



CHAPTER 1

**SAFEGUARDING
ECONOMIC STABILITY
THROUGH QUALITY
SURVEILLANCE**

One of AMRO's three core functions is the macroeconomic surveillance of member economies. The overarching objective is to identify risks to economic growth and stability—with a focus on the balance of payments and the financial sector—and prescribe policies to address those risks.

This surveillance comprises four interconnected areas of work:

- Strengthening the surveillance framework
- Undertaking country surveillance
- Undertaking regional and sectoral surveillance
- Conducting thematic studies and research

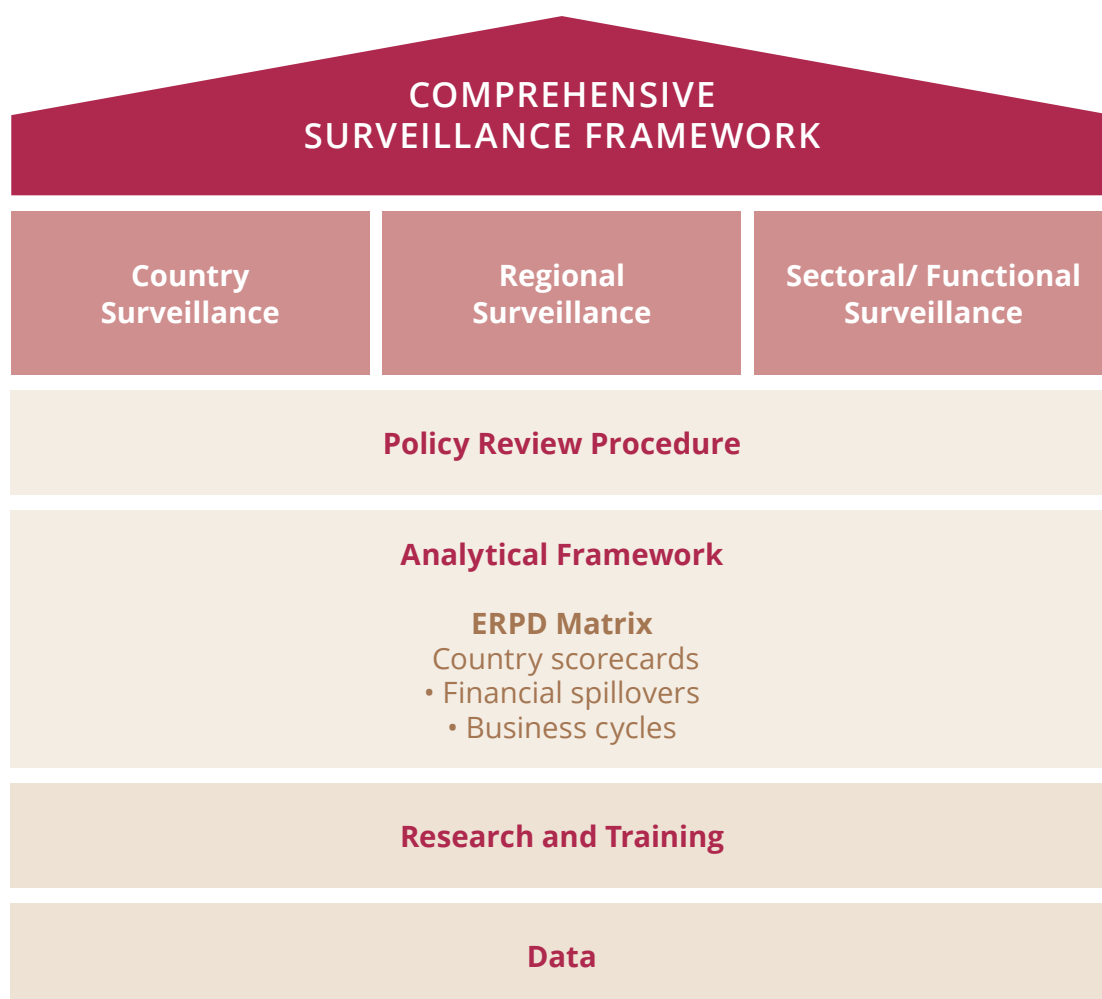
AMRO's 10-year anniversary caps off a decade of consistent improvement in surveillance. Over this period, AMRO has significantly strengthened its surveillance capacity by revamping its overall surveillance framework and developing analytical toolkits. It has also bolstered

its regional and sectoral surveillance through the establishment of dedicated teams for these functions.

Following its first ACR in 2011, AMRO started publishing its country surveillance reports under a new publication policy, and launched its annual flagship report, the AREO, in 2017. Since then, AMRO has been publishing an increasing number of surveillance reports, opinion pieces and blogs to provide timely analyses on topical economic issues and developments.

STRENGTHENING THE SURVEILLANCE FRAMEWORK

Guiding AMRO's macroeconomic surveillance is a framework that has been progressively strengthened from year to year.





In 2021, AMRO further developed toolkits for analyzing economic, trade and financial markets, including a shipping congestion tracker, a bond issuance tracker, and an import-adjusted GDP calculator. In March 2021, the EC approved a revised guidance note for AMRO Country Surveillance Consultation.

AMRO also implemented a data management platform (Domo) for internal data collaboration, with an upgraded ARTEMIS platform. This platform contains many automated analytical tools—developed by AMRO’s economists—that cover the various economic sectors (government, financial institutions, corporates, households, markets) and types of risks (credit, liquidity, valuation, positioning, spillover, policy, climate, pandemic) on AMRO’s Financial Stability Grid. The datasets derived by the tools have been made available for download via MiDAS (Macro-financial Database for ASEAN+3 Surveillance), as well as the ARTEMIS platform.

UNDERTAKING COUNTRY SURVEILLANCE

Country surveillance comprises two major functions:

- Monitoring, assessing, and reporting to members on their macroeconomic status and soundness; and
- Identifying macroeconomic and financial risks and vulnerabilities in the region for members and assisting them in the timely formulation of policy recommendations to mitigate such risks.

In 2021, AMRO, in consultation with country authorities, mainstreamed the Economic Review and Policy Dialogue (ERPD) Matrix framework into country surveillance. It also updated the Surveillance Operational Manual to further enhance the country surveillance process with improved guidelines on consultation activities, engagement, and report production and circulation.

Faced with pandemic-related travel restrictions, AMRO staff continued to conduct virtual ACVs, as well as virtual interim visits, in an efficient and effective manner (11 ACVs and eight interim visits in 2021 compared with six ACVs and nine interim visits in 2020). During both ACVs and interim visits, AMRO staff managed to integrate regional, country, and functional surveillance through the participation of regional economists as well as financial and fiscal specialists. AMRO staff published nine ACRs and conducted four virtual media briefings to disseminate the key findings of these reports.

To deepen the engagement for its surveillance work, AMRO staff seeks to foster policy discussions between country teams and authorities. This occurs firstly during the ACVs and interim visits. In 2021, some country teams made efforts to first share AMRO’s analyses and views of key issues with their respective authorities, and then raise deeper questions during the consultation. This promotes two-way dialogues with members.

Secondly, these discussions also occur through ad-hoc conversations outside of the ACVs and interim visits. In 2021, several country teams conducted ad-hoc meetings with member authorities on economic updates and selected issues including government bond markets, public debt projections, and financial sector reform. Country economists also participated in the policy discussions with authorities and other experts during the seminars hosted by member authorities.

Thirdly, these discussions are now being facilitated through the country archives. In 2021, some country teams started to utilize the Domo platform to set up country archives for easier reference internally.

Fourthly, in 2021, AMRO staff engaged in more frequent consultations with market participants in order to understand and monitor more closely financial market developments in member economies. Country teams also sought to conduct more meetings with commercial banks, rating agencies, and investors during the ACVs and interim visits.

Finally, 2021 saw the promise of more cross participation of the IMF and AMRO staff in missions. Both organizations agreed to expand the scope of cross participation in each other's missions. Many members have consented to AMRO staff participating in the IMF missions to their economies.

UNDERTAKING REGIONAL AND SECTORAL SURVEILLANCE

Regional surveillance is essential in identifying the broader global and regional trends that may have spillover effects on the region as a whole, and on specific sectors. This feeds into AMRO's annual flagship report, the AREO 2021, which was published in March, and was followed by an AREO Update in October.

The COVID-19 pandemic's persistent impact on the region shifted the focus of surveillance toward the close monitoring and analysis of pandemic-related issues and developments. As a result, AMRO continued to produce the Daily Market Update, the Biweekly COVID Monitor, the Monthly AMRO Economic Calendar, and Monthly Pandemic Policies Updates.

AMRO also continued to publish its analytical notes and market insights to provide more timely analysis on how the pandemic and other developments affected the region's financial markets and economic growth, e.g., "[Divergent Recovery in the ASEAN+3 amid the COVID-19 Pandemic](#)"; "[Price Wars: The Return of ASEAN+3 Inflation?](#)"; "[A Survey of ASEAN+3 Vaccine Views](#)"; and "[The Failure of Archegos Capital Management: Estimating Potential Spillovers to ASEAN+3 Financial Systems](#)".

Webinars allow AMRO to first share some of its early research and preliminary findings with members, and then enhance it through the discussions. For instance, a webinar on using tax incentives for foreign direct investment (FDI) for the ASEAN+3 members was held in early October 2021, which then led to [a policy perspective paper](#) later that month. Meanwhile, the study on the indicator-based debt sustainability analysis was conducted and presented to ASEAN+3 members in the TA training webinar in November 2021.

AMRO is constantly scanning the global macroeconomic environment for trends and developments that could affect regional economies. 2021 saw global tax reform rise to the top of international and multilateral agendas. As such, AMRO published [an analytical note](#) and [an update](#) on the global tax reform, which explained the main areas of reform, highlighted key unresolved issues, and outlined the implications for ASEAN+3 member economies. These studies provided timely analysis for policymakers, prompting them to examine and fine-tune their tax systems amid the evolving global and domestic environments.

AMRO also started mining real-time data (e.g. [shipping data](#), [cruise tourism data](#)) to gain insights about the pandemic's impact on different sectors. It launched [an interactive supply chain slider](#) in October 2021, which uses big data to track port activities around the world.

The financial surveillance team contributed to the analysis and discussion with member authorities on the CMIM Fair Value Model, and provided a tutorial on the reverse stress test to officials of a member at their request in July 2021, following the release of the stress-testing template to members.



CONDUCTING THEMATIC STUDIES AND RESEARCH

Aside from the regular reports and consultations, which are more conjunctural in nature, AMRO economists also conducted in-depth studies, which are related to structural issues specific to each economy, and which address challenges that member economies may face.

For instance, in this year's AREO, AMRO included a thematic chapter on [Global Value Chains \(GVCs\) in the Post-Pandemic "New Normal"](#). The pandemic has intensified debate about the future reconfiguration of GVCs because of the massive disruptions to global supply chains and the accelerated adoption of digital technologies in trade and other economic activities. The chapter discussed these complex issues and policy considerations for ASEAN+3, given the importance of trade to the region.

The year 2021 also saw cross-team collaboration on pressing and topical issues such as COVID-19 as well

as the sharpening of surveillance content on sectors or areas more pertinent to an economy's macroeconomic outlook, e.g., [the housing market in Korea](#); [China's contributions and challenges in high-technology global value chains](#); and [FDI as a driver of economic growth for Vietnam](#).

AMRO also continued refocusing content in the ACRs to address emerging issues surfaced by the pandemic, e.g., [Thailand's tourism sector](#), the [labor market in Singapore](#); the [COVID-19 Cash Transfer Program in Cambodia](#); [pandemic-related loan restructuring and impacts on banks' performance in Indonesia](#); [the demand and supply for Malaysian government bonds in 2021](#); and [the impact of the pandemic on overseas remittances to the Philippines](#).

AMRO plans to expand its research program into thematic issues pertinent to the region's long-term growth, including climate change, fintech, central bank digital currency, and global tax reform.

FREQUENT CONSULTATIONS WITH MARKET PARTICIPANTS

The financial surveillance team continued to stay in touch with market participants and drafted notes and market insights on topical issues, such as [the impact of rising US Treasury yields on the ASEAN+3 region](#).

Several country teams stepped up efforts to engage with market participants more frequently in order to follow the financial market development in member economies. Country teams also conducted multiple meetings with banks, rating agencies, and investors during the ACVs and interim visits. AMRO's Singapore and Hong Kong teams, along with the fiscal surveillance team, have conducted several meetings/consultations with tax experts of the global accounting firms based in Singapore and Hong Kong about the global tax reform and the implications for regional economies. AMRO published their meeting notes and findings as [analytical notes](#) in September and November of 2021.

These efforts have helped AMRO stay abreast of daily movements in the constantly changing financial markets, examine the challenges and opportunities facing the sector, and provided invaluable input to AMRO's surveillance work.



AMRO holds a webinar to discuss global value chains in the “new normal” on April 7, 2021.



The 2021 ASEAN+3 Regional Economic Outlook launch is livestreamed on March 30, 2021.