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United Kingdom

IMF Annual Meetings 2025 United Kingdom Governor's Statement

UK economy and policies

The UK government has prioritised stability, investment and reform to support long-term growth and raise living standards. The UK economy has weathered recent global volatility comparatively well, posting the fastest growth in the G7 in the first half of this year. However, inflation remains above target, driven by transitory factors. The Bank of England has the responsibility for controlling inflation, and the government fully supports them as they take action to return inflation sustainably to 2%. The government recognises that it must do everything it can to bring down inflation and ensure decisions support stability and long-term growth.

Stability in the public finances provides the foundation to its plans to raise long-term growth. The government is set to deliver the largest primary deficit reduction in the G20 over the next five years; supported by robust fiscal rules which will balance day to day spending with revenue, allowing only borrowing for investment. Tax rises worth 1.2% of GDP have already been implemented, and the government has increased spending on health and defence within a stringent overall four-year spending envelope, while moving to modernise the state through investment in digital transformation.

The UK's long-term productivity challenge, driven by decades of under-investment, is an issue the government has been focused on from its first day in office. It has prioritised public spending towards investment, with a £120bn increase across 2025-30 against previous baselines, set within a fiscal framework that provides stability while prioritising investment. It has also created the National Wealth Fund, which is on track to catalyse £70bn in private investment. These decisions are already having an impact, supporting investment in the UK to reach its highest level on record.

As an open trading economy, trading relationships and an open, fair global trading system are important for our productivity. The UK's productivity challenge has been compounded by the way in which the UK left the European Union**.** The UK's independent economic forecaster has assessed that the 2020 deal with the EU will reduce the UK's long-term productivity by 4%, relative to remaining in the bloc. Acknowledging this, the government is acting to reduce barriers and provide greater certainty to business through closer relationships with our key trading partners. The government in June published a trade strategy, building on recent trade deals with three of the UK's most critical partners – the European Union, USA and India; these are expected to grow the economy by £10bn over the long-run.

Structural reforms are key to raising the UK's long-term growth outlook. In this regard, the government is making the ambitious changes to land use regulations needed to forge ahead with new housing, grid connections, roads, railways, reservoirs, and other nationally significant infrastructure. It is pursuing an industrial strategy that addresses key market barriers across eight growth-driving sectors; and an infrastructure strategy that is transforming how the UK plans and deliver big projects. These are 10-year strategies, aiming to give businesses certainty on the direction of policy, in order to support investment. It is also moving ahead with ambitious reductions in barriers to growth across business regulation, with an aim to reduce the costs of regulation compliance for business by 25%.

Global economy

The global economy has been resilient in the face of multiple challenges, but uncertainty remains elevated with risks tilted to the downside. While activity has remained steady and inflation has continued to come down from its post-pandemic highs, the global economy has clearly changed. Geopolitical tensions and significant new trade barriers will have profound consequences. Shifting trading arrangements, high levels of uncertainty, and an escalation in regional and global conflicts pose continued risks to growth in the near term, including pronounced effects on Emerging Market and Developing Economies (EMDEs). Rapid technological change provides upside potential but needs to be managed in a way where the benefits are shared widely.

Openness delivers significant benefits, which the UK has enjoyed over recent decades. The international economic system must be further strengthened and improved to effectively tackle the significant **and shared** challenges we face. Globalisation has delivered global growth but the gains have not been equally shared. We are concerned about the impacts of unfair trading practices and excessive global imbalances that harm domestic industries, places and people. Excessive imbalances saw their largest increase in a decade last year – a trend that is unsustainable and poses a threat to global growth and stability.

However, blanket trade restrictions are not the solution. The UK remains fundamentally committed to open and balanced trade, reflecting comparative advantage and national objectives, and ensuring resilience through diversified supply chains. We need strong and predictable rules, underpinned by clear and transparent policies, and commitment from all countries to follow them. Independent, stable, credible and well-functioning core economic institutions, both nationally and globally, are more critical than ever, guiding measured and proportionate policy advice and action from all sides.

Alongside this, we need coordinated adjustments to bring excessive imbalances in line with fundamentals. Domestic choices need to avoid negative spillovers for the global economy. For surplus countries, this means avoiding distortionary subsidies and instead stimulating domestic demand. For deficit countries, it means promoting fiscal sustainability, protecting domestic investment, and pursuing structural reforms. The UK is playing our part; our ambitious plan for fiscal consolidation, moves to increase investment, and our commitment to securing trade deals and lowering barriers to trade, will support a narrowing of the current account deficit over time. But national efforts must be accompanied by international cooperation to tackle excessive imbalances and the Fund should play a vital role.

These challenges come on top of the continuing negative economic impacts of Russia's illegal war in Ukraine. The war, alongside wider geopolitical tensions and conflicts, continues to pose risks to global inflation, commodity prices and supply chains. An end to Russia's intolerable war and the full withdrawal of Russian forces from Ukrainian territory would boost the global economic outlook by lowering energy and food prices, reducing inflation and restoring trade and investor confidence, and more importantly end suffering and loss of life. We welcome the efforts by the international community to end this war.

It is vital that we continue to act together to maintain pressure on Russia and demonstrate our unwavering unity. Our recent G7 statement demonstrates the strength and determination we have to apply pressure to the Russian economy while looking to unlock the value of Russian Sovereign

Assets to provide the vital support Ukraine needs. Today the UK is announcing a new package of economic measures. This includes designating the two remaining oil majors: Lukoil and Rosneft. We are also designating Nayara (Indian refinery) and implementing a refined oil ban. But we must go further with more ambitious measures. Now is not the time for an incremental approach, now is the time for a step change that shows Putin the strength of our resolve.

Other security threats continue to loom large in the global economy. We deplore all wars and conflicts and urge an end to them, so that attention can be directed towards reducing poverty and fostering economic growth.

The role of the IMF

The UK has always been a staunch partner of the IMF and supports its essential position at the centre of the global financial safety net (GFSN). Looking ahead, the IMF will need to help its members rise to both the challenges and opportunities facing the global economy, by becoming more alert to emerging risks; more active in preventing crises; and more agile in providing members with tailored and granular advice on how to navigate difficult policy trade-offs.

First, we need sharpened IMF surveillance. Surveillance is the first line of defence against macroeconomic and financial instability and **as memory of the last global financial crisis fades, the IMF must focus and integrate its bilateral and multilateral surveillance to better anticipate risks and transmission channels, and take a more systems-wide approach**. This requires an ambitious Comprehensive Surveillance Review, including ensuring the Fund's financial surveillance keeps pace with rapid changes in non-bank finance and financial innovation. Bilateral and multilateral surveillance should also allow for a deeper focus on the spillovers to individual economies from the large structural trends facing the global economy, such as climate shocks, the increased role of market-based finance and digital money.

Amidst growing excessive imbalances, the IMF must also improve its analysis of drivers, risks and global spillovers, including the risks of a disorderly unwind. This should also include greater focus on sectoral overcapacity to strengthen evidence, policy coherence and build international consensus. External sector surveillance should be mainstreamed across the Fund's work. The Fund should combine its macroeconomic expertise with the WTO's trade expertise, allowing both institutions to more effectively highlight the risks that excessive imbalances create for the global trading system.

Effective IMF programmes, with well-designed conditionality, are crucial to helping countries restore macroeconomic and financial stability. IMF programmes must incentivise long-term reform and strong country ownership. In a more shock-prone world, macroeconomic policies and buffers must be strengthened. Robust fundamentals remain the foundation for a pro-growth environment and the Executive Board should have clear options for restoring off-track programmes. We welcome the forthcoming Review of Program Design and Conditionality, and look forward to further discussions on how to: achieve a longer-term perspective on programme engagement; integrate surveillance and capacity development firmly into the Fund's lending mindset to ensure macro risks are detected early and authorities receive capacity development both to support programme implementation and post-programme momentum; instil programme adaptability and course-correction when unexpected shocks hit; better incorporate political economy and social conditions when designing fiscal adjustments and specific structural conditionalities; and learn relevant lessons from repeat/successive programmes to ensure the Fund helps countries tackle more persistent BoP challenges. The review should also assess the effectiveness of lending and conditionality in protecting the poorest and promoting inclusive, sustainable growth, and consider how to best support fragile and conflict-affected states with limited administrative and reform capacity.

Third, the IMF's central role in the global financial safety net should be reinforced, with greater emphasis on crisis prevention and increased use of precautionary facilities. These tools help countries manage shocks and reduce the risk of crises that strain IMF resources and cause wider spillovers. A holistic discussion is needed on the IMF's role in relation to central bank swap-lines and Regional Financing Arrangements, and we look forward to engaging further on this broader question beyond just reviewing the Short-Term Liquidity Line.

With ongoing uncertainty in the global economy, we must continue to address rising debt levels. EMDEs are particularly vulnerable and facing increasing debt servicing costs, crowding out social spending and investment and having spillover effects on the global financial system. This is why we have been pleased to support both South Africa and Canada putting debt high on the agenda in their respective G20 and G7 Presidencies. Promoting debt transparency, from all actors, is critical to strengthening the global debt architecture. That is why, we were the first country to publish our self-assessment against the G20 guidelines for sustainable financing and continue to encourage other countries to do the same. We support the IMF and World Bank's three-pillar approach to support countries with liquidity issues. For those with unsustainable debt, the G20 Common Framework remains the best instrument, and we should work to expand it to more countries who would benefit from this coordinated approach. However, the debt landscape has never been more fragmented, leading to challenges in agreeing timely debt treatments. In this context, we welcome the progress being made through the London Coalition on Sustainable Sovereign Debt, which is bringing together private sector creditors to facilitate more effective and collaborative solutions to debt challenges, particularly regarding non-bonded debt.

Support for low-income countries and fragile states remains critical. The IMF's capacity development offer is vital as LICs face heightened impacts from weak global demand, commodity price shifts, inflation, trade shocks, and restricted financial flows. We call for the full implementation of the Poverty Reduction and Growth Trust reforms to ensure its self-sustained lending capacity. Members must fulfil the necessary steps to facilitate an income transfer from the General Resource Account to the PRGT in the planned timeframe. We remain interested in exploring a targeted gold sale to support the PRGT when political conditions allow.

It is crucial that the IMF's governance continues to evolve and reflect the reality of today's global economy The UK remains firmly committed to quota and governance reforms to ensure the Fund's continued credibility, legitimacy, and representativeness in the eyes of all its shareholders. and. The UK delivered its consent to implement the equiproportional quota increase agreed under the 16th General Review of Quotas (GRQ) last May. We encourage all members to provide their outstanding consent swiftly to avoid any delay in restoring the IMF to a quota-based institution. As we were not able to reach consensus on a re-alignment under the 16th GRQ, quota share re-alignment through the 17th GRQ is even more urgent. This will ensure the IMF better reflects members' relative positions in the world economy. Furthermore, the UK believes that adequate burden-sharing, coupled with the protection of the voice and representation of the Fund's poorest members, is essential. We look forward to continuing these discussions at the IMFC and Executive Board.