Coping and Thriving in a Fluid World

Keynote Speech by IMF Managing Director Kristalina Georgieva at Japan's Ministry of Finance's "Future of the Global Economy amid a Fluid International Economic and Monetary Order" Symposium in Tokyo, Japan

March 9, 2026

As prepared for delivery

Good afternoon. I want to applaud Japan's Ministry of Finance for convening this **important and timely discussion**.

The topic of the symposium, "*The Future of the Global Economy in a Fluid International Economic and Monetary Order*," poses **exactly the right question**.

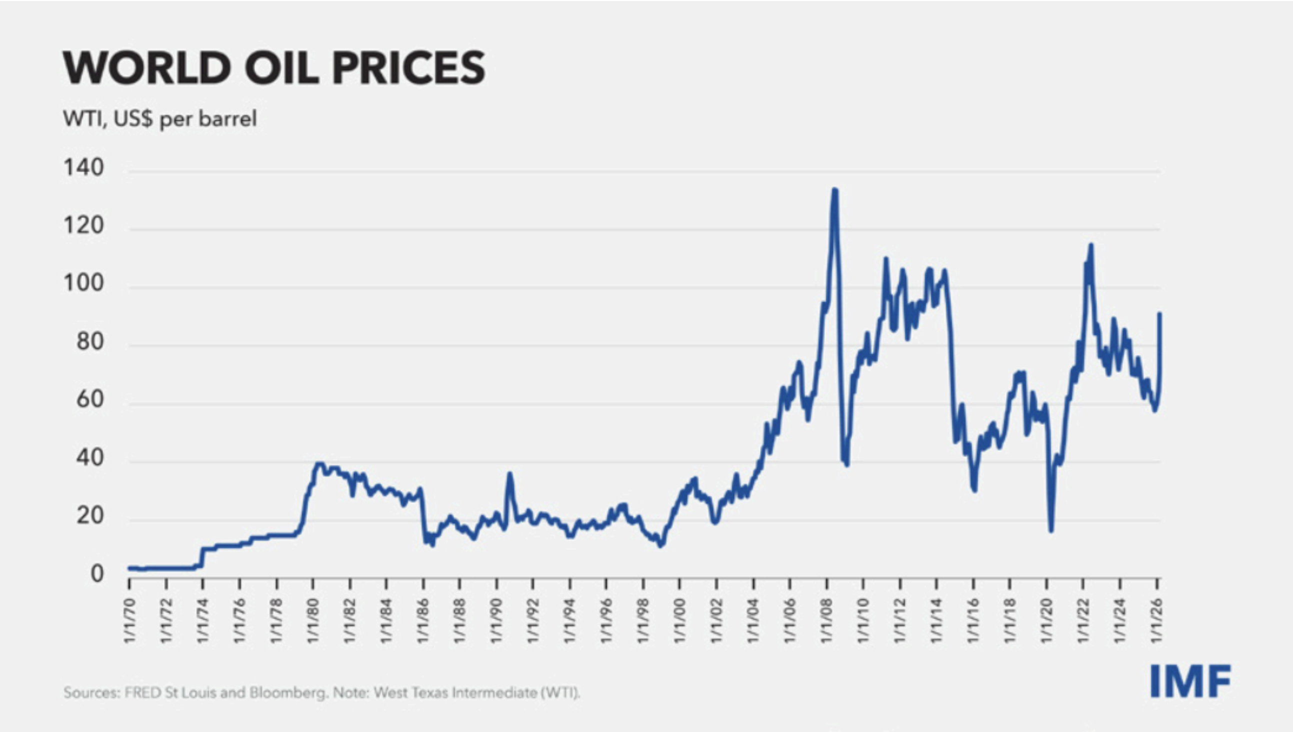
And "fluid" is **exactly the right word**. The global economy faces deep currents of change—in technology and demographics, in geopolitics and trade, in climate—while also dealing with shock after shock.

During my 6½ years at the helm of the IMF, we have seen Covid, four years of war in Ukraine, a cost-of-living crisis, and much more. The fact that world growth has held up quite well—we currently forecast it at 3.3 percent in 2026 and 3.2 percent in 2027—speaks of **remarkable resilience**.

But the shocks keep coming. We are seeing resilience tested yet again by the **new conflict in the Middle East**. Important oil and gas facilities have suffered damage and stoppages; shipping traffic through the Strait of Hormuz has fallen by 90 percent.

For much of Asia and the world, energy security has shot up the list of concerns. If the new conflict proves prolonged, it has **clear and obvious** potential to affect market sentiment, growth, and inflation, placing new demands on policymakers.

Two facts. One, about a fifth of global oil supply and LNG trade normally transits through the Strait of Hormuz. This includes **almost half of Asia's oil imports and about one-quarter of its LNG imports**. For Japan, the figures are almost 60 percent of oil imports and 11 percent of LNG imports. And two, *world oil prices are up nearly 50 percent since December*, while Asia and Europe face steep increases in gas prices.



As a rule of thumb, we see every 10 percent increase in oil prices—if persistent through most of this year—resulting in a **40 basis point** increase in global headline inflation and a 0.1–0.2 percent fall in global output.

We are collecting data, analyzing it, and assessing the **potential impact on our member countries**. Everyone can expect the IMF's careful analysis very soon, in our upcoming *World Economic Outlook*.

And if, as we all hope, the conflict ends soon, then be sure that, before long, some new shock will come. My advice to policymakers everywhere in this new global environment? **Think of the unthinkable and prepare for it**.

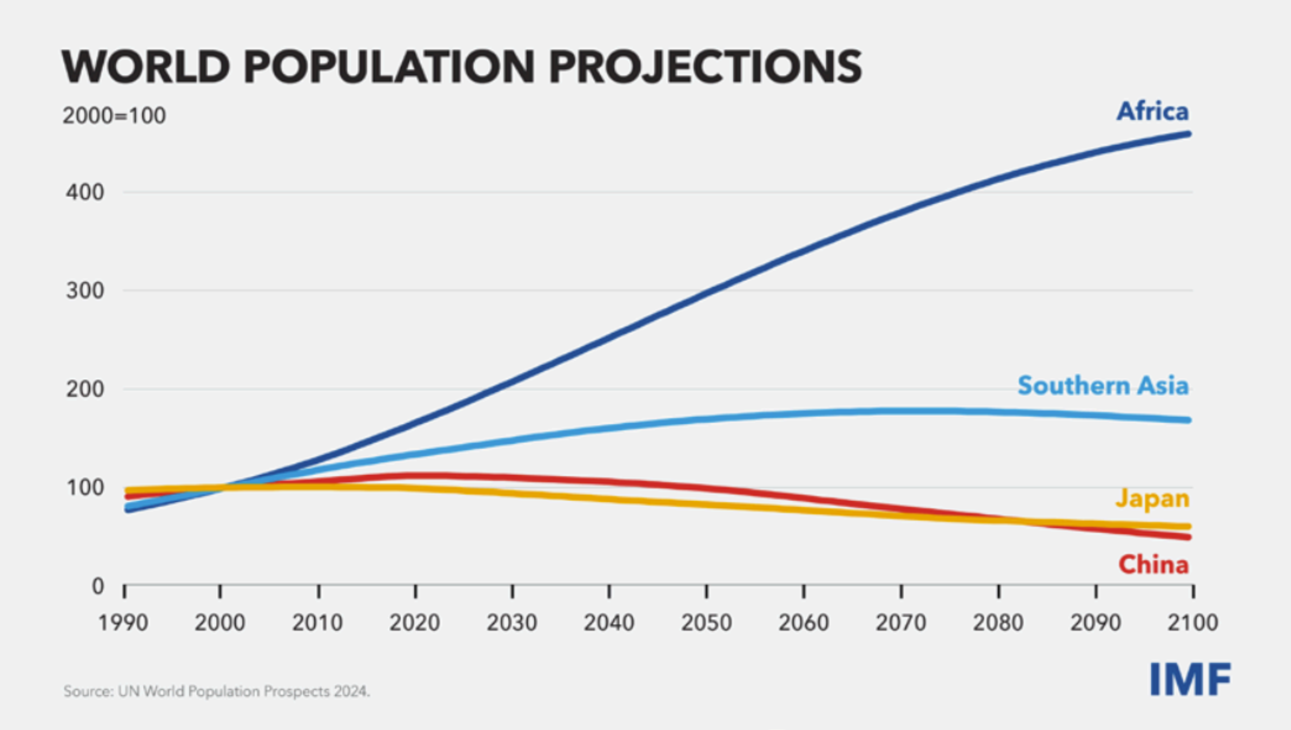
Yes, but how? By focusing on what you can control. Three pieces of advice. One, invest in strong institutions and policy frameworks to underpin strong economies and private sector-led growth. Two, use policy space when needed and be sure to replenish it. Three—above all—be **agile**.

First: on **institutions and policy frameworks**. One core role for public authorities is to provide a guiding hand—ensuring forward-leaning, economy-wide responses to transformative forces; regulating wisely, not unduly; and providing the institutional bedrock for the private sector to flourish. As most emerging market economies have learned in recent years, it pays off—in better growth and inflation outcomes—to have independent central banks, fiscal rules, and other policy frameworks.

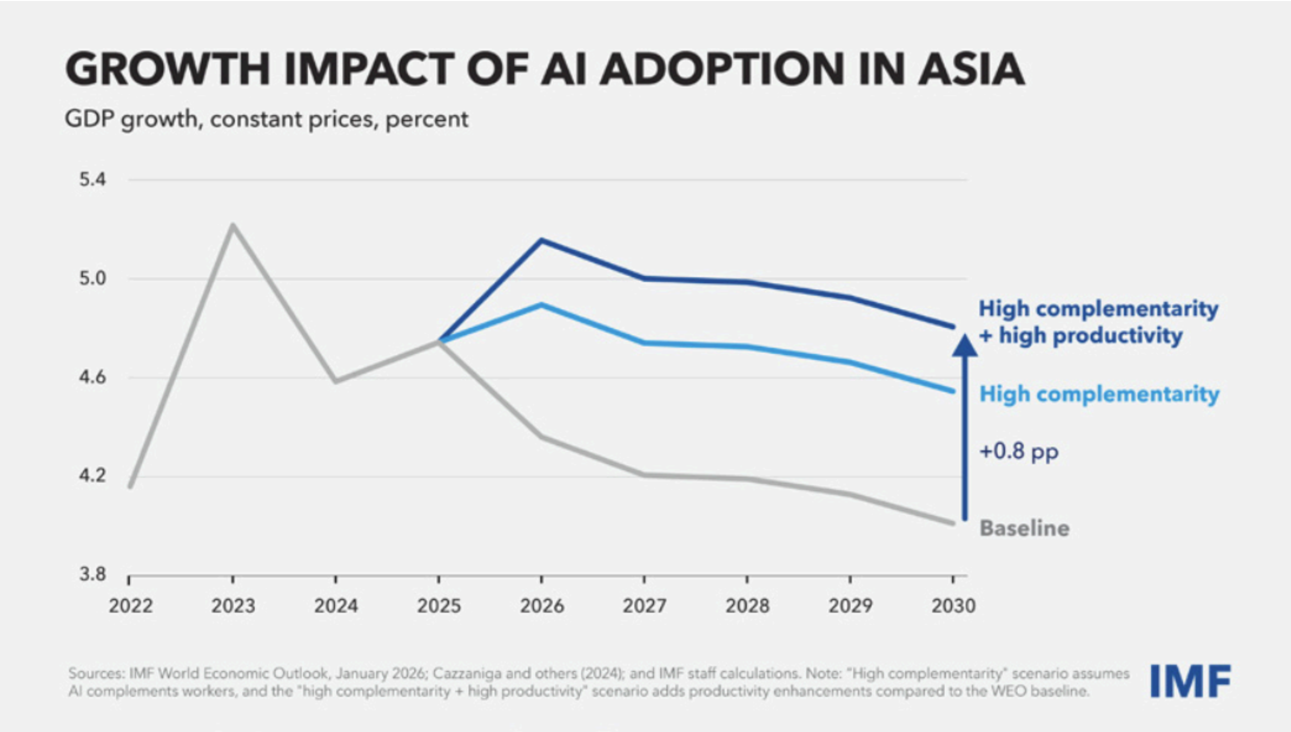
This helps economies **navigate change, manage risks, and seize opportunity**.

Take the example of the twin transformations of AI and demographics as they **fundamentally reshape job markets**. AI has vast potential to raise productivity, but also to eliminate old jobs and create new ones—harnessing it to improve overall welfare will require careful policymaking.

Demographics, in turn, leave us in a multi-speed world: aging societies in need of more labor force participation and more automation; and youthful, rapidly growing populations in need of jobs.



In Asia, we estimate AI could boost annual growth by up to 0.8 percentage points over the medium term. For Japan, this is **fantastic news**. Having for long been at the forefront in automation, Japan now seeks the largest possible productivity boost from AI, including by maximizing its workforce adaptability. It is leading the way in navigating the change brought about by the twin transformations of demographics and AI, supported by its strong institutional foundations.



Let me turn to the second element for coping with this fluid world: **financial buffers**, which provide both governments and firms with room for maneuver.

In the private sector, buffers allow firms to **compress their profit margins** to absorb shocks. In the last 11 months, we have seen such actions by exporters and importers limiting the passthrough of higher tariffs to sales prices, notably in the U.S. market.

In the public sector, buffers allow policymakers to **countercyclically cushion the impact of economic shocks**, the best example being the global policy response to the pandemic. For this reason, the IMF always advises countries to maintain fiscal space—so it can be used as a policy offset when shocks come and private demand slackens.

Equally, we insist that the ability to pursue countercyclical fiscal policy requires strong commitment to **replenishing buffers** in the good times—formalized, ideally, in a robust medium-term fiscal framework.

With that, let me move to the third key element for success: **agility**. Ultimately, buffers are only as good as the uses they are put to.

Generally speaking, the private sector tends to be more agile than governments. We see this in the way trade policy shocks and the forces of geopolitics more broadly are combining to deliver a private sector-led **global reconfiguration of trade**.

But governments also need to show greater agility in an uncertain and fluid world—seeing not only challenges, but also opportunities. One obvious example: **regional integration, especially here in Asia**. The EU sees internal trade making up some 60 percent of its total trade; in ASEAN, the figure is closer to 20 percent.

We at the IMF estimate that a push for closer regional trade links within Asia—focused on **lowering nontariff barriers**—could raise Asian GDP by 1.8 percent, on average, in the long run. This is an opportunity to be seized!

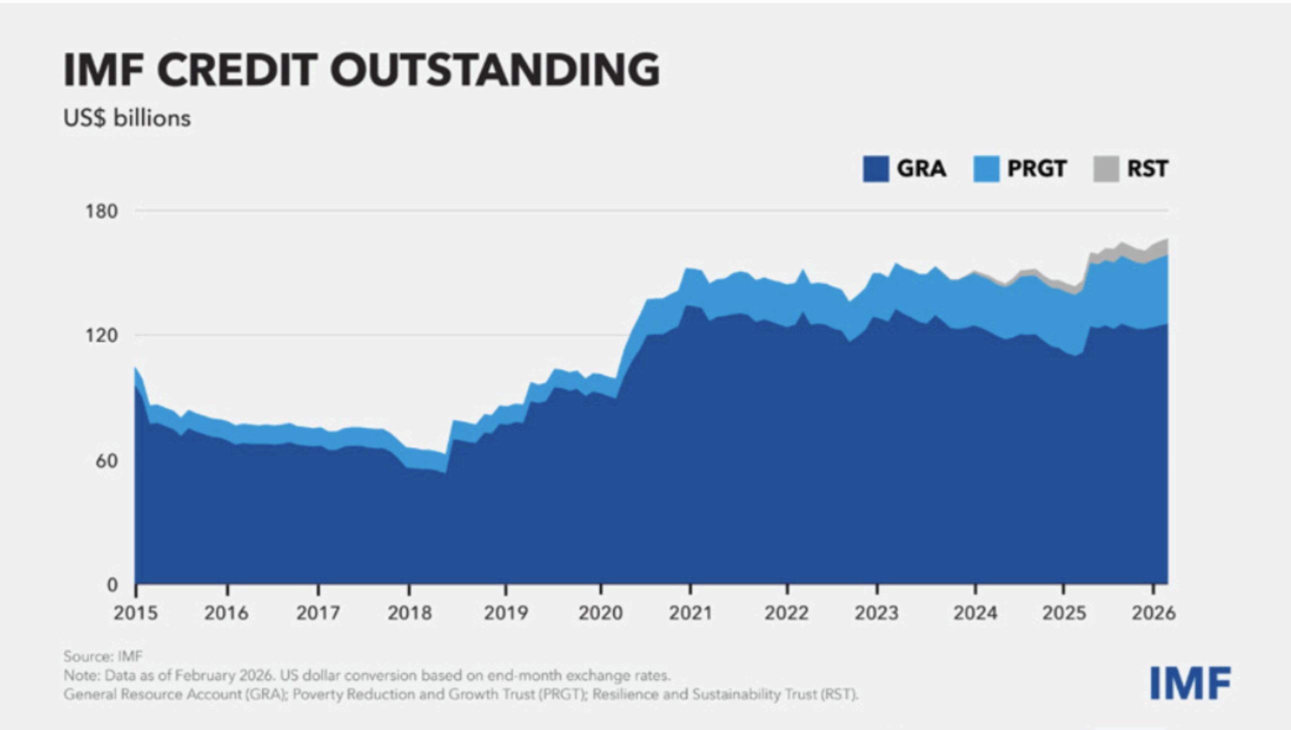
Another example of agility. Central banks have mandates that set their broad direction—be it an inflation target or a currency peg—but, beyond that, must always be **attentive to the data** in deciding how to use their policy space. Right here in Japan, we are witnessing a central bank nimbly responding to a transition out of prolonged below-target inflation with a series of deft policy decisions.

I salute Japan for its policy sophistication, and I cannot stress enough our appreciation for Japan's constructive contributions as the IMF's second-largest shareholder. For Japan, good policy goes beyond the pursuit of resilience and dynamism at home, to the enlightened promotion of stability and success abroad.

Japan helps us at the IMF **deliver on our mandate** as guardian of the international monetary system—as protector of stability and jobs—Japan supports the IMF along many dimensions: through its generous support for our capacity development work; its financial contributions to our quota base and concessional lending facilities for low-income countries; its peer review of 190 other IMF member countries' policies at our Board; and much much more.

In an uncertain and fluid world, **more countries are needing more of our support**. At the IMF, we help our members assemble and adopt strong institutions and policy frameworks, set their direction of travel in light of the global transformations, build and use their buffers, and be agile.

We do this through our surveillance, lending, and capacity development work. Our policy advice acts as a transmission line for best practice. Our capacity development improves the nuts and bolts. And, last but not least, our lending provides a safety net, catching countries that fall and lifting them back up—*this last slide shows that we currently have over $165 billion in total credit outstanding*. None of this we can do without **Japan's leadership,** as the largest donor to capacity development and concessional lending!



In closing, let me also recognize Japan's unwavering support for our **Regional Office for Asia and the Pacific**, right here in Tokyo. It symbolizes Japan's outward-looking view and its commitment to international cooperation. We are truly grateful.

I wish you all an **excellent day of discussion**, on trade, fiscal policy, and the international monetary system.

Thank you.