International Monetary and Financial Committee

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IMFC Statement by Luis de Guindos
Minister of Finance, Spain

On behalf of the Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Spain, República Boliviariana de Venezuela

STATEMENT BY MR. DE GUINDOS, MINISTER OF FINANCE OF SPAIN, ON BEHALF OF COLOMBIA, COSTA RICA, EL SALVADOR, GUATEMALA, HONDURAS, MEXICO, THE BOLIVARIAN REPUBLIC OF VENEZUELA, AND SPAIN
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Global Economic Outlook

Moderate global recovery is set to continue this year and next, with uneven prospects across countries and regions. Growth in advanced economies is picking up, after important progress in correcting significant imbalances accumulated before the crisis. Emerging markets, which will still account for a significant part of global growth, have weaker growth prospects, especially in some large economies and oil exporting countries. Growth in low income and developing countries is expected to continue.

The growth rebound in advanced economies is an encouraging development, as is the expectation for regained emerging markets dynamism and further progress in European advanced economies in 2016. In some euro area countries, decisive structural reforms in as well as fiscal consolidation at the domestic level, together with enhanced governance, greater integration (banking union) and monetary policy accommodation at the European level have been decisive for improving the outlook.

Although risks to the outlook are more balanced, downside risks remain significant, including geopolitical and financial. In particular, disruptive movements in asset prices, including exchange rate, constitute an important risk in the context of market liquidity constraints, despite very accommodative monetary policies in major advanced economies. To mitigate financial risks, global financial regulatory reforms should be completed and fully implemented, and macroprudential tools and financial supervision should be strengthened.

In addition, there are still important pending legacies from the crisis. Investment in advanced economies has been weak and private and public debt is high in advanced and developing economies. Those legacies have to be addressed in a context where growth potential has decreased remarkably.

In this situation, structural reforms should be on top of the agenda, as they are crucial to improve the investment climate and productivity gains, and to strengthen job creation and medium-term growth. They should be ambitious and broad, including product, capital and labor markets and designed according to country- specific weaknesses.

Given the still high debt levels, fiscal policy should follow the consolidation path, guaranteeing sustainability of public finances. Where fiscal space is available, fiscal policy should be calibrated to support growth, and in general fiscal structure should be growth and employment friendly.

Monetary policy should be kept accommodative in those countries or economic areas where there is still a large output gap and inflation expectations are kept low. Normalization of monetary conditions should be made on an orderly and well anticipated manner.

Global imbalances

Global rebalancing is crucial for strong and sustainable growth, and needs to continue. A significant correction of current account deficits in some countries, as is the case of Spain, has already taken place, with an important share of the correction being structural in nature. In some countries, improvements in unit labor costs, structural reform efforts and reorientation of resources towards internationally tradable sectors have contributed to this structural adjustment. Although measures remain essential to improve competitiveness in deficit and debtor countries, further efforts by surplus and creditor countries are also needed, as a stronger demand in those economies is critical for rebalancing.

The Role of the Fund

We welcome the greater involvement of the Fund in identifying risks for the global economy. We also note that the Fund should not lose sight of its core mandate, which includes the provision of macroeconomic policy advice to its members in an evenhanded fashion.

Regarding its lending framework, another essential part of the Fund's core mandate, we would like to stress the importance of financial stability and the role of the Fund as a lender of last resort. The Fund needs to continue to stand ready to provide financial support to the membership, including on a precautionary basis.

In 2015, the international community will commit to a shared vision on the goals for international development through 2030 and beyond. In this context, the IMF could play an active supporting role in shaping the new framework to finance sustainable development, especially by assisting the membership in strengthening macro-financial resilience, increasing revenue mobilization, managing infrastructure gaps, and addressing challenges in the poorest, fragile and conflict-affected states.

Strengthening the IMF

Enhancing IMF governance and guaranteeing that the Fund remains adequately resourced are a priority. In view of the delays in the implementation of the 2010 Quota and Governance Reforms, interim steps to make meaningful progress are warranted. In this sense, we appreciate the report to the Board of Governors on the 2010 Reforms and the 15^{th} General Review of Quotas. We encourage the Executive Board to reach an agreement on interim steps by June 30, 2015 to reflect the spirit of the 14^{th} General Review of Quotas that aims at improving the position of underrepresented countries.