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REPORT

on the European Central Bank – annual report 2025
(2025/2182(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Johan Van Overtveldt

CONTENTS

| | Page |
|--|-------------|
| MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION..... | 3 |
| EXPLANATORY STATEMENT | 8 |
| ANNEX: DECLARATION OF INPUT | 10 |
| INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE..... | 11 |
| FINAL VOTE BY ROLL CALL BY THE COMMITTEE RESPONSIBLE | 12 |

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the European Central Bank – annual report 2025

(2025/2182(INI))

The European Parliament,

- having regard to the European Central Bank’s (ECB) feedback of 28 April 2025 on the input provided by Parliament as part of its resolution on the ECB’s 2023 Annual Report,
- 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 monetary dialogues with the President of the ECB, Christine Lagarde, of 20 March 2025, 23 June 2025, and 6 October 2025,
- having regard to the ECB’s 2025 monetary policy strategy assessment,
- having regard to the ECB’s 2025 report on the international role of the euro,
- having regard to the ECB’s climate and nature plan 2024-2025,
- having regard to Eurostat’s inflation estimate of 20 August 2025 and Eurostat’s flash estimates of 1 October 2025,
- having regard to the EGOV briefing of October 2025 entitled ‘Turning point or continuity? The ECB’s 2025 strategy review’ published by its Directorate-General for Economy, Transformation and Industry¹,
- having regard to the EGOV analysis of June 2025 entitled ‘The silent hand of central banking: collateral framework’ published by its Directorate-General for Economy, Transformation and Industry²,
- having regard to Rule 55 of its Rules of Procedure,
- having regard to the report of the Committee on Economic and Monetary Affairs (A10-0002/2026),

¹ Briefing – ‘Turning point or continuity? The ECB’s 2025 strategy review’, European Parliament, Directorate-General for Economy, Transformation and Industry, Economic Governance and EMU Scrutiny Unit (EGOV), October 2025.

² In-depth analysis – ‘The silent hand of central banking: collateral framework’, European Parliament, Directorate-General for Economy, Transformation and Industry, EGOV, June 2025.

- A. whereas, according to Eurostat, EU annual inflation stood at 2.5 % and euro area inflation at 2.1 % in October 2025, as measured by the harmonised index of consumer prices;
- B. whereas, according to the ECB's Consumer Expectations Survey of October 2025, median expectations for inflation are still above 2 %;
- C. whereas the ECB's inflation target has shifted over time from a reference value of 'below 2 %' to an objective of 'below, but close to 2 %', to a symmetric target of '2 %' over the medium term;
- D. whereas the marginal lending facility and the deposit facility rate have formed a tight corridor around the interest rate on the main refinancing operations;
- E. whereas the ECB's boundaries in purchasing government debt have been widening steadily, from the Securities Market Programme to Outright Monetary Transactions, as well as the Public Sector Purchase Programme, the Pandemic Emergency Purchase Programme (PEPP) and the Transmission Protection Instrument³;
- F. whereas reinvestments under the asset purchase programme (APP) were discontinued as of July 2023, and in the case of the PEPP as of December 2024, thus setting a path for a reduction of the ECB's balance sheet size;
- G. whereas deflation can be a benign consequence of technological progress;
- 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;

Governance

1. Recalls that Article 127 TFEU states that 'the primary objective of the European System of Central Banks (ESCB) shall be to maintain price stability. Without prejudice to the objective of price stability, the ESCB shall support the general economic policies in the Union with a view to contributing to the achievement of the objectives of the Union as laid down in Article 3 of the Treaty on European Union. The ESCB shall act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources, and in compliance with the principles set out in Article 119';
2. Underlines that the statutory independence of the ECB, as laid down in the Treaties, is a prerequisite for it to fulfil its mandate of maintaining price stability;
3. Highlights that the ECB is accountable to Parliament; stresses that the ECB must take decisions to fulfil its mandate without political interference; notes that central banks should be independent but not isolated;
4. Notes the importance of transparency for accountability and that strong institutional design and accountability mechanisms are necessary; welcomes in this regard the

³ Cochrane, J.H. et al., 'Crisis Cycle: Challenges, Evolution, and Future of the Euro', Princeton University Press, 2025.

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;

5. Invites the ECB to make efforts to enhance instruments that improve transparency, such as benchmarks, insights in its model-based assumptions and the Governing Council's assessments of inflation developments;
6. Welcomes the independence of the ECB as enshrined in Article 130 TFEU; emphasises that independence requires the ECB's actions to remain apolitical;

Monetary policy

7. Highlights the ECB's primary objective of maintaining price stability, which is one of the necessary conditions for growth, competitiveness and economic stability in the Union;
8. Expresses concern at the high levels of inflation in the years following the COVID-19 pandemic, instigated by supply shocks; notes that a timely return to price stability in this period would have been warranted through ECB decisions; invites the ECB to thoroughly assess the causes of these high levels of inflation in its annual report, along with a set of policy recommendations to draw the right conclusions from any future inflationary crises;
9. Welcomes the decline in inflation from the rates of 2022-2023 as well as the recent inflation stabilisation; notes that the ECB has cut the deposit rate by 200 basis points between June 2024 and June 2025; acknowledges the continued risk of a resurgence in inflation; underlines that further steps towards easing monetary policy should be prudent, data-driven and guided by price stability;
10. Emphasises in particular the potentially distortive impact of geopolitical uncertainty, energy security risks and trade disruptions on price developments;
11. Invites the ECB to assess the appropriateness of its symmetric target, also taking qualitative factors into account; notes the 2025 monetary policy strategy assessment and encourages the ECB to periodically conduct such assessments;
12. Stresses that the ECB's purchase programmes are unconventional monetary policy tools that have side effects; notes in particular that asset purchase programmes can distort price signals; notes that the ECB started shrinking its balance sheet only very gradually; supports the ECB in further diminishing its direct role in purchasing securities; encourages the ECB to gradually phase out its government bond purchasing programmes; regrets the impact of the fiscal position on the ECB's fulfilment of its primary mandate;
13. Regrets that the ECB's short-term lending schemes have largely displaced the private interbank funding market since the financial crisis of 2008; calls on the ECB to avoid paying banks deposit rates that are above market rates, as this runs counter to the principle of an open market economy with free competition, and to remove any obstacle hindering the recovery of short-term unsecured interbank markets;

14. Emphasises the importance of ensuring high standards on quality requirements for collateral in lending arrangements with the ECB; recognises that collateral standards can be used as a tool for monetary policy transmission;
15. Supports the ECB in its efforts to include owner-occupied housing in its monitoring of price indices for reasons of both representativeness and comparability across countries in the euro area, contingent on a harmonised and methodologically robust approach;

Secondary objective: supporting the general economic policies in the Union

16. Notes that the ECB, pursuant to Article 127(1) TFEU, must support the general economic policies of the Union with a view to contributing to the achievement of the objectives of the Union as laid down in Article 3 TEU, as long as its commitment to price stability remains unaffected;
17. Recalls that the Eurosystem has been built on the principle of monetary dominance;
18. Highlights, in the context of the Economic and Monetary Union and the EU economic governance framework, the importance of sound and sustainable public finances in withstanding a high-interest rate environment, in complementing the ECB's efforts to keep inflation low, in maintaining a stable economy and in remaining resilient to future economic and financial shocks;
19. Takes note of diverging TARGET2 balances stemming from cross-border transactions; notes the potential risks of TARGET2 balances becoming structural and suggests that non-monetary policy adjustments should be considered;
20. Underlines that the ECB should consider the potential effects of climate change from a price stability perspective and from within its mandate;
21. 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 market neutrality in several instances; highlights that such decisions must not be made at the expense of achieving the ECB's mandate;
22. Notes that the ECB's monetary policies aimed at delivering its primary mandate are subject to a proportionality assessment;

Other aspects

23. Takes note of the ongoing discussions on the digital euro;
24. Welcomes the ongoing short-term (Pontes) and long-term (Appia) tracks for distributed ledger technology projects for wholesale central bank money settlement;
25. Stresses the importance of maintaining the role of cash; takes note of the ongoing discussions on the proposal on the legal tender;
26. Calls on the ECB to intensify the monitoring of crypto-assets, such as stablecoins;

27. Supports the ECB in its efforts to accommodate the international role of the euro through, inter alia, sufficient currency swap and repo lines;
 28. Welcomes the Republic of Bulgaria as the 21st member of the euro area, as of 1 January 2026;
 29. Expresses concern about the temporary outage of the ECB's real-time gross settlement system T2 and T2S in February 2025; invites the ECB to closely monitor and ensure the proper functioning of the settlement systems;
 30. Expresses its concern at the consecutive losses made by the ECB in 2023 and 2024 due to interest rate risk; notes that these losses have not compromised the operational capacity of the Eurosystem to implement its monetary policy;
 31. Supports the ECB's role in promoting financial stability within the single supervisory mechanism and the ECB's function as lender of last resort to solvent institutions, against good collateral and at penalty rates, to safeguard liquidity and trust during crises;
 32. Supports the ECB in its efforts to improve financial literacy in the EU;
 33. Welcomes the ECB's commitment to simplification efforts, such as with the creation of the ECB High-Level Task Force on Simplification; points to the need for a high degree of ambition in the work and the follow-up of the task force and welcomes the ECB's in-depth discussions with Parliament;
 34. Calls on the ECB to foster open and constructive internal dialogue; calls for the further enhancement of staff representation frameworks and the ECB's internal whistleblowing framework;
 35. Reiterates that the nominations to the ECB's Executive Board should be gender-balanced, merit and ability-based, with shortlists submitted to Parliament, and that people of all genders should have equal opportunities to serve as governors of their respective national central banks;
 36. 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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37. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

In uncertain times, it is appropriate to go back to basics on the goal of monetary policy. The central bank needs to make sure that in good times the amount of money and credit grows at a rate sufficient to maintain broad stability of the value of money and in bad times the amount of money grows at a rate sufficient to provide the liquidity for unpredictable swings in demand. In 1998, the ECB was set up to conduct monetary policy in the EU with the primary objective of maintaining price stability and a secondary and subordinate objective of supporting the general economic policies in the EU.

In certain parts of the world, the political independence of the central bank has come under scrutiny. Therefore, the report starts off with a section on governance and the clear recognition that the ECB has and retains statutory independence. The ECB's political independence is crucial for stable monetary policy. Otherwise, the incentive would be great to use the money printing press to get out of the conundrum of tight fiscal positions and challenges such as defence spending, a recipe for instability. The ECB is, however, accountable to the European Parliament. The Parliament holds continuous discussions, as the EU institution responsible, with the representatives of the ECB. These arrangements should be enhanced where useful. Furthermore, accountability has no heft without transparency. Monetary policy is too often likened to alchemy with model-based assumptions and programs that merely take care of effective transmission of monetary policy. The report invites the ECB to look into ways that could enhance transparency in its policymaking.

The primary objective of the ECB, and the subject of the next section of the report, is price stability. The price stability mandate was quickly interpreted as an inflation stability mandate, whereas stability of the price level could be a more natural interpretation. Inflation stability was linked with a reference value of 'below 2%'. In 2003, this objective was altered towards an inflation rate 'below, but close to' 2% and rephrased into a symmetric target around 2% in 2021. This evolution towards a symmetric target is quite fundamental. Even if prices stayed stable, monetary authorities would still aim for slight inflation, once seen as "below 2%." Between 2014–2019, the economy grew steadily and inflation stayed low. Rather than easing interventions and raising rates, the ECB let its balance sheet more than double.

Another risk lies in putting too much weight onto a precise numerical target. The language of anchored and deanchored inflation expectations may prove more useful, such that price stability is looked at qualitatively as a state in which expected changes in the general price level do not significantly alter business or household decisions. The years after the Covid Pandemic led to a surge in inflation and the ECB's response was too slow. Its forward guidance schemes said that the interest rate should remain low.

The underlying concern behind the shift in the target is the risk of deflation. A 2% target allows for a margin before deflationary numbers are reached. Yet, protracted deflationary periods have been rare in developed economies and deflation can also arise as a benign consequence of technological progress. In this context, preventing deflationary spirals would benefit most from a strong lender of last resort to solvent institutions, against good collateral and at penalty rates, rather than from a target that deliberately leaves room for manoeuvre. Encouraging inflation, on the other hand, can increase risk-taking and contribute to the formation of bubbles, which may ultimately bring about the very deflation such policies aim to avoid.

The political independence of the ECB is linked to the popular consensus about price stability. In other cases, such as fiscal policy and how to tackle climate change, a political and democratic debate is essential. The report discusses secondary objectives next. Since the sovereign debt crisis in the EU of the early 2010s, the ECB has gradually become more involved in sovereign debt markets. The ECB's capacities to purchase sovereign bonds have been widening over the different purchasing programmes. Nowadays, the ECB gains a reputation as a fiscal backstop. However, its large role in the sovereign debt market may turn up as an important consideration in the ECB's policy responses and complicate its role to preserve price stability. The ECB has also ventured into green central banking, as climate change and nature variation are deemed a threat to price stability. Even though this could be the case in the longer term, numerous other factors can thus be found to affect price stability. A war would evidently have an impact on prices, but that does not mean the ECB should have defence capabilities.

The report ends with several other aspects. The topic of the digital euro is mentioned, as it is currently under discussion among the co-legislators. Moreover, it is recognized that the international role of the euro can be accommodated by the ECB, but the euro's prominence will ultimately depend on fundamentals, such as the strength of the euro economy and the rule of law. The ECB also has an important role to play in the Single Supervisory mechanism.

To conclude, a return to the basic principles of conducting monetary policy is due. Monetary policy can foremost prevent money itself from being another major source of economic disturbance.

ANNEX: DECLARATION OF INPUT

The rapporteur declares under his exclusive responsibility that he did not include in his report input from interest representatives falling within the scope of the Interinstitutional Agreement on a mandatory transparency register¹, or from representatives of public authorities of third countries, including their diplomatic missions and embassies, to be listed in this Annex pursuant to Article 8 of Annex I to the Rules of Procedure.

¹ Interinstitutional Agreement of 20 May 2021 between the European Parliament, the Council of the European Union and the European Commission on a mandatory transparency register (OJ L 207, 11.6.2021, p. 1, ELI: http://data.europa.eu/eli/agree_interinstit/2021/611/oj).

INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

| | |
|-----------------------------|--------------------------|
| Date adopted | 15.1.2026 |
| Result of final vote | + : 35 - : 6 0 : 5 |

**FINAL VOTE BY ROLL CALL
BY THE COMMITTEE RESPONSIBLE**

| 35 | + |
|-----------|--|
| ECR | Crosetto Giovanni, Nesci Denis, Peltier Guillaume |
| NI | Kartheiser Fernand |
| PPE | Beleris Fredis, Benjumea Benjumea Isabel, Berger Stefan, Falcone Marco, Ferber Markus, Gotink Dirk, Hadjipantela Michalis, Kollár Kinga, Muresan Siegfried, Navarrete Rojas Fernando, Niedermayer Ludek, Saudargas Paulius, Seekatz Ralf |
| Renew | Boyer Gilles, Eroglu Engin, Ódor Ludovít, Van Brug Anouk, Yon-Courtin Stéphanie |
| S&D | Fernández Jonás, Fita Claire, Heinäluoma Eero, Lalucq Aurore, Mavrides Costas, Papandreou Nikos, Repasi René, Rodrigues André, Tinagli Irene, Wolters Lara |
| Verts/ALE | Langensiepen Katrin, Peter-Hansen Kira Marie, Toussaint Marie |

| 6 | - |
|----------|--|
| ESN | Droese Siegbert Frank, Laykova Rada |
| PfE | Zijlstra Auke |
| The Left | Pedulla' Gaetano, Saramo Jussi, Tridico Pasquale |

| 5 | 0 |
|----------|--|
| PfE | Borrás Pabón Mireia, Gyori Eniko, Kubín Tomás, Nagyová Jana, Pimpie Pierre |

Key:

+ : in favour

- : against

0 : abstentions