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Statement by Ms. Reeves
United Kingdom

Annuals Statement by Rt Hon Rachel Reeves MP
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On behalf of the United Kingdom

Global economy

The global economy has continued to show resilience with good progress bringing inflation back to target levels. However, growth prospects also continue to be uneven across economies, medium-term growth forecasts are subdued by historical standards, and significant downside risks remain. Ongoing geopolitical tensions, including the conflict in the Middle East and Russia's illegal war in Ukraine, continue to pose risks to global inflation, commodity prices and supply chains.

An end to Russia's intolerable war and the full withdrawal of Russian forces from Ukrainian territory would clear a significant risk to the global economic outlook, as well as ending suffering and loss of life. We want to see an immediate ceasefire in Gaza and Lebanon, and the release of all hostages detained by Hamas. The suffering, death and destruction is heartbreaking. We urge all parties to show restraint and call for urgent action to address the growing humanitarian crisis.

Amidst this challenging backdrop, it is now more important than ever that the global community works together. The UK is fully committed to rejuvenating our collaboration with our partners on the multilateral stage, including through our membership of the IMF and other international financial institutions, to tackle global challenges which require global solutions.

UK economy and policies

For too long, growth has been low, with weak productivity growth and insufficient investment. The difficult decisions to pursue growth enhancing reforms were avoided, but that is what I am now tackling in the UK. Securing growth is this UK government's number one priority. Our new approach to growth will fix the foundations of the economy to deliver a decade of national renewal and raise living standards for all. This approach rests on three pillars - stability, investment and reform.

A stable, predictable environment is essential to delivering growth and investment. The Office for Budget Responsibility and Bank of England remain strong independent institutions and guarantors of stability. We have reaffirmed the Bank of England's independence to pursue price and financial stability, including through the 2% inflation target. We are also committed to robust fiscal rules. On 10th September, the government passed the Budget Responsibility Act 2024 to deliver economic stability and guarantee independent scrutiny of the Government's fiscal plans.

The recently held International Investment Summit highlights our focus on making the UK an attractive place for investment. With a total of £63 billion of investment announced over the course of the summit. This shows our determination to deliver economic growth in every part of the UK and these investments, together with our forthcoming Industrial Strategy, will give global businesses the certainty they need as we lead the charge for the innovation and jobs of the future.

We are introducing bold reforms to unlock growth and investment. Since July, the government has ended the ban on new onshore wind projects and approved the development of three major solar farms. We are also consulting on significant improvements to the planning system to enable us to build more housing, and critical infrastructure such as data centres, lab spaces and energy infrastructure. The government has also launched Skills England to boost skills and fill job vacancies. A landmark review into pensions is underway to unlock billions of pounds of investment. The government also recognises the importance of public investment in supporting growth priorities. Public investment is a crucial catalyst of private investment and long-term economic growth.

The IMF's messages in the October 2024 World Economic Outlook (WEO) are welcome in this context, highlighting that accelerating public investment to finance the green transition, upgrade infrastructure, and boost investments in science and technology can yield growth. Such investment could crowd in the private sector, increasing private investment with further growth impacts. Fiscal frameworks should be calibrated to support investment, whilst ensuring debt is on a sustainable path.

Given the challenges the UK and all economies face, we welcome the Fund's role and expertise in bilateral surveillance. Planning, skills and the fiscal framework were key areas of reform identified in the last UK Article IV review, on which we are already taking action. We look forward to continued engagement with Fund staff on these issues and other areas in support of the government's growth objectives.

We will set out more details on plans to deliver the growth mission in the Autumn Budget – to be held on 30 October 2024.

The role of the IMF

The UK has been an ever-present partner of the Fund and its position at the centre of the global financial safety net. For 80 years the IMF has promoted international monetary cooperation and supported its members in addressing balance of payment difficulties. To continue delivering for another 80 years, the Fund will need to evolve with the challenges and opportunities facing the global economy. I therefore welcome the launch of the Bretton Woods at 80 initiative and look forward to engaging with this work ahead of the 2025 Spring meetings.

The IMF's governance must continue to evolve and reflect the reality of the global economy. To that end, the UK looks forward to welcoming the 25th chair representing sub-Saharan Africa to the Executive Board very soon. The UK is pleased to have played its part in delivering UK consent to implement the equi-proportional quota increase agreed under the 16th General Review of Quotas (GRQ). We encourage all members to provide their consent swiftly before the deadline to avoid any delay in restoring the Fund to a quota-based institution. Furthermore, we would welcome early engagement on realignment under the 17th GRQ to continue the journey of reforming the Fund's governance, which is vital for its future legitimacy.

We also welcome significant changes to the Fund's lending toolkit. In the context of continued global challenges, the conclusion of the review of the Poverty Reduction and Growth Trust (PRGT) is a significant milestone. The reforms agreed will restore the PRGT's self-sustaining model at a time of unprecedented low-income country demand for Fund resources, enabling the Fund to lend at double the level pre-pandemic whilst keeping financing at zero interest for its poorest and most vulnerable members.

The Fund has also shown creativity and innovation in developing a framework to facilitate an income transfer from the General Resources Account (GRA) to the PRGT. The UK continues to support a limited and targeted gold sale, but in the absence of sufficient Board support at this time, and now that the Fund has reached and exceeded its precautionary balances target, this GRA transfer is vital to ensure the Fund can continue to lend and provide concessional financing to those who need it most. I urge all members to swiftly pledge their portion of the income transfer to the PRGT to ensure its sustainability.

I also welcome the outcome of the Review of Charges and Surcharges – the first time that the Fund has reformed its charges, surcharges and commitment fee regimes in one go. These highly significant reforms will lower borrowing costs for all GRA borrowers, reduce the number of countries subject to surcharge payments, increase upfront transparency regarding borrowing costs and provide much needed policy space as members recover from recent shocks and undergo continued macroeconomic adjustments. These changes are part of a broader ongoing effort to ensure the IMF's lending policies remain adaptable to meet the needs of members in the changing global macroeconomic context. In addition to addressing the cost of financing, the Fund must also devote attention to how it can better support members' policy adjustment efforts through stronger programme performance, as governments face more entrenched structural challenges amidst sensitive domestic political contexts. We look forward to the upcoming review of programme design and conditionality which will examine these issues.

The IMF also has an important role to play in supporting efforts to address global debt vulnerabilities. Many countries continue to face high debt service payments which are crowding out spending on important development and climate goals.

We are committed to working with all partners on a holistic approach to tackling this issue which includes a strong commitment to domestic reform and revenue mobilization, stepped up support from the international financial institutions and bilateral donors alongside action to reduce debt service payments where needed. We welcome the IMF's continued efforts to support countries undertaking debt restructurings and to address their debt vulnerabilities. Meeting G20 best practice on debt transparency is a critical part of this, and this will require participation by all stakeholders in debt reporting and reconciliation activities. The UK will go further by publishing our own self-assessment against G20 guidelines. We will also continue to support and upskill partners on debt, tax and public financial management. We would welcome the IMF's continued support to drive these issues forward. The Global Sovereign Debt Roundtable continues to perform as an influential forum for bringing all stakeholders together for these important discussions.

Given the Fund's unique role in global macroeconomic and financial surveillance, we think it imperative that the Fund assesses – and be seen to assess – how the transformative trends underway such as climate change, digitalization, trade, and global economic fragmentation might affect the future functioning and stability of the international monetary and financial system. For example, the Fund is well-placed to examine the potential impacts of AI on labour markets and productivity, inequality, energy use and climate change and to support all members to harness the benefits of AI. In addition, climate change poses severe risks to financial stability and may disrupt growth, so the Fund has a key role in ensuring that climate related risks and opportunities are integrated into its surveillance and technical assistance.

Such trends could, individually and cumulatively, cause structural changes in the volatility and modality of capital flows and the efficacy of the global financial safety net. We look forward to such issues featuring in the forthcoming Comprehensive Surveillance Review which will set surveillance priorities for the future.

The outlook for financial stability remains challenging and we must work together to ensure the financial system remains resilient and able to support economic growth. In this regard, the IMF's expert surveillance is pivotal in monitoring the health of the international monetary system. We welcome continued international work to address vulnerabilities in the financial sector, including developing and implementing regulatory reforms to enhance resilience of market based finance.

In this context, I fully support the Managing Director's Global Policy Agenda to support global growth, openness and the international system. The integrated global economy has contributed greatly to global prosperity. Economic fragmentation puts both growth and financial stability at risk and the smallest and most open economies face the greatest threat. Evidence on the extent to which fragmentation has occurred is mixed, but the concerning trajectory means we need to keep an eye on the data. We must continue to champion openness and not lose sight of its benefits in our search for security. This means working together to find a balance that safeguards our collective future prospects.

I want to thank IMF staff and management for their ongoing work in the face of continued global economic challenges and the UK stands ready to work closely with the Managing Director throughout her second term to continue to strengthen and enhance the role of the IMF at the heart of the global safety net.