

Speech: IMF Article IV Press Conference: Chancellor's opening remarks

I am delighted to welcome Christine Lagarde back to the Treasury this morning (20 December 2017), to present the conclusions of the IMF's annual Article IV assessment of the UK economy.

I had the pleasure of meeting the team during their visit and I thank them for their work.

The assessment plays an important role in providing independent scrutiny of our economy, and valuable challenge and support for our economic policymaking.

And this year's assessment comes at an important juncture for the UK economy.

At my [recent Budget](#) I reported on an economy that continues to grow...

...that has delivered the lowest unemployment in 40 years...

...and that continues to confound those who seek to talk it down.

But there are many challenges we need to address if we are to tackle low productivity growth and go on raising living standards...

...to deliver a new partnership with our European neighbours that supports jobs and prosperity...

...to seize the opportunities of the rapid technological change that is going on across the world...

...and build a Britain that is fit for the future.

And today's IMF report identifies some challenges, and potential solutions, for building this stronger economy.

First, the IMF urges us to go on rebuilding our fiscal buffers against future shocks.

We've made good progress in repairing our public finances and reducing the highest budget deficit in our peacetime history by three quarters, to 2.3%.

But at 87% of GDP our debt is still too high, and so we remain committed to our fiscal rules, which are set to see debt falling next year.

And I welcome the IMF's endorsement of our fiscal plan – which takes a balanced approach to reducing the deficit and investing to raise productivity.

Second, the IMF highlights the significant productivity challenge that the UK economy faces.

This is a common challenge across advanced economies, but the gap between UK productivity and the rest of the G7 has widened.

When I took this job, I made it the central mission of the Treasury to tackle this challenge head-on.

And since the last Article IV assessment I have established, and expanded, the National Productivity Investment Fund to deliver over £31 billion of investment targeted at transport, broadband, science and innovation.

In my [Autumn Budget](#) I took action to put the UK at the forefront of the technologies of the future...

...investing over [£500 million in artificial intelligence, 5G, and driverless and electric vehicles](#).

We've launched radical reforms to our technical education system, to give people the skills they'll need to thrive in a modern economy.

And I was pleased to see the IMF recognise that alongside our prudent management of the public finances...

...public investment is set to rise further over the medium term...

...reaching its highest sustained level in forty years.

Third, the IMF note the regional disparities in productivity within the UK.

And it is true that if we are to build an economy that is fit for the future...

...then we have to get all parts of the UK firing on all cylinders...

...and our [modern Industrial Strategy](#) sets out our long-term plan to boost productivity throughout the UK.

The IMF recommend a greater role for local decision making, to better tailor policies to economic conditions.

We are devolving powers to elected mayors across the country...

...and at the Budget I announced a [new £1.7 billion Transforming Cities Fund](#)...

...half of which will go to the six areas with elected metro mayors...

...to deliver better transport connections across our regional cities.

Finally, the IMF recognise the potential of Brexit to reshape the structure of the UK economy.

...and they welcome the progress we have made in the negotiations so far.

The UK and the EU have shown what can be achieved by commitment and perseverance on both sides...

...and we are well on the way to delivering a Brexit that protects jobs and prosperity...

...and prepares Britain for the opportunities ahead.

As the negotiations with the EU enter the second phase...

...it is imperative that we move on with discussions to secure a smooth and orderly withdrawal from the European Union.

The IMF report notes that “early agreement on a transition period would avoid a cliff edge exit in March 2019 and reduce the uncertainty facing firms and households”.

I agree.

One of the biggest boosts we can provide to the economy...

...of both the UK and the EU...

...is making early progress on delivering certainty and clarity about our future relationship...

...with a time-limited implementation period agreed at the earliest opportunity...

...when we have left the EU and therefore will be outside the EU Customs Union and the Single Market...

...but during which we will replicate the effects of the Customs Union and the Single Market...

...with reciprocal access to each other’s markets...

...and a harmonised customs arrangement, ensuring a low friction border.

Giving businesses continuity, and certainty, to plan and invest with confidence.

I’ll end my remarks there, and finish by thanking Christine Lagarde and the IMF for their continued scrutiny and support.

As ever Christine, we value your advice and look forward to studying the conclusions of your report in more detail when it is published in the Spring.

I now hand over to Christine Lagarde who will introduce the report and answer your questions.

Thank you.