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Statement by Mr. Durigan
Brazil

On behalf of
Brazil, Cabo Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Democratic Republic of Timor-Leste, and Trinidad and Tobago

Statement by Dario Durigan
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On behalf of the Constituency comprising Brazil, Cabo Verde
Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama,
Suriname, Timor-Leste, and Trinidad and Tobago

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The Global Economy: a new shock

The war in the Middle East erupted at a delicate time, as the global economy was beginning to stabilize following a sequence of major disruptions. Despite a series of shocks, the global economy has shown remarkable resilience over the past decade. A once-in-a-century pandemic, a major war in Europe, and a sudden shift in trade policies have tested the world's capacity to withstand crises. As growth was picking up and inflation was slowing down globally, a new war in the Middle East has caused additional human suffering and disturbed global energy markets, with potential implications to food markets, as well. We regret to note that IMF's global growth forecast has been revised down, while inflation is likely to rise, reflecting both the direct and indirect consequences of the war. Around the world, higher energy and food prices are poised to erode real incomes, dampen consumption, and complicate ongoing disinflation processes. The combination of weaker growth and upward price pressures raises concerns about stagflation dynamics worldwide and underscores increasingly difficult policy trade-offs.

The new shock has uneven effects, penalizing low-income and energy-importing economies the most. Even before the war in the Middle East, the world already faced significant challenges to achieve the Sustainable Development Goals (SDGs) by 2030. As low-income countries withstand the largest downward revisions to growth, tighter financial conditions, and a substantial decline in Official Development Assistance (ODA), we are concerned that the current shock may have particularly dire consequences for the world's poorest. We call on high-income countries to honor their ODA commitments and on the International Financial Institutions (IFIs) to step up and stand ready to support vulnerable economies and people in need.

Risks to the outlook have been further tilted to the downside. If the new war in the Middle East lasts for a long period or spreads across the region, disruptions in energy markets are likely to persist, with secondary effects on other important supply chains, such as fertilizers and food, as well as adverse impacts on inflation and financial conditions. In addition, a large refugee crisis could have destabilizing effects across several regions. The possibility of further escalation of the war compounds the lingering scars caused by previous shocks. In many countries, fiscal space is scarce and buffers thin. The global trade system remains weakened, and geoeconomic fragmentation is likely to intensify. Climate change and environmental degradation continue to pose existential threats to humanity and must be tackled by the international community with a sense of urgency.

Efforts to implement countercyclical macroeconomic policies, where warranted and feasible, will help reduce the impact of the war. Navigating this challenging economic landscape will require renewed commitment to global economic cooperation and multilateralism. We welcome the IMF's advice for central banks to see through the energy price shock, as disentangling short-term and long-term effects is extremely difficult at the moment. Accordingly, monetary policy should be properly calibrated and clearly communicated to maintain credibility, thereby anchoring expectations, and minimizing the passthrough of supply shocks to inflation. In addition, countries are already adopting a range of measures to reduce the short-term impact of wide energy price swings on their populations. Targeted and temporary measures to protect the population and, in particular, the most vulnerable and to guarantee food and energy security are warranted. Whenever possible, supportive measures should be fiscally neutral, combining poverty relief with revenue mobilization mostly from higher-income and wealthier segments of the population. As a matter of principle, the world's poorest people should not be made to pay the price of the war in the Middle East. We hope that dialogue and diplomatic efforts can soon lead to a durable peace, which will alleviate human suffering and boost global and regional economies. In the not-so-distant past, international economic cooperation has been instrumental in lifting millions out of poverty, improving living standards, and strengthening global resilience. We continue to trust that, by working together, we can steer the global economy towards better outcomes.

Brazil: staying on the path to sustainable and inclusive development

Notwithstanding external shocks, the Brazilian economy has been performing well. Before the onset of the war, economic activity was close to potential after exceeding IMF and market forecasts for several years. Inflation has been converging towards the target, responding to a restrictive monetary stance and allowing the Central Bank to launch an easing cycle. The Central Bank will continue to pursue its price stability mandate, while ensuring financial stability and trying to smooth out fluctuations in economic activity and promote full employment. The external position remained largely aligned with fundamentals, with the country in a strong position to withstand shocks anchored by flexible exchange rates and large reserve buffers. Our most recent forecast shows 2.3 percent GDP growth in 2026, in line with our efforts to strengthen the consistency between fiscal and monetary policies, allowing for a gradual, growth-friendly fiscal consolidation, while safeguarding essential spending in social protection, as well as productivity-enhancing investments. Confirming the positive outcomes in the real economy and contributing to political and institutional stability, average real earnings are trending up, and unemployment and inequality continue near historically low levels.

The Brazilian economy is in a strong position to cope with the significant effects of the global energy price shock. In 2016, Brazil became a net exporter of oil, entailing growing trade surpluses. In 2025, oil and derivatives accounted for about 16% of the total value of Brazilian exports and approximately 8% of imports, resulting in a positive net balance close to US$32 billion. Increases in international oil prices are likely to further amplify this surplus, contributing to higher net exports. Moreover, enduring investment in renewable energy sources and biofuels resulted in a distinctively strong and clean energy matrix and boosted the Brazilian economy resilience. However, these effects may be partially offset by constrained access to fertilizers – a key input to Brazil's agribusiness exports – as well as reduced global demand, higher import prices, and tighter financial conditions.

Brazil has also taken important steps to structurally enhance productivity and reduce poverty and inequality. A landmark income tax reform came into effect in 2026, including a broad-based tax cut for the bottom tier of taxpayers, to be fully compensated for by minimum effective income tax rates levied on the 0.2 percent top earners. In addition, 2026 marks the start of the implementation of an overhauling and long-overdue tax reform, which has introduced a nationwide dual-VAT tax system, with very significant efficiency gains over the current, overly fragmented system. Under the leadership of the Ministry of Finance, our comprehensive Ecological Transformation Plan builds on Brazil's comparative advantages to promote development through a sustainable relationship with nature. In addition, a series of microeconomic reforms have improved efficiency and equity in credit markets. Together, these reforms have created a resilient macroeconomic environment. We are confident we can steer our sustainable and inclusive development course despite external headwinds.

Brazil's strong commitment to fiscal responsibility and price stability underpins its sustainable and inclusive growth. Since 2023, the Federal Government has been implementing measures aimed at achieving a balanced public budget, while reconciling fiscal, social, and environmental sustainability endeavors, in line with the welfare state instituted by the 1988 Brazilian Constitution. The fiscal results for the past three years and the projections for 2026 reflect our firm resolve to deliver a growth-friendly fiscal consolidation. The target set for the current year is a primary surplus of 0.25 percent of GDP. For 2027, the fiscal target is a surplus of 0.50 percent of GDP; growing to 1 percent of GDP in 2028; and 1.25 percent in 2029, leading to public debt stabilization in 2030. The gradual fiscal adjustment implemented in recent years has combined high-quality revenue-side measures with spending reviews and expenditure rationalization. This is consistent with our endeavor to use fiscal policy responsibly as a tool to support growth, macroeconomic stability and promote social justice.

The IMF: time to step up in support of the membership

We continue to support the IMF's role as an irreplaceable institution at the center of the global financial safety net. We are impressed by the quality, the policy relevance, and the topicality of IMF flagship publications this Spring. Beyond a candid stocktaking of the effects of the war in the Middle East, the IMF publications include a very important warning call about the implications of heightened defense spending and the devastating macroeconomic consequences of wars and conflicts in general. The Fund's analytical independence is a highly valued global public good. To fulfill its role and support members' sustainable development endeavors, the IMF must remain strong, agile, and well-equipped. We support continued work on macro critical issues that are particularly relevant for the vast majority of the membership, such as climate change, social inequality, gender disparities, and progressive taxation. We have high expectations for the ongoing surveillance and conditionality reviews to make the Fund more responsive to members' needs and encourage enhanced engagement with civil society and academia. We caution against attempts by large members to impose an unjustified and disproportionate budgetary squeeze on the Fund that may undermine its ability to deliver on its mandate.

The war in the Middle East calls for urgent actions. In moments of crisis such as this one, the membership looks to the IMF not only for public policy guidance, but first and foremost as a source of emergency financing. If energy prices remain at current levels, the Fund must closely monitor impacts on energy and food security, standing ready to extend emergency financing to the poorest members as needed. In addition, in the context of shrinking Official Development Assistance (ODA), guaranteeing stable financing with adequate apportionment of IMF's own budgetary resources for demand-led capacity development initiatives should be a priority going forward. We encourage the Fund to continue extending tailored support to Fragile and Conflict-Affected States and Small Developing States, in line with their unique vulnerabilities.

We welcome the Diriyah Guiding Principles on Quota and Governance Reforms and continue to call for urgently needed progress on this agenda. These principles represent a step in the right direction, towards a more representative IMF. To fulfill its role at the center of the global financial safety net, decision-making processes at the IMF must become more inclusive, with increased representation of emerging market and developing countries (EMDEs). We support regional rotation for the top management positions in the Bretton Woods institutions and enhanced representativeness for Deputy Managing Director positions. We urge members that have not done so to provide the consent for the 16th GRQ and call on the membership to promptly begin the negotiations for the 17th GRQ and to ensure that it will deliver meaningful quota realignment and governance reforms to enhance EMDEs' representation.