

Communiqué of the Thirty-First Meeting of the IMFC

Chaired by Mr. Agustín Carstens, Governor of the Bank of Mexico
April 18, 2015, Washington, D.C.

The Committee expresses its deep appreciation to Deputy Prime Minister Tharman for his service and guidance as IMFC Chairman during challenging times. It welcomes Governor Agustín Carstens as the new Chairman.

Global economy. The global recovery continues, although growth remains moderate with uneven prospects. Growth is projected to strengthen in advanced economies, reflecting a solid recovery in some and improved prospects in others. In emerging market countries, which still account for the bulk of global growth, economic activity is softening in some cases, reflecting lower commodity prices and exports, and country-specific factors. In many cases, adjustment and consolidation processes are taking place. Growth in low-income developing countries is expected to slow but remains solid. Lower oil prices are having a net positive global impact, although effects vary across countries. Risks still persist. Large shifts in exchange rates and asset prices, protracted below-target inflation in some economies, financial stability concerns, high public debt, and geopolitical tensions call for vigilance. The possibility of lower potential growth is becoming a more relevant challenge over the medium term. Global imbalances are reduced from previous years but a further rebalancing of demand is still needed.

Policies to promote strong, balanced, and sustainable growth. We are committed to take further measures to lift actual and potential growth, and support our goal of a more robust, balanced, and job-rich global economy. For this we must bolster confidence and strengthen demand effectively, by pursuing a mix of macroeconomic policies that seek to achieve the urgent need to promote growth, while preserving fiscal sustainability and financial stability, and accelerating the design and implementation of structural reforms. Productive and efficiently executed public and private investment, particularly in infrastructure, is important for supporting the recovery and lifting potential growth.

Fiscal policy. We will continue to implement our fiscal policies flexibly, as appropriate, to support growth and job creation, while placing debt as a share of GDP on a sustainable path. Formulation and implementation of concrete medium-term fiscal consolidation plans remains crucial in many advanced economies. We will consider ways to improve the composition of public expenditures and revenues to enhance their growth impact and strengthen fiscal frameworks to reduce risks. Lower oil prices provide an opportunity to reform inefficient energy subsidies and energy taxes, as needed, while strengthening targeted social safety nets.

Monetary policy. Monetary accommodation should be maintained where appropriate, consistent with central bank mandates. We are mindful of financial stability risks. In many advanced economies, enhancing policy transmission requires continuing to address debt overhangs and impaired balance sheets. Careful calibration and effective communication of policy normalization is needed to attenuate adverse spillovers and spillbacks in the context of asynchronous monetary policies in major advanced economies. In emerging market economies, adequate policy buffers can help address volatility in financial markets. Macroeconomic policies need to be sound, and in that regard, exchange rates should be allowed to respond to changing fundamentals and to facilitate external adjustment. When dealing with risks from large and volatile capital flows, necessary macroeconomic policy adjustment could be supported by macro-prudential and, as appropriate, capital flow management measures.

Financial sector policies. Safeguarding financial stability through well-designed micro- and macro-prudential policy measures remains a priority to contain excesses, prevent financial crises, and thereby support sustainable growth. It remains essential that financial institutions resolve legacy problems from the global financial crisis and, together with asset managers,

are robust to market liquidity risks. Global financial regulatory reforms should be completed and implemented promptly and consistently, and further developed as necessary. We strongly support the Financial Stability Board's work program and the role of the IMF.

Structural reforms. Structural reforms are critical to boost business confidence, investment, and job creation, particularly for the youth, and achieve sustainable and more inclusive growth, mostly by enhancing total factor productivity, through a stronger role of women in the economy, and better education and training. Priorities include product and labor market reforms, deepening financial markets, boosting the quality of labor supply and employment, improving governance, combating corruption, and tackling inequality. Trade reforms could also complement and reinforce other reforms.

A new multilateralism for a sustainable future. Collective efforts to strengthen the international monetary system (IMS) and facilitate further integration of dynamic emerging market economies should be renewed. We look forward to the IMF's work on the challenges facing the IMS, and on the upcoming SDR basket review. The international community is seeking to build a new global framework for sustainable development through 2030 and beyond. We look forward to active IMF contributions to this process in the areas of its mandate, including identifying steps to boost macro-financial resilience, increase revenue mobilization, help tackle infrastructure gaps, enhance capacity building, and promote inclusive growth. Furthermore, we ask the IMF to assist in addressing the diverse challenges faced by the poorest, fragile, and conflict-affected states, and we look forward to the upcoming review of IMF engagement with fragile and conflict-affected members. The IMF should make more effective use of its existing lending framework and consider adjustments to its lending policies while maintaining the self-sustainability of the PRGT. We ask the IMF, in close cooperation with the World Bank, to contribute actively for positive outcomes of the Addis Ababa Conference on Financing for Development, the New York Summit on Post-2015 Sustainable Development Goals, and the Conference of Parties 21 (COP 21) in Paris.

IMF lending, surveillance, and capacity building. We ask the IMF to continue to stand ready to provide financial support, including on a precautionary basis, for appropriate adjustments and reforms and to help protect against risks, and to ensure the adequacy of its lending instruments. We welcome continued work by the IMF in the areas of its mandate, ensuring international financial stability and monetary cooperation, assessing cross-border spillovers and the impact of asynchronous monetary policies, examining the link between monetary policy and financial stability, strengthening fiscal frameworks, deepening macro-financial analysis, and analyzing issues concerning international taxation. We welcome the IMF's recent work on macroeconomic issues in small developing states and encourage its use to strengthen engagement with these members. We look forward to the implementation of the recommendations of the Triennial Surveillance Review, completion of the follow-up crisis program review, work on macro-critical structural reforms, continued work on sovereign debt issues so as to enhance the orderliness and predictability of the debt restructuring process, and implementation of the new debt limits policy. We recognize the valuable role that the IMF plays in providing capacity building to its members.

Catastrophe Containment and Relief Trust. We strongly welcome the IMF's rapid creation of the Catastrophe Containment and Relief (CCR) Trust, the assistance provided to Ebola-affected countries, and the generous commitments to the Trust by a number of countries, including through transfers of bilateral contributions from the MDRI-II Trust. We look forward to additional contributions to enable the CCR Trust to provide similar support in the future to our poorest and most vulnerable members.

Governance. We remain deeply disappointed with the continued delay in progressing the 2010 IMF Quota and Governance Reforms. Recognizing the importance of these reforms for the credibility, legitimacy, and effectiveness of the IMF, we reaffirm that their earliest implementation remains our highest priority. We continue to urge the United States to ratify the 2010 reforms as soon as possible. Mindful of the aims of the 2010 reforms, we call on the IMF Executive Board to pursue an interim solution that will meaningfully converge quota

shares as soon as and to the extent possible to the levels agreed under the 14th Review. We will use the 14th Review as a basis for work on the 15th Review of Quotas, including a new quota formula. We reaffirm our commitment to maintaining a strong, well-resourced, and quota-based IMF.

Next IMFC meeting. Our next meeting will be held in Lima, Peru on October 9-10, 2015