Beat: Politics

European Parliament raised concern over the disparate inflation rates

Inflation may continue rising

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USPA NEWS - MEPs raised concern over the high and disparate inflation rates across the EU but encouraged the European Central Bank (ECB) to refrain from rushed interest rate hikes or cutting asset purchases.

Adopting a resolution on Wednesday to close Monday's debate on the activities of the ECB with its President Christine Lagarde, MEPs underlined the ECB's own opinion "that a premature withdrawal of fiscal support would risk weakening the recovery." They therefore call for monetary policy to remain focussed on steering the economy safely out of the pandemic emergency. MEPs however also express some concern about rising inflation rates which, they say, is itself "one of the biggest downside risks for the recovery" and which presents a compounded problem with inflation rates ranging from 3.3 % to 12.2 % in the different Member States. MEPs also point out that this inflation may continue rising in the medium-term.

The resolution also calls on the ECB to integrate the tackling of climate change better into all its policies, decisions and operations, MEPs also note with concern that some ECB refinancing and asset purchase programmes have been indirectly supporting carbon-intensive activities. MEPs also express their concern regarding the unfair clauses and practices used by the banking sector in consumer contracts in certain Member States, and ask the ECB to contribute in any way it can to ensure fair competition. The resolution was adopted by 569 votes in favour, 84 against and 38 abstentions.

During the debate the rapporteur Dimitrios Papadimoulis (The Left, EL) said that it was "important to avoid ideological decisions in this critical time. We need to be pragmatic. It is essential that finance policy chimes with monetary policy to avoid stifling new shoots."

ECB President Christine Lagarde said, "risks to the inflation outlook are tilted to the upside, particularly in the near term. If price pressures feed through into higher than anticipated wage rises or the economy returns more quickly to full capacity, inflation could turn out to be higher." She added however that general expectations remained for a stabilisation - "Survey-based measures point to inflation returning to two per cent by 2023 and remaining close to this level thereafter". Ms Lagarde then went on to outline how ECB is making its monetary policy strategy fit for today, as well as future challenges.

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