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REPORT

on the European Central Bank Annual report for 2012
(2013/2076(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Gianni Pittella

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the European Central Bank Annual report for 2012

(2013/2076(INI))

The European Parliament,

– having regard to the European Central Bank Annual report for 2012 (0000 – C7-0000/2013),

– having regard to the Treaty on the Functioning of the European Union, in particular Articles 123, 282 and 284(3) thereof,

– having regard to the Statute of the European System of Central Banks and of the European Central Bank, in particular Articles 15 and 21 thereof,

– having regard to its resolution of 4 May 1998 on democratic accountability in the third phase of the EMU[1],

– having regard to its resolution of 17 April 2013 on the European Central Bank Annual Report for 2011[2],

– having regard to Council Regulation (EU) No .../2013 of ... [conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions], hereinafter referred to as 'the SSM Regulation',

– having regard to the 83rd Annual Report 2012/2013 of the Bank for International Settlements, published on 23 June 2013,

– having regard to Rule 119(1) of its Rules of Procedure,

– having regard to the report of the Committee on Economic and Monetary Affairs (A7-0382/2013),

A. whereas, according to the Commission services' spring 2013 forecast, GDP in the eurozone fell by 0.6 % in 2012 , after a rise of 1.4 % in 2011, and will contract by 0.4 % in 2013 before rising by 1.2 % in 2014;

B. whereas, according to the same forecast, unemployment in the eurozone rose from 10.2 % at the end of 2011 to 11.4 % at the end of 2012, and may increase further to 12.2 % in 2013 before decreasing again slightly in 2014, with major differences being observed between the eurozone countries, the unemployment figures for which vary between 4.3 % and 25 %, with even higher percentages registered for youth unemployment which increased significantly over the same period;

[1] OJ C 138, 4.5.1998, p. 177.
[2] Texts adopted, P7_TA(2013)0176.

C. whereas in 2012 the ECB reduced interest rates once, in July (25 basis point), reducing them further to a historic low of 0.5 % in May 2013;

D. whereas, according to the Commission services' spring 2013 forecast, the average inflation rate in the eurozone was 2.5 % in 2012, down from 2.7 % in 2011, and M3 growth was 1.5 % in 2011, down from 1.7 % in 2010;

E. whereas the consolidated financial statement of the Eurosystem reached EUR 3 trillion at the end of 2012, representing an increase of approximately 12 % over the course of 2012;

F. whereas non-marketable assets represented the largest component of assets put forward as collateral to the Eurosystem in the course of 2012, amounting to around 25 % of the total; whereas non-marketable securities, together with asset-backed securities, represent more than 40 % of total assets put forward as collateral;

G. whereas the aggregate turnover for all instruments in the euro money market decreased by 14 % in the second quarter of 2012 compared with the second quarter of the previous year;

H. whereas Emergency Liquidity Assistance lines provided by national central banks, as represented under the item 'other claims on euro area credit institutions denominated in euro' of the Eurosystem consolidated financial statement, reached unprecedented levels over 2012 and amounted to EUR 206 billion at the end of 2012;

I. whereas the ECB's long-term refinancing operations of February 2012 provided EUR 529.5 billion to eurozone-based financial institutions in loans with a maturity of three years and an initial 1% interest rate;

J. whereas the growth rate of MFI credit to eurozone residents fell significantly between December 2011 and December 2012, from 1 % in December 2011 to 0.4 % in December 2012, and credit to the private sector fell by 0.7% in December 2012;

K. whereas, again according to the Commission services' spring 2013 forecast, average gross general government debt in the eurozone rose from 88 % in 2011 to 92.7 % of GDP in 2012, and the aggregate general government deficit fell from 4.2 % to 3.7 % of GDP;

L. whereas the ECB's long-term refinancing operations of December 2011 and February 2012 granted over EUR 1 trillion – EUR 489 billion and EUR 529.5 billion respectively – to European banks in the form of low-interest loans with a term of three years and a 1% interest rate;

M. whereas the European Economic Forecast in Spring 2012 showed low levels of business and consumer sentiment, high unemployment limiting private consumption and declining export growth since 2010, which has led to a levelling off in GDP growth during 2011 and 2012;

N. whereas small and medium-sized enterprises (SMEs) remain the backbone of the eurozone economy, representing about 98 % of all eurozone firms, employing around three quarters of the eurozone's employees and generating around 60 % of value added;

O. whereas the creditworthiness and financial health of SMEs have deteriorated more sharply than those of large firms, and the protracted period of weak economic conditions have exacerbated the asymmetric information challenges of SMEs;

P. whereas, according to information provided in the Survey on Access to Finance of Enterprises (SAFE), SMEs' profits, liquidity, buffers and own capital have developed less favourably than those of large firms during the crisis;

Q. whereas Article 282 TFEU states that the primary objective of the ECB is to maintain price stability; whereas the European Systemic Risk Board (ESRB) works under the auspices of the ECB in the area of financial stability;

R. whereas the Bank for International Settlements (BIS) has noted in its Annual Report that, as a result of the low interest rate policy in the eurozone, reform efforts in the Member States have slackened considerably;

S. whereas Article 123 TFEU and Article 21 of Statute of the European System of Central Banks and of the European Central Bank prohibit the monetary financing of governments;

T. whereas a low-inflation environment is the best contribution monetary policy can make towards creating favourable conditions for economic growth, job creation, social cohesion and financial stability;

U. whereas the recommendations concerning transparency of voting and the publication of summary minutes put forward in its previous resolutions on the ECB annual reports have not yet been taken into account;

V. whereas actions of national macro-prudential authorities should take account of the responsibility of the European Systemic Risk Board for macro-prudential oversight of financial system within the EU;

W. whereas maintaining a flow of credit to SMEs is particularly important as they employ 72 % of the eurozone's labour force and have significantly higher gross job creation (and destruction) rates than large enterprises;

X. whereas the recommendations put forward in its previous resolutions on the ECB annual reports concerning transparency of voting and publication of summary minutes have not yet been taken into account;

Y. whereas the deposit facility held EUR 315.754 million on 28 September 2012;

Z. whereas credit in the eurozone overall is falling by 2 % annually, with greater reductions in some countries, among them Spain which saw an annual loss of 8 % in 2012;

AA. whereas SMEs have to pay much higher borrowing costs depending on the country of the eurozone in which they are situated, creating distortions in the single market;

AB. whereas the credit crunch currently affecting SMEs in some parts of the eurozone is one of the fundamental problems delaying the economic recovery;

Monetary policy

1. Welcomes the bold measures taken by the ECB in 2012, which have contributed in a decisive manner to stabilising the banking sector and helping to sever the link between the banks and the sovereign;

2. Is deeply concerned at the fact that persistently weak economic conditions are becoming the norm in parts of the EU, creating instability for the eurozone as a whole and threatening the popular and political support for the whole European project;

3. Notes that the recourse to the main refinancing operations, to the medium and long-term refinancing operations with full allotment at fixed rates, and to the marginal lending facility, the Emergency Liquidity Assistance (ELA) and the deposit facility all remained at significantly high levels throughout 2012, signalling a severe impairment of the monetary transmission mechanism and the eurozone interbank lending market, although the situation improved significantly with the stabilisation of spreads and TARGET II imbalances observed over the second half of the year;

4. Believes that the positive effects of the decisions of July 2012 to reduce the key ECB interest rates are limited, as in many parts of the eurozone the monetary transmission channel is broken or deeply impaired; recalls that, in the long term, very low interest rates may cause distortions in the business sector and harm private savings and pension plans;

5. Points out that the ECB President, in his address to the European Parliament's Committee on Economic and Monetary Affairs on 8 July 2013, announced that key ECB interest rates were expected to remain at current or lower levels for an extended period in consideration of limited medium-term inflation estimates and the need to underpin the real economy;

6. Notes with concern that the banking system's demand for liquidity from the Eurosystem increased in 2012, thus strengthening the dependence of the banking system on the Eurosystem's intervention, and warns of the risks of such dependence;

7. Considers that the three-year LTRO settled on March 2012 contributed to stabilising the banking system, but that this should be a temporary measure; notes that, despite the liquidity injected into the banking system by the LTRO, the credit available to the real economy is still below pre-crisis levels; understands that the demand for credits by business is presently at a very low level, making it difficult for banks to lend;

8. Is deeply concerned about the transfer of risks from struggling banks and governments onto the ECB's balance sheet as a result of the ECB's decision to buy 'unlimited' amounts of short-term government debt; stresses that the long-term refinancing operations (LTROs) do not provide a fundamental solution to the crisis;

9. Considers that a national central bank's functions must be performed in a matter that is fully compatible with the functional, institutional and financial independence to safeguard the proper performance of its tasks under the Treaty and the Statute of the European System of Central Banks and of the ECB;

10. Underlines that insufficient growth in the European business sector is not mainly due to

the insufficient availability of credit offered by the banking sector;

11. Is concerned at the fact that credit tightening appears to be very severe for SMEs, owing to the circumstances that they are perceived by banks to have a higher probability of default than larger firms and that they often are unable to switch from bank credit to other sources of external finance;

12. Stresses its concern regarding the considerable fragmentation of lending conditions for SMEs across eurozone countries;

13. Underlines the important role – albeit limited – played by the Securities Markets Programme (SMP) until September 2012 in addressing the malfunctioning of certain eurozone sovereign debt securities market segments; warns that this should not be considered by the banking sector or by governments to be a permanent feature;

14. Welcomes the setting-up of the Outright Monetary Transactions (OMTs), with no ex ante quantitative limits, in order to safeguard monetary policy transmission, and welcomes the decision to link the activation of the OMT to strict conditionalities attached to an European Financial Stability Facility / European Stability Mechanism (EFSF/ESM) programme;

15. Understands the BIS's warnings about too long a period of quantitative easing ('whatever it takes'); follows with interest the discussions in most major central banks on the best timetable to wind down their loose monetary policies; notes that, amongst others, the Federal Reserve Board intends to depart from the present policies as soon as possible; understands that the ECB will maintain an accommodative policy stance as long as the banking sector is not fully stabilised, and spill-overs into the public sector remain a threat, a policy made possible by the low inflation rates expected over the medium term;

16. Considers it necessary that the ECB programmes for liquidity provision also properly address inflationary concerns, for example by sterilisation;

17. Considers, in the light of the recent developments in the US, that economic recovery and higher growth in the economy represent a sound and solid basis for a progressive phase-out of the quantitative easing policy measures;

18. Recalls that the quantitative easing policy measures of the ECB were intended to be of transitory nature and should, therefore, in no way be regarded by the banking sector as a permanent instrument;

19. Encourages the ECB to send clear signals to the market with regard to the estimated period of activation of its quantitative easing policy measures, and to start phasing such measures out as soon as the tension in the banking sector is diminished, as soon as the link between the banks and the sovereign can be severed, and as soon as the economic indicators related to growth and inflation justify such a decision;

20. Considers that the monetary policy tools that the ECB has used since the beginning of the crisis, while providing a welcome relief in distressed financial markets, have revealed their limits as regards stimulating growth and improving the situation on the labour

market; considers, therefore, that the ECB could explore further measures;

21. Is concerned about the significantly high levels of ELA lines provided by national central banks in the course of 2011 under the authorisation of the ECB, and demands further disclosure of, and complementary information on, the precise extent, and underlying operations, of such lines and the conditions attached to them;

22. Acknowledges that, since the monetary transmission mechanism is not functioning properly, the ECB should seek ways to target SMEs more directly; points out that at present similar SMEs from across the eurozone do not have similar access to loans, despite having similar economic prospects and risks; invites the ECB to implement a policy to purchase high-quality securitised SME loans directly, particularly from some Member States where the monetary transmission mechanism is broken; stresses that this policy should be limited in amount and time, fully sterilised and directed to avoid risks on the ECB balance sheet;

23. Believes that the ECB should take very seriously into account the possibility of launching a specific programme to help SMEs access credit in the lines of the funding for the lending scheme of the Bank of England;

24. Deems that the TARGET II settlement system has played a crucial role in safeguarding the integrity of the eurozone financial system; notes, however, that the significant TARGET II imbalances reveal the worrying fragmentation of financial markets within the eurozone, as well as the ongoing capital flight in Member States experiencing or threatened with serious difficulties with respect to their financial stability;

25. Calls on the ECB to make public the legal decision concerning the OMT programme in order that its details and implications may be analysed more deeply;

26. Underlines that ELA lines are reported in the Eurosystem consolidated balance sheets under the heading ‘other claims on Euro area credit institutions denominated in Euro’ without any further disclosure and with no more granular information provided on such lines or on the underlying operations and the conditions attached to them; asks the ECB to improve the reporting on ELA developments provided on its website on a country-by-country basis;

27. Is encouraged by the stabilisation of the levels of TARGET II imbalances over the second half of 2012; underlines that the TARGET II settlement system has played a crucial role for safeguarding the integrity of the eurozone financial system; remains, nevertheless, concerned by the ongoing fragmentation of financial markets within the eurozone;

28. Recalls the independence of the ECB in the conduct of its monetary policy, as enshrined in the Treaties; argues that the conduct of monetary policy should be democratic and should result from deliberation between different viewpoints and approaches in order that transparency, and thereby democratic accountability, may be strengthened; recalls, in this respect, the importance of the monetary dialogue and of the written questions submitted by MEPs;

29. Is concerned about possible side effects of a prolonged and extraordinarily

accommodative monetary policy, such as aggressive risk taking, the build-up of financial imbalances, distortions in financial market pricing and incentives to delay necessary balance sheet repair and reforms; encourages the ECB to strike the right balance between the risks of exiting its extraordinarily accommodative monetary policy prematurely and the risks associated with further delaying such a departure;

30. Underlines that the ECB should be ready to comply with the highest standards of accountability when performing its monetary policy tasks and its supervisory tasks vis-à-vis Parliament, and recalls, in this regard, the importance of the monetary dialogue and of the written questions submitted by MEPs; recalls the ongoing call for more transparency in the ECB which would result in increased credibility and predictability, and appreciates the improvements that have already been made in this area;

31. Considers that the exchange rate is a crucial economic policy variable which impacts on the competiveness of the eurozone; underlines the importance of supporting the euro as an international currency;

32. Calls on the ECB to study the possibility of using forward guidance as a non-conventional tool to enhance the correct transmission of monetary policy; remarks that forward guidance should be tied to positive changes in the economic growth of the eurozone or to an increase in inflation in the medium term beyond 2 %;

33. Invites the ECB, in cooperation with the national central banks, to explain its policies in terms of currency swap deals designed to provide support for the bilateral economic and trade exchanges and to help maintain financial stability;

Banking union

34. Notes that the European Banking System is still fragile and needs to be reformed in structural terms and consolidated through the development of a true banking union;

35. Welcomes the progress achieved on the negotiations on the Single Supervisory Mechanism (SSM) regulation conferring on the ECB the power of supervision over eurozone credit institutions and those who wish to join; believes that the setting-up of the SSM will contribute to severing the link between banks and sovereigns and will help develop a common European approach to crisis management;

36. Welcomes in particular its involvement in the appointment of the Chair and Vice-Chair of the Supervisory Board;

37. Considers that the establishment of the SSM should contribute to restoring confidence in the banking sector and to reviving interbank lending and cross-border credit flows through independent integrated supervision for all participating Member States;

38. Invites the SSM to operate in full adherence to the single rulebook for financial services and in a manner fully consistent with the principles underpinning the single market in financial services;

39. Considers that the ECB should welcome the possibility to involve non-eurozone Member

States in the SSM to ensure a greater harmonisation of supervisory practices within the EU;

40. Stresses the importance of a fruitful cooperation between the ECB and the competent national authorities within the framework of the SSM, in order to ensure an effective and smooth supervision;

41. Welcomes the preparation of a comprehensive asset quality review for all banks that will come under direct SSM supervision and that will feed into the overall stress test to be conducted by the European Banking Authority (EBA), in cooperation with the SSM, in the second quarter of 2014;

42. Notes that the strengthening of the ECB resulting from the establishment of the SSM needs to be balanced by greater accountability vis-à-vis national parliaments and the European Parliament;

43. Considers that transparency in the field of banking supervision is essential as agreed upon in the interinstitutional agreement between the European Parliament and the European Central Bank;

44. Notes that the allocation of supervisory tasks to the ECB poses new challenges in terms of conflict of interest, and welcomes the provisions on this matter foreseen in the interinstitutional agreement between the European Parliament and the ECB; recalls that, in order to fully implement these provisions, the ECB is due to introduce more accurate rules including, inter alia, provisions on cooling-off periods for Eurosystem senior management staff involved in banking supervision;

45. Recalls that it is of paramount importance that the ECB ensures operational separation of the core units preparing the draft decisions in the field of monetary policy and supervisory policy; underlines the crucial need for the agreement negotiated between the ECB and the European Parliament regarding practical measures to ensure democratic accountability;

46. Considers it urgent to approve the establishment of a Single Resolution Mechanism in order to protect taxpayers and prevent further banking crises;

47. Stresses that, with a view to improving the resilience of the banking system, it is essential to strengthen its diversity by encouraging the development of small and medium-sized local banks;

48. Believes that in order to reduce risk and strengthen the stability of the banking system and avoid the development of the ‘too big to fail’ institutions, consideration could be given to introducing a full separation between deposit and investment banks; looks forward to the legislative proposal from the Commission on banking structure;

49. Believes that the “troika” should be replaced by a system whereby the Commission, accountable to Parliament, is put at the heart of the mechanism with programme countries, the Eurogroup is included in the decision-making process, the ECB provides expertise and the IMF gives advice where appropriate;

Institutional matters

50. Points out that the regulation on the SSM provides for interinstitutional arrangements between the European Parliament and the ECB on democratic accountability that emphasise the role of Parliament; urges the ECB to meet the new requirements, in particular in terms of democratic accountability and transparency in its supervisory activities;

51. Calls on the ECB to subject every aspect of its activity to critical self-assessment, including the impact of the adjustment programmes it has helped to shape and the ex post adequacy of the macroeconomic assumptions and scenarios underlying those programmes;

52. Calls on the ECB to publish the summary minutes of the Governing Council meetings, including arguments and voting records;

53. Is concerned at the contempt shown by the Council towards Parliament's resolution of 25 October 2012[3] on the appointment of a new Member of the executive board of the ECB, and notes that due consideration should be given to both the expertise and the gender of members in the appointment of ECB top management; takes the view that the EU institutions, including the ECB, should lead by example in the field of gender balance and that it is essential that the gender representation among leading positions within the ECB be improved; disapproves of the fact that the Member States ignored the negative vote in Parliament, both in the ECON Committee and in the plenary, because of the lack of a gender balance perspective in the appointment of Yves Mersch; urges the Member States to incorporate a gender-balance perspective, with the possibility of positive action on the basis of a balanced gender representation, in the appointment of members to the Executive Board;

54. Recalls that, according to Article 10.4 of Protocol No 4 to the Statute of the European System of Central Banks and of the European Central Bank, while the proceedings of the meetings of the Governing Council shall be confidential, it may decide to make the outcome of its deliberations public; asks the ECB to provide a reasoned reply in its subsequent annual reports to Parliament's annual report on the ECB;

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

[3] Text adopted, P7_TA(2012)0396.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	5.11.2013
Result of final vote	+: 41 –: 5 0: 1
Members present for the final vote	Marino Baldini, Burkhard Balz, Jean-Paul Besset, Sharon Bowles, Udo Bullmann, Nikolaos Chountis, George Sabin Cutaş, Leonardo Domenici, Derk Jan Eppink, Diogo Feio, Markus Ferber, Ildikó Gáll-Pelcz, Jean-Paul Gauzès, Sylvie Goulard, Liem Hoang Ngoc, Gunnar Hökmark, Syed Kamall, Jürgen Klute, Rodi Kratsa-Tsagaropoulou, Philippe Lamberts, Werner Langen, Astrid Lulling, Ivana Maletić, Hans-Peter Martin, Marlene Mizzi, Sławomir Nitras, Ivari Padar, Alfredo Pallone, Antolín Sánchez Presedo, Olle Schmidt, Peter Simon, Theodor Dumitru Stolojan, Kay Swinburne, Sampo Terho, Marianne Thyssen, Corien Wortmann-Kool, Pablo Zalba Bidegain
Substitute(s) present for the final vote	Zdravka Bušić, Krišjānis Kariņš, Mojca Kleva Kekuš, Olle Ludvigsson, Thomas Mann, Gianni Pittella, Nils Torvalds
Substitute(s) under Rule 187(2) present for the final vote	Izaskun Bilbao Barandica, Yves Cochet, Mary Honeyball