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United Kingdom

IMFC Governor's Statement

Global economy:
The global economy has once again demonstrated remarkable resilience in the face of serious shocks. However, as the outlook remains challenging and uncertain, there is no room for complacency. Geopolitical tensions and rapid technological change are reshaping the global economy, with prospects and risks increasingly uneven across countries.

The conflict in the Middle East and war in Ukraine have caused direct human suffering, physical and economic damage, and driven up longer term borrowing costs and energy prices. Deescalation and fully reopening the Strait of Hormuz remain the most effective ways to restore regional stability, secure global shipping, and protect households and businesses from further price rises. The UK continues to support increasing pressure on Iran and stands ready to support diplomatic efforts and to help restore freedom of navigation through the Strait. We also need to respond together; the UK is acting on Russia's aggression through continuing to increase the economic pressure on Russia, while stepping up support for Ukraine.

Against this backdrop, we must build resilience and support sustainable growth. We therefore welcome the Fund's emphasis on credible medium-term fiscal frameworks. Medium-term fiscal sustainability and credibility is, however, indivisible from growth. Investing in resilience can be both shock-absorbing and productivity enhancing across challenges, ranging from increasing defence spending to harnessing the benefits of AI.

In a more uncertain and shock prone global economy, the role for strong and trusted international financial institutions remain important. The IMF has a central role in helping countries anticipate vulnerabilities from global shocks, strengthen their domestic policy frameworks, and respond effectively when risks materialise. The UK looks forward to using its G20 Presidency to work with international partners to strengthen global resilience and deliver stronger and more sustainable growth for all.

UK economy and policies:
The UK is applying these principles at home - I have been clear that ensuring fiscal discipline is my first priority, as an essential condition for economic stability and national security. Through fiscal buffers, we addressed concerns raised in the IMF's 2025 Article IV assessment that limited fiscal headroom left the UK exposed to future shocks. We have delivered on deficit reduction in outturn, with PSNB as a proportion of GDP falling by 0.7 percentage points last year. We also avoided a broad-based fiscal response at the outset of the conflict, instead providing support that was targeted, timely and temporary, consistent with IMF advice. Together, these decisions have strengthened the UK's resilience and left us better placed to absorb future economic shocks.

As the Middle East conflict continues to create uncertainty, raising inflation, and increasing borrowing costs, the right approach is to continue to deliver on our commitment to fiscal discipline.

Alongside responsible fiscal decisions, government actions have contributed to longer term resilience through a focus on measures that support growth, including investment, innovation and devolution. The UK grew faster than expected in H1 2026, leading to the IMF upgrading our forecast for 2026, and meaning GDP per capita has grown by 2.0% since the election, while real wages have been rising for 3 years.

Our approach has demonstrated how fiscal credibility and the pursuit of stronger growth can reinforce one another, to enhance longer term resilience.

The role of the IMF:
At a time of heightened uncertainty and successive shocks, the IMF has a critical role in supporting all members to strengthen resilience and lay the foundations for sustainable growth. The UK remains a committed partner of the IMF and fully supports its role in safeguarding global economic and financial stability, at the heart of the global finance safety net. It is critical that the IMF can continue to support members to identify vulnerabilities early, provide high-quality policy advice, and support members when shocks hit.

Surveillance remains the Fund's first line of defence against instability and spillovers. We welcome the Fund's work to sharpen its surveillance, including through the conclusion of the Comprehensive Surveillance Review (CSR). The CSR should now be implemented in a timely manner, to help members strengthen their macro-financial frameworks through early, high-quality surveillance and risk identification, which avoids vulnerabilities turning into crises. If implemented well, this more anticipatory approach could strengthen the policy value of surveillance, reduce the need for programmes, or if programmes are required, lessen the severity of the required adjustment.

Surveillance should also keep pace with the structural changes in the global economy, particularly through consideration of the opportunities and risks presented by AI, as highlighted in this year's WEO. The IMF is uniquely placed to deepen the membership's collective understanding of the implications for productivity, labour markets, growth and financial stability, and to help members capture AI's benefits and manage the transition. Finally, surveillance must translate effectively into actionable policy advice for members. Building on the External Sector Report, the IMF should translate analysis of the drivers and spillovers of excessive global imbalances, into growth-enhancing policy recommendations to help deliver gains of re-balancing across major surplus and deficit countries.

Where prevention is not enough, effective IMF programmes, grounded in strong country ownership and well-designed reforms, are critical to restoring economic stability and laying the foundations for sustainable growth. We welcome the Review of Programme Design and Conditionality and look forward to its effective implementation, enabling surveillance, lending and capacity development to work together, grounded in policy realism. This is particularly important for low-income and fragile countries, where repeated shocks, limited fiscal buffers and high debt servicing costs have constrained investment and growth, reducing long term resilience. To ensure that the IMF can maintain its self-sustained lending capacity, 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 timeframe.

In a context of persistent shocks, many solvent countries also face high debt service payments which are crowding out investment and growth. 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 would like to see this approach implemented and further strengthened, including through appropriate contributions by all relevant stakeholders, to support domestic reform, strengthen debt sustainability, and catalyse greater access to finance. 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. We will also continue to support the Global Sovereign Debt Roundtable (GSDR) as a forum bringing together stakeholders across the debt landscape.

Delivering this agenda requires a strong, representative and adequately resourced IMF. 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 look forward to advancing conversations under the 17th GRQ on quota and governance reform, consistent with the Diriyah Guiding Principles which were agreed to earlier this year.