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Resilience in a World of Uncertainty

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Deputy Prime Minister Olavo Correia, thank you, and may my future travels take me to the beautiful shores of Cabo Verde and the soulful melodies of Cesária Évora—or perhaps even to a **football victory chant!** Congratulations to your national team for qualifying for the World Cup for the first time in your country's history!

Dear Ajay, I cannot think of a better partner to have at the Bank than you! Thank you for your remarks and for your total and tireless focus on **jobs**.

As you point out Ajay, [the world confronts a great demographic divide](#). Let's look at a world map: first, we see a set of countries grappling with aging and shrinking populations; then, a group in the middle; and finally, large sections of Africa and parts of the Middle East and Central Asia where population growth is surging, as is a youthful workforce (Figure 1).

To our global membership, a very warm welcome—and let me state upfront that any insights I may share with you today reflect the collective wisdom of the IMF's **talented and dedicated team** coming from 172 countries.

All IMF management and staff in this hall: **please stand** and be recognized—from our brand new First Deputy Managing Director Dan Katz, to the rest of our senior management team, to all!

Since we last met here in this big hall on October 25, 2024, [uncertainty has shot up-up-up—yet global sentiment is holding \(Figure 2\)](#). In other words, we have a mix of **anxiety and resilience**. Today I would like to reflect on both.

First, the **anxiety**.

From technology to geopolitics to climate to trade, **change is unsettling**. The world trading system that delivered so much for so many is being shaken to its core—for many reasons, including because the playing field wasn't truly level and the people left behind received too little help in retooling for new and better jobs.

We see **assertive nontariff measures** ranging from import licensing to export controls and port fees, with subsidy counts capturing only part of the picture (Figure 3). We see non-market industrial policies and exchange rate distortions.

And, of course, we have U.S. tariff rates **shooting up** this year. But here is a key fact: 188 of our 191 member countries have so far avoided tit-for-tat tariff actions.

Having noted that trade barriers hurt both growth and productivity, and having urged policymakers to preserve trade as an engine of growth, I welcome this restraint by most countries—although surely there will be **more changes to come**.

At this point, despite all the turbulence, an estimated 72 percent of world trade is still being conducted on **most-favored-nation terms**: countries take their lowest bilateral tariff rate and offer it to all of their trading partners. Simple, not complex.

Trade is not a zero-sum game. Provided firms can maintain diversified and robust supply chains, provided governments can retain their strategic autonomy and assist those who lose out from trade, and provided external balances are not unsustainably large, imports and exports **enhance welfare**. No wonder the current uncertainty around trade policies and the risk of losing trade as an engine of growth are creating anxiety.

So let me rotate to the **resilience**.

Despite the sweeping policy shifts we have seen this year, and defying many expert predictions, the global economy has **held up reasonably well thus far**. World growth is projected to slow from 3.3 percent last year to 3.2 percent in 2025 and 3.1 percent in 2026—slower than needed and below what we forecast one year ago, but not a dramatic slowdown.

One reason for this resilience has been **private sector adaptability**, as seen in the import frontloading, the stockbuilding, and the supply-chain strengthening. Years of robust profits have allowed exporters and importers to squeeze margins, cushioning the price impact of higher tariffs on consumers, at least for now.

The other reason is more of a double-edged sword: [private sector investment in artificial intelligence, especially in the U.S., is booming \(Figure 4\)](#). This is propping up U.S. and world growth and delivering **supportive financial conditions** for all.

This is where optimism—in this case about the genuine potential of AI—risks becoming **complacency**.

From the railways to the internet, the history of financial market responses to pathbreaking new technologies is a story of **overestimation and market correction**—[here, for instance, we see a snapshot of the dotcom episode and its impact on growth \(Figure 5\)](#). The world would be wise to manage such risks.

How? We need **strong financial sector oversight**, alert to excessive risk-taking and the growing links between banks, nonbanks, and crypto, and we need judicious monetary policy.

This and other cross-cutting advice punctuate our **multilateral surveillance**, where our *World Economic Outlook*, *Global Financial Stability Report*, and *Fiscal Monitor*—all released this week—shine light, lower the temperature, and propose a path forward.

Our **bilateral surveillance**, delivered via regular consultations with all our member countries—advanced, emerging, and low-income alike—as well as our Financial Sector Assessment Program, distills our multilateral advice into tailored policy recommendations country by country.

In meeting after meeting this week, I have advised finance ministers and central bank governors not only to mitigate the near-term risks but also to look beyond them—preserving independent, accountable, and effective institutions, and finding, capturing, and delivering the **opportunity that change always brings**.

We see **three medium-term objectives**:

- One, **repairing governments' finances**. This is necessary so they can buffer new shocks and attend to pressing needs without driving up private sector borrowing costs. No finance minister should simply wait for faster growth to come to the rescue. On the contrary, fiscal consolidation can release resources to support private sector-led growth.
- Two, **domestic and external rebalancing**. This is necessary to ensure that excessive macroeconomic imbalances do not emerge as a spoiler. We need fiscal consolidation in some places, and policies to lift domestic demand in others.
- And three, **lifting trend growth**. This is essential for economies to generate more jobs, more public revenue, and better public and private debt sustainability.

Lifting growth requires **three things**: one, regulatory housecleaning to unleash private enterprise; two, deeper regional integration; and three, preparedness to harness AI.

Regulatory housecleaning and regional integration are **closely interlinked**, including because many of the rules and regulations that tie down private enterprise at home also restrict the movement of goods, services, people, capital, and ideas across borders—many regulations double up as nontariff barriers, and nontariff barriers are a key part of the unlevel global playing field.

In this new world of bilateral and plurilateral dealmaking, we see a **diverse global trading landscape**. Economies that are small and reliant on exports are at the receiving end of others, while those that are large and relatively less open—or control critical inputs to global supply chains—have negotiating power. [Looking at this splash of dots showing countries by size of imports and trade openness, the bottom right quadrant is where we find the largest, least open economies \(Figure 6\).](#)

Many countries are seeking to build strength and find voice through **cohesion**. [Here we see a selection of the world's trading blocs, each enjoying more size and heft than its member countries individually \(Figure 7\).](#) Our advice to the world's trading blocs? Reduce your internal frictions and press forward with integration for resilience and growth.

Finally, the other potential accelerator of global productivity growth is **artificial intelligence**. We at the Fund expect real gains, but our

estimates are in a wide range—a global productivity growth uplift of 0.1–0.8 percentage points per year.

AI will also take away **millions of today's jobs**, and policymakers need to help ease the transition. Old professions will fade. New ones will rise: big-data specialists, fintech engineers, machine-learning experts, and so on. Such churn is not uncommon. Recall how the automobile replaced the horse and buggy.

The key to maximizing the productivity gains and managing the fallout of AI is **preparedness**. Our research finds Singapore, the U.S., and Denmark in the lead, while many others trail behind. As a transmission line for global best practice, the IMF will assist all members, with a focus on managing the macroeconomic implications.

Internally, we are of course pressing forward with **AI adoption of our own**—including to put more knowledge at the fingertips of our members.

We are enhancing our productivity while preserving our **trademark budget discipline**. The IMF covers its operating expenses from own revenues—with zero reliance on annual appropriations—and maintains a deep commitment to leanness.

Despite the increasing complexity of the world economy and the expansion of the services we provide to our members, [our administrative spending today is about the same size as 20 years ago \(Figure 8\)](#).

Our work in **capacity development** includes operational advice, with almost 3,000 projects delivered in the last year; training, with over 500 courses serving over 19,000 officials over the same period; and convening, which last February included our first-ever emerging market conference, in Al Ula, Saudi Arabia, co-hosted with Minister Al-Jadaan.

Our **lending activity**, anchored by macroeconomic adjustment and conditionality, currently includes programs with 43 countries, with \$37 billion approved since last October, of which almost \$5 billion has been to nine low-income countries.

In an uncertain world, a well-resourced IMF is essential. In that regard, let me today repeat **two requests** to our members:

- First: on our quota base. We are pressing to get the **50 percent quota increase** agreed last year across the finish line. I ask all member countries that have not yet ratified the increase to please do so expeditiously.
- Second: on our **Poverty Reduction and Growth Trust**, our main vehicle for concessional lending to low-income countries. We are pressing forward with the reforms agreed last year to put the PRGT on a path to self-sustainability, which include, one, distributing up to \$9.4 billion to an interim account over a five-year period and, two, getting to a point where 90 percent of the principal in this account is promised to the PRGT. To date, 20 countries—most recently India and, just yesterday, China—have provided assurances totaling 43 percent. But broader support from the membership remains essential to reach 90 percent. I ask you for this support.

Finally, there is one further matter that I want to bring to your attention, and that is the **Catastrophe Containment and Relief Trust—CCRT**—our vehicle to provide grants to help low-income member countries pay debt service owed to us if they face natural or public health disasters. Quite rightly, the CCRT was depleted during the pandemic.

Our ambition must be to remain able to assist our poorest members when they face situations beyond their control. The amounts needed here are in the millions, not billions, and would make a huge difference. So now, as you return to your capitals, I ask you this: please consider opening a discussion on **CCRT replenishment**, for the greater good.

Let me end with **something lighter**.

In March last year, I gave a speech at Cambridge University on “[The Economic Possibilities For My Grandchildren](#)” in which we animated some famous words from the great **John Maynard Keynes**—here we have that synthetic audio again.

[PAUSE FOR AUDIO]

And now, 18 months later, please see our new **AI avatar of Mr. Keynes**, strolling casually through this very hall!

[PAUSE FOR VIDEO]

No better way to end than with this little bit of fun, I think: despite all the anxiety that change brings, **let us be optimistic!** Let us feel our spirits lifted by the human progress that the coming year will surely bring!

Thank you!