation in the short term;
18. Is gravely concerned about the risk of fragmentation given the divergences in inflation levels among euro-area countries, from 25,2 % in Estonia to 6,6 % in France in August 2022; believes this imperils the singleness of the ECB's monetary policy and its transmission;
19. Is concerned that 'profits have recently been a key contributor to total domestic inflation, above their historical contribution', as noted by Executive Board member Isabel Schnabel¹; calls on the ECB to regularly publish data on the contribution of profits to inflation; notes that monetary policy is not the right response to this contributor to inflation, namely excessive market power, which is better addressed by other policies;
20. Calls on the ECB to develop a credible communication strategy backed up by swift and tangible action to signal to European citizens that inflation will come down over the medium term; is deeply concerned that consumers' inflation expectations over the next 12 months and the median expectation for inflation over the next three years are considerably above the target level, at 5,0 % and 2,9 % respectively²; notes with concern that this hints at inflation expectations becoming de-anchored; notes that influencing inflation expectations is given as one of the main reasons for the rate hikes by the ECB; calls on the ECB to further look into the role of inflation expectations and how they are influenced by the ECB's announcements and action;
21. Notes the lack of academic consensus on the role of inflation expectations in inflation outcomes;
22. Is particularly concerned that the recent decline in the euro/US

¹ Isabel Schnabel's speech on the globalisation of inflation:
https://www.ecb.europa.eu/press/key/date/2022/html/ecb.sp220511_1~e9ba02e127.en.html.

² <https://www.ecb.europa.eu/press/pr/date/2023/html/ecb.pr230112~6cfbeda491.en.html>.

dollar exchange rate has become a major contributor to energy price inflation; observes that the euro's recent decline against the US dollar is therefore a contributor to energy price inflation given that energy derivatives are traded in US dollars;

23. Notes that the IMF, in its 2022 World Economic Outlook, concluded that the risks of a wage spiral are limited; notes that resilient labour markets and a certain level of catch-up to compensate for loss of purchasing power are likely to contribute to strong wage growth; calls on the ECB to monitor this risk very closely;
24. Is concerned about the ECB's continued reliance on private credit rating agencies for sovereign bond ratings in its collateral framework; reiterates its call on the ECB to put an end to this reliance;
25. Stresses that an even transmission of monetary policy is vital to the achievement of the ECB's price stability mandate; underlines that excessive divergence in sovereign yields makes credit conditions inconsistent with the uniform transmission of monetary policy; notes the ECB's decision on 15 June 2022 to apply flexibility in reinvesting redemptions that are due under the pandemic emergency purchase programme; notes the launch of the Transmission Protection Instrument to support the effective transmission of monetary policy across the euro area;
26. Notes that the combination of cheap targeted longer-term refinancing operations (TLTROs) and higher interest rates created the risk of allowing European banks to earn billions in extra profit; welcomes the ECB's decision at its October meeting, preventing this arbitrage;
27. Worries about a lack of monetary policy coordination among major central banks around the world; worries further that a simultaneous rate hikes cycle around the world will lead to an unprecedented tightening of monetary policy conditions; calls on the ECB to initiate international dialogue with other central banks;

Secondary objectives

28. Recalls that during the monetary dialogue of November 2021, the ECB President said that 'as part of the secondary objectives, we obviously have the economic development, we have the respect for the environment and the fight against climate change, and so on and so forth. Clearly, those have to be taken into account, particularly if those secondary objectives are stated very clearly by the other institutions, and in particular by the European Parliament'; suggests taking advantage of this resolution to provide input to the ECB on

the secondary objectives¹;

29. Recalls that, without prejudice to the objective of price stability, the TFEU requires the ECB to support the general economic policies of the Union as laid down in Article 3 TEU; points out that there is a clear hierarchy between the ECB's objectives;
30. Notes that ECB monetary policies aimed at delivering its primary mandate are subject to a proportionality assessment; notes that the proportionality assessment takes into account the impact of monetary policy measures on the broader economy and economic policies, addressed in this section; stresses that, where it faces a choice between different sets of policies that are equally conducive to price stability, the ECB will choose those that best support the general economic policies of the EU²;
31. Calls on the ECB to devote a specific chapter in its annual report to explaining how it has interpreted and acted upon its secondary objectives and to presenting the effects of its monetary policy on the EU's general economic policies;
32. Considers high levels of socially, environmentally and economically sustainable growth and a highly competitive social market economy aiming at full employment to be key economic goals; recalls the importance of the European Pillar of Social Rights; stresses that these objectives are best achieved when the free market operates in a stable macroeconomic environment based on predictable price levels;
33. Underlines the pivotal role of SMEs for the EU's economy and economic and social convergence, employment and the implementation of the twin transitions (digital and climate);
34. Suggests that as part of its proportionality assessment, the ECB should take into consideration that the costs of its monetary policy operations should not be disproportionately borne by lower income strata and the most vulnerable groups and assess the impact of its monetary policy operations on these groups, while bearing in mind that wealth and income inequality negatively affect the effectiveness of monetary policy transmission³;
35. Calls on the ECB, as an independent institution, to keep refraining

¹ Page 15 of the transcript of the November 2021 monetary dialogue: https://www.ecb.europa.eu/press/key/date/2021/html/ecb.sp211115_annex_1~d1ef2075bb.en.pdf.

² <https://www.ecb.europa.eu/press/key/date/2022/html/ecb.sp220324~61c5afb6b9.en.html>.

³ <https://www.bis.org/publ/othp50.htm>.

from politically motivated decisions in the pursuit of its mandate;

Action against climate change

36. Notes that price stability and a stable macroeconomic environment are needed to encourage green investment and would help, among other things, to create the right conditions for the implementation of the Paris Agreement; invites the ECB to assess to what extent climate change affects its ability to maintain price stability;
37. Recalls that the ECB, as an EU institution, is bound by the EU's commitments under the Paris Agreement;
38. Notes the Governing Council's decision to take further steps to include climate change considerations in the Eurosystem's monetary policy framework;
39. Notes that the concept of market neutrality is related to the principle of 'an open market economy with free competition'; invites the ECB, while respecting its independence, to address market failures and ensure the efficient allocation of resources over a long-term horizon, while remaining as apolitical as possible, respecting the market neutrality principle; notes that the ECB has already deviated from market neutrality in several instances; highlights that such decisions must not be made at the expense of achieving the ECB's primary objective;
40. Notes the ECB's announcement to decarbonise its corporate bond holdings by 'tilting' its portfolio; stresses that the ECB's asset-purchasing programmes constitute unconventional monetary policy which should be pursued only during unprecedented economic circumstances; stresses furthermore that these holdings are a by-product of the past fight against low inflation and that making investments is not an objective of monetary policy;
41. Notes, furthermore, the announcement on the greening of the ECB's collateral framework, which will help reduce financial risk on the ECB's balance sheet;
42. Welcomes the ECB's announcement to further enhance the Eurosystem's risk assessment tools and capabilities in order to better include climate- and environment-related risks, such as through their in-house credit assessment systems; welcomes in particular the ECB's engagement with rating agencies to increase transparency on how they incorporate climate risks into their ratings and their ambition regarding disclosure requirements on climate risks;
43. Welcomes the ECB's action plan and its detailed road map of climate-change-related actions to further incorporate climate-change considerations into its policy framework and models;

44. Welcomes the ECB climate risk stress test developed to assess the resilience of banks and corporations in the face of climate transition risk; observes that the results published on 8 July 2022 show that most banks do not have robust climate risk stress-testing frameworks and lack the relevant data; calls on the ECB to provide workable guidance and reduce red tape; notes that bank supervision should be risk-based and not guided by secondary considerations; calls on banks to step up their efforts to measure and manage climate risk;
45. Highlights the ECB's achievement in lowering its own carbon emissions by 10,7 % between 2020 and 2021;

Transparency, accountability, gender equality and other aspects

46. Stresses the need to further enhance the ECB's accountability and transparency arrangements; notes that while the ECB has enlarged its toolbox and objectives beyond price stability, its accountability practices have only partially evolved; looks forward to the formalisation, in writing, of the current accountability practices between the ECB and the European Parliament; reiterates its call for the ECB to strengthen its accountability vis-a-vis the European Parliament;
47. Welcomes the substantial and detailed feedback provided by the ECB to Parliament's resolution on the 2020 ECB Annual Report; calls on the ECB to continue this commitment to accountability and to keep publishing its written feedback on Parliament's resolutions on the ECB annual reports each year;
48. Calls on the ECB to better report on positions taken by the ECB in the Basel Committee on Banking Supervision, including in writing;
49. Welcomes the ECB's new communications policy, which includes more accessible ways to explain and present ECB policy decisions to citizens and stakeholders;
50. Welcomes the attention the ECB pays to the risks of cyber-attacks; encourages the ECB to maintain this attention, especially in the light of the geopolitical context;
51. Calls on the ECB to step up its monitoring of the development of crypto-currencies and the related risks in terms of cybersecurity, money laundering, terrorism financing and other criminal activities related with the anonymity provided by crypto-assets; notes in this context the entry into force of the Markets in Crypto-Assets Regulation;
52. Regrets that only two members of the ECB's Executive Board and Governing Council are women; reiterates that the nominations to the Executive Board should be gender-balanced, with shortlists

submitted to Parliament; strongly regrets that instead of providing shortlists of candidates, Member States have recently nominated a number of candidates equal to the number of vacant positions; recalls that Parliament has previously committed not to consider shortlists that do not respect the gender-balance principle, in accordance with its resolution on gender balance in EU economic and monetary affairs nominations; calls on the euro area's Member States to do their part and fully incorporate the principle of gender equality in their appointment processes in order to ensure equal opportunity for all genders for the position of governor of national central banks;

53. Regrets that the gender imbalance also persists across the organisational structure of the ECB, notably in the share of women in senior management positions; notes that the latest available statistics on this date from 2019, and indicate that the share of women in all ECB management positions had risen to 30,3 % and in its senior management positions to 30,8 %; welcomes the ECB's new strategy to improve gender balance, including the objective of increasing the share of women to between 40 % and 51 % by 2026; calls on the ECB to report on progress in this area as part of its annual report;
54. Supports the ECB's aim to increase female representation by encouraging women to advance in this field; welcomes, therefore, initiatives such as the ECB Women in Economics Scholarship;
55. Takes note of ECB staff rules on potential conflicts of interest and encourages the ambitious application thereof; takes note, further, of the ongoing review of its ethics framework; highlights the decision of the European Ombudsman of 26 October 2022 issuing recommendations in this regard, in particular on 'revolving doors' at the ECB, after the recent case of a senior economist's move to an American investment bank¹; calls on the ECB to extend the cooling-off period for senior salary tiers also to employees in lower salary bands;
56. Calls on the ECB to develop a strategy on how to deal with lobbyists and increase the transparency of staff-level contacts beyond the Governing Council;
57. Welcomes the fact that the number of counterfeit euro banknotes decreased in 2021 to its lowest level since 2003 (12 parts per million); calls on the ECB to step up the fight against counterfeiting and its cooperation with Europol, Interpol and the Commission in pursuit of this goal; invites the ECB, without prejudice to the Member States' prerogatives, to create a system to better monitor large transactions with a view to combating money laundering, tax

¹ <https://www.ombudsman.europa.eu/en/decision/en/162341>.

evasion and the financing of terrorism and organised crime;

58. Welcomes the ECB's progress on the digital euro project and welcomes the dialogue with Parliament in this regard; looks forward to the end of the 24-month investigation phase of the digital euro project and to the Governing Council reaching a decision on the start of the process of launching the digital euro, once the legal base for this is provided by the co-legislators on the basis of the upcoming proposal by the Commission;
 59. Highlights the expected benefits such as efficiency gains and increased financial inclusion; agrees with the ECB that a digital euro would have to satisfy a range of minimal requirements including robustness, safety, efficiency and protection of privacy; stresses that a digital euro could complement but must not replace cash as a means of payment;
 60. Calls on the ECB to duly consider the risks for the banking sector and overall lending to the real economy when designing the digital euro;
 61. Strongly regrets the ECB's decision to involve Amazon in testing prototype interfaces for a digital euro; stresses that this company is a potential competitor in this field and should therefore not be placed in such a position, especially since it does not receive any monetary compensation for this assignment; stresses furthermore that outsourcing the digital euro infrastructure to a US tech company weakens the EU's strategic autonomy;
 62. Calls for the further enhancement of the ECB's internal whistleblowing framework, bringing it in line with the EU Whistleblower Directive¹;
 63. Suggests the establishment of an independent evaluation office modelled on that of the IMF, which could perform evaluations of ECB policies and conduct impact assessments of different policy options, without infringing on the ECB's independence;
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64. Instructs its President to forward this resolution to the Council and the Commission.

¹ Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law (OJ L 305, 26.11.2019, p. 17).