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Russian Federation

On behalf of
Russian Federation and Syrian Arab Republic

STATEMENT
by the Minister of Finance of the Russian Federation,
IMF Governor for the Russian Federation
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The Global Economic Outlook

Geopolitical developments worldwide continue to be the primary factor shaping the global economic outlook. While global growth has stabilized, short-term risks of a significant deceleration in economic activity persist amid high uncertainty. Economic growth in emerging market countries remains strong, whereas growth rates in developed countries continue to be low. The delayed transmission of interest rate hikes constrains economic policymaking, and policy mistakes could undo efforts to reduce inflation. Meanwhile, a shift toward monetary policy normalization by several central banks could hinder or even reverse the ongoing disinflation. Geoeconomic fragmentation is adversely impacting global economic prospects and could undermine financial stability. Responsible macroeconomic policy and fiscal consolidation are essential to mitigate the existing risks and reduce uncertainty.

The global disinflation continues but remains fragile. Elevated inflation in the services sector reflects both the accumulated labor market imbalances since the post-pandemic period and long-term trends, including slowing productivity growth and an ageing population. Under these circumstances, central banks should prioritize price stability. Excessive monetary policy tightening implemented against the backdrop of excessive anti-crisis fiscal stimulus and in an effort to quickly achieve the inflation target should not give way to premature easing of monetary policy. Another spike in inflation could de-anchor long-term inflation expectations and necessitate a much sharper increase in interest rates. This would dampen economic activity and threaten financial stability. Therefore, monetary policy easing should be gradual and data driven.

The persistent rise in public debt is a serious concern. In many countries, necessary fiscal consolidation is being delayed for political reasons. The easing of global financial conditions somewhat mitigates the immediate risks of a debt crisis. However, in the medium term, fiscal space will remain constrained due to ongoing high fiscal deficits. The global public debt-to-GDP ratio continues to rise: it grew from 92.8 percent in 2023 to 93.5 percent in 2024 and is expected to further increase to 94.8 percent in 2025.

Despite lower interest rates, significant risks to financial stability persist. Contributing factors include the rise in private and public debt, rapid asset price growth, and an increased leverage of non-bank financial institutions. In this context, countries should prioritize enhancing the quality of banking supervision and macroprudential regulation. Reducing uncertainty around economic policy will be crucial for maintaining financial stability, and the uncertainty may be credibly reduced through improved quality and greater focus in communication produced by central banks, fiscal authorities, and macroprudential regulators.

Geoeconomic fragmentation is increasingly diminishing the efficiency of the global economy. The escalation of financial sanctions and trade wars are disrupting supply chains and exerting upward pressure on prices. A growing number of countries are encountering politically motivated restrictions on transactions in reserve currencies and facing discrimination from depositories. The appropriate response to these discriminatory restrictions should be a shift toward settlements in national currencies and those of trading partners, as well as the creation of parallel depository systems and cross-border payment infrastructures, including those based on digital financial assets. Ultimately, this will result in the emergence of a more diversified and resilient international monetary system.

The Developments in Russia

Despite the pressure of unprecedented sanctions, the Russian economy continues to show consistently high growth rates, systematically surpassing most forecasts, including those of the IMF. This year, we are projecting economic growth of 3.9 percent. Russia continues to pursue responsible fiscal policy and maintains macroeconomic stability. Fiscal policy priorities remain focused on fulfilling all social obligations to the population and enhancing Russia's defense capacity and technological self-sufficiency. In the medium term, the budget is designed to be structurally balanced and ensure a zero primary balance. The budget deficit for the 2025–2027 period will not exceed 1 percent of GDP. Deficit financing will continue to rely on domestic borrowing. Despite external constraints, by the end of this year, Russia's public debt will be less than 15 percent of GDP and will remain at a safe level in the upcoming three-year period.

The Bank of Russia keeps a tight monetary policy stance to reduce inflation and manage inflation expectations. According to the Bank of Russia's forecast, under the current monetary policy annual inflation is expected to decrease to 4.0–4.5 percent in 2025 and remain around 4 percent thereafter.

Amid accelerated credit growth, the Russian authorities are actively implementing macroprudential policy measures to limit systemic risks in the financial market, reduce household debt burdens, and enhance resilience of the banking sector. Specifically, amid the ongoing rapid credit growth, the Bank of Russia is raising macroprudential capital requirements for unsecured consumer loans and tightening limits on unsecured loans to borrowers with high debt burden. Furthermore, starting July 1, 2025, the Bank of Russia has decided to set, for the first time, a positive national countercyclical buffer at 0.25 percent of risk-weighted assets. This initiative will further strengthen the banking sector's resilience and promote balanced credit growth in the economy.

The Role of the IMF

We emphasize the importance of ongoing efforts on the main priorities outlined in the Managing Director's Global Policy Agenda for the Fund's work. At the same time, we urge the Fund to maintain the principle of impartiality while fulfilling its assigned responsibilities. Amid complex challenges and numerous risks facing the global economy, the IMF should enhance the effectiveness of its bilateral and multilateral surveillance, assist member countries in strengthening institutional capacities, and continue to refine its lending toolkit. In terms of surveillance and policy advice, the Fund should concentrate on maintaining financial stability and helping its members rebuild fiscal buffers amid robust economic growth.

The IMF should play an important role in monitoring and implementing measures in member countries aimed at reducing budget deficits and public debt. For most advanced economies, the most pressing task is to develop credible medium-term fiscal consolidation plans. These plans should clearly outline how these countries intend to lower public debt to sustainable levels through spending cuts and revenue mobilization. The primary challenge is that fiscal consolidation will need to occur over many years, likely in an environment of low economic growth. Advanced economies should commit to such fiscal plans, while the Fund can monitor their execution against clearly defined timelines.

Maintaining the IMF's current role in the global financial safety net depends on the Fund's commitment to upholding the principle of neutrality in its activities, which is becoming increasingly challenging amid rising geoeconomic fragmentation. An evenhanded approach to assisting member countries, both through lending and technical assistance, should remain a fundamental principle of the Fund's work. We support the Fund's calls to maintain multilateralism, curb the growth of unilateral restrictions in trade and investment, and its efforts to assess the economic consequences of trade fragmentation. We further urge the Fund to undertake a thorough and objective analysis and evaluation of the impact of financial restrictions and sanctions on the international monetary system.

The IMF should fully adhere to its mandate and fulfill its obligations to member countries, as outlined in the Articles of Agreement, to further promote equitable international cooperation for the economic development of all countries.

The legitimacy and role of the IMF hinge on progress in ensuring fair representation of countries within its governance structure. Member countries' quotas and voting shares should reflect their weight and role in the global economy. Regrettably, there has been no progress in this area for over a decade. Russia was among the first countries to timely complete all necessary procedures for implementing the decisions made under the 16th General Review of Quotas (GRQ). We call for the immediate commencement of work on the 17th GRQ, which should result in a long-awaited increase of voting power for emerging market and developing countries within the IMF's governance structure.