IMF SPRING MEETINGS: COMING TO TERMS WITH MULTIPLE REGIME CHANGES WITH REALISM, RESILIENCE AND REWIRING

Despite the war and energy shocks unfolding in parallel to the Meetings, finance officials, central bankers and other delegates took the situation with a poise that contrasted with the sense of shock that followed Liberation Day. Unable to predict with any degree of confidence how the war would evolve, and hence how large the economic damage would be, delegates focused more than usual on what lies beyond the near-term outlook: regime changes in geopolitics, economics and markets; how to explain and preserve recent resilience; and the multiple ongoing re-wirings of the fabric of the global economy and financial markets. Here are some personal key takeaways.

REALISM

While interactions at the IMF/WB Meetings are always, to some degree, a communication exercise, participants, this time, appeared remarkably lucid and candid about the scale of the challenges faced:

No baseline. Rather than providing its usual baseline year-ahead forecasts, the IMF acknowledged that with the future path of the ongoing war in the Middle East still highly uncertain, and hence too the size and length of the energy shock, the best that could be done was to provide different scenarios: a benign "reference" one, a mildly adverse one and recessionary one. In all scenarios, growth is revised lower and inflation higher, with net energy importers and poorer countries hit disproportionately. So far, so consensus. But Saudi Finance Minister Al-Jadaan, who chairs the International Monetary and Financial Committee, struck many by his words of warning that "*the hope is that we will see a serious, credible deescalation. And until that happens, I do not think we are on whatever base scenario*."[1]

Prudent policy responses. Against the backdrop of ever-rising public debts, the IMF and central banks cautioned fiscal authorities that any support to help handle the energy shock should be targeted, temporary and tailored (i.e., small). For central bankers, prudence meant adopting a firm wait-and-see stance, promising both vigilance and, at least in developed markets, patience. They vowed not to let inflation get out of hand again, but equally not to tighten policy unless and until they saw evidence of second round effects (e.g., in inflation expectations, wages, or prices beyond energy). Key to this posture was high uncertainty not just about the size and length of the energy shock, but also about households and firms' reaction to it in the current macroeconomic environment, very different from that of 2022.2

Geopolitical regime change: "I*nternational law is a fiction invented by the US and it is gone!*", said a US official at one Spring Meeting dinner. The return of "hard power" was another theme running through the Meetings. The war in the Middle East will not be the last manifestation of this, and many warned Greenland would return to front pages soon. Three implications were widely shared: first, the level of geopolitical risk is set to be permanently higher; second, all nations that hitherto benefited explicitly or implicitly from US military protection should move quickly to being able to defend themselves; third, China's standing as a top power comes out stronger, both in a relative and an absolute sense. And the current US administration will not directly confront it.

Economic regime change. String together the key topical economic themes discussed across various Spring Meetings panels, and regime change is undoubtedly what they add up to:

- Multiple supply constraints becoming binding in succession, gradually (e.g., electricity near data centers, labour force) or suddenly (e.g., rare earths, helium or oil);
- Inflation needing to be pushed down to target, not up;
- Investment needs exploding (infrastructure, defense, energy, AI) instead of a global savings glut, leading to a structurally higher cost of capital;
- Resilience and sovereignty competing with efficiency in corporate decisions and public policies;
- Artificial intelligence (AI) having the potential to alter the growth paths of all economies that adopt it, but also wreak havoc in their labour markets.

Persistently high uncertainty. The result of all these paradigm shifts is that unusually high uncertainty regarding the path of the economy prevails and is likely to persist. This requires fundamental changes in decision-making approaches by policymakers, entrepreneurs and investors alike to shock-proof their strategies.

RESILIENCE, UP TO A POINT

Economic resilience. Despite the multitude of shocks that have hit the global economy in recent years, growth outcomes have been solid, inflation mostly tamed, and labour markets strong but not overly so. The IMF scenarios assessing the impact of the ongoing energy shock further confirm this diagnostic. The causes? Spring Meetings delegates saw three: plentiful liquidity and easy financial conditions, fiscal accommodation, and investment booms driven by strategic needs: technological modernization (including, but not limited to AI build-up and adoption), rearmament, and supply-chain adaptation (*see below*).

Market resilience. The apparent disconnect between buoyant stock markets and economic risks was noted in nearly all conversations. Policymakers were more concerned than private sector participants, however. The latter stressed that stock markets are narrower than economies; in the US in particular, they overwhelmingly reflect the dynamism of a handful of tech firms, which is expected to continue. More generally, while few doubt the ongoing war in the Middle East will leave a long tail of economic costs, it is also possible to be more bullish about the prospects of firms benefiting from the ongoing structural transformations of the economy. Most are in the US, but not only.

1 See Press Briefing Transcript: International Monetary and Financial Committee, Spring Meetings 2026
2 We document these differences systematically here

If anything, private sector participants appeared more concerned by the limited extent to which sovereign bond markets have started pricing in fiscal risks, notably in the US.

Wearing thin? While the structural drivers of resilience are likely here to stay, financial conditions will need to reflect more hawkish central bank policies, and could be further tightened by a variety of factors: growing concerns around private credit limiting additional financing flows from this source; sudden spikes or even just a gradual increase in risk aversion, from a place where credit spreads are at all-time lows, and term premium off its lows but conceivably still too low (given the near record-high levels of public debt to GDP/ratios in most countries, and often rising).

REWIRING FOR THE NEW WORLD WE ARE IN

Shock-proofing supply chains. Prior to the war in the Middle East , the focus would have been almost exclusively on critical materials, after China's brief imposition of export controls last year revealed how manufacturers in the entire world critically depend on this chokepoint. But the disruptions triggered by the war made clear that the goal has to be defined more broadly, namely immunizing supply chains both from known chokepoints and from unknown disturbances, be they geopolitical, cyber, or nature-driven (like pandemics or climate change). Expect substantial efforts and capital to be deployed from governments and businesses alike towards diversification of suppliers (and energy sources), stockpiling, and emergence of national or regional champions in areas deemed essential for sovereignty.

AI. The topic was ubiquitous at the Meetings, with far more questions than answers at this stage. While there is general optimism about its potential to raise productivity, create new jobs and continue to generate large revenues for some, there was at least an equal amount of unease about the seismic risks posed to job markets and financial stability. The latter relates to concentration risk inthe stock markets and economies of countries at the center of the AI production chain (notably Korea and the US). In the US, the concentration risk extends also to investment grade credit markets, and private credit.

Dedollarization. Like last Spring, the theme featured prominently, but with new angles. We should expect meaningful shifts in capital flows as most Gulf countries receive lower export revenues owing to the war and will need to recycle them at home to rebuild rather than invest them abroad. Separately, consensus expects further diversification from overexposure of global investors to the US, but return-seeking capital will continue to find US markets uniquely attractive; however, concerns surrounding US Treasuries and their unreliability as risk hedges in the current environment mean that non-US assets are now needed for risk management. Europe was generally seen as attractive in that context, as well as emerging markets; within the latter group, for the first time in a long while, Latin America stood out with a combination of attractive features: relatively insulated from the ongoing energy shock, large producer of many raw materials that the world needs, credible central banks, and more market-friendly governments.

Digital Finance. These meetings confirmed, even more than the last, how far this topic has come of age, mobilizing leading central bank chiefs, regulators and finance CEOs alike. A notable evolution from the last IMF/WB Meetings was the shift from enthusiasm about stablecoins to excitement about tokenized finance at large. An emerging consensus was that if the main traditional finance actors are able to cooperate to tokenize their existing products and services and make them interoperable, as they intend to, the use cases for stablecoins will remain very limited. For many, this would be a good outcome.

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