



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Fifty-First Meeting April 24–25, 2025

Statement No. 51-19

**Statement by Mr. Amador Zamora
Mexico**

On behalf of
Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, and Spain

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The global economy is facing significant challenges as economic uncertainty has markedly increased and economic sentiment has deteriorated. The imposition of tariffs has raised uncertainty, delaying investment decisions and lowering consumption expectations. As a result, growth prospects for 2025 and 2026 have decreased since January. At the same time, while the disinflation process is expected to continue, it may proceed at a slower pace. Compared to the end of 2024, financial conditions have tightened significantly.

The policy space available for most economies has diminished in comparison to pre-pandemic levels. After the supportive measures introduced to mitigate the effects of the pandemic and the negative economic consequences of the war in Ukraine, it was expected that fiscal policy would shift toward consolidation to put public debt on a sustainable path. With lower growth projections, high debt levels, and inflation still above several central banks' targets, policy space is more limited to face ongoing and future shocks.

The outlook is surrounded by episodes of high policy uncertainty and bouts of financial volatility, and it will take more time until we reach a new policy equilibrium. The fact that the World Economic Outlook presents a range of possible outcomes for the world economy instead of the traditional "baseline scenario" is a testament to the difficulty in assessing the effects of the current environment on global economic activity. This calls for policymakers to remain attentive and make all efforts to provide more stable monetary and financial systems, and promote open, transparent, rules-based and fair international trade. Supporting an operational multilateral order will be crucial in the efforts to revert, or at least mitigate, the adverse effects on growth and economic welfare for our citizens. Countries will need to exercise judgment in calibrating policies to preserve macroeconomic and financial stability while protecting the well-being of their population, especially the most vulnerable.

The role of the International Monetary Fund (IMF) in the current juncture will be critical. The Fund has a major responsibility to its members to provide sound and evidence-based economic and financial analysis. To provide sensible and appropriate recommendations to all its member countries, the Fund needs, as the basis for other functions, to generate a clear and unbiased diagnosis of the factors determining the global economy's health. We expect the Fund to remain a valuable and trusted advisor. This requires speaking truth to power when needed and providing evenhanded advice and financial support to all its members. Strengthening the role of capacity development will be critical for countries to navigate in more turbulent waters.

In this context, we welcome the medium-term direction for the Fund as outlined in the Managing Director's Global Policy Agenda (GPA).

The IMF has evolved over 80 years of existence, adapting to the changing landscape of the international trade, monetary, and financial systems. Innovations on several fronts, including but not limited to rapid technological change, demographic changes, the emergence of new economic sectors, more frequent climate-related shocks and shifting population needs, have all required new tools and approaches for their analysis and assessment of their impacts on the economy.

The Fund has managed to adapt and evolve to a more shock-prone world, while maintaining the highest standards of economic policy analysis and assessments, including through bilateral, regional and multilateral surveillance. It has expanded its lending toolkit to better serve the membership needs and has continued engaging in providing capacity development, especially in emerging markets and developing economies. In its quest to keep this institution agile and focused, the GPA provides some high-level direction for the medium term.

With respect to the Fund's surveillance going forward, it will be important to leverage on staff's expertise, knowledge base, and bilateral engagement with the authorities, to provide a comprehensive assessment of economies, including the analysis of spillovers and spillbacks between advanced economies (AEs) and emerging market and developing economies (EMDEs). The near-universal membership of the Fund facilitates the gathering of a wide range of experiences and the identification of best practices in the core areas of macroeconomic policy (fiscal, monetary and financial). In this sense, we look forward to the Comprehensive Surveillance Review (CSR) that will develop surveillance priorities and modalities for the next five years.

Regarding fiscal policy, while recognizing the importance of fiscal adjustments in a wide range of countries, policy advice should incorporate country-specific characteristics and needs. Tailored advice should also aim to achieve a careful balance between rebuilding policy space while preserving progressive and efficient public spending. In particular, it will be useful if the Fund helps its members to assess the distributional impact of different economic policies and assists them in designing a social safety net that is wide, resilient and sustainable in the medium and long-term. By acknowledging the importance of protecting the poorest and most vulnerable segments of our population, necessary structural reforms would have broader social support and would be more likely to succeed.

The IMF has been an important forum for the discussion of the evolving challenges for monetary and financial policy. The Fund's ability to identify sources of risks for inflation and financial stability, to design coherent policy responses, along with stressing the importance of central bank independence, has been complemented by continued calls for improving monetary policy communications. We look forward to stronger interactions between staff at the Fund and members' central banks. The synergies created by this cooperative approach may result in refined analysis and improvements in monetary and financial policy toolkits.

While the Fund has well-recognized strengths in core macroeconomic policy surveillance, it has also played an important role in integrating the risks to economic activity derived from climate change. Given the rising occurrence and costs of natural disasters, it is important to continue advocating for actions to facilitate the climate transition, including through exploring ways to finance the necessary investments, particularly in EMDEs, to mitigate the effects of climate events and build resilience. Action at the global level is required and by promoting international cooperation and dialogue, the Fund can play a vital role.

Demographic shifts are another challenge that will gain importance in the very near future. The implications for economic growth and social welfare are evident, while the solutions are not. A comprehensive view should include the analysis of migration patterns and policies, labor market reforms, including by continuing to advocate for increased female labor participation and equality in the labor market, and the design of more robust and sustainable pension systems.

The 2025 External Sector Report will provide an opportunity to present a coherent and comprehensive picture of global imbalances, the policies that would better serve to address them, and the analysis of spillover effects of trade and industrial policies in major economies on the rest of the world.

The IMF plays a crucial role in the Global Financial Safety Net (GFSN). As the global lender of last resort, the Fund must remain well resourced, but it also needs to continue improving its governance structure. The 16th General Review of Quotas was a significant step towards the former, and we look forward to future steps to achieve consensus on the latter.

With respect to the work to strengthen its role in crisis resolution, we welcome the various reviews that will take place in the short and medium-term. We look forward to the Fund's Review of Program Design and Conditionality, the Review of the Exceptional Access Policies and the Review of the Resilience and Sustainability Trust. Equally important will be the assessment of the strength of the GFSN and the adequacy of the Fund's lending toolkit, including the Review of the Short-Term Liquidity Line. The support the Fund has provided to the member countries of this constituency through its precautionary facilities has been extremely valuable, and these instruments should remain an integral part of the Fund's lending toolkit.

The third key function of the Fund in its service to the membership is the provision of capacity development (CD). Strengthening the capacity of institutions—including central banks, finance ministries, revenue administrations, statistical agencies, and financial sector supervisory agencies—results in more effective policies and greater economic stability and inclusion. The IMF, along with its partners, works with member countries to modernize their economic policies and strengthen such institutions by providing demand-driven tailored technical assistance and training focused on issues that are critical to economic stability and growth. In particular, the integration of CD with surveillance and lending activities is fundamental for achieving the goals of the Fund as outlined in its Articles of Agreement. Continuously improving the technical capacity of its members is a pre-requisite to implementing policy advice and to achieving the goals of lending programs. Therefore, we welcome the Fund's efforts to develop a stabilization mechanism to mitigate funding risks for CD. Furthermore, we call on the IMF to revisit the funding model for capacity development to allow for a larger share of internal resources to finance capacity development provision.

Finally, with the 4th International Conference on Financing for Development (Ffd4) in Seville on the horizon, we look forward to a positive outcome. In the face of a challenging context for development, the IMF's support will be indispensable.