

G7 Finance Ministers and Central Bank Governors’ Statement on the global economic impact of Russia’s war of aggression against Ukraine and G7 support to Ukraine

Washington D.C., 12 October 2022

We, the G7 Finance Ministers and Central Bank Governors, met in Washington D.C. We were honoured to be joined by the Ukrainian Finance Minister. We were also joined by the Heads of the International Monetary Fund, World Bank Group, Organisation for Economic Cooperation and Development, and Financial Stability Board.

1. We remain steadfast in our support for and solidarity with Ukraine. Equally, we remain united in our condemnation of Russia’s war of aggression against Ukraine and the tragic loss of life resulting from the war and reiterate the statement made by our Leaders on 11 October 2022.
2. Russia’s war of aggression is causing significant global economic disruptions, adding stresses to a global economy that was only beginning to recover from the pandemic and work through supply-demand mismatches. We urge Russia to immediately end its unjust and brutal war – this is both a moral imperative and the single most important priority to improve the outlook for the global economy at this difficult juncture. Russia’s war has caused substantial further increases in commodity prices, including energy and food, exacerbating elevated levels of inflation in many economies around the globe and felt disproportionately by low and middle-income countries.
3. G7 central banks are strongly committed to achieving price stability, in line with their respective mandates. To that end, central banks are closely monitoring the impact of price pressures on inflation expectations and will continue to appropriately calibrate the pace of monetary policy tightening in a data-dependent and clearly communicated manner, ensuring that inflation expectations remain well anchored, while being mindful to limit the impact on economic activity and cross-country spillovers.

4. We will also continue to closely monitor global markets given recent volatility and welcome the monitoring and analysis of the Financial Stability Board. Recognising that many currencies have moved significantly this year with increased volatility, we reaffirm our exchange rate commitments as elaborated in May 2017.
5. We will continue to work together to mitigate the impact of the war globally, in particular for low and middle-income countries, as well as on our own economies and population by providing necessary support in a temporary and targeted manner. As we adjust our fiscal policy stance in this context, we remain committed to a stability- and growth-oriented medium-term macroeconomic policy, which puts us on a clear path to medium-term sustainability of public finances and a resilient financial sector.
6. In the context of the particularly devastating effect of Russia's war of aggression on global food security and nutrition, we strongly welcome the International Monetary Fund's new Food Shock Window to help address urgent balance of payments needs related to food insecurity, particularly in vulnerable countries. We fully support the stepped-up response by the international financial institutions and welcome the World Bank's commitment to deliver 30 billion US dollars and the International Finance Corporation's commitment to deliver 6 billion US dollars for food security, including efforts to encourage food and fertiliser production in alignment with sustainability criteria, enhance food systems and their resilience, remove unjustified trade restrictions, and support vulnerable households and producers.
7. The G7 will continue to stand with Ukraine for as long as it takes and remain strongly committed to supporting Ukraine's urgent short-term financing needs. Since the start of this brutal and unjustifiable war, the G7 along with the international community has provided significant support to Ukraine, demonstrating great unity and strength in addressing Ukraine's urgent humanitarian, material and financial needs. For 2022, we have mobilised 33.3 billion US dollars of budget support, including 4.5 billion US dollars in additional grants announced most recently by the United States, to help Ukraine close its financing gap and continue ensuring the delivery of basic services to the Ukrainian people. Additional planned support to Ukrainian state-owned enterprises and the private sector through the European Bank for Reconstruction and Development and the International Finance Corporation amounts to 3.4 billion US dollars. The aforementioned support is in addition to ongoing G7 military, humanitarian and early-recovery support to Ukraine.

8. As a result of our efforts, budget support disbursements to Ukraine already total 20.7 billion US dollars in 2022. With the disbursement of the scheduled additional support for the remaining months of this year, Ukraine's most urgent financial needs are expected to be covered for 2022. Together with the international community and in close cooperation with the government of Ukraine, we remain committed to supporting Ukraine in the months and years ahead. Ukraine faces a significant financing gap in 2023 to continue the delivery of basic services, address the most critical infrastructure deficiencies and maintain a stable economy. We support the IMF's close engagement with Ukraine and strongly welcome the IMF Board's approval of 1.3 billion US dollars in further emergency support for Ukraine. We also appreciate the World Bank Group's engagement and fast disbursements of mobilised resources. We welcome Ukraine's request for an IMF Staff Monitored Program with Executive Board Involvement to help Ukraine develop and adhere to a consistent macroeconomic framework, identify financing needs, and thereby make progress towards a full-fledged IMF program, to follow as soon as possible. We also support the work that donors and international financial institutions are doing with Ukraine to put in place a viable and inclusive platform for Ukraine's reconstruction.

9. We welcome that the Group of Creditors of Ukraine¹ and the government of Ukraine concluded a Memorandum of Understanding on 14 September 2022 to implement a debt service suspension until the end of 2023, in order to complement the request made by Ukraine to private creditors. This measure eases Ukraine's liquidity pressures and allows its government to maintain critical expenditures despite Russia's war of aggression. This initiative also supported the important agreement of the government of Ukraine with private bondholders and warrant holders to defer debt payments for two years. We urge all other official bilateral creditors to swiftly reach agreement with Ukraine on a debt service suspension.

¹ Group of Creditors of Ukraine: Canada, France, Germany, Japan, United Kingdom and United States of America. Observers to the Group include Australia, Austria, Belgium, Brazil, Denmark, Finland, Ireland, Israel, Italy, Korea, the Netherlands, Norway, Spain, Sweden, and Switzerland.

10. We re-emphasise our shared commitment to our determined and coordinated sanctions response to Russia's war of aggression – including strong recent actions in response to Russia's fraudulent attempt to annex sovereign Ukrainian territory. We remain committed to fully implementing and enforcing our economic and financial sanctions and remain vigilant against sanctions evasion, circumvention and backfilling. We reaffirm that with our measures we are not targeting food; we allow for the free flow of agricultural products and make every effort to minimise potential negative impacts and spillovers on third countries, in particular low and middle-income countries.

11. Recalling the G7 Finance Ministers' Statement on 2 September 2022, we reiterate our joint political intention to finalise and implement a comprehensive prohibition of services which enable maritime transportation of Russian-origin crude oil and petroleum products globally – the provision of such services would only be allowed if the oil and petroleum products are purchased at or below a price cap. We welcome that Australia has joined the price cap coalition. We confirm that the coalition has made significant progress on all key aspects since its inception in September and is continuing to work to align implementation with the timeline of related measures within the EU's sixth sanctions package. We underscore that by stabilising global oil prices and already placing downward pressure on Russian revenues, the price cap would have the potential to be particularly beneficial to countries, notably vulnerable low and middle-income countries, suffering from high energy and food prices, aggravated by Russia's war of aggression. We also highlight that industry in all countries can continue to utilise coalition maritime services if purchases are at or below the price cap, irrespective of formal coalition participation.

12. In line with G7 Leaders' commitments at Elmau, we continue to encourage oil-producing countries to increase their production to decrease volatility in energy markets. We will continue to engage OPEC+ countries on this critical issue amid tight supply conditions despite their recent disappointing decision.