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GRAY/22/1087

April 26, 2022

**Statement by Mr. Bhalla and Mr. Natarajan on Review of the Fund's Income Position for
FY2022 and FY2023-24
(Preliminary)
Executive Board Meeting
April 28, 2022**

1. We thank the staff for the comprehensive paper on the Review of the Fund's Income Position for FY 2022 and FY 2023-24. The income estimates are subject to the elevated uncertainties arising from the rapid developments in the global economy, volatile and divergent economic recoveries, inflationary pressures, and turbulence in financial markets. Though lending operations are expected to increase, its extent is subject to wide variation. A financially strong IMF is important for ensuring robust and reliable support to the members. Broadly agreeing with the proposals, we urge the Fund to closely monitor the income situation and take measures to mitigate the risks.

2. We note that the net operational income is estimated to be broadly in line with the initial estimate in April 2021 although there are significant changes in the underlying factors and variations in different elements of income and expenses. The lending income is expected to be lower than the estimates due to fewer purchases and the phasing of drawings. Given lending operations are the core of the Fund's support to the members, it is important to evaluate the reasons and dynamics behind this situation. *Staff may comment.*

3. Investment income from the Fixed Income Subaccount (FI) remains subdued due to relatively low yields and the uptick in interest rates. Investment income from the Endowment Subaccount (EA) is likely to be stronger than the projections due to the strengthening of USD against SDR, offsetting the impact due to negative yields. Though the EA cushion has grown considerably, we concur with the staff proposal to retain the income earned in EA as this can help maintain a balanced portfolio that is resilient in different economic and inflation scenarios. We take note of the remeasurement gains in pension-related adjustments due to the increase in the discount rate during the year.

4. We agree on the need to calibrate the allocation of income to special and general reserves. Since the special reserve is the first-line of defense against administrative losses including remeasurement losses, we concur on the proposed option to allocate all IAS 19 remeasurement losses and gains to the special reserve and allocate the remaining positive net income in equal parts between the special and general reserve. The sensitivity analysis shows that the income and expenses are expected to remain volatile in the near term, particularly to changes in margin for the rate of charge and investment income margin. Taking into account the need for coverage of intermediation costs and reserve accumulation, we go along with the proposal to keep the margin unchanged at 100 basis points.