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European Central Bank – annual report 2024

European Parliament resolution of 11 February 2025 on European Central Bank – annual report 2024 (2024/2054(INI))

(C/2025/2245)

The European Parliament,

— having regard to the 2023 Annual Report of the European Central Bank (ECB),

— having regard to the ECB's feedback of 18 April 2024 on the input provided by Parliament as part of its resolution on the ECB's 2022 Annual Report ([1]),

— having regard to the Statute of the European System of Central Banks (ESCB) and of the ECB, in particular Articles 2, 15 and 21 thereof,

— having regard to Articles 119, 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 Articles 3 and 13 of the Treaty on European Union (TEU),

— having regard to the Eurosystem staff macroeconomic projections for the euro area of 7 March 2024, 6 June 2024, 12 September 2024, and 12 December 2024,

— having regard to the decisions taken by the ECB Governing Council of 25 January 2024, 7 March 2024, 11 April 2024, 6 June 2024, 18 July 2024, 12 September 2024, 17 October 2024 and 12 December 2024,

— having regard to Eurostat's inflation estimate of 3 February 2025,

— having regard to the Commission's Autumn 2024 Economic Forecast published on 26 November 2024,

— having regard to the World Economic Outlook of the International Monetary Fund (IMF) of January 2025,

— having regard to the monetary dialogues with the President of the ECB, Christine Lagarde, of 15 February 2024, 30 September 2024 and 4 December 2024,

— having regard to its decision of 1 June 2023 on the arrangements in the form of an exchange of letters between the European Parliament and the ECB on structuring the practices for interaction in the area of central banking ([2]),

— having regard to the European Pillar of Social Rights,

— having regard to the approval of the transmission protection instrument (TPI) by the ECB Governing Council of 21 July 2022,

— having regard to the Commission proposal of 28 June 2023 for a regulation of the European Parliament and of the Council on the establishment of the digital euro (COM(2023)0369),

— having regard to the ECB's first progress report of 24 June 2024 and second progress report of 2 December 2024 on the digital euro preparation phase,

— having regard to the four ECB progress reports of 13 July 2023, 24 April 2023, 21 December 2022 and 29 September 2022 on the digital euro investigation phase,

— having regard to the ECB monetary policy strategy review launched on 23 January 2020 and concluded on 8 July 2021, and to the upcoming 2025 monetary policy strategy assessment,

— having regard to the ECB's operational framework review published on 13 March 2024,

— having regard to the ECB annual report on the international role of the euro of June 2024,

— having regard to the results of the ECB's first-ever cyber resilience stress test of 26 July 2024,

— having regard to the ECB's Financial Stability Review published on 20 November 2024,

([1]) OJ C 283, 11.08.2023, p. 40.
([2]) Texts adopted, OJ C, C/2024/6738, 26.11.2024, ELI: http://data.europa.eu/eli/C/2024/6738/oj.

— having regard to the publication of the revised Capital Requirements Regulation ([3]) ('CRR III') and Capital Requirements Directive ([4]) ('CRD VI') in the Official Journal of the European Union on 19 June 2024,

— having regard to the results of the ECB's climate risk stress test of 8 July 2022,

— having regard to the 2024 update of the ECB's Environmental Statement,

— having regard to the ECB's Climate and Nature Plan 2024-2025,

— having regard to Rule 142(1) of its Rules of Procedure,

— having regard to Rule 55 of its Rules of Procedure,

— having regard to the report of the Committee on Economic and Monetary Affairs (A10-0003/2025),

A. whereas, according to Eurostat, harmonised index of consumer prices (HICP) inflation reached a level of 2,4 % in the euro area in December 2024;

B. whereas, according to the December 2024 Eurosystem staff macroeconomic projections for the euro area, HICP inflation is projected to decline to 2,1 % in 2025, 1,9 % in 2026, and to increase to 2,1 % in 2027 ([5]); whereas inflation projections show substantial variance across the euro area;

C. whereas the ECB's primary objective is to maintain price stability, which it has defined as a level of inflation of 2 % over the medium term;

D. whereas the ECB should support the general economic policies of the EU, thereby contributing to the achievement of the objectives of the EU as laid down in Article 3 TEU;

E. whereas the ECB is politically independent, which means that neither EU institutions and agencies nor Member State governments should seek to influence it;

F. whereas the ECB can take decisions to fulfil its primary objective of maintaining price stability without political interference other than being held accountable;

G. whereas political independence requires the ECB to refrain from taking political actions;

H. whereas Article 123 TFEU and Article 21 of the Statute of the ESCB and of the ECB prohibit the direct monetary financing of governments; whereas the ECB may purchase debt securities on the secondary market if this is necessary to pursue its objectives;

I. whereas the Eurosystem has been built on the principle of monetary dominance;

J. whereas the principal payments from maturing securities purchased under the asset purchase programme (APP) are no longer reinvested and the principal payments from maturing securities purchased under the pandemic emergency purchase programme (PEPP) will no longer be reinvested from January 2025;

K. whereas bank reserves held by credit institutions at the ECB amounted to EUR 3 trillion in December 2024;

L. whereas the euro is the second most important currency globally;

M. whereas the ECB is accountable to Parliament as the EU institution representing EU citizens; whereas this accountability has been maintained at the highest level, with the regular organisation of the Monetary Dialogue, the ECB President's regular appearances at Parliament plenary sittings and various visits and meetings between Members of Parliament and ECB board members;

General overview

1. Welcomes the role of the ECB in safeguarding monetary and financial stability, which is a necessary precondition for growth and economic stability; underlines that the ECB is the institution responsible for maintaining price stability in the euro area in this regard; notes that, 'without prejudice to the objective of price stability, the ESCB shall support the general economic policies in the Union' as laid down in Article 127 TFEU;

([3]) OJ L, 2024/1623, 19.6.2024, ELI: http://data.europa.eu/eli/reg/2024/1623/oj.
([4]) OJ L, 2024/1619, 19.6.2024, ELI: http://data.europa.eu/eli/dir/2024/1619/oj.
([5]) https://www.ecb.europa.eu/press/projections/html/ecb.projections202412_eurosystemstaff~71a06224a5.en.html#toc6.

2. Underlines that the statutory independence of the ECB, as laid down in the Treaties, is a prerequisite for it to fulfil its mandate, which is to maintain price stability in the euro area and thereby contribute to economic growth, competitiveness and job creation;

3. Highlights the importance of the ECB's political independence, which should remain untouched; stresses that this independence requires the ECB to in turn refrain from taking political actions; welcomes the institutional cooperation, thereby stressing the importance of the corresponding level of accountability to Parliament;

4. Invites the ECB and the European Parliament to make full use of the accountability and transparency arrangements and, where possible, further enhance these arrangements, without prejudice to the ECB's independence;

5. Recognises the ECB's efforts to bring inflation back down to levels commensurate with its target of 2 % over the medium term;

6. Stresses that both the ECB's monetary policy, delivering on its mandate, and fiscal policies, should work in tandem to help European citizens and households, as well as small businesses;

7. Takes note of the disparities between Member States with regard to inflation levels above or below the ECB's 2 % target; emphasises that inflation diminishes the purchasing power of fixed incomes, savings and pensions and that it distorts the signalling function of prices, that ensures an efficient allocation of resources, thereby having a negative impact on economic stability;

8. Stresses that inflation triggered a 'cost of living crisis' for EU citizens; emphasises therefore the imperative of reducing inflation to its target rate of 2 %; notes that high inflation levels disproportionally affect lower-income households that spend a higher proportion of their budget on necessities; stresses that bringing headline inflation back down to their target levels is therefore also important to maintaining social cohesion;

9. Regrets that core inflation still remains high in the euro area (2,7 % in December 2024), with only three euro area Member States reporting core inflation rates below 2 % in December 2024; recalls that this situation generates economic uncertainty, discourages savings and increases citizens' living costs, particularly affecting those on fixed and limited incomes;

10. Stresses that keeping interest rates too high could harm economic growth; calls on the ECB not to lower interest rates too quickly, given the risk that inflation levels could start increasing again while inflation is already above 2 %; highlights the key role that inflation expectations play and that excessive volatility in inflation rates might distort inflation expectations; invites the ECB to assess the impact of interest rate changes on different economic sectors, among them capital-intensive sectors;

11. Acknowledges that the monetary policy decisions taken by the Governing Council of the ECB since the inflation crisis stemming from the rise in energy prices have put inflation on a path which is compatible with the achievement of the objective of price stability, while avoiding a serious deterioration in economic activity or employment;

12. Recalls that the Eurosystem was built on the principle of monetary dominance and that the economic and monetary union therefore requires solid fiscal policies in the Member States in order to be able to respond to external shocks; recalls the need for adequate implementation of the new fiscal framework to ensure the credibility of fiscal policies at the level of the economic and monetary union; notes that sufficient fiscal space also allows Member States to respond to external shocks; notes the flexibility provided by the new fiscal rules in this regard; points out that Member States can enhance their resilience to external shocks through fiscal measures as well as with growth-enhancing reforms;

13. Recalls that prudent fiscal policies by the Member States can complement the ECB's efforts to keep inflation low and thereby protect incomes; highlights that addressing excessive public deficit and debt levels is crucial to maintaining a stable economy, sustainable growth and to having the policy space available for governments to respond to adverse shocks; notes in this respect the recent findings of the Financial Stability Review concerning high levels of national debt;

14. Notes that the ECB's 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;

Monetary policy

15. Strongly welcomes the fact that headline inflation has come down from its peak of 10,6 % in October 2022 to 2,4 % in December 2024;

16. Welcomes the decrease in core inflation from its peak of 7,6 % in March 2023 to 2,7 % in December 2024, but expresses its unease at its historically and persistently high level; notes with concern that high core inflation could translate into higher headline inflation numbers;

17. Notes that it has taken the ECB more than three years to achieve a level of inflation that is commensurate with its target level of 2 %; recalls in this regard the ECB's incorrect assessment that inflation was expected to be only transitory;

18. Stresses that supply shocks, primarily originating from external sources, were among the key drivers of the inflation surges; recognises that monetary policy has a more direct effect on inflation levels when it stems primarily from demand factors rather than supply factors;

19. Welcomes the ECB's efforts to regularly update its models; invites the ECB to continue reviewing and improving its models and their role in its policymaking in light of the subpar performance of the models in recent years, in order to learn from previous crises, particularly to better distinguish between demand-driven and supply-side sources of inflation; stresses that economic supply shocks can arise from many sources, among others geopolitical events, climate-related or natural disasters and cyberattacks;

20. Stresses that the inclusion of owner-occupied housing (OOH) in the HICP is desirable for reasons of both representativeness and comparability across countries in the euro area; calls for an acceleration of the roadmap in order to ensure the rapid inclusion of OOH data in the HICP; welcomes the Governing Council of the ECB's commitment to consider both in its monetary policy assessments and decisions also the available inflation measures regarding the quarterly stand-alone OOH index;

21. Supports the ECB's decision to scale back its asset purchase programmes, so as to balance market liquidity conditions and inflation levels, in view of the excess liquidity in the market and decreased levels of inflation; welcomes the fact that the asset portfolio under the ECB's purchasing programmes has been on a downward trend since 2023;

22. Underlines that interest on commercial banks' holdings of bank reserves resulted in the Eurosystem paying more than EUR 120 billion interest to credit institutions in 2023, amounting to at least 0,8 % of euro area GDP; considers this is a significant subsidy to the banking sector; asks the ECB to mitigate this issue;

23. Stresses that the ECB's purchase programmes are unconventional policies applicable only during crisis periods that, if not carefully implemented, risk contravening the prohibition on monetary financing under Article 123(1) TFEU; invites the ECB to continue monitoring the gradual reduction of its balance sheet, to limit prolonged potential destabilising effects in the euro area, while monitoring the growth and competitiveness of the EU's economy; invites the ECB to share insights on the impact of the purchasing programmes on the functioning of financial markets, including the impact on pension funds and pension insurance cooperation;

24. 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 and makes reducing public debt exceedingly difficult; takes note of the establishment of the transmission protection instrument (TPI) in July 2022 as a tool to support the effective transmission of monetary policy;

25. Stresses that diverging interest rates in the euro area are – in the absence of any serious financial disturbances – generally the result of different risk premiums on government bonds reflecting, among other factors, different approaches to fiscal policy; notes that TPI interventions may conceal underlying fiscal challenges; stresses that TPI should be used under the conditions set by the ECB only to address financial market stress unrelated to economic fundamentals; calls on Member States to conduct responsible fiscal policies and ensure sustainable debt levels, thereby ensuring their resilience against current and future shocks;

Digital euro

26. Notes the ECB's progress on the digital euro project and welcomes its ongoing dialogue with Parliament; underscores that any digital euro should deliver clear added value to European citizens, including enhanced strategic autonomy in payments, a higher level of competition in the retail payment market, potential to foster innovation in payments and finance, improved financial inclusion and a reliable offline backup payment system; calls on the ECB to clearly demonstrate these benefits before the EU co-legislators decide whether or not to introduce a digital euro that strikes the right balance, among others, on holding limits, privacy concerns, competition with private payment solutions and usability in a business context;

27. Demands that any decision to issue the digital euro should not be taken exclusively by the Governing Council of the ECB; considers, instead, that the decision on whether or not to introduce a digital euro is ultimately a political decision that has to be taken by the EU co-legislators, given the profound potential impact of such a decision on a wide range of EU domains, including privacy, consumer protection, financial stability, financial policy and other areas that go beyond the strict remit of monetary policy;

28. Considers that the digital euro will only become a success story if it provides tangible added value for European citizens that they can understand; notes that currently many European citizens either have not heard about the digital euro project or remain sceptical;

29. Reiterates that cash should remain widely available and accessible at all times in order to ensure a plurality of means of payment; welcomes, in that context, the proposal for a regulation on the use of euro cash as legal tender;

30. Stresses the need for a cost-based compensation model for the banking sector, which is tasked with the practical implementation of the digital euro project; recalls that the compensation model must guarantee a euro that is free of charge for its users;

31. Calls on the ECB to take due account of financial stability concerns and potential changes in the structure of the financial sector resulting from the introduction of the digital euro; recalls the importance of holding limits, in order not to create additional risks for banks' balance sheets, especially during crises;

32. Calls on the ECB to prioritise robust privacy safeguards, establishing them as a gold standard for privacy for central bank digital currency (CBDC), to secure public confidence and address citizens' concerns regarding data protection and autonomy;

Secondary objectives

33. Stresses that the EU's secondary objectives are indeterminate as currently specified by the Treaties; notes that the supportive nature of the ECB's secondary objectives complements the primary mandate; according to the Treaties, the EU's aim is to promote peace, its values and the well-being of its peoples, create balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment;

34. Recalls that without prejudice to the ECB's primary mandate, the Treaties require it to support the general economic policies of the Union; calls on the ECB to adhere to its mandate when interpreting or acting upon its secondary objectives; stresses that overstepping this mandate touches on the independence of the ECB; considers that maintaining price stability and stable macroeconomic conditions is conducive to creating the right conditions for the implementation of the EU's general economic policy objectives;

35. Stresses that the ECB's secondary objectives are best achieved when operating in a stable macroeconomic environment based on predictable price levels that encourages investment; calls on the ECB to include a specific chapter in its annual report explaining how it has interpreted and implemented its secondary objectives;

36. Stresses that the ECB should prevent distortions in the signalling function of prices that ensures an efficient allocation of resources; invites the ECB to further assess to what extent climate change affects its ability to maintain price stability;

37. Calls on the ECB to respect the market neutrality approach in its monetary operations, while noting that the ECB acknowledges that market neutrality is an operational tool, rather than a legal requirement;

38. Notes that the ECB's actions to decarbonise its corporate bond holdings have not strictly followed a market neutral approach;

39. Invites the ECB to review its policies to ensure that these measures promote EU competitiveness whereas such actions should in no way jeopardise the primary objective of the ECB;

40. Calls on the ECB to use all its available tools to ensure that banks take all financial and external risks, including climate and geopolitical risks, seriously; welcomes the ECB's activities to further enhance the Eurosystem's risk assessment tools and capabilities in order to better include climate- and environment-related risks, particularly because climate change and extreme weather phenomena could lead to greater price volatility, especially in the agri-food sector; invites the ECB to continue its work on climate risk stress tests developed to assess the resilience of banks and corporations in the face of climate transition risk;

41. Notes the Climate and nature plan 2024-2025; invites the ECB to draft a Geopolitics plan 2025-2030 in order to better understand the implications of war and conflict on price stability and treat all potential sources of external shocks equally;

Other aspects

42. Underlines that a strengthened international role of the euro would lead to lower interest rates in the euro area, increased status for the EU on the international stage and enhanced macroeconomic stability; recalls that strengthening the international role of the euro would contribute to enhancing the EU's strategic autonomy;

43. Calls on the ECB to look into strengthening the international role of the euro with a view to enhancing its attractiveness as a reserve currency and support market-driven shifts in this direction; notes that the completion of the economic and monetary union could foster the international role of the euro;

44. 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;

45. Welcomes the attention that the ECB pays to the risks of cyberattacks; calls on the ECB to ensure the safety and security of the monetary system for its users, especially in the light of ongoing geopolitical developments;

46. Considers that financial stability is a prerequisite for effective monetary policy and a resilient financial system; welcomes the finalisation of the Basel III framework and its implementation from 1 January 2025, as it has the potential to strengthen the resilience of the banking sector in this regard; notes, however, the delays in implementation and lack of clarity with regard to implementation by a certain number of other jurisdictions, resulting in an uneven level playing field at the global level;

47. Acknowledges the ECB's concern regarding the rise of the shadow banking sector and the risk it may pose to financial stability;

48. Encourages collaboration with the Member States and national central banks on financial literacy programmes to empower individuals and businesses to make informed financial decisions;

49. 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; urges the euro area Member States to improve the principles of gender equality in their appointment procedures, so that both genders have equal opportunities to serve as governors of their respective national central banks;

50. Reiterates that ECB appointments should be based on objective merit and competence assessment processes;

51. Supports the aim of the ECB to increase female representation by encouraging women to advance in this field; therefore welcomes initiatives such as the ECB Women in Economics Scholarship;

52. Highlights that the latest Financial Stability Review released by the ECB in November 2024 raises concerns over the possibility of an AI-related asset price bubble given the concentration among a few large AI beneficiary firms;

53. Calls for the further enhancement of the ECB's internal whistleblowing framework to bring it into line with the EU Whistleblower Directive;

54. Invites the ESCB to continue and strengthen its dialogues with national parliaments, which it believes would strengthen the legitimacy and policies of the ESCB;

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