INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-Ninth Meeting
April 18–19, 2024

Statement No. 49-9

Revised

Statement by Mr. Suthiwartnarueput
Thailand

On behalf of
Brunei Darussalam, Cambodia, Republic of Fiji, Indonesia,
Lao People’s Democratic Republic, Malaysia, Nepal, Philippines, Singapore, Thailand,
Tonga, and Vietnam

IMFC Statement by Sethaput Suthiwartnarueput
Governor, Bank of Thailand

On behalf of Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao P.D.R., Malaysia, Nepal, Philippines, Singapore, Thailand, Tonga, Vietnam

Regional Economic and Financial Market Outlook

1. **Growth in Southeast Asian economies remains resilient, and the disinflation process has been faster than in other regions.** Growth continues to be driven by domestic demand, in particular strong private consumption. It is also set to improve on account of gains in exports and recovery in tourism, thanks to a better global economic outlook. Headline and core inflation moderate broadly across regional economies, making the disinflation process more or less complete. Upside risks to inflation could stem from ongoing geopolitical tensions and climate-related shocks that may affect commodity prices. For the financial market, external factors, especially shifting expectations over major economies' monetary policy paths, have led to heightened volatility in both capital flows and exchange rate.

Surveillance Policy

2. **While Fund surveillance remains critical, it should take into account country specificities.** We welcome the progress made on the operationalization of the Integrated Policy Framework (IPF), which incorporate country-specific circumstances and initial conditions into Fund surveillance. We reiterate the importance of flexibility and judgement in staff's implementation of the IPF to prevent the shortcomings of a one-size-fits-all approach. The Fund should enhance its analytical assessment to better understand policy effectiveness and complementarities in preserving macroeconomic stability in a fragmented and shock-prone global context.

3. In periods of heightened market volatility, ~~-~~Emerging Market Economies central banks have at their disposal an array of policy tools to manage excessive exchange rate volatility. **Nevertheless, we stress the need for Fund surveillance to consider policy spillovers with clear communication of potential risks and mitigation tools.**

4. **When augmenting its surveillance capabilities, the Fund needs to carefully balance data adequacy and the ensuing burden on the authorities.** Additional reporting requirements and engagements should be supported by clear work plans with tangible benefits to members. As a trusted advisor, the Fund should maintain policy traction with its members by striking a fair balance between its surveillance needs and the perceived risk and policy effectiveness of the authorities, especially considering data confidentiality and market sensitivity.

Building Resiliency through Buffers and Structural Reforms

5. **Against the backdrop of weak global growth prospect in the medium-term, the Fund should assist members in addressing structural challenges to foster sustainable and inclusive growth.** High indebtedness, climate change and digitalization are top-of-mind concerns that, if left unaddressed, could undermine our aspiration for inclusive growth.

- **The Fund policy advice should focus on helping members reduce high indebtedness, which can create pockets of vulnerability and hamper growth prospects**. On private debt, given potential threats to financial stability, we stress the need for the Fund to perform further analysis on the risks and give policy advice on best practices to foster an orderly deleveraging both for corporate and household sectors. Rebuilding fiscal buffers is paramount in enhancing country's flexibility to counter future shocks, and medium-term consolidation must be credible to sustainably improve public finance.

- **On climate change, the Fund should place more emphasis on climate adaption in addition to climate mitigation**. Fund policy advice to countries with greater physical risks or those already facing consequences of climate change should give weight to prepare for more climate resilience. Meanwhile, policy advice on transition and mitigation should sufficiently recognize local context and economic structure.

- **On digitalization, we encourage the Fund to accelerate work on Digital Money and its macro implication on the global economy and international monetary system.** With the financial sector increasingly digitalized, policy advice should focus more on the ways to improve the quality of financial access to help members maximize benefits while mitigating risks.

6. **The Fund should continue to promote trade and economic integration.** We note the Fund's assessment that the medium-term prospects for growth in global trade remains the lowest in decades partly from the increase in restrictions arising from geoeconomic fragmentation. The Fund should continue providing analyses on benefits of rule-based multilateralism and implications of trade protectionism, through its multilateral and bilateral surveillance. The Fund can help members in designing policies that would preserve the large gains from trade, minimize protectionism, while enhancing their competitiveness, structural development, and supply chain resiliency.

Fund Toolkit and Collaboration

7. **The Fund must ensure its lending toolkit meet increasing demand from members amid emerging challenges.** We are encouraged by the success of the Resilience and Sustainability Trust which has proven to be of interest to many members. The Fund should continue to fine-tune the facility to further improve its effectiveness and attractiveness. The Fund should also consider options to ensure longer-term financial sustainability for the Poverty Reduction and Growth Trust, including internal resource mobilization, and revisiting lending terms and modalities, to alleviate the burden on vulnerable members. Program design and conditionality should focus on reform policies that support growth-enhancing investment and inclusive growth. We support a comprehensive review of the Fund's income model to ensure it has the capacity to continue to meet the needs of members.

8. **We urge the Fund to continue its close collaboration with other International Financial Institutions (IFIs).** The Fund can lend its expertise to other institutions to tackle emerging issues such as resolving global indebtedness while leveraging on other IFIs' expertise to avoid duplication of work and efficient use of resources. The Fund should continue to strengthen its effort to build in-house capacity in emerging areas such as climate-related and digitalization issues focusing on how the emerging areas affecting monetary, financial, and broader macroeconomic stability.

9. **The Fund should also continue promoting capacity development for its members, particularly small developing states.** We commend the Fund for the recent review of its Capacity Development Strategy to allow more tailored support and encourage not only robust policy actions but also strong implementation capacity. We expect the Fund to provide more concrete and applicable advice to climate-susceptible countries especially small states facing capacity and resource constraints in their climate mitigation and adaptation efforts. We welcome the recently launched Global Public Finance Partnership which can encourage more effective revenue mobilization targeting growth-enhancing public investment. We look forward to the CBDC Virtual Handbook sharing experiences to encourage digitalization for financial inclusion.

Fund Resource and Governance

10. **At the center of the Global Financial Safety Net, the Fund must be adequately resourced with firm commitment to restore its status as a quota-based institution.** Thus, we look forward to the timely implementation of the quota increases under the 16th General Review of Quotas (GRQ). More importantly, the much needed and long overdue governance reform of the Fund calls for the 17th GRQ to focus on a quota realignment that better reflects the relative position of members in the global economy. This is important to cement the Fund's credibility and relevance in a changing global economic landscape.