# International Monetary and Financial Committee

Thirty-First Meeting
April 18, 2015

**IMFC Statement by George Osborne**
**Chancellor of the Exchequer, H.M. Treasury**
**United Kingdom**

On behalf of the United Kingdom

Statement by George Osborne
Chancellor of the Exchequer, H.M. Treasury, United Kingdom
On behalf of the United Kingdom

Global economy

Since our last meeting in October, global growth is expected to be 3.5 per cent in 2015, with recovery progressing in advanced economies, particularly in the US and UK, while growth in many emerging market and developing economies has slowed. The euro area recovery is showing signs of picking up, supported by lower oil prices, active monetary policy, and a weaker euro. In the UK, the Fund estimates in its latest World Economic Outlook that the UK was the fastest growing major advanced economy in 2014, and projects growth of 2.7% for 2015.

However, the global recovery remains weak and uneven, with geopolitical and financial risks increasing. Further progress by policy makers is necessary to deliver a strong and sustainable global recovery. Across advanced economies policy makers must ensure fiscal responsibility, focus on raising growth and building resilience to shocks at a global level, including through the support of appropriate, and well-communicated monetary policy, as well as ambitious structural reforms:

- **Continued implementation of responsible medium-term fiscal consolidation plans is necessary.** Public debt and deficits remain too high in many advanced economies, including the UK, and the task of fiscal consolidation is not yet completed. The UK's headline deficit has fallen from its peak to a forecast five per cent of GDP in 2014-15. Credible, medium-term frameworks for fiscal discipline that can anchor markets' confidence remains a priority.

- **Following through on regulatory reform continues to be a priority.** Steps have been taken to strengthen the banking sector, with improved capital positions, but continued robust implementation of capital requirements remains important. Transparency in OTC derivatives has been increased. Internationally, with the FSB and G20, the UK has supported arrangements for cross-border resolution and a standard for loss absorbing capacity, and we must continue work to secure an international solution to the too big to fail problem.

- **Pushing ahead with growth-enhancing structural reforms is a common challenge across all economies.** Structural reforms are crucial to increase productivity and deliver sustainable growth. As the Fund has noted, infrastructure investment can have a role to play. In the UK focus has been placed on capital investments, including infrastructure. We have also embarked on wide ranging reforms to improve the quality of school education, increase apprenticeships, and invest in transport and science.

- **Accommodative monetary policy to support demand continues to be important**. However, low-for-long monetary policy could generate financial stability risks and

> the use of appropriate macroprudential tools is also necessary to guard against these risks. In the UK there is a new macro-prudential framework in place and action was taken by the Financial Policy Committee over the last year to curb emerging risks in the housing market. As part of this action policy makers should continue to communicate their expectation of higher financial market volatility to help inform a common understanding among market participants, and make sure they are adequately prepared, and to support market liquidity.

Emerging markets have experienced a period of successive downward revisions with medium-term growth for these countries now forecast to be where it was in the mid-2000s. Action to strengthen policy frameworks, undertake necessary structural reforms and pursue prudent macroeconomic policies can build resilience to economic shocks and support sustainable growth.

IMF surveillance

Ongoing efforts to strengthen IMF surveillance, through a greater focus on risks and spillovers, macro-financial issues and balance sheet analysis as a tool for risk assessment, is welcome. Effective surveillance, in particular of balance sheets, requires better data. We call on the IMF to work closely with the G20 to accelerate progress on closing data gaps.

Implementation of the Triennial Surveillance Review will involve significant organisational changes that will affect how the IMF undertakes some of its core surveillance activities. We therefore ask that IMFC members are kept appropriately informed.

The eventual normalisation of monetary policy presents risks of financial market volatility and disruptions in global capital flows, as well as the possibility of pressure on the safety nets that countries have individually and collectively built. Given these approaching risks, we support the IMF taking stock of challenges facing the International Monetary System. This presents an opportunity to develop a policy agenda that addresses spillovers stemming from heightened currency and capital flow volatility, enhances the efficacy of the global financial safety net, and ensures adequate provision of market liquidity.

IMF lending

We welcome the establishment of the Catastrophe Containment and Relief Trust, which is already providing important support to those countries worst hit by the Ebola epidemic. The UK was the first country to contribute to this trust by pledging $50million. We urge all IMF members to contribute to it to provide additional support to our poorest and most vulnerable members.

2015 is a pivotal year for development, and we strongly support engagement by the IMF, alongside other IFIs. Mobilising a variety of resources for development will be crucial. Responsibility for development must lie with the countries themselves and the international community should stand ready to provide appropriate advice and assistance. It is clear that developing countries will come to rely more heavily on non-concessional sources of financing in future, and IFIs have a key role to play in supporting them to access and maximise such financing, alongside concessional flows.

We encourage the IMF to strengthen its engagement with states in fragile situations, and welcome the priority given to them including in the context of capacity development.

The IMF has a key role to play in improving transparency and strengthening the quality of public financial management, and thereby reducing the risk of corruption that can threaten sustainable economic development. We welcome the new Fiscal Transparency Evaluations and encourage the IMF to use this new tool as the basis for stronger in-country dialogue between government, bilateral development partners and other relevant international organisations, alongside capacity-building measures.

IMF Governance Reform

The UK remains committed to the full implementation of the 2010 quota and governance reform package and we urge the US to ratify these reforms at the earliest opportunity. We are committed to maintaining the credibility and legitimacy of the Fund. While the 2010 Reforms remain the priority, we are open to considering options for a package of interim measures, provided there is a broad consensus amongst the IMF membership.