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Statement by Mr. Bourai Algeria

On behalf of
Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

Statement by the Governor of the Bank of Algeria on behalf of Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

The global economy has remained broadly resilient, but confidence in the durability of this resilience is weakening as vulnerabilities grow amid the ongoing war in the Middle East. This aggregate resilience, however, masks pronounced divergences across regions and countries, reflecting differences in exposure to conflict-related shocks, technological integration, and policy capacity to absorb external pressures. The underlying shocks are reinforcing inflationary pressures and squeezing household budgets through higher food costs. Additionally, price dynamics may warrant ratcheting up policy rates. Financial markets have remained broadly stable, supported by expectations that investment in AI-driven technologies will raise productivity over the medium term. Policy space remains constrained in many economies, given elevated public debt, historically large fiscal deficits, and rising borrowing costs.

The growth outlook remains subject to significant downside risks amid heightened uncertainty. These risks include an escalation of the wars in the Middle East and Europe and a reassessment of technology-related asset valuations. Markets have treated the wars as temporary shocks and technology investment as highly profitable. The former assumption has proved overly optimistic, with adverse effects emerging as policy responses have fallen short. Should markets also prove overly optimistic about the latter, investment and growth could weaken in economies positioned in the technology value chain.

The growth outlook for the Middle East is disappointing, as the October 2026 World Economic Outlook projects a deterioration in economic activity this year. This demonstrates the uneven growth prospects across and within regions. Such divergence is evident among the countries in our constituency. Countries directly involved in the war, such as Iran, face output losses resulting from damage to civilian infrastructure and productive capacity, as well as disruptions to export routes. A deterioration in the terms of trade arising from higher energy and food prices restrains growth in energy-importing economies, such as Morocco and Tunisia. This could reinforce inflationary pressures and place additional strain on fiscal and external balances. Growth in Pakistan could weaken because of lower remittances and greater balance-of-payments pressures if economic activity and employment in Gulf countries weaken further. In Ghana, tighter international financing conditions and weaker capital inflows could raise borrowing costs and complicate efforts to preserve debt sustainability and macroeconomic stability. In contrast, higher energy prices could strengthen the fiscal and external balances of Algeria and Libya, creating room to rebuild buffers and advance reforms and investment.

Policy advice for restoring macro-financial stability should be tailored to country circumstances. Where conditions allow, countries should rebuild fiscal buffers by reducing deficits and placing public debt on a sustainable path. Fiscal policy should also protect vulnerable groups and public investment while remaining anchored in credible medium-term frameworks that support

sustained and inclusive growth. Prudent fiscal policy also supports monetary policy in alleviating inflationary pressures at a reasonable cost to economic activity. We reiterate our call for closer coordination among the IMF, regional institutions, and development partners to help members strengthen domestic revenue mobilization.

Monetary policy should remain firmly committed to price stability and to keeping inflation expectations well anchored. Where consistent with country circumstances and supported by credible frameworks, exchange-rate flexibility should serve as the primary shock absorber, facilitating relative-price adjustment and safeguarding international reserves. If macro-financial stability is threatened by large and disruptive capital flows, the Fund's Integrated Policy Framework tools could be employed to complement traditional policy instruments. Clear and consistent communication will be essential to strengthen policy transmission and sustain confidence.

We support the Managing Director's Global Policy Agenda and its three guiding principles for navigating heightened uncertainty and strengthening resilience. We call on the Fund to provide greater clarity on the financing requirements and modalities for implementing the proposed adjustment policies, particularly in low-income countries (LICs) facing inadequate concessional financing amid declining official development assistance. In an increasingly fragmented and shock-prone global economy, sustained international cooperation remains indispensable.

We welcome the Fund's continued efforts to adapt its policies, lending instruments, and analytical toolkit to emerging and unforeseen challenges. We underscore that capacity development is essential to enable members to undertake necessary adjustment while protecting development priorities. Such support is particularly critical for LICs facing acute institutional capacity constraints.

We reaffirm our support for a strong, quota-based, and adequately resourced IMF at the center of the Global Financial Safety Net. Following earlier delays, we look forward to the timely completion of the remaining domestic approval processes for the quota increase under the 16th General Review of Quotas (GRQ). Consistent with the Fund's governance reform agenda, we also call for decisive progress under the 17th GRQ, guided by the Diriyah Guiding Principles.