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Statement by Mr. Hunt
United Kingdom

Annuals Statement by Jeremy Hunt

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On behalf of the United Kingdom

The IMF calls on a diverse membership with members from across all regions across the globe. It is therefore excellent to recognise this and hold the IMF Annual meetings in Morocco- the first set of IMF Annual Meetings to be held in Africa since 1973.

As we come together in Marrakech, I would like to express the deepest condolences and support of the UK to the people and the Government of Morocco for the tragic loss of life caused by the devastating earthquakes in September 2023 and the ongoing response to the earthquake. I would also like to express our deepest condolences to the people of Libya, for the loss of life and devastation caused by flooding in September.

We also must acknowledge the deadly attacks by Hamas against Israel. The UK will stand with Israel unequivocally against these acts of terror.

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. We will always be on the side of freedom, democracy, and the rule of law.

Global Economy

The global economy has been more resilient than expected this year, but still faces major challenges. Russia's war in Ukraine has held back the recovery from the pandemic, exacerbated inflationary pressures and continues to threaten food and energy insecurity globally. An end to Russia's intolerable war and the full withdrawal of Russian forces from Ukrainian territory would clear one of the biggest risks to the global economic outlook, as well as ending countless suffering and loss of life.

Headline inflation has declined in many economies since the spring. This reflects several factors, including lower commodity prices, easing global supply-chain pressures and the impacts of monetary tightening, with sectors more sensitive to interest rates, such as housing and consumer goods, generally seeing weaker activity.

While inflation has eased, core inflation remains stubbornly high across many advanced economies. We must remain committed to central bank independence, and support measures taken to get inflation down. In addition, we should ensure fiscal policy supports tight monetary policy stances – by continuing to control government borrowing – which will also support fiscal sustainability.

We must continue to accelerate efforts to increase food and energy security globally. We should also continue to invest in the resilience of global supply chains and do so through international cooperation and coordination. Our shared approach to economic resilience and economic security needs to be based on diversifying and deepening partnerships, not de-coupling.

The medium-term growth outlook remains relatively weak and follows the slowdown in productivity growth across a broad range of economies over the last decade. Raising sustainable growth remains a priority for raising living standards, and will support policymakers to address structural challenges, including climate change and population ageing. It therefore remains critical that we continue to push for ambitious supply-side strategies to boost labour supply and productivity growth.

UK Economy and Policies

Amidst these challenges, the UK government is taking the actions necessary to deliver stability and responsible economic policy. We now know that the UK recovered from the pandemic much faster than previously thought. In the face of higher inflation, the UK government is prioritising policies to continue this growth in a way that is non-inflationary by focusing on the supply side of the economy.

The Spring Budget included a comprehensive labour market package to boost labour supply – estimated to bring 110,000 parents, older workers, welfare claimants and long-term sick back into the workforce by 2027-2028. We also announced measures to boost business investment, including reforms to capital allowances, targeted tax reliefs and regulatory reform to support our high growth sectors. I am looking to further strengthening the environment for business investment in the autumn statement.

In July, I announced the Mansion House reforms to our pensions market to unlock capital for our most promising industries whilst increasing returns for savers; to help companies grow and list in the UK; and to reform and simplify our regulatory rulebook for financial services. Taken together these reforms will support the competitiveness of our world-leading financial services sector, and harness its power to help unlock growth in the wider UK economy and seize the opportunities of the future whilst retaining our steadfast commitment to stability.

I am also focussed on creating the right environment for key growth industries to thrive, including life sciences, digital technology, creative industries, advanced manufacturing, and the green industries which are essential for our transition to net zero. We have a world leading track record of delivery on decarbonisation, having reduced emissions by 48% between 1990 and 2021, faster than any G7 country. We are committed to reducing our emissions to net zero by 2050, but also maximising the economic opportunities the transition presents.

We are also committed to fiscal discipline. Fiscal policy is underpinned by our legislated fiscal rules, which require underlying debt as a proportion of GDP to be falling and Public Sector Net Borrowing to be below 3% of GDP, both in the fifth year of the rolling forecast.

We have publicly committed to ensuring fiscal policy supports the Bank of England's monetary policy to bring inflation down by making responsible decisions on the public finances, to help return inflation to target. We have set out a clear plan to ensure debt falls as a proportion of GDP, providing the foundations for sustainable growth, and ensuring decisions to repair the public finances are balanced across both revenues and expenditures. This has involved making difficult choices, including launching an Efficiency and Savings Review to reprioritise departmental spending and identify efficiencies.

Our fiscal policy decisions set the UK on an appropriate and balanced path, in line with OECD and IMF guidance. The cyclically adjusted primary deficit shows that fiscal policy is gradually withdrawing stimulus at a pace that is well-matched to the strength of the economy over the medium term.

We will continue to build on this approach in the Autumn Statement – to be held on 22 November 2023.

The Role of the IMF

We fully support the Managing Director's Global Policy Agenda. Safeguarding economic and financial stability, supporting vulnerable countries, and sustaining the path to future prosperity are priorities that resonate deeply with the objectives of the UK. The Fund and its members must work together diligently and cooperatively to achieve concrete results.

A successful conclusion to the 16th General Review of Quotas by December 2023 is critical for the IMF's strength and legitimacy. The Fund must retain its role as a strong, quota-based and adequately resourced institution at the centre of the global financial safety net. We are committed to continued governance reform, through ad hoc quota increases and re-alignment in quota shares to better reflect members' relative positions in the global economy. However, we strongly believe agreeing a quota increase of 50% by the 16th GRQ deadline is critical for the IMF's capacity and ability to support members who are dealing with crises. Therefore, we urge the IMF and its members to work collaboratively and at pace to secure, in the time available, an equiproportional quota increase for a strong, well-resourced IMF to address current and future challenges, which must be accompanied by strong forward-guidance on the approach and timetable for the 17th General Review of Quotas. Once agreement has been reached, we urge the membership work expeditiously to ensure that agreement is made effective as soon as possible, and ahead of the expiry of Bilateral Borrowing Arrangements.

The Poverty Reduction and Growth Trust (PRGT) must also continue to deliver vital support to the Fund's poorest members. Strong demand for PRGT financing and higher interest rates have further increased the resources required to meet members' needs. We now need to go further and faster in delivering contributions to the PRGT. The UK 's SDR 1.5bn loan to the PRGT is expected to generate at least SDR 250m in implicit subsidy resources according to IMF staff, which will help shore up upcoming and future lending to LICs. We have gone beyond our fair share in meeting PRGT subsidy requirements and I hope the remaining SDR0.9bn subsidy funding gap will be filled at these Annual Meetings. This will be a significant achievement and we expect that once substantial progress towards this fundraising target is made, the Fund can move forward to increase PRGT access in line with the GRA.

Notwithstanding this initial progress on fundraising, it is clear now that more resource is needed to shore up the long-term sustainability of the PRGT. The IMF must expedite consideration of using internal resources to support the PRGT's critical subsidy needs. We look forward to an earlier comprehensive review of PRGT facilities and financing that explores the full range of internal resource funding options. This should include a distribution of General Resource Account (GRA) reserves or net income as well as utilising the gold on the Fund's balance sheet. We welcome concrete progress on this before the Spring Meetings.

The Fund needs to be proactive and vigilant in support of its membership, with a strong and flexible lending toolkit. To that end, we welcome the 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. The UK has contributed SDR2.5 billion and we encourage others to deliver their contributions to ensure all eligible members that want to can access the Trust. Furthermore, the Fund must continue to evolve and reflect the IMF's diverse membership, therefore the UK adds its support to the addition of a third chair to represent Sub-Saharan Africa.

Yet support for the Fund's most vulnerable members goes beyond financing. Effective surveillance and well-crafted capacity development remain bedrocks of the IMF's purpose and offer to its members. Good surveillance from the IMF is an important public good – and the IMF's analysis can help inform policy thinking, including on complex emerging topics such as geoeconomic fragmentation. An effective IMF should also be promoting crisis prevention as well as engaging in efficient crisis resolution. As part of this, we support new refinements to the IMF's precautionary facilities, which – used well – incentivize and cement strong policies and institutional frameworks, enhance market confidence and help contain spillovers.

We also need to work together to urgently address global debt vulnerabilities; this means accelerating the implementation of the Common Framework and making swift progress on non-Common Framework cases. I continue to fully support the joint IMF, World Bank and G20 Presidency Global Sovereign Debt Roundtable; it is essential we have a forum to facilitate a common understanding of restructuring issues among borrowing countries and official bilateral and private creditors. The UK has also led reforms to the wider debt architecture, and I thank the Fund for their support on these. This includes Climate Resilient Debt Clauses (CRDCs) to improve resilience against climate shocks. I welcome creditors who have already followed the UK's lead and offer CRDCs in their new lending, and I reiterate the call for other multilateral, bilateral and private creditors to follow. The UK also led the development of Majority Voting Provisions (MVPs) to ensure that syndicated loans can be restructured efficiently with fair burden sharing and minimise the risk of holdout behaviour. Given the recent rise in this type of lending, I 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.

We remain strongly supportive of the Fund's efforts to strengthen its frameworks on good governance, and on Fragile and Conflicted-Afflicted States. These initiatives will allow the organization to ensure its policy advice, lending parameters, and capacity development are targeted at the most catalytic and deliverable reforms, especially in low-income and fragile states. The upcoming conclusion of the Review of IMF Capacity Development should lead to improved monitoring and evaluation, and more clarity on the right delivery models to adapt to increasingly hybrid ways of working.

We commend the IMF's dedicated support to Ukraine and the UK remains committed to doing what is necessary to support Ukraine and the IMF in the implementation of Ukraine's programme. With our international partners we will continue our efforts to support and contribute to Ukraine's repair, recovery, and reconstruction.

The UK remains firmly committed to multilateralism and recognises the vital significance of economic cooperation across IFIs. IFIs must be strong, resilient, and appropriately resourced to serve their members. The IMF, with its unique role at the heart of the global financial safety net, is critical in this regard.