

ANXIOUS RELIEF OVER THE STATE OF THE GLOBAL ECONOMY

Anxious relief, such was the mood in Washington DC last week during the Annual Meetings of the International Monetary Fund (IMF), from official and private sector participants alike. Relief that the global economy, and all its regional parts, are doing much better than expected in the Spring despite the US tariff shock. Anxiety that underneath the recent benign economy and markets, tectonic shifts are underway, still in their early stages and poorly understood.

UNEXPECTED RESILIENCE

A rare area of consensus at the Meetings was that economic performance year-to-date had surpassed the gloomy expectations of the post “Liberation Day” Spring, and in the central scenario this should continue through 2026 as well. The reasons: resilient global trade, supportive financial conditions, reduced US policy uncertainty from the Summer onward and generally sound growth-supportive policies most everywhere else.

NOT IN THE CLEAR

Despite the relief, concerns abound. “*Low growth, high debt, more frequent extreme weather events and natural disasters, trade tensions, and excessive global imbalances*” were the common strains highlighted in the Chair’s Statement¹ concluding the meeting of the International Monetary and Financial Committee, the group of finance ministers and central bank governors acting as a steering body for the IMF. Alongside these issues, each region was seen to have its own mix of pros and cons.

- In the US, AI-optimism and the massive investments it is spurring are—for now—trumping the adverse impact of tariffs, policy ad-hockery, and concerns around Fed independence (extensively discussed at the Meetings). The “K-shaped” vigour of consumption (driven entirely by higher-income households, while those at the other end of the income distribution are cutting back) and “low hiring, low firing” equilibrium of the labour market were noted as reasons for caution about the outlook, but on balance more leaned toward a reacceleration of the pace of growth and expected a significant further pickup in inflation, reflecting that the bulk of the tariffs passthrough is ahead of us.
- “Europe’s moment”, a ubiquitous catchphrase at the Spring Meetings, appeared to have passed. Europe this time was little discussed outside of meetings among Europeans. A lot of growth-positive structural reforms are in motion, growth is accelerating gradually, and inflation is at target, pleaded the Europeans. Too little, too slow actual change, was the general perception of the others.
- The IMF gave emerging markets overall top marks for quality of economic policies, and private sector participants exhibited strong interest and optimism about their prospects (after historic outperformance of EM assets year-to-date already). However, China—whose representatives kept an unusually low profile at the Meetings—was singled out for its persistent structural policy challenges leading to deflation, weak domestic demand, and growing contribution to global imbalances.

BUBBLE, NO TROUBLE?

Where official and private sector participants’ assessments differed the most was in the appraisal of financial stability risks. A surprising consensus emerged that there is likely an “AI bubble” in US equities, but most private sector participants saw it as in its early stages (and hence still a buying opportunity). Conversely, the cracks that appeared in credit markets while the Meetings were underway drew relatively little attention from the official sector, who instead—following the lead of the IMF’s analysis—focused far more on the high and rising levels of public debt found in most advanced economies. These, by contrast, were a non-issue in private sector meetings (in line with bond yields suggesting little concern). Against this backdrop, Raghuram Rajan, former Indian central bank governor and IMF Chief Economist, was a lonely voice in calling for central bankers to avoid taking a “*blinkered view*” of monetary policy that could lead to excessive easing at a time when plentiful liquidity is driving up prices in literally all asset markets around the world².

THREE TECTONIC SHIFTS

NBFIs. Alongside cyclical financial stability concerns, policymakers dedicated extensive attention to understanding the growing role in financial intermediation of “non-bank financial institutions” (NBFIs), and its implications. This development is now acknowledged to be an unintended consequence of the global tightening of bank regulations that followed the 2008 global financial crisis. While the policy implications have yet to be determined, differences are emerging across jurisdictions in terms of willingness to reconsider these regulations. A salient area of concern highlighted at these Meetings lies in the ties between NBFIs and banks, likely to receive more scrutiny going forward.

A new geoeconomic era. After decades of stability and clarity in the world’s geopolitical architecture, received wisdom was that economic and geopolitical relations occurred in parallel universes. Engaging in the former without much if any attention to the latter was standard practice. Now, this architecture has crumbled, and the two dimensions have become tightly intertwined. Much as the previous world was easier to navigate for economic policymakers and business leaders, there is no going back. This diagnosis being widely shared by participants in the Meetings, three issues stood out as needed urgent attention.

1. US-China: the two super-powers are engaged in a high-stakes strategic competition which, if poorly managed, can result in heavy bilateral and collateral damage. They urgently need to set boundaries, clarify their respective objectives, and preserve a modicum of political space to collaborate where essential.

¹ See [Chair’s Statement Fifty-Second Meeting of the IMFC - Mr. Mohammed Al-Jadaan, Minister for Finance of Saudi Arabia](#)

² See [Could central banks ease too much?](#), Raghuram Rajan, Financial Times, October 17, 2025.



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2. Economic sovereignty/efficiency tradeoff. The pendulum is now forcefully shifting back from the latter to the former in national policymaking around the world. But policies that pursue economic sovereignty without regard for efficiency and hence growth will ultimately fail. Working with allies (to preserve scale) is therefore key.
3. The future of multilateralism: *"Battered and bruised, but not broken"* was a phrase often heard around DC last week. Reassuringly, most policymakers from around the world fully appreciate that collaboration is more essential than ever to tackle the biggest challenges of our time, from climate change to pandemics and existential risks from AI. And they displayed clear appetite to engage and reform existing institutions where needed (notably the WTO).

Stablecoins. The newest topic of the three, at the intersection of geopolitics and finance. Blockchain-based finance had featured at the IMF Meetings for several years, but it was propelled from bottom to top tier issue by the adoption of the GENIUS Act in the US in July, in particular its explicit goal of entrenching the dominant role of the dollar in the international financial system. Meetings participants woke up to the fact that their volume grew 100x in the last 5 years and that they have the potential to bring blockchain-based finance to the mainstream (by providing the native cash that was hitherto lacking), disrupt and possibly displace traditional payments providers, particularly for international payments, facilitate the financing of illicit activities, undermine other countries' ability to enforce capital controls and, in extreme cases, run monetary policy. In jam-packed sessions across town, policymakers, stablecoin issuers, fintech and traditional finance representatives debated the multitude of novel questions raised by stablecoins for trust in money, sovereignty, financial stability, and the future of finance itself³.

In all, these are challenging times, but - in the apt words of the IMFC Chair's statement itself: *"The global economy is undergoing a profound transformation and facing elevated uncertainty, bringing challenges, but also opportunities."* There is comfort to be found in the knowledge that the vast majority of policymakers and finance leaders who attended the Meetings are fully aware of the stakes and willing to act accordingly.

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³ For a first look at this question, see our own analysis [Stablecoins and the forgotten merits of fractional reserves](#) (Laurent Quignon, Ecoweek editorial, 10/14/2025).



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