Luis de Guindos: Presentation of the European Central Bank Annual Report 2024 to the Committee on Economic and Monetary Affairs of the European Parliament

Introductory remarks by Mr Luis de Guindos, Vice-President of the European Central Bank, to the Committee on Economic and Monetary Affairs of the European Parliament, Brussels, 28 April 2025.

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Introduction

It is a pleasure to present the ECB's Annual Report for 2024 to this esteemed Committee. Concurrently, we are also publishing our response to the European Parliament's resolution on our previous Annual Report. These elements – our Annual Report, today's discussion and our response to your resolution – are central to the ECB's accountability to the European Parliament and highlight the open dialogue between our institutions.

In my remarks today, I will discuss the economic and financial stability landscape and consider the challenges that lie ahead. I will share the ECB's assessment and underline the need to invest in measures to enhance Europe's resilience amid a volatile external environment and an uncertain outlook.

Economic developments and monetary policy

As highlighted in the Annual Report, economic activity in the euro area began to recover gradually in 2024. Incoming data suggest modest growth in the first quarter of 2025. However, risks have intensified amid exceptional uncertainty, largely related to trade. Euro area exporters are now facing new barriers, and tensions in financial markets and geopolitical uncertainty will likely weigh on business investment. In this environment, consumers may become cautious about the future and hold back spending.

In the medium term, a resilient labour market, higher real incomes and the impact of our monetary policy easing should support spending. Moreover, recent policy initiatives focused on defence spending and infrastructure investment at both national and EU levels are expected to positively affect activity and strengthen long-term growth.

Turning to inflation, headline figures fell further towards the ECB's 2% target in 2024, supported by our then restrictive monetary policy. Looking ahead, inflation is expected to hover around our target. However, global trade disruptions are adding uncertainty to the inflation outlook. Declining energy prices, further wage moderation and a stronger euro could dampen inflation, potentially amplified by weaker demand for euro area exports and a re-routing of other countries' exports into the euro area. Conversely, a fragmentation of global supply chains could raise import prices and hence inflation.

Following a period of holding interest rates steady in early 2024, the ECB started reducing its key interest rates in June. So far, we have lowered the rate on the deposit facility by 175 basis points to 2.25%, in view of the disinflation process being well on track. We are determined to ensure that inflation stabilises sustainably at our 2% medium-term target. Especially given current uncertainty, we will continue to follow a data-dependent and meeting-by-meeting approach to setting the appropriate monetary policy stance, and we are not pre-committing to a particular rate path.

Maintaining financial stability

Let me also say a few words on financial stability in the light of recent developments.

The recent trade policy upheaval has triggered the most significant financial market turmoil since the pandemic. While euro area banks' valuations have also been affected, their fundamentals remain robust and they are well positioned to withstand potential shocks thanks to their sizeable capital and liquidity buffers.

But despite the resilience of our financial sector, these developments warrant careful monitoring. Sharp adjustments in financial markets could become disorderly, particularly if they are amplified by the growing size and influence of non-bank financial institutions. In addition, trade conflicts could pose challenges for both households and corporates, translating into rising credit risk for banks and non-banks alike. Finally, a combination of weaker growth and heightened spending needs could increase pressures on government finances.

To ensure our banking system remains resilient in this environment, we need a regulatory framework that is fit for purpose. Decisive action is required to move us closer to completing the banking union. This includes an effective crisis management and deposit insurance framework that extends to small and medium-sized banks, and progress on a European deposit insurance scheme. The recent financial market turmoil also highlights that non-banks must be subject to robust rules, and that gaps in the regulatory framework need to be closed so they are not treated differently to regular banks.

The ECB supports efforts to simplify the regulatory framework. However, this should not be confused with deregulation. The resilience of our financial system can largely be attributed to the rules established since the global financial crisis. Financial stability is a global public good – it is in everybody's interest and must remain the long-term goal.

Europe's future policy priorities

A strong and resilient financial sector will also play a crucial role – alongside the public sector – in financing Europe's key policy priorities as we confront a series of generational challenges.

The defence investments foreseen in the EU will have an impact on national public finances. By spending jointly through EU-level initiatives, we can achieve greater scale, reduce costs and strengthen our strategic autonomy – all while supporting long-term growth and fiscal sustainability.

In addition to the pressing security challenges, investing in the green transition and digital innovation remains vital to boosting Europe's competitiveness and closing the productivity gap with our global peers.

Finally, the evolving global landscape underscores the need to strengthen trade within the EU's Single Market, as emphasised by the European Commission.[1] A more integrated and deeper Single Market is essential if we are to achieve the scale required for European firms to thrive and expand, thereby enhancing our resilience against external shocks. We also need to ensure that innovative firms can access the financing they need in order to grow. In this context, completing the savings and investment union is both urgent and essential.

Conclusion

Faced with a complex and uncertain landscape, the ECB remains firmly committed to its primary mandate of maintaining price stability. This is the most important contribution we can make towards fostering a strong and prosperous Europe.

I know that both our institutions are united by our commitment to serve the people of Europe, within our respective mandates. Our dialogue today is testament to this.

I now look forward to your questions.

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[1] For example, see European Commission (2024), *The 2024 Annual Single Market and Competitiveness Report*, 14 February.