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Communiqué of the Thirty-Sixth Meeting of the International Monetary and Financial Committee

Chaired by Mr. Agustín Carstens, Governor of the Bank of Mexico

Global economy

The global upswing in economic activity continues, as we strive for higher, sustainable, broad-based growth. The outlook is strengthening, with a notable pickup in investment, trade, and industrial production, together with rising confidence. But the recovery is not yet complete, with inflation below target in most advanced economies, and potential growth remains weak in many countries. Near-term risks are broadly balanced, but there is no room for complacency because medium-term economic risks are tilted to the downside and geopolitical tensions are rising.

Policy response

The welcome upturn in global activity provides a window of opportunity to tackle key policy challenges and stave off downside risks, including by ensuring appropriate buffers, and to maximize returns on structural reforms to raise potential output. We reinforce our commitment to achieve strong, sustainable, balanced, inclusive, and job-rich growth. To this end, we will use all policy tools—monetary and fiscal policies and structural reforms—both individually and collectively. We will work together to reduce excessive global imbalances in a way that supports global growth by pursuing appropriate and sustainable policies. Strong fundamentals, sound policies, and a resilient international monetary system are essential to the stability of exchange rates, contributing to strong and sustainable growth and investment. Flexible exchange rates, where feasible, can serve as a shock absorber. We recognize that excessive volatility or disorderly movements in exchange rates can have adverse implications for economic and financial stability. We will refrain from competitive devaluations, and will not target our exchange rates for competitive purposes. We reaffirm our commitment to communicate policy stances clearly, avoid inward-looking policies, and preserve global financial stability. We welcome the conclusions of the G-20 Hamburg Summit on trade and are working to strengthen its contribution to our economies.

Supporting the recovery and reinvigorating growth prospects: Monetary policy should remain accommodative, where inflation is still below target and output gaps are negative, consistent with central banks' mandates, mindful of financial stability risks, and underpinned by credible policy frameworks. Monetary policy, however, must be accompanied by other supportive policies. Fiscal policy should be used flexibly and be growth-friendly, while enhancing resilience, avoiding procyclicality, and ensuring that public debt as a share of GDP is on a sustainable path. To boost productivity and promote inclusiveness, fiscal policy should prioritize high-quality investment, support structural reforms, including more efficient tax systems, and promote labor force participation. Structural reforms, well-sequenced and adapted to individual country circumstances, should aim to lift productivity, growth, and employment; promote competition and market entry; and enhance resilience, especially given present high debt levels, while effectively assisting those bearing the cost of adjustment.

Safeguarding financial stability: We will continue to strengthen the resilience of the financial sector to support growth and development, including addressing legacy issues in some advanced economies and vulnerabilities in some emerging market economies, as well as monitoring potential financial risks associated with prolonged low interest rates and continued accommodative monetary policy. Effective financial supervision and macroprudential frameworks are key to guard against financial stability risks. We stress the importance of timely, full, and consistent implementation of the agreed financial sector reform agenda, as well as finalizing remaining elements of the regulatory framework as soon as possible.

Promoting inclusion and building trust in institutions: We will strive to implement domestic policies that develop an adaptable and skilled workforce and enhance inclusion, so that the gains from technological progress and economic integration are widely shared. We will strengthen governance to enhance the credibility of institutions and build support for reforms needed to raise growth and adjust to a rapidly changing environment.

Cooperating to tackle shared challenges: Recognizing that all countries benefit from cooperation, we will work to tackle common challenges, support efforts toward reaching the 2030 Sustainable Development Goals (SDGs), and support the orderly functioning of the international monetary system (IMS). We will work together to achieve a level playing field in international taxation; address tax and competition challenges, as appropriate, raised by the digitalization of the economy; tackle the sources and channels of terrorism financing, corruption, and other illicit finance; and address correspondent banking relationship withdrawal. We will support countries dealing with the macroeconomic consequences of pandemics, cyber risks, climate change and natural disasters, energy scarcity, conflicts, migration, and refugee and other humanitarian crises.

IMF operations

We welcome the Managing Director's *Global Policy Agenda*. The IMF has a key role in supporting the membership to seize the window of opportunity to:

Sustain the recovery: We call on the IMF to provide member-tailored advice on the policy mix to deepen the global recovery. We support the work on fiscal rules and medium-term frameworks and the application of the fiscal space framework in bilateral surveillance. We support efforts to further enhance surveillance activities, including embedding analysis of macro-financial issues in IMF surveillance. We look forward to the Interim Surveillance Review, which will take stock of the IMF's policy advice across the membership. We welcome further work on the impact of prolonged low interest rates and the role of macroprudential policies. We support continued progress toward addressing data gaps.

Raise prospects for sustained growth: We call on the IMF to continue to analyze the causes of the productivity slowdown and the measurement challenges of the digital economy, and help members identify structural reform priorities and analyze their impact on macroeconomic resilience. We support drawing lessons from applying the Infrastructure Policy Support Initiative in surveillance and work updating the framework for assessing public infrastructure management. We welcome the IMF's continued support to the G-20 Compact with Africa initiative to improve investment frameworks and foster private sector investment.

Assist low-income countries (LICs) and small and fragile states: We extend our sympathy to those hit by natural disasters, and welcome the IMF's readiness to help. We call on the IMF to identify policies and scale up capacity development that will help LICs and small and fragile states unlock their growth potential and enhance resilience to shocks, including by encouraging ex-ante risk management strategies, and through advancing economic diversification, enhancing revenue mobilization, and containing rising public debt vulnerabilities. We welcome the IMF's work in support of the 2030 SDGs, where relevant to its mandate. We look forward to the review of LIC facilities, including options to help countries prepare for, and respond to, natural disasters and recover from conflicts. We welcome financial commitments made so far and look forward to the successful completion of mobilization efforts to ensure adequate PRGT loan resources over the medium term.

Bolster trust and resilience: We look forward to further work on good governance and addressing corruption issues, where these are macro-critical, while ensuring evenhanded treatment across the membership. We support further efforts to strengthen policy frameworks, including on fiscal issues, AML/CFT, and financial regulation and supervision. We also support the IMF's work on inequality. We look forward to the review of the framework for debt sustainability analysis for countries with market access. We welcome the update of the IMF/World Bank low-income countries (LIC) debt sustainability framework, which is expected to become operational in the second half of 2018, benefiting from staff's technical support. We call for enhanced transparency on debt issues.

Promote cooperation across countries: We support the IMF's increased efforts to provide a rigorous, evenhanded, and candid assessment of imbalances and exchange rates in both Article IV consultations and the External Sector Report, further refining the external sector assessment methodologies, and the review of policies on multiple currency practices. We support the strengthened analysis of spillovers from domestic policies to the global economy as part of the IMF's surveillance. We also look forward to enhanced communication on, and the effective and consistent implementation of, the IMF's Institutional View on capital flows, while further exploring the role of macroprudential policies to increase resilience to large and volatile capital flows. We welcome work studying the macroeconomic impacts of fintech and virtual currencies. We support the IMF's collaboration with international standard setters to help members complete the global financial regulatory reform agenda. We support the IMF's continued role in international taxation and domestic revenue mobilization, including through the Platform for Collaboration on Tax, and in helping countries strengthen capacity to tackle illicit finance and address correspondent banking relationship withdrawal. We support the IMF's continued assistance to countries dealing with macroeconomic problems arising from shocks, including those affected by conflict, refugee crises, and natural disasters. We emphasize the importance of the IMF's collaboration with other multilateral institutions in pursuit of shared objectives.

Strengthen the IMS: We continue to support the work streams toward further strengthening the global financial safety net (GFSN): collaborating with Regional Financing Arrangements; exploring possible enhancements to the IMF's lending toolkit; and examining the possible broader use of the SDR. We look forward to the review of IMF-supported programs and use of conditionality.

Support the membership with capacity development: We welcome the IMF's provision of capacity development to complement its surveillance and program engagement, and look forward to the forthcoming review, aimed at strengthening its effectiveness and accountability.

We reaffirm our commitment to a strong, quota-based, and adequately resourced IMF to preserve its role at the center of the GFSN. We are committed to concluding the 15^{th} General Review of Quotas and agreeing on a new quota formula as a basis for a realignment of quota shares to result in increased shares for dynamic economies in line with their relative positions in the world economy and hence likely in the share of emerging market and developing countries as a whole, while protecting the voice and representation of the poorest members. We call on the Executive Board to work expeditiously toward the completion of the 15^{th} General Review of Quotas in line with the above goals by the Spring Meetings of 2019 and no later than the Annual Meetings of 2019. We welcome the first progress report to the Board of Governors and look forward to further progress by the time of our next meeting. We welcome the new commitments received under the 2016 Bilateral Borrowing Agreements. We call for full implementation of the 2010 governance reforms.

We reiterate the importance of maintaining the high quality and improving the diversity of the IMF's staff. We also support promoting gender diversity in the Executive Board.

Our next meeting will be held in Washington D.C., on April 21, 2018.

Attendance can be found at http://www.imf.org/external/am/2017/imfc/attendees/index.htm