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United Kingdom**

IMFC UK Governors Statement

Global economy

We are again facing a very challenging time for the global economy – an age of insecurity, where shocks travel faster, supply chains are more exposed, and resilience is a precondition for long-term growth. The conflict in the Middle East represents the latest in a series of global shocks, and while the ceasefire is welcome, there remain significant downside risks ahead. These could lower global growth, raise inflation, and increase pressure on debt burdens in Advanced and Emerging Markets alike. Our priority is to double down on stability, investment and reform at home, while supporting collective action that reduces fragmentation, strengthens supply chain security, and protects the most vulnerable from renewed energy and food price pressures.

We need to build on the ceasefire to secure a durable resolution to the conflict that includes safe and free passage for ships transiting through the Strait of Hormuz, that mitigates impacts on growth, energy prices and living standards, in particular for the poorest and most vulnerable. Even with a durable resolution, impacts on growth, inflation and markets will persist. The UK commits to managing the economic response with international partners in a coordinated, responsible and responsive way, avoiding protectionist actions, including unjustified export controls, stockpiling and other trade barriers in hydrocarbon and other supply chains affected by the crisis.

The UK reaffirms the critical role of international organisations. We welcome the IMF-World Bank-IEA coordination group and encourage the institutions to develop a shared assessment of global economic impacts, including fiscal pressures, supply chain disruptions, energy markets and food prices. Vulnerable countries are particularly impacted, especially small and remote island states that rely on imported energy to meet basic needs. We call on the IMF and World Bank to provide a coordinated emergency support offer for countries in need, tailored to country circumstances and drawing on the full range and flexibility of their toolkits.

The UK continues to condemn Russia's illegal invasion of Ukraine and supports continued IMF engagement under the EFF, sustained financing, and strong conditionality. We urge adherence to international humanitarian law and the pursuit of shared and stable growth, and support multilateral efforts to reduce negative spillovers on energy, food, and trade.

UK economy and policies

The UK's economic strategy remains grounded in three principles of stability, investment and reform to address the UK's longstanding economic challenges of underinvestment; the concentration of growth in too few places; and persistent instability across the last 15 years. In 2025, UK growth was the fastest among European G7 members and business investment increased by 4.3% in 2025 – more than triple the rate of overall output growth. In line with IMF advice, the UK is pursuing a fiscal consolidation agenda that reduces borrowing while protecting investment. The IMF expects the UK's fiscal deficit to fall to the lowest level in the G7 in 2029.

However, the Middle East conflict may have lasting effects on the way global markets operate, and has materially shifted the UK inflation outlook. UK action to reduce borrowing and ease inflation created the conditions for the independent Monetary Policy Committee to cut the Bank Rate six times this Parliament. Prior to the conflict, there had been continued disinflation, creating room for the UK to respond. In the short term, the UK is ensuring support is timely, targeted and paid for – excessive

borrowing to fund support measures could stoke inflation and drive up interest rates, dampening growth. The UK is strengthening its energy security by managing the current energy supply through new Transitional Energy Certificates to give oil and gas operators what they need to continue investing in existing assets. The UK is also making investments to secure resilience in the future, moving faster on renewables and nuclear and reducing demand via energy efficiency. In the long term, the UK's best response to energy insecurity is redoubling efforts to boost growth sustainably, to shore up fiscal resilience to shocks and reinforce this through enduring fiscal discipline.

The UK is driving long-term growth by prioritising three big choices: empowering regional growth, accelerating AI, innovation and technology leadership, and pursuing pragmatic and deeper UK-EU alignment.

Accelerating and harnessing AI, innovation and technology leadership is essential to drive productivity, unlock new sources of growth and deliver more cost-effective public services. It is also central to economic resilience: countries that shape and securely deploy AI will be better able to absorb shocks and remain competitive in a more fragmented world. This is alongside risks to jobs, competition, and financial stability. We support interoperable international approaches to AI safety, data governance, and competition policy, and support the IMF's ongoing work on the macroeconomic implications of AI.

In a more fragmented world, deeper and stable economic partnerships based on open, predictable and rules-based international cooperation enhance resilience and support growth. The UK is deepening its economic links with European partners to reduce frictions, strengthen supply chain security, and provide business with predictable rules. Where it is clearly in our mutual interest, we will consider alignment with EU standards that lowers costs, supports investment and jobs, and strengthens economic security, while preserving necessary autonomy in strategically important sectors. Alongside this, we have recently secured trade deals with the US, India, and Republic of Korea, and we are pursuing deeper trade and economic ties with a range of other partners.

The role of the IMF

The UK remains a committed partner of the IMF and strongly support its position at the centre of the global financial safety net (GFSN). The IMF will need to keep evolving to help its members navigate the increasingly uncertain global context and demonstrate the continued value of multilateralism to address shared global economic challenges. In response to the Middle East crisis, we ask the Fund to provide countries with greater comparative insight on what governments can do to manage rising fuel and input costs for households and businesses. The IMF will need to deliver this advice in an increasingly challenging and fiscally constrained context.

In a more uncertain global economy, we need sharpened IMF surveillance. Surveillance is the first line of defence against macroeconomic and financial instability and as memory of the last global financial crisis fades, the IMF must focus and integrate its bilateral and multilateral surveillance to better anticipate risks and take a more system-wide and preventative approach. We look forward to the conclusion of an ambitious Comprehensive Surveillance Review (CSR) that results in stronger macro-financial surveillance and deeper coverage of the impacts of emerging trends. Excessive imbalances and rising fragmentation also pose material risks to growth. The IMF should continue sharpening its surveillance of the drivers and spillover risks of excessive and persistent global imbalances, including links to financial vulnerabilities, the impacts of stock imbalances as well as flows,

and spillovers for emerging markets and low-income countries. This analysis must translate into actionable policy advice for members, which sets out clearly the growth gains of re-balancing across major surplus and deficit countries.

Effective IMF programmes, with well-designed conditionality and reform sequencing are crucial to helping countries restore macroeconomic and financial stability. Long-term reform and strong country ownership must be incentivised, with a greater emphasis on crisis prevention and consideration of the use of precautionary facilities. We support the ongoing Review of Program Design and Conditionality, which should complement the CSR recommendations to ensure the IMF's surveillance and lending policies are properly integrated. The Review should also assess the effectiveness of lending and conditionality in protecting the poorest and promoting inclusive, sustainable growth. It must also consider how better programme design can better support fragile and conflict-affected states with limited administrative and reform capacity.

The IMF must remain committed to promoting growth and resilience in low-income countries and fragile states, especially as they face continued global challenges from conflict, trade shocks, high debt burdens, and restricted financial flows. Prevention is key to building resilience, including by IMF work supporting Domestic Resource Mobilisation, strengthening tax administration and championing economic diversification. We urge members to fulfil their commitments in facilitating the income transfer from the General Resource Account to the Poverty Reduction and Growth Trust in the planned time frame, to ensure its self-sustained lending capacity. We remain interested in exploring a targeted gold sale when political and market conditions allow.

Elevated debt vulnerabilities require timely, predictable, and comprehensive solutions to serve the interests of low-income countries. The UK supports the IMF–World Bank three-pillar approach to address liquidity pressures, strengthen debt sustainability, and improve transparency and data. We continue to encourage all creditors to publish self-assessments against the G20 sustainable financing guidelines. For unsustainable debt, coordinated restructurings are essential. The G20 Common Framework should be faster, more predictable, and available to more countries that would benefit. The IMF's "Good Offices" role may be used to bring creditors together at the request of borrowers to enhance early information sharing in the context of a restructuring. The UK welcomes IMF support for the London Coalition on Sustainable Sovereign Debt, which seeks to improve private creditor coordination and the implementation of contractual innovations to improve restructuring outcomes for emerging and developing economies. We continue to support the Global Sovereign Debt Roundtable (GSDR) as a forum bringing together stakeholders across the debt landscape. We particularly welcome the GSDR's support for the London Coalition-endorsed Implementation Guide to restructuring Private Sector Sovereign Loans, which complements the Sovereign Debt Restructuring Playbook and aims to speed up commercial debt reschedulings that have too often delayed relief for vulnerable countries.

It is crucial that the IMF's governance continues to evolve and reflects the reality of today's global economy. The UK has provided consent to the equi-proportional quota increase under the **16th General Review of Quotas (GRQ)**. We stress the urgency of remaining members completing their procedures to implement the 16th GRQ, to ensure the IMF remains a quota-based institution. We support quota share realignment under the **17th GRQ**. Discussions on changes to the quota formula must consider a range of variables beyond GDP, including the importance of economic openness, and reforms must ensure adequate burden-sharing and protection of low-income country voice and

representation. We welcome the Diriyah Guiding Principles on IMF quota and governance reforms and stand ready to engage on discussions on quota realignment at the IMFC and Executive Board.