Communiqué of the Thirty-Second Meeting of the International Monetary and Financial Committee (IMFC)

Chaired by Mr. Agustín Carstens, Governor of the Bank of Mexico
October 9, 2015, Lima, Peru

Global economy

The global recovery continues, but growth remains modest and uneven overall. Uncertainty and financial market volatility have increased, and medium-term growth prospects have weakened. In advanced economies, the recovery is expected to pick up modestly, supported by lower commodity prices, continued accommodative monetary policies, and improved financial stability, but underlying productivity growth remains weak and inflation remains generally below central bank objectives. While growth prospects differ across emerging market and developing countries, the overall outlook is affected by uncertainties around commodity prices and global financial conditions.

Risks to the global outlook have increased. With stronger fundamentals, buffers, and policy frameworks, emerging market and developing countries are generally better prepared than earlier for a less favorable environment. Nevertheless, many emerging market economies are exposed to tighter financing conditions, slowing capital inflows, and currency pressures amid high private sector foreign currency indebtedness. Further declines in commodity prices could weaken the outlook for commodity exporters, many of which are low-income countries. Developments in several countries connected with large refugee flows have created economic and humanitarian challenges for both source and host countries. China's ongoing rebalancing toward more sustainable growth is welcome, while vigilance is necessary with regard to external challenges that might arise. In advanced economies, a sustained recovery in the euro area, positive growth in Japan, and continued solid activity in the United States and the United Kingdom are positive forces, although spillovers from increased market volatility may pose financial stability challenges in the near term. In many advanced economies, the main risk remains a decline of already low growth, particularly if global demand falters further and supply constraints are not removed. More broadly, high levels of debt remain a concern. Global imbalances are reduced from previous years but a further rebalancing of demand is still needed.

Global policy priorities

The key policy priorities are to take further measures to lift short-term and potential growth, preserve fiscal sustainability, reduce unemployment, manage financial stability risks, and support trade. We reaffirm our commitment to cooperation to implement this agenda forcefully in order to secure strong, sustainable, inclusive, job-rich, and more balanced global growth. Careful calibration and clear and effective communication of policy stances are essential to help limit excessive market volatility and negative spillovers. We also reiterate our commitment to refrain from all forms of protectionism and competitive devaluations.

Support growth today: Advanced economies should maintain an accommodative monetary stance, where appropriate, consistent with central bank mandates. We are mindful of financial stability risks. We will implement fiscal policies flexibly to take into account near-term economic conditions, so as to support growth and job creation, while putting debt as a share of GDP on a sustainable path. Emerging market and developing countries should use available policy space to smooth the adjustment to less favorable external conditions, while pursuing efforts to remove bottlenecks to stronger growth. In economies with limited policy space, fiscal policies should ensure sustainability while preserving efficient social and infrastructure spending. Commodity-exporting countries with worsening terms of trade and limited buffers may need to reassess their fiscal policies in the face of lower commodity-related revenue.

Invest in resilience: The global financial regulatory reform agenda should be completed and implemented in a timely and consistent manner and further developed, including through monitoring and addressing issues raised by financial activities outside the banking system, as necessary. Priorities in many advanced economies are to repair balance sheets, tackle nonperforming loans, and monitor and, if necessary, address market liquidity issues. Emerging market and developing countries should continue to enhance policy frameworks and maintain adequate buffers. Foreign currency exposures warrant special attention, while exchange rate flexibility, where feasible, can act as a shock absorber. Appropriate, well targeted macro-prudential tools as well as strong supervision are important to preserve financial stability. 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. A strong global financial safety net remains important in order to provide liquidity in times of need.

Secure sustainable long-term growth: Timely-implemented and well-sequenced structural reforms remain critical to raise productivity, potential output, and living standards; bolster confidence; and reduce inequality. There is a need to identify new sources of growth; address supply bottlenecks, infrastructure gaps, and population aging; and promote inclusive, environmentally sustainable growth. Further trade liberalization could complement and reinforce other reforms. Lower oil prices provide an opportunity to reform inefficient energy subsidies and energy taxes, as needed, while strengthening targeted social safety nets. In advanced economies, invigorating productivity growth will require a combination of policies to stimulate labor demand as well as labor supply—for example by raising female labor force participation—boost innovation, and enhance resource allocation in services sectors and investment. In emerging market and low-income countries, improving business conditions, institutions and governance, and closing education and infrastructure gaps can support continued convergence to higher income levels and help reduce inequality.

IMF operations

We welcome the IMF’s initiatives to be even more agile, integrated, and member-focused. Countries are facing an increasingly uncertain global environment. Economic and financial linkages are becoming more complex and difficult to predict. In this global context, the IMF has to deepen its analysis and surveillance activities, and broaden the scope of its policy advice on macro-critical issues.

Policy advice and surveillance: We ask the IMF to help members calibrate policies to overcome the twin challenges of addressing vulnerabilities and enhancing strong, sustainable, and balanced growth. We welcome progress in implementing surveillance priorities, including ongoing work on risk and spillover analysis, examining the links between monetary policy and financial stability, analyzing and addressing, as appropriate, “de-risking” pull-backs by international banks, strengthening exchange rate analysis, deepening macro-financial analysis, and closing data gaps—which should continue. We encourage the IMF, in cooperation with other international institutions, to continue to play its role with regard to international tax issues. Following the adoption of the IMF’s institutional view, we support a stocktaking of members’ policies in handling capital flows. The IMF should help emerging market and developing countries reap the benefits of foreign financing, including through advice to strengthen policies in order to mitigate risks of capital flow reversals. We look forward to expanded work on macro-critical structural reforms, including by leveraging the expertise of other institutions. Attention should also be given to the macroeconomic consequences of demographic transitions, as well as migration and large-scale refugee flows in particular in the Middle-East and Africa. We welcome the IMF’s contribution to the global framework for sustainable development and look forward to its implementation. We also look forward to the IMF’s active contribution—including through the assessment of macroeconomic implications of climate change—to a positive outcome of the Conference of Parties 21 (COP21) in Paris, consistent with its mandate.

Lending: We call on the IMF to continue to stand ready to respond promptly to future demand for financial assistance, including on a precautionary basis, for appropriate adjustments and reforms and to help protect against risks. In this regard, we look forward to the forthcoming stocktaking of the international monetary system, including a review of the adequacy of the global financial safety net architecture. We welcome the progress made in enhancing access to concessional resources. We look forward to the completion of the follow-up crisis program review; continued work on sovereign debt issues so as to facilitate timely and orderly debt restructuring; the review of the exceptional access framework; and completion of the review *of the method of valuation of the SDR*. We call on the IMF to continue to work closely with the World Bank and other international institutions to support the countries affected by the humanitarian and refugee crises, especially in the Middle East and Africa, in order to mitigate the adverse effects on the economies of the regions and spillovers to the global economy.

Capacity building: We support more integration and synergies between surveillance, program work, technical assistance (TA), and training, and the increased use of a results-based management framework. We welcome a shift in focus of capacity building and TA to bolster resilience, maintain debt sustainability, improve governance, and support global sustainable development goals within the IMF's mandate, including boosting domestic revenue mobilization and financial deepening in developing countries and small and fragile states, and deepening the dialogue with developing countries on international tax issues while closely collaborating with other development partners. This will also help countries tackle illicit flows. We look forward to IMF initiatives to boost peer learning and facilitate the transmission of best policy practices among its membership.

Governance and representation

We remain deeply disappointed with the protracted delay in implementing 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 and 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 complete its work on an interim solution that will meaningfully converge quota shares as soon as and to the extent possible to the levels agreed under the 14^{th} General Review of Quotas. We will use the 14^{th} Review as a basis for work on the 15^{th} Review, including a new quota formula. We remain committed to maintaining a strong, well-resourced, and quota-based IMF. We reiterate the importance of enhancing staff diversity in the IMF and encourage further progress.

We thank the government and the people of Peru for hosting our meetings and for their warm hospitality. Our next meeting will be held in Washington, D.C. on April 15-16, 2016.