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Statement by Mr. Hunt
United Kingdom

April 2024 Statement by Jeremy Hunt
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On behalf of the United Kingdom

Global economy

I reiterate my unequivocal condemnation of Russia's illegal, unjustified, and unprovoked invasion of Ukraine which is an egregious violation of international law. I reaffirm the United Kingdom's unwavering support for Ukraine and full solidarity with its people. I also reiterate my Prime Minister's condemnation of Iran's direct attack against Israel on Saturday night, which was a dangerous escalation; all sides must now show restraint. The conflict in Gaza and the ongoing situation in the Red Sea also continues to be at the front of our minds. We are deeply concerned over the terrible suffering and loss of civilian lives and call for urgent action to address the devastating and growing humanitarian crisis in Gaza. We join others in hoping for a swift end to the hostilities and a peaceful solution. We will always be on the side of freedom, democracy, and the rule of law.

The global economy has continued to show more resilience than expected. However, there remain concerns about the recovery of the global economy: it continues to be uneven across economies, medium-term growth forecasts are weak by historical standards, and significant downside risks remain. An end to Russia's intolerable war and the full withdrawal of Russian forces from Ukrainian territory would clear a significant risk to the global economic outlook, as well as ending suffering and loss of life.

Headline inflation figures are projected to decline toward target levels in the near-to-medium term, reflecting the effects of strong and sustained monetary policy tightening, easing supply pressures, and the unwinding of earlier energy price rises. However, we must not become complacent. While inflation has eased, core inflation remains stubbornly high across many advanced economies. Further escalation of ongoing conflicts, including a widening of conflict in the Middle East and an intensification of Russia's war on Ukraine, pose risks of further adverse supply shocks, higher commodity prices, and inflation.

We must remain committed to central bank independence, and support measures taken to get inflation sustainably back to target. In addition, we should ensure fiscal policy supports monetary policy – by continuing to control government borrowing – which will also support fiscal sustainability. It also remains critical that we continue to push for ambitious supply-side policies that support sustainable growth and productivity, and address structural issues without adding to inflationary pressures.

I underscore the criticality of robust multilateralism in preserving the health of the global economy and addressing shared challenges. Together, we must build our resilience to shared geopolitical risks in a targeted way while minimising economic fragmentation, and also prioritise working collaboratively to promote openness and support international trade, limit the cost and risks of climate change, and uphold the global rules-based system. The IMF's multilateral and bilateral surveillance is pivotal in monitoring the health of the international monetary system and better understanding cross-border spillovers associated with risks and uncertainties arising from the transformational challenges facing the global economy.

The role of the IMF

This year marks the 80th anniversary of the Bretton Woods institutions. Against this backdrop, the role of the IMF is more crucial than ever. We must ensure it is fit for purpose against a backdrop of an evolving and challenging global economy with larger and more frequent shocks, geoeconomic fragmentation and large macro-critical structural shifts. We fully support the Managing Director's Global Policy Agenda and agree that strong policy action is needed to deliver a soft-landing and secure lasting prosperity for all despite lackluster growth prospects and depleted buffers. We fully support the commitment to ensure that the Fund's governance, policies and lending toolkit remain fit for purpose.

The United Kingdom welcomes the successful conclusion of the 16th General Review of Quotas (GRQ) which reinforced the IMF's crucial role at the centre of the global financial safety net. **Timely implementation of the 50 per cent quota increase and commensurate rollback of the new arrangements to borrow (NAB) and bilateral borrowing agreements (BBAs) is critical for the reputation, credibility and legitimacy of the Fund**. We encourage all members to work expeditiously to fulfil their responsibility to implement the quota increase and to prevent any delay in restoring the primacy of quotas. The UK is working at pace to complete the necessary domestic processes needed to deliver on our share of the quota increase ahead of the deadline.

The IMF's governance must continue to evolve and reflect the reality of the global economy. To that end, the UK welcomes the progress made towards implementing the 25th chair and looks forward to welcoming the third sub–Saharan African chair to the Executive Board in November. There is a strong and overdue expectation for realignment under the 17th GRQ and we welcome early engagement to continue the Fund's governance reform.

The IMF's bilateral and multilateral surveillance will be more crucial than ever in the current shock prone environment, characterized by a number of profound trends which could transform the global economy. These include climate change, digitalisation, AI and potentially geoeconomic fragmentation. The Fund should focus heavily on assessing how these transformations might affect the levels and stability of cross-border flows in goods, services and capital, both individually and in combination. Its world-leading financial surveillance must also continue to evolve, keeping pace as the volume and complexity of non-bank financial intermediation increases rapidly and as digitalisation alters the structure of financial sectors. Combined with its recently enhanced toolkit of precautionary arrangements, such surveillance will further bolster the Fund's role in detecting and averting potential crises.

Delivering a bigger and self-sustaining Poverty Reduction and Growth Trust (PRGT) this year, in parallel to an ambitious IDA21 replenishment at the World Bank, is critical to ensure the Bretton Woods institutions can continue to deliver vital support to the world's most vulnerable. The PRGT review must ensure that the PRGT's resource envelope can meet higher demand from LICs in a more shock-prone world. Given this, more will be needed to close the gap in PRGT subsidy resources both through fundraising and other sources of funding. The UK has delivered beyond what was asked under the 2021 fundraising round, and our SDR 1.5bn loan is estimated to generate up to SDR 250m in implicit subsidy. We should ensure no options are off the table in considering the use of Fund internal resources – including gold – and we call for strong ambition in overcoming the obstacles needed to fill the PRGT financing gap as soon as possible. At the World Bank, the UK wants to see an ambitious IDA21 replenishment, and is calling on management to stretch IDA's balance sheet as far as possible alongside greater donor contributions.

We welcome the continued strong demand for funding from the Resilience and Sustainability Trust (RST) which is helping countries with limited room in their budget to address long term challenges,

including climate change, and we look forward to the upcoming interim review. The UK has contributed SDR2.5 billion to the RST to ensure the Trust can meet the strong demand, and we urge others to deliver on their commitments to ensure all eligible members that want to can access the Trust.

We need to continue to work together to urgently address global debt vulnerabilities, given the high impact that this can have on growth, stability and poverty reduction for affected countries. We welcome the IMF's continued efforts to support countries undertaking debt restructurings and to address their debt vulnerabilities. We welcome the recent progress on Common Framework cases and look forward to swift finalization of other outstanding debt restructuring cases. We continue to fully support the joint IMF, World Bank and G20 Presidency Global Sovereign Debt Roundtable as a forum to facilitate common understanding of restructuring issues among borrowing countries and official bilateral and private creditors.

We are grateful for the IMF's close working with the UK on specific targeted reforms to the wider debt architecture. This includes Climate Resilient Debt Clauses (CRDCs) to improve resilience against climate shocks. We welcome creditors that have followed the UK's lead and offer CRDCs in their new lending, and we reiterate the call for other multilateral, bilateral and private creditors to follow. Given the rise in syndicated loans, the UK also led the development of Majority Voting Provisions (MVPs) to ensure such loans can be restructured efficiently with fair burden sharing and recognize the risk of holdout behaviour. We reiterate the call for private creditors to include MVPs in their new syndicated lending. The UK stands ready to support creditors and borrowers in adopting these reforms.

The UK remains firmly committed to multilateralism and recognizes the vital importance of effective cooperation across IFIs and between the IMF and World Bank in particular. We praise Ms. Kristalina Georgieva for her wise and effective leadership through challenging economic times, and her continued efforts to maintain the dialogue between the global north and south. The UK looks forward to her second term as Managing Director.

For 80 years the IMF has promoted monetary cooperation and the stability of the international monetary system, facilitated international trade to support sustainable economy growth and employment and provided temporary support to its members to address balance of payment difficulties. The Fund's role in delivering this mandate is as important as ever and we have total confidence that the Fund will adapt to new shared global challenges to serve its members.

UK economy and policies

Amidst these challenges, the UK government is taking the actions necessary to deliver stability and responsible economic policy. Spring Budget 2024 takes further action to deliver on three of the Prime Minister's five priorities: halving inflation, growing the economy, and getting debt falling. Inflation is less than half its recent peak and the independent Office for Budget Responsibility expect t to fall to its 2% target in Q2 2024, around one year earlier than they expected at Autumn Statement 2023. The government has set clear fiscal plans to get borrowing down and the debt ratio on a declining trajectory in the medium term, meeting its fiscal rules to get underlying debt as a percentage of GDP falling in the 5th year of the forecast.

With the economy beginning to turn a corner, the government has been able to make further tax cuts responsibly, while meeting the fiscal rules to ensure sustainable public finances. The government wants a fair and simple tax system that is easy to understand and rewards hard work. It has continued to reform the UK's personal tax system so that it is simple, straightforward, fair and supports people in work.

The government are focused on a plan to boost growth in the UK. The Spring Budget set out new policy announcements designed to boost productivity across the economy and increase the number of people in good jobs. This included building on the Mansion House reforms and Autumn Statement 2023 package, which already introduced reforms to support the competitiveness of the UK's world-leading financial services sector. The government is taking further steps to channel more capital into equity markets in the UK and improve the competitiveness of the UK as a listing destination.

The government are taking bold steps to continue to provide targeted support in priority growth sectors which are contributing to its ambition to turn the UK into the world's next Silicon Valley, including through additional support for creative industries, advanced manufacturing, green industries, and life sciences. The IMF's analysis highlights the potential for AI to boost productivity growth in the UK by between 0.9 and 1.5 percent a year, thanks to its robust digital infrastructure, skilled labour force, innovative ecosystem, and regulatory framework. Equally important is the significant progress the government has made in creating the right environment for investment in decarbonization. The UK are the first major economy to halve carbon emissions since 1990. The government are committed to reducing UK emissions to net zero by 2050, but also maximising the economic opportunities the transition presents.

Finally, I look forward to welcoming IMF Staff to the UK for the upcoming Article IV mission in May, and I thank Staff for their ongoing work and dedication at the Fund.