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United Kingdom

Springs 2025 Governor's Statement

Global economy

The global economy is facing a significant downgrade in growth amid high uncertainty. While the global economy has demonstrated resilience in the face of many shocks and structural changes over the past several years, significant new barriers to trade and increased financial market volatility suggests we are entering a fundamentally new juncture, with profound economic consequences. Recent tariff announcements and shifting trading arrangements, alongside historically high levels of trade and market uncertainty, pose real risks to growth in the immediate term, including pronounced effects on Emerging Market and Developing Economies (EMDEs). Price pressures are also re-emerging, threatening recent progress in bringing inflation back towards target across key economies.

As an open trading economy, global risks have a big impact on UK macroeconomic and financial stability. While globalisation has delivered global growth and huge benefits, we recognise that 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. 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 in our integrated supply chains. We need strong rules of the game, underpinned by clear and transparent policies, and commitment from all countries to follow them. Stable, credible and well-functioning economic institutions, both nationally and globally, are more critical than ever, guiding measured and proportionate action from all sides.

Immediate 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.

Amidst this challenging backdrop, it is now more important than ever that the global community works together to demonstrate stability and resilience in the face of change. The global economy and financial system are intrinsically connected - we need a fair system and level playing field that supports national economies to become more resilient, bolstered by practical cooperation. The Bretton Woods institutions, in their 80th year, need to rise to meet the moment.

UK economy and policies

Since the IMF Annual Meetings last October, the world has changed. New trade barriers and significant uncertainty around global trade and economic policy are weighing heavily on the growth outlook in the UK and across our major trade partners. While the UK economy has remained resilient and inflation is close to target, policy continues to focus on sustainably increasing growth.

Against a backdrop of rising uncertainty and turbulence, protecting national security is essential. That is why, as a leading European power, the UK has stepped up to safeguard continental security on an enduring basis by increasing defence investment to 2.5% of GDP by 2027, a £13.4 billion increase in cash terms from what we spend today. We have also set an ambition to reach 3% in the next parliament, as economic and fiscal conditions allow. This substantial boost to defence spending, the biggest sustained increase since the Cold War, will fund the capabilities, technology and industrial capacity vital to keep the UK and allies safe amid an era of renewed state conflict.

The choices the government has made to fix the foundations of the economy have provided the stability needed to navigate this change in the global economic outlook and put the UK on the path to sustained long-term growth. A revised fiscal framework embeds fiscal stability alongside sustainable investment. Tough choices on tax and spending have been made, putting the government on track to deliver a current budget surplus by 2027/28. These decisions have reset public spending and put the public finances on a firmer footing – protecting working people, embedding stability, and allowing sustainable investment in public services and growth.

On this platform of stability, the UK is pushing ahead with ambitious domestic structural reforms to boost trend growth and improve our economic outlook in the long term. Over £100bn of additional public investment will be deployed to catalyse private investment and improve infrastructure over the coming five years, part of wider efforts to improve the UK's investment performance. Wide-ranging reforms to a planning system which has held back growth will channel people and capital towards more productive outcomes. The UK recognises that further trade integration is critical for the growth of the UK and other economies and is pursuing ambitious new bilateral relationships in line with this. These policies are in addition to strategic industrial priorities, reflecting our comparative advantage and objectives, and ensuring resilience in our supply chains.

The IMF's messages in the Spring 2025 World Economic Outlook (WEO) and Fiscal Monitor have highlighted the importance of the government's efforts to boost trend growth. The UK's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is noted as an example of pragmatic cooperation and deeper economic integration, while the increasingly acute global economic and fiscal challenges highlighted in both flagships underscore the value of the government's ambitious structural reforms and iron-clad commitment to robust fiscal rules.

The role of the IMF

The UK has been an ever-present partner of the IMF and its position at the centre of the global financial safety net (GFSN). Looking ahead, the IMF will need to evolve with the challenges and opportunities facing the global economy, forming a crucial part of a bold international response that measures up to the scale of the emergency facing the global economy. In the interdependent world we live in, we need the international community to work together to coordinate economic policies across the world to safeguard jobs and living standards.

To do this, we need to protect and bolster the IMF's role at the centre of the GFSN. The IMF needs to help prevent crises as effectively as it responds to them.

First, we need sharpened IMF surveillance. As memory of the last global financial crisis fades, the IMF must bolster its bilateral and multilateral surveillance to better anticipate risks and uncertainties. This requires an ambitious Comprehensive Surveillance Review, which examines how to bolster financial surveillance to keep pace with rapid changes in non-bank finance and financial innovation. Bilateral surveillance should also join up with and reflect the IMF's multilateral surveillance, allowing 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.

Second, we need IMF programs to be well-designed and have conditionality which incentivizes reforms and country ownership, with meaningful options for how the Executive Board can get off-track programs back on course. The Review of Program Design and Conditionality (RoC) should properly reflect on evidence and lessons learnt from recent program performance to engage with the fundamental issues and choices around program design. This includes considering how we best support countries with entrenched balance of payment needs and proposing meaningful options for how the Executive Board can help get off-track programs back on track. It must also consider the success of lending programs and conditionality in protecting the poorest and promoting inclusive and sustainable growth.

Third, we must ensure the IMF's role at the centre of the ex-ante safety net, through a greater focus on prevention and encouraging more take-up of precautionary facilities. These can help countries smooth financial bumps in the road and prevent crises which come with greater calls on IMF resources and potentially damaging spillovers to the rest of the world. This includes a holistic discussion of the IMF's role, in this regard, relative to central bank swap-lines and Regional Financing Arrangements (RFAs).

We must also continue to support Low Income Countries (LICs), including through the IMF's well-regarded capacity development offer, who are facing even more pronounced impacts of decreasing global demand, shifts in commodity prices, persistent inflation, trade shocks, and restricted financial flows. Building on the early successes of initiatives such as the Global Public Finance Partnership and the joint WB-IMF Domestic Resource Mobilisation Initiative, the IMF must be responsive to the needs of its membership across geographies and income groups. It is important that the link between surveillance recommendations, program requirements and the CD offer be continually strengthened, to ensure a coherent offer of advice to member countries. It is also important to celebrate the achievements the IMF has made. The UK welcomes the recent reforms to IMF surcharges policy and the Poverty Reduction and Growth Trust (PRGT). Members must fulfil the necessary steps to facilitate an income transfer from the General Resource Account to the PRGT in the planned timeframe. We encourage the IMF to continue exploring a targeted gold sale to support the PRGT.

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. We urge the IMF and World Bank to implement their three-pillar approach to support countries with liquidity issues. For those with unsustainable debt, timely and coordinated restructurings are essential, supported by the G20 Common Framework. We welcome the IMF's Guidance Note on financing assurances and support the ongoing review of the Debt Sustainability Framework for Low-Income Countries. We must also strengthen the wider debt architecture to prevent debt distress, promote sustainable lending and borrowing, and enhance debt transparency, supported by the Global Sovereign Debt Roundtable.

It is crucial that the IMF's governance continues to evolve and reflect the reality of today's global economy. To that end, we hope that the addition of the 25th chair representing Sub-Saharan Africa at the Executive Board can help improve the strategic nature of the IMF's deliberations and support to the region, including how it supports fragile and conflict-affected states. The UK is pleased to have played its part in delivering UK consent to implement the equiproportional quota increase agreed under the 16th General Review of Quotas (GRQ). We encourage all members to provide their consent swiftly before the deadline to avoid any delay in restoring the IMF to a quota-based institution. Quota share re-alignment through the 17th GRQ is even more urgent and important given we were not able to reach consensus on a re-alignment under the 16th GRQ, ensuring the IMF better reflects members' relative positions in the world economy, and providing space for the voices of the poorest and most vulnerable to be heard. We look forward to continuing these discussions at the IMFC and Executive Board.